



SUN.KING TECHNOLOGY GROUP LIMITED
賽晶科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580

2022

**Environmental, Social and
Governance Report**



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S STATEMENT

Climate issue became one of the highlights of the 22nd Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization convened in September 2022. The heads of member states considered that given the severity of the climate issue, the urgency for the world to take action is constantly rising. Meanwhile, during the past twelve months, the COVID-19 pandemic (“**COVID-19**”) and geopolitical tensions had intensified climate change, while the negative impact of the climate issues had brought unprecedented challenges to the society, the economy and the sustainable development of the human race.

In light of the increasingly severe environmental and social issues and the rising demands of the market seeking sustainable value creation, the Board is responsible for identifying, analyzing and evaluating the key risks, and establishing relevant proposals for the coming years in the Board meetings, so as to facilitate the country in achieving the goals of “carbon peak by 2030 and carbon neutrality by 2060”. The Board also assumes responsibility for the authenticity, accuracy and completeness of the content of this ESG report. In addition, the Company has engaged Ammo Group Corporate Services Limited as its independent ESG advisor to assist the Company in preparing the ESG report and provide ESG-related advisory services.

As we have learnt of the risks in advance, we constantly optimise our risk management and internal control system, strengthen the monitoring and prevention of risk and timely implement corresponding risk management measures, in order to boost the Group’s ability in risk control and prevention, as well as to pave the way for the sustainability of the low carbon economy.

We aggressively develop products related to the new energy industrial chain, which mainly use in clean energy development and transmission and green and low-carbon transportation sectors like ultra-high voltage direct current (UHVDC) and flexible direct current (DC) transmission, new energy power generation and electric vehicles. During the reporting period, we still maintained market competitiveness with advanced technology and leading product quality. For example, the Group successfully delivered and installed the related products for the Baihetan-Zhejiang $\pm 800\text{kV}$ UHVDC Transmission Project, and delivered the flexible DC support capacitor for the world’s first flexible low frequency transmission project, facilitating long-distance transmission of clean energy in China. Our new technology and new products are recognised by the market. The Group began delivering its self-produced IGBTs to new energy passenger vehicle customers and continued to develop new IGBT products. Not only did our marine solid DC circuit breakers obtain certification from both China Classification Society and Det Norske Veritas, it also received record high orders. The Group achieved the first mass application of domestic flexible DC support capacitor in DC transmission within the power system. With these new products and technology, we can provide solutions for electric vehicles, ships and trains, and actively promote the development of green and low-carbon transport.

We practice green development philosophy, and strengthen the risk management and control for green production, energy management, supply chain management, product liability and other aspects. In 2022, we reviewed the energy-saving and emission reduction policies and measures of the Group, and optimised and implemented relevant elements. After performing feasibility study, the Group adjusted its energy structure, shifting from a single power source to a variety of sources with electricity as its mainstay. Moreover, we also improved and enhanced the efficiency of certain production processes of our environmental production facilities, and optimised the storage and control of hazardous solid waste, maintaining strict control on its disposal. We will further monitor and promote green and low-carbon production and lifestyle. We strengthened supply chain management and realised product quality liability. During the reporting period, there were no significant issues on product quality.

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The Company has been insisting on a “people-oriented” management approach. By constantly enhancing the recruitment system, training system and career development channel for our staff, we provide equal opportunities for all staff and focus on their well-being and development to ensure labour health and safety. While we strive to create value for different stakeholders, such as our shareholders, staff, customers and different stakeholders, at the same time, we devote ourselves to social charitable causes. During the reporting period, the Group supported pandemic control and prevention through donations to charities and donated much-needed pandemic supplies to the government, fulfilling our corporate social responsibility through action.

In 2022, we are delighted that Sun.King Technology was awarded “The Best TMT Company” on the “Global Investment Trends Forum and the Sixth Golden Hong Kong Stock Awards Ceremony” organised by Zhitong Financial, Royalflush Finance and China Galaxy Securities, and “The Best Small and Medium Cap Company” in the Seventh Zhitong Financial Listed Company Award, which fully demonstrated the Company’s benchmark status and outstanding influence among small and medium sized companies in Hong Kong and also represented a recognition from the capital market.

Looking forward, the Group will continue to adhere to the operational philosophy of “pursuing excellence for a better future” and the goal of “promoting development of green energy with technological innovation”, with an aim to provide quality products and services for customers, contribute green power to the energy development and innovation in China and strive hand-in-hand to achieve “carbon peak and carbon neutrality”.

Xiang Jie

Chairman of the Board

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ESG GOVERNANCE STRUCTURE

Sun.King Technology Group Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**we**”) strives to create value for its shareholders and fulfil its corporate social responsibility at the same time. The Board is committed to implementing environmental, social and governance (“**ESG**”) philosophy into the Group’s business operation and is responsible for the Group’s long term sustainability, including the establishment of strategies and the monitoring of ESG-related risks and opportunities. The Board considers ESG-related risks and opportunities as part of the Company’s overall strategic planning. Our corporate social responsibility structure comprises two parts, the Board of Directors (the “**Board**”) and the ESG Working Group.

The Board has ultimate oversight responsibility for the Group’s ESG matters, including ESG strategies and policies. In order to better manage the Group’s ESG performance and identify potential risks, the Board, with the assistance of the ESG Working Group, conducts annual materiality assessments, taking into account the views of various stakeholders, to assess and prioritise key ESG-related issues.

The Group ensures that various platforms and communication channels are available for contacting, listening to and responding to major stakeholders. Through communicating with stakeholders, the Group may better understand their expectations and concerns. Those feedbacks can help the Group to make wise decisions and further evaluate and manage the impact of our business decisions. The Group evaluates the materiality of each ESG aspects through the below steps: (i) the Group identifies ESG-related matters; (ii) the priority of key ESG areas in which the stakeholders engaged; and (iii) based on the results of stakeholder communication, verifies and determines major ESG-related matters. Through these procedures, the Group gains better understanding of stakeholders’ expectations and concerns regarding different ESG matters, which in turn allow the Board to establish the sustainability direction to cope with major ESG-related issues in the future.

The ESG Working Group comprises senior management members from key business departments to facilitate the Board’s oversight of ESG matters. The ESG Working Group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG Working Group arranges regular meetings to assess the effectiveness of current policies and procedures and to develop appropriate solutions to improve the overall performance of ESG policies. At these meetings, the ESG Working Group discusses existing and future plans to monitor and manage the Group’s sustainability objectives, reduce potential risks and minimise negative impacts on our business operations. By setting ESG-related targets and indicators, we are able to reduce the environmental impact on the Group’s operations. The ESG Working Group will develop ESG-related objectives and targets and report regularly to the Board to help assess and identify the Group’s ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanisms and review progress against established targets and indicators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



REPORT SUMMARY

This ESG report (the “**Report**”) is the seventh ESG report of the Group, which sets out the Group’s initiatives, plans, performance and achievements in the ESG areas of environmental responsibility, employee responsibility, operational practices and community engagement, focusing on issues of concern to stakeholders and demonstrating its commitment to sustainable development.

The Group always upholds the business philosophy of “pursuit of excellence for a win-win future” and our mission of “facilitate the development of green energy with technological innovation”, promotes constant optimisation of energy technologies in the PRC with our international leading technologies and products, with an aim to construct a new energy based innovative power system in China. Meanwhile, sustainable development is further represented in every governance and operation procedures within the Company. We actively cooperate with business partners, customers, investors and other entities and individuals to achieve sustainable development of the Company and the society.

Vision



Being an international leading supplier of power semiconductor devices and system solutions.

Mission



Facilitate the development of green energy with technological innovation.

Values



Respect, innovation and transcendence.

Business philosophy



Pursuit of excellence for a win-win future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Basis of Preparation

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (the “**ESG Reporting Guidelines**”) as set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “**HKEx**”).

During preparation the Report, the Group has adopted the principle of reporting in the ESG Reporting Guidelines as follows:

- **Materiality:** Significant issues were identified through materiality assessments during the Financial Year and those identified were used as the focus for the preparation of the ESG Report. The materiality of the issues was reviewed and confirmed by the Board and the ESG Working Group. For further details, please refer to the “Stakeholder Engagement” and “Materiality Assessment” sections.
- **Quantitative:** Data presented in the Report have been collected prudently, with environmental and social key performance indicators (“**KPIs**”) disclosed in the Report. Unless otherwise specified, the methods and presumptions adopted in calculating the KPIs were based on the relevant guidelines provided by the Listing Rules and The Stock Exchange of Hong Kong Limited.
- **Balance:** An unbiased and balanced picture of the performance has been disclosed in a transparent manner.
- **Consistency:** Unless stated otherwise, the disclosure, information collection and calculation methods are substantially the same as those of the previous year for easier comparison.

