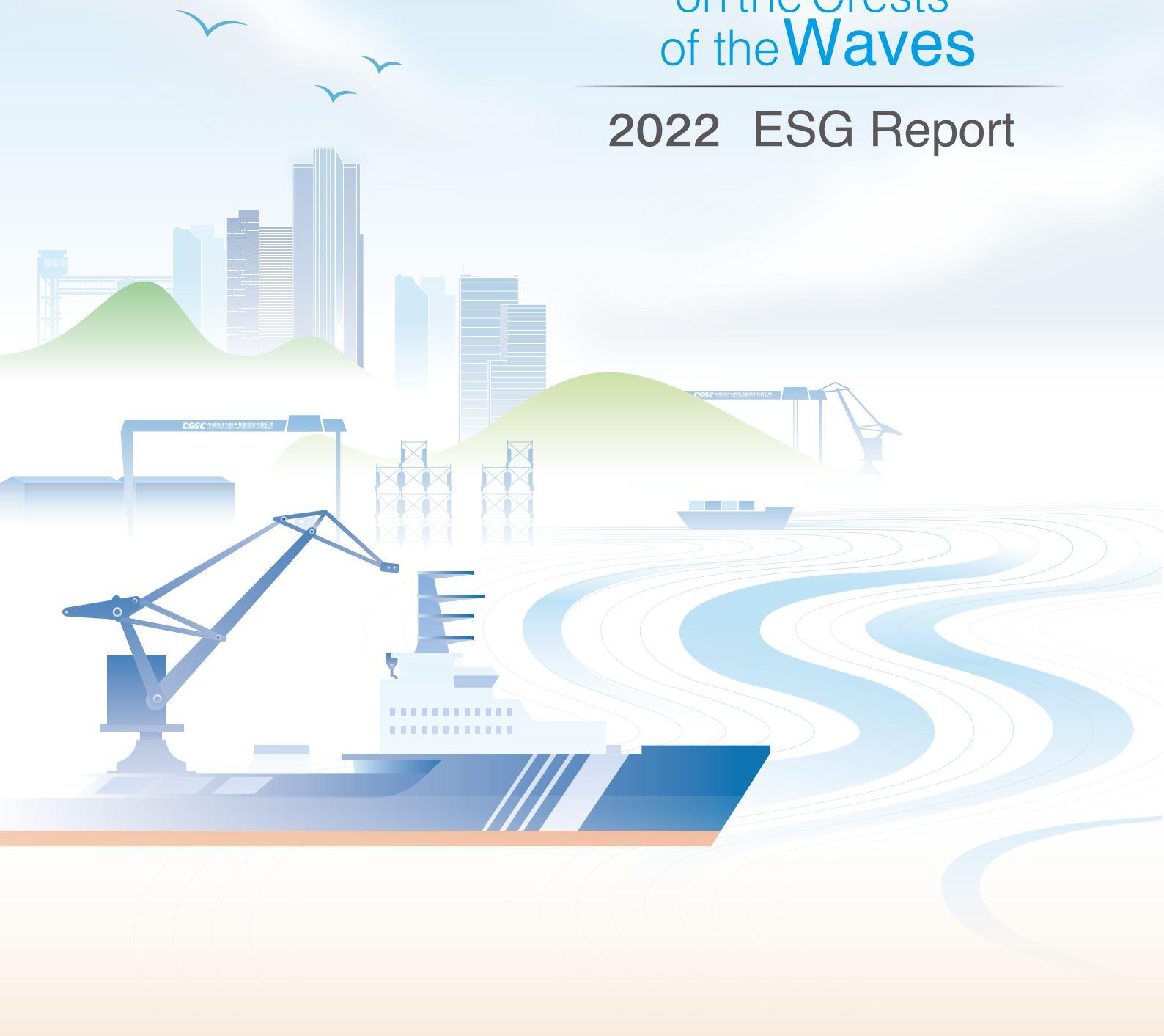


Chasing **Dreams**
on the Crests
of the **Waves**

2022 ESG Report



About This Report

Reporting Overview

This is the first environmental, social and governance (ESG) report issued by CSSC Offshore & Marine Engineering (Group) Company Limited, which has issued 14 corporate social responsibility reports in a row. This report mainly discloses the Company's policies, strategies, objectives and overall performance in the ESG field. All information disclosed comes from the official documents or statistical reports of the Company. The Board of Directors, fully responsible for the Company's environmental & social strategy and report, has reviewed and approved this report.

Reporting Principles

In preparing this report, COMEC follows four core reporting principles, including materiality, quantitative, balance and consistency. Details are shown below.

Mteriality	COMEC identifies major ESG issues, which involve major economic, environmental and social aspects of its business operation.
Quantitative	This report discloses ESG key performance indicators in a quantitative way as much as possible.
Balance	The content of this report is impartial and reflects to the readers the achievements and areas to be improved by COMEC in ESG management and performance.
Consistency	COMEC adopts the same management methods and performance measurement methods as in previous years to make a fair comparison of ESG performance year by year.

Reporting Period

The period covered by this report is from January 1, 2022 to December 31, 2022. To strengthen the continuity and comparability, some contents would date back to previous years or refer to later years.

Reporting Scope

This Report covers information and key performance data regarding CSSC Offshore & Marine Engineering (Group) Company Limited, its holding subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited and other subsidiaries.

Preparation Basis

This Report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the *Rules Governing the Listing of Securities* of The Stock Exchange of Hong Kong Limited, and the *Guidelines No. 1 for Self-Regulation of Listed*

Companies— Standardized Operation issued by the Shanghai Stock Exchange. In addition, the Report refers to the *GRI Sustainability Reporting Standards* (GRI Standards) issued by the Global Sustainability Standards Board and the *Guidelines for Special Equipment Manufacturing Industry* set out in the *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises* (CASS-CSR3.0) issued by the Research Centre for Corporate Social Responsibility, Department of Economics, Chinese Academy of Social Sciences in the preparation.

Preparation Process

This Report is prepared by the following steps: the establishment of ESG working group, stakeholder interviews, stakeholder questionnaire survey, data collection, framework determination, report preparation, report design, department and senior review, etc.

Data Sources

All information disclosed in the Report comes from the official documents, statistical reports and annual reports of the Company. Unless otherwise specified, all amounts are expressed in RMB. In case of any discrepancy between the financial information disclosed in this report and those in the annual report of the Company, those in the annual report shall prevail.

Appellation

For better presentation and readability, “China State Shipbuilding Corporation Limited and China Shipbuilding Group Co., Ltd.” are also referred to as “CSSC” , “CSSC Offshore & Marine Engineering (Group) Company Limited” is also referred to as “COMEC” or “the Company” , “CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries” are also referred to as “the Group” , “we” or “us” , “CSSC Huangpu Wenchong Shipbuilding Company Limited” is also referred to as “Huangpu Wenchong” , and “Guangzhou Shipyard International Company Limited” is also referred to as “GSI” , and “Guangzhou Wenchong Shipyard Heavy Industry Co.,Ltd” is also referred to as “Wenchong Shipyard Heavy Industry”.

Note:As of the end of the reporting period, Huangpu Wenchong was a 54.5371% owned subsidiary of the Company, and GSI was a 41.9170% owned invested company of the Company.

Report acquisition method

This Report is released in in Traditional Chinese, Simplified Chinese and English. In case of ambiguity, the simplified Chinese version shall prevail. You may visit the website of the Company (www.comec.cssc.net.cn) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) to view this report.

Response to this report

If you have any comments and suggestions on this Report or the Company's sustainability performance, please send an email to comec@comec.cssc.net.cn.

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A Letter to Stakeholders

The year 2022 marked a critical period for the Party and the country as well as a pivotal juncture for COMEC to fortify confidence, surmount challenges, and chart a course towards progress. Following the operation guideline of strengthening defense products, optimizing marine and shipbuilding business, and improving other business lines beyond shipbuilding, the Group actively seized opportunities and harnessed the momentum to fulfill our annual objectives despite all the difficulties. Our principal economic indicators thus maintained steady growth. Embracing the new opportunities at a historic moment of development, we bore the country's paramount interests in mind and took into account both domestic and international situations, forging ahead with fortitude and diligence to make strides towards a world-class shipbuilding enterprise. We are pursuing our aspirations atop the surging waves, painting a vivid portrait of success and achievements that inspire all those who witness our journey.

Staying true to original aspirations, we keep optimizing our operational management

More efforts have been made to improve our standardized internal operation, systems and regulations as well as operating mechanism consisted of scientific decision-making by the Board of Directors, rigorous supervision by the Board of Supervisors, and efficient execution by the management. Committed to better risk management system, we practice the law-based governance, and enhance our corporate governance capacity to better guard against risks. In line with these efforts, we have established a whole-process anti-corruption and integrity management system, bolstered our audit and supervision framework, and made great strides in anti-corruption initiatives. We have also integrated a culture of integrity into the daily work of our employees through regular training and a well-established compliance system.

Cultivating the shipbuilding business, we differentiate ourselves in the market

While carrying forward our proud defense traditions to contribute to the national defense capabilities, we explore market opportunities. In 2022, we secured orders worth RMB 14.349 billion and delivered 32 ships to our customers, a testament to our proactive approach to competing in the market. To meet changing market demands, we prioritize innovation as the driving force for our growth, developing new technologies and smart products. We leverage our talented team and platforms to unlock full potential for innovation. In addition, we scale up efforts on lean quality management of our ships and prioritize work safety management. While raising the overall safety awareness, we have implemented a quality management system that covers R&D, manufacturing, after-sales service, and suppliers. This ensures the effective quality and safety measures at every stage of our operations, allowing us to deliver exceptional products and services to our customers.

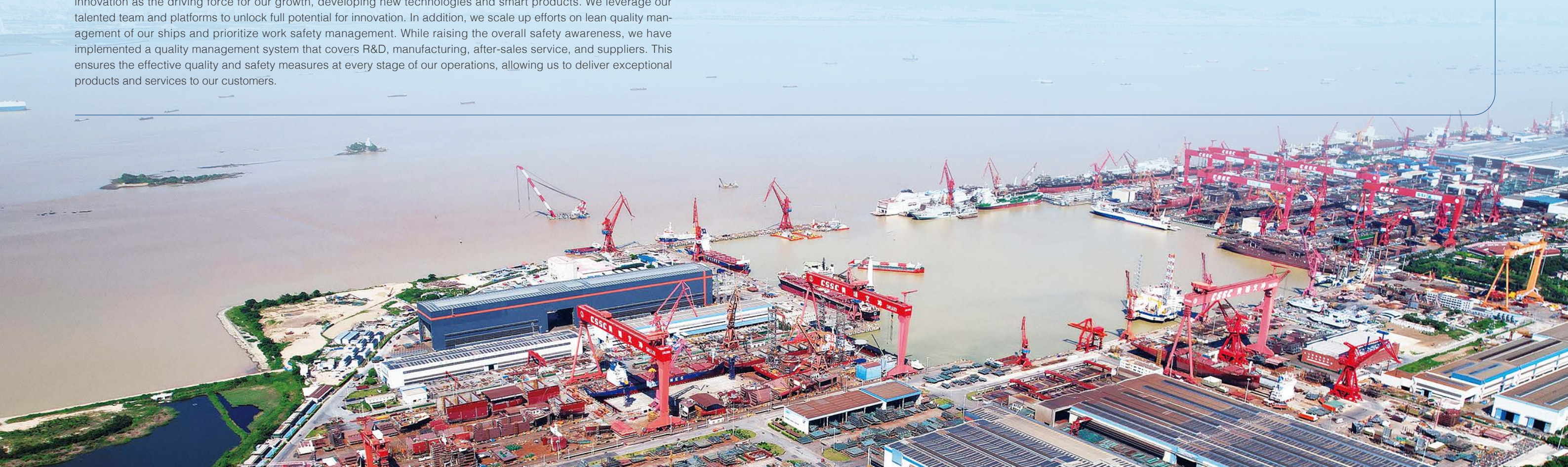
Committed to green development, we strive to restore the beauty of nature

As an active practitioner, we make a wide range of efforts, such as improving our environmental management system and resource utilization, minimizing our environmental impact and spreading environmental ideas, to protect clean waters and lush mountains. Meanwhile, we develop new eco-friendly products. For example, our self-developed commercial cargo ships with EEDI indicators beyond Phase 3, effectively reduce pollution from ship emissions. These endeavors demonstrate our unwavering commitment to achieving goals of carbon peak, carbon neutrality as well as environmental protection.

Together with our employees, we craft a harmonious future hand in hand

Internally, we cherish our employees as family members and continue to improve the talent fostering system. We support employee growth through staff visit during traditional festivals, regular training, cultural events, and sports activities, enabling them to share our corporate fruits. Externally, we extend our commitment by building a responsible supply chain, deepening cooperation and exchanges with industry partners, and sending our employees to support rural vitalization efforts. Passionate about social welfare initiatives, we seek to give back to society through unyielding dedication.

The road ahead is rugged and long, like iron it is hard to tread. But today we step forth, with determination to forge ahead. Despite multiple challenges, we commit to sustainable development – a shared goal of the international community, and work to improve our environmental, social, and governance (ESG) performance by enhancing our ESG governance and internal management in prompt response to the ESG concerns of stakeholders. As we move forward, we will continue to shoulder our social responsibilities and promote the harmonious development with shareholders, customers, employees, society, and the environment.



Highlights in 2022

2022 was a fruitful year. As we continued the high-quality development, we fulfilled our utmost responsibility of contributing to the country' s defense forces, and adopted proactive approach to competing in the market. Throughout 2022, we received orders worth RMB 14.349 billion and delivered 32 ships to our customers. Our marine and shipbuilding business advanced steadily while the application business expanded at a steady pace. With remarkable performance, we established a strong brand image and fostered a positive cycle of growth.

Key Performance

RMB **46.5** billion
Total assets

32 ships
Completed and delivered
in 2022

0.02179
tce
Comprehensive energy
consumption per RMB 10,000
of output value

15.33 %
Percentage of female
employees

RMB **12.8** billion
Operating income

RMB **576** million
R&D expenses

RMB **15.95** million
Environmental protection
investment

2,065
Suppliers in total

RMB **1.82**
Social contribution value per
share

RMB **160.49** million
Investment in product quality
and safety guarantee

7,504
Employees in total

RMB **1.882** million
Investment in public welfare

Honors and Awards

Honor/Award	Issuer
Rated A-level (Excellent) in 2021-2022 Information Disclosure Evaluation	Shanghai Stock Exchange
Selected into 2022 Top Board of Supervisors of Listed Companies	China Association for Public Companies
Included in "ESG · Pioneer 50 Index of Central Enterprises"	Research group on the Research Report on the ESG of Listed Companies Controlled by Central Enterprises (2022)
<i>Building Standards of Auxiliary Ships</i> Second Prize for Science and Technology Progress	Ministry of Industry and Information Technology of the People's Republic of China
<i>Key Technologies and Applications of Precision Control for Sectional Construction of Large and Complex Ships</i> Second Prize for Science and Technology Progress	Ministry of Industry and Information Technology of the PRC
<i>Study of Unified Techniques for Multiple-shipyard Mass Construction of Escort Ships</i> Second Prize for Science and Technology Progress	Ministry of Industry and Information Technology of the PRC
<i>Development of an Agile and Efficient Support System for Ships Based on One Core and Five Key Transformations</i> Second Prize of the 29th National Modern Corporate Management Achievement for Innovation	China Enterprise Confederation
The honorary title of National Quality Leader in Shipbuilding	China Association for Quality Inspection
The honorary title of National Benchmark Enterprise for Quality and Integrity	China Association for Quality Inspection
<i>New Type of Geophysical Scientific Research Ship</i> Nomination for the 7th China Industry Award	China Association for Quality Inspection

About Us



Company Profile

COMEC is a large key shipbuilding enterprise under China State Shipbuilding Corporation Limited (CSSC) and a holding platform company for capital operation of CSSC. The Company was formerly known as Guangzhou Shipyard International Company Limited. Listed in Shanghai (stock code: 600685 for A shares) and Hong Kong (stock code: 00317 for H shares) in 1993, it was the first shipbuilding enterprise in the PRC with listing of both A+H shares.

Through the merger and consolidation of high-quality shipbuilding assets of CSSC in South China, COMEC has achieved the listing of core military assets in China, and has become a large comprehensive marine and defense equipment enterprise group incorporating four sectors of maritime equipment, namely, maritime defense equipment, maritime transport equipment, maritime development equipment and maritime expedition equipment.

As a holding company, COMEC currently specializes on asset operation and investment management. Our subsidiaries conduct independent production and operation and engage in manufacturing, providing customers with high-quality products through research and development of ships, seeking orders and implementing customized order production. The Company is mainly at the assembly and construction link in the shipbuilding and offshore engineering industrial chain. It has extended to shipbuilding and offshore supporting products at the front end of the industrial chain and full lifecycle guarantee at the back end of the industrial chain.

Development History

In 1914, Guangnan Shipyard was officially established on the west bank of Nanshitou, Guangzhou, which has since opened the entrepreneurial history of generations of CSSC people who made pioneering efforts. Over the next hundred years, with the upsurge of reform and opening up, COMEC witnessed and participated in the glorious history of China's shipbuilding industry evolving from small to large and from weak to strong. The Company has been a part of the splendid history of China's modern industry and the development of China's shipbuilding industry.

