

OZNER 浩澤

Ozner Water International Holding Limited
浩澤淨水國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2014)



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ABOUT THIS REPORT

This report is an Environmental, Social and Governance (“ESG”) report issued by Ozner Water International Holdings Limited (“Ozner” or “Group” or “We”), together with its subsidiaries. This report accounts for the Group’s policies, measures and performance in protecting the environment, strengthening employer-employee relationships and serving social communities for the year ended 31 December 2019.

Preparation Basis for the Report

The ESG report is prepared in accordance with the “Environmental, Social and Governance Reporting Guidelines” contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). During the year ended 31 December 2019, the Group has complied with the “comply or explain” provisions contained in the Environmental, Social and Governance Reporting Guidelines.

The data collected for this ESG report are adopted from the Group’s internal database and other relevant statistical data.

Scope of the Report

This report summarizes the Group’s endeavours and achievements to implement corporate social responsibility and promote sustainable development during the period from 1 January 2019 to 31 December 2019, covering six major aspects, namely “green development”, “shared development”, “synergistic development”, “sustainable development”, “compliance development” and “harmonious development”.

The Group’s companies whose single annual revenue represents more than 5% of the annual revenue of the Group and those whose single total assets represent more than 5% of the total assets of the Group were included in the scope of this report. The total annual revenue of all companies in the scope of this report exceeds 90% of the Group’s total annual revenue and the total assets of all companies in the scope of this report exceed 90% of the Group’s total assets.

The organization framework contained in this report include the Group’s headquarters and a handful of its major subsidiaries, including, Shanghai Haoze Water Purification Technology Development Co., Ltd. (“Shanghai Haoze”), Shaanxi Haoze Environmental Technology Development Co., Ltd. (“Shaanxi Haoze”), Foshan Lepuda Motor Co., Ltd. (“Foshan Lepuda”), Guangdong Bili Drinking Water Equipment Co., Ltd. (“Guangdong Bili”), etc..

Board Participation

The board of directors of the Group (the “Board”) is responsible for monitoring and reviewing the environmental, social and governance matters of the Group. In the decision-making process, we will fully consider and assess the environmental, social and governance risks and maintain an effective risk management and internal control system. The Board deals with environmental, social and governance matters through regular communication with the Group’s senior management, monitoring the daily operations of the Group and updating internal policies as and when necessary.

How to Obtain the Report

The electronic version of this report is available from the official website of the Group at www.ozner.net and the website of the Stock Exchange at www.hkexnews.hk. This report is published in traditional Chinese and English. For any misunderstanding caused by language, the Chinese version shall prevail.

ABOUT US

Message from the Chairman

As we set foot on being an environmental-friendly and integrated enterprise, our Group has been continuously seeking a balanced development of business interests, environmental protection and social responsibility for many years, striving to create an operating mechanism for sustainable development. We have the courage to shoulder the important tasks of serving local economic development, environmental improvement and living standards enhancement, as well as the responsibilities and obligations entrusted by stakeholders to promote the sustainable development of the enterprise and society.

In 2019, China's economic operation was generally stable while making progress steadily, with development quality steadily improved. This year, due to the severe and complex internal and external environment, the domestic and international risk challenges facing China increased significantly. Under external shocks, long-term deep structural contradictions in the domestic economic operation became prominent, and downward pressure increased. At the same time, the Chinese economy was shifting from a stage of rapid growth to a stage of high-quality development, which brought many opportunities and challenges to enterprises.

Affected by China's overall economic situation, the development of China's water purification industry slowed down in 2019. Domestic water purification companies have entered into a stage of exploration and transformation. As a leading player in the industry, Ozner has acquainted itself with the market, and seized opportunities to develop extensively. The Group managed to maintain a stable growth of results in 2019. We ranked top in the commercial market share of water purifiers across the country, and set ourselves far apart from the aggregate share of peers ranked second to fifth, with end-users exceeding 100 million. Ozner's operation model of "shared service" is widely recognized by the market. By expanding and strengthening the commercial leasing model business, the renewal rate of commercial leasing customers were higher on going basis.

Positioned as a service provider of around-the-clock solutions for safe drinking water, Ozner is committed to providing users with professional scenario-based water purification service solutions. With the support of the Internet of Things ("IoT") and big data technology, we provide users with intelligent interactive, convenient and efficient full-field intelligent services. After years of practice and exploration, Ozner has made unremitting efforts in the innovation, research and development of water purification products, the iterative upgrade of the IoT technology, and the lean production of intelligent manufacturing.

Ozner continues to improve the service system and adheres to the user-centered service concept. In the service system of Ozner, service is not only about installing, repairing and replacing consumables, but also providing users with lifetime value. Ozner provides each user with a unique solution and provides proactive services with high quality. In 2019, the service platform "Ozner water purification" has been upgraded. The Group continued to improve the professional level of after-sales engineers and invite platform engineers to join the Company to expand the coverage of the service system and improve service quality.



Mr. Xiao Shu
Chairman, Executive Director and
Chief Executive Officer

ABOUT US (CONTINUED)

Ozner always adheres to the public welfare concept of “Joint-development for Environmental Technology and Humankind”, actively practices corporate social responsibility, and takes the responsibility of popularizing safe drinking water knowledge and protecting the environment of the water source. Ozner published the popular science book “Knowing Healthy Water”, and released “The History of One Drop of Water”, a survey report on drinking water quality in key cities in China, and has launched a number of public welfare activities for eight consecutive years to promote the sustainable development of the Yangtze River’s source water ecological environment. Ozner practices public welfare with a sense of responsibility, takes practical actions to take the responsibility of a leading water purification enterprise, integrates environmental protection and public welfare into business operations, so as to realize a virtuous circle of social value and economic value.

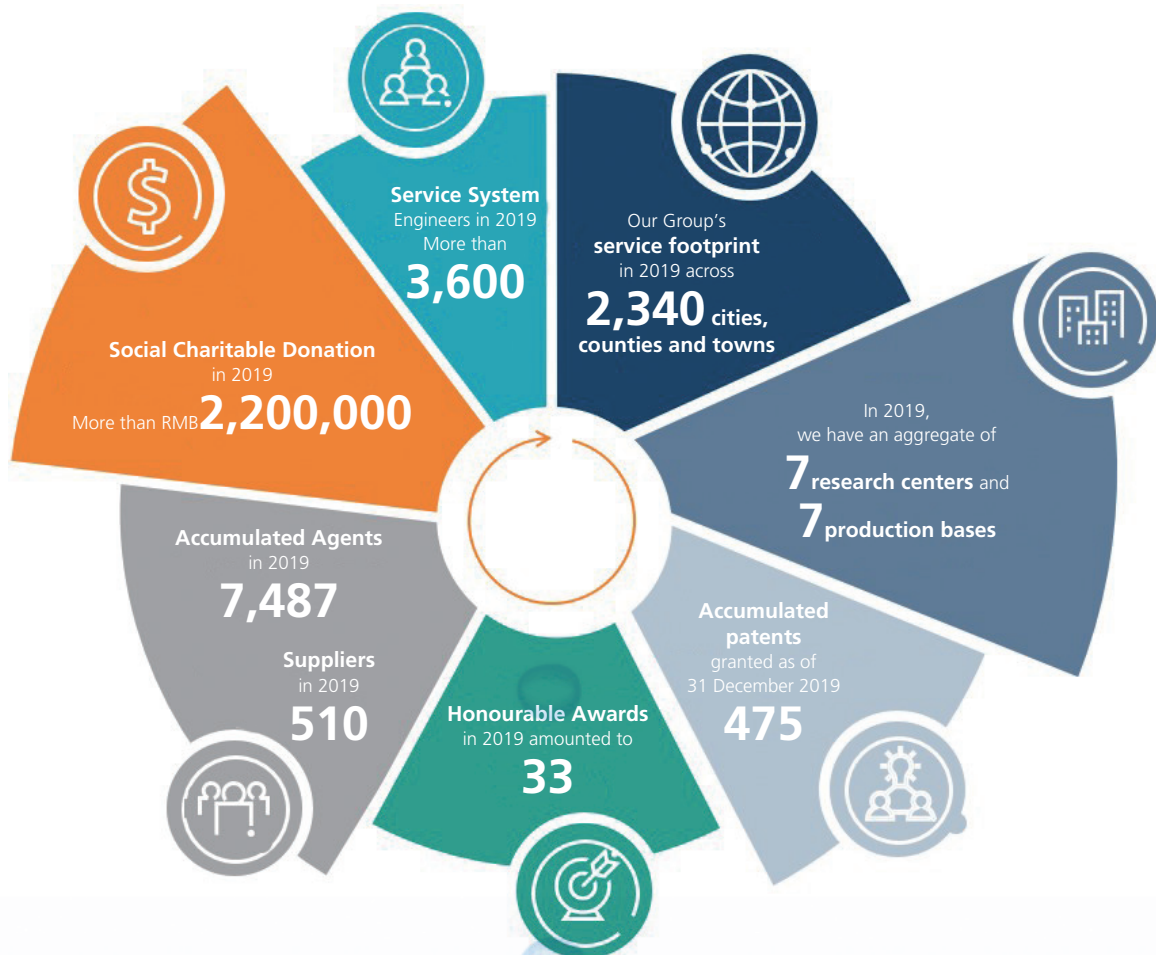
Looking into 2020, the Group will continue to adopt a blueprint that facilitates optimizing research and development (“R&D”) in technology, expanding product portfolio, extending distribution network and strategic acquisition and integration. At the same time, Ozner endeavors to integrate smart products and IoT portal strategies, and is committed to providing users with safe drinking water service solutions on a 24-7 basis. Reaching beyond expectation, Ozner always focuses on users’ benefits, partners’ benefits, and collective interests!

ABOUT US (CONTINUED)

Company Profile

Ozner Water International Holding Limited was successfully listed on the Main Board of the Stock Exchange on 17 June 2014 (stock code: 02014.HK).

Ozner is a large-scale foreign-funded comprehensive environmental protection enterprise featured by high-technology and diversification. We operate as a congregation of technological research, production and marketing. Our headquarter locates at Pudong, Shanghai. We are the pioneering water-related household appliance enterprise to secure a software accreditation (i.e. software intellectual property) in China. Our core business covers water purifiers, air purifiers, purified water dishwashers and core consumable parts. Meanwhile, we are committed to the IoT technology based on customers' big data, and providing consumers with smart home solutions based on safe drinking water products.



ABOUT US (CONTINUED)

Water Purification Business

Ozner has maintained a leading position in China's water purification facility market. The Group independently developed the APO+ safety water purification technology in compliance with the leading international standards, and applies ozone technology to enable sterilization at the water source. This, to the greatest extent, minimizes the hazardous impact of ozone to the human body along with sterilization operation as this enables the application of the precise amount of ozone input to control and balance the two-dimensional objectives, water purification and health assurance.

The Group develops the "Cloud Water Purification" technology to detect the safety cycle of water quality and monitor the content of impurities contained in dissolvable solid. The system conducts dynamic tracking on the consumption value of consumable filters that would affect water quality safety, and converts the tracked results into intuitive numeric information and automatically transmits to Ozner's "Cloud Service Center" for data feedback so that users will have the privilege to the convenience brought about by smart services.