For the Group’s corporate governance practices, please refer to the section headed “Corporate Governance Report” on pages 15 to 22 of Annual Report 2022.

Scope of Reporting

This ESG report mainly covers the nine companies that produce and sell power electronics and system (products mainly include electricity distribution within the grid, electric transport and other industries and sectors).

The ESG key performance indicators (“**KPIs**”) data are gathered from operations under the Group’s direct operational control. The environment data disclosed in the Report includes Wuxi Sunking Power Capacitor Co. Ltd. (“**Wuxi Sunking**”), Wuxi Sichuang Power Electronic Technology Co. Ltd. (“**Wuxi Sichuang**”), Jiashan Sunking Power Equipment Technology Co. Ltd. (“**Jiashan Sunking**”), Jiashan Sunking Capacitor Co. Ltd. (“**Jiashan Capacitor**”), Zhejiang Jiashan Keneng Power Equipment Technology Co. Ltd. (“**Zhejiang Jiashan Keneng**”), Zhejiang Saiying Power Technology Co., Ltd (“**Zhejiang Saiying**”), Beijing Sunking Power Electronic Technology Co. Ltd. (“**Beijing Sunking**”), Wuhan Langde Electrics Co. Ltd. (“**Wuhan Langde**”) and Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd. (“**Sunking Pacific Semiconductor**”). In 2022, Jiashan Capacitor separately disclosed its environmental and social data, while the disclosure in 2021 was made as if Jiashan Capacitor was included in Jiashan Sunking as a business department. The social data disclosed in this Report, such as the number of employees, covers all of the Group’s operations in order to be consistent with the figures presented in the annual report.

Reporting Period

The Report details the Group’s activities, challenges, and measures in ESG aspects from 1 January 2022 to 31 December 2022 (“**FY2022**”).

Contact Us

The Group welcomes opinions and suggestions from stakeholders. You may provide opinions on the Report or our sustainability performance by the following methods:

Address: Building 9-A, KongGangRongHuiYuan, Yuhua Road, Tianzhu Airport Industrial Zone B, Shunyi District, Beijing

Email: info@sunking-tech.com

Website: <http://www.sunking-tech.com>

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STAKEHOLDERS ENGAGEMENT

The Group adheres to the vision of creating value for all parties and places great emphasis on effective communication and sound relationships with all stakeholders. In order to fully understand, respond to and address the core concerns of different stakeholders, we have been working closely with stakeholders, including but not limited to employees, shareholders and investors, customers, suppliers, government and regulatory bodies as well as communities.

Through different stakeholder engagement and communication channels, we will incorporate their expectations into our operations and ESG strategies in order to promote sustainability. The communication channels for stakeholders and their expectations and concerns for the Group are as follows:

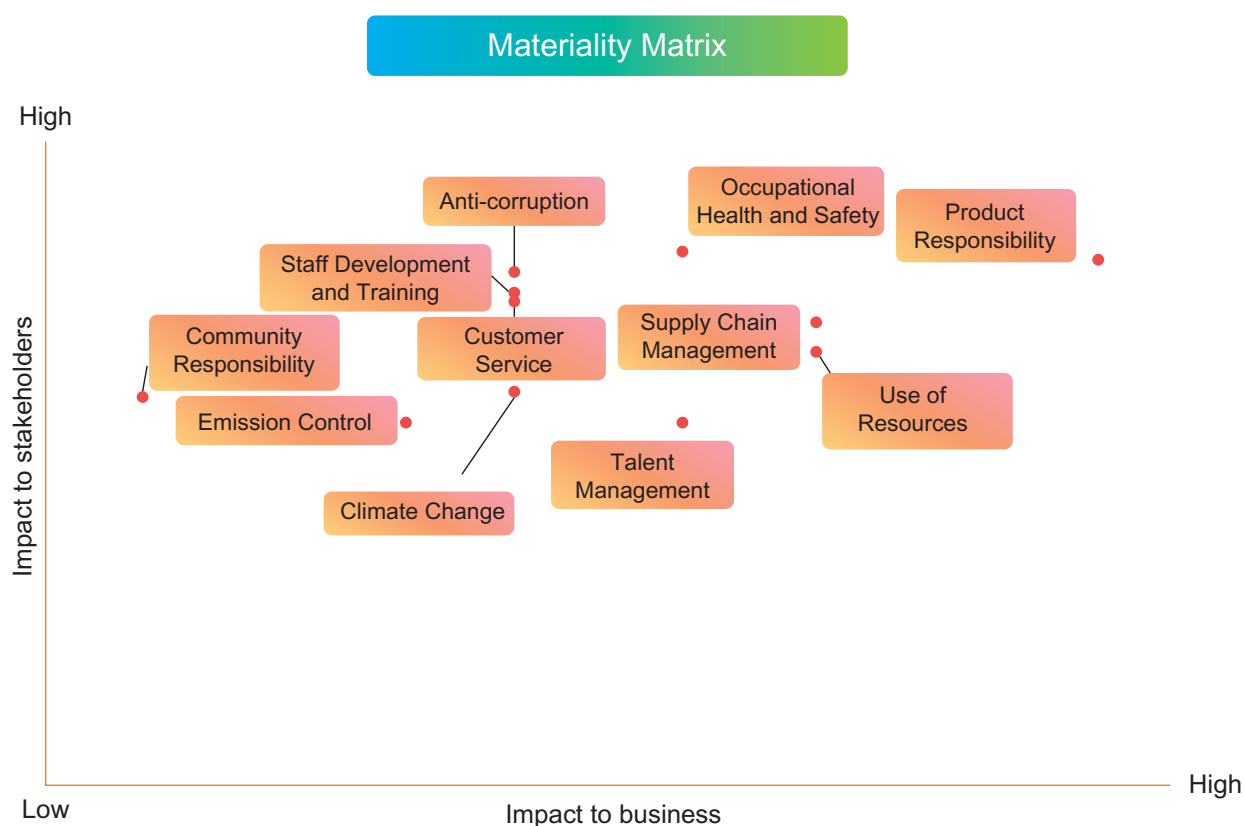
Stakeholder types	Communication channels	Expectations
Employees	<ul style="list-style-type: none">• Regular performance evaluation• Training and seminars• Internal communications• Employee satisfaction survey• Various staff activities• Labour union	<ul style="list-style-type: none">• Remuneration and benefits• Equal opportunities• Career development• Occupational health and safety
Shareholders and investors	<ul style="list-style-type: none">• Annual general meeting• Announcement and circular• Periodic reports (including financial reports)• Investor conference• On-site investigation	<ul style="list-style-type: none">• Financial performance• Information transparency• Safeguard the interest of shareholders• Compliance operation
Customers	<ul style="list-style-type: none">• Customer service hotline and email• Company's website• Customer satisfaction survey• Customer visit	<ul style="list-style-type: none">• Product safety and quality• Customer service• Customer's privacy protection
Suppliers	<ul style="list-style-type: none">• Site visits• Correspondence• Conference	<ul style="list-style-type: none">• Supply chain management• Fair and open procurement• Long-term partnership
Government and regulatory bodies	<ul style="list-style-type: none">• Regular performance monitoring and evaluation• Written or electronic communication• Government press release	<ul style="list-style-type: none">• Comply with laws and regulations• Corporate governance
Community	<ul style="list-style-type: none">• ESG Report• Community service activities	<ul style="list-style-type: none">• Environmental protection• Corporate social responsibility• Community activities• Employment opportunities

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MATERIALITY ASSESSMENT

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, the Group not only considers the business development strategies and the industry practices but also conducts an annual materiality assessment in the form of questionnaires. Relevant stakeholders of the Group are invited to participate in the materiality assessment and rate potential material topics to help us identify the most material issues related to sustainable development in the core business considered by stakeholders.