Guangzhou Shipyard was established.

1954

The company became the largest manufacturer of handy-size tanker in China.

2006

CSSC Huangpu Wenchong Shipbuilding Company Limited was acquired.

2015

COMEC started to independently operate as a holding platform company.

2016

The company successfully sold the controlling stake of Guangzhou Shipyard International Company Limited.

2020



1914

Tan Liting, an overseas Chinese merchant, established Guangnan Shipyard on the west bank of Nanshitou, Guangzhou.

1993

Guangzhou Shipyard International Company Limited was established and became the first listed shipbuilding company.

2014

CSSC Guangzhou Longxue Shipbuilding Company Limited was acquired (renamed "Guangzhou Shipyard International Company Limited").

2015

The company was renamed CSSC Offshore & Marine Engineering holding platform company (Group) Company Limited, and all physical business and assets were transferred to Guangzhou Shipyard International Company Limited.

2018

Guangzhou Shipyard International Company Limited acquired Guangzhou Wenchong Dockyard Company Limited.

Cultural Philosophy



Strategic Goals

With the strategic goal of being an internationally leading developer in the comprehensive marine industry, we are committed to creating high-quality marine equipment, devoting to marine industry for building military strength to serve the country, pursuing a harmonious development, and becoming a world-class marine equipment listed company that integrates R&D, manufacturing, and service.



Business Landscape

We strive to establish ourselves into a company with diversified business portfolio and become one of the world's largest shipbuilders. To this end, we apply advanced and scientific management methods as well as flexible operation modes to manufacture a wide range of high-quality products that will fuel the growth of the shipping industry both domestically and internationally. Moreover, we actively explore overseas markets to ensure that all our shareholders can reap satisfactory economic benefits.

Business segments



ESG Management

Board Statement

ESG management duties of the Board

To secure the sustainable, standard and healthy corporate development in line with the expectation of stakeholders, enhance our ESG governance and improve the ESG management, the whole process ESG control system has been established to further standardize the ESG governance under the overall leadership of the Board, with the participation of the executive directors and the directors assuming responsibilities. The Board, as the top decision maker on ESG issues, bears the ultimate responsibility for the Company's ESG governance.

The Board's ESG management policies and strategies

Upon the approval of the Board, the ESG management function is added in the duties of the Audit Committee, and the Environmental, Social and Governance Matters Management Measures is formulated to specify the ESG management responsibilities of the Board, the Board Office, and the departments of COMEC and our subsidiaries.

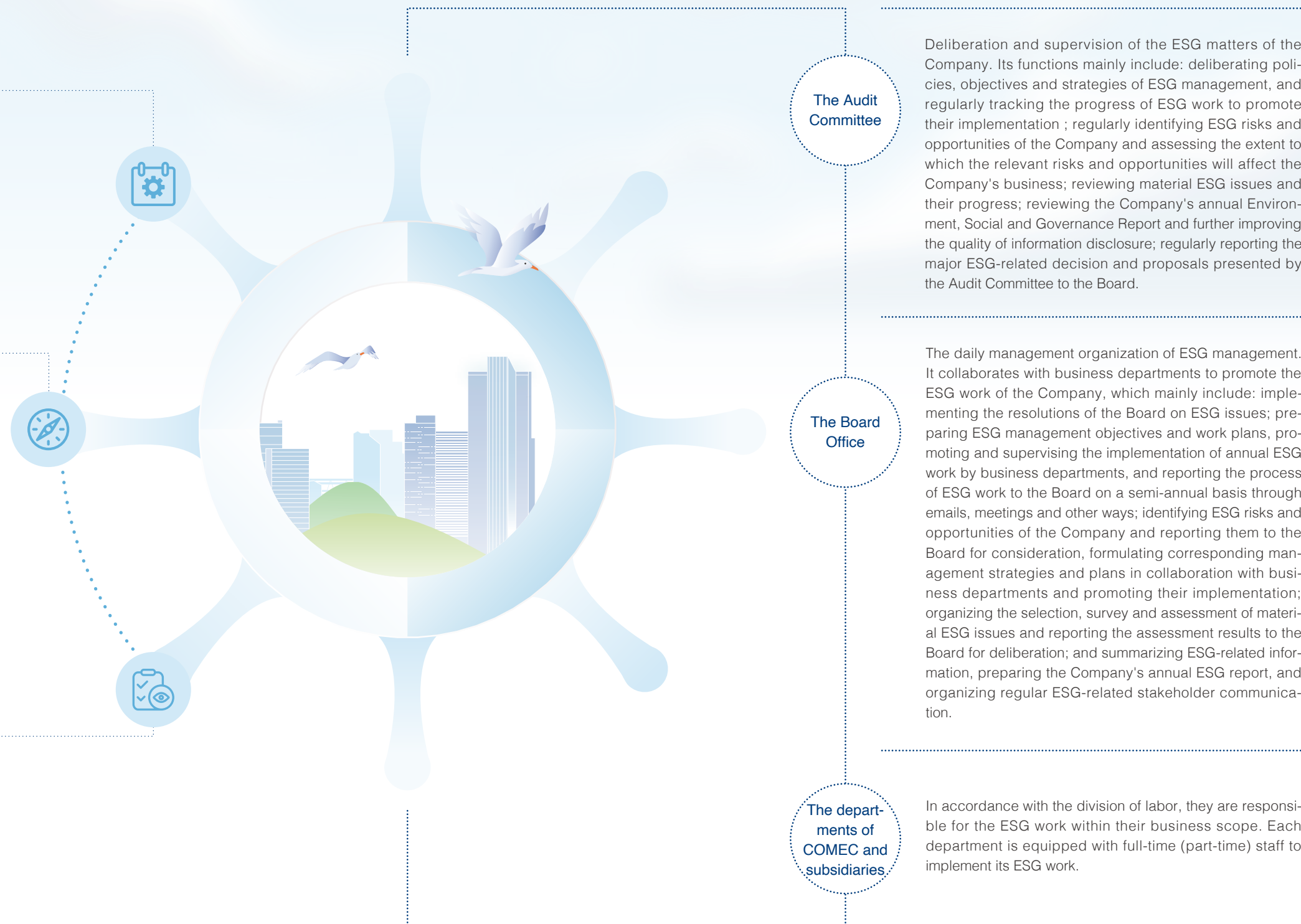
Attaching great importance to ESG risk management, the Company carries out ESG risk identification and analysis based on the macro-policy settings, industry outlook, and expectations of stakeholders. Meanwhile, the annual communication with shareholders and expert surveys has enabled the Company to identify material topics that are significant to the corporate development. Through regularly reviewing and examining the essential ESG issues and taking follow-up actions, we attempt to seize new opportunities and narrow the gap between our progress and the desired goals.

Progress review on ESG

The Company has set medium and long-term goals and established ESG indicator system for ESG affairs, including 32 issues and 300 indicators covering governance system and governance capacity, green and low-carbon transition, carbon management, sustainable utilization of resources, pollutant emission, safety and health, human resources, supply chain management. The progress on those indicators is tracked regularly.

ESG Governance Structure

The leadership function for the Company's ESG management performed by the Audit Committee covers the deliberation, supervision and decision-making of major ESG issues. The promotion function for ESG management is performed by the Board Office, mainly including the overall promotion of ESG-related work. The implementation function for ESG management is performed by each department of the Company and our subsidiaries, which are responsible for the implementation of specific works in ESG-related fields.



Stakeholder Engagement

We attach great importance to stakeholder communication and commit to building a fair, just, open and win-win partnership. In order to better identify various ESG risks and opportunities and develop reasonable sustainable goals, we have established a variety of communication channels with stakeholders and carried out different forms of communication on issues of common concern.

Stakeholders	Expectation and demands	Communication methods	Responses and measures
 Government	<ul style="list-style-type: none">Serving national defenseTechnological innovationValue preservation and appreciation of assetsAbiding by the laws and regulations and paying tax according to the law	<ul style="list-style-type: none">Meetings with regulatory bodiesAccepting regulatory reviewRegular reports	<ul style="list-style-type: none">Regular reportsInformation submissionPublic information disclosure
 Shareholders	<ul style="list-style-type: none">Continuous stable returnsTransparent information disclosure	<ul style="list-style-type: none">General Meeting of ShareholdersInformation disclosureOn-site visits	<ul style="list-style-type: none">Receiving investor visitsPublishing 2022 annual report
 Customers	<ul style="list-style-type: none">Quality products and servicesStrictly complying with contractsWin-win cooperation	<ul style="list-style-type: none">Business communicationResponse to customer feedback	<ul style="list-style-type: none">Delivering customized products on timeProviding reliable, safe and quality products and servicesPerforming contracts and agreementsStrengthening contract performance management
 Partners	<ul style="list-style-type: none">Keeping promisesBeing fair, just and openWin-win cooperationSharing experiences	<ul style="list-style-type: none">Regular meetingsHigh-level visitsSpecial inspections	<ul style="list-style-type: none">Conducting strategic cooperationHolding seminarsCarrying out technical exchanges
 Employees	<ul style="list-style-type: none">Protecting basic rightsEmployee health and safetyFair promotion and developmentEmployee care	<ul style="list-style-type: none">Democratic life meetingStaff congressPhysical examination for employeesVisiting employees with difficulties	<ul style="list-style-type: none">Sound compensation systemProviding a safe and healthy workplaceProviding fair promotion channelsStrengthening staff trainingCarrying out employee care
 Environment	<ul style="list-style-type: none">Energy conservation and emission reductionWaste disposalReducing pollutant emissionsGreen office	<ul style="list-style-type: none">Strengthening environmental statistics and monitoring	<ul style="list-style-type: none">R&D of green productsRecycling resourcesStrengthening environmental protection trainingPublic disclosure of environmental information
 Communities and the public	<ul style="list-style-type: none">Community developmentPoverty alleviationCommunity communication	<ul style="list-style-type: none">Charitable assistance	<ul style="list-style-type: none">Targeted assistanceOffering volunteer services

Materiality Assessment

Following the recommended materiality testing process of the *GRI Sustainability Reporting Standards* (GRI Standards), we collect stakeholder comments and the impact of the Company' s operations on the economy, society and environment by various ways. On such basis, we determine key issues with higher materiality to ensure the disclosure of this report are more in line with the concerns and demands of the stakeholders.

● Identification

Based on the *GRI Standards*, the Company' s sustainability issues and other factors, material topics are identified and a database of issues is formed.

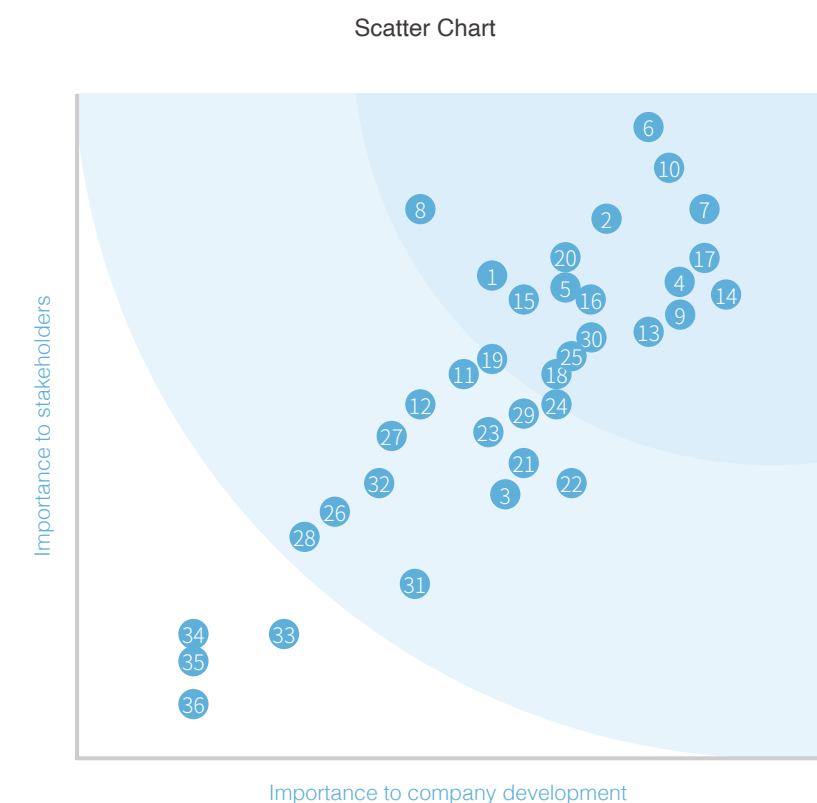
● Survey and screening

By conducting a questionnaire survey covering stakeholders of COMEC, we collect stakeholders' opinions and suggestions on the topics, and make preliminary screening from two dimensions: "importance to the Company' s sustainable development" and "importance to stakeholders".

● Review and response

The screening results are reviewed by the Company's internal management and external experts. Finally, top 36 material topics concerned by stakeholders are determined and corresponding action plans are developed with key disclosure by the report.

● Screening results



- | | | |
|---|---|--|
| 1 Management of the Board of Directors | 13 Information security and privacy protection | 25 Reduction of pollutant emission |
| 2 Sustainability strategy and management | 14 Providing quality services | 26 Water resource management |
| 3 Strengthening Party building | 15 Customer relationship management | 27 Green operation |
| 4 Compliant and stable operation | 16 Employee rights and care | 28 Noise and radiation control
Environmental activities |
| 5 Transparent information disclosure | 17 Occupational health and safety | 29 CSR management of supply chains |
| 6 Anti-corruption and integrity | 18 Employee training and development | 30 Transparent procurement |
| 7 Risk control | 19 Diversity and equal opportunities | 31 Helping and supporting suppliers' development |
| 8 Business performance | 20 Employee compensation and benefits | 32 Industry exchange and cooperation |
| 9 Product quality and innovation | 21 Formulating "carbon peak and carbon neutrality" plan and goals | 33 Rural vitalization |
| 10 Work safety and safe operation | 22 Environmental management system | 34 Community engagement |
| 11 Protection of intellectual property rights | 23 Energy management | 35 Charity |
| 12 Responsible marketing | 24 Disposal and utilization of waste | 36 Volunteer services |



Implementing the Guiding principles of the 20th CPC National Congress to Embark on a New Journey First

Learning the Guiding Principles of the 20th CPC National Congress to Facilitate Actions

Viewing theory as the cornerstone of our Party building efforts, we prioritized learning the guiding principles of the 20th CPC National Congress and Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. In this way, we guided our staff to effectively defend the establishment of both Comrade Xi Jinping's core position on the CPC Central Committee and in the Party as a whole and the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and boosted our consciousness of the need to maintain political integrity, think in terms of the big picture, follow the leadership core, and keep in alignment with the central Party leadership. We stayed confident in the path, the theory, the system, and the culture of socialism with Chinese characteristics. And we steadfastly upheld General Secretary Xi Jinping's core position on the CPC Central Committee and in the Party as a whole, and the Central Committee's authority and its centralized, unified leadership. A series of activities with the theme "Building a New Era of Achievements, Celebrating the 20th CPC National Congress" were held. Besides, we formulated a work plan dedicated to learning, promoting, and implementing the guiding principles of the 20th CPC National Congress, compiled a briefing, and cultivated an atmosphere for "implementing new ideas, creating new landscapes, and taking new actions."



The COMEC Party Branch rallies all Party members and staff to watch the live broadcast of the opening of the 20th CPC National Congress

33

Party Committee meetings organized

11

Learning activities of the Central Group of the Party Committee organized

319

Party branch secretaries and political officers received training

1622

Party members received job rotation training

Carrying out Strict Party Governance to Build a Reliable Team

Committed to exercising full and rigorous governance over the Party, we resolutely strengthened our organizational structures and systems. We prepared and facilitated the general election of the Company's Party Committee, Discipline Inspection Commission, and primary-level Party organizations, and also conducted a thorough self-examination to strengthen the supervision of the top leaders and leading bodies. The quarterly assessments of the Party building of the primary-level Party organizations were held to urge the primary-level Party organizations' rectification. Furthermore, we organized anti-corruption publicity and education month activities and published a new version of the Integrity Culture Manual, proactively fostering a culture of integrity and entrepreneurship.

26

Newly established primary-level Party organizations completed the election

15

Party branches completed the term-changing

11

Party branches completed the Committee member appointment

131

New Party members admitted

Leveraging Political Strengths to Integrate Party Building into Our Key Tasks

We actively promoted the integration of Party building into our key tasks, unified the thoughts and actions of the Company's Party members and staff with the core business, thereby facilitating the smooth completion of the Company's annual work objectives. One of our top priorities was to develop the Company's Party building plan during the 14th Five-Year Plan period (2021-2025). Second, we held Theme Party Day activities, and the commendation activities of "Honoring Party Members' Commitments", "Pioneering Party Member for Service Guarantee and Delivery", and "Pioneering Party Member for Cost Reduction and Efficiency Enhancement" to set good examples. Third, we encouraged Party organizations at all levels to engage in innovative Party building projects, conduct research on theoretical and political topics, and grant awards to excellent Party lectures to promote the Company's high-quality development.