Our Group has continually integrated online and offline services, as well as upgraded its operation model that carried forth in "Ozner water purification home". This enables our Group, plus its subsidiaries branded products to have an access to the self-operated standardized service platform. As such, orders will be placed through the online channels while on-site services will be provided offline. Meanwhile, as facilitated by the platform, distant control on the facilities can be conducted to provide comprehensive IoT value-added services. "Ozner Water Purification Home" is user-centered, operates in line with an innovative online and offline retailing model, along with adapting to cloud-based portal and users' data. Ultimately, "Ozner Water Purification Home" enables to generate an analysis report on users' consumption behavior that based on users' big data services for each business segment within our Group. As the ecological operation on the products is set in order, existing customers' needs can be effectively accommodated, as well as new brands, new business segments can be integrated instantly. Eventually, a speedy duplication and promotion on strategic and business model is facilitated.



Air Purification Business

Our Group is committed to providing clients with solutions and services on air purification. Our clients are drawn from various walks of life including medical, food and electronics, etc. We have engaged in projects for operation rooms in various medical institutions, intensive care unit (ICU) and aerospace engineering for more than a decade. As the earth-based purification provider of "Chang'e Flying to the Moon", the Group provides air purification facilities and technical support to the project. We have continually dedicated to promoting a diversified development of air purification business.

ABOUT US (CONTINUED)

Purified Water Dishwasher

Ozner took advantage of its own water purification technology strength to achieve breakthrough innovation, and researched and developed the intelligent dishwashing chip to create a new category of purified water dishwasher. As for the PSDR-i intelligent dishwashing chip originally created by Ozner, the P-purified water filter and S-water softener filter are used to filter and purify tap water into pure water; the strong decontamination effect is achieved with the biological enzyme in the D-purified-and-clean filter; the R-shiny-and-clean filter makes the washed tableware more bright and clean; and the i-smart is responsible for the use of consumables. The PSDR-i chip would effectively remove rust, sediment, insect eggs, bacteria and microorganisms and other harmful substances in water, and effectively inhibit the growth of bacteria.

PSDR-i Intelligent Dishwashing Chip



P–purified Water Filter

Multi-layer microporous film with 5 micron filtration accuracy to achieve healthy dishwashing purified water.

S–water Softener Filter

To soften the water to 80mg/L or below to eliminate the dirt in tableware, incrustation and water-pipe blockage.

D–purified-and-clean Filter

To decontaminate the tableware and wrap around the dirt to prevent re-attachment, thereby achieving strong decontamination effect.

R–shiny-and-clean Filter

To reduce the interfacial tension of the water on tableware for dripping rapidly, so as to achieve the dryness and brightness of tableware without liquid trace for further removal of residue of detergent and food.

i–smart Precise Use

Add for one time = Healthy washing for 100 times. Each precise use = Thorough decontamination + No residue.

T3 desktop dishwasher and QX86 sink dishwasher under Ozner were selected and won two of the first batch of A+ certified Chinese dishwashers in 2019 by virtue of their high-performance product quality and breakthrough innovation in the dishwasher category.

ABOUT US (CONTINUED)

Core Consumable Accessories

Ozner has acquired the technical patents and consolidated the manufacturing process of core consumable accessories. As such, we can duly unleash synergy of complementary shared products and services. We are also boosted by IoT data portal and continuous value-added services that render supports to all major business segments. Thereby, a congregation of functions, namely data services, smart home capacity, and financial services are incorporated into Ozner's ecosystem. This eventually materialises a win-win situation in the ecosystem backed by of all the subsidiaries within our Group and its business partners.

A Fore-runner in a Shared-economy

As the era of IoT dawns, the shared water purifiers as a brand-new business model has brought forth fundamental changes to humankind's ordinary way of living. Currently, the shared water purifier sector is still a typical and large-scale application scenario to apply IoT technology. The essence of this innovation, is to add a smart computer board on the traditional water purifiers that enables the intelligent monitoring of the traditional water purifiers, as well as network cloud monitoring. The Group's self-developed underlying IoT portal, by continuously upgrading and optimising IoT technology, launched H-IoT cloud-based IoT system in 2019. Such system fully connects several systems such as product, service, operation and management, bringing strong and powerful competitive edges to Ozner.



Ozner's H-IoT system has complete intellectual property rights, with leading technology and solid strengths in the industry of Internet of water. **H-IoT cloud-based IoT system**, independently self-developed by Ozner, is a hardware system specially developed for white goods home appliance. The platform is based on the design of MTK chips and integrated with several agreements, fully combining with the characteristics of white goods home appliance and developing the quantum cryptography with QTEC which is safe and reliable. Such platform can be shared by multiple product lines, while traditional products can realise intelligent transformation through IoT system within 24 hours.

Environmental, Social and Governance Responsibilities

As a participant in the water ecological conservation industry, Ozner actively promotes green and sustainable development with the commitment of ecological protection and proactively integrated social responsibilities into its own framework of core values, striving to achieve synergetic development with stakeholders. Besides, Ozner aims to protect the legal rights and interests of its customers, help its employees realise their self-value, actively bring great returns to shareholders as well as promote the coordination between economic growth and environment and society.

For more information on the Group's business operations and financial situation, please refer to the Ozner's 2019 Annual Report at:

http://ir.ozner.net/s/ir_report.php

ABOUT US (CONTINUED)

Awards and Accreditations

In 2019, our Group was honoured with an aggregate of 33 awards which were the recognition given by the industry and the society for its operations, environmental protection measures and social responsibility performance, mainly as listed:

- | | |
|---|--|
|  Leading Brand in Commercial Water Purification Sector |  Model Enterprise of Merits in the 70-year History of Chinese Business |
|  Most Influential Brand in National Water Purification Industry |  China Financial Summit Industry Influential Brand |
|  Distinguished Contribution Enterprise in National Water Purification Industry |  Excellent and Influential Brand |
|  China's Smart Home Appliance and Furniture Star Brand |  2019 China Top 10 Water Purification Enterprises |
|  China's Top 10 Commercial Water Purification Enterprises |  National Quality Testing Stable Qualified Brand |
|  National Product and Service Quality Integrity Demonstration Enterprise |  Outstanding Campus Brand of National Water Purification Industry |
|  Model in Corporate Social Responsibility of Listed Companies |  Top 10 Suppliers of Chinese Hospital Construction |
|  Green Sustainability Award |  Star of Water Purification • Enterprise with Deep Sense of Social Responsibility |
|  Annual Poverty Alleviation Model Award |  2019 Human Resources Management Excellence Award |

ABOUT US (CONTINUED)

Affiliated Associations

June 2019

Ozner was admitted to the Educational Equipment Professional Committee of China Association for Quality Promotion

December 2018

Ozner was re-elected as the deputy managing director unit of Water Purification Equipment Professional Committee of China Association for Quality Inspection

August 2018

Ozner was elected as the deputy managing director unit of Water Purification Equipment Professional Committee of China Association for Quality Inspection

June 2018

Ozner was elected as the deputy managing director unit of Air Purification Equipment Professional Committee of China Association for Quality Inspection

January 2017

Ozner was elected as the deputy president unit of the China International Science and Technology Institute for Promoting Water and Air Purification Technology

June 2016

Ozner was elected as the managing unit in Water Purification Committee of Membrane Industry Association of China

March 2014

Ozner was elected as the standing deputy managing director unit for Air and Water Purification Equipment Professional Committee of China Association for Quality Inspection

2009

Ozner was elected as the deputy director unit of Water Appliances Professional Committee of Shanghai Industrial Association for Household Electric Appliance

ABOUT US (CONTINUED)

Major Events in 2019



In January, Zhejiang University-Ozner Life and Health Joint Laboratory announced the first-phase research results of the “Ozner Direct Drinking Water Safety Health and Biology Research” project. Ozner and Zhejiang University also held a signing ceremony for the second phase of the experimental projects.

In March, the groundbreaking ceremony of the Ozner Environmental Smart Industrial Park was held in the Ozner Environmental Smart Industrial Park in Qindu District, Xianyang City.

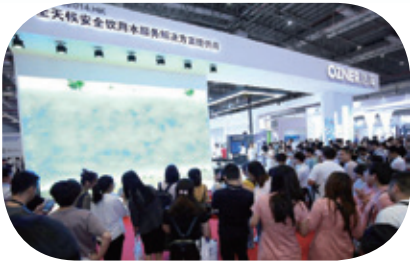


In April, Ozner signed a strategic cooperation agreement with Jiangsu Xinri E-Vehicle Co., Ltd. to further expand the Group’s offline marketing channels.

In May, Ozner signed a comprehensive credit agreement with Shanghai Pudong Development Bank Co., Ltd. Xi’an Branch for a total amount of RMB120 million.



ABOUT US (CONTINUED)



In June, Ozner appeared at the AQUATECH CHINA.



In August, the 2019 Ozner Enterprise Summit kicked off.



In October, the Chairman of the Board of Ozner participated in the inspection of Premier Li Keqiang in Shaanxi and was encouraged to actively improve the industrial layout.

In October, Ozner provided safe water purification services for the 7th Military World Games.



ABOUT US (CONTINUED)

Stakeholders Identification and Communication

The Group, based on the business nature and operation features, identifies its major stakeholders as government/regulatory authorities, shareholders/investors, employees, customers, collaborative partners, creditors, community/the public and media. The Group actively identifies and responds to the needs of stakeholders, effectively communicates with its stakeholders and implements social responsibilities undertaking through various channels such as issuing reports and holding meetings.

Stakeholders	Expectations of us	Communication Method
Government/regulatory authorities	<ul style="list-style-type: none"> • Legal and regulatory compliance • Tax compliance • Social contribution • Environmental protection awareness and green operations 	<ul style="list-style-type: none"> • Compliance report and information disclosure • Employment of external intermediary institutions for service provision: voluntary tax compliance • The Group's official website — news segment • Response to national policies
Shareholders/investors	<ul style="list-style-type: none"> • Protection of rights and interests of shareholders • Result performance • Information transparency and timeliness • Compliance operation and management 	<ul style="list-style-type: none"> • To hold regular shareholders' general meeting • Release of news and announcements, and disclosure of information related to operation • To maintain good and mutual trustworthy relationship with investors • Comprehensive preventive measures and control system on legal risk
Employees	<ul style="list-style-type: none"> • Protection of employees' rights and interests • Diversified path of career development • Safeguard for wages and welfare • Provide equal employment opportunity • Aware of occupational health and safety • Democratic management and humanitarian concern for staff 	<ul style="list-style-type: none"> • Labour contract and staff handbook • 360-degree performance assessment and formulation • Establishment of labour union for enhanced communication • Open recruitment • The Group's safe production system • Training and education; organize culture and sports events
Customers	<ul style="list-style-type: none"> • Product and service quality • Customer health and safety • Privacy protection for customer • Timely respond to customer needs 	<ul style="list-style-type: none"> • High-quality production and daily services and interaction • Daily operation and interaction • Informationization and refinement of after-sales service system • Effective channels for complaints, opinions and feedback

ABOUT US (CONTINUED)