The Group analysed the results of the materiality assessment into a materiality matrix and the material issues and stakeholder concerns identified are reviewed and discussed with the Management and disclosed in the Report. In 2022, the Group’s materiality matrix is as follow:



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ENVIRONMENTAL RESPONSIBILITY

The Group always upholds the operating strategy of green and sustainable development, which effectively controls the emission of pollutants and makes reasonable use of resources. The Group strengthens environmental risk management, and is committed to fulfilling its ecological protection responsibilities while pursuing economic benefits. Some of our products have been certified for compliance with GB/T 24001-2016/ISO 14001:2015 environmental management system, which effectively drives our environmental management work and the sustainable development of the enterprise.

Main Products	
Reactors	Power electronic capacitors and complete sets
Power electronic components, electrical instruments, intelligent transmission and distribution control equipment; Power electronic switches; Converters	Electric transmission, transformation and distribution online monitoring system; Computer information system integration and online monitoring system software; Infra-red thermographic camera and partial discharge detector
Laminated busbars	Flexible DC transmission capacitors
High-voltage static dynamic reactive compensator	

Emissions

In view of the potential environmental impact of the production process (i.e. generating waste gas, waste water and waste), the Group focuses on enhancing environmental protection measures to comply with relevant local government laws and regulations and to implement environmentally-friendly policies, in order to promote clean production and green business.

Effective Control of Exhaust Gas Emissions

The Group generates exhaust gases during its production process. For the following organised exhaust gases, we have actively implemented the following various treatment methods to ensure the organised emissions meet the standards. For the small number of unorganised emissions such as dust generated during the production process, the impact on the environment is reduced by equipping ventilation facilities, enhancing ventilation and timely cleaning for dust reduction to ensure unorganised emissions meet the standards. We have formulated the Pollutant Emission Control Procedures and the Environment Pollution Treatment Facility Control Procedures, and constantly monitored our exhaust gas emission and management of disposal measures. We will continue to monitor our exhaust gas emissions and treatment procedures, including regular inspections and maintenance of dust collection device to ensure its effective operation and regular replacement of dust collection materials like activated carbon.

During the reporting period, the exhaust gas emission generated from the Group's production was tested and proved to be in line with the emission standard. While controlling our exhaust gas emission within the emission standard, we also further discussed possible measures to reduce the exhaust gases and pollutants to the greatest extent. To this end, the Group optimised its exhaust gas collection and treatment system, such as placing the exhaust gas collection facility as close as possible to the pollutant source without affecting production. Wuxi Sunking added an environmentally friendly spray painting facility to collect the maximum amount of exhaust gas and enhance exhaust gas collection. Furthermore, the Group also installed activated carbon devices in hazardous waste storage to prevent secondary pollution and treatment for used activated carbon.

Pollutant types	Welding fume	Potting exhaust gas and plastic injection exhaust gas	Flue gas from spray paint and flue gas from drying spray paint	Shot blasting exhaust gas	Welding exhaust gas, washing exhaust gas and solidified exhaust gas
Emissions	Particles	Non-methane hydrocarbons	Paint mist/xylene	Iron particles	Non-methane hydrocarbons
Treatments	Exhaust gas collection device with filter cartridge dust removal device	Vacuum pump suction with activated carbon absorption device	Water-curtain type paint fume treating equipment/environmentally friendly spraying facility with activated carbon processing	Textile dust bag treatment	Textile dust bag at the suction outlet with level 2 activated carbon absorption device Gas collecting hood with level 2 activated carbon absorption device

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Emissions from our vehicles also occur during the Group's operations. The Group strictly implements laws, regulations and policies relating to the prevention and control of motor vehicle pollution, including the use of unleaded fuel and low sulphur fuel and the elimination of substandard vehicles. The Group has formulated the Measures for the Management of Office Vehicles and Vehicle Management System, which stipulate the acquisition, use, maintenance and retirement of the Company's vehicles. We conduct annual review on the management of the Company's vehicles, with comprehensive consideration on work functions, number and distance of business travels, travel costs and other factors to adjust our management measures. While ensuring convenient and reasonable business travels, the optimal allocation and use of resources can also be achieved, and waste can be reduced. According to the Drivers' Behavior Guidelines, the Group requires drivers to take the following measures to reduce emissions caused by vehicle exhausts.

- Switching off the engine when the vehicle is not in use;
- Planning routes in advance to optimise fuel consumption; and
- Regular maintenance of vehicles to ensure that engine performance does not hinder efficient use of fuel.

During the reporting period, the emission amount of exhaust gases are as follows:

Types of exhaust gases	Unit	2022	2021*
Nitrogen oxide (NO _x)	Kg	31.16	37.37
Sulphur oxide (SO _x)	Kg	0.71	0.96
Particles (PM)	Kg	2.29	2.75

* As the data collection method has changed, the data of FY2021 has been restated.

Stable Progress for Carbon Reduction

The Group's sources of greenhouse gas ("GHG") emissions mainly include vehicle use, refrigerants, diesel consumed by production equipment (Scope 1), purchased electricity (Scope 2), and business air travel (Scope 3).

The Group continues to improve its green and low-carbon management and strives to do a good job in its energy saving and emission reduction action plans. Apart from the above policies for the Company's vehicles, the Group also established a series of systems relating to the use of vehicles, production and office equipment, business travel, and water and electricity conservation to strengthen the management of vehicle use, equipment use and employee business travel. The Group also revised the Business Travel Regulations in 2022, so as to regulate and encourage employees to choose routes with low emissions and make appropriate arrangement on the number of days spent on business air travel. During the operation period, we continuously adopted the following measures to reduce GHG emissions, which include:

- Perform regular maintenance for vehicles and production and office equipment to enhance their efficiency;
- Encourage employees to use public transport, new energy vehicles and other green transport means for work;
- Implement various measures, such as management and control over the operation of manufacturing equipment based on the production plan, turning off the power on a timely basis and reasonable temperature setting for air-conditioning, to ensure power-consuming devices are utilised in a scientific manner;
- Encourage the use of conference call, video conference and other digital means to hold and participate in meetings, in order to reduce the number of business travels;
- Conduct energy-saving and environmental protection trainings and promotions through corporate communication, displays on notice board, posting slogans and arranging regular seminars, in order to promote environmental protection culture and raise the awareness on green and low-carbon development.

The Group has set a target to reduce the intensity of GHG emissions over the next three years as compared to 2021. During the reporting period, Sinking Pacific Semiconductor began regular production, with far lower electricity consumption as compared to the construction period in 2021. This is the main reason for the Group's significant reduction of GHG emissions during the reporting period as compared to 2021. On the other hand, on top of the stringent implementation of the above measures, the Group also began adjusting its energy structure and ratio. Jiashan Sinking switched to steam for certain electricity-consuming procedures based on their characteristics. The street lamps within the plant will also be gradually replaced by solar-powered alternatives. Sinking Pacific Semiconductor adjusted the proportion of its three main types of energy: water, electricity and steam. Increasing the use of steam while reducing the consumption of electricity can improve its energy structure and efficiency, allowing for successful control of the absolute consumption of electricity while also ensuring stable production. Not only did the significant reduction of monthly power consumption lower the carbon emission, but also substantially reduced the economic cost. An optimised energy structure can effectively reduce the consumption of electricity, the largest energy source of the Group, which in turn lower its CO₂ emission. The Group will further monitor and optimise its carbon reduction measures to facilitate China in achieving its goal of "carbon peak by 2030 and carbon neutrality by 2060".

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During the reporting period, the emissions and intensity of GHG of the Group are as follows:

GHG emission scope ¹	Unit	2022	2021*
Direct GHG emissions (Scope 1)	tCO ₂ e	254.83	275.57
Indirect GHG emissions from energy (Scope 2)	tCO ₂ e	9,338.43	40,469.51
Other indirect GHG emission (Scope 3) ²	tCO ₂ e	76.08	54.05
Total amount of emission of GHG	tCO₂e	9,669.34	40,799.13
Intensity of GHG emission³	tCO₂e/employee	12.43	64.35

Notes:

- * As the data collection method has changed, the data of FY2021 has been restated.
1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange and the latest release of Area Grid Baseline Emission Factors in China.
 2. The carbon emission of business travel is calculated by the International Civil Aviation Organization Carbon Emissions Calculator issued by the International Civil Aviation Organization ("ICAO").
 3. In 2022, the Group's operation under the reporting scope had 778 (2021: 634) employees. The data is also used for calculating other intensity data.