82

Innovative Party building projects completed

91

Papers on Party building completed

66

Micro Party lectures given

Engaging in Positive Publicity Campaigns to Improve Brand Image

We ensured that the Party has a proper control over the media and that all media outlets follow the correct political orientation to enhance the quality and efficiency of relevant efforts. We developed and published the *Three-Year Action Plan for Brand Building (2022-2024)* and updated the *Brand Building Management Regulations* to ensure effective implementation of our branding initiatives. We innovated in our methods of publicity, including the establishment of a short video studio, renovation of the factory history museum, and active promotion of industrial research projects. These efforts successfully enhanced the Company's image and brand influence.

107

Reports published by media outlets above CSSC level

8

Feature films produced

122

Short videos posted

40

Works with more than 10,000 online views

7

Ship-related news awards received

42

Awarded as the Outstanding News Publisher in Guangzhou

Always Staying True to Our Original Aspirations

In accordance with *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, and other laws and regulations, we continuously enhance our legal governance structure by optimizing internal controls, standardizing operations and strengthening information disclosure. We work to establish a regular mechanisms and standard processes to modernize our corporate governance system and improve our governance capabilities, thus consolidating the foundation for internal sustainable development. The communication with regulators and shareholders is high on our agenda, by which we can effectively protect the rights of investors and stakeholders.

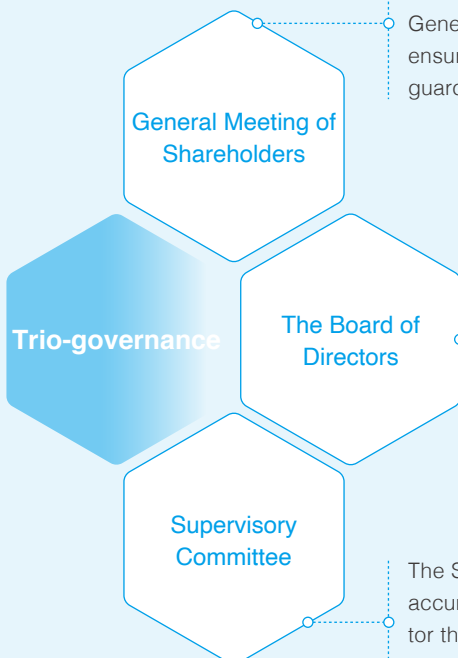
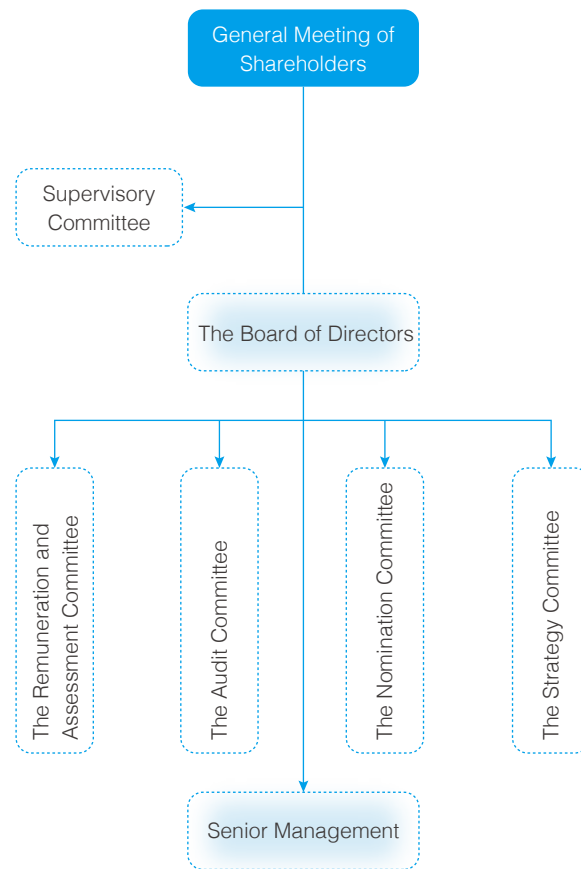


Optimizing Corporate Governance

We uphold the principle of “law-based governance and operation with integrity” and strive to build a robust corporate governance platform through effective regulations, internal controls, risk prevention and timely disclosure of comprehensive information. In 2022, we reviewed our corporate governance system thoroughly. We developed and updated nine critical governance regulations, including the *Information Disclosure Management System*, *Insider Registration Management System*, *Investor Relations Management System*, *Working Rules for Independent Directors*, *Implementation Rules of the Audit Committee*, *Shareholdings Management System for Directors, Supervisors, and Senior Management*, and *Connected Transaction Management System*. While aligning with the domestic regulatory rules of China Securities Regulatory Commission and Shanghai Stock Exchange, we have integrated the relevant requirements of the listing rules of The SEHK and further strengthened our corporate governance system.

Governance structure

We strictly comply with the securities regulatory rules and requirements including the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*. Committed to building a management model comprising decision-making level, monitoring level and implementation level, we clarify the responsibilities and permits for decision-making, supervision and implementation to form an operational mechanism with effective checks and balances.



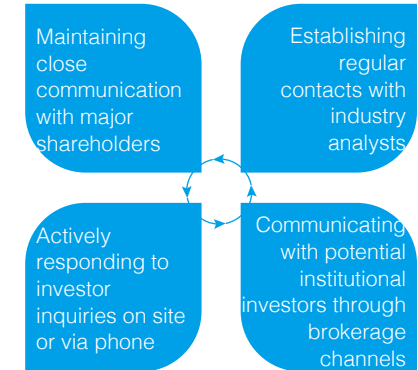
The General Meeting of Shareholders is the Company's top authority. It exercises the voting rights for the Company's significant matters such as operation policy, investment plan, election of Directors and Supervisors and profit distribution in accordance with law. The Company convenes the General Meeting of Shareholders in strict accordance with the requirements of listed companies, ensures that shareholders can fully exercise their rights, treats all shareholders equally and safeguards the legitimate interests of the Company and shareholders.

The Board of Directors (the Board) is the chief operating decision maker of the Group and is responsible to the shareholders of COMEC. As of the end of the reporting period, the Board comprised 10 directors, including 2 executive Directors, 4 non-executive Director and 4 independent non-executive Directors. Members of the Board have different industry backgrounds and expertise in corporate governance, finance and accounting, investment strategies, marine engineering and equipment and legal affairs. On the diversity of Board members, the Company fully understands the benefits of diversity of Board members to our development and has adopted a Board diversity policy. There are four specialized committees under the Board, namely the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Strategy Committee. Each committee is established with written terms of reference, which clearly set out the powers and duties of each committee.

The Supervisory Committee shall ensure that the information disclosed by the Company is true, accurate, complete, timely and fair. It shall examine the Company's financial information and monitor the Directors, manager and other senior management members in performing their duties to the Company in accordance with the law. As of the end of the reporting period, the Supervisory Committee comprised 5 supervisors, one of which acted as the chairman of the Supervisory Committee.

Investor relations

Be honest and responsible, we respect our investors. To this end, we proactively manage investor relations in accordance with our internal *Investor Relations Management System* and other relevant policies. Currently, we have established a regular communication mechanism based on diversified communication channels to address the information needs of investors, improve information transparency, and foster greater understanding and recognition of the Company. We carefully analyze and incorporate valuable opinions and suggestions from investors on our operations and development, and continue to provide high-quality services to meet their needs.



36

E-interactive queries responded

200

Institutional investors received

3

Regular performance briefings organized

- Selected among Top 100 Companies for ESG Performance by Securities Times
- Honored as Best Board of Directors by National Business Daily

4

Strategy meetings participated

5

Articles published in reputable media outlets



The General Meeting of Shareholders was held in a hybrid mode.

6

Board meetings held

3

General meetings held

6

Meetings of the Supervisory Committee held

4

Meetings of the Audit Committee held

1

Meeting of the Strategy Committee held

2

Meetings of the Remuneration and Assessment Committee held

42

Interim announcements published

2

Regular reports released

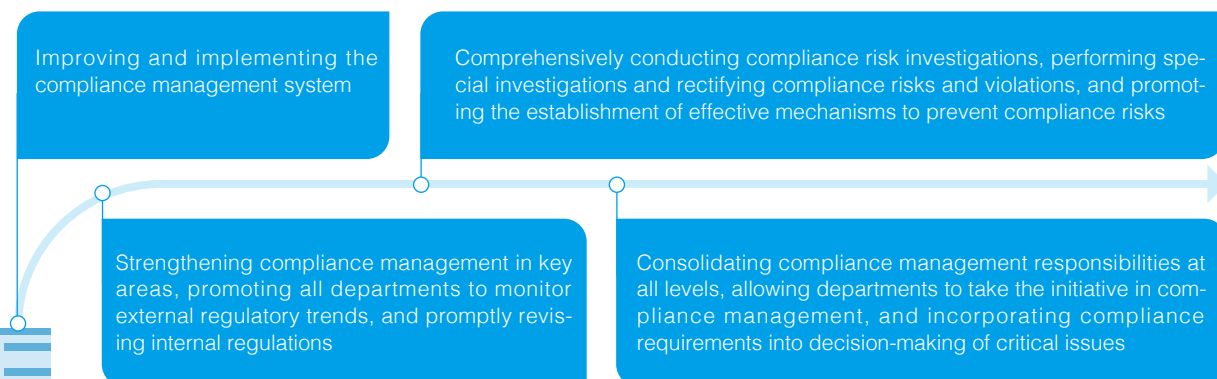
Improving Risk Control

Highly valuing the enterprise risk management (ERM), we continuously raise our awareness of risk prevention, enhance our internal control and compliance management system, and try to establish a control model that covers the entire process and field of management and operation. For identified risks, we develop risk management plans, management strategies, and control measures to put in place responsibilities for risks and key control points, which effectively prevents and controls various types of risks, and safeguards the interests of all shareholders and stakeholders.

Risk management system

As a platform-based listed company, we have developed and implemented the Risk Management Measures. This comprehensive framework provides specific guidance for the Company's risk management and helps establish a robust institutional foundation for managing risks. Meanwhile, we have established a risk event catalog based on the *Central State-owned Enterprise Risk Management Guidelines* published by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and in combination with our actual situation. This catalog provides guidance for risk identification of business units, important business activities, and critical business processes. Each year, the Company conducts risk investigations across all departments, summarizes the risk management situation in business areas, and evaluates the major risks that may occur in the upcoming year. Based on these findings, the Company produces an annual risk management and assessment report to effectively mitigate and avoid the negative impact of important risks on the strategic goals and sustainable development of the Group.

Ranking the
11th in "2022 ESG · Pioneer 50 Index of Central Enterprises for Risk Management"



Internal control

We have established a comprehensive internal control system and a well-functioning mechanism. In 2022, we continued strengthening the foundation of our internal control system by optimizing critical areas and links and promoting IT applications in internal control. After efficient management testing and rectification, we continuously enhanced the internal control system, thus further boosting our ability to prevent and resolve significant risks.

6

Special inspections conducted in 2022

5

Audit reports issued

100%

Rectification plans completion rate

Compliance management system

We have implemented the *Special Governance of Business Compliance Management Issues and Implementation Plan for Strengthening Compliance Management of the Year* in line with relevant work arrangements of the Group. This has further promoted the continuous improvement of our compliance management system, making our compliance management methods more practical. We clarify the list of regulatory systems for compliance management in various businesses, and integrate compliance management into key steps such as rule-making, decision-making, and contract signing. Compliance management serves as an essential tool for standardizing our management and operations. In October 2022, we released our first integrity and compliance manual, to ensure that all employees are aware of the rules and regulations, follow them and strictly implement them in management.

38

Tasks completed stipulated in the *Special Governance of Business Compliance Management Issues and Implementation Plan for Strengthening Compliance Management of the Year*

100%

Completion rate

8,763

Employees signed the *Compliance Commitment*

100%

Employees received compliance training

100%

Employees completed the SASAC's Online Training Course on Strengthening the Compliance Management Awareness and Competence of State-owned Enterprise Leaders

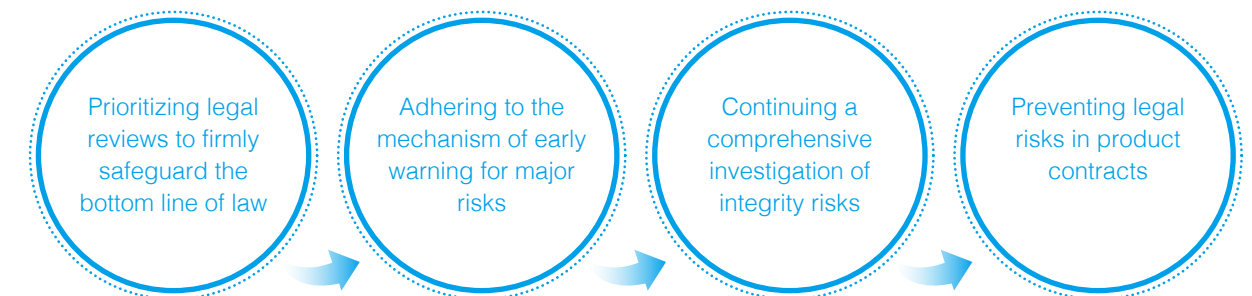
Promoting Rule of Law

We prioritize the rule of law, and advance the law-based governance, operation and management. Based on the establishment of a system for governing enterprises, performing duties, and fostering talents, we aim to develop a law-based governance system with a sound and regular mechanisms and standardized processes. Meanwhile, we deeply integrate legal management and operational management, emphasize the legal review and control of rules and regulations, economic contracts, and major decision-making and strengthen case management, striving to build a business based on rule of law.

In 2022, we further enhanced the "four-tier accountability" system for corporate legal management, which comprises of the principal responsible person, general counsel, legal department, and part-time legal clerk (compliance administrator). All levels of personnel are working together to enhance the integration of rule of law into the priorities of our work.

In 2022, 89 regulations, 53 critical issues, and 9,233 contracts were reviewed, providing crucial support for significant decision-making and ensuring standardized operation of business activities.

Based on the assessment of integrity risks' sources, risk points, and levels, the Company identified 23 high-risk, 112 medium-risk, and 116 low-risk items. The *2022 Integrity Risk Prevention and Control Plan* was developed and relevant prevention and control measures were implemented to address these risks.



The Company formulated risk prevention measures for the eight major risks identified in 2022, and conducted quarterly dynamic monitoring. Thanks to these measures, there were no major sudden incidents throughout the year, demonstrating the effectiveness of our risk prevention and control system.

Continuously carrying out risk investigation of existing contracts; actively responding to force majeure risks; actively managing the resale of stock ships and collection of deferred payments; preventing legal risks associated with new project contracts.



Fighting Corruption Steadfastly

We firmly uphold the strategic policy of full and strict Party governance, and are resolute in our efforts to build a clean and honest company and combat corruption. We continue to deepen our efforts to establish a culture of zero corruption which includes the principles of not daring to be corrupt, not being able to be corrupt, and not willing to be corrupt. By taking measures to punish and deter corruption, instituting effective systems to prevent it, and raising awareness among all employees, we aim to better monitor and ensure the implementation of our goals and provide a solid guarantee for achieving our annual objectives.

Strengthening disciplinary mechanisms to deter corruption

- In 2022, we conducted a thorough investigation and took serious actions against cases of violations of discipline and illegal activities in outsourcing affairs, and further strengthened the use of various forms of oversight over discipline compliance. We also conducted comprehensive investigations of petition letters and complaints, and handled problem by looking into clues.
- In 2022, we accepted 22 petition letters and complaints, and after conducting collective research and judgment, 12 of them were dealt with as problem clues with a timely disposal rate of 100%. We urged the violating units to implement rectification based on the violating cases for 3 times.

Strengthening preventive mechanisms to prevent corruption

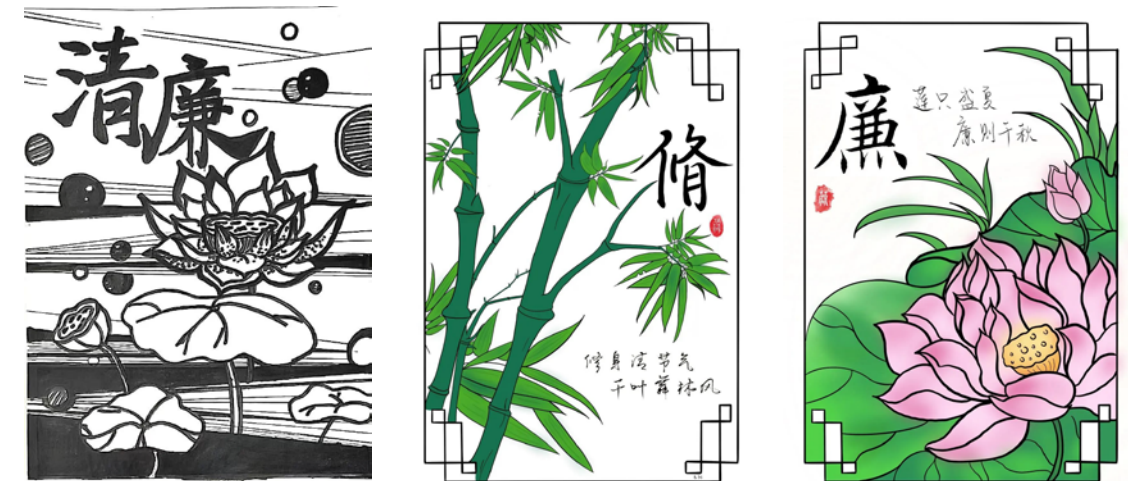
- We conduct a comprehensive review of our Party style and integrity building system and have developed a list of compliance management risks in discipline inspection. On such basis, a revision plan is formulated and the revision and implementation of our *Management Accountability Regulations* was also completed.
- For departments and Party organizations in outsourcing and in foreign affairs that have committed serious violations of regulations and laws, we urge them to develop case-by-case rectification plans and improve their work.
- We continue to strengthen the prevention and control of integrity risks. We conduct comprehensive self-investigations on integrity risk prevention and control, and after analyzing and evaluating the results, we identify the sources of integrity risks, risk points, and prevention and control plans for COMEC in 2022. We then urge the implementation of prevention and control measures.