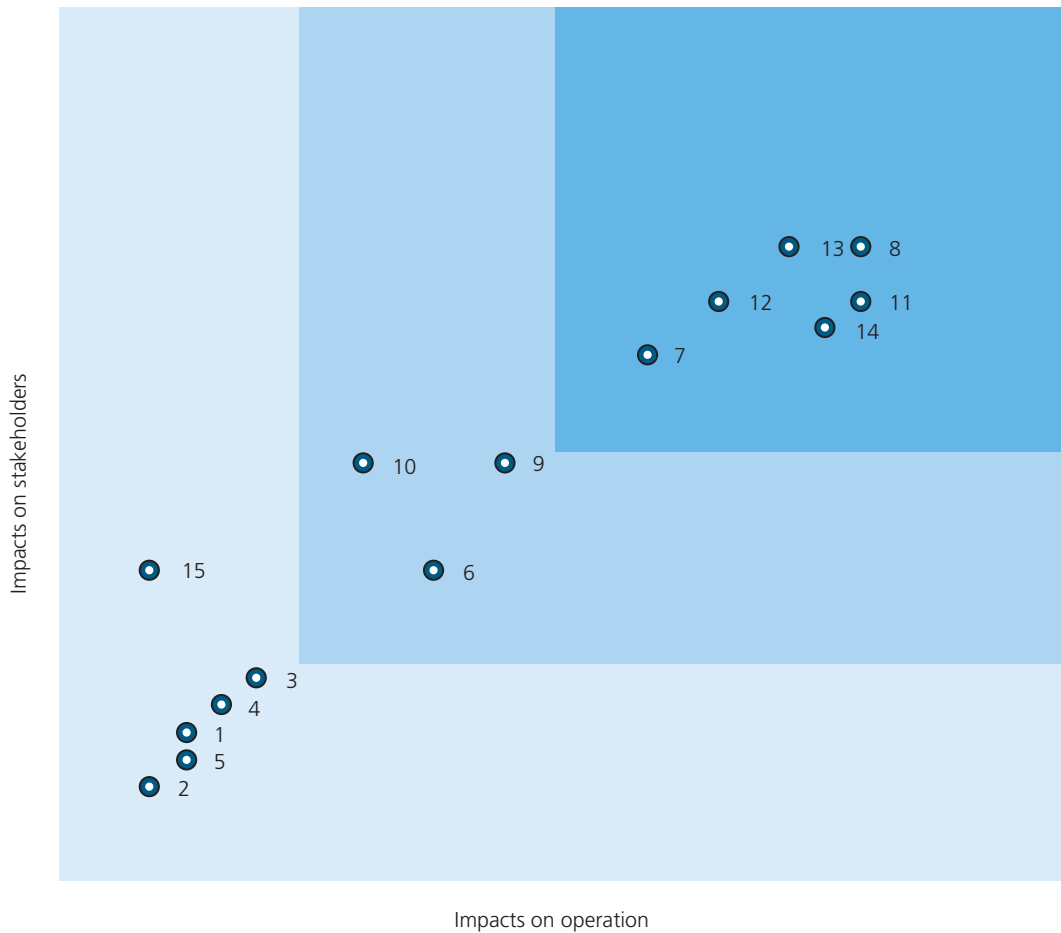
Stakeholders	Expectations of us	Communication Method
Collaborative partners	<ul style="list-style-type: none"> Integrous fulfillment of contract Mutual development Win-win cooperation 	<ul style="list-style-type: none"> Responsible procurement and integrous procurement provided with regular assessment To provide fair and just procurement guidance Management-level mutual visits
Creditors	<ul style="list-style-type: none"> Integrous fulfillment of contract Control for operation risk 	<ul style="list-style-type: none"> Regular negotiation To conduct due diligence investigation
Community/the public	<ul style="list-style-type: none"> Green operation Community donation and charities Promote development of charitable services in communities 	<ul style="list-style-type: none"> Green production, green operation Charity donation; poverty alleviation To publish popular science-related reading materials, advertise environmental-conscious and charitable school of thoughts
Media	<ul style="list-style-type: none"> Open and transparent disclosure of information Interview and view exchange for specific projects 	<ul style="list-style-type: none"> Timely release information through channels namely the official website, newspaper and magazines, etc. To build a highly accessible communication system with media

Importance Evaluation

The participants in the interview during the importance evaluation of this report are mainly internal stakeholders including management personnel and frontline workers. We plan to gradually introduce external stakeholders during the future interviews. We have identified and confirmed 15 topics and formed the importance evaluation matrix as follows on the basis of analysis and summary of importance evaluation results of all stakeholders through interview and investigation.

ABOUT US (CONTINUED)

Due to the limited emissions and energy consumption during the daily operation of the Group, the comparatively important key performance indexes are centered on the social aspects and some environmental fields.



Environmental	Social
1. Greenhouse gas emission	7. Employees' rights and interests and protection
2. Waste	8. Occupational health and safety
3. Energy consumption	9. Training and development
4. Water resource consumption	10. Diversified and equal opportunities
5. Packaging material consumption	11. Product quality management
6. Energy conservation and emission reduction measures	12. Customer service
	13. Supply chain management
	14. Business morality and anti-corruption
	15. Contributions to community

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT

Shouldering the corporate mission of “Joint-development for Environmental Technology and Humankind”, we have instilled environmental protection concept into the daily operation, product design, production process and other relevant areas.

Proactively Planning Environmental Protection Objectives According to Original Intention, and Summarizing Experience from Achievements

Shaanxi Haoze formulated the Safe Production and Environmental Protection Working Plan at the beginning of 2019, whose objectives include “zero environmental pollution accident”. Shaanxi Haoze successfully achieved the objectives in accordance with 2019 Safe Production and Environmental Protection Summary by offering environmental protection training to employees, continuously improving energy conservation and emission reduction regulations, and building new environmental protection facilities throughout the year.



Creating Green Products Through Technological Innovation

Guaranteeing users' health with APO+ Safe Water Purification Technology

Safe Water Purification Technology APO+ is the abbreviation for Absorbing Purification Ozone, which denotes optimized adsorption, quality filtration and fresh-new purification technology; while “+” denotes refinement, sincere warranty for fresh, healthy and safe water quality.

A

Absorption+ Safe absorption combo
Combining multiple absorption techniques including PPF, KDF, quality activated carbon and silver loaded activated carbon, it can strongly absorb cancerogenic substance such as residual chlorine in water, rust sediment, nitrite and trichloromethane.

Purification+ Safe ORO technology
ORO (Ozner Reserve Osmosis) is new-generation ORO safe water purification technology independently developed and upgraded by Ozner R&D Center on the basis of the safe water purification technology in the world.

Ozone sterilization + Safe ozone sterilization technology
O₃ is added into water at the fixed time on a daily basis according to water quality needs with the patented technology combining gas and water through micro-computer control to activate water molecular, improve chlorine dissolution in water, kill bacteria and prevent secondary pollution.

+ Cloud water purification technology
Cloud water purification technology: In case of malfunction of the machine, Ozner “Cloud Service Center” will receive an order of repair and assign aftersales personnel for on-site maintenance.

P O

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Water conservation technology for protecting water resources

Reverse osmosis water treatment system has been a sophisticated technology both abroad and locally, with few technological breakthroughs achieved to-date on that area. Ozner has independently developed a water-saving reverse osmosis treatment device featured with an automatic modulation control. The technology has secured national patent, which has remedied the defect of high ratio of wastewater-to-pure-water experienced by the existing reverse osmosis technology. The waste water ratio of water purifiers produced by Shanghai Haoze was reduced from 1:3 to 1:1 in 2019.

Spray-free technology for reducing atmospheric pollution

Most of our products are perfected with non-water-receiving appearance surface. They are made of spray-free materials, which facilitate injection molding and once-through extrusion molding of aesthetic plastics. The plastic materials are not only aesthetically appealing, but also endowed with once-through foaming, and spray-free advantages. They are, therefore, provided with more privileged criteria, in terms of environmental-friendliness and ease of convenience. Also, they help contribute to “net-zero” emissions of atmospheric pollutants and relief of harmful impact on workers.

Improve the energy efficiency grade of air purifiers to reduce power consumption and indirectly reduce greenhouse gas emission

In accordance with GB36893-2018 Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Air Purifiers, Shanghai Haoze actively lifted the energy efficiency grade of air purifiers from Grade II to Grade I to save power consumption in 2019.

	Filter	PCADR (m ³ /h)	FCADR (m ³ /h)	Power (W)	Energy efficiency ratio	Energy efficiency grade
Original machine	Original filter (HEPA + activated carbon)	450	150	70 (actual power: 55)	6.4 (actual ratio: 8.2)	Grade III (Grade II)
New proposal (new fan)	Manganese cloth filter	484	305	39	12.41	Grade I

Improving Cleaning Process and Creating Green Production Lines

In strict accordance with the Energy Conservation and Emission Reduction Measures, Environmental Air Quality Standards, Integrated Emission Standards for Air Pollutants and other relevant laws and regulations, we have vigorously integrated the concept of “saving energy, reducing consumption, mitigating pollution, and enhancing efficiency” into production with the principle to use the least resources for completion of the same production tasks, in order to reduce the resources consumption and the negative impact on the environment due to our daily production activities.

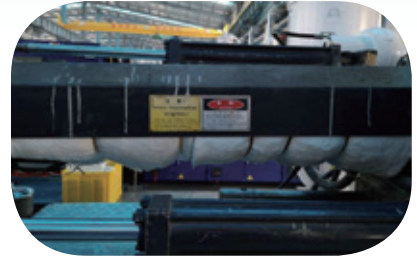
The Group adopts a high-degree automated production and assembly process, including whole-machine assembly, injection molding, spin-welding, silk screen printing, etc.. Meanwhile, the Group adopts a high-intelligent gas detection and inspection procedure. By means of applying a full-scale pollution control across the whole production cycle, we ensure reduced pollutants and a high pass rate for end products. Following measures are also adopted to promote the clean production.

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Injection molding machine equipped with insulation facilities and workshop shift system

The injection molding machine has always displayed a high frequency of use by Shaanxi Haoze. The warm-up usually takes approximately 30 minutes, which elicits a lengthy period of high electricity consumption volume.

Since 2018, Shaanxi Haoze has covered a layer of thermal insulation cotton on the heating facilities built within the injection molding machine, so that the heating facilities can operate at a constant temperature. This helps remedy the high power consumption at start-up due to the heating process, thereby, reducing the overall power consumption by approximately 20%.



Since 2019, Shaanxi Haoze has adopted the three-shift system for the workshop, which guarantees the non-stop operation of injection molding machines and greatly reduces the warm-up frequency and power consumption of injection molding machines.

VOC+ activated carbon eliminating and absorbing device

As for total non-methane hydrocarbons produced in the injection molding, silk screen printing and tube drawing procedures, Shaanxi Haoze installed gas-collecting hood (gas-collecting efficiency of not lower than 90%) onto each injection molding machine, silk screen printing machine and tube drawing machine in the injection molding workshop in 2019, introducing the waste gas into the exhaust trunk, and emitting via the 15m exhaust trunk after “UV all-in-one photolysis machine + activated carbon absorption”, which reduced the atmospheric pollution.



Water recycling device

Shaanxi Haoze installed a set of large water purification equipment in its workshop in 2019, and the water for the first testing was recycled after purification in the purification tank. Therefore, no waste water was produced during production.



ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Compliance Management and Legitimate Emission

Emission in compliance with laws and regulations are the bottom line for the operation management and fulfillment of environmental protection responsibilities of the Group. We also strictly abide by relevant laws and regulations, and formulate the Energy Conservation and Emission Reduction Measures. We regard waste reduction as one of the top priorities in fulfilling our environmental protection obligations. We always endeavor to minimize the impact of emissions on the environment, community and the residents in neighborhood by continually strengthening environmental awareness amongst employees, along with applying advanced technology and management measures.