Continuous Monitoring of Water Pollution Control

The Group's production plants implement rainwater and sewage diversion. Production wastewater and household sewage will be treated and emitted into the municipal sewage pipe network in accordance with standards. During the reporting period, the wastewater of the Group was tested to be in line with the emission standard. To ensure free-flowing rain water and sewage pipes, the Group engaged a third party to perform video inspection for its rain water and sewage pipes, pipes dredging and water bypass procedure. We will further monitor and optimise our water pollution control measures. For information on water management and corresponding water-saving measures, please refer to the section headed "Water Management".

Strict Implementation of Waste Disposal

Hazardous and non-hazardous wastes are generated in the course of the Group's operations and production. In order to reduce the impact of waste on the environment, the Group has been implementing various waste management and emission reduction measures in strict compliance with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Standard for Pollution Control on Hazardous Waste Storage.

Hazardous waste

Hazardous waste generated from the Group's operations mainly includes waste organic solutions, sealing materials waste and oil and water mixtures. Although the volume of hazardous waste generated by the Group is not significant, the Group has established the Solid Waste Emission Control Procedures, Safe Management Procedures for Hazardous Waste and Waste Storage Management System to regulate its management of hazardous waste, including its collection and disposal and their strict implementation. In order to effectively identify and handle hazardous waste, each department has designated areas where waste is sorted, located and labelled, and then handed over to the Administration Department for centralised collection. After collection, hazardous waste is stored in our hazardous waste warehouse and disposed of regularly by qualified companies commissioned by us. The Group has prepared the Hazardous Waste Management Ledger to monitor its disposal of hazardous waste. The Group also formulated the Hazardous Waste Accident and Emergency Plan to timely and accurately address possible hazardous waste accidents, so as to reduce the harm as much as possible.

The Group has set a target to reduce the intensity of hazardous waste emission over the next three years as compared to 2021. The Group collects and disposes of hazardous waste in strict accordance with the regulations to ensure that there is no adverse impact on the surrounding environment. To reduce the generation of waste materials in the production process, we are constantly improving our processes, enhancing the utilisation of raw materials and strengthening quality control to improve the quality of our products.

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During the reporting period, the emissions and intensity of hazardous waste of the Group are as follows:

Hazardous waste	Unit	2022	2021*
Total emission of hazardous waste	tonnes	53.88	42.70
Intensity of hazardous waste	tonnes/employee	0.069	0.067

* As the data collection method has changed, the data of FY2021 has been restated.

Non-hazardous waste

Non-hazardous waste generated from the Group's business operations is mainly household waste and paper. In our daily operations, we take various measures to reduce and recycle waste. According to our Waste Storage Management System and Waste Sales Management System, we sell waste paper, iron filings and steel scrap from our production and office work processes to recycling companies. The Group implements strict segregation of household waste, and disposes of such waste through qualified companies commissioned by us.

The Group regularly educates and promotes environmental protection to our staff to reduce the generation of waste at source, and encourage reuse and recycling. To reduce paper consumption in the office, we have adopted various electronic systems to implement a paperless office, which has not only greatly improved efficiency but also reduced the use of resources. We also require our staff to use double-sided copying or printing as much as possible to reduce their paper consumption during operations and to raise awareness of waste reduction.

The Group has set a target to reduce the intensity of non-hazardous waste emission over the next three years as compared to 2021. Since Sinking Pacific Semiconductor has not recorded its non-hazardous waste emission, any comparisons are not meaningful. The Group will further monitor its non-hazardous waste emission, reducing the generation of waste at the source through employee training and education.

During the reporting period, the Group's non-hazardous waste disposal and intensities are as follows:

Non-hazardous waste	Unit	2022	2021*
Household garbage	tonnes	407.57	222.00
Iron particles	tonnes	2.10	1.75
Scrap steel	tonnes	0.30	0.99
Used paper	tonnes	5.20	4.60
Office paper	tonnes	4.03	5.91
Total non-hazardous waste disposed of	tonnes	419.20	235.25
Intensity of Non-hazardous waste disposed of	tonnes/employee	0.53	0.37

* As the data collection method has changed, the data of FY2021 has been restated.

Use of Resources

The Group has incorporated the concept of resource conservation and environmental protection into its business operations and is committed to optimising the use of resources in all its business and production operations. In order to improve the efficiency of use, the Group has formulated a series of management systems for the use of water, electricity, motor fuel and other resources, and has identified the responsible management departments and penalty mechanisms to minimise the consumption of resources. In respect of the consumption of raw materials, the Group has implemented a timely production system and adopted a requisition system for raw materials to avoid a large scale backlog of inventory.

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Energy Management

To enhance the sustainability of its production operations, the Group is committed to identifying feasible opportunities to reduce energy consumption in its operations. The Group has formulated the Resource and Energy Management and Control Procedures and the Management Rules on Electricity Conservation to manage its power consumption and closely monitor and evaluate electricity consumption, investigates any abnormal or excessive consumption, identifies the causes and implements corrective measures. When acquiring equipment, we would avoid using equipment that is inefficient in terms of energy usage. In addition, the Group regularly eliminates energy-intensive, inefficient, obsolete and outdated production equipment in our plants to ensure that the equipment used is regularly maintained and renovated to save energy.

The Group has set a target to reduce the total energy consumption intensity for the next three years compared to 2021 and expects to achieve this target through continuous review of the above energy saving measures. During the reporting period, we adjusted our energy mix and ratio by switching from electricity to steam in relevant processes and controlling the absolute amount of electricity consumption while ensuring stable production, resulting in a significant decrease in monthly electricity consumption. Since Sinking Semiconductor invested in infrastructure in the first half of the year, power consumption of various heavy-duty equipment was high. Currently, in 2022, it has began general operation, as such the total energy consumption significantly decreased by 80% as compared with 2021.

During the reporting period, the Group's electricity and other energy consumption and intensity are as follows:

Energy types	Unit	2022	2021*
Direct energy consumption	MWh	481.05	638.70
Petrol	MWh	467.76	633.31
Diesel	MWh	13.29	5.39
Indirect energy consumption	MWh	11,760.08	51,115.83
Purchased electricity	MWh	11,760.08	51,115.83
Total energy consumption	MWh	12,241.13	51,754.53
Intensity of total energy consumption	MWh/employee	15.73	81.63

* As the data collection method has changed, the data of FY2021 has been restated.

Water Management

The Group utilises water in its production process. Through water conservation education for employees, technical inspection of water system, improvement of processes and functions of equipment, reuse of water and other measures, we reduce our water consumption as much as possible. Furthermore, we strengthened the water management of the green and scenic facilities within our plant, prioritizing the use of recycled water. We will further monitor our water consumption to timely improve our water consumption management.

The Group encourages all employees to develop the habit of conscientious water conservation in order to reduce water consumption in the office. To promote water conservation, the Group has posted water saving slogans at our operations, such as turning off water taps when they are not in use, to educate and guide employees to use water wisely. In addition, we require our employees to report leaks in taps or water pipes to the relevant departments in a timely manner. Employees' awareness of water conservation has been enhanced through these water conservation measures. Given the geographical location of its operations, the Group did not encounter any problems in sourcing water.

The Group set a target to reduce water consumption intensity over the next three years as compared to 2021 and expects to achieve this target through continuous review of the above water conservation measures. In 2022, water consumption decreased by 26% as compared with 2021.

During the reporting period, the water consumption of the Group is as follows:

Water consumption	Unit	2022	2021*
Total water consumption	m ³	177,574.52	196,200.38
Water consumption intensity	m ³ /employee	228.24	309.46

* As the data collection method has changed, the data of FY2021 has been restated.

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Use of Packaging Materials

The packaging materials used by the Group include foam, cardboard and wooden boxes. In order to optimise packaging methods, the Group's plant management specifies the most suitable and efficient material for each production item. We are not able to quantify the weight of the packaging as the specifications of the packaging materials used vary depending on the model of the products. During the reporting period, on top of the increase in production capacity of the Group, new packaging process required new static bags and air bubble bags, which led to a significant increase in packaging consumption as compared with last year. The Group will closely monitor its packaging material consumption to formulate measures that optimise and reduce the use of packaging materials.