Strengthening the guarantee mechanism that employees are not willing to be corrupt

- To develop a culture of integrity, we have compiled the *Integrity Culture Manual* Version 2.0.
- We organize "Discipline Education and Learning Month" activities to focus on promoting the development of good conduct in families.
- "Anti-corruption and Integrity Promotion Month" activities are organized, and relevant calligraphy, painting and photography works are collected.
- Typical cases are used for warning education to promote virtues and disciplines based on case study.
- Internal bidding was organized for the gifts handed in by employees in 2021.

Case "Integrity and Self-enrichment" Painting and Calligraphy Exhibition

In order to further study and implement Xi Jinping' s Thought on Socialism with Chinese Characteristics for a New Era and strengthen Party education, the Party Committee of Wenchong Shipyard Heavy Industry organized a collection and selection of calligraphy, painting, and photography works themed on integrity culture in 2022. A total of 89 calligraphy works and 38 photographic works were submitted. The works were exhibited for exchanging knowledge, promoting learning, and as a means of warning education.



Highlighting Our Own Development Characteristics

We seize the strategic opportunities in the defense equipment industry, and follow the operation guideline of strengthening our military products, optimizing our marine and shipbuilding business, and improving other business lines beyond shipbuilding. Our primary responsibility is to protect and strengthen the army, and we achieve this through reform, innovation, and development of both manufacturing and service. As a result, we have become a leading domestic shipbuilding enterprise with outstanding military advantages, strong product competitiveness, and a balanced industrial structure that encompasses both manufacturing and service.



Strengthening the Core Businesses

Our main business includes three major industrial segments: maritime and defense equipment, shipbuilding and offshore engineering equipment, as well as innovative marine science and technology applications. We have three manufacturing sites in Changzhou, Wenchong, and Longxue, delivering defense equipment, shipbuilding and offshore engineering products, as well as other shipbuilding and marine applications.



Proactively assessing market conditions

We prepare and present the main ship type market analysis report biannually, and co-organize internal report meetings with the Technology Center's Development Department to discuss the latest market developments and determine follow-up technical development directions.



Achieving solid growth in non-shipbuilding businesses

The Group's non-shipbuilding businesses cover offshore wind power equipment manufacturing, steel structure, industrial internet, and other industrial sectors. Wenchong Shipyard Heavy Industry, a subsidiary of Huangpu Wenchong, serves as a crucial development platform for the company's application business, excelling as a leading offshore wind power product manufacturer in South China, backbone enterprise in bridge steel structure manufacturing, full-category vehicle assembly R&D and manufacturing center, and benchmark enterprise in fully-equipped lifting equipment for docks. Against the backdrop of China's 30-60 Decarbonization Goal, offshore wind power has emerged as the primary energy source in a new power system and a key driver of decarbonization. In line with this vision, Wenchuan Heavy Industry, CSSC Guangxi Shipbuilding and Offshore Engineering Co.,Ltd, and Guangxi Qinzhou Linhai Industrial Investment Co.,Ltd. jointly established Guangxi Wenchuan Heavy Industry Co., Ltd. in Qinzhou, Guangxi to serve as a core base for large-scale offshore wind power equipment manufacturing and promote its development in deep-sea areas.



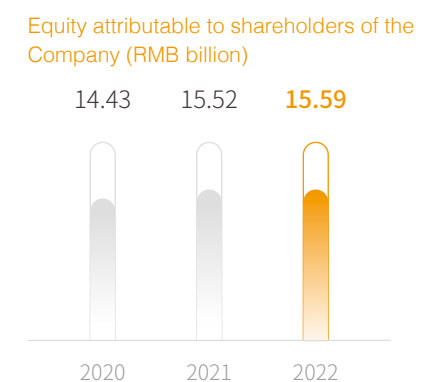
Benchmarking ourselves against first-class peers to better understand the needs of ship owners

We have developed a management improvement work plan by studying the practices of world-class enterprises. As part of this effort, we are working to improve our shipowner information management by developing a preliminary shipowner information database model, which is currently in the internal testing stage.



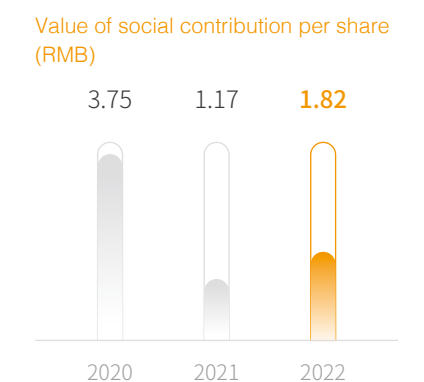
Collaborating with experts to enrich the planning system

We invite external modeling experts to give lectures at our plants, with a focus on the three-level planning system. As a result, we have been able to effectively carry out the first-level planning for our Guoneng 85KBC series, 2700TEU series, and 1600TEU series, etc.



Making unremitting efforts to enhance capacity building

In 2022, we organized three capacity-building sessions for our "three chief engineers and six managers", improving the trainees' project organization and management capabilities to a certain extent.



Case The "Baihetan" wind farm installation platform successfully delivered

On September 28, 2022, Huangpu Wenchong successfully delivered the "Baihetan" wind power installation platform built for the CTG Materials and Tendering Management Co., Ltd. of China Three Gorges Corporation. The "Baihetan" wind power installation platform is China's first platform that meets the functional standards of the fourth-generation offshore wind power equipment. It integrates functions such as self-elevation, dynamic positioning, and deep-sea operations. As a forerunner among China's new-generation offshore wind power equipment, it represents the comprehensive and integrated operational capabilities for deep-sea areas.



Case China's first ultra-deep-water drilling vessel completes hull assembly

On December 18, 2022, China achieved a significant milestone in the field of deep-sea exploration with the completion of the hull assembly for Dayang, the country's first ultra-deep-water drilling vessel capable of drilling at depths of up to 10,000 meters. The vessel, designed and built independently in Nansha District, Guangzhou, represents a major advancement in key equipment for deep-sea exploration. Dayang drilling vessel was built by Huangpu Wenchong. The vessel represents China's first ultra-deep-water scientific research drilling ship, with a designed displacement of 42,000 tons, an operability in unlimited navigation areas in international waters, and a drilling capacity of more than 10,000 meters.



Case The world's first intelligent unmanned mother ship hits water

On May 18, 2022, the world's first intelligent unmanned system research mother ship "Zhuhai Yun" officially set sail on its maiden voyage. Huangpu Wenchong built the world's first scientific research ship featuring remote control and autonomous navigation in open waters, with three innovative design concepts: "futuristic", "unmanned system", and "green and intelligent". Being one of the "i-ships (intelligent ships)", "Zhuhai Yun" serves as a valuable carrier for launching marine scientific research, exploring the marine sciences, and driving the development of marine economics in our country.



Technological Innovation and Advancement

Leveraging the momentum of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), we are committed to an innovation-driven development strategy. Our efforts include promoting standardized management of scientific and technological innovation activities, prioritizing intellectual property protection, and fostering various research and development models, such as independent, cooperative, and commissioned R&D. Striving to become a leading innovator in the industry, we contribute to the growth of the Group's business, and further enhance and expand our advantages in scientific and technological innovation.

Research team

In 2022, we strengthened our scientific research team, provided internal scientific and technological personnel with enhanced training, and introduced three new doctoral and postdoctoral fellows. These efforts continuously strengthened our research and development capabilities.

Research platforms

We have established a range of technological innovation platforms at both national and provincial levels, including national defense centers, provincial enterprise technology centers, post-doctoral workstations, National Engineering Laboratory for Marine Engineering R&D and Design, Guangdong Provincial Key Laboratory of Advanced Welding Technology for Ships, and Guangdong Engineering Technology Research Center.

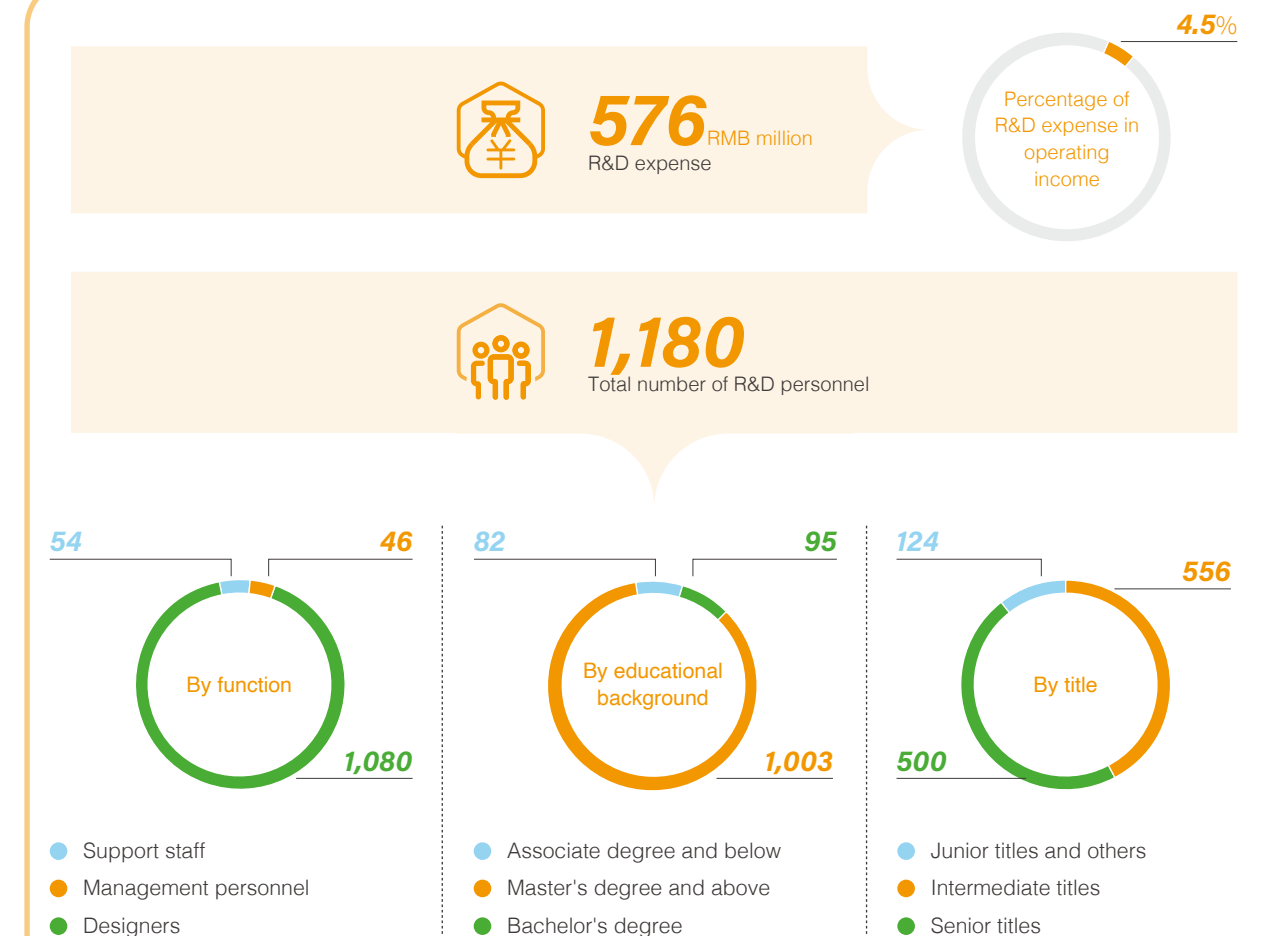
Improvement of the scientific research system

Guided by our high-quality development strategy and market-oriented mechanism, we coordinate operations, production, and research and development. Our management mechanisms for technological innovation now cover organization, assessment, and incentives, forming a virtuous cycle where innovation stems from operation and production, service supports operation and production, and operation and production drive and support innovation. This approach effectively supports the implementation of our high-quality development strategy.



Case A new type of 1,900 TEU container ship passes sea trial

On March 23, the first 1,900 TEU container ship H2389 independently developed by Huangpu Wenchong completed all the test projects and returned to the voyage successfully after passing the sea trial test. The latest series of ships, compared to their predecessors, boast an impressive fuel consumption reduction of nearly 8%, as well as an EEDI index that has reached Phase 3. Moreover, these vessels are fitted with sulfur removal devices that comply with the global sulfur emission limit set by the IMO, making them both environmentally friendly and economically viable. In the year since their launch, these green containers have already attracted 26 orders from seven domestic and international shipowners, reflecting a strong and enthusiastic market response.



Application of technological achievements

We prioritize the application of technological innovation and actively integrate it with production and operations. Meanwhile, we accelerate the advancement of forward-looking technological research, make major breakthroughs in frontier original research, and continuously boost our scientific and technological levels.

Application and authorization of invention patent in 2022

449

Patents applied

165

Patents granted

Application and authorization of utility model patent in 2022

76

Patents applied

128

Patents granted

The Company participated in the formulation and release of following standards in 2022

0

International standard

0

Industry standard

3

Organization standards

Case First intelligent dredger successfully constructed on Longxue Island

On June 18, 2022, the first intelligent dredger, named “Hangjun 4017” , sounded its whistle and set sail from its birthplace on Longxue Island, leaving behind a trail of hopeful dreams and aspirations for the future. Equipped with the latest and most highly automated “one-click dredging” system developed independently in China , the vessel can complete dredging tasks with just one operator. The integration of high-tech technology has significantly reduced ship operating costs while enhancing production efficiency and overall economic benefits.



IPR protection

We strictly comply with the laws and regulations, such as the *Trademark Law of the People’s Republic of China*, and respect the intellectual property rights (IPRs) of others. Our Procedures for Intellectual Property Risk Management and Control allows us to identify and assess intellectual property risks, and implement corresponding risk control measures. Any department that uncovers infringement of the Company’ s IPRs should report it in writing promptly. The Technology Center will then investigate the infringing behavior and defend our rights in accordance with the law.

Case Huangpu Wenchong selected as the 2022 National Outstanding Enterprise for Intellectual Property

On September 23, 2022, Huangpu Wenchong was honored with the title of 2022 National Outstanding Enterprise for Intellectual Property by China National Intellectual Property Administration. This achievement is another milestone after being selected as a Guangdong Intellectual Property Demonstration Enterprise in 2020. It reflects the country’ s high recognition of the company’ s efforts in creating, utilizing, protecting, and managing intellectual property rights.

Striving for Excellence in Quality

We are committed to ensuring quality and constantly innovating in our quality management practices. Through lean management, we strive to provide products and services that meet both customer needs and applicable laws and regulations. In 2022, there were no products sold or shipped that were subject to recall due to safety and health issues.

Quality management system

Improving system documents

We have developed a sound quality management system that adheres to the GJB9001C-2017 standard. Our system documents include one quality management system manual, as well as 69 second-level management systems and third-level operating instructions. Through an integrated system control model, we have seamlessly integrated the standard requirements of the quality management system into our business operations.

Conducting system audits

We conduct annual audits of the quality management system, and use the findings from internal audits, management reviews, external audits, and process monitoring to identify areas for improvement. By implementing necessary improvements, we ensure the continuous and effective operation of our quality management system.

Quality risk management

We place great importance on quality risk management by strictly identifying potential quality risks across all aspects of production and operations. We then formulate targeted prevention and control measures to continuously improve our product quality control capabilities, ensuring that risks remain controllable.

Quality risk

The effectiveness and maturity of refined quality management need improvement.

There is a lack of in-depth understanding of the quality assurance capabilities of newly incorporated important equipment suppliers, leading to unstable supply quality.

There is a deficiency in providing training to employees on new technologies, processes, equipment, materials, and other related areas.

Process quality control needs to be strengthened.

Countermeasures

- Enhance the level of refined quality management for our ships and identify and address any weak spots in our quality management.
- Implement benchmarking analysis to broaden our horizons.

- Strengthen the management of negative information about suppliers and implement strict reviews for supplier access.
- Adopt a “penetrating” quality control approach, which includes on-site inspections, interviews, and claims, to improve supplier quality assurance capabilities.

- Strengthen targeted training, carry out technical problem-solving initiatives, and provide skill training to personnel.
- Enhance the adaptability of welding and coating personnel through training programs tailored to their needs.
- Conduct skill training for designers to facilitate design improvement.