Category of Emissions	Sources of Pollution	Prevention and Controlling Measures
Exhaust gas	Total non-methane hydrocarbon produced in the injection molding and silk screen printing process	Collect the total non-methane hydrocarbon with gas collection hood and emit via the 15m exhaust trunk after treatment by activated carbon absorption device
	Dust produced by scrap materials and broken unconformities	The dust will be treated with the self-mounted bag-type dust collector on the production equipment
	Metal dust produced in the melting and die casting and oil-containing particulate matters produced in the die casting and demolding process	The metal dust and oil-containing particulate matter will be emitted into the air via the exhaust funnel after collection by gas collection hood, high-pressure electrostatic oil removal and sedimentation in the water spraying tower
	Metal dust produced in the polishing, machining and finish machining process	Baffles will be installed at the machining position, and metal dust will undergo centralized processing after sedimentation
	A small amount of tin and compound waste gas produced in the tin immersing process	The tin immersing fume and dust will be collected by the gas collection hood and emitted into the air via the exhaust tunnel
	Cooking oily fumes	Install oil fume purifier, and then discharge fumes through specialized flue above the roof level
Waste water	Rainwater	Separation of rainwater and waste, where the processed rainwater will be discharged into the nearby water drain through the rain rill
	Waste water in employees' living quarters	Domestic wastewater will be pretreated in the grease trap and anaerobic tank before discharged into the sewage treatment plant through the municipal sewage pipe network, while the domestic wastewater after treatment meets the inflow water quality requirements of sewage treatment plant

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Category of Emissions	Sources of Pollution	Prevention and Controlling Measures
Solid waste	Domestic waste: Plastic bags, waste paper, etc.	Municipal solid waste such as office waste is sent to designated locations of the environmental hygiene department for proper disposal; catering residues generated in kitchens and restaurants, in accordance with regulations, are provided with covered collection bins and swill buckets, and are subject to removal and disposal
	Production waste: Scrap materials and packaging boxes	The plant will recycle the scrap materials from the production process as much as possible to avoid wasting resources; defective products will be returned to the supplier, and the rest will be collected for centralized removal and disposal
	Production hazardous waste: Waste reagent bottles, waste oil, waste oil barrels, waste duster cloth and waste activated carbon	Signing of waste recycling service contract with a third-party recycling company for proper waste disposal, which in turn will either be recycled or reserved for secondary use Temporarily store the production hazardous waste in the hazardous waste storage room after classification and collection by specialized containers, and entrust the qualified organization with treatment on a regular basis
Noise	Noise from equipment: Equipment noise in the plant, such as noise caused by belt transportation system, packaging equipment, air compressor, and forklift, etc.	Adoption of low-noise assembling, transportation, and cutting equipment Sound absorption treatment at the ceiling and on the plant wall Installation of sound proof window and sound proof door, and installation of inwall sound absorption facility in the machine room
	Noise pollution from logistics	Compliance with traffic laws and regulations, prohibiting vehicle honking in urban areas or dense-populated area, reducing noise pollution from logistics

Continuous Prevention and Strict Control of Pollution

Each of Shaanxi Haoze, along with the merged and acquired Guangdong Bili and Foshan Lepuda has conducted an analysis survey of the pollution on each production phase with respect to the pollutant sources (three wastes and one noise). They strictly comply with the requirements of the environmental assessment and carry out preventive measures so as to reduce pollution and mitigate the harmful impacts on the peripheral neighborhood. The Group avoids the waste generation from the source. Shaanxi Haoze has set up specialized storage rooms for hazardous waste, and entrusts the qualified third-party recycling company with the recycling on a regular basis. Regarding non-hazardous waste, the Group has been carrying forth various types of recycling ventures and centralized treatment of waste disposal.

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Shaanxi Haoze conducted exhaust gas and noise testing in May 2019, and exhaust gas, noise and waste water testing in September 2019. According to the major test data issued by Shaanxi Fangqing Environmental Protection Technology Co., Ltd., the test results meet the relevant national regulations and standards.

Shaanxi Haoze

Category of Pollutants	May 2019	September 2019
Exhaust gas		
Cooking oily fume	1.22 mg/m ³	
Total non-methane hydrocarbon	0.36–0.48 mg/m ³	0.53–0.99 mg/m ³
Noise		
	40–53.5 dB	42.9–54.5 dB
Waste water		
pH	N/A	7.39–7.43
Chemical oxygen demand	N/A	51–73 mg/L
Biochemical oxygen demand	N/A	21.7–25.9 mg/L
Suspended solids	N/A	21–30 mg/L
Ammonia nitrogen	N/A	8.27–8.52 mg/L

Foshan Lepuda conducted exhaust gas and noise testing in April and July 2019. According to the major test data issued by World Standardization Certification & Testing (Shenzhen) Co., Ltd., all the testing results meet the relevant national regulations and standards.

Foshan Lepuda

Category of Pollutants	April 2019	July 2019
Exhaust gas		
Organized waste gas		
Particulate matter	<20 mg/m ³	<20 mg/m ³
Tin and its compounds	0.006 mg/m ³ 9.00 × 10 ⁻⁶ kg/h	1.62 × 10 ⁻³ mg/m ³ 1.22 × 10 ⁻⁵ kg/h
Total non-methane hydrocarbon	0.08 mg/m ³	1.85 mg/m ³
Unorganized waste gas		
Particulate matter	0.044–0.844 mg/m ³	0.067–0.238 mg/m ³
VOC	0.67–1 mg/m ³	0.03–0.11 mg/m ³
Cooking oily fume		
	0.1 mg/m ³	0.1 mg/m ³
Noise		
	48.9–59.7 dB	42.7–58.2 dB

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Guangdong Bili conducted exhaust gas, noise and waste water testing in January 2019. According to the major test data issued by Guangdong Testing Institute of Product Quality Supervision, all the testing results meet the relevant national regulations and standards.

Guangdong Bili

Category of Pollutants	January 2019
Exhaust gas	
Particulate matter	0.10–0.13 mg/m ³
Noise	56.7–64.7 dB
Waste water	
pH	7.85
Chemical oxygen demand	4(L) mg/L
Five-day biochemical oxygen demand	1.2 mg/L
Ammonia nitrogen	0.025(L) mg/L
Phosphate	0.02 mg/L

Usage of Clean Energy for Emission Reduction

Our Group indirectly emits greenhouse gases by consuming power and little vehicle fuel. The main resource consumed in the production process is electric energy. The electric energy is considered as clean energy. Compared with the use of coal, the impact of electric energy on air pollution is less significant and the amount of pollutants discharged is also less noticeable.

The emission data as of 31 December 2019 are as follows:

Category of Emission	Unit	Shanghai and Shaanxi Haoze	Foshan Lepuda	Guangdong Bili
Greenhouse gases				
Range 1 (vehicle fuel consumption)	Kg	28,833.86	173,436.29	85,017.74
Range 2 (electricity purchased)	Kg	1,976,236.92	3,903,738.93	893,227.23
Total	Kg	2,005,070.78	4,077,175.22	978,244.97
Density	Kg/unit	13.9200	0.1568	9.3767
Waste				
Total hazardous waste	Ton	0.82	Nil	Nil
Density	Ton/unit	0.0000057	Nil	Nil
Total non-hazardous waste	Ton	475.00	3,348.00	309.00
Density	Ton/unit	0.0033	0.0001	0.0030

Note: Density of greenhouse gases or waste produced by Shanghai and Shaanxi Haoze and Guangdong Bili = Emissions of greenhouse gases or waste/number of newly produced machines in the current year; density of greenhouse gases or waste produced by Foshan Lepuda = Emissions of greenhouse gases or waste/number of newly produced machines in the current year.

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

Scientific Allocation and Utilization of Resources for Energy Conservation

Our Group strictly complies with resources conservation policies and regulations, along with actively responds to government's initiatives on environmental protection and resources conservation. The resources we consumed in our daily production operations are legitimately acquired from appropriate channels, that they include water, electricity and gasoline. We have not caused any significant impact on natural resources due to our acquisition of the latter. We have made full use of resources and reduced energy consumption through technological innovation during the production and operation process, in order to enhance economic benefits and protect the environment.

The resources consumption data of Shanghai and Shaanxi Haoze are as follows:

Energy		For the year ended 31 December 2019
Electricity Consumption	Degree	3,136,884.00
Density (for each degree/unit, calculated in accordance with the number of newly produced machines in the current year)		21.7776
Water Consumption	Ton	42,780.00
Density (for each ton/unit, calculated in accordance with the number of newly produced machines in the current year)		0.2970
Gasoline Consumption	Litre	11,030.55
Density (for each litre/unit, calculated in accordance with the number of newly produced machines in the current year)		0.0766
Packaging Material Consumption	Piece	1,367,000.00
Density (for each piece/unit, calculated in accordance with the number of newly produced machines in the current year)		9.4903

The resources consumption data of Foshan Lepuda are as follows:

Energy		For the year ended 31 December 2019
Electricity Consumption	Degree	6,196,411.00
Density (for each degree/unit, calculated in accordance with the number of newly produced machines in the current year)		0.2383
Water Consumption	Ton	83,592.00
Density (for each ton/unit, calculated in accordance with the number of newly produced machines in the current year)		0.0032
Gasoline Consumption	Litre	66,349.00
Density (for each litre/unit, calculated in accordance with the number of newly produced machines in the current year)		0.0026
Packaging Material Consumption	Ton	46.00
Density (for each ton/unit, calculated in accordance with the number of newly produced machines in the current year)		0.000002

ENVIRONMENT-FRIENDLY AND GREEN DEVELOPMENT (CONTINUED)

The resources consumption data of Guangdong Bili are as follows:

Energy		For the year ended 31 December 2019
Electricity Consumption	Degree	1,417,821.00
Density (for each degree/unit, calculated in accordance with the number of newly produced machines in the current year)		13.5902
Water Consumption	Ton	46,664.00
Density (for each ton/unit, calculated in accordance with the number of newly produced machines in the current year)		0.4473
Gasoline Consumption	Litre	32,524.00
Density (for each litre/unit, calculated in accordance with the number of newly produced machines in the current year)		0.3118
Packaging Material Consumption	Ton	70.00
Density (for each ton/unit, calculated in accordance with the number of newly produced machines in the current year)		0.0007

Staying Steadfast to Our Mission and Integrating Economical Benefits and Environmental Benefits in Active Response to Climate Changes

In order to respond to heavily polluted weather, lessen the air pollution and enhance the environmental protection management level, Shaanxi Haoze formulated the Emergency Plan for Heavily Polluted Weather for Each Plant in 2019, which mainly included the corresponding early warning mechanism, emergency response measures, implementation monitoring and record requirements. Upon receipt of an early warning on heavy pollution, Shaanxi Haoze carried out off-peak production, limited or suspended production according to the extent of heavy pollution, and realized the objective of enterprise emergency emission reduction.



In order to respond to various emergencies such as typhoons, and realize rapid response, effective control and proper treatment of adverse impacts on the environment, Foshan Lepuda formulated the Emergency Plan for Environmental Pollution Accidents, which classified emergencies according to three principles of “Prevention Foremost and Sufficient Preparation”, “Strengthened Monitoring and Rapid Response” and “People-centered and Reducing Damage”, and adopted corresponding emergency measures according to different levels.



According to the requirements in the Emergency Plan for Environmental Pollution Accidents, Foshan Lepuda carried out emergency drilling for environmental pollution accidents in 2019. The regular drilling can guarantee the life safety of employees of the Company and related parties and protect the environment to the largest extent, reduce the possible property losses, and realize sustainable and coordinated development of the Company.

PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT

Building a Complete System and Creating a Harmonious Working Environment

Regarding talents as an important part of the core competitiveness, and adhering to the “people-centered” principle, the Group has continuously improved the human resources management mechanism, built a harmonious working environment and established harmonious and win-win labor relationship. We strictly comply with the relevant laws and regulations, such as the Labor Law of the People’s Republic of China and the Labor Contract Law of the People’s Republic of China, and have formulated normative documents such as the Employee Handbook, Labor Standards and Labor Contract Management System, which stipulate on the employment, dismissal, promotion, working hours, evaluation, training and welfares of employees, and proactively protect the legitimate rights and interests of employees.

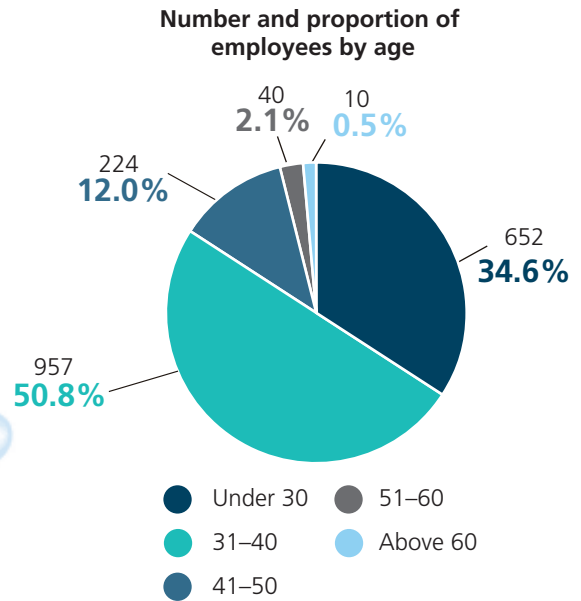
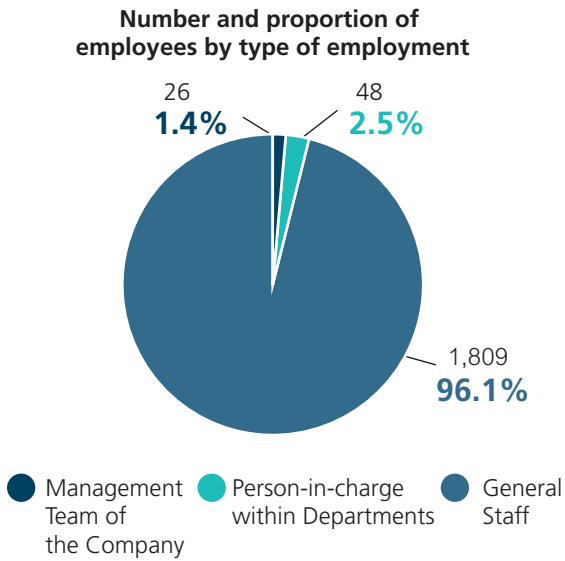
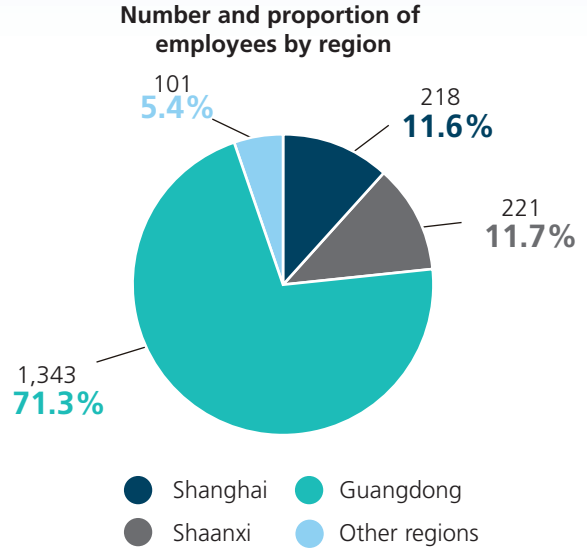
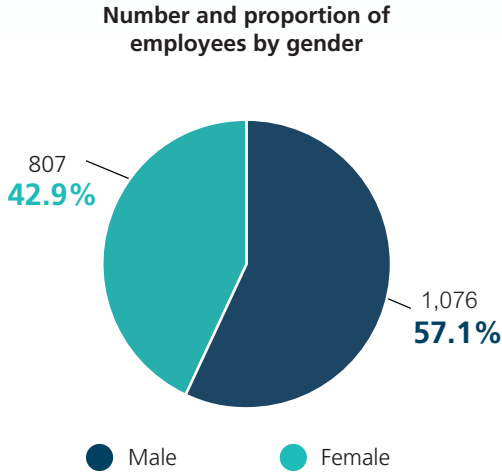
Recruitment management

The Group has established the recruitment management system such as the Administrative Regulations on Issuance of Offer Letters to Employees and Induction Management System of New Employees, standardizing induction and training processes of new employees. Meanwhile, Ozner always abide by relevant laws and regulations on equal employment and prevention of child labor or forced labor. We will not discriminate on grounds of the gender, family condition, race, religious belief of candidates or employees during recruitment and daily work. We firmly prohibit child labor or forced labor. Once found, we will immediately persuade them to quit the job and terminate the labor relationship. While terminating the labor contract, we will issue a notice and make compensation to the employee according to applicable laws and regulations. In 2019, our Group did not violate any relevant national labor laws and regulations, which include child labor and forced labor laws and regulations.

As of 31 December 2019, the Group had totally 1,883 employees, mainly serving in Shanghai Haoze, Shaanxi Haoze and its subsidiary brands.

PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

Number and proportion of employees are as follows:



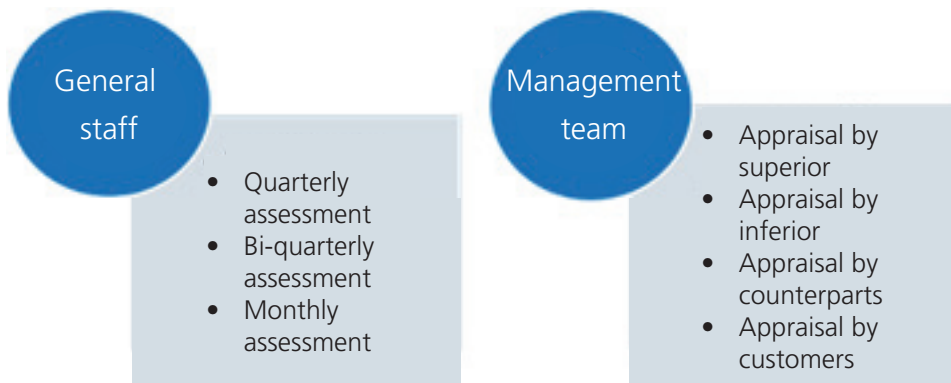
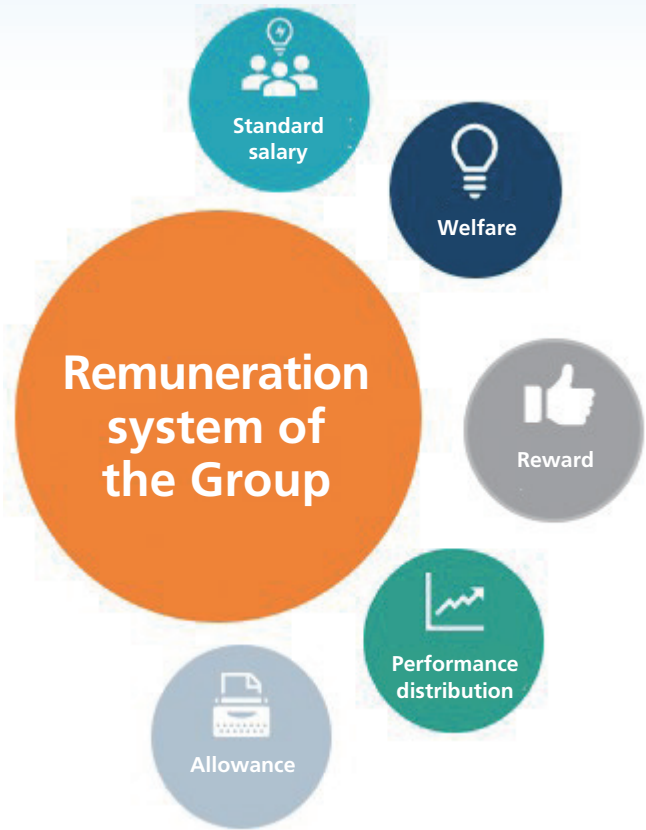
PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

Employees' welfare

We believe that the concern for the welfare of all the employees is the key to the creation of a harmonious working environment. Following the principle of equality, incentive, performance-oriented and market competitiveness, the Group has established a perfect remuneration system and effective assessment mechanism to promote employees' incentive-to-work, active participation and creativity.

In addition to salaries and holidays offered in strict accordance with national laws and regulations, we also provide extra welfares related to food, accommodation and traveling for employees. Allowances are also available to some special positions.

Ozner has different KPIs for different positions, and conducts assessment for employees on a regular basis. We have set up a 360-degree comprehensive appraisal mechanism on the performance of the management team of the Group to give an objective reflection of the working performance of the management team from several aspects and enhance the ability of the management team through appraisal feedback, in order to promote team communication and building.



PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

The Group also provides following welfares for employees to fully guarantee the life of employees:

- Staff trip: The Group organizes staff trip once a year;
- Staff vacation: The Group's employees are entitled to marriage leave, maternity leave, paternity leave, bereavement leave, annual leave, work-related injury leave, sick leave, and other relevant days off according to the laws;
- Five insurances and one fund: The Group provides the endowment insurance, medical insurance, unemployment insurance, work-related insurance, birth insurance and housing provident fund for employees according to the laws, and Shanghai Haoze also buys supplementary commercial insurances for employees;
- Staff dorm: Shanghai Haoze offers apartment-style dorms for employees applying to stay at a low price;
- Staff canteen: Shanghai Haoze and Shaanxi Haoze have staff canteens, providing free breakfasts and lunches for employees;
- Shanghai Haoze provides free shuttle bus, festival bonus, critical illness subsidies, etc. for employees.

We attach great importance to employees' physical and mental health, and encourage employees to pursue for the balance between work and life, in order to maintain harmonious working relationship. Each department of the Group organizes various social parties from time to time to enhance the sense of belonging and team cohesiveness.



Staff birthday party



Staff blood donation



Gifts on March 8 Women's Day



"A Trudge of An Egg" Public-welfare hiking

PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)



Staff outdoor training



Staff "Marketing PK"

Humanistic Culture and Concern for Employees' Health

As a people-centered group, we give top priority to the employees' health and safety, and strive to build a safe, healthy and reliable working environment. We strictly comply with the Safety Production Law of the People's Republic of China, the Measures for the Administration of Contingency Plans for Work Safety Incidents, the Occupational Disease Prevention Law of the People's Republic of China, and other laws and regulations to carry out safe production and occupational health management work in a steady manner. In 2019, the Group did not record any work-related deaths as for its employees. Our unremitting endeavor including but not limited to:

- Each workshop has a specialized safety inspector to check whether there are any unsafe conditions and make prompt corrections;
- New employees receive knowledge training on safe production;
- Each workshop is equipped with fire equipment in line with safe production standards;
- Encourage employees to participate in fire drills;
- Each workshop is equipped with sufficient first-aid kit;
- Dustproof and noise reduction measures are continuously improved in the plants;
- Smoking is strictly prohibited in all the indoor areas of the office;
- Special protective equipment and annual occupational disease examinations are provided for employees at the special posts.



Fire drill



"Quality Month" safe production training

PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

Pursue for Mutual Benefits and Emphasize Training and Development

We firmly believe that talents are the foundation for the development and growth of the Group. Following the principle of “it is always better to teach a person to fish than to give him some fish”, the Group has continuously improved its training system. We have established the “Shanghai Occupational Training Base of China Association for Quality Inspection Water Purification Industry” — Haoze College. In 2019, we formulated the Trainee Promotion Management System, the Management System of Lecturers of the Training Department and Academic Affair Management System of the Training Department, providing standardization and guidance on the division of training responsibilities and implementation process of training programs of the college.

The Group formulates the annual training plan and carries out training as planned. Regular training meetings are held on a monthly basis, at which representatives from various branches and subsidiaries are required to summarize the monthly training contents and exchange their training experience, and outstanding trainees are commended. The staff training activities of the Group can be divided into three major categories: prerequisite job-specific training courses, elective courses, as well as online and offline shared platform tutorship.

Prerequisite job-specific training courses	Elective courses	Online and offline shared platform tutorship
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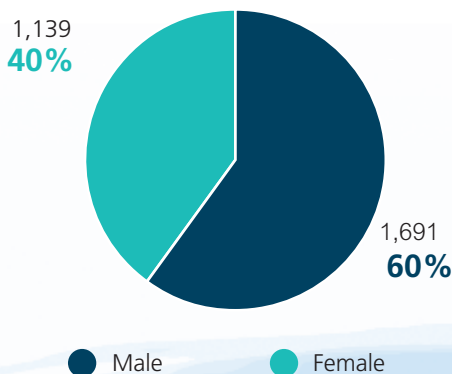
The training plan will be formulated based on the specific position, level and skills required of the respective employee. All employees are required to have 2 days of job-specific training per month. The Group asks staff to reflect on and summarize phrasal work achievements and provides guidance for the staff in career planning as well.

“Friday Lecture Theatre” with various themes is held once per week, following the principle of people-centered and in-depth understanding of employees’ demands. In 2019, we successively conducted training on Office365 software, psychology and insurance knowledge, which enriched employees’ knowledge and skills, and enhanced their comprehensive qualities.

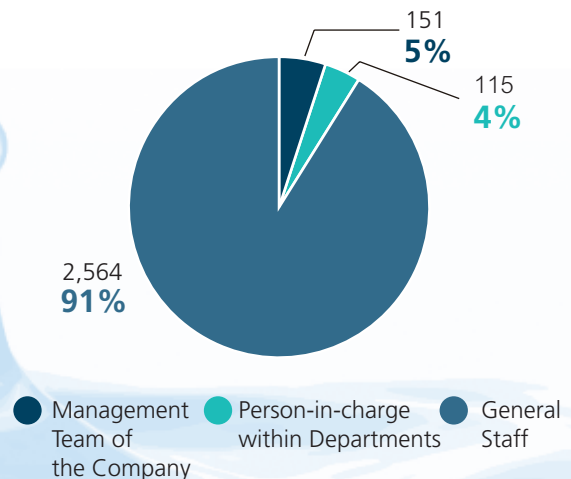
The training content mainly included: fundamental skills training, business knowledge training, enhancement on management and leadership skills, management training and so on. In addition to offline training, we also provide online training via Ozner Online E-LEARNING system based on the demands of various employees, which facilitates the participation by employees.

Employee training in 2019 are as follows:

Number and proportion of trained employees by gender



Number and proportion of trained employees by type of employment



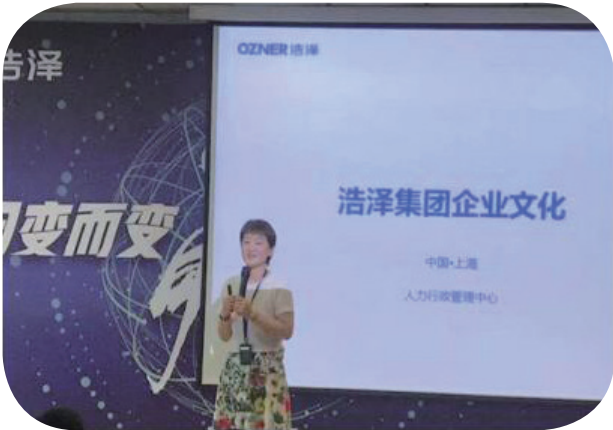
PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

Company abbreviation	Average staff training hours in 2019 (Unit: Hours)
Shanghai Haoze	16.2
Shaanxi Haoze	15.8
Guangdong Bili	32.0
Foshan Lepuda	30.0

The minimum average staff training hours of each subsidiary of the Group in 2019 were 15.8 hours, up by 163% (9.8 hours) as compared to 2018.

The Group has been proactively seeking for external cooperation. It conducts training on professional and industrial skills and aftersales service in Ozner College, in order to share experiences with counterparts in the industry, broaden employees' horizon and enhance their professional qualities as a leader in the industry. In 2019, Shanghai Haoze cooperated with the local government to carry out diversified training courses in various forms. Meanwhile, Shanghai Haoze successfully obtained the enterprise training subsidies exceeding RMB60,000 from Shanghai Municipal Government, which were then invested in the staff training of the Group in 2019.

Induction training for new employees



PEOPLE-CENTERED FOR MUTUAL DEVELOPMENT (CONTINUED)

Re-training for T T T internal trainers — Curriculum design and development



Friday Lecture Theater



Elegant Demeanour of Teachers and Students

Instructions on using essential oils

- Sniffing
- Rubbing
- Adding to drinkable liquids or foods



At the beginning, the number of trainees we had been worried about was out of our expectation. Nearly 50-60 people came to the training site

Two agents had also been invited to join our lecture



We strive to provide the largest development space for each employee to give full play to their abilities. In 2019, the Group formulated the "Ozner Boss" talent cultivation policy to help staff with career development and realize their dream to start business as a small "Ozner Boss". The Group has established the "President Venture Capital Fund" with a total amount of RMB10 million, which offers franchising discounts and venture capital funds to employees who are willing to become water purification operators of Ozner.

STRATEGIC PARTNER FOR COORDINATED DEVELOPMENT

Supply Chain Management for Zero-risk Enterprise

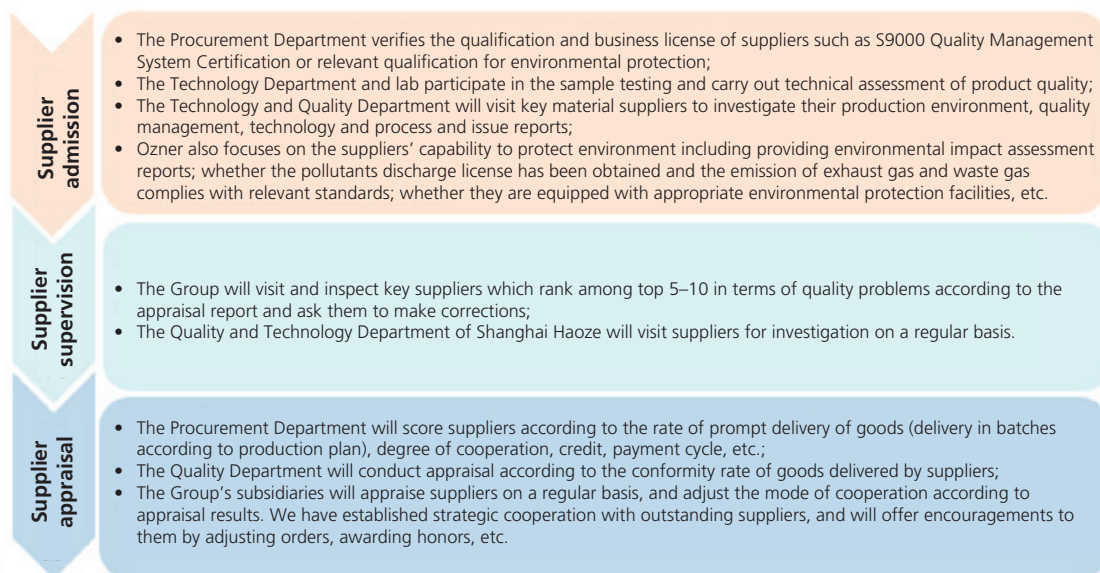
Distribution of suppliers

As of 31 December 2019, the Group has engaged with 510 qualified suppliers in East China, South China, North-western regions.

Serial Number	Districts	Number of Suppliers
1	East China Region	131
2	South China Region	365
3	North-western Region	14

Supplier management

Supply chain management is an important part of the enterprise risk management. We have conducted strict control over the whole process of supplier management, and established relevant system such as the Procurement Management System and Supplier Assessment Management System, in order provide legal basis for the supplier management. During the management process, we are resolute on managing quality standards and consolidating supplier responsibility. We also incorporate social responsibility management into the supplier assessment indicator with the aim to strengthen the promotion and instilling of social responsibility doctrine amongst our suppliers. The specific implementation is as follows:



STRATEGIC PARTNER FOR COORDINATED DEVELOPMENT (CONTINUED)

We have continuously strengthened communication with suppliers during mutual visits, and conducted technical exchange and industrial discussion from time to time, in order to develop new modes of cooperation and realize mutual benefits with suppliers.

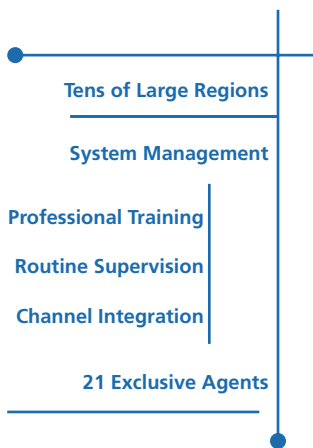


Awarding honors to outstanding suppliers



Suppliers assembly

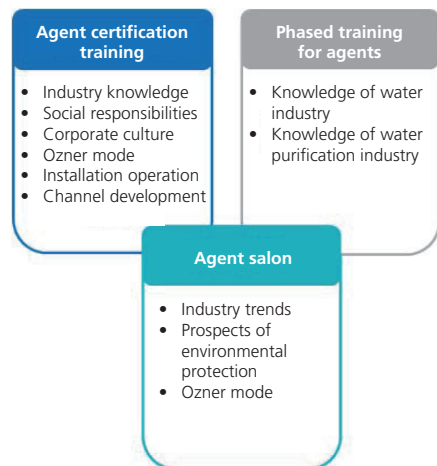
Agent management



The Group has formulated the Agent Management Policy for the management of agents. We strictly select agents as per their credit, and refuse to accept the application from agents with bad records. Meanwhile, systematic training is conducted to enhance the professional skills and business capabilities of agents.

The Group strives to establish a perfect agent management organization structure with an aim to continuously enhance the agent management level. Branches and regional departments are responsible for the management of daily affairs of agents. The Market Department of Shanghai Haoze has established the Channel Management Department and Channel Service Department. The Channel Management Department is responsible for the affairs related to operation

and management such as daily conference, policy publicity, industrial commendation and ranking assessment of agents. And the Channel Service Department is mainly responsible for finance, account checking and payment. Besides, Shanghai Haoze has also established the Supervision Department for supervision of the selling price, order taking and ordinary bidding and tendering, and unified handling of agents' violations against laws and regulations. The Group has proactively integrated channels and sought for exclusive product agents, in order to reduce channel risks. As of 2019, the Group established 21 independent distribution companies with the joint venture from large regional agents.



While integrating channels and reducing channel risks, the Group has established strategic cooperation with outstanding agents. We are also devoted to supporting the growth of agents. In 2019, we initiated the "Sparking Plan" to activate rigid agents with stagnating sales and support the growth of small agents. We formulated a list of agents which are entitled to favorable policies, service priorities, etc. Meanwhile, the Group also set up the agent salon for the nationwide exchange on industry trends, prospects of environmental protection, analysis of Ozner mode, etc.

USERS FIRST AND SUSTAINABLE DEVELOPMENT

Strict Quality Control and Continuous Improvement in Service System

Strict control of product quality

The Group conducts quality management and control based on the life cycle of products. It has formulated relevant systems such as the Control Procedures for Imported Supplies Inspection, Control Procedures for Manufacturing Process Inspection and Control Procedures for Finished Product Inspection and Shipment, which stipulate on the division of responsibilities, relevant standards and processes for the imported supplies inspection of products, quality inspection in the manufacturing process and control procedures for finished product inspection and shipment.

Our workshops are equipped with inspectors for the inspection of quality control points of each procedure and prompt handling of problems if any during the manufacturing process. As for special components or components designated by customers, inspectors are required to conduct sampling inspections as per operation standards and send the components to the testing and appraisal center for functional testing. The Group has also formulated the Correction and Prevention Control Procedures and Disqualified Product Control Procedures, which specify how the disqualified products found in the inspection should be handled.

In 2019, the Group formulated the Quality Value Implementation Specification in Various Phases of New Products R&D, which details and standardizes the quality management in product R&D phase. It is stipulated that quality valves should be established in various phases of product R&D, the appraisal should be made jointly by quality valve appraisers, phased quality confirmation meetings should be organized as per nodes, and the appraisal panel should evaluate phased R&D achievements as per quality requirements of each node. The systematic quality management before product sale was achieved by including the quality monitoring procedure of the R&D phase into the product quality monitoring system.



Product shell quality inspection by Shaanxi Haoze



Quality inspection of finished products by Shaanxi Haoze

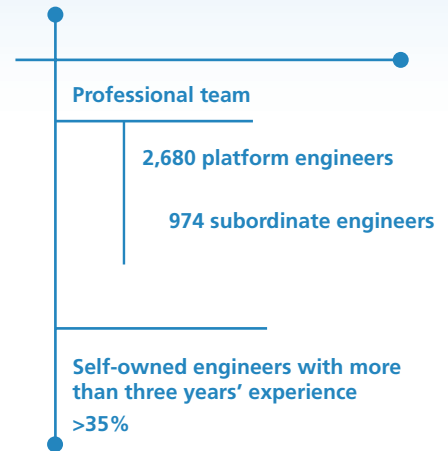


Quality inspection of finished products by Foshan Lepuda

USERS FIRST AND SUSTAINABLE DEVELOPMENT (CONTINUED)

Devotion to service

We strive to offer comprehensive one-stop service to customers. The Group complies with relevant laws such as the Law of the PRC on Protection of the Rights and Interests of Consumers, and has established internal policies such as Monitoring System, Complaint Handling System and Service System Management System. In 2019, we made amendments and improvements to above policies in terms of quality inspection of service system, handling of violations, etc. The Group settles quality-related disputes and return or replacement of products in strict accordance with the Disqualified Product Control Procedures. Meanwhile, we establish a number of engineer teams, and assign specialized engineers for each product, in order to provide powerful support for customer service.



Group's engineer training 1



Group's engineer training 2

In order to guarantee the prompt settlement of customers' problems, the Group opens 400 complaint hotline (24 hours x 365 days) and complaint email to collect feedback from customers. Meanwhile, the Complaint Supervision Department is established to tackle the complaints received via email. Upon receipt of customer calls, the customer service staff shall firstly confirm the problem online and then assign the task to relevant engineer. Upon receipt of customer complaints, engineers nearby will be designated to solve the problem on-site. The engineers will provide on-site service within 2–3 hours in case of severe problem; in case the problem affects the normal water usage, it will be tackled within 8 hours on-site, and under normal circumstances, the problem will be tackled within 24 hours on-site.

Customers who make complaints are entitled to return or replace the products where relevant standards for replacement are met. The application for return or replacement of products shall be submitted by the engineer to the manager for approval, and those with special reasons shall be submitted to the Group for approval. As for the return or replacement of products due to quality problems or machine aging, the Group will prepare quality inspection reports on a monthly basis to deeply dig into the cause of problems and formulate corresponding strategies to prevent the reoccurrence of problems. In 2019, Shanghai and Shaanxi Haoze did not received returned products due to product quality problems; the number of returned products due to product quality problems received by Foshan Lepuda accounted for 2.6% of the total products delivered with a decrease of 73% as compared to 2018; the number of returned products due to product quality problems received by Guangdong Bili accounted for 0.96% of the total products delivered.

USERS FIRST AND SUSTAINABLE DEVELOPMENT (CONTINUED)

We interview customers by integrating online and offline modes such as SMS link, WeChat appraisal and team interview. In 2019, Shanghai Haoze and Shaanxi Haoze interviewed around half of their service customers, among which, online customer appraisal accounted for approximately 17%–18%, and offline interview by quality inspection teams accounted for approximately 30%. In 2019, Shanghai Haoze and Shaanxi Haoze received 474 complaints on products and services, Guangdong Bili received 20 complaints, and Foshan Lepuda did not receive any complaints on products and services. The total number of complaints received by the Group in 2019 experienced a decline of 9% (48 complaints) as compared to 2018.



Customer Utmost and Protection of Consumer Privacy

The Group emphasizes consumers' privacy protection and strictly abides by the relevant laws and regulations relating to consumers' privacy protection. Our Group has developed the Regulatory Standards for 400 Customer Service Centers and 400 Information Confidentiality System to standardize and guide the consumers' privacy protection. We manage the customer information via the customer service system and encrypt all the information in the system. Meanwhile, IT Department will conduct account inspection and information quality inspection on a regular basis to protect the customers' information and privacy.

Protecting Intellectual Property Rights and Building Technical Barriers

Adhering to the "innovation-oriented" concept, the Group has organically integrated the technological innovation, product innovation and model innovation with the governance model of the Group. While achieving continuous innovations and breakthroughs, we attach great importance to the protection of intellectual property rights. The Group formulated relevant policies such as the Intellectual Property Management System, Code of Conducts for Agents Applying Intellectual Property Rights and Procedures for Handling Infringement of Intellectual Property Rights to provide guidance for the management of intellectual property rights. During the reporting period, the Group was not involved in any lawsuits due to violation of laws related to intellectual property rights or severe violation of regulations.

The Group formulates a patent application plan on a yearly basis according to R&D situations, and entrusts the third-party professional institution to conduct patent evaluation and submission. In 2019, Shanghai and Shaanxi Haoze newly acquired 58 intellectual property rights, including 55 utility model patents and three design patents. It also applied for 37 utility model patents and 25 invention patents. Guangdong Bili newly acquired 2 intellectual property rights, and Foshan Lepuda newly purchased 7 invention patents.



Some patent certificates newly acquired in 2019

INTEGRITY EDUCATION AND COMPLIANCE DEVELOPMENT

Anti-corruption for Building an Honest Environment

We don't tolerate the corruption in any forms under any circumstances. We strictly abide by relevant laws and regulations such as the Criminal Law of the PRC and the Law of the PRC against Unfair Competition, and have established a perfect honest administration organization structure. In 2019, there were no major corruption cases recorded related to bribery, fraud, and money laundering within the Group.

Institutional standards

The Group formulates the Monitoring System and Internal Staff Reporting Management System, which provide process guidance and operational standards for the honest administration of the Group. The chapter, "Commercial Behavior and Ethics" contained within the Group's Employee Handbook provides clear directives explicitly prohibits any employee from directly or indirectly providing illegal money or gifts in any forms for any organizations or individuals, or claiming or accepting any illegal money or gifts in any forms from any organizations or individuals.

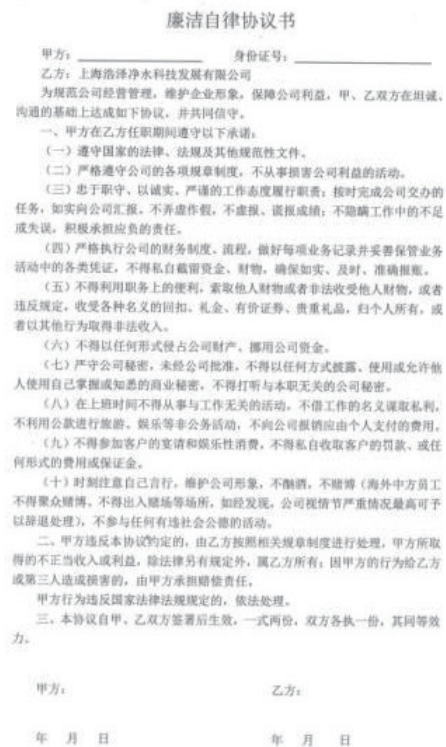
Strict implementation

The independent supervision division established by the Group is responsible for the relevant work of honest administration. Employees can make reports to the supervision division via email or telephone according to the internal reporting procedures. The supervision division will carry out investigation and evidence collection according to the reporting contents. Meanwhile, the superior department of the reported person shall provide assistance in the investigation. The Group will reward or punish relevant staff according to investigation results.

Promotion of incorruptible culture

The Group strives to implement the concept of "integrity" and realize the "honest administration" in every aspect. All the employees are required to sign the Agreement on Integrity and Self-discipline, and pledge to remain faithful to their duty undertakings and duly and diligently perform their duties, strictly abide by the Company's financial system without privately retaining or confiscating funds and property, and not to take advantages of the convenience from their official positions to collect any illegal income.

In 2019, the Group joined the "Sunlight Integrity Alliance". As a member unit, we shared the information of employees with a history of severe corruption with all the other member units, and refused to recruit people with severe breaches, in order to realize the objective of cracking down upon corruption, fraud, counterfeit, and information security crimes, enhancing the anti-corruption governance jointly with alliance members, and forming the positive energy cycle featuring integrity and honest operational practice.



RETURNING TO THE SOCIETY AND REALIZING HARMONIOUS DEVELOPMENT

Returning to the Society with Active Participation in Social Charity

The Group proactively participates in every field of social charity in return to the society. In 2019, we continued our charity engagements such as environment protection and community investment. Meanwhile, we strove to create new charitable modes to maximize the social value of the enterprise.

Charitable donation to the community in 2019

Total	
Amount	RMB20,080,000
Total hours	70,380 hours
Number of employees	602

The Group's total charitable donation to the community in 2019:

Environmental protection

Amount	RMB	700,000
Period	Hour	912
Personnel	Person(s)	24

Community charity engagements

Amount	RMB	2,218,250
Period	Hour	3,068
Personnel	Person(s)	479

Targeted poverty alleviation

Amount	RMB	770,000
Period	Hour	11,680
Personnel	Person(s)	15

Charitable purified water for airport

Amount	RMB	16,388,480
Period	Hour	54,720
Personnel	Person(s)	84

RETURNING TO THE SOCIETY AND REALIZING HARMONIOUS DEVELOPMENT (CONTINUED)

Establishing the natural conservation station for source region of the Yangtze River to protect the mother river

The Group cooperated with the Green River Environment Protection Promotion Association to carry out charitable activities to protect the source region of the Yangtze River and drinking water, calling for more enterprises and individuals to show concern for the water ecology of the Yangtze River and devote themselves to the protection of the source region of the Yangtze River. We took the lead in establishing the water purification shack and the natural conservation station for the source region of the Yangtze River, responsible for the investment and maintenance of water purification facilities at the natural conservation station. We were devoted to the science popularization on natural protection in the source region of the Yangtze River and along the Qinghai-Tibet Highway based on the natural conservation station, and proactively dispatched volunteers in relevant charitable activities. Over years, the Group successively established small conservation stations along the Qinghai-Tibet Highway in cooperation with the charitable organization. In 2019, we also updated the equipment in the water purification shack, and completed the installation of the whole set of water purification equipment along the Qinghai-Tibet Highway including small conservation stations.



“Chunyue Charity Hiking” promoting green and harmony

In 2019, the Group launched the charity hiking activity in Chongming Dongtan with the theme of “Chunyue Charity Hiking” jointly with Coca Cola, calling for participants and the society to protect the source region of the Yangtze River. The volunteers of the Group offered drinking water to participants along the way, and participated in the garbage classification and site cleaning after the activity. We also cooperated with Shanghai United Foundation to raise funds for the Hope School and other charitable activities.



RETURNING TO THE SOCIETY AND REALIZING HARMONIOUS DEVELOPMENT (CONTINUED)

Building “Charitable Water Bar” for the benefit of people

In order to allow more people to have access to the safe and purified water, the Group promoted the Charitable Water Bar Project, providing free and safe drinking water to passengers at major airports across the country. As of 2019, the Group installed water purifiers at 69 airports across the country, and set up a specialized project team for the equipment update and daily maintenance to guarantee the safety of drinking water at the airport.



Targeted poverty alleviation for prosperity

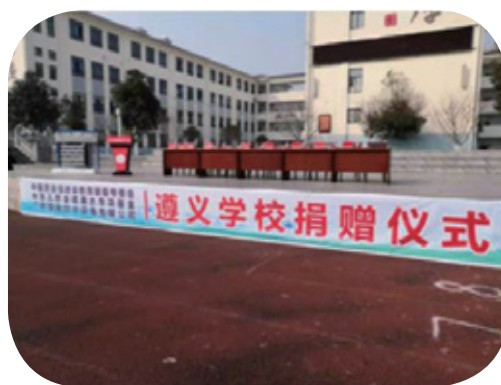
In response to the inspiration of the 19th CPC National Congress to “resolutely win the fight against poverty”, we have chosen Taiping Village, Ganxian County, Xianyang City, Shaanxi Province, as the targeted aided village for poverty alleviation. An aided factory that targets at poverty alleviation was founded in 2018 to mitigate the unemployment and low income of leftbehind villagers. It is predicted that Taiping Village will achieve the poverty alleviation target in 2020. The Group invested approximately RMB800,000 as the labor cost, welfare funds and expenditures for internal activities in 2019 to support the poverty alleviation of the factory. We proactively organized training activities such as tractor maintenance and pesticide spraying skills according to workers’ requirements to lay foundation for their prosperity after “poverty alleviation”.



RETURNING TO THE SOCIETY AND REALIZING HARMONIOUS DEVELOPMENT (CONTINUED)

Safe drinking water for healthy people and China

In December 2019, the subordinate brand Guangdong Bili of the Group sent a warm gift in winter — safe and healthy Bili thermo water dispensers to students in No. 1 Primary School in Xinpu New District, Zunyi in cooperation with the Specialized Foundation of Healthy Drinking Water of China Charities and Foundation for Children, and gave a splendid lecture on healthy drinking water to students present. This move aimed to offer safe and healthy drinking water to more children in poverty-stricken regions, and reduce the poverty due to water-related illnesses in response to the “Healthy China Strategy” of the Party Central Committee and the State Council.



Show concern for later generations with healthy purified water

Our Group has adhered to the doctrine of concern with purified water, that we provide safe water purification facilities and services to schools in remote poverty-stricken areas, covering Qinghai, Shaanxi, Hebei, Yunnan and other provinces. By 2019, we had provided free water purification facilities for 12 schools. Meanwhile, the Group dispatches engineers on a yearly basis to deliver lectures on science of purified water to students to help them understand water purification knowledge.

“One Thousand School Project” integrating charity with commerce for mutual benefits

In 2019, the Group initiated the charitable project of “Thousand School Project”. We offered water purification facilities to schools across the country at a price lower than the market price, and dispatched engineers to acquaint students and parents with the safe drinking water knowledge. Our objective is to offer low-price water purification facilities for 1,000 schools and deliver water purification lectures. As of the end of 2019, the Group had achieved cooperation with nearly 150 schools mainly in Yunnan, Qinghai, Guangxi, Guangdong, Beijing, Jiangsu, Zhejiang, Shanghai, etc.



APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS

Levels	General disclosures and key performance indicators	Ozner Section/Statement
A. Environmental		
A1. Emissions	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes
	A1.1	The types of emissions and relevant emissions data
		Environment-friendly and Green Development — Improving Cleaning Process and Creating Green Production Lines
		Environment-friendly and Green Development — Compliance Management and Legitimate Emission
		Environment-friendly and Green Development — Continuous Prevention and Strict Control of Pollution
	A1.2	Greenhouse gas emissions in total and intensity
		Environment-friendly and Green Development — Usage of Clean Energy for Emission Reduction
	A1.3	Total hazardous waste produced and intensity
		Environment-friendly and Green Development — Usage of Clean Energy for Emission Reduction
	A1.4	Total non-hazardous waste produced and intensity
		Environment-friendly and Green Development — Usage of Clean Energy for Emission Reduction
	A1.5	Description of measures to mitigate emissions and results achieved
		Environment-friendly and Green Development — Proactively Planning Environmental Protection Objectives According to Original Intention, and Summarizing Experience from Achievements
		Environment-friendly and Green Development — Creating Green Products through Technological Innovation
		Environment-friendly and Green Development — Improving Cleaning Process and Creating Green Production Lines
		Environment-friendly and Green Development — Staying Steadfast to Our Mission and Integrating Economical Benefits and Environmental Benefits in Active Response to Climate Changes

APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS (CONTINUED)

Levels	General disclosures and key performance indicators		Ozner Section/Statement
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environment-friendly and Green Development — Continuous Prevention and Strict Control of Pollution
A2. Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation
	A2.1	Direct and indirect energy consumption by type in total and intensity	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation
	A2.2	Water consumption in total and Intensity	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation
	A2.3	Description of energy use efficiency initiatives and results achieved	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation
	A2.4	Description of whether there is any issues in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation Environment-friendly and Green Development — Improving Cleaning Process and Creating Green Production Lines
	A2.5	Total packaging materials used for finished products with reference to per unit produced	Environment-friendly and Green Development — Scientific Allocation and Utilization of Resources for Energy Conservation

APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS (CONTINUED)

Levels	General disclosures and key performance indicators		Ozner Section/Statement
A3. The Environment and Natural Resources	General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The whole chapter of Environment-friendly and Green Development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The whole chapter of Environment-friendly and Green Development
B. Social			
B1. Employment	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	People-centered for Mutual Development — Building a Complete System and Creating a Harmonious Working Environment
	B1.1	Total workforce by gender, employment type, age group and geographical region	People-centered for Mutual Development — Building a Complete System and Creating a Harmonious Working Environment
	B1.2	Employee turnover rate by gender, age group and geographical region	To be disclosed in the future as planned
B2. Health and Safety	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	People-centered for Mutual Development — Humanistic Culture and Concern for Employees' Health
	B2.1	Number and rate of work-related fatalities	People-centered for Mutual Development — Humanistic Culture and Concern for Employees' Health
	B2.2	Lost days due to work injury	To be disclosed in the future as planned

APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS (CONTINUED)

Levels	General disclosures and key performance indicators		Ozner Section/Statement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	People-centered for Mutual Development — Humanistic Culture and Concern for Employees' Health
Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description on training activities	People-centered for Mutual Development — Pursue for Mutual Benefits and Emphasize Training and Development
	B3.1	The percentage of employees trained by gender and employee category	People-centered for Mutual Development — Pursue for Mutual Benefits and Emphasize Training and Development
	B3.2	The average training hours completed per employee by gender and employee category	People-centered for Mutual Development — Pursue for Mutual Benefits and Emphasize Training and Development
B4. Labour Standards	General disclosure	Information on the policies and the compliance with relevant laws and regulations that have a significant impact on the issuer in relation to preventing child labour or forced labour	People-centered for Mutual development — Building a Complete System and Creating a Harmonious Working Environment
	B4.1	Description of measures to review employment practices to avoid child labour and forced labour	People-centered for Mutual development — Building a Complete System and Creating a Harmonious Working Environment
	B4.2	Description of steps taken to eliminate such practices when discovered	People-centered for Mutual development — Building a Complete System and Creating a Harmonious Working Environment
B5. Supply Chain Management	General disclosure	Policies on managing environmental and social risks from the supply chain	Strategic Partner for Coordinated Development — Supply Chain Management for Zero-risk Enterprise
	B5.1	Number of suppliers by geographical region	Strategic Partner for Coordinated Development — Supply Chain Management for Zero-risk Enterprise
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Strategic Partner for Coordinated Development — Supply Chain Management for Zero-risk Enterprise

APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS (CONTINUED)

Levels	General disclosures and key performance indicators		Ozner Section/Statement
B6. Product Responsibility	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters in relation to products and services provided and methods of redress	Users First and Sustainable Development — Strict Quality Control and Continuous Improvement in Service System
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Users First and Sustainable Development — Strict Quality Control and Continuous Improvement in Service System
	B6.2	Number of products and service related compliants received and how they are dealt with	Users First and Sustainable Development — Strict Quality Control and Continuous Improvement in Service System
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Users First and Sustainable Development — Protecting Intellectual Property Rights and Building Technical Barriers
	B6.4	Description of quality assurance process and recall procedures	Users First and Sustainable Development — Strict Quality Control and Continuous Improvement in Service System
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Users First and Sustainable Development — Customer Utmost and Protection of Consumer Privacy
B7. Anti-corruption	General disclosure	Information on the policies and the compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Integrity Education and Compliance Development — Anti-corruption for Building an Honest Environment
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Integrity Education and Compliance Development — Anti-corruption for Building an Honest Environment
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Integrity Education and Compliance Development — Anti-corruption for Building an Honest Environment

APPENDIX — INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENTS (CONTINUED)

Levels	General disclosures and key performance indicators		Ozner Section/Statement
B8. Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities taken into consideration for the community's interests	Returning to the Society and Realizing Harmonious Development — Returning to the Society with Active Participation in Social Charity
	B8.1	Focus areas of contribution	Returning to the Society and Realizing Harmonious Development — Returning to the Society with Active Participation in Social Charity
	B8.2	Resources contributed to the focus area	Returning to the Society and Realizing Harmonious Development — Returning to the Society with Active Participation in Social Charity