During the reporting period, the consumption of packaging material of the Group is as follows:

Packaging material types	Unit	2022	2021*
EPE foam sheet	Piece	426,637	149,789
Paper box	Piece	18,117	5,942
Wooden box	Piece	8,068	5,308
Plastic box	Piece	48,101	1,126
Static bags and air bubble bags	Piece	9,040	142

* As the data collection method has changed, the data of FY2021 has been restated.

The Environment and Natural Resources

In order to create a harmonious and beautiful production and office environment, we plant trees and grass in the plant area and arrange green plants and flowers in the office area, and maintain daily maintenance and management to ensure that the plant area is clean and tidy and the plants are always green in all seasons. The Group regularly carries out activities such as voluntary work and tree planting to beautify the environment.

The Group's production plants may generate exhaust gases. We reduce and avoid the use of hazardous substances or production methods that produce harmful exhaust gases. We monitor and measure the noise, exhaust gases, dust and fume generated by mechanical and electrical equipment in the production process and the use and safe operation of various protective gears, strictly in accordance with our safety operation procedures.

In 2022, the Group added safety protection facilities such as toxic and flammable gas alarms, and grade-A fire doors. The Group continued to improve its facilities to reduce the harm of fire and poisonous gas to our employees and the environment to the greatest extent.



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Climate Change

The awareness of the public for climate change is increasing and climate change is one of the most frequently discussed topics in the international arena. The Group recognises the importance of identifying and mitigating significant climate-related issues and pays close attention to the potential impact of climate change on the Group's business and operations and is committed to managing potential climate-related risks that may affect the Group's business activities. According to the reporting framework developed by Task Force on Climate-related Financial, climate-related risks are categorised into two main groups, namely physical and transitional risks. The Group has incorporated climate change-related risks into its enterprise risk management to identify and mitigate potential risks.

Physical Risks

An increase in the frequency and severity of extreme weather events, such as typhoons, storms, heavy rainfall, extreme cold or extreme heat, would create immediate and long-term physical risks to the Group's business. Extreme weather events could threaten the personal safety of our employees and damage the power grid or plant facilities, resulting in reduced capacity and productivity or exposing the Group to the risk of non-performance and delay in performance, which could have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has put in place countermeasures, including flexible working arrangements and precautions in the event of severe or extreme weather conditions, as well as purchasing insurance against property loss. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events in order to enhance business stability.

Transitional Risks

In line with the global carbon neutrality vision, the Group anticipates regulatory, technological and market changes resulting from climate change, including amendments on national policies and listing rules and the introduction of environmental-related taxes. More stringent environmental laws and regulations may expose companies to higher claims and litigation risks, potentially incurring additional compliance costs and affecting the Group's reputation.

To address policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for non-compliance or reputational risks due to delayed response. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions, and has set targets to gradually reduce our energy consumption and greenhouse gas emissions in the future.

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EMPLOYEE RESPONSIBILITY

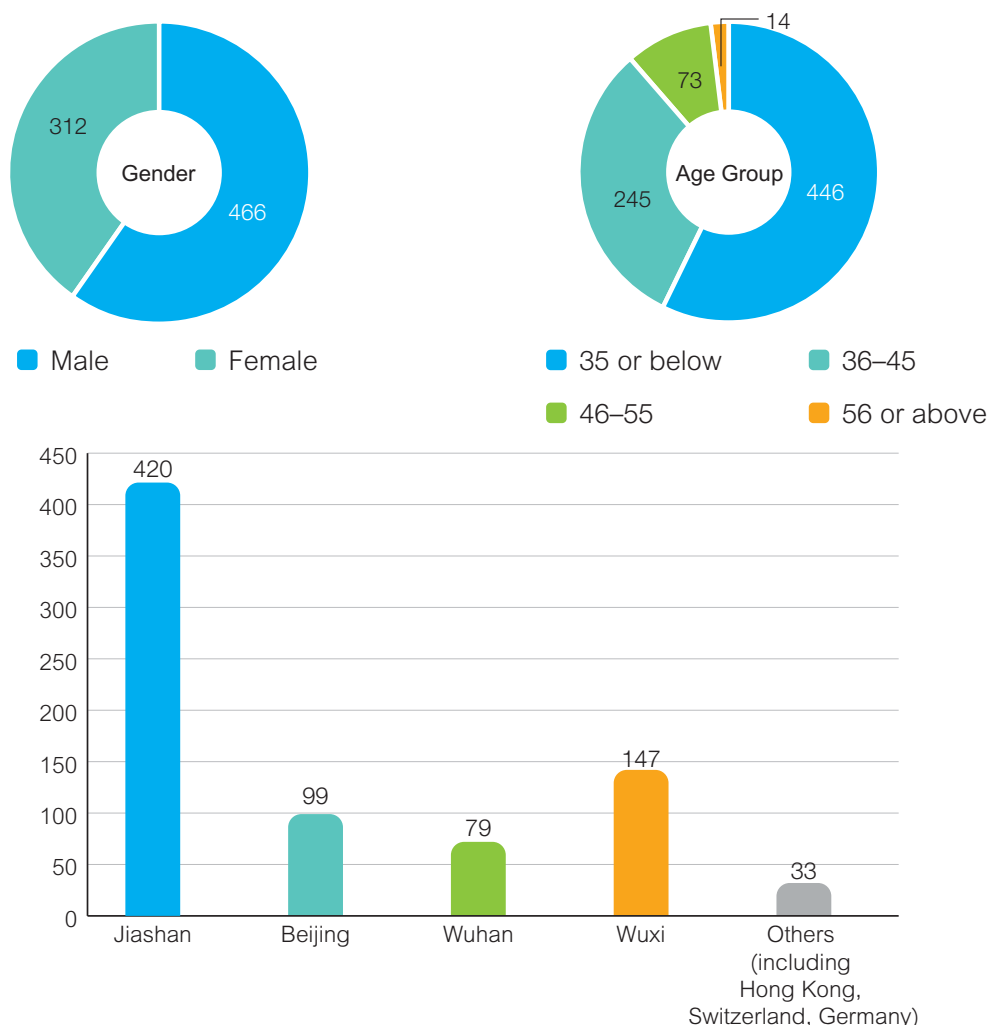
Employees are the most valuable assets of the Group and the foundation for corporate development, as such, the Group continuously enhances its ability to attract, cultivate and retain its employees. The Group has formulated a comprehensive human resources management policy, which is comprised of a series of guidelines on recruitment and screening process, remuneration and benefits, working hours and holidays, performance management, promotion, termination, training and development, with an aim to regulate the human resources function. While formulating our policies, we also consult our employees and the labour union. The Group insists on a people-oriented approach, respects and protects the legitimate rights and interests of each employee, management and protects labour health and safety. The labour union of the Group also plays an effective role in the democratic participation of employees, safeguarding employees' legitimate rights, and coordinating labour relations. Every year, we use questionnaires, seminars and other means to understand the employees' satisfaction with their jobs, in order to enhance their sense of identity and belonging to the Group.

Employment

We continue to improve our human resources management system and have adopted a series of systems like the Staff Handbook to clearly stipulate employment-related principles, such as providing equal employment opportunities for all candidates. In 2022, the Group approved the amendments of the Staff Handbook through democratic process, which provides more regulations on the principles of employment conduct.

In 2022, the Group did not have any material breach of laws and regulations related to employment that had a material impact on the Group, including but not limited to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China.

As of 31 December 2022, the Group had 778 employees, of which 777 were full-time employees and 1 part-time employee. The breakdown is as follows:



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Recruitment and Promotion

We have adopted a hybrid system of external recruitment, internal nomination and job rotation to recruit personal with calibre, and developed Management System for Recruitment to specify the recruitment process.

The Group attaches great importance to the introduction and incentive of professional technical personnel and management personnel. We announced the implementation of talent referral rewards to encourage our staff to recommend in-demand talents.

We are actively bringing in international talents and gradually building up a team of talents that match with the global strategy of the Company. We have established the Swiss electricity electronic technology R&D team, the Swiss semiconductor technology R&D team and the German circuit impedance measurement technology R&D team to strengthen the enterprise's technology capability. The Group firmly believes that a diversified labour team can assemble talents with various skills, experience and knowledge, in order to improve the competitiveness of the Group, support its innovative ability and cope with its current business challenges.

The Group also formulated the Promotion Management System to provide multiple promotion routes for all employees.