- Improve and refine the quality control requirements of the product construction process and establish a specialized product quality control team.
- Establish a database of warranty and quality issues to monitor and improve the design, production, and service.
- Give special attention to external factors that may affect the process, and schedule production in advance to prevent the impact of external factors.
- Conduct early intervention in the production and inspection links of supporting manufacturers.
- Hold regular after-sales problem analysis meetings to conduct in-depth analysis of production issues, with a particular focus on pipeline leakage problems.
- Strictly review the equipment confirmation diagram, and confirm with relevant suppliers in strict accordance with the diagram.

Quality inspection and non-compliance treatment

Throughout the ship construction process, we strictly follow the *Measures for the Control and Management of the Entry of Products and Services*. Quality inspection control points are established, and the Design Department prepares a list of inspection items. Each process is subject to a system of self-inspection, mutual inspection, and special inspection based on the list to realize comprehensive quality inspections and tests.

Substandard products in the procurement of raw materials and equipment

To prevent the unintended use of substandard products, we physically isolate and mark raw materials and equipment with quality issues.

Substandard products during the production and construction process

We have implemented a quality problem information feedback mechanism. The competent department and the quality department jointly conduct professional judgments on products that are not up to standard. Measures are developed to handle substandard products, including reprocessing and scrapping. Reprocessed products undergo stricter inspections to ensure that they meet the required standards, while scrapped products are produced again.

Substandard products found after delivery

Our professional after-sales service department will determine appropriate measures (including but not limited to repair or replacement) based on the impact or potential impact of the substandard products.

Quality culture

We have implemented a range of quality publicity activities with a focus on our quality plan during the 14th Five-Year Plan period(2021-2025), disseminating the awareness of "quality first". During the Quality Month, we utilize various mediums, including LED screens, WeChat accounts, bulletin boards, and signs at construction sites, to report on our quality work requirements, share quality work experiences, and showcase advanced practices, strengthening our quality culture.

Quality guidelines

Putting quality and customers first, delivering reliable and top-notch products and services with excellence, and upholding integrity in all aspects of our service

Quality motto

Do it right the first time; do it accurately and efficiently

Quality code of conduct

- We uphold the principle of "strict compliance, prudent decision-making, detail-oriented and fact-based approach".
- We adhere to the well-established rules and policies, striving to do the right thing from the start.
- We are committed to continuous improvement, constantly striving for excellence in all aspects of our work.

Quality brand

Quality is paramount for defense products.



Ensuring Work Safety

We strictly comply with Chinese laws and regulations such as the *Law on Work Safety*, *Law on Prevention and Control of Occupational Diseases*, *Safety Training Regulations for Production and Business Units*, and *Basic Norms for Standardization of Enterprises' Work Safety*, and continuously improve our work safety and health management. In 2022, we achieved an exceptional safety record with zero work-related accidents or cases of acute occupational diseases resulting in serious injuries or worse. Furthermore, no major fire and explosion accidents or traffic safety accidents occurred during the year.

Safety management



In 2022, we strictly adhered to safety regulations and management systems, including equipment safety rules and regulations, operation safety management regulations, and workplace safety management regulations. We also revised and improved certain systems, rigorously implemented the safety production responsibility system for all employees, and strengthened the prevention and control of safety risks. Our goal was to ensure the compliance, effectiveness, and practicality of our safety management system.



At the beginning of 2022, all units were organized to sign the *Responsibility Pledge to 2022 Comprehensive Governance and Stability Maintenance, Public Security, and National Security Objective Management*. To ensure public security, the engineering team stationed in the Company also signed the *Joint Defense Responsibility Pledge for Public Security* with the local police stations to clearly define the management goals, indicators, and related requirements for each unit.



We have started from the full coverage of work safety standardization to further consolidate our basic safety management. Guided by our commitment to applying technological advancement and creating a first-class operating environment, we strive to enhance our essential safety and improve the working environment for our employees.



We hold events like Work Safety Month, "A Long March of Work Safety", and "119" Awareness Raising Month. Additionally, we organize online award-winning quiz for safety and environmental knowledge, encourage employees to report safety hazards by taking photos, attend mini fire-station skills contests, and submit papers for evaluation. We are proud to have seven papers recognized as outstanding by the Guangzhou Emergency Management Association.

Safety-oriented actions

Minor injury accidents
0 case

Serious injury accidents
0 case

Major accident
0 case

Improper wearing of labor protection equipment dealt with
0 case

Complaints regarding occupational health and safety that have material impact on the Company
0 case

Staff healthy archive coverage
100%

Labor supplies expenses
10.4937 million

Emergency supply expenses
800,000 RMB

Participants of work safety training
43,178

Participants of comprehensive emergency evacuation drill
432

Security inspection

Emergency rescue

Fire drill

Providing safety training

New employees and workers shall receive three levels of safety education. Personnel engaged in special operations undergo special training and are required to hold a certificate before taking up their posts. We also provide safety management knowledge training for managers and team leaders.

Strengthening safety inspections

We employ a variety of inspection techniques, such as inspections led by company leaders and experts, inspections across our three plants, large-scale inspections, special inspections following incidents, and seasonal inspections. As a result of these efforts, we have identified and managed a total of 3,084 potential safety hazards.

Strengthening fire emergency management

We developed the *2022 Job Training Plan* and *2022 Winter Training Implementation Plan*. Our firefighters and guards received education and training on fire regulations, basic firefighting skills, and safety protection knowledge according to these plans, with the aim of enhancing our team's emergency rescue abilities. Throughout the year, we investigated and dealt with 357 violating vehicles. We conducted six comprehensive drills and an additional 20 special drills across our three plants. We also organized special inspections for fire control, theft prevention, and explosion prevention, successfully identifying and rectifying a total of 11 potential hazards.

Drills for fire control, theft prevention, and explosion prevention

Occupational health and safety

We prioritize the physical and mental well-being of all employees. To this end, we consistently enhance our occupational health management and medical security systems, and constantly improve our measures for occupational disease prevention and control, such as implementing the occupational disease prevention and control responsibility system and the occupational disease hazard factor monitoring and evaluation system. In this way, we manage to maximize the protection of our staff's health and safety, and continuously improve their overall well-being.

Improving employee medical benefits

We provide supplementary medical insurance for the core employees of our headquarters and one eligible child, as well as establish a medical fund for employees who have worked with us for at least 6 months.

Providing regular medical examinations

We strictly control pre-job physical examinations, strictly organize on-the-job occupational health examinations, and organize annual physical examinations for all employees every year to effectively ensure their physical and mental health.

Providing paid rest and trips

We have organized weekly paid rest and trip programs on every Thursday since June 2022. Ten sessions have been organized apart from those on holidays. A total of 16 groups with 715 employees have enjoyed the program.

Providing mental health counseling

Through the Employee Assistance Program (EAP) and emotional stress management training, we help employees overcome psychological distress, develop a positive attitude, improve interpersonal relationships, and enhance a sense of belonging. This practice creates win-win outcomes for both employees and the Company.

Strengthening health monitoring

We have implemented a refined accountability system for preventing and treating occupational diseases, and strengthened our supervision and management of occupational diseases, chronic diseases, and medical examinations for our workers. We strictly control pre-employment health checks, and regularly organize occupational health examinations for our employees.

Year	Work-related fatalities	Work-related fatality rate (%)	Days lost due to work-related injuries
2020	0	0	250
2021	0	0	52
2022	0	0	0

Delivering Premier Services

In accordance with the Chinese laws and regulations, such as the *Advertising Law and the Trademark Law*, we conduct responsible marketing and maintain smooth communication channels with our customers while protecting their privacy. Our goal is to provide customers with excellent products and quality service while actively improving our efficiency to meet their diverse needs. We resolutely protect our customers' rights and interests, and strive to exceed their expectations in every interaction.

Customer relationship maintenance

Defense equipment	Marine equipment	Applications
Standardizing and consolidating communication and coordination mechanism with the military and maintaining good relations; deepening the connotation of military-civilian co-construction activities, and making concrete contributions to the military force; inviting troops to participate in our cultural and sports activities, paying a visit to them on traditional Chinese holidays, and fostering the military-civil friendship	Visiting customers and developing exchange platforms such as theme salons or summit forums; establishing a robust public relations maintenance mechanism; strengthening brand reputation and expanding market share	Enhancing cooperation with major state-owned enterprises to expand the domestic market share of steel structures for infrastructure construction, including offshore wind power bridges and large-scale buildings; collaborating with platform companies to build an international brand for wind power steel structures

Main customers

Protection of customer privacy

To ensure confidentiality, we have established a dedicated system to protect customer privacy and trade secrets. We also sign confidentiality agreements with our customers to uphold customer privacy and information security. To ensure the confidentiality of customers' intellectual property rights and personal information, including trade secrets such as patented technologies, design plans, and project information, we follow the Company' s Regulations on the Management of Trade Secrets and carry out strict confidentiality controls.

0
Complaint received for leaking customer privacy in 2022

Customer communication and satisfaction

Maintaining effective communication with customers

Improving the after-sales service system

Customer satisfaction survey

We strictly implement the *Regulations on the Management of Communication, Participation, and Consultation, and Measures for the Management of Shipowners' Ship Inspection Opinions* to maintain effective communication with our customers. We listen carefully to their opinions, suggestions, and complaints, and participate in project consultations, resolutions, and decision-making. We aim to establish an equal, mutual trust, and friendly relationship between us and our customers.

According to the *Regulations on the Management of After-sales Service of Military Products, Measures for the Management of Warranty Services for the Full Life Cycle of Military Products, and Regulations on the Management of After-sales Service of Civil Products*, we provide customers with a comprehensive range of after-sales services and technical support after delivering the ship to ensure the smooth operation of products and normal and effective use of equipment.

Based on the Regulations on Customer Satisfaction Management, we conduct regular assessments of customer satisfaction through various methods, including direct visits, discussions, and written surveys. Through these assessments, we gather feedback on product quality, performance requirements, and after-sales service, and regularly provide suggestions and requirements to the customers, equipment users, and higher-level authorities. In 2022, we distributed 115 customer satisfaction surveys and collected 115 valid responses.

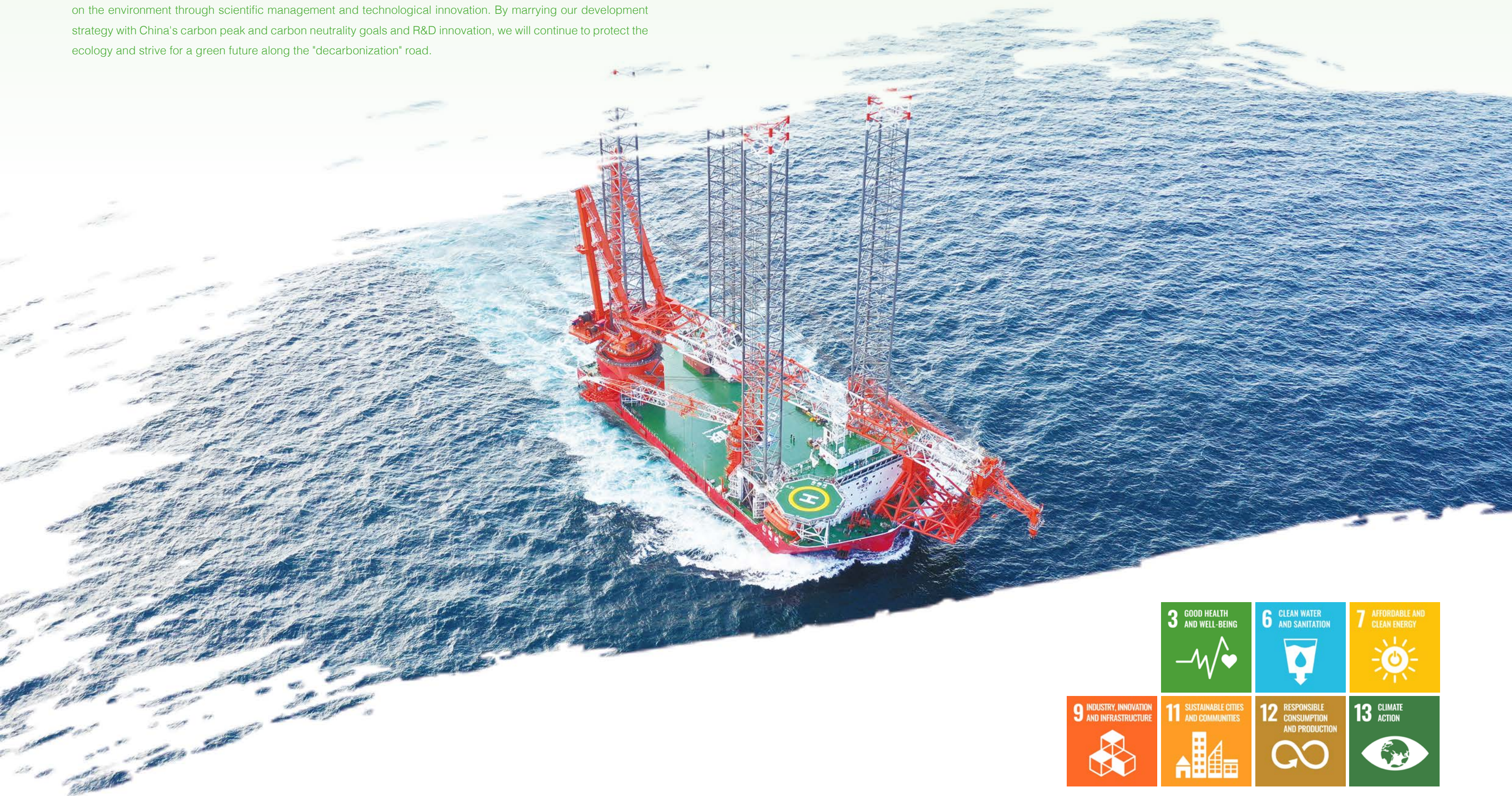
0
Complaint received for product or service in 2022

100%
Timely handling of customer complaints in 2022

99.41 points
Customer satisfaction score in 2022

Green Development

Committed to green development, we actively take measures to minimize the impact of production and operation on the environment through scientific management and technological innovation. By marrying our development strategy with China's carbon peak and carbon neutrality goals and R&D innovation, we will continue to protect the ecology and strive for a green future along the "decarbonization" road.



Improving Environmental Management

Guided by Xi Jinping's thought on ecological civilization, we are committed to implementing the concept of green development to promote energy conservation and emission reduction based on our sound environmental management system, and convey the concept of green development to the public. Our green operations will pave the way to harmonious coexistence between environment and the enterprise and contribute to the Beautiful China initiative.

Green development goals

To achieve the carbon peak and carbon neutrality goals, we take "Zero environmental pollution, compliance with the three industrial waste emission standards, solid waste reduction and reutilization" as our goals and establish environment management system. We strictly implement the control mechanism according to the "carbon peak and carbon neutrality" indicators through strengthening the supervision of production and operation and developing a mechanism to report and track carbon data

Environment risks and response

We carry out internal assessment and self-inspection to improve our environmental awareness and environmental management capability. To grasp the new opportunities that come along with environmental risks and promote healthy and sustainable corporate development, we regularly carry out risk assessment of environmental emergencies, identify pollution hazards and risks, and determine environmental aspects and significant environmental aspects according to the ISO 14001 standard throughout the plant.

Environment risks

Environmental pollution, excessive discharge of pollutants, non-compliant solid waste disposal

Growing risks of receiving environmental complaints and getting administration penalties

Financial losses caused by production downtime on high pollution days

Risks response

- Strictly abiding by laws, regulations, standards and policies
- Improving environmental management system and strengthening daily management

- Strengthening environmental education and enhancing employees' environmental awareness
- Promoting green operation and production, and producing low-carbon products
- Developing suppliers that meet the Company's environmental protection requirements

- Promoting the sustainable corporate development by enhancing its comprehensive competitiveness and overall efficiency in the long term

53,427

RMB

Environmental protection tax contributions

150

Participants of environmental protection training


15.95

RMB

Investment in environmental protection

0

Major environmental violation in 2022



The achievement of environmental protection goals in 2022

Control item	2022 performance target	Actual performance	Note
Environment pollution incidents	0	0	
Passing rate of waste sorting	≥96%	≥97%	Number of compliant refuse hopper/ Total Number of refuse hopper in use ×100%
Wastewater meeting emission standards	Up to standard	Up to standard	
Waste gas (VOCs, dust) meeting emission standards	Up to standard	Up to standard	
Noise at boundary of plants meeting standards	Up to standard	Up to standard	
Compliant disposal of hazardous waste	100%	100%	
Industrial solid waste reduction	10%	10.8%	A 10% reduction in the volume generated over 2021 (annual basis)

Environmental management

We establish a distinctive environmental management system, regularly carry out internal assessment, management review, and external evaluation to make prompt improvements and minimize the negative impact of operation and production on the environment.

Environmental management system

We strictly comply with national environmental protection laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and *Air Pollution Prevention Law of the People's Republic of China*, and has developed a series of environmental protection regulations to improve environmental compliance management, including the *Environmental Protection Responsibility System*, the *Environmental Monitoring Management System*, the *Measures for Managing and Control of Environmental Factors*, the *Measures for Reporting, Investigating and Handling of Environmental Pollution Incidents*, the *Environmental Risks and Hazards Identification System*, the *Measures for Managing Solid Waste*, the *Measures for Managing Clean Production*, the *Hazardous Waste Pollution Prevention and Control Accountability System* and the *Measures for Managing Environmental Information Disclosure*.

Environmental monitoring and emergency response mechanism

We formulate environmental monitoring plans and allow for testing on annual monitoring plans by third parties, prepare reports on environmental risk assessment, environmental emergency response plans, environmental emergency resource investigation reports, and update and practice emergency drill plan every year.

Environment management organization system



Department	Person-in-charge	Member	Duties and responsibilities
Environmental Protection Committee	General manager as team leader, deputy general manager as deputy team leader	Department heads	Uniformly coordinate the Company's energy conservation and emission reduction work
Energy Conservation and Emission Reduction Leading Group and Working Group	General manager as team leader, deputy general manager as deputy team leader	Department heads	Act as the coordination and decision-making body of major environmental protection policies and issues to uniformly guide and coordinate environmental protection work
Environmental Protection Work Leading Team	Director of the Safety Management Department as team leader and Deputy Director of the Safety Management Department as deputy team leader	Personnel in charge of environmental protection management from the Safety Management Department and the safety and environmental protection organizations of each production unit	Establish the Company's environmental management regulations and operating procedures as well as supervise the improvement in environmental management measures; follow, coordinate and implement the Company's Environmental Protection Committee's resolutions and work arrangements; organize data statistics; investigate pollution hazards; control origin of pollution; investigate incidents and prepare emergency response plans and other environmental management works
Environmental Protection Management Leading Group	General manager as team leader, deputy general manager as deputy team leader	Department heads	Uniformly coordinate the Company's energy conservation and emission reduction work
Environmental Protection Management Working Group	General manager as team leader, deputy general manager as deputy team leader	Department heads	The coordination and decision-making body of major environmental protection policies and issues, which uniformly guides and coordinates environmental protection work.
Execution department		The Safety Management Department and the Production Security Department	The Safety Management Department is responsible for the guidance, supervision and inspection management of the Company's departments and subsidiaries. The Production Security Department is responsible for the daily management concerning the coordination, guidance, inspection, statistics and assessment of energy conservation and emission reduction
Business department		Full-time and part-time environmental protection management personnel of production units and supporters	Responsible for the specific environmental protection management work of the unit



0

Major environment violations in 2022

Addressing Climate Change

Carbon peak and carbon neutrality, the major strategic decision made by the CPC Central Committee with Comrade Xi Jinping at its core after deliberation, is concerned with the sustainable development of the Chinese nation and the building of a community with a shared future for mankind. On the journey towards China's 30·60 Decarbonization Goal, we formulate corresponding policies to fight against climate change and strictly implement, and manage carbon emissions in a scientific manner through identifying climate risks, making phased plans and launching actions to reduce energy consumption, and increase the proportion of renewable energy.

Carbon peak and carbon neutrality goals

We strictly implement the "carbon intensity"-based control targets planning and annual indicator assessment requirements formulated by the Group during the 14th Five-Year Plan period. By 2025, the carbon emissions of the Company's per RMB 10,000 output value will be reduced by 18% compared with the base period of 2020. In 2022, we improved the mechanism and plan for "carbon peak and carbon neutrality" indicator control, set customized control goals for different departments, and developed a control mechanism for the "energy consumption intensity and carbon emission intensity" goals.



We have set the process energy consumption evaluation standards by developing statistical records and indicators of energy consumption per unit volume and establishing energy assessment indicators of process based on the resource consumption during the process. At the same time, a control system for peak-hour power consumption has been developed for a target energy consumption control system from process to result.



To materialize the energy conservation and carbon reduction goals, the responsible departments are required to conduct monthly and annual evaluation for each production unit, carry out internal audits of the energy management system and make close-loop rectification tracking, and complete the renewal supervision and assessment by third parties.

Science-based carbon reduction

We implement the carbon reduction plan step by step. In accordance with the requirements of the annual carbon intensity control indicator and the sources of energy consumption of each unit in CO₂ emissions, we set the year-on-year reduction targets of CO₂ emissions per RMB 10,000 output value for all business units, and conduct annual evaluation to achieve carbon reduction goal.

Intelligent monitoring on carbon emissions

We have established a mechanism for carbon data reporting and tracking, preparing carbon tracking data reports on a monthly, quarterly and annual basis, thus continuously making the Company's energy consumption monitoring more intelligent and meticulous. To ensure the sources of carbon emissions are traceable accurately, we also roll out the pilot carbon data tracking to operating positions.

Carbon audit of fixed asset investment

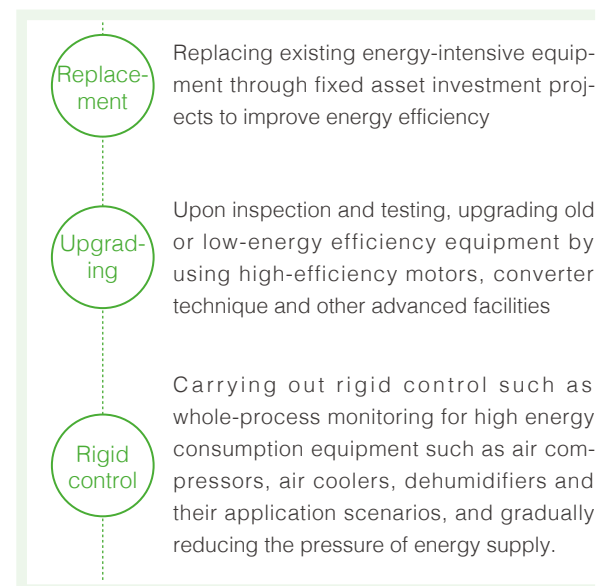
We have formulated and issued the measures for auditing energy conservation and carbon reduction in fixed asset investment projects, taking "carbon audit" as the preceding phase and prioritizing low-energy consumption and high-energy efficiency solutions for plant design, equipment and facilities allocation.

- Projects on plant facilities**
 - Improving the energy efficiency of facilities
 - Specifying the total energy consumption and overall energy efficiency during the design process.
- Prioritizing new clean energy
 - Such as rooftop PV, natural illumination belt, unpowered ventilation system, LED lighting.

- Projects on equipment and facilities**
 - Specifying energy consumption indicators
 - In specifications, the energy efficiency index of ventilation and refrigeration equipment should be set above Grade II and the same for equipment supporting motor.

Equipment energy efficiency

By using the details of energy-intensive equipment and facilities, we conduct special energy efficiency test on those facilities to seek for energy-saving improvement. To achieve energy conservation and emission reduction, we attempt to renovate, update and manage the facilities.



- Smart air compressor station construction**
With an investment of RMB 20.6 million, the project has entered the phase of equipment installation and commissioning. After the air compressor station come into use, the energy efficiency of the equipment in Longxue plant area will be increased by over 20%, the theoretical power consumption will be reduced by 22 GWh per year, the comprehensive energy consumption by 2,700 tons of standard coal per year, and the CO₂ emissions by 11,000 tons per year.
- Upgrading of air coolers**
With an investment of RMB 10 million, the project has entered the phase of transformation and implementation. It is expected to be officially put into use after the transformation by 2023. After calculations, the energy efficiency of the modified air cooler will be increased by about 25%, the power consumption, in theory, will be reduced by 33.5 MWh per year, the comprehensive energy consumption by 416 tons of standard coal per year, and the CO₂ emissions by 1,700 tons per year.

Renewable energy

We explore the possibilities to replace traditional fossil energy with clean energy in production. Based on the clean energy projects in the plant area, we replace energy-intensive combustion forklifts with electric forklift truck and continue to promote the use of wharf power to replace the gas turbine power generation applied in the current mooring test.

- PV power station construction**
With an investment of RMB 65 million, 6 MW of photovoltaics and 9.2 MW of photovoltaics was built in the Longxue plant and the Changzhou plant respectively and have been put into use. The annual power generation volume of the PV project is about 15 GWh, accounting for about 12% of the Company's total annual power if all are consumed, reducing carbon emissions by 7,800 tons per year, and comprehensive energy consumption by 1,850 tons of standard coal per year.

Energy conservation and carbon reduction

We have used measures to conserve energy and reduce emissions by improving the energy consumption supervision mechanism and developing clean energy sources, thus making gradual progress towards green production. Energy reduction targets for 2022 were achieved, with the total GHG emission of the Company standing at 92,346 tons of CO₂ equivalent (CO₂e), the carbon emission density 0.0704 tons of CO₂e per RMB 10,000 output value, and the comprehensive energy consumption per RMB 10,000 output value was decreased by 12.10% year on year.

Energy management training

We focus on the training of management personnel and continuously enhance the energy management and evaluation. In 2022, the Company carried out the special environmental protection training on "carbon peak and carbon neutrality" and the business training on "practicing duties on environmental protection", thus effectively improving the environmental awareness and ability of personnel in management and business departments.

We organized energy management training for energy managers in the first department of the shipbuilding, with

40 participants.

We organized energy management training for 2022 newly enrolled college students into plants, with

140 participants.

Comprehensive energy consumption per RMB10,000 output value

0.02179 tons of standard coal per RMB 10,000

Energy consumption per RMB 10,000 output value

87.10 kWh per RMB 10,000

Reducing carbon dioxide equivalent emissions

5,695 tons

Type of energy	Natural gas consumption (gas state)	Natural gas consumption (liquid state)	Fuel consumption	Purchased electricity	Photovoltaic power generation	Total energy consumption
Unit	10,000 m ³	ton	ton	GWh	GWh	tce
2022	114.80	0	9,151.27	116.47	4.9	29,132.12
2021	114.74	76.20	10,665.04	11991.15	1.58	31,870.75
2020	86.29	372.07	8,796.89	14008.37	ND	31,761.28

Note: Fuel consumption includes total consumption of heavy oil, gasoline and diesel. Total energy consumption includes the consumption of natural gas, fuel and purchased electricity.

Greenhouse gas emissions (Unit: tCO ₂ e)		2022	2021	2020
Scope 1	Purchased natural gas consumption	2,504	2,447	2,731
	Heavy oil consumption	6,297	7,594	8,321
	Gasoline consumption	445	399	478
	Diesel consumption	21,711	25,180	18,584
Scope 2	Purchased electricity	61,389	63,099	73,838
Total		92,346	98,719	103,955

Ensuring Compliant Emissions

We strictly comply with Chinese laws and regulations such as the *Environmental Protection Law*, *Air Pollution Prevention Law*, *Water Pollution Prevention and Control Law*, *Soil Pollution Prevention Law on Prevention and Control of Soil Contamination*, *Law on the Prevention and Control of Environmental Pollution by Solid Waste*, and other relevant regulations set by local authorities. We strive to reduce the quantity of waste discharged from production and operation, strictly control the disposal and discharge of sewage, waste gas and waste to reduce the environmental damage of discharge for public health and well-being.

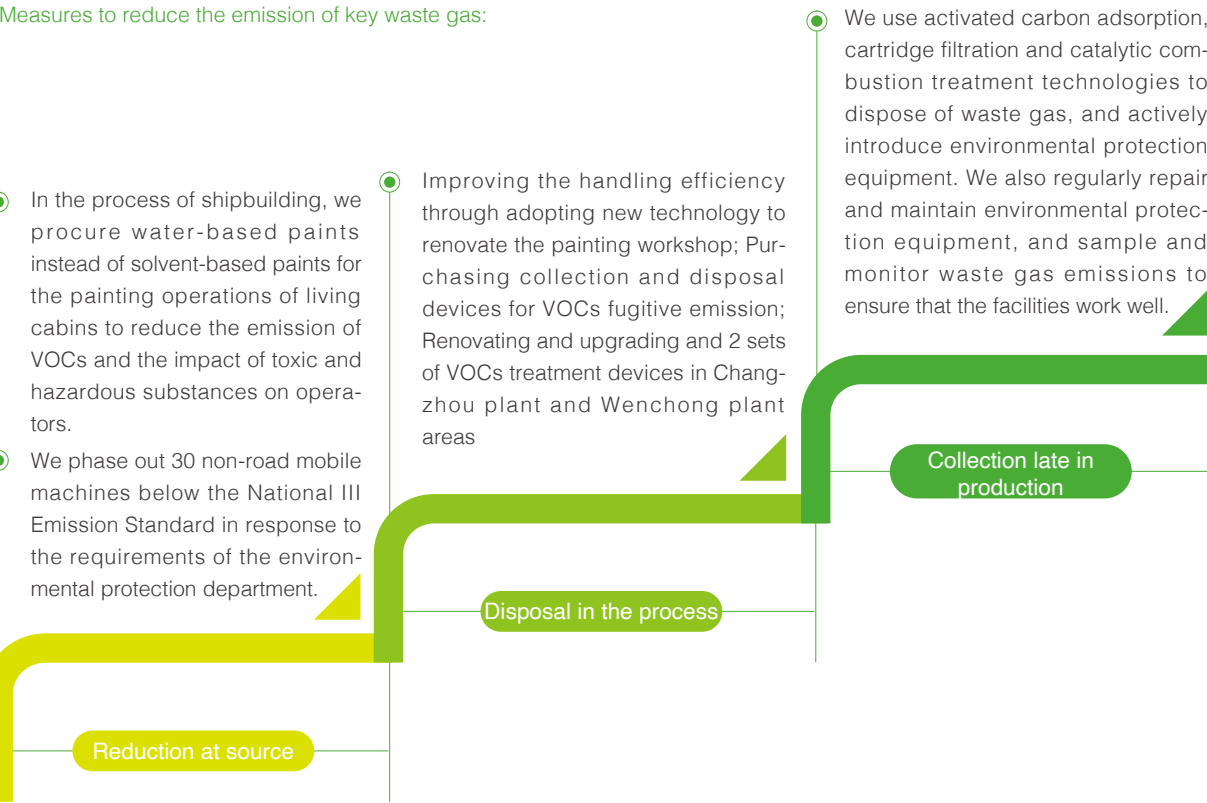
Waste gas management

In accordance with the Air Pollutant Emission Limit of Guangdong Province, we ensure compliant emissions of dust and waste gas, VOC (volatile organic compounds), welding smoke and other waste gas emissions generated during production and operation. During the Reporting period, the waste gas emissions did not be discharged beyond pollution limits, with the total exhaust emissions standing at 2,483.91 million standard cubic meters.



	Unit Emission method	Vent height meter	Particulate matter		Toluene		Xylene		VOCs	
			Emission intensity	Emission rate	Emission intensity	Emission rate	Emission intensity	Emission rate	Emission intensity	Emission rate
			mg/m³	kg/h	mg/m³	kg/h	mg/m³	kg/h	mg/m³	kg/h
Steel plate pretreatment line	Structural emission	18	10.36	0.01	0.25	0.003	2.28	0.02	8.86	0.09
Segmental coating	Structural emission	25	10.14	0.19	0.29	0.015	2.06	0.07	6.66	0.35

Measures to reduce the emission of key waste gas:



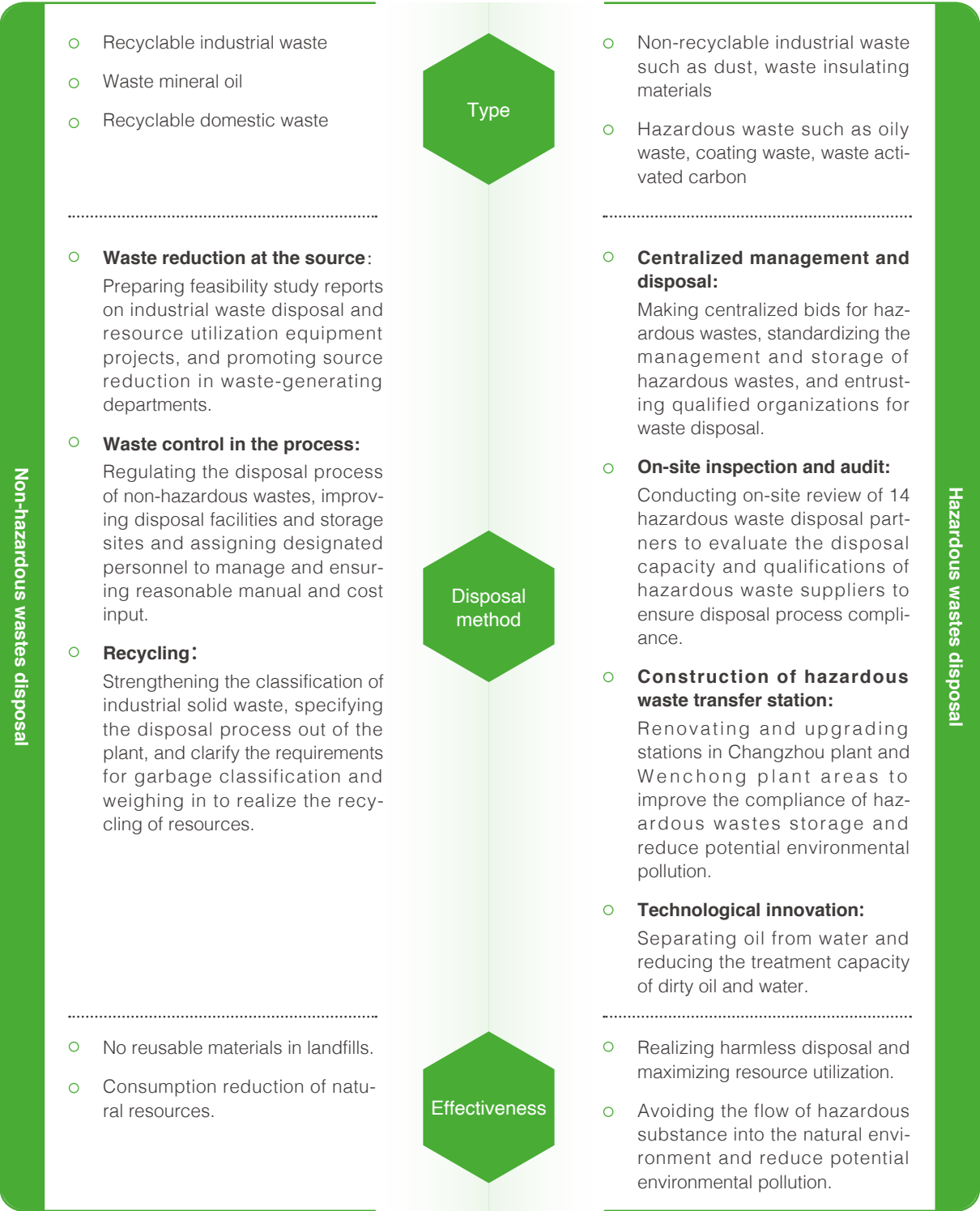
Case Special training on VOCs treatment and environmental protection equipment management

We strive to help environmental protection managers have better understanding of VOCs technology, and familiarize them with the daily management and use of VOCs treatment facilities. The Company organized a special training on "VOCs treatment and environmental protection equipment management" on March 29, 2022. Members from the environmental protection management team of the safety committee and other personnel concerned participated.



Waste management

We focus on reducing the waste generated at the source. After classifying wastes generated by production and operation, including hazardous waste, industrial solid waste, domestic waste, construction waste, we regulate the transfer of hazardous waste, the classification and recycling of non-hazardous waste to improve the comprehensive utilization rate and reduce potential environmental pollution.



Carrying out Green Production and Operation

We strive to integrate the concept of "resource conservation, green production" into all aspects of life and production, taking multiple measures to improve the efficiency of water use and reduce resource waste, as well as carrying out regular environmental quality monitoring to minimize the negative impact on the environment.

Water resources management

In response to national water conservation policies, we advocate "water conservation, water use planning, comprehensive utilization, and high efficiency", strictly supervising water use to achieve effectively recycle and avoid water waste. In 2022, the water consumption density was 1.18 tons per RMB 10,000 output value.

Wastewater disposal



We strictly monitor the collection and treatment of wastewater to ensure harmless discharge. The Company's production and operation may generate domestic sewage and production wastewater, including industrial wastewater and oily wastewater from mooring test at the marine terminal and workshops. By reducing the wastewater flow, we manage to minimize its negative impact on environment and improving the efficiency of wastewater disposal.

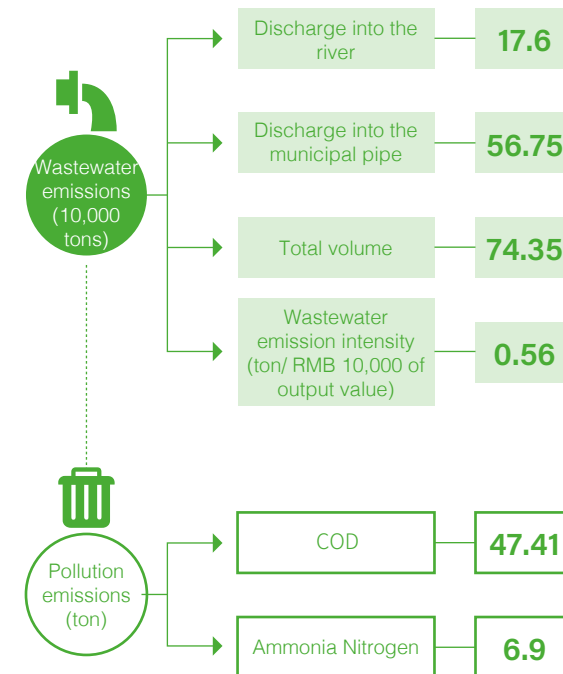
Reduction at source

We take comprehensive response measures for disposing industrial wastewater in accordance with national and industry standards to achieve water recycling and reduce wastewater emission.

Effective disposal

Measures are taken to collect and dispose of all wastewater, including standardizing collection and transport of oily wastewater, and dynamically monitoring the wastewater disposal process through online monitoring facilities to prevent environmental pollution.

2022



Water resources conservation



We advocate water conservation and convey it through multiple initiatives, thus enhancing employees' awareness and creating a resource-saving atmosphere.

Promotion and tips



The industrial water dispensers in the plant are posted with water-saving stickers, and tips on turning off the water in time can be seen in the office area, helping employees form good water habits and creating a water-saving atmosphere.

Water pipe inspection



Regularly inspecting the water pipe network in the plant area to avoid water damage caused by any unexpected pipe problems.

Waste notification



Conducting regular water conservation inspections, reporting any water-wasting behavior across the whole plant, and conduct evaluation for relevant units.

Management of other environmental impact

Noise control

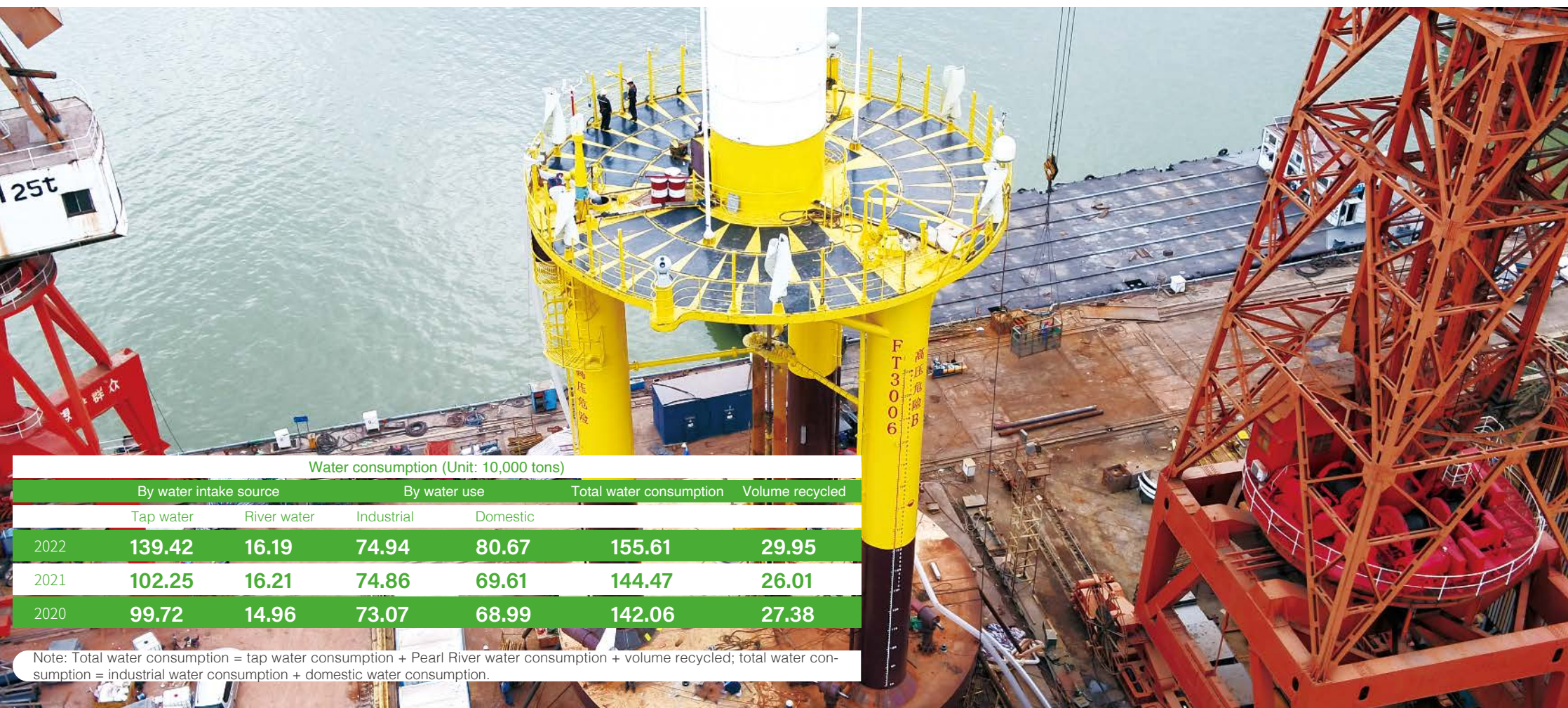


We have formulated an environmental testing plan and carried out noise testing according to the regulations. The noise emission meets the environmental protection requirements to ensure that there is no significant adverse impact on staff health and biodiversity.

Reduction of radiation



We strengthen the control and management of radiation in production and operation, and have obtained the Radiation Safety Permit. In strict accordance with national requirements, we manage the use of radiation devices to avoid pollution due to loss or loss of control. What's more, we establish a sound safety and protection management system related to industrial X-ray inspection operations and exercise whole process management for X-ray inspection operations. Third parties are entrusted to regularly monitor environmental radiation of inspection operations.



Building a Harmonious Enterprise

As a responsible enterprise, our mission is to develop harmoniously with employees, partners, the industry and society. Pride to make progress with suppliers and responsible for promoting the sustainable development of the industry, we are happy to improve employees' well-being, and motivated to create social influences.



Creating a Happy Workplace

Dedicated to creating diverse and inclusive corporate culture, we establish a fair and equitable employment mechanism and constantly improve the scientific system for talent retention, promotion and development. Employees' sense of happiness and belonging is secured by our compensation, benefits and care policies throughout the entire employee career lifecycle as well as our comprehensive guarantee for their career development and workplace experience.

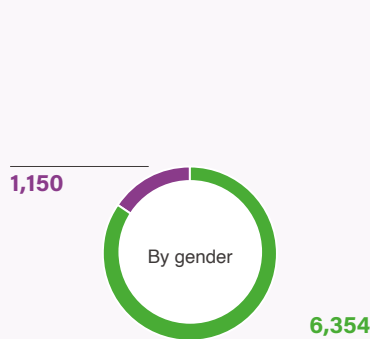
Employee rights

In strict accordance with laws and regulations, such as the *Labor Law of the People's Republic of China*, we have established human resources policies, including the Human Resources Management System and the Rules for the Management of Employee and Labor Relationship as well as the *Talent Development Plan during the 14th Five-Year Plan Period* to maintain a fair employment environment, improve the compensation and benefits system, and encourage equal communication.

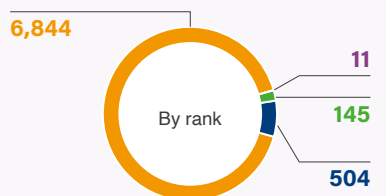
Total workforce by gender, employment type, age group and geographical region:

7,504

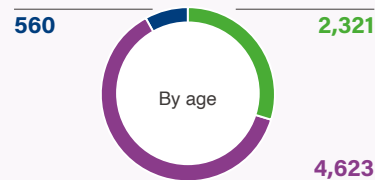
Employees in total



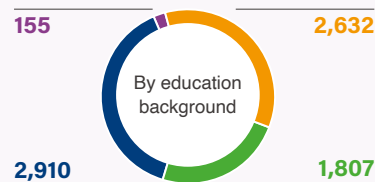
- Male employees
- Female employees



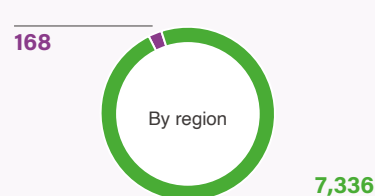
- Ordinary employees
- Primary-level employees
- Middle management members
- Senior management members



- Employees aged 31-50
- Employees aged 51 and above
- Employees aged 30 and below



- Senior school or below
- Associate degree
- Bachelor's degree
- Master's degree or above

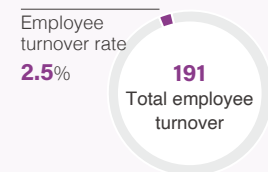


- Employees in Guangzhou
- Employees in Zhongshan and Dongguan

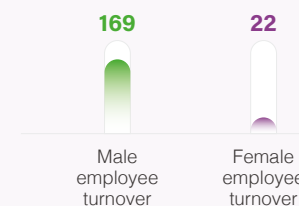
Capable personnel attraction

Upholding the talent philosophy of inclusiveness, we promote workplace inclusion, cultivate a diversified and high-quality talent team, and build an employment platform by treating all employees equally. We greatly increase employment opportunities in local communities with our focus on promoting the employment of locals, women, minority groups, and college students, and launch social recruitment regardless of their race, gender, and religious beliefs.

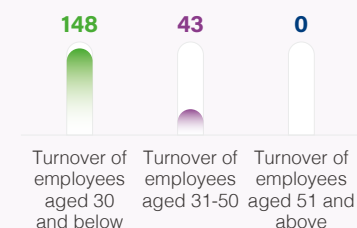
Number and rate of employee turnover by gender, age group and geographical region:



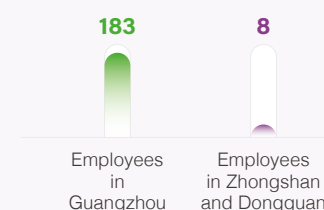
By gender



By age



By region



Transparent recruitment

According to our *Recruitment Management Rules*, we make detail study on demand before recruitment, and adopt scientific and strict recruitment process to attract fresh graduates and talents from the society to submit their resume. The process of recruitment interview is standardized, clear, fair and transparent. With such an open and inclusive attitude, we strive to attract talents as much as possible.

100%

Employee labor contract signing rate

49

Employees from social recruitment

Number of employees from campus recruitment

130

Junior college and secondary school graduates

234

Undergraduates

10

Postgraduates

14 days

Average paid leave per employee

100%

Employee social insurance coverage

Basic remuneration system

We have established a broadband remuneration system based on position salary and performance salary. Employees' position salary and performance salary standards will be adjusted according to the salary management measures based on the promotion of employees' personal rank or position. Additionally, we have formulated the management measures for the allocation of total salary, and tie employees' performance salary to the performance of the organization.

According to the requirements of deepening the reform of state-owned enterprises and improving the pension insurance and salary and benefits systems, we have revised the *Implementation Rules of Enterprise Pension Scheme* by the end of September 2022. The newly revised enterprise annuity increases the contribution ratio, further promotes our pension insurance as well as salary and benefits system, enhances our core competitiveness, and stabilizes our backbone staff.

Enterprise annuity system

Standardized employment

We strictly abide by the Forced Labor Convention, the *Minimum Age Convention*, the *Worst Forms of Child Labor Convention* issued by the International Labor Organization, China's *Law on the Protection of Minors and Provisions on the Prohibition against the Use of Child Labor*, and the legal requirements on the prohibition of the employment of child labor and forced labor of host countries and regions. We forbid child labor and resist all forms of forced labor. Information is strictly reviewed to ensure those candidates comply with laws and regulations in the recruitment process. Irregular self-inspections and checks are carried out to timely correct and punish violations. There was no child labor or forced labor during the reporting period.

Compensation and benefits

We provide employees with diversified supplementary benefits in addition to the social security insurance contribution required by national laws. Employees' salaries are distributed by centering around quality and efficiency improvement, technological innovation, and corporate development empowered by talents. We continue to improve our system, strengthen positive incentives, and work to establish a salary increase plan and incentive mechanism that correspond to the value of talents.

Performance feedback mechanism

We have revised the *Employee Performance Management Rules*, under which the annual and monthly performance appraisal of management personnel, senior staff and other employees is tie to the annual business performance and monthly economic appraisal of their departments. The appraisal results will pass through the hierarchy with rewarding the good and punishing the bad. In addition, in order to motivate employees to work harder and responsibly for higher production efficiency, we have developed incentive policies such as key talent subsidies, research rewards, and milestone bonuses.

We pay various social security insurance and provident funds for employees in accordance with regulations and implement an enterprise annuity protection plan and monetary housing allowance policy to ensure employees' benefits and job satisfaction.

Diversified benefits

Democratic management

In accordance with the *Constitution of the Chinese Trade Union* and the *Trade Union Law of the People's Republic of China*, we keep improving our democratic management system, establish an interactive channel between the Company and employees, and strengthen the staff congress system. An equal communication channel is established to effectively guarantee employees' rights to know, participate, express and supervise to improve their satisfaction.

We fully listened to employees' opinions and suggestions on the development of departments, the Company, or individuals through heart-to-heart talks with middle-level managers and employee forums. 39 opinions and suggestions were collected from all aspects throughout the year.



We established an interactive channel between COMEC and employees. A feedback system for employees' opinions collection is set up to timely respond to the hot and difficult issues greatly concerned by employees.

We carried out feasible suggestion collection campaign with 388 suggestions received.

100%

Employee labor union membership rate

Benefits and care

Diverse employee life

The Company creates a good working and leisure environment for employees, and regularly organizes various wonderful cultural and sports activities to inspire employees to be energetic and diligent.

Care for special groups

The Company listens to employees' difficulties with great patience and gives personalized care to employees in financial difficulties, special employees, female employees, etc.

Visiting employees

- Taking the opportunity of major festivals, we visit model workers, employees working overtime on holidays, in financial difficulties, hospitalized due to injuries or sickness and disabled due to work.
- In 2022, we visited more than 500 injured, sick, hospitalized, and childbearing employees and provided RMB 163,200 of subsidy.

Caring for female employees

- We organized gynecological examinations for female employees with a total of 481 participants in the year.
- Our three plants offered courses such as yoga, baking, and female employees' health knowledge with about 100 employees registered.
- We maintained the management of the "mother's room" in two plants and regularly distribute love packages.

Establishing files of employees in difficulties

- In 2022, files of 64 employees in difficulties were established for the labor union to arrange regular visits and assistance.
- We distributed RMB 94,000 of subsidies for a total of 134 employees in financial difficulties.

Caring for employees' children

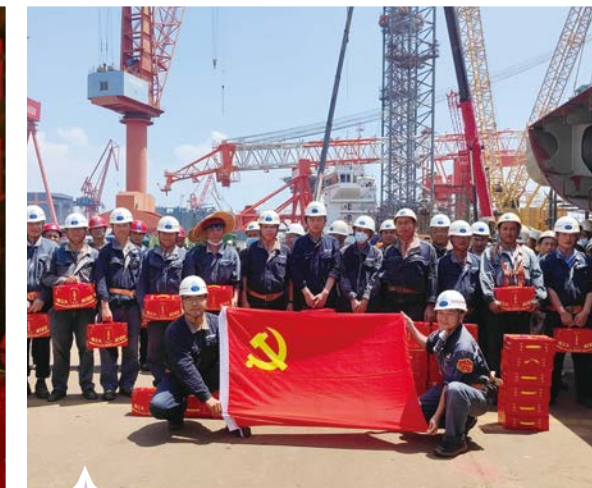
- The "Dandelion Heartwarming Action" was carried out to realize the tiny wishes for the seven children from families with difficulties.
- The student aid in golden autumn was provided for employees' children and four applied employees each received a subsidy of RMB 1,500.

Caring for armed security employees

- We visited injured or sick veterans, the veterans of the War to Resist US Aggression and Aid Korea, and the families of military personnel and martyrs a total of 46 times.
- We visited in-service and demobilized soldiers a total of 620 times.
- We visited in-service veterans and key militia representatives for 50 times.



The 31st "Huangpu Wenchong Voice" Evening



Visiting the production frontline



The wharf canteen of the No.3 Shipbuilding Division is put into use



Staff table tennis match



Running around the plant in the Spring



Employees' birthday party

Staff development

Staff development is fundamental to corporate progress. We pay attention to it with constant improvement of the talent training system, unblocked promotion channel, and provision of a platform for them to accelerate development and steadily move forward.

Capability enhancement

We strive to promote employee development by providing comprehensive training for different kinds of employees. To strengthen employees' motivation for learning and promote their position-based growth, the labor union also actively encourages them to upgrade their academic qualifications and gives one-time reward to those who obtain professional skills, professional titles, and academic certificates. A total of 4 employees have been awarded during the reporting period, which boosts employees' enthusiasm for learning and their motivation for business development while forming a positive learning atmosphere.

Employee training data		Number of employees trained	Training hours per employee
By gender	Female	1,008	86.5
	Male	6,105	88.3
By rank	Senior management	11	133.4
	Middle management	166	91.3
	Primary-level management	554	55.3
	Ordinary employees	6,382	9.2

Establishing Huangpu Wenchong Academy

232 courses were added to the online learning platform of Huangpu Wenchong and connected to the monitoring platform of Guangdong Province to carry out online government-enterprise cooperation projects.

Launching the “Ship Succession Plan” internal trainer course

We have completed the development of learning maps and training of internal trainers, among which, the technology center team has produced more than 46 items in 7 syllabi for key positions such as hull design, marine engine design and electrical design, and the production management team has produced more than 27 items in 6 courses for key positions such as chief constructors, site engineers and commissioning engineers, which can be used as guiding materials for the subsequent internal training of employees.



Conducting five sessions of training on comprehensive ability enhancement for non-job promotion

We have organized comprehensive ability enhancement for more than 98 non-job sequence personnel who have joined the Company for nearly 5 years, aiming to further enhance their comprehensive ability work efficiency.

Strengthening the transformation of official training achievements

We have established a pyramid-shaped official cultivation system to open up the full path of staff development from fresh graduates to managers.



Jointly Building a Responsible Supply Chain

Supply chain fundamental for enterprise development. We stay committed to creating an open and transparent procurement environment, improving supplier management policies and procedures, and strengthening communication and training responsible suppliers. As we pursue corporate development, we help suppliers to grow and create a harmonious atmosphere to achieve common development, shape responsible supply and realize sustainable progress of both upstream and downstream in the supply chain.



Supplier management

With the supplier management module and supplier management system on the Company's integrated information platform, we have exerted whole-procedure control over the supplier access, supervision, evaluation and exit, ensuring that the suppliers in the Company's list meet our need for materials of top quality with utmost supplying efficiency.

Improving the supplier management system

The *Supplier Management Regulations* and the *Management Measures for Procurement Suppliers* have been prepared, and strictly implemented under supervision.

Clarifying the implementation mechanism of supplier supervision

The Enterprise Management and Planning Department is the centralized supplier management department, the Procurement Department is responsible for the supervision and management of supplier process, and the supplier evaluation team is in charge of performance evaluation and management.

Selecting outstanding suppliers

We identify strategic suppliers and core suppliers according to the criteria of "excellent quality, fair price, timely delivery and sound after-sales service," and provide them with preferential conditions.

Clarifying access criteria

We establish standardized procedures such as on-site supplier inspections, qualification reviews and access reviews, which help us collect suppliers' qualification information and get hold of their qualification validity, supply capacity, and significance of access.

Supplier communication training

Regular forums

We track problems related to suppliers during the manufacturing of certain products and close the loop on these problems, in an effort to upgrade supply together with our suppliers.

Goal of supply chain building

Reaching the annual goal of building a military supply chain

In accordance with the requirements of the Group's 482 Document and the *Annual Key Work Points of Military Supply Chain*, we have formulated the Company's procurement policies and optimized procurement procedures, and started ordering military products by the new standard.

Building the supply chains of civil goods

We further promote the building of a procurement mechanism, centralize procurement management, push ahead strategic procurement, and launch a digitalized procurement platform.

Conducting in-depth on-site review:

We develop an on-site supplier review plan, and conduct a thorough on-site review on nine major suppliers and their partners that provide auxiliary products.

Establishing a performance evaluation mechanism

We conduct multi-dimensional evaluation on the supplier performance and cyclical supplier supervision, and timely organize suppliers for remediation, interview and accountability. Comprehensive evaluation is made from nine aspects, namely, the basic information, quality, business, delivery, technology, service, security, confidentiality and integrity of suppliers. In 2022, 27 excellent suppliers, 2 unqualified suppliers and 1 blacklisted supplier were evaluated, 33 suppliers were interviewed and 36 suppliers were issued with letters of warning.

Supplier control system

Supplier access control

Supplier process supervision

Sustainable procurement



Transparent
procurement

Committed to implementing the “transparent procurement” projects and in line with the principles of “fair, just, open and merit-based procurement,” we formulate regulations and systems such as *Material Management System* and *Centralized Procurement Management Measures*. We also take multiple measures to standardize procurement, including launching a unified e-commerce procurement platform and building an integrated procurement platform.



91%

Local procurement rate

100%

Procurement rate through public bidding in 2022



Green
procurement

Strict requirement for suppliers' environmental protection certification

Dedicated to green and environment-friendly supply chains, we require suppliers to provide reports and statements on hazardous substances of materials. For example, suppliers are required to issue a material statement and a supplier compliance statement report in accordance with the *Material Procurement Quality Standard*.

Review of suppliers' environmental impact

We review the effectiveness of suppliers' environmental protection efforts, and supervise and review their impact on environment on an annual basis as part of our work to manage suppliers during our period of cooperation.



Clean
procurement

We sign the *Integrity Agreement* with qualified suppliers, and both parties should strictly abide by the provisions of the Agreement in the form of contract. The integrity of suppliers is evaluated on an annual basis. No problem against integrity was identified in 2022.

Deepening exchanges and cooperation

As the vice chairman of the China Association of the National Shipbuilding Industry, we shoulder the mission as a leader and pioneer to take common progress with the industry. Therefore, we actively carry out industrial exchanges and diversified cooperation, and promote industrial technological innovation and promotion, constantly leveraging our own value to drive a flourishing industry.

Participation in industry activities



Our industry bodies jointly hold launch events, participate in maritime expositions, and undertake vocational skills competitions to promote products and industrial technology exchanges. In 2022, we participated in the East Asia Marine Expo, the SHIPTEC CHINA, the International Underwater Operations & Offshore Industry Expo, and the China Marine Economy Expo in Shenzhen, and successfully launched the new ship type of “Honghu” 1900TEU to vigorously promote our self-developed products.

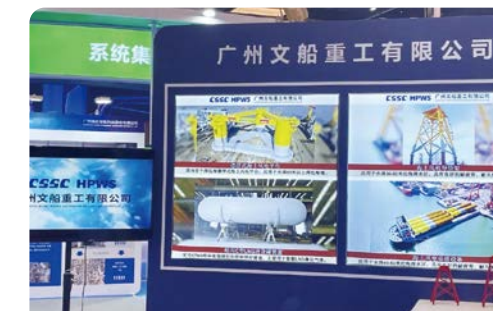
Diversified exchanges and cooperation



We carry out exchanges and cooperation with government, enterprises, universities and financial institutions to realize complementarity, win-win cooperation and better achieve high-quality development.

Case Wenchong Shipyard Heavy Industry appears at the 2022 Guangdong Intelligent Equipment Industry Development Conference and Exhibition

From October 27 to 28, 2022, Wenchong Shipyard Heavy Industry was invited to participate in the 2022 Guangdong Intelligent Equipment Industry Development Conference and Exhibition hosted by Guangdong Machinery Industry Quality Management Association. The company's main products such as the floating offshore wind power platform, offshore wind power single pile, offshore wind power jacket, and LNG tank, were introduced at the exhibition, attracting many guests.



Giving back Society

We devote ourselves to contributing to a harmonious society. We support community infrastructure, employment and economic development through special funds, voluntary services, emergency rescue, in a bid to serve as a responsible enterprise in global sustainable development and give full play to our influence in continuously boosting rural revitalization and social welfare.

Contribution to rural revitalization

In 2022, the Company continued to scale up resource investment. In response to the national call, we procure poverty alleviation products, making contribution through consumption and industrial support, in a bid to boost rural revitalization and improve people's living standards in poor rural areas.

Voluntary blood donation



Research Forum on Rural Revitalization Assistance

We procured poverty alleviation agricultural products worth RMB 1.13 million, and invested materials equivalent to RMB600,000, helping 56 impoverished people that had been registered and filed to get out of poverty.

RMB **1.882** million
Invested in public welfare

We took targeted measures to help people lift themselves out of poverty with RMB1.77 million (including the money equivalent to the value of materials), and set a standard of RMB350 for each employee to buy poverty alleviation agricultural products.

RMB **1.77** million
Invested in helping people out of poverty with targeted measures (including the money equivalent to the value of materials)

We dispatched leaders stationed in the village to visit the corresponding poverty-stricken villages regularly to collect suggestions for improvement.

RMB **100,000**
Invested in rural revitalization (including the money equivalent to the value of materials)

Learning from Lei Feng on May Day

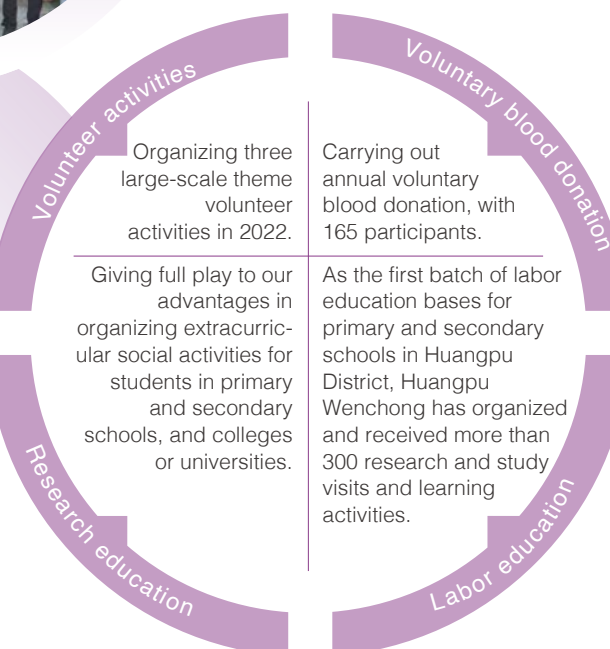


Science and Technology Research Winter Camp



Enthusiasm in social welfare

We actively carry out charitable activities and encourage employees to give back to the society with concrete actions. In 2022, we provided nearly 6,000 hours of voluntary services for 1,500 people.



1,500

Employee volunteers

65

Volunteer organizations or groups established

6,000 hours

Volunteer activities

RMB **12,000**

Invested in volunteer activities



Outlook

It is just in time to set sail with forceful wind. A large comprehensive defense and marine equipment enterprise group has been set up, under the grand blueprint of "becoming a first-class enterprise in the global marine and heavy equipment market with leading technologies and prominent services and a manufacturing and supply facility for Chinese navy in South China".

2023 marks the first year for comprehensively implementing the guiding principles of the 20th CPC National Congress. We are at a new starting point in history and will adhere to Xi Jinping’ s Thought on Socialism with Chinese Characteristics for a New Era. By implementing the guiding principles of the 20th CPC National Congress and closely following General Secretary Xi Jinping’ s important speeches and instructions, we will accurately and comprehensively implement the new development philosophy. We will strengthen corporate management and resource integration to promote stable growth, drive reforms, reduce costs, restructure ourselves, consolidate the foundation, and prevent risks. Our primary responsibility is to develop powerful equipment and strengthen the military forces. To this end, we will prioritize innovation-driven development, build core competitiveness, and leverage the role of Party building. With the mission of “exploring seas and serving the country with shipbuilding,” we will embark on a new journey to become a world-class shipbuilding enterprise.



ESG Indicator Index

Key scope	Content	Page
A Environmental		
Aspect A1: Emissions		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	P40、 P45
A1.1	The types of emissions and respective emissions data	P44-46、 P50
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P44
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P48
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P48
A1.5	Description of emission target(s) set and steps taken to achieve them	P40-46、 P49-50
A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	P47-48
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	P40
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility)	P44
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P49
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	P43-44
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	P49-50
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable,the products produced by the Group do not involve packaging
Aspect A3: Environment and natural resources		
General Disclosure	Policies on minimizing the issuer’ s significant impacts on the environment and natural resources	P40
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	P44-50
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 issue	P40
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	P42-44
B Social		
Employment and Labour Practices		
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	P53-54
B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region	P53
B1.2	Employee turnover rate by gender, age group and geographical region	P53
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.	P32
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	P34
B2.2	Lost days due to work injury	P34
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P32-34

Key scope	Content	Page
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P57-58
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	P57
B3.2	The average training hours completed per employee by gender and employee category	P57
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	P54
B4.1	Description of measures to review employment practices to avoid child and forced labor	P54
B4.2	Description of steps taken to eliminate such practices when discovered	P54
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	P59-61
B5.1	Number of suppliers by geographical region	P59
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P59-60
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	P59-61
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P61
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.	P35-36
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P30
B6.2	Number of products and service-related complaints received and how they are dealt with	P36
B6.3	Description of practices relating to observing and protecting intellectual property rights	P29
B6.4	Description of quality assurance process and recall procedures	P31
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P36
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	P19-21
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	P22
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P21
B7.3	Describe of the anti-corruption training provided to directors and employees.	P22
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	P63-64
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	P63-64
B8.2	Resources contributed (e.g. money or time) to the focus area	P63-64

Feedback

Dear readers,

Thanks for reading this report. To improve our performance and our next report, we hope you can give us some feedback on the following aspects:

Your identity:

- ☐ Customer
- ☐ Investor
- ☐ Government
- ☐ Employee
- ☐ Partner
- ☐ Environmental organization
- ☐ Community
- ☐ Media
- ☐ Peer
- ☐ Others

Multiple-choice questions:

1.Are you satisfied with the overall report?

☐ Yes

☐ No

☐ Fair

2. Is the information you care about presented in this report?

☐ Yes

☐ No

☐ Fair

3. Do you think the Company's corporate social responsibility and the impact on stakeholders are accurately presented in this report?

☐ Yes

☐ No

☐ Fair

4. Can you easily find the information of interest in this report?

☐ Yes

☐ No

☐ Fair

5. Are you satisfied with the layout design of this report?

☐ Yes

☐ No

☐ Fair

6. Which issues disclosed in this report are you most concerned about?

☐ Quality management☐ Technological innovations☐ Work safety☐ Excellent service☐ Environmental management

☐ Energy conservation and carbon reduction☐ Green production☐ Compliance discharge☐ Staff development

☐ Responsible procurement☐ Rural vitalization

☐ Others (please specify)_____

Open questions:

7. Are there any shortcomings in this report?

8. Which contents in this report you wish them to be disclosed regularly?

9. What comments and suggestions do you have for our future CSR performance and report?