Equal Opportunity, Diversity and Anti-discrimination

The Group strictly complies with various national and local government regulations and adheres to the employment policy of openness, fairness and equality, and has formulated relevant system files to eliminate discrimination and ensure that no one is discriminated against on the basis of race, gender, colour, age, family background, ethnic heritage, religion, physical fitness and nationality, etc., so that talents of different backgrounds can join the Group, while employees can enjoy fair treatment at all stages of recruitment, training and promotion as well as in terms of remuneration.



Remuneration and Benefits

Based on the principles of fairness, competition, motivation, reasonableness and lawfulness, the Group has established a remuneration system for its employees, as set out in the policies of the Remuneration Management System and the Performance Appraisal System. The policies provide for a two-part remuneration system comprising basic pay and performance pay, as well as a year-end double pay system. In 2022, the Group reviewed and adjusted the annual remuneration of our employees in the light of changes in the external environment and internal circumstances. Furthermore, the Group also amended the remuneration system for sales personnel to sufficiently incentivize them. We also provide our employees with various daily allowances and special allowances for festivals, marriage and childbirth, provide working lunches, organise staff trips and arrange health check-ups, among other benefits.

The Group pays the five social insurance and one housing fund for its employees as required by various national and local government laws. We also purchase supplementary medical commercial insurance for all employees, in order to improve the risk mitigation of our employees and show the Group's care for its employees and their families. In 2022, the Group invited third party business insurance personnel to provide online business insurance training for the employees of the Company, allowing its employees to have a better understanding on the content of business insurances, the process of secondary reimbursement and its usage.



Rest and Vacation

The Staff Handbook of the Group regulates the working hours of our employees and protects their rights to various types of rest periods and holidays. In 2022, under the premise of ensuring the health and safety of its employees, the Group organised employee sport competitions, "Excellency Cup" basketball tournament, the first "Hope Cup" badminton tournament, birthday parties, festive-themed events, team building events, tours and others, which strengthened the mutual communication and understanding among employees and enhanced corporate cohesion.

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Resignation

The procedures relating to the resignation of the Group's employees are set out in detail in the Staff Handbook to ensure that all resignation procedures are in accordance with relevant legal and regulatory requirements. Dismissals are only carried out on a reasonable basis and full communication is ensured prior to formal dismissal. The Group forbids any forms of unlawful or illegal dismissal.

In 2022, the Group's employee turnover rate is as follows:

	Employee turnover rate (%)
Gender	
Male	27%
Female	20%
Age group	
35 or below	34%
36-45	11%
46-55	11%
56 or above	0%
Geographical region	
Wuxi	16%
Jiashan	28%
Beijing	16%
Wuhan	35%
Others (including Hong Kong, Switzerland, Germany)	3%

Health and Safety

In order to provide a safe and healthy working environment for our employees, the Group attaches great importance to the occupational health and safety of our employees, continuously improves our occupational health and safety mechanism and system, and carries management work on occupational health and safe production as well as training and protection for occupational diseases. Our main subsidiaries have been accredited with GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Assessment Series certification.

During the year ended 31 December 2022, the Group did not have any material breach of relevant laws and regulations on health and safety that have a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China. During the reporting period, the Group recorded one accident that lead to death or serious limb injuries (2021: 0; 2020: 0). During the period, the Group recorded 140 days lost due to work.

Occupational Health

The Group has formulated the Operation and Control Procedures for Environmental and Occupational Health and Safety and the Management System for Occupational Hazard Position and a series of systems and procedures, so as to focus on work environment issues and eliminate occupational injuries for employees. We take various measures to protect the health of our employees, such as regularly inspecting the production environment, increasing or renovating environmental protection facilities, equipping them with basic medical equipment, providing personal protective equipment and supervising and inspecting its utilisation. We arrange annual medical check-ups for all employees,

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establish comprehensive health files for employees and continue to focus on their health. In addition to the five social insurance and one housing fund, we also purchase supplementary medical commercial insurance for our employees to provide them with multiple health protection. We also focus on the mental health of our employees and establish a feedback channel for their demands, facilitate communication and strengthen mental health management through various methods such as seminars, trips, themed activities and one-to-one counselling.

The Group stringently implements its management measures for the prevention of occupational diseases, including the adoption of effective occupational disease prevention facilities, providing individual occupational disease prevention equipment for employees and educating and monitoring their correct usage of such equipment, continuously improving the occupational and health management system and operation procedures, annual evaluation on occupational hazards for production facilities and informing employees of the actual occupational hazards when entering into an employment contract. Before taking up a post and during their tenure, employees who are exposed to occupational disease hazards would receive occupational health training, and undertake occupational health inspection before onboarding, when leaving their post and annually to establish occupational health records. During the reporting period, the production facilities of the Group passed all occupational hazard inspections. No abnormality was found during the occupational health inspection for employees who were exposed to occupational disease hazards.

The Group also focuses on guiding employees towards a healthy lifestyle. We organise the publicity of health knowledge and arrange health-related training and seminars for employees. The Group also has various fitness facilities such as gymnasiums and courts in our factories to allow our employees to relieve work stress and enhance physical fitness through exercise after work.

Safety Production

The Group continues to strengthen the implementation of the main responsibility for corporate safety and establish a sound safety management system. We have formulated a series of rules and regulations, such as the Identification, Evaluation and Control Procedures for Risk Source, the Production Safety Management System and the Hazardous Work Management System, and adopted systematic management. The Group conducts annual identification and evaluation for the sources of risk and material risks during production and operation, and implements corresponding control measures. Through regular inspection of working environment, facilities and equipment, we can ensure the safety of workplaces and the sound operation of facilities, and regulate job operations and the use of labour protective equipment, regular safety and fire safety inspection and other measures. We also continuously monitor and establish early warning and contingency plans. The Group formed the environment safety team and other departments in our production facilities, with the responsibility of safety management and supervision. During the reporting period, the Group added and replaced certain fire safety facilities, such as flammable gas detection device, explosion-proof pipelines and class A fire door. Wuxi Sunking implemented the Implementation Plan for Renovating Old Corporate Electric Wiring, installing the "Corporate Electrical Fire Monitoring System" to ensure timely discovery of hidden electrical fire possibilities and prevent electrical fire, in order to guarantee the safety of the Company's properties and its employees. The Group's production facilities conducted safety hazard inspection during the safe production month. Our voluntary fire brigade also conducted fire hazard inspection.

The Group also conducts safety education and training on an ongoing basis and actively build a culture of safety within the enterprise. All new employees are required to undergo induction of safety education and training and pre-employment training, and employees in relevant positions are required to be licenced to work. We organise annual training on safety production and fire safety knowledge, post safety production slogans and wall paintings for promotion and education, as well as conduct annual fire drills to gain proficiency in fire-fighting skills and to practically improve the ability to escape in case of emergency.



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During the reporting period, we organised a series of activities, such as updating the safety slogans and major signs, inviting experts to lecture on the Revised Safe Production Law and warning employees of the possible hazards through case study, during the safe production month, with an aim to promote employee safety awareness and enhance their self-protection ability. We also arranged fire drills, which include skills for fire extinguishing, evacuation and escaping, in order to strengthen their emergency evacuation ability and understanding of protection and self-help measures and evacuation methods, laying down the foundation for healthy corporate development.

Safety During COVID-19 Pandemic

The COVID-19 pandemic poses various challenges to the Group and the health and safety of our customers, employees and society. In face of the COVID-19 pandemic, the Group adheres to the policy of “precise prevention and control, and implementation of safety responsibility” and adopts various measures to minimise the risk of cross-infection and closely monitor the pandemic situation. Such measures are as follows:

- Require employees to wear masks during working hours at all time in their workplaces;
- Adopt measures such as temperature checks, fingerprint access control, visitor record, safety inspection, video monitoring and others to maintain normal and orderly operation of the Group;
- Encourage employees to receive vaccinations and require specific personnel to submit health codes, travel codes and nucleic acid test reports;
- Regularly disinfect offices, factories and common areas, and prohibit the use of central air-conditioning without fresh air intake system;
- Enhance education for our staff to raise their awareness of self-protection; and
- Encourage our staff to hold meetings online as much as possible to avoid close contact.

The management of the Group places a heavy emphasis on pandemic prevention and control, personally participating in the analysis on the pandemic and organization of production. They also launched the “COVID-19 Isolated Production and Operation Emergency Plan”, pursuant to which, prevention and control measures would be timely adjusted based on the changes in the pandemic. The implementation of the various strengthened measures allows us to accumulate production and operation experience under different degrees of pandemic risks. On the other hand, regular updates on the external environment are also provided to staff in order to keep them up to date with the latest outbreak.

Development and Training

The Group focuses on the establishment of in-house management training and development system. Therefore, the Group satisfies the needs of different employees and improve their skills through a diverse training model. For Directors and senior management, we also invite professionals such as lawyers and accountants to provide annual training in respect of up-to-date information on matters such as the Companies Ordinance, regulatory policies, corporate governance, financial management and market trends. Arrangements are also made for the company secretary and other personnel to participate in relevant professional training annually. We provide new staff with orientation training on topics such as corporate and industrial information, work duties and responsibilities, work skills, production safety and career planning, etc., helping them to promptly understand the Company and adapt to their positions. For existing staff, we provide training courses specifically for their career development, including annual concentrated professional training for technicians and management training for intermediate and senior management at our expense, while encouraging them to participate in position-relevant training offered by external institutions.

During the reporting period, the Group organised professional writing training camp for its employees to improve their workplace communication and writing skills. Wuxi Sunking conducted concentrated training sessions on product knowledge and industry trend during the concentrated training session for technicians and held technical software skill challenges. Wuxi Sunking also conducted a special training of Analysing and Solving Problems and financial knowledge training for its intermediate level management and organised the first employee skill tournament for the technique staff. The Group believes that employee development is critical for maintaining sustained advantage in the market. Cultivating a learning culture, promoting continuous education and development within the Group are essential for our employees to deliver high quality services and products to our clients and improve their occupational safety awareness.

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To enhance staff morale and motivation and maintain staff stability, the Group continued to implement a reward and promotion mechanism to encourage staff to improve themselves and create benefits for the Group. Through the Promotion Management System, the Group strives to optimise the allocation of internal human resources and provide more opportunities and platforms for the career development of its staff to meet the development needs of the Group. During the reporting period, we promoted certain outstanding employees through internal evaluation and democratic process. We organised the “Communication Training Camp for the Management” for these new intermediate management to enhance their management capability.

	Percentage of employee trained (%)	Average training hours completed (hours)
Gender		
Male	59%	6.59
Female	41%	8.24
Employee categories		
Directors	0%	0.00
Administrative Officials	25%	8.30
Production Technicians	57%	8.08
Other employees	18%	3.19

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Labour Standard

The Group attaches great emphasis and strive to uphold human rights. We strictly comply with all applicable national laws, regional regulations and relevant labour laws and regulations in our place of business, including the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour of the PRC. The Group strictly prohibits the employment of any child labour and forced labour and has set out the relevant requirements in the Management System for Recruitment. The system clearly stipulates that only employees of legal age are employed and requires new employees to provide true and accurate personal information when they join the Group. Recruiters rigorously scrutinise various identification documents of the candidates to ensure their authenticity in order to prevent any child labour in our operations. The Group enters into labour contracts with its employees in accordance with the law, which clearly set out the job descriptions and obligations, and therefore there is no compulsory use of labour. If any employee is found to have provided false information or violated the Group's regulations, the Group will immediately terminate the probationary period or terminate the labour contract in accordance with the Company's regulations. In addition, the Group's employees work overtime on a voluntary basis to avoid violating labour standards and to safeguard employees' rights and interests. The Group also prohibits punitive measures, management methods and behaviours such as verbal abuse, physical violence and psychological oppression against employees for any reason.

In 2022, the Group did not have any material breach of relevant laws and regulations on the prevention of child labour or compulsory labour that had a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China.

OPERATING PRACTICES

The Group strictly abides by relevant laws, operates in compliance, continues to strengthen its supply chain management, strictly controls product quality and facilitates the development of the industry. The Group is committed to creating a culture of business ethics with integrity and adheres to anti-corruption promotion and management.

Supply Chain Management

The Group have all along insisted on win-win cooperation, strengthened supply chain management, played a leading role in the supply chain, and enhanced the competitiveness of the industrial chain. At the same time, the Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. Therefore, we have established a supply chain management related policy system to improve the standard of supply chain management. Measures adopted by the Group include developing good relationship with suppliers on the basis of integrity, fairness and mutual-benefit, and all procurements will only be extended to suppliers within the approved supplier list of the Group.

Locations of suppliers of self-produced products	No. of supplier
China	616
Germany	3
United States	1

Apart from the above suppliers of self-produced products, the Group also distributes products from four electronics manufacturers in China. In 2022, Sun.King Technology renewed the semiconductor products distribution agreement with Hitachi Energy (ABB Switzerland Semiconductor AG). Both parties have cooperated for over 20 years, and have continued to maintain excellent business cooperation.



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Supplier Screening

To take satisfying the Company's sustainable production and operation as the first priority condition in choosing suppliers, continuously improve the management standards on suppliers, select and evaluate suppliers in strict accordance with the Management System on Suppliers, the Group has currently implemented supply chain management measures for all suppliers, including the following:

- To resolutely eliminate favouritism; bidding must be implemented in choosing suppliers, and it is forbidden to split or divide an individual tender into sub-items to avoid bidding;
- To select and evaluate suppliers based on the information collected, including but not limited to their qualifications, production, financial status, past results, etc., and through a series of procedures such as site visits and sample trials;
- According to the category of the procurements and the degree of influence on the quality of the Company's products, one or more of the following control methods are implemented for suppliers:
 - (i) entering into a supply quality agreement;
 - (ii) implementing incoming inspections and tests;
 - (iii) submitting relevant inspection and test data with the goods; and
 - (iv) implementing the statistical analysis of incoming goods every month.
- To review the supply performance and quality assurance capabilities of the identified qualified suppliers every year to promote the mutual improvement of both parties;
- To determine the procurement plan which should include cost control plans and proposals for various materials based on the annual budget at the beginning of each year;
- To actively carry out communication with suppliers to improve the level of supply chain management and control, and promote cost reduction; and
- Information-based management

The Group also uses information systems in its operations to effectively improve management standard. Our enterprise resource planning ("ERP") system optimises corporate resources from the scope of the supply chain and supports the operation of our main businesses such as procurement, sales, warehousing, planning, production, quality, finance and project management, which provide a comprehensive sales tracking system on customers and after sales service system, a highly-efficient supply chain system, a sound connection of technical data management and product lifecycle management, a rigorous financial management and budget management system and an intelligent warehouse management system which aligns with the manufacturing execution system. In 2022, we launched a corporate Wechat information system, among which the "Huilianyi" module provide screening of suppliers and payment management.

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Green Procurement

According to the Group's system, when selecting suppliers, we require suppliers to fill in the Supplier Questionnaire and provide environmental, quality and occupational health management system certificates and other relevant information, conduct on-site inspections and implement the Procedures for Management of Environmental Impact on Related Parties to ensure that the selected suppliers have no actual potential significant impact on the environment and comply with local laws and regulations. In our daily management, we regularly assess, inspect and review the environmental and social performance of our suppliers, and work with them to improve the environmental and social risk management of supply chain through meetings, exchanges and learning, and take measures to prevent, mitigate and avoid significant adverse impacts.

The Group requires its suppliers' products and the raw materials they use to meet the requirements of national, local and industry laws and regulations relating to environmental protection, and to give priority to production processes and equipment that are pollution-free or less polluting. The Group terminates supply contracts with suppliers that may cause serious pollution or serious hazards or that have caused major environmental pollution incidents.

In addition to environmental risks, the Group also takes measures to assess whether its major suppliers or contractors comply with relevant laws and regulations and other required standards in the areas of health, safety, forced labour and child labour, as well as the awareness of suppliers in each of these areas.

Product Responsibility

The Group's products are mainly used in the field of power transmission and transformation, electrified transportation and new energy fields, and continue to promote the rapid development of electricity technologies in the PRC through the innovation of electric power technologies, and to promote the continuous upgrading of energy technologies in the PRC. We have always regarded product quality as the foundation of the Company, the main products — IGBT capacitors, reactors, busbars and online monitoring have all passed the ISO9001 quality management system certification. We formulated a series of systems, including the Product Quality Feedback and Management System, the Procedures for Customer Satisfaction Survey, the Service Control Procedures and the Control Procedures for Process Related to Customers to control the quality of our products and services.

The Group's business does not involve significant matters relating to advertising and labelling. Notwithstanding this, the Group formulated the Label Management Measures and is committed to ensuring that the labelling of the Group's products is in line with the reality of the products. The Group strictly complies with the Advertising Law of the People's Republic of China and other relevant laws and regulations on advertising and marketing, formulates and implements a system to monitor advertising and marketing and strictly scrutinises publicly released promotional materials and sales promises to prevent inaccurate or misleading promotional content and to protect customers' consumer rights from being infringed.

In 2022, the Group did not have any violations of laws and regulations related to products and services related to health and safety, advertising, labelling and privacy matters, and remedies that had a significant impact on the Group, including but not limited to the Product Quality Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

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Quality Inspection Procedures

The Group has established a quality inspection responsibility system and has formulated job responsibilities for relevant departments in relation to quality inspection. Through a series of procedures such as quality inspection process and non-conforming product control process, the Group ensures quality assurance in all aspects from procurement to product delivery. For the quality inspection of raw materials, the procurement department purchases raw materials on demand according to the application of the relevant department, and the quality inspection department conducts stock-in inspection upon arrival and keeps records. The production system specifies the staff in charge of the quality according to the workshop and team, and sorts out the inspection control points according to the production process, and the quality inspection department will finally conduct the ex-factory inspection. In addition, the Group is constantly refining and optimising its product quality inspection standards to meet market demand. The Group firmly adheres to the philosophy of delivering extremely safe, top-quality and reliable equipment and providing quality and professional services. During our procurement and equipment maintenance process, we maintain dual control through strict quality control and product quality management. The Group also pays close attention to customer satisfaction to achieve further self-enhancement. The Group strives to consistently delivery high quality products and services.

Product Recall Procedures

The Group continuously improves the quality of its products and also recalls products that are found to be defective. If a product is found to be defective through information such as quality control records and customer complaints, the Group will assess the defectiveness of the product, the hazards and the cost of recall. After deciding to recall the product, we are able to trace the status of defective product through the established product and customer information system, and promptly notify our customer to recall the defective product for repair or exchange.

After-sales services are also an important part of our product quality management. Based on customer needs, we continue to improve customer satisfaction. In order to facilitate timely collection, follow-up and handling of the feedback from customers on product quality, we formulated the “Product Quality Information Feedback Management System” which refined the division of work between the relevant departments in quality management and ensured that problems in respect of product quality are resolved in a reasonable and effective manner. In 2022, the Group had no products sold that were subject to recall for health and safety reasons and did not receive any complaints about its products and services.

Intellectual Property Rights and Data Protection

The Group believes that intellectual property rights such as trademarks, technical know-how and production processes are extremely valuable assets to its business. Therefore, the Group makes every effort to defend its brands and protect the Group’s interests through registering its trademarks and patents, protecting its technology secrets and other measures. We have strengthened the training of our staff on intellectual property rights and signed confidentiality agreements with our staff to effectively protect the Group’s interests.

The Group also manages its customer files closely and carefully to avoid disclosure of customer privacy. To this end, we require strict compliance with the confidentiality policy for internal communications, the custody of customer information and the use, retention and destruction of customer files and other items to be carried out by a dedicated person. At the same time, customer information and customer data are part of the Group’s resources and may not be sold, shared or disclosed by anyone for any purpose.

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Anti-corruption

The Group believe that the establishment of a rigorous anti-corruption and anti-fraud systems and regular implementation of the internal control system will be conducive to the trust of our employees, customers, suppliers and other business partners as well as the sustainable development of the Company's business. We strictly comply with relevant national laws and regulations, advocate a clean corporate culture and promote the healthy development of enterprises. In order to strengthen the internal control on anti-corruption and anti-fraud, the Group has put in place the Internal Audit System and the Audit Management System under which the Board authorises the audit committee to monitor the conduct of activities in violation of commercial standards and moral standards and to review the internal control system on a regular basis.

Furthermore, the Group summarised and integrated its various anti-corruption regulations during the reporting period to formulate the complete "Anti-Corruption System" and published it on the Company's public platform, so as to further regulate employees' conduct. The Group pays attention to internal and external anti-corruption awareness and multi-channel promotion of operation integrity, establishing the promotion and education of integrity and anti-corruption as a norm, in order to strengthen the supervision on the departments and posts with high corruption risks and build a positive corporate image.

The Group also formulated the Internal Reporting System during the reporting period and made further amendments to build and maintain a culture of integrity and transparency. The Audit Committee of the Board is the Company's main responsible body for whistleblowing, and is responsible for instructing the Audit Department to investigate such reports, monitoring the relevant procedures, supervising the follow-up of such whistleblowing incidents and making timely reports on the progress and circumstances of such investigations to the Board. The Audit Department established special mailbox, phone line, and other reporting channels for whistleblowers, encouraging all employees, management, directors and third parties to report any misconduct and dishonest activities, such as corruption, fraud and other criminal behaviour, in an anonymous manner. If it is proven to be true, the Group will take suitable disciplinary actions against the offenders, including but not limited to verbal warning, written warning, repayment of the involved fund, termination of labour contract, administrative penalties, referral to judicial authorities and others. Furthermore, the whistleblowing system also protects whistleblowers from unfair treatment as a result of making a report, from being unreasonably dismissed, from being unjustifiably disciplined, etc..

To enhance management and staff understanding of corporate governance practices, the Group provides regular anti-corruption training to directors and staff. The training covers a wide range of topics, from industry best practices to case studies on recent corruption pitfalls in corporate governance and ethical practice prevention practices. We have formulated a comprehensive governing structure, strictly adhering to our ethical standard and providing clear guidelines on receiving benefits (such as gifts and souvenirs) and handling conflicts of interest. We do not tolerate any bribe, corruption, misappropriation of public fund, insider trading, theft of the Company's properties and other such activities. During the year, the directors and employees of the Group conducted anti-corruption training on the Training Guidelines and Internal Reporting System.

In 2022, the Group did not have any serious violations of laws and regulations related to bribery, extortion, fraud and money laundering that had a significant impact on the Group, including but not limited to the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China, the Company Law of the People's Republic of China, the Bidding Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

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COMMUNITY INVESTMENT

The Group believes that enterprises have a responsibility to give back to the community. Therefore, while pursuing its own development, the Group has not forgotten to devote itself to social charitable causes and actively helps the needy. The Group wishes to cultivate a sense of responsibility for its employees, contributing more to the society. As such, we always encourage our employees to participate in social charity events, while also arrange employees of the Company to participate in environmental protection charity, donations of study-aid, community services and other activities.

COVID-19-related Supply and Monetary Donation

In face of the abrupt outbreak of the pandemic and its control and prevention, the Group extended its full support to the control and prevention of the pandemic. In April 2022, Jiashan Sunking and Zhejiang Saiying donated to Jiashan Red Cross and the Union in the development zone respectively, amounting to a total of RMB53,000. In December 2022, Jiashan Sunking also donated 390 bottles of urgently needed medicines, such as Ibuprofen, to Jiashan Health Bureau, Pandemic Control Headquarter of Xiuzhou District, Jiaxing and Pinghu Health Bureau in batches. Such medicines were distributed to medical staff responsible for first-aid, accident and emergency, fever and clinical and intensive care and elderlies in elderly homes. In September 2022, Wuxi Sunking and Wuxi Sichuang donated a total of RMB12,000 to the “One-day Donation” event of Wuxi Huishan Charity Association and Wuxi Charity Association. We contribute to the fight against the pandemic and fulfilling our social responsibility with action, consolidating a sound foundation with tenderness and warmth.



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CONTENT INDEX TABLE OF THE “ESG REPORTING GUIDELINES” OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Effective Control of Exhaust Gas Emissions, Stable Process for Carbon Reduction, Continuous Monitoring of Water Pollution Control, Strict Implementation of Waste Disposal
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and intensity.	Emissions — Stable Process for Carbon Reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Strict Implementation of Waste Disposal
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Strict Implementation of Waste Disposal
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions — Stable Process for Carbon Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Strict Implementation of Waste Disposal
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Materials

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transitional Risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) 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, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) 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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Occupational Health, Safety Production, Safety during COVID-19 Pandemic
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Green Procurement

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Product Recall Procedures
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Product Recall Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Intellectual Property Rights and Data Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Inspection Procedures, Product Recall Procedures
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Intellectual Property Rights and Data Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI 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.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")	Description	Section/Statement
Aspect 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 take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment