玄武雲科技控股有限公司
Xuan Wu Cloud Technology Holdings Limited

Stock Code：2392

2023

Environmental, Social and Governance Report

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ABOUT THE REPORT

Preliminary : Xuan Wu Cloud Technology Holdings Limited ("**Xuan Wu Cloud**" or the "**Company**") hereby presents the 2023 Environmental, Social and Governance Report (the "**Report**") of the Company, its subsidiaries and consolidated affiliate entities (the "**Consolidated Affiliate Entities**") (collectively referred to as the "**Group**"). On the basis of the principles of materiality, quantitative, balance and consistency, the Report provides comprehensive disclosures on the Group's philosophy, material progress and effectiveness on addressing the relevant environmental, social and governance ("**ESG**") issues.

Reporting Standard : The Report is prepared in accordance with the requirements of Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") in Appendix C2 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and also by reference with the sustainable development goals (SDGs) as set out by the United Nations. The Report is in compliance with the "comply or explain" provisions as set out in the ESG Guide, with detailed explanation provided in respect of inapplicable or non-complied disclosure provisions.

Reporting Principles of the Report :

Materiality	The Company has identified material ESG issues through communication with relevant stakeholders and assessment on materiality, both of which are fully disclosed in the Report.
Quantitative	The Company has quantitatively disclosed its ESG policies and key performance indicators ("KPIs") information, together with written explanations.
Balance	The Report has followed the principle of balance and presents an objective view of the ESG performance of the Company.
Consistency	The Company has adopted consistent methodology of disclosures so as to allow relevant stakeholders to analyse and assess the Company's performance during different period.

Scope of Report : Unless otherwise stated, the policies, statements and information set out in the Report covers the actual business operation of the Group. The Report covers the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**" or the "**Year**").

Source of Data and Reliability Statement : All data and information used in the Report derives from the official records, statistical reports and relevant published information of the Group. The board (the "**Board**") of directors of the Company (the "**Directors**") takes responsibility for the truthfulness, accuracy and completeness of the Report.

Confirmation and Approval : The management of the Company made a confirmation on the content of the Report, and the Report is duly approved by the Board as at the date of Board meeting.

Accessibility and Languages of the Report : The Report is published in both English and Chinese versions and is presented in electronic format. In case of discrepancies between the two versions, the Chinese version shall prevail. The Report can be accessed and downloaded from the HKEXnews website of the Stock Exchange or the website of Xuan Wu Cloud Investor Relations or by contacting us via e-mail:
HKEXnews website of the Stock Exchange: www.hkexnews.hk
Website of Xuan Wu Cloud Investor Relations: https://ir.wxchina.com/
Email address for investor: IR@wxchina.com

External Guarantee of the Report :

Standard followed	Issuing Organisation
CMMI — Capability Maturity Model Integration — Level 5	ISACA (Information System Audit and Control Association)
ITSS — Information Technology Service Standard — Level 3	China Electronics Standardisation Association
ISO27001 Certification of Information Security Management System	Guangzhou Ceprei Certification Center Services Limited, International Accreditation Forum, China National Accreditation Service for Conformity Assessment
CCRC — Certification of Information Security Service Qualification — Software Security Development Service — Level 3	China Cybersecurity Review Technology and Certification Center, China National Accreditation Service for Conformity Assessment
Level 3 Filing Certification of Information System Security Protection in UMP System	Ministry of Public Security of the People's Republic of China
Level 3 Filing Certification of Information System Security Protection in ICC System	Ministry of Public Security of the People's Republic of China
Level 3 Filing Certification of Information System Security Protection in Intelligent CRM System	Ministry of Public Security of the People's Republic of China
ISO20000 — Certification of Information Technology Service Management System	Xingyuan Certification Center Co., Ltd., China National Accreditation Service for Conformity Assessment
ISO9001 — Certification of Quality Management System	China Quality Mark Certification Group Co., Ltd., International Accreditation Forum, China National Accreditation Service for Conformity Assessment
Certification of Intellectual Property Management System	Zhongzhi (Beijing) Certification Co., Ltd.
ISO14001 — Certification of Environmental Management System	Xingyuan Certification Center Co., Ltd., International Accreditation Forum, China National Accreditation Service for Conformity Assessment
ISO45001 — Certification of Occupational Health And Safety Management System	Xingyuan Certification Center Co., Ltd., International Accreditation Forum, China National Accreditation Service for Conformity Assessment
CS — Ability of Establishment and Service of Information System — CS2	China Federation of Electronics and Information Industry
Certification of Business Continuity Management — ISO22301	Beijing Tairuite Certification Co., Ltd.* (北京泰瑞特認證有限責任公司)
AAA Enterprise Credit Rating Certification	Beijing Puhua Zhengxin International Credit Evaluation Co., Ltd.* (北京普華正信國際信用評價有限公司)

Disclaimer : The information in the Report may contain forward-looking statements, including but not limited to future business models, development trends and new technologies in the relevant industries. These statements may include descriptions of the intentions, beliefs or current expectations of the Group or its management regarding the consolidated results of operations, performance and financial condition of the Group. These forward-looking statements are not guarantees of future performance and subjected to risks and uncertainties. The actual results may differ from those in the forward-looking statements due to various factors and assumptions. Neither the Group nor any of its affiliates, advisers, representatives or underwriters is obliged or undertakes to revise the forward-looking statements to reflect future events or circumstances.

CHAIRMAN'S STATEMENT

With the globalisation of science and technology and the coming of digitalisation wave, thousands of industries have taken this advantages of situation to embark on the development path of transformation of digital intelligence. As a smart CRM service provider who cultivates in the fast-moving consumer goods ("**FMCG**") and financial industries, Xuan Wu Cloud has always firmly walked on the track of long slope and thick snow, and has continuously empowered its business through artificial intelligence ("**AI**") and data intelligence ("**DI**") technology. Combined with a deep understanding of the industry for more than ten years, we have led more corporate partners to continue to move towards this goal. At the same time, we found that the multiple value orientations of the environment, society and corporate governance contained in the ESG concept coincided with our development path. Therefore, we internalise these concepts into our practice in combination with the sustainable development goals (SDGs) as set out by the United Nations, actively understand the expectations and demands of all relevant parties on the Company, and feedback to our corporate management. From the perspective of responsible governance, product service, client relationship, employee development, community contribution, energy conservation and consumption reduction and other aspects, we have jointly built the ESG ecology of Xuan Wu Cloud, jointly expanded long-term social value, and jointly stepped towards the path of high-quality sustainable development.

We strengthen responsible governance to ensure compliant operation

We have built a sound, effective and transparent corporate governance structure, and consolidated the effectiveness of the risk management and internal control system of the Company from the aspects of system guarantee, process control and cultural construction. We have strictly complied with high standards of business ethics, smoothed reporting channels, and organised anti-corruption training to promote the compliance operations of the Group. We have enhanced the compliance awareness and professional competence of the members of the Board through organising the Directors Enterprise Day Activities and specialised trainings.

We innovate our products and services to facilitate the digital intelligence transformation

With the AIGC applications ushering in the new stage of orderly development in China, we have always adhered to the double driven forces of business plus technology. On the technology side, our identification rate of multi-model fusion video splicing technology, end-side AI model, and high-precision price tag identification technology has exceeded 95%, and we have launched "Xuantao (玄韜)", a multi-modal large model which is vertical to the mass consumption industry. On the business side, our Industry Research Institute has steadily created think tank assets for nine major industries to promote the digital intelligence transformation and business standardisation in the industry. At the same time, we are expanding our business to overseas markets, together with Huawei, AutoNavi, Tencent and other ecological partners moving forward the path to digital intelligence.

We adhere to client first and optimise product quality

We have always been guided by the value of client first, and have established a sound intellectual property management system, product quality management system and information security management system. During the Year, the number of our authorised patents and software copyrights have reached 332, and we have been differentiated from thousands of enterprises in Guangdong Province, being awarded the title of "Guangdong Intellectual Property Demonstration Enterprise of 2023 (2023年度廣東省知識產權示範企業)". We have always insisted on serving our clients with heart and soul, followed up clients' needs and opinions through online and offline means to continuously improve clients' satisfaction. We have obtained CMMI-5 Capability Maturity Assessment Certification, ISO22301 Business Continuity Management System Certification, and have completed mutual recognition with the application server software of OceanBase and Beijing Baolande Software Corporation (BES), which signified the Group's leading position in software research and development ("**R&D**") management system, implementation and delivery services, project management level, and full-chain nationalisation adaptation.

We deepen our people-centered approach and give back to the community with gratitude

We have always practiced the principle of anti-discrimination, advocated the values of mutual help and mutual growth, and allocated specialised promotion paths and training resources for different types of talents and employees at all levels of the Group to facilitate the sustainable development of our employees. As a technology enterprise with a warm heart, we have a sense of responsibility and actively fulfill our corporate social responsibility. In the course of our daily operation, we have internally launched a number of activities and initiatives to protect the occupational health and safety of our employees, and we have externally carried out community donations, first-aid training, ecological protection, poverty alleviation and agricultural assistance and other public welfare activities.

We practice green development with rooted concept of environmental protection

We have promoted green operations in our day-to-day management, utilised cutting-edge business models and scientific operational thinking to reduce emissions, and launched a series of environmental protection activities and energy-saving and emission reduction measures during the Year. Due to the nature of business of the Group, we are not involved in the massive discharge of hazardous waste.

In the new year, Xuan Wu Cloud will embrace the ecology with a more open mind, work with partners from various industries to explore the practice of ESG concepts in the industry, and jointly empower enterprises to realise digital intelligence and high-quality development.

Mr. CHEN Yonghui

Xuan Wu Cloud Technology Holdings Limited

Chairman, Chief Executive Officer and Executive Director

● **Development History**

Xuan Wu was established

2010

2011

The universal message platform (UMP) was launched as a Marketing Cloud solution

The MOS solution was launched as part of the Marketing Cloud

The cPaaS platform was launched

2012

2015

The aPaaS platform, a low code development platform, was launched

The Fast Sales 100 was launched as a Sales Cloud product

The cPaaS platform incorporated with AI and DI capabilities was launched

The Service Cloud solutions was launched through acquisition

The U-Client 100 was launched as a Sales Cloud standardised product

2018

The Smart Sales 100, an upgraded Sales Cloud solution, was launched

AIoT intelligent fridge and intelligent shelf were launched

2020

2019

The Marketing Cloud with the integrated communication centre ("**ICC**") was launched

DI services were expanded to cover terminal recommendation, sales forecast and intelligent routes

Ecological cooperation was established with Huawei Cloud

Xuantao, a multi-modal large model, was launched

2023

2022

The shares were successfully listed on the Main Board of the Stock Exchange

The Industry Research Institute was established

The application scenarios of AIGC were expanded through the in-depth combination of GPT technology

ABOUT XUAN WU CLOUD

• Company Profile

The Group is a leading intelligent CRM service provider in the PRC. Founded in 2010, the Group has set up more than 40 subsidiaries and branch offices, which built a nation-wide marketing network and comprehensive service structure. With PaaS + SaaS as our overall business system, we provide SaaS software services or PaaS services in the three CRM domains of Sales Cloud, Marketing Cloud and Service Cloud to clients in four major industries, namely, finance, FMCG, government-related enterprise and Technology, Media and Telecom ("**TMT**"), based on the technological foundation of aPaaS (a low code development platform), cPaaS (a cloud-based communication platform), AI and DI capabilities.

The largest local intelligent CRM service provider in PRC, of which the shares were listed on the Main Board of the Stock Exchange on 8 July 2022

The first and only intelligent CRM company in the industry with the capability to offer a full stack of self-developed AI

The launch of the first large model for vertical industry in domestic mass consumption sector

Solid Sales Performance

RMB1,281.3M	+22.8%	RMB192.3M
Sales Scale	Yoy Growth	Cash and Equivalents

Strong Customer Base

2,970	2,120	94.9%
Total Number of Clients	Total Number of Clients of SaaS Business	Percentage of Core Clients Revenue

Excellent Customer Stickiness

3.7	85.5%	112.7%
Core Clients ARPU (RMB: Million)	Core Clients Retention rate	Net Revenue Retention Rate of Core Clients

Improved Operational Metrics

95.9% ▲	21.5% ▼
Improved Operating Cashflow	Operating Expense Ratio Down by 4.4pts

• Corporate Strategy

MISSION AND VISION

To empower enterprises to achieve client-centric digital and intelligent transformation through the intelligent CRM services

FOCUSING ON AI + MASS CONSUMPTION TO BUILD UP PRODUCT STANDARDISATION

- implement standardised AIGC product applications to expand mid-tier clients and realise product sales on a large scale

- take the Industry Research Institute as the leader, and construct the blueprint of "volume-profit growth (量利並行)" to reconstruct the business growth force

- realise the innovation and upgrading of the full technology platform, and create a large model of consumer products together with Huawei Cloud

EMPOWERING THE FINANCIAL INDUSTRY TO ACHIEVE THE CLOSED LOOP OF INTELLIGENT MARKETING

- help financial clients with Marketing Cloud to build diversified and standardised components

- improve client profiles with ICC and DMP products to realise one-stop precise marketing reach

- enhance the intelligent interaction of 5G messaging terminals to increase the conversion rate of marketing and enhance user stickiness

EXPANDING OVERSEAS MARKET TO BUILD UP THE WIN-WIN ECOSYSTEM TOGETHER

- expand overseas market with eco-partners to extend cloud communication capabilities solutions

- acquire incremental clients and increase product market share through a two-pronged approach of products and channels

aPaaS	cPaaS	AI	DI	+	Deepening industry understanding

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Overview of key performance on ESG during the Reporting Period

Compliance Governance

In the Board, **71%** of Directors have risk management expertise

The coverage rate of Board member training (including anti-corruption training) was **100%**

The number of lawsuits filed and concluded against the Company or employees for violation of the code of conduct (e.g., corruption, discrimination, conflict of interest, money laundering and insider trading) was **0**

The Risk Management Policy, the Whistleblowing Policy and **the Anti-Corruption Policy** were revised

The number of specialised training sessions in relation to anti-corruption was **4**, with over **200** participants

Talent Development

The total number of employees was **824**

The number of working days lost due to work-related injuries was **0**

The number and rate of work-related fatalities in each of the past three years was **0**

The number of activities conducted regarding employee relationships was **32**

Environment, Occupational Health and Safety Management System was complied with the **standard of GB/T45001-2020/ISO45001:2018**

Employees' training ratio was **94.54%**, and the total training hours were **56,846.50h**, with average training hours of **72.97h**

Business Development

"Xuantao", a multi-modal large model which is vertical to the mass consumption industry was launched, and **strategy cooperation with Huawei Cloud** was carried out

The implementation in **25+** FMCG business scenarios was realised

The iterative upgrading of AI technology was continuously realised, and in 2023, it has served **8 million+** terminals, and has **300 thousand+** SKU categories and **10 million+** feature database, with AI technology recognition rate of **95%+**

The Industry Research Institute developed and released the **"Xuan Wu Cloud's White Paper on Omni-Channel Marketing and Digital Solutions in the Beverage Industry (玄武雲飲料行業全渠道營銷數字化解決方案白皮書)"**

The rates of client satisfaction and timely completion of projects were ≥**95%**

Technical Certificates

The quantities of authorised patents and software copyrights were **332** pieces, representing an increase of **80** pieces as compared with 2022

The title of **"Guangdong Intellectual Property Demonstration Enterprise of 2023 (2023年度廣東省知識產權示範企業)"** was awarded

The intellectual property research was conducted, covering **177** individuals

7 intellectual property tweets were published, with **629** readings

2 intellectual property trainings were conducted

The regular review on **Certification of Intellectual Property Management System** was passed

3 activities regarding information security management were conducted, and **300+** colleagues participated in specialised knowledge competitions with an average score of **91**

CMMI-5 Capability Maturity Assessment Certification and **ISO22301 Business Continuity Management System Certification** were obtained, **and the mutual recognition with OceanBase and BES have been completed**

ISO9001 Certification of Quality Management System was obtained

ISO27001 Certification of Information Security Management System was obtained

The number of information security incidents was **0**

Environment Public Welfare

227 pieces of hazardous waste batteries were recycled

The amount spent on poverty-alleviating agricultural products amounted to **RMB20,560**

30+ volunteers of the Group have participated in the science education activities regarding first aid

103 items were donated to Guangzhou Tangxia Street Social Work Service Station

Market Recognition

The 7th China Excellent IR "Best Investor Relations Program Award (最佳投資者關係項目獎)"

The 7th China Excellent IR "ESG Rising Star Award (最佳ESG新秀獎)"

The 7th China Excellent IR "Best Digital Investor Relations Award (最佳數字化投資者關係獎)"
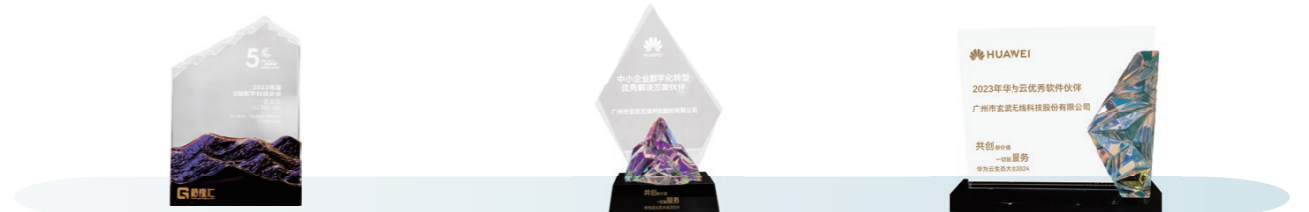
Jin Ge Award of the 5th Gelonghui 2023 Outstanding Digital Technology Enterprise (格隆匯第五屆「金格獎」2023年度卓越數字科技企業)

Excellent Solution Partners on Digital transformation of SMEs (中小企業數字化轉型優秀解決方案夥伴)

2023 Excellent Software Partner of Huawei Cloud (2023年華為雲優秀軟件夥伴)

Annual Digital Intelligence Innovation Model Award & Annual Financial Technology Leading Award (年度數智化創新典範獎&年度金融科技引領獎)

Award of Excellent Application Cases of Financial Innovation Achievements in Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區金融創新成果優秀應用案例獎)

Cloud Store of Huawei Cloud • New Rising Star Product Award (華為雲雲商店•新晉黑馬商品獎)

2023 Guangzhou Artificial Intelligence Innovation Development List — The Most Influential Artificial Intelligence Enterprise (2023廣州人工智能創新發展榜單 — 最具影響力人工智能企業)

Guangzhou Digital Economy Excellent Case (廣州市數字經濟優秀案例)

Jinsheng Award • The Most Valuable Digital Marketing Platform (金盛獎•最具價值數字化營銷平台)

DETERMINE ESG STRATEGY AND DEMONSTRATE LONG-TERM VALUE

- ESG Governance Structure

- Assessment on Materiality of Issues

- Communication with Stakeholders and ESG Implementation Strategies

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• 1.1 ESG GOVERNANCE STRUCTURE

Xuan Wu Cloud recognises that integrating ESG concepts into the Group's day-to-day operations and management is crucial to the long-term development of the enterprise. Therefore, we internalise ESG strategies into our practice in combination with the sustainable development goals (SDGs) as set out by the United Nations, understand the expectations and requirements of all relevant parties on the Company through communication and interaction with each stakeholder, and feedback to our corporate management. In light of this, the Group has determined the important issues to its business operations and stakeholders. From the perspective of responsible governance, product service, client relationship, employee development, community contribution, energy conservation and consumption reduction and other aspects, we have jointly built the ESG ecology of Xuan Wu Cloud and jointly expanded long-term social value.

To achieve sustainable business operations, the Group's ESG risks and opportunities are fully identified. The Group has established a four-tier ESG governance structure to carry out ESG management during its daily operation.

Tier-1
The Board and the Audit Committee

Tier-2
President office

Tier-3
The ESG working group

Tier-4
Investor Relations Department | Government and Securities Affairs Department | Process and Information Department | Finance Department
Administrative and Legal Affairs Department | Ecological Cooperation Department | Business Cooperation Center | Human Resources Department
Consumer Products Business Department | FGT Products Business Department | Industry Research Institute | Brand & Marketing Department

Tier-1
The Board and the audit committee of the Company (the "**Audit Committee**") are responsible for assessing and identifying ESG risks and opportunities on an annual basis, and continuously overseeing the corresponding ESG-related strategies and approaches, and reviewing and approving the Group's annual ESG reports to ensure that the implementation of ESG management policies is in compliance with the law.

Tier-2
The members of the president office are mainly responsible for identifying important ESG issues that may have a significant impact on the Company's business and stakeholders, and conducting a qualitative assessment to formulate ESG strategies and annual work objectives and key enhancement work plans, and reporting the progress of annual ESG work to the Board and the Audit Committee.
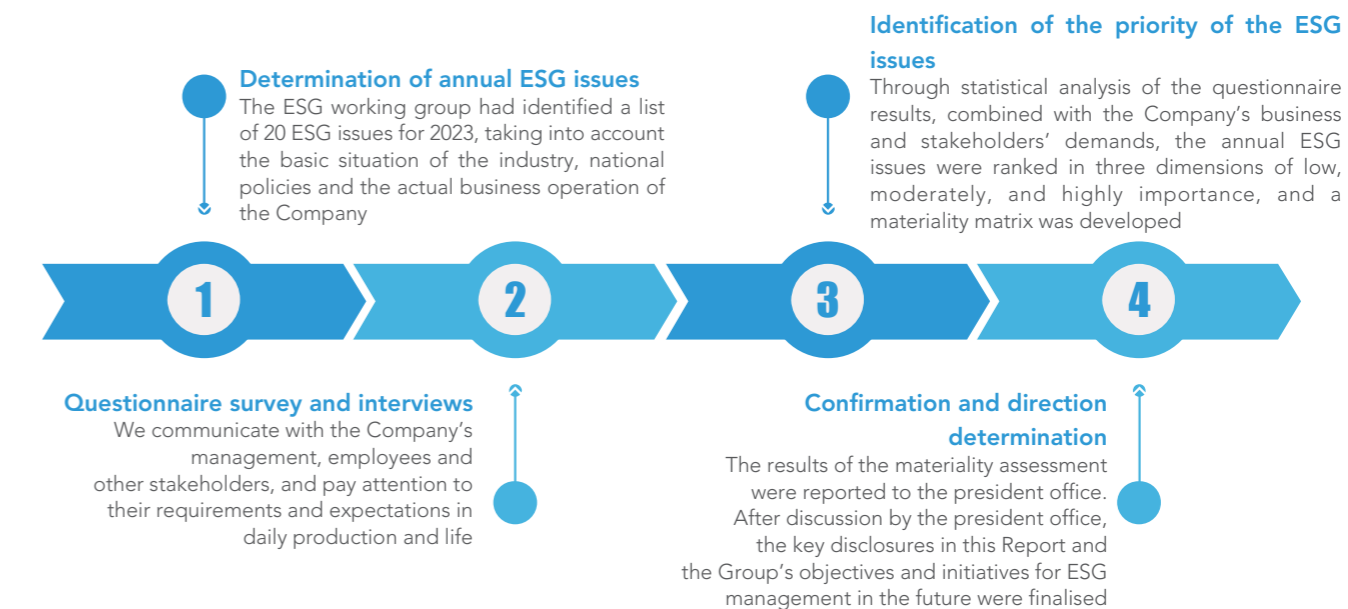
Tier-3
The ESG working group, as the coordinating team, is responsible for coordinating the planning, promotion and implementation of the ESG work, and the ESG working group also evaluates and deliberates on the implementation of ESG on a regular basis, summarises and reports the results and findings to the members of the president office in a timely manner, so that the members of the president office can understand the ESG risks and the work progress in a timely manner.

Tier-4
It is consisted of several divisions across the Group that are responsible for implementing specific ESG work.
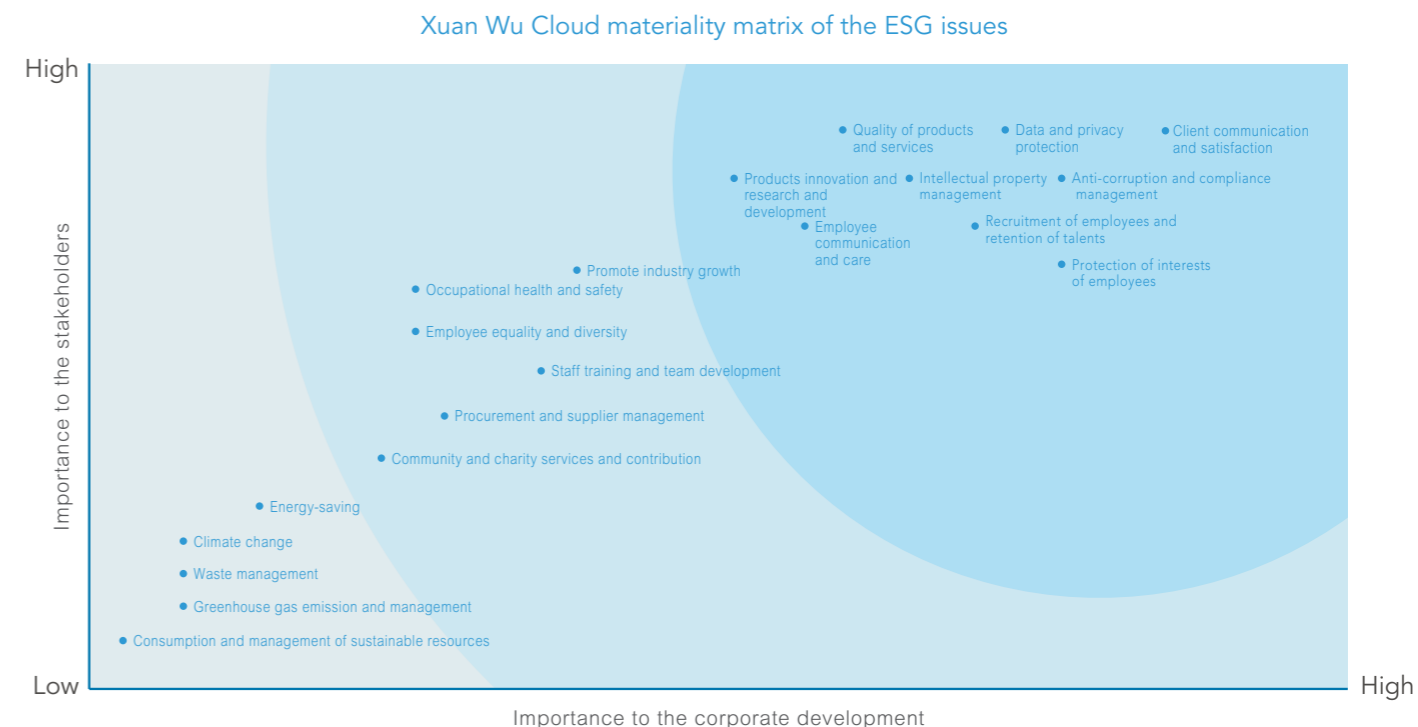
• 1.2 ASSESSMENT ON MATERIALITY OF ISSUES

During the Year, under the guidelines of national policies, relevant laws and regulations, making reference to domestic and international ESG best practices, and combining the expectations of each stakeholder for Xuan Wu Cloud, we carried out a comprehensive materiality assessment of ESG issues, and ultimately updated the list of materiality of issues of Xuan Wu Cloud for 2023.

Determination of annual ESG issues
The ESG working group had identified a list of 20 ESG issues for 2023, taking into account the basic situation of the industry, national policies and the actual business operation of the Company

Identification of the priority of the ESG issues
Through statistical analysis of the questionnaire results, combined with the Company's business and stakeholders' demands, the annual ESG issues were ranked in three dimensions of low, moderately, and highly importance, and a materiality matrix was developed

1   2   3   4

Questionnaire survey and interviews
We communicate with the Company's management, employees and other stakeholders, and pay attention to their requirements and expectations in daily production and life

Confirmation and direction determination
The results of the materiality assessment were reported to the president office. After discussion by the president office, the key disclosures in this Report and the Group's objectives and initiatives for ESG management in the future were finalised

During the Year, the Group's materiality ranking and matrix of the ESG issues are as follows:

Xuan Wu Cloud materiality matrix of the ESG issues

High

Importance to the stakeholders

- Quality of products and services
- Data and privacy protection
- Client communication and satisfaction
- Products innovation and research and development
- Intellectual property management
- Anti-corruption and compliance management
- Recruitment of employees and retention of talents
- Employee communication and care
- Promote industry growth
- Protection of interests of employees
- Occupational health and safety
- Employee equality and diversity
- Staff training and team development
- Procurement and supplier management
- Community and charity services and contribution
- Energy-saving
- Climate change
- Waste management
- Greenhouse gas emission and management
- Consumption and management of sustainable resources

Low   High

Importance to the corporate development

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• 1.3 COMMUNICATION WITH STAKEHOLDERS AND ESG IMPLEMENTATION STRATEGIES

The Group has established close relationship with government and regulatory authorities, investors and shareholders, employees, clients, suppliers and business partners, community and environmental public organisations through various communication mechanisms, and has formulated ESG implementation strategies to respond actively to the expectations and requirements from stakeholders.

Stakeholders	Expectation and requirements	Communication channels and implementation strategies
Governmental departments and regulatory authorities	• High-quality development • Stable operation and tax payment in accordance with the law • Serving the real economy • Anti-corruption and compliance management • Data security and privacy protection • Green operation and environmental friendliness • Attracting talents and promoting employment	• Innovate R&D technology and optimise product services • Actively pay taxes in accordance with the law • Promote the digital transformation of real enterprises through CRM services • Improve compliance management system and adopt the advice from external professional consultants to enhance corporate governance level • organise information management training and conduct network security tests • Actively participate in government communication meetings and seminars to understand regulatory policies and implement regulatory requirements • Implement energy saving and emission reduction policies • organise campus recruitment and social recruitment to create job positions
Investors and shareholders	• Performance growth • Stable operation • Good compliance management and information disclosure • Protection of investors and shareholders rights • Technology and product innovation	• Drive the steady growth of performance and continue to create value for shareholders • Closely communicate with investors and shareholders through organising result release meetings, shareholders' meetings and investor research activities • Timely and accurately release periodic reports and other announcements • Conduct multi-dimensional brand publicity and pay attention to market opinions
Employees	• Protection of employee rights • Diversity and equal opportunities • Communication and caring of employees • Staff training and development • Occupational health and safety	• Formulate practical mechanisms to safeguard employees' benefits and interests • Improve the whistleblower system • Organise and enrich employees' activities • Improve staff promotion and salary performance system • Organise staff training • Safeguard the physical and mental health of employees

Stakeholders	Expectation and requirements	Communication channels and implementation strategies
Clients	• High-quality products and services • Client data security and privacy protection • Client communication and client satisfaction • Business ethics	• Promote technology and business model innovation through Xuan Wu Cloud's AI laboratory and Industry Research Institute • Standardise product quality system • Enter into confidentiality agreements to allow clients to control data rights • Convene new product launches • Improve client communication mechanism through client service hotlines, satisfaction surveys, etc. • Establish a sound anti-corruption and whistleblowing policy and system to protect clients' rights and interests
Suppliers and business partners	• Industry communication • Equal, open and fair procurement • Business ethics	• Create a social ecological circle for managerial personnel from FMCG industry through establishing FMCG billionaires club • Participate in industry summits • Set up a mechanism to review and supervise suppliers, and regularly review the quality of suppliers • Conduct legal and compliant bidding and tendering • Develop close ecological cooperation with business partners
Community and environmental public organisations	• Community involvement and contribution • Eco-environmental protection • Resource recycling and use	• Actively organise and participate in voluntary activities for the public welfare • Promote environmental protection concepts • Implement the Group's energy saving and emission reduction initiatives • Participate in ESG related training

STRENGTHEN RESPONSIBLE GOVERNANCE TO ENSURE COMPLIANT OPERATIONS

• Corporate Governance

• Risk Management

• Business Ethics

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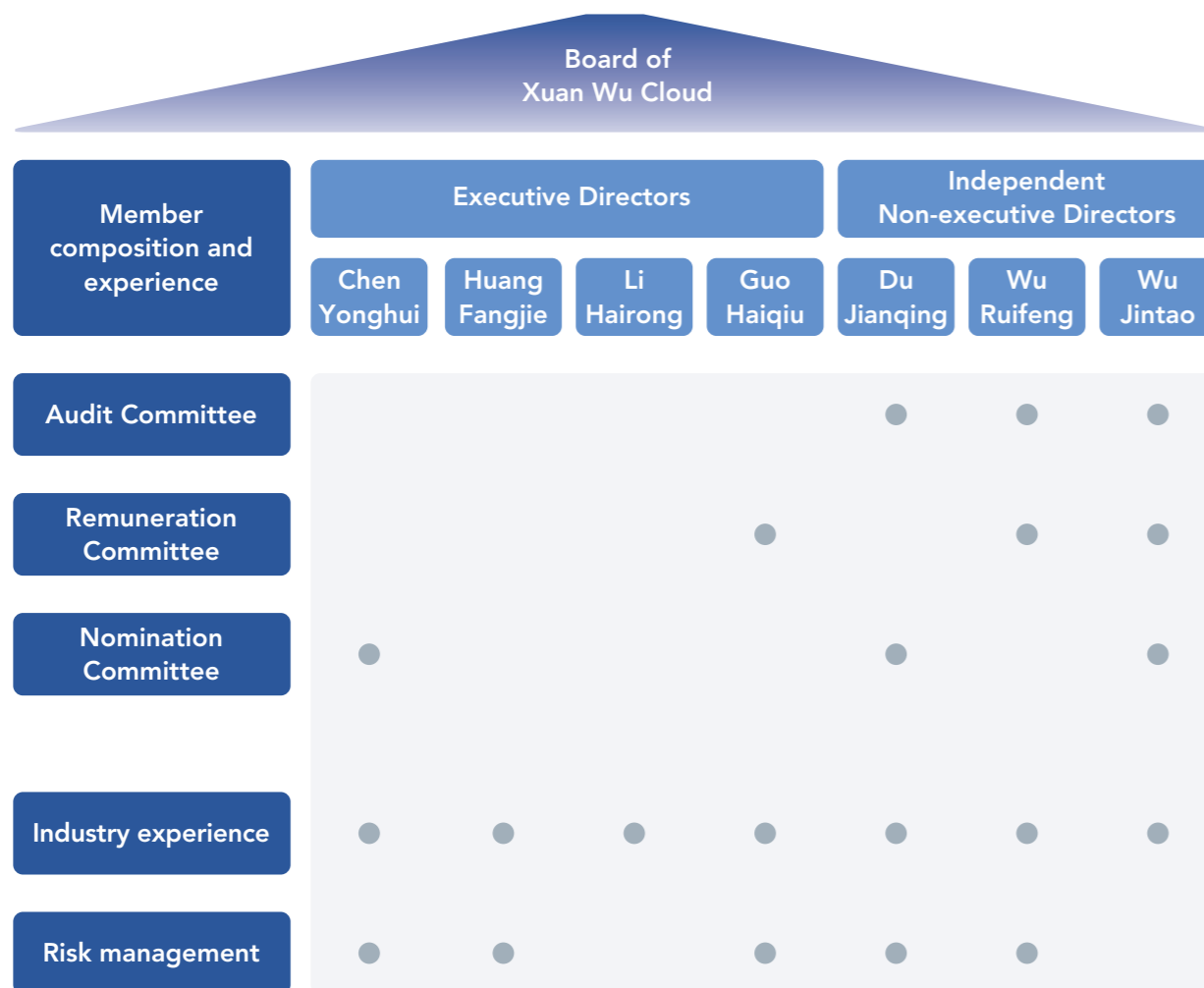
• 2.1 CORPORATE GOVERNANCE

The Group understands building a systematic, efficient, and transparent corporate governance framework is of great significance for the Company's operational management and risk monitoring. Therefore, Xuan Wu Cloud has established a sound and effective corporate governance framework, consisting of the general meeting, the Board and subordinate audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**"), nomination committee (the "**Nomination Committee**"), senior management, etc., in accordance with the requirements of the Listing Rules and the Articles of Association. We have also established internal management mechanisms such as the nomination policy and the board diversity policy (the "**Board Diversity Policy**") to ensure the efficient operation of the Group.

2.1.1 Diversity, experience and composition of the Board

We focus on the diversity of Board members and incorporate various factors such as professional experience, skills, gender, age, culture, and educational background into the evaluation of Board member nominations. According to the Board Diversity Policy, the Nomination Committee regularly discusses and, if necessary, agrees on measurable goals for achieving diversity of the Board, and provides recommendations to the Board on previous adoption. As at 31 December 2023, there are a total of 7 members of the Board, including 4 executive Directors and 3 independent non-executive Directors, which including 1 female Director. Independent non-executive Directors also account for more than one-third of the Board, complying with the requirements of the Listing Rules.

Board of Xuan Wu Cloud							
Member composition and experience	Executive Directors				Independent Non-executive Directors		
	Chen Yonghui	Huang Fangjie	Li Hairong	Guo Haiqiu	Du Jianqing	Wu Ruifeng	Wu Jintao
Audit Committee					●	●	●
Remuneration Committee				●		●	●
Nomination Committee	●				●		●
Industry experience	●	●	●	●	●	●	●
Risk management	●	●		●	●	●	

2.1.2 Performance of the Board

The Board leads and guides the senior management to supervise the operation and financial performance of the Group, ensuring the effective implementation of internal control and risk management systems. The Board has been delegated responsibilities, and the written terms of reference for the Audit Committee, the Remuneration Committee, and the Nomination Committee have been uploaded to the websites of the Stock Exchange and the Company.

During the Year, Xuan Wu Cloud, based on its own business situation and in accordance with relevant laws and regulations, held the general meeting, the Board and the Board Committee meetings as scheduled.

1	7	2	1	1
General meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
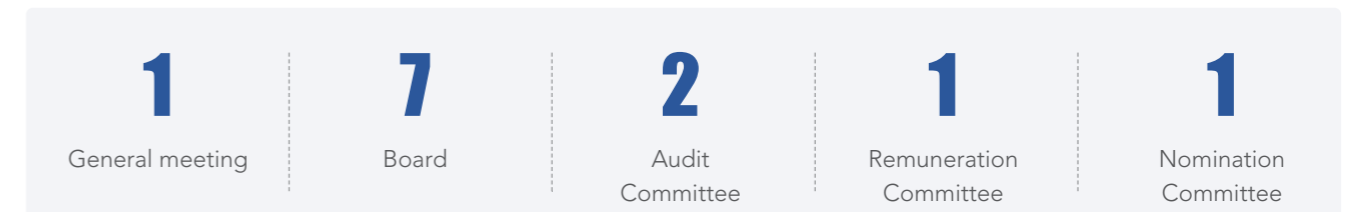
2.1.3 Sustainable development of Director

The Group attaches great importance to the improvement of the professional abilities of Directors, so we will encourage Directors to participate in appropriate continuous professional training and courses. In addition, to deepen the understanding of independent non-executive Directors on corporate business and assist Directors in better performing their duties, we have adopted a combination of on-site training and Director Enterprise Day activities to closely communicate with Directors during the Year.

We pay special attention to anti-corruption training for Directors. Therefore, on-site training conveys the development of regulatory policies and anti-corruption awareness, strengthens the compliance awareness and performance ability of Board members. During the Director Enterprise Day activity, relevant personnel of the Group reported to the Directors on the progress of AIGC innovative business and led them to conduct detailed visits to the Company, deepening the Directors' comprehensive understanding of the overall daily operations of the Group. We believe that the above actions will continue to improve and maintain the good governance performance and level of the Group.

100%

ESG Goal of Xuan Wu Cloud
Coverage rate of Board member training (including anti-corruption training) in 2023

2.1.4 Remuneration management of senior management

We are aware of the crucial role played by senior management in listed companies, as their management and decision-making determine the overall focus of the Company's operations and development. Therefore, it is crucial to promote the development of the enterprise through remuneration incentives for senior managements. The remuneration management mechanism for the senior management of the Group is a unified system of transparency, incentives, and institutionalisation. The Remuneration Committee regularly reviews the remuneration and benefits of the executive Directors and senior management each year and makes recommendations. To improve the professionalism of the senior management, its remuneration structure is always flexible, and performance is linked to certain financial indicators of the Group's operations.

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2.2 RISK MANAGEMENT

Xuan Wu Cloud has always believed that effective risk management and internal control are the cornerstones of healthy development of enterprises. To ensure the effective operation of risk management and internal control systems, the Audit Committee and the Board conduct annual evaluations. During the Year, we have reviewed and revised the risk management policy (the "**Risk Management Policy**"). The Risk Management Policy provides detailed explanations on the division of responsibilities, strategic mechanisms, risk identification and mitigation measures for internal risk management, forming an effective risk prevention and control mechanism. At the same time, we strengthen personnel training and assessment to enhance team risk awareness and response capabilities.

2.2.1 Internal division of rights and responsibilities in risk management

The principle of promoting the corporate governance	The principle of graded and classified management	The principle of knowing, controlling and enduring	The principle of combining comprehensive management with key prevention and control	The principle of continuous improvement and dynamic adjustment	The principle of risk management responsibility system	The principle of full participation

President Office
The supervisory responsibility entity for risk management

- Review and approve risk assessment reports for major decisions
- Review and approve the risk management opinions, risk assessment reports submitted by the Administrative and Legal Affairs Department and other relevant departments of the Company
- Review and approve the organisational structure and responsibility plan for risk management
- Review risk management strategies and major risk management solutions
- Review criteria and mechanisms for assessing major decisions, risks, events, and business processes
- When a material emergency or material risk occurs, relevant decisions on risk disposal should be made in a timely manner, and if necessary, the Board should be consulted to discuss matters related to the material risks and crisis management

The Board
The highest decision-making body for comprehensive risk management of the Group Comprehensively coordinate risk management work

- Review the annual work report on comprehensive risk management
- Report risk management analysis and review to shareholders of the Company
- Review and approve the basic policies for comprehensive risk management of the Company, risk management strategies, and major risk management solutions
- Continuously monitor and review the effectiveness of this policy and the Group's risk management and internal monitoring system, and supervise the implementation of the Group's risk management work by the management of the Group
- Ensure that the Group has sufficient resources, employee qualifications and experience in accounting, internal audit functions, and environmental, social, and governance performance, as well as sufficient training courses and budgets for employees
- Ensure that the Group has lawfully, timely, and truthfully disclosed relevant major risk matters to the public in accordance with relevant laws, regulations, and regulatory requirements

Each Department
Departments involved in risk management

- The Administrative and Legal Affairs Department is the comprehensive coordination department for comprehensive risk management, responsible for formulating, organising, and supervising the risk management system and operational mechanisms
- Each department should be responsible for identifying risks related to their own business work, and designing, implementing, and monitoring relevant risk management and internal monitoring systems
- The Administration and Legal Affairs Department regularly reviews the risk control situation of each department to evaluate the normal operation of risk management and internal monitoring systems, provide improvement suggestions, and regularly report the audit results to the Board
- Each department should actively cooperate with the Administration and Legal Affairs Department to carry out risk management and supervision work, and conscientiously implement relevant rectification measures

All employees

- Establish risk prevention awareness, receive risk prevention and compliance training
- Risks discovered should be reported promptly and truthfully, without concealment, omission, or false reporting
- Strictly implement risk management policies and implement risk management measures
- Strictly carry out work in accordance with laws and regulations, regulatory requirements, rules and policies, operational norms, and relevant technical requirements

2.2.2 Risk management process

Identification of risk factors and development of management plans

Each department should carry out risk identification, analysis, and evaluation related to its business processes and work based on its own business characteristics and external environment, focusing on the development strategy and business objectives of the Group. It should study the judgment standards or mechanisms for material decisions, events, and risks involved in important business of the department, and formulate corresponding risk management special implementation plans.

Risk monitoring and reporting

The Group has opened risk reporting channels to ensure the smooth flow of risk reporting channels.

After discovering risks in daily business activities, each department should promptly report and carry out risk assessment work in conjunction with relevant departments, and formulate risk prevention and handling plans.
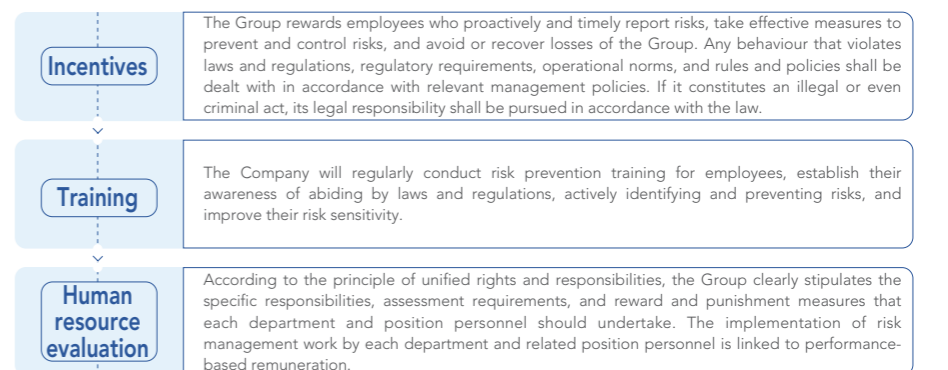
Regular troubleshooting and optimisation

The Administrative and Legal Affairs Department regularly conducts risk monitoring on various businesses of the Group, conducts no less than two special risk investigations on high-risk key links, departments, projects, and personnel every year, provides improvement suggestions, supervises the implementation of relevant improvement work, and regularly reports the audit results to the Audit Committee. However, the Audit Committee reports the audit results to the Board every year and confirms the effectiveness of the system.

Each department regularly summarises the experience and lessons learned in risk management, and puts forward optimisation suggestions for the daily business activities, rules and policies, and workflow of the Group.

2.2.3 Construction of risk management culture

We understand in addition to effective risk management systems and processes, cultivating risk management concepts and awareness among all employees is the powerful guarantee for the continuous operation of corporate governance. Therefore, we have carried out the construction of the Group's risk management culture through multiple parallel steps of providing incentives, training, and human resource evaluation.

Incentives	The Group rewards employees who proactively and timely report risks, take effective measures to prevent and control risks, and avoid or recover losses of the Group. Any behaviour that violates laws and regulations, regulatory requirements, operational norms, and rules and policies shall be dealt with in accordance with relevant management policies. If it constitutes an illegal or even criminal act, its legal responsibility shall be pursued in accordance with the law.
Training	The Company will regularly conduct risk prevention training for employees, establish their awareness of abiding by laws and regulations, actively identifying and preventing risks, and improve their risk sensitivity.
Human resource evaluation	According to the principle of unified rights and responsibilities, the Group clearly stipulates the specific responsibilities, assessment requirements, and reward and punishment measures that each department and position personnel should undertake. The implementation of risk management work by each department and related position personnel is linked to performance-based remuneration.

● 2.3 BUSINESS ETHICS

We are aware of the importance of compliant operational management for the long-term development of enterprises. We adhere to high standards of business ethics in our daily operations and conduct frequent compliance training and promotion, continuously strengthening and improving the construction of a culture of honesty and integrity.

2.3.1 Adhere to Code of Conduct

The Group strictly complies with relevant laws and regulations that have a significant impact, including but not limited to the *Company Law of the PRC*, the *Anti-Money Laundering Law of PRC*, and the *Interim Provisions on Prohibiting of Commercial Bribery*, and adopts a "zero tolerance" attitude towards corruption. For this purpose, the Company has formulated and improved existing internal policies such as the *Employee Handbook*, *Anti-Corruption Policy*, and *Reporting Policy*, guiding employees to act in accordance with the law, be honest and trustworthy, anti discrimination, harassment, strictly keep trade secrets, and resist corrupt behaviours such as accepting gifts from others. In addition, to continuously improve our honest management system, every new employee who joins the Group will sign a commitment to honesty and integrity and self-discipline, promising to strictly comply with the

requirements of the Company's code of conduct for honesty and integrity, and to strictly abide by the agreements with our partners on anti-bribery and anti-unfair competition. For behaviours that violate professional ethics standards, the Company will impose penalties or terminate employment depending on the severity of the situation. If it is an illegal or criminal act, the Company will transfer it to judicial authorities for processing in accordance with the law.

To ensure the effectiveness of business ethics policies, the Group conducts annual reviews of the effectiveness and soundness of internal policies such as the *Employee Handbook*, *Anti-Corruption Policy*, and *Reporting Policy*. During this Reporting Period, the Group did not violate any anti-corruption laws and regulations related to preventing bribery, extortion, fraud, and money laundering.

Anti-corruption and commercial bribery

Anti-discrimination and harassment

Ensuring occupational health and safety

Anti-monopoly and anti-unfair competition

Anti-money laundering and insider trading

Anti-Corruption Code of Conduct

- Employees should avoid any conflicts of interest, and if they occur, they should immediately report to the Group.

- Directors or employees should refuse to accept overly luxurious or frequent hospitality provided by individuals who have business dealings with the Group.

- The Group is committed to properly keeping various records and adhering to sound accounting policies.

- It is prohibited to utilise the cooperation with third parties or the convenience of cooperation between both parties to take advantage of the interests of the Group or engage in activities that harm the interests of the Group.

- It is prohibited to engage in various money laundering activities under the pretext of cooperating with third parties or taking advantage of the convenience of cooperation between both parties, or to use cooperative relationships to conceal or attempt to conceal the source of illegal funds.

- It is prohibited to engage in (attempt to engage in) malicious business cooperation or infringe upon the commercial interests, intellectual property rights, commercial information, commercial and technological secrets of the Group through business cooperation with third parties.......

2.3.2 Smooth reporting channels

The Group expects to cooperate with internal and external parties to monitor compliance and fulfilment of business ethics. For this purpose, the Group has established a dedicated reporting channel and handling process to encourage employees to report illegal and irregular behaviours. The Administrative and Legal Affairs Department, as the receiving department for reports, will conduct a comprehensive investigation after receiving the reporting materials. If the reported behaviour is true, the Administrative and Legal Affairs Department will submit the report and investigation suggestions to the Audit Committee. In relation to whistleblowers, the Group strictly adheres to the principles of confidentiality, rewards, and the protection of their legitimate rights and interests. It is explicitly prohibited to use any excuse to obstruct or suppress whistleblowers from reporting or retaliating.

Reporting methods for discovering improper behaviours

✉ Reporting email | jiancha@wxchina.com

📍 Mailing Address | 9/F, Dongsheng Yunding Building, Haizhu District, Guangzhou, Guangdong

2.3.3 Training on honesty and integrity

The Group advocates a culture of honesty and integrity, actively conducts internal training on honesty and integrity, and is committed to instilling the concept of anti-corruption and honesty and integrity in the hearts of employees. Therefore, during the Year, the Group conducted 4 specialised anti-corruption training sessions for employees, with over 200 participants.

Evaluation of reporting materials
Is it valid and does it require a comprehensive investigation

▼

If valid, submit to the Audit Committee

▼

Decide to investigate and designate investigators

▼

The allegations are true, and measures will be taken against the individuals involved in the case
Internal disciplinary actions, filing a lawsuit, and submitting to judicial authorities

▼

Provide feedback to the whistleblower on the progress and results of the investigations

▼

Analyse and summarise the survey results, review and strengthen relevant preventive measures

▼

Record archiving

⊘ *ESG Goal of Xuan Wu Cloud*

- The number of legal cases regarding corrupt practices filed and concluded against the Group and its employees in 2023   **0**

INNOVATE PRODUCTS AND SERVICES TO FACILITATE THE DIGITAL INTELLIGENCE TRANSFORMATION

- Innovating Frontier Technology

- Deepening Industry Understanding

- Moving Toward an Ecological Win-Win Situation

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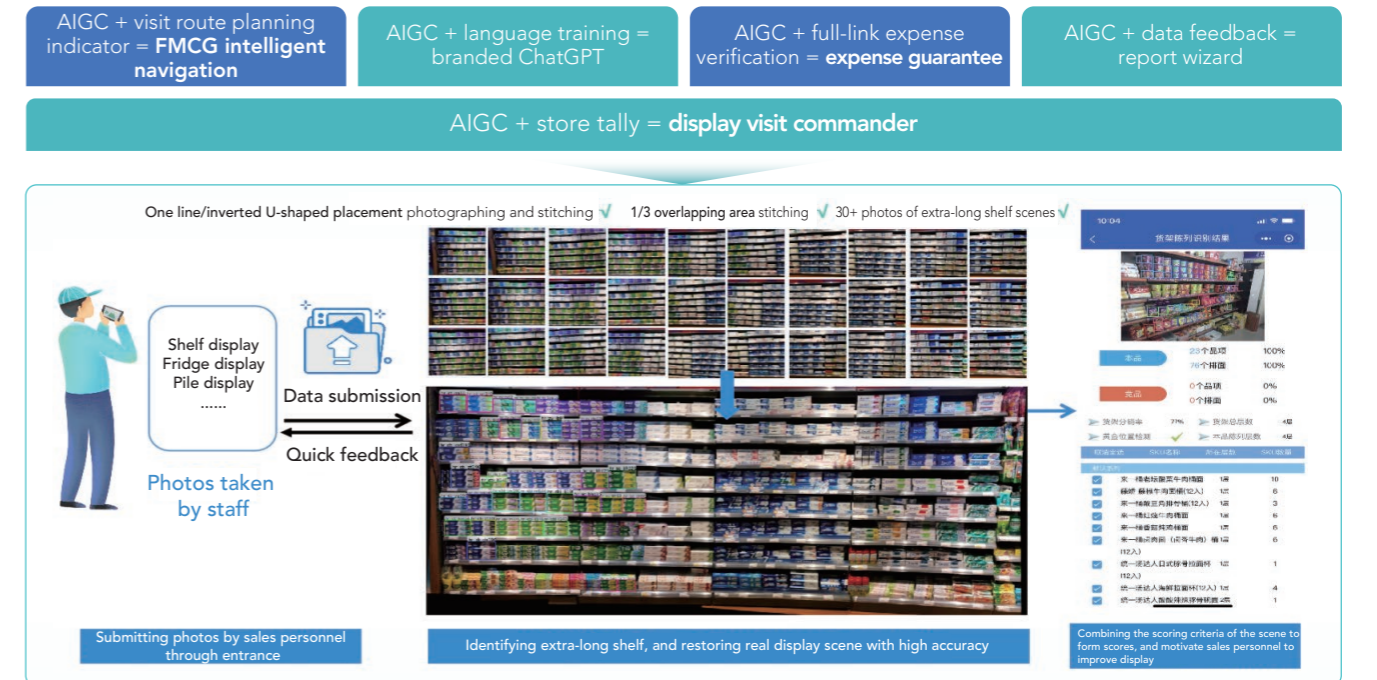
• 3.1 INNOVATING FRONTIER TECHNOLOGY

At this stage, innovative technology is an important infrastructure and empowering engine in the era of digital economy. As the application of AIGC in China is ushering in a new stage of orderly development, we have always adhered to the double driven forces of business and technology, and continued to invest in AI technology and introduce outstanding talents. Therefore, in 2023, we had upgraded the R&D of multi-model infused video stitching technology, on-device AI model, and high-precision price tag recognition technology, and simultaneously launched

"Xuantao", a multi-modal large model which is vertical to the mass consumption industry. With the support of the underlying technical capabilities of the large model, Xuan Wu Cloud will focus on clients — products — sales channels, focusing on AI + consumption (smart consumption) as the Company's second growth curve strategy, and further enrich and improve the application of AIGC products in the full-link business process of mass consumption terminals, so as to help more consumer goods enterprises achieve intelligent growth.
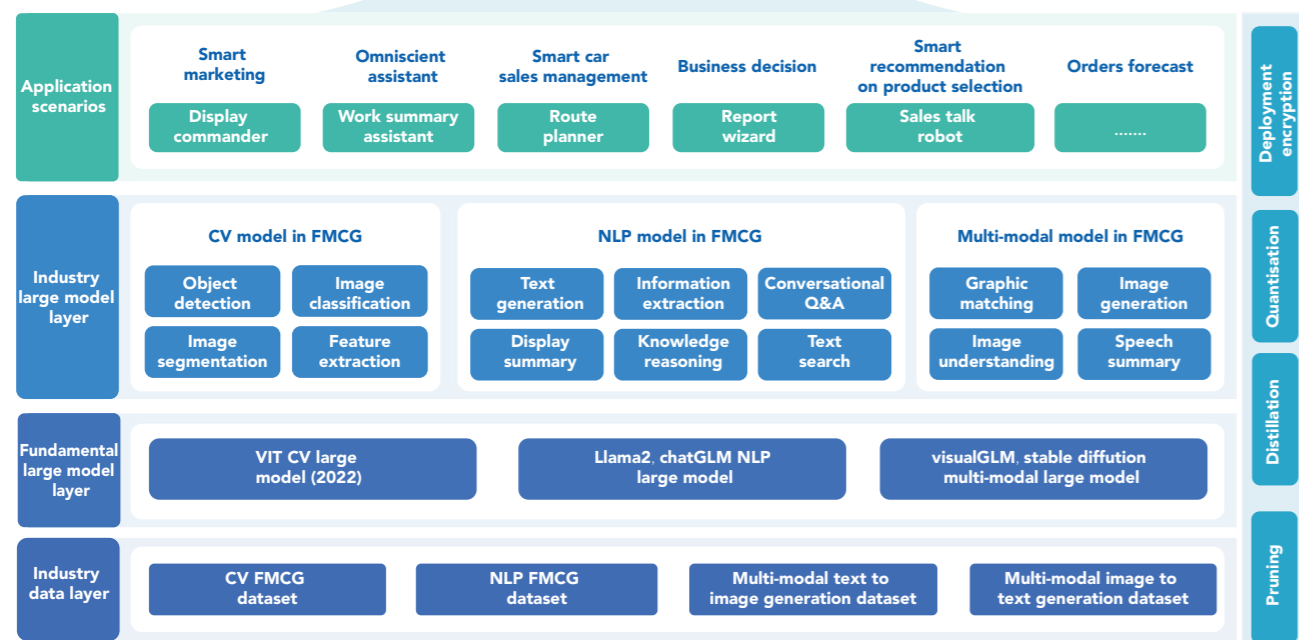
In addition to the iterative upgrading of the underlying technologies and algorithms, during the Year, we also launched Xuan Wu Cloud's first AIGC product, the Intelligent FMCG Assistant, which aims to use the five generative functions of AIGC to provide intelligent assistance and suggestions throughout the whole process for the FMCG terminal sales personnel, help FMCG enterprises improve sales personnel efficiency, reduce cost and waste, improve the quality of terminal distribution and display, and ultimately achieve the effect of increasing brand exposure and sales.

8 million terminals served

25 major application scenarios
95% image recognition rate for complex environments

7 million+ average number of photos processed per day

300 thousand+ SKU categories
10 million+ feature database

Application scenarios	Smart marketing	Omniscient assistant	Smart car sales management	Business decision	Smart recommendation on product selection	Orders forecast	Deployment encryption
	Display commander	Work summary assistant	Route planner	Report wizard	Sales talk robot	....	
Industry large model layer	CV model in FMCG		NLP model in FMCG		Multi-modal model in FMCG		Quantisation
	Object detection	Image classification	Text generation	Information extraction	Conversational Q&A	Graphic matching	Image generation
	Image segmentation	Feature extraction	Display summary	Knowledge reasoning	Text search	Image understanding	Speech summary
Fundamental large model layer	VIT CV large model (2022)		Llama2、chatGLM NLP large model		visualGLM、stable diffution multi-modal large model		Distillation
Industry data layer	CV FMCG dataset		NLP FMCG dataset		Multi-modal text to image generation dataset	Multi-modal image to text generation dataset	Pruning

AIGC + visit route planning indicator = **FMCG intelligent navigation**

AIGC + language training = branded ChatGPT

AIGC + full-link expense verification = **expense guarantee**

AIGC + data feedback = report wizard

AIGC + store tally = **display visit commander**

One line/inverted U-shaped placement photographing and stitching ✔   1/3 overlapping area stitching ✔   30+ photos of extra-long shelf scenes ✔

Shelf display / Fridge display / Pile display ......

Data submission

Quick feedback

Photos taken by staff

Submitting photos by sales personnel through entrance

Identifying extra-long shelf, and restoring real display scene with high accuracy

Combining the scoring criteria of the scene to form scores, and motivate sales personnel to improve display

In addition, Xuantong AIoT intelligent fridge, as another star product of Xuan Wu Cloud's business integration with AIGC, has achieved business implementation with many benchmark clients in the beverage and dairy industries, such as Uni-President, Nanjing Pepsi, New Hope, etc., during the Year, promoting further growth of our business.
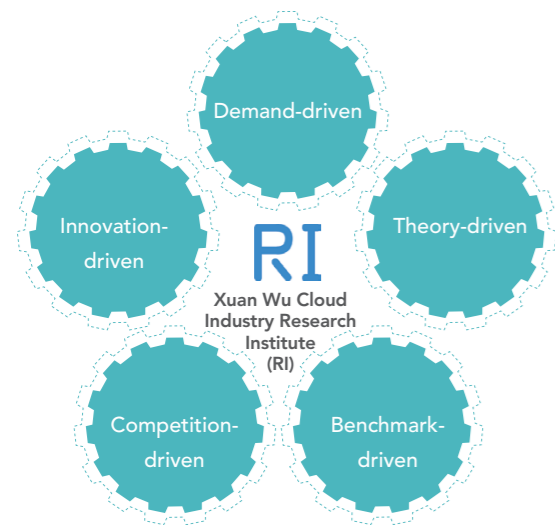
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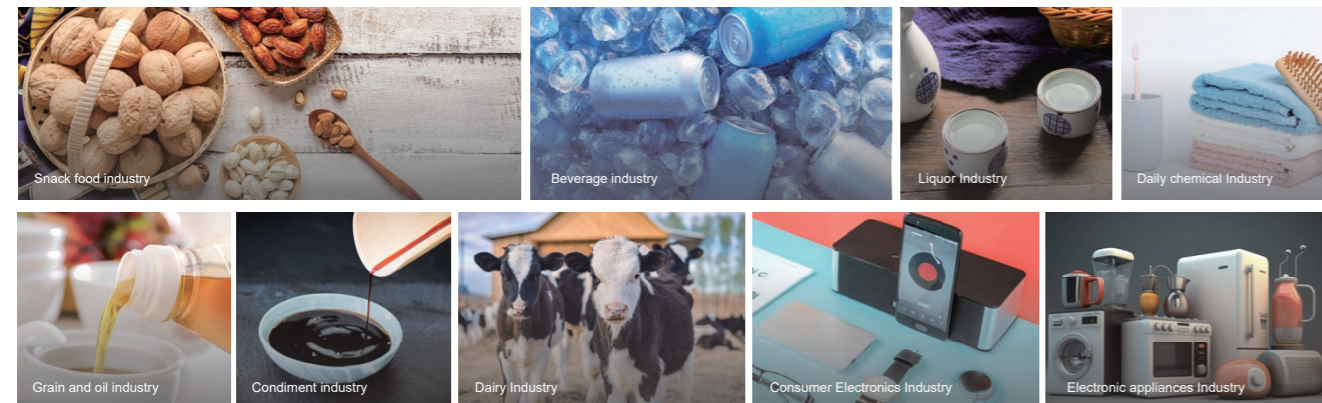
• 3.2 DEEPENING INDUSTRY UNDERSTANDING

With the arrival of the new consumption era, omni-channel + digital and intelligent transformation is becoming the development trend and common challenge is faced by leading enterprises in China's FMCG industry. Therefore, in order to further enhance the insight into the development trend of the FMCG industry and the needs of digital marketing, and to provide clients with high-quality solutions for numerous intelligent scenarios of FMCG business, our Industry Research Institute is, guided by the digital and intelligent transformation strategy methodology and driven by the business structure, aiming to promote the digital and intelligent transformation and model innovation of the industry. During the Year, we published the *White Paper on Digital Solutions for Omni-channel Marketing in the Xuan Wu Cloud Beverage Industry* to the market, and gradually promoted the implementation of the think tank assets of the nine major industries.

Xuan Wu Cloud's ESG goals

• In 2023,
the number of projects implemented in FMCG business scenarios were **25+**

Demand-driven

Innovation-driven

RI
Xuan Wu Cloud Industry Research Institute (RI)

Theory-driven

Competition-driven

Benchmark-driven

Think tank assets of the nine major industries

Snack food industry

Beverage industry

Liquor Industry

Daily chemical Industry

Grain and oil industry

Condiment industry

Dairy Industry

Consumer Electronics Industry

Electronic appliances Industry

• 3.3 MOVING TOWARD AN ECOLOGICAL WIN-WIN SITUATION

Under the trend of globalisation, we are well aware that the strategy of "going global" is a necessary policy for the long-term development of our business. Xuan Wu Cloud is working with its ecological partners on the road of digital intelligence, continuously expanding our market layout laterally, and taking clients and channel partners as part of our efforts to go global in international market. In 2023, our paths have moved overseas. With the official launch of the international cloud communication platform, we have established cooperation of communication resources with the three major domestic operators in China or local operators in Hong Kong, Macao, Taiwan, Southeast Asia, Latin America, the Middle East and other regions. By vertical cooperation with other cloud vendors, we work with other cloud vendors to break through technological boundaries, deepen business integration, and jointly explore the second curve of corporate growth. In 2023, we had reached a strategic partnership with Huawei Cloud to jointly create a large-scale model of consumer goods, and collaborated with vendors such as TI Cloud, AutoNavi Map, and Tencent Map.

Expanding clients in various industries through ecological channels (channel cooperation)

Co-creating consumer goods model (technical cooperation)

Going global (market cooperation)
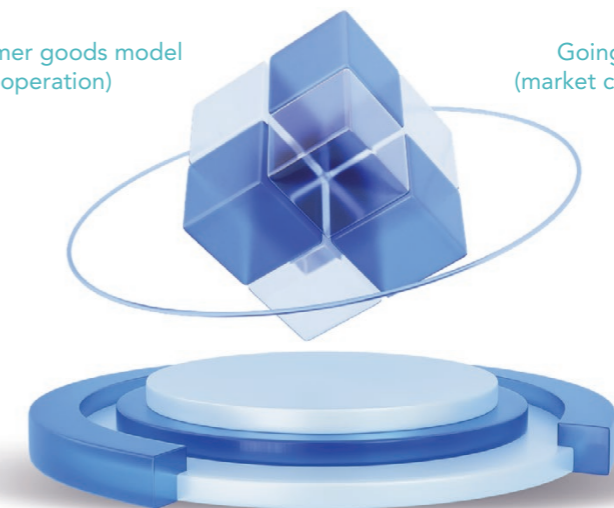
ADHERE TO CLIENT FIRST AND OPTIMISE PRODUCT QUALITY

- Intellectual Property Management

- Product Quality Management

- Information Security and Privacy Protection

- Supplier Management

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• 4.1 INTELLECTUAL PROPERTY MANAGEMENT

As a high-tech enterprise, the level of intellectual property management is an important demonstration of its scientific and technological research and development and technological innovation capabilities. The Company has established a comprehensive management system in this field, and strictly abides by the requirements of laws and regulations such as the *Trademark Law of the PRC*, the *Patent Law of the PRC*, the *Copyright Law of the PRC* and the *Anti-Unfair Competition Law of the PRC*. We have also formulated a series of internal policies, such as the *Patent Management Policy*, the *Trademark Management Policy*, the *Copyright Management Policy*, and the *Patent and Papers Incentive Policy*, to protect the Group's service invention achievements and stimulate the enthusiasm of employees for technological innovation.

In the practice of the Group, we have a dedicated intellectual property management team to guide and manage the daily work of the Group in intellectual property and to identify and monitor intellectual property risks. In 2023, we completed the certification of our intellectual property management system on schedule, conducted intellectual property training and specialised research for the Group, and dynamically optimised the Group's intellectual property management based on the research results. In addition, we have shared patented technical solutions and practices on the Xuan Wu Intellectual Property Official Account, and with continuous construction, we have also won the title of "Guangdong Intellectual Property Demonstration Enterprise" during the Year.

4.1.1 Intellectual property events of Xuan Wu Cloud in 2023

⊘ *ESG goal of Xuan Wu Cloud*

• Number of authorised patents and software copyrights in 2023 (piece) **332**[80▲]

2023 Guangdong Intellectual Property Demonstration Enterprise

231 companies selected More than 1,000 companies in Guangdong Province participated

47 companies selected More than 200 companies in Guangzhou City participated

Intellectual property research

1 intellectual property research was conducted

177 individuals were covered

Intellectual Property Tweets

7 intellectual property tweets were published

629 cumulative views were recorded

Intellectual property training

2 intellectual property trainings

Intellectual property management system certification

Passed the regular review of **intellectual property management system certification**

4.1.2 Construction of intellectual property culture in Xuan Wu Cloud

1.Special training on intellectual property

The training aims to provide employees with a comprehensive understanding of the Group's intellectual property management work, as well as the requirements for selecting topics and drafting patent applications.


#### 2. Sharing of intellectual property technology solutions

By sharing the Company's past successful patent cases and intellectual property knowledge through tweets on the official account, we plan to subtly improve the intellectual property awareness of our employees.

3. Intellectual property research

The research was divided into 20 items, involving our employees' evaluation and improvement opinions on tweets and the organisation of intellectual property training, and we generate an analysis report on the results of the questionnaire, and based on such report, we improved our intellectual property management.
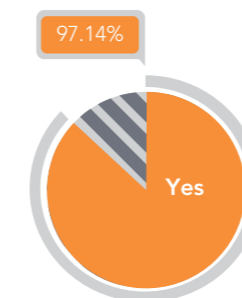
Is the special topics on Practical Instructions for Operation and Guidance that has been pushed so far helpful for you to understand the patent and software copyright application process?

97.14% Yes
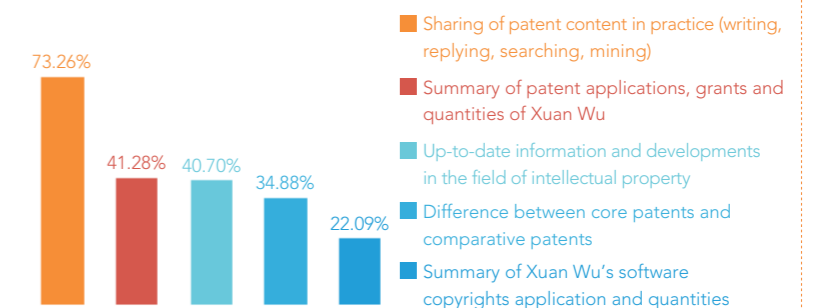
In addition to the contents currently pushed by the Xuan Wu Intellectual Property application account, what content do you want to be added? (multiple choices)

73.26% 41.28% 40.70% 34.88% 22.09%

■ Sharing of patent content in practice (writing, replying, searching, mining)
■ Summary of patent applications, grants and quantities of Xuan Wu
■ Up-to-date information and developments in the field of intellectual property
■ Difference between core patents and comparative patents
■ Summary of Xuan Wu's software copyrights application and quantities

4. Incentives for patents and papers

In order to encourage invention and creation, enhance our scientific and technological research and development and technological innovation capabilities, promote the enthusiasm of our employees for technological innovation, and protect our service invention achievements, the Company has set up patent application awards, patent implementation remuneration, and paper publication awards, and different cash incentives are given according to the category of patents and the level of papers.

• 4.2 PRODUCT QUALITY MANAGEMENT

In order to improve the quality of the Company's products and services, meet the needs of clients, and enhance our competitiveness, we strictly abide by the relevant laws and regulations that have a significant impact on us, including but not limited to the *Work Safety Law of the PRC*, the *Product Quality Law of the PRC*, the *Measures for the Administration of Software Products*, the *Copyright Law of the PRC*, etc. During the Reporting Period, the Group did not have any material violations of relevant laws and regulations that affected our business operations.

The Group has established a sound quality management system and compiled with the *Quality Management Manual* to track and manage the quality of the whole process of product development, covering 13 control procedures such as preventive measures and equipment management and the closed-loop quality management process. At the same time, in order to ensure the delivery of high quality projects, the Group is committed to ensure that we maintain high service standards and product quality through internal control. During the Reporting Period, the Group had completed the internal and external audit of the ISO9001 quality management system certification, which effectively ensured the continuity of the qualification. During the Reporting Period, due to the nature of our business, the Group did not involve any product recalls for safety and health reasons.

ESG goals of Xuan Wu Cloud

- The rates of client satisfaction and timely completion of projects **≥95%**
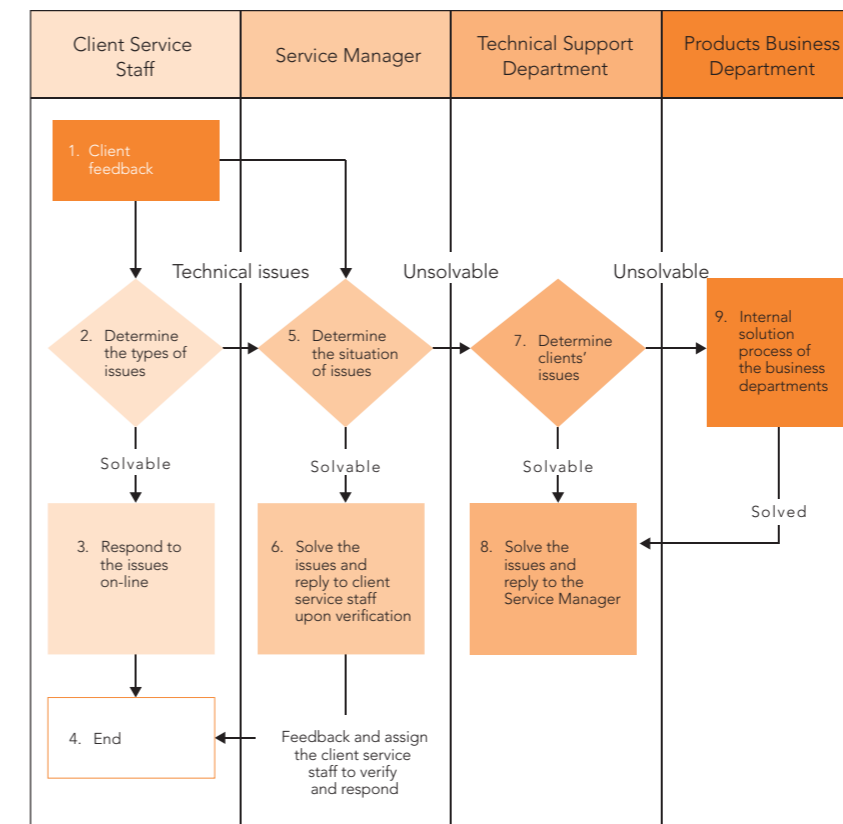
4.2.1 Quality management system and processes
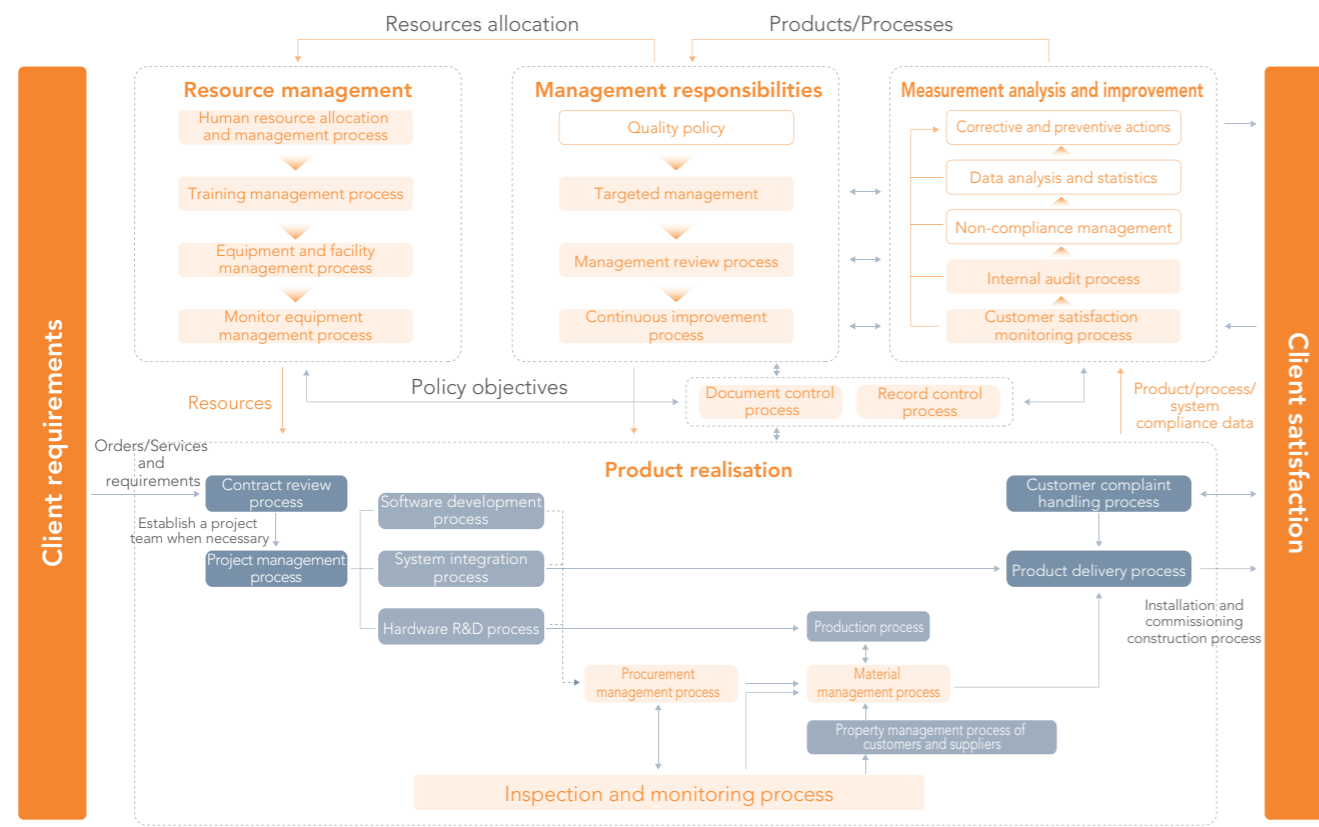
4.2.2 Improve clients' satisfaction and complaint handling

The Group is always client-oriented, provides attentive service, and continuously follows up on clients' needs and opinions through online and offline means, so as to continuously improve clients satisfaction. In terms of online, we track and handle client feedback through the 400 hotline, and during the Reporting Period, the number of complaints received by the Group in relation to products and services was nil, and our client satisfaction rate in terms of "client complaints and suggestions" and "Xuanxun client calls" was close to 100%. In terms of offline, the Group's client service center conducts regular reports to strategic and core clients on the problems encountered by them, our solutions, and solution effects. In addition, since 2022, we have implemented the "Client Satisfaction 100" project, which conducts formal interviews with clients in seven dimensions, including business value, functional experience, delivery cycle, system stability and maintenance, problem response, new demand response, and client leadership. Subsequently, according to the scoring system of the interview results, we will divide the client's business status into red-light, yellow-light, and green-light. For green-light clients, we will visit once every six months, and for red- and yellow-light clients, we will visit at least once every two months, to finally promote all of them to the green-light status.

≥80 points green-light	70 points–80 points yellow-light	≤70 points red-light
Client are satisfied with the existing systems and services, and have signed agreements with the Group to continue their business cooperation, and there is no risk of competitors entering the business	Clients are dissatisfied with the existing systems and services, and the Group needs to strengthen the delivery/service or provide guidance and solution output for the successful operation of clients	Clients are dissatisfied with or complaining frequently about the existing systems and services, and are looking for better solutions from other competitors, which increases the risk of contract renewal and secondary marketing

85%

In 2023, the client status is green-light

The flow chart of processing client complaints

Complaints and Suggestions

100%

■ Very satisfied ■ Satisfied

Xuanxun Clients Calls

0.22%

99.78%

■ Very satisfied ■ Satisfied

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• 4.3 INFORMATION SECURITY AND PRIVACY PROTECTION

As a software service company, we are well aware of the importance of ensuring information security and consumer data protection. The Group continues to strengthen the construction and implementation of the information security management system, and strictly abides by relevant laws and regulations, including but not limited to the *Criminal Law of the PRC*, the *Cybersecurity Law of the PRC*, the *Civil Code of the PRC*, the *Personal Information Security Specifications*, the *Methods for Determining the Illegal Collection and Use of Personal Information by Apps*, and the *Personal Information Protection Law of the PRC*. We

have also established manuals and procedural documents such as the *Information Security Management Manual*, the *IT Service Management Manual*, the *Business Continuity Management Manual*, the *Business Continuity Management Strategy* and the *Information Security Management Specifications*, covering the information security management activities of computer information system integration, computer application software development and services, and providing standardised guidance for the daily practice of information security management.

4.3.1 Information security management structure

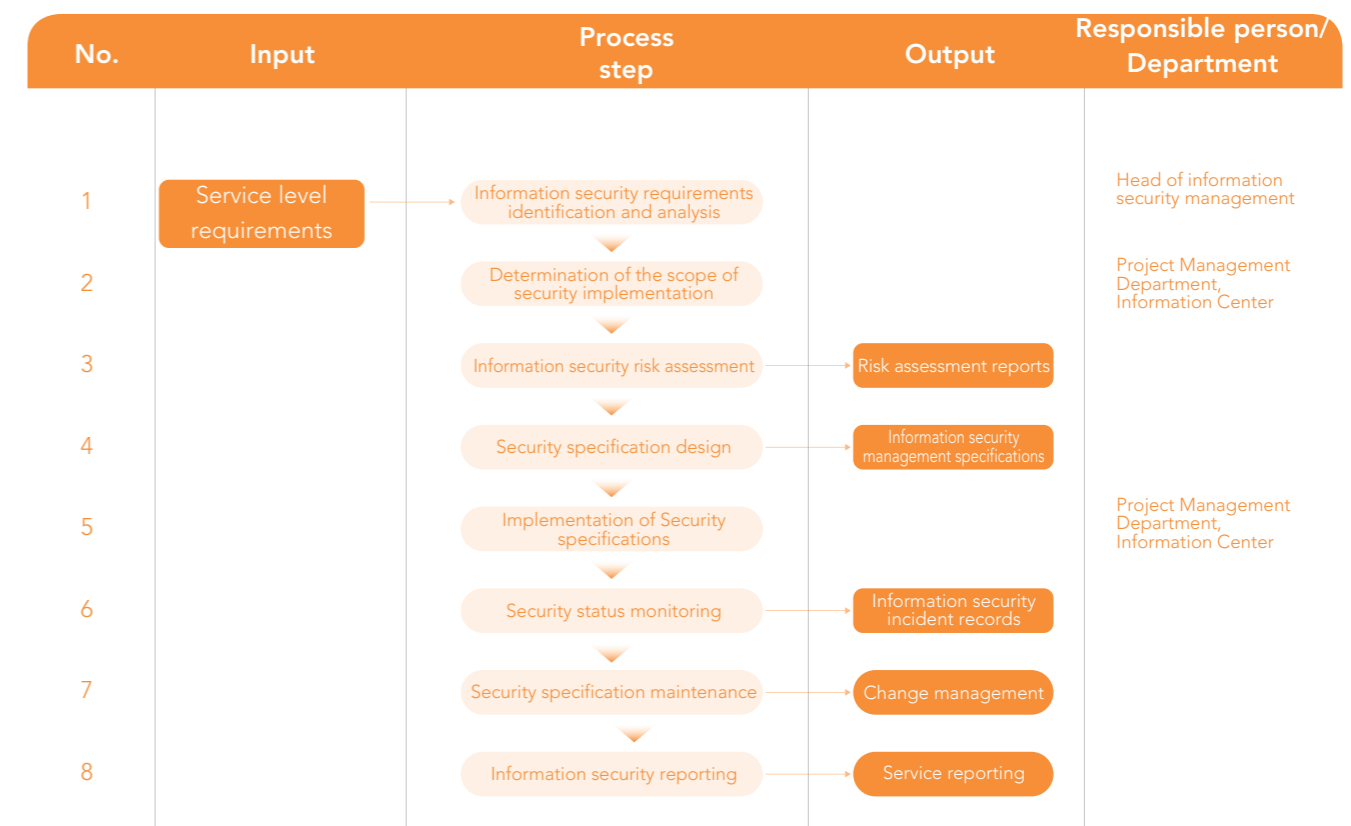| Information security leading team	The information security leading team is composed of general manager and deputy general managers. At the overall security level of the Company, the information security leading team assumes the primary security responsibility, comprehensively deploys the overall security management, formulates security policies and strategies, schedules and coordinates resources, and inspects the implementation of security work.
Management representative	The management representative is authorised and appointed by the general manager of the Company, and is responsible for the information security management system and reports the operation of the information security management system to the information security leading team of the Company.
Information security working group	The information security working group is composed of the IT Management Department, the Technology Center and the information security officers from each department, and is responsible for the specific coordination and implementation of information security work. The main responsibilities of the information security working group include: establish the information security management system; prepare the Company's risk assessment report, regularly review the security of the Company's information system; organise the formulation, maintenance and regular review of the information security management policy; provide the education of information security awareness for employees, track the implementation of corrective measures and preventive measures; and manage the Company's information system log maintenance, backup and audit.
Departments and their part-time security officers	The manager of each department is the first person responsible for the information security of the department. At the same time, each department shall designate a part-time security officer to implement the Company's security management requirements; carry out the department's information security self-inspection; and formulate and implement specific rectification measures within the scope of the department's responsibilities.

4.3.2 Information security management system

In order to strengthen risk management, ensure business continuity and protect the interests of clients, the Group has formulated quantifiable information security management targets for the whole year: 1) number of service interruptions in the whole year ≤ 2 times; 2) the satisfaction rate of business users ≥ 95%; 3) the failure-free rate of the software development system ≥ 95%; 4) the RPO recovery time target

of the MOS system ≤ 30 minutes, that is, restore to 30 minutes before interruption; 5) the RTO recovery time target of the MOS system ≤ 4 hours. Focusing on such targets, we have made simultaneous progress in process, strategy, certification, and cultural construction to create a solid "informatised Xuan Wu Cloud".
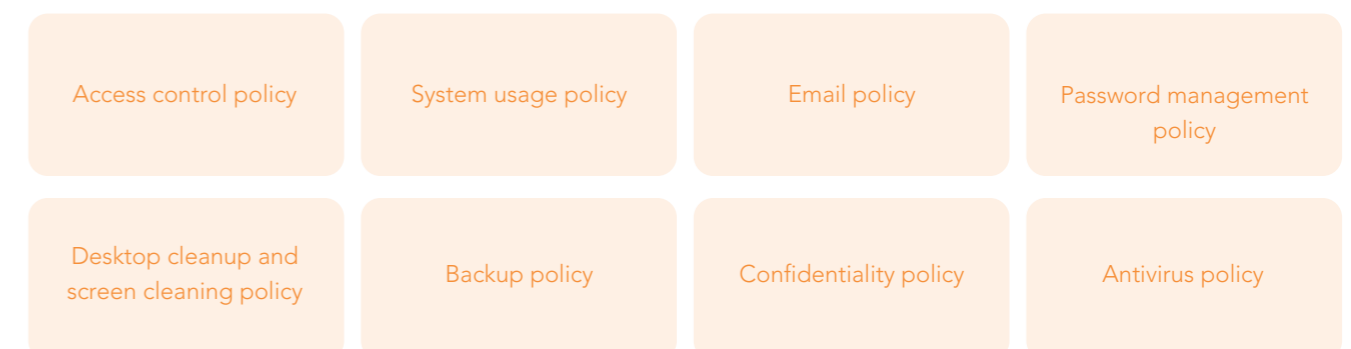
We divide the information security management process into three parts: planning, implementation, and monitoring, and integrate them into the eight major policies of the Group. Planning includes requirements identification and analysis, determination of the scope of security implementation, information security risk assessment, security specification design; implementation includes

security specification implementation; monitoring includes security status monitoring, security specification maintenance, and information security reporting. The implementation of these processes allows employees to report relevant situations when they become aware of them, and there are good procedures in place to prevent IT system disruptions and cyber attacks.

Information security management process

No.	Input	Process step	Output	Responsible person/ Department
1	Service level requirements	Information security requirements identification and analysis		Head of information security management
2		Determination of the scope of security implementation		Project Management Department, Information Center
3		Information security risk assessment	Risk assessment reports	
4		Security specification design	Information security management specifications	
5		Implementation of Security specifications		Project Management Department, Information Center
6		Security status monitoring	Information security incident records	
7		Security specification maintenance	Change management	
8		Information security reporting	Service reporting	

Eight major policies for information security management

Access control policy	System usage policy	Email policy	Password management policy
Desktop cleanup and screen cleaning policy	Backup policy	Confidentiality policy	Antivirus policy

September of each year is the Group's Information Security Month, and the Group will carry out a number of special activities on information security to allow employees to immerse themselves in information security and deepen their awareness of security management.

The first round of information security — email phishing

In order to provide employees with an immersive experience, the Process and Information Department conducted a simulation drill of phishing email attacks with the consent of the Company. In three days, nearly 1/5 of colleagues clicked on the links, nearly 1/10 of colleagues tried to enter the account passwords, and 58 of them entered the real account passwords.
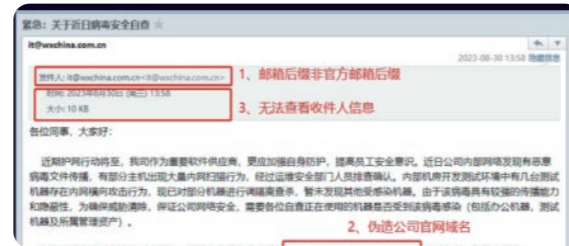
The second round of information security — security training

For all employees of the Company, we carried out information security knowledge sharing through a combination of online and offline methods to help employees understand the hidden dangers of information security in office and improve their awareness of information security protection.

The third round of information security — knowledge competition

For all employees of the Company, we launched an online prize contest for information security knowledge, more than 300 colleagues participated in the competition, with an average score of 91 points. During the question-and-answer session, everyone gained a deep understanding of the relevant knowledge, which stimulated their enthusiasm for learning information security knowledge.

As a result of the Group's concerted efforts from top to bottom, the Company has obtained a series of information security management certifications. During the Year, we obtained the CMMI-5 capability maturity assessment qualification certification, the ISO22301 business continuity management system certification, and completed the compatibility and mutual recognition with application server software of OceanBase and BES. These achievements not only mark the Group's leading level in software R&D management system, implementation and delivery services and project management, but also represent the Group's determination to deepen its intelligent finance and unswervingly follow the path of information and innovation.

4.4 SUPPLIER MANAGEMENT

Favourable products and services are the result of cooperation with all parties. Therefore, in addition to strictly adhering to the bottom line of our product quality, the Group also strictly abides by relevant laws and regulations, including but not limited to the *Tendering and Bidding Law of the PRC*, the *Anti-Unfair Competition Law of the PRC*, and the *Interim Provisions on the Prohibition of Commercial Bribery*. As the Group's main business is software services, our core suppliers are telecommunication network operators, and while creating multi-channel touchpoints, the Group is also concerned about the environmental and social risks associated with suppliers, and has formulated the *Resource Management Measures for Harnessing the Cloud Department* to standardise supplier management.

In order to prevent environmental and social risks in the supply chain and to create a fair and honest cooperation environment with suppliers, the Group has set thresholds at the stage of supplier recruitment and review, and conducts a comprehensive review of suppliers' operational capabilities, delivery capabilities and potential risks by viewing data. The Group strives to implement the policy of engaging responsible suppliers to minimise total greenhouse gas emissions, waste generated and resources consumed. Before we add suppliers to the list, they must go through a series of review processes, the main contents of which include: qualifications, size, performance, reputation, service quality, management integrity and environmental performance, etc., to ensure that they provide reliable and credible products or services, and in accordance with relevant laws and regulations (such as compliance with anti-money laundering and anti-terrorism laws and regulations). The Group also assesses the overall capability of suppliers in the past quarter, and the assessment results are linked to the purchase volume to the Company's major clients. Suppliers who fail to meet the criteria for a long time will be removed from our list. The selection of suppliers is carried out by the Group in accordance with the relevant management measures, following the principles of openness, fairness and impartiality, adopting appropriate methods such as bidding, and carefully considering the environmental and social risks of suppliers.

Number of suppliers by region (2023)		
Type	Region	Number of suppliers
Logistics services providers	PRC	8
Software and hardware services providers	PRC	5
Telecommunication network operators	PRC	273
Total		286

DEEPEN PEOPLE-CENTERED APPROACH AND GIVE BACK TO THE COMMUNITY WITH GRATITUDE

• Employee Care and Development

• Enthusiasm about Social Welfare

• 5.1 EMPLOYEE CARE AND DEVELOPMENT

The Group strictly complies with the relevant laws and regulations that have a significant impact, including but not limited to the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Provisions on the Prohibition of Using Child Labour*, and others, and has formulated internal policies on the *Employee Handbook*. Every employee of the Group is required to act in accordance with the provisions of the *Employee Handbook*, which actively advocates employees to protect environment and save natural resources, and clearly states that the basic rights and occupational health of all employees should be safeguarded, child labour and forced labour are prohibited, human personality of our employees shall be respected and their dignity shall be protected, discrimination on the basis of gender, religion, age, etc. shall be eliminated, and zero tolerance for any harassment or infringement of employees' rights and interests shall be taken. In addition, in order to improve the working environment and atmosphere, and to create a positive and cohesive team, we also conduct survey with the "Questionnaire on the Health of the Group" on a regular basis every year, to open up the channels of communication for employees.

5.1.1 Flexible, standardised, and equal aggregation of talents
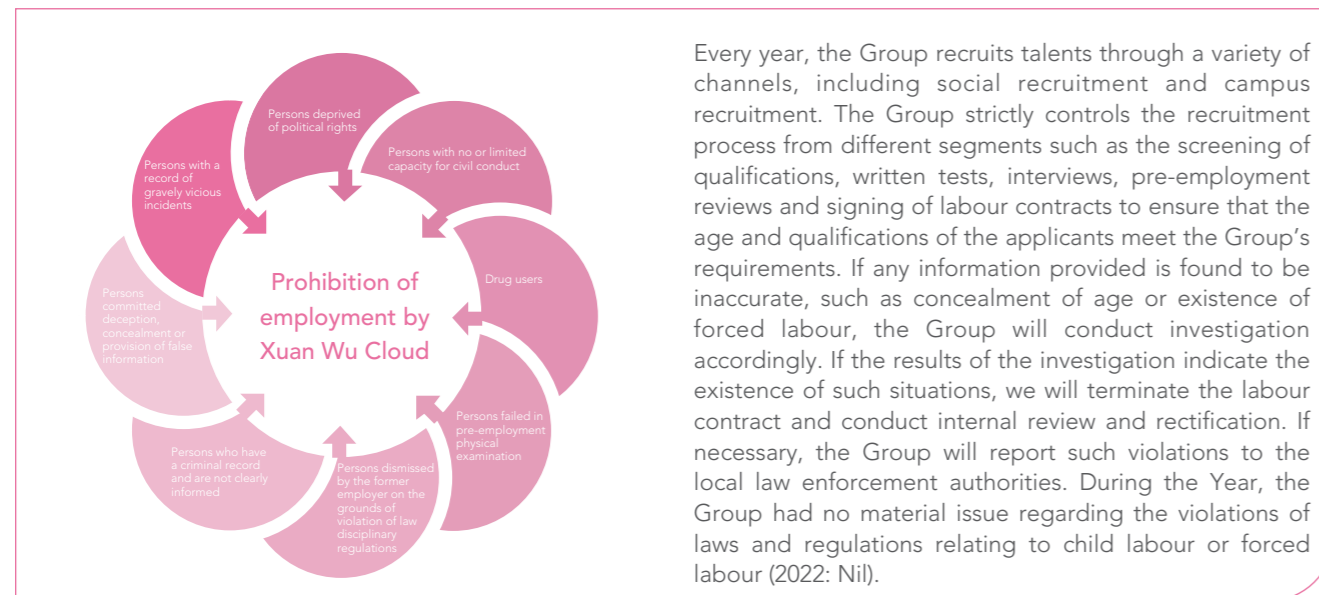
Every year, the Group recruits talents through a variety of channels, including social recruitment and campus recruitment. The Group strictly controls the recruitment process from different segments such as the screening of qualifications, written tests, interviews, pre-employment reviews and signing of labour contracts to ensure that the age and qualifications of the applicants meet the Group's requirements. If any information provided is found to be inaccurate, such as concealment of age or existence of forced labour, the Group will conduct investigation accordingly. If the results of the investigation indicate the existence of such situations, we will terminate the labour contract and conduct internal review and rectification. If necessary, the Group will report such violations to the local law enforcement authorities. During the Year, the Group had no material issue regarding the violations of laws and regulations relating to child labour or forced labour (2022: Nil).

The Group has always practiced the principle of anti-discrimination and provided equal opportunities to all employees. We insist on equal pay for equal work in terms of employment, promotion and remuneration. We will not discriminate against any employee on the basis of ethnicity, marital status, gender, location or religious beliefs. We have thus established a diversified and inclusive talent structure, under which we had a total of 824 employees during the Year.

We open up internship positions for university students who are not graduated, providing them with opportunities for social practice and reasonable internship salaries, helping them to broaden their horizons and adapt to work positions in advance. We always pay attention to female's strength, and there are female's workplace footprints in every key position of Xuan Wu Cloud. They devote themselves to management, R&D, sales and other positions, strive to grow together with the Group, and realise their value of life.

In addition, the Group promotes the values of internal mutual help and mutual growth and adheres to the recruitment principle of "open recruitment, internal priority, fair competition and selection of excellence" and has formulated an effective internal recruitment and promotion mechanism. We are committed to providing a platform for our outstanding employees to demonstrate their potential and abilities. Therefore, the employees of the Group can make adjustments to their positions in conjunction with their individual career planning instead of leaving the Group directly, which has given them a second growth curve in their careers. Benefiting from this employee management strategy, the turnover rate of employees of the Group has been effectively reduced. (Please refer to the appendix on page 60 for the turnover rate of employees by gender, age group and geographical region).

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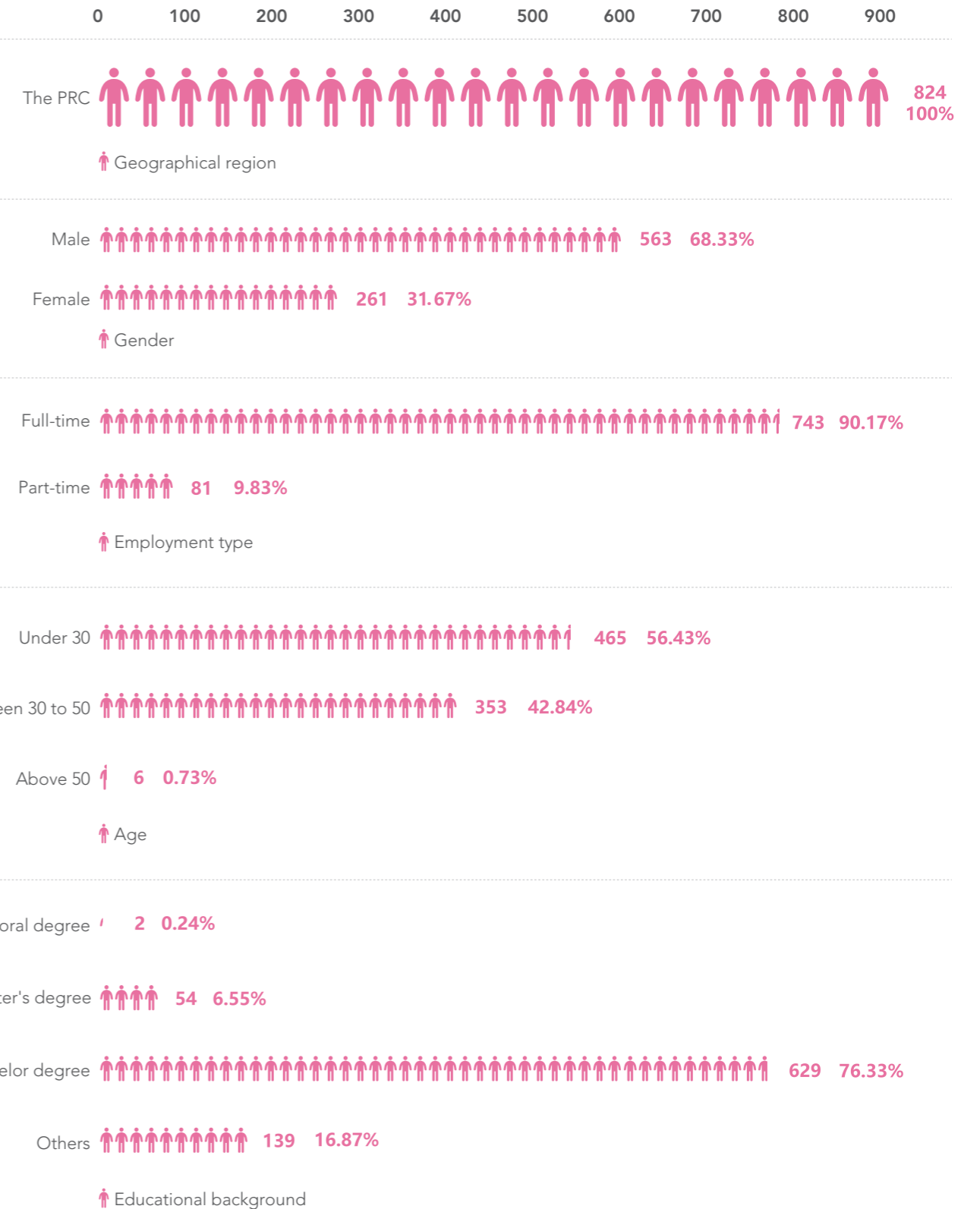
5.1.2 Employee benefits and remuneration

The Group has a sound time and attendance system and adopts a five-day-a-week, eight-hour-a-day working arrangement, encourages its employees to complete their assignments efficiently during normal working hours and does not advocate overtime work. If there is a genuine need to work on national holidays and weekends, prior approval must be sought and the Group will arrange for the employees to take a compensatory leave and provide them with overtime allowance. In addition, the employees of the Group are entitled to national holidays, paid annual leave, marriage leave, prenatal check-up leave, paternity leave, parental leave, maternity leave, sick leave, personal leave, work injury leave and funeral leave. In terms of employee welfare, in addition to social insurance and housing provident fund for our employees, we also provide subsidies for meals, computers, holiday benefits, birthday activities, annual medical checkups, departmental activity funds, wedding and maternity bonus.

We believe that attracting, retaining and motivating excellent employees is a key factor in the success of the Company. Therefore, in addition to the benefits mentioned above, the Group also offers competitive salaries and restricted share incentives for key personnel. As at 6 January 2023, a total of 4,985,000 award shares were granted to certain employees of the Company under the 2022 restricted share award scheme. The vesting period shall be in three tranches and the vesting of the award shares shall be subject to the results of individual performance assessments carried out by the Group for each corresponding selected participant. We believe that the implementation of such scheme will maximise the long-term value of both the individual employees and the Company.

The Company's remuneration model embodies five principles, including the principle of multi-dimensional performance appraisal in terms of the performance appraisal approach, which not only combines the quantifiable performance objectives of the departments, but also evaluates whether the performance of the employees is in line with the Company's values. The Company will also collect cases of "value achievers (價值觀達人)" every month to publicise the positive energy of people around us.

Principles of the Remuneration Model of Xuan Wu Cloud

| Market matching | Broadband remuneration | Performance-based | Sustainable development | Dynamicity |

Values for Xuan Wu Cloud

Client-first

Externally — creating value through service with care
Internally — thinking differently, working together for a win-win situation

Forge ahead

To things — embrace responsibility with passion, and constantly strive for excellence
To difficulties — persevere and never give up
To achievements — refrain conceit and impetuosity to surpass oneself

Mutual achievement

For the strugglers — giving more motivation to realise their dreams
For the team — helping each other to grow together

5.1.3 Occupational health and caring of employees

The Group prioritises the occupational health and safety of its employees and strictly complies with relevant laws and regulations that have a significant impact on it, including but not limited to the *Production Safety Law of the PRC*, the *Fire Control Law of the PRC*, the *Law of the PRC on Prevention and Control of Occupational Diseases* and the *Measures for the Administration of Occupational Health Examination* and others. During the Reporting Period, the Group did not violate any of the relevant laws and regulations relating to the provision of a safe working environment and the protection of employees against occupational hazards.

During the Year, the Group implemented a number of activities and initiatives to protect the occupational health and safety of its employees. For example, regular inspections and maintenance of workplaces, building structures and fire safety facilities were arranged to avoid safety hazards. The Group has also arranged education on daily safety issues for its employees by department heads, conducted fire drills on a regular basis, organised annual medical check-ups for its employees, and launched thematic activities such as "Xuan Love Week (玄愛周)". Due to the nature of business of the Group, employees mainly work in office premises where they are not exposed to dust, radioactive substances and other toxic and hazardous substances.

0 lost days due to work injury in 2023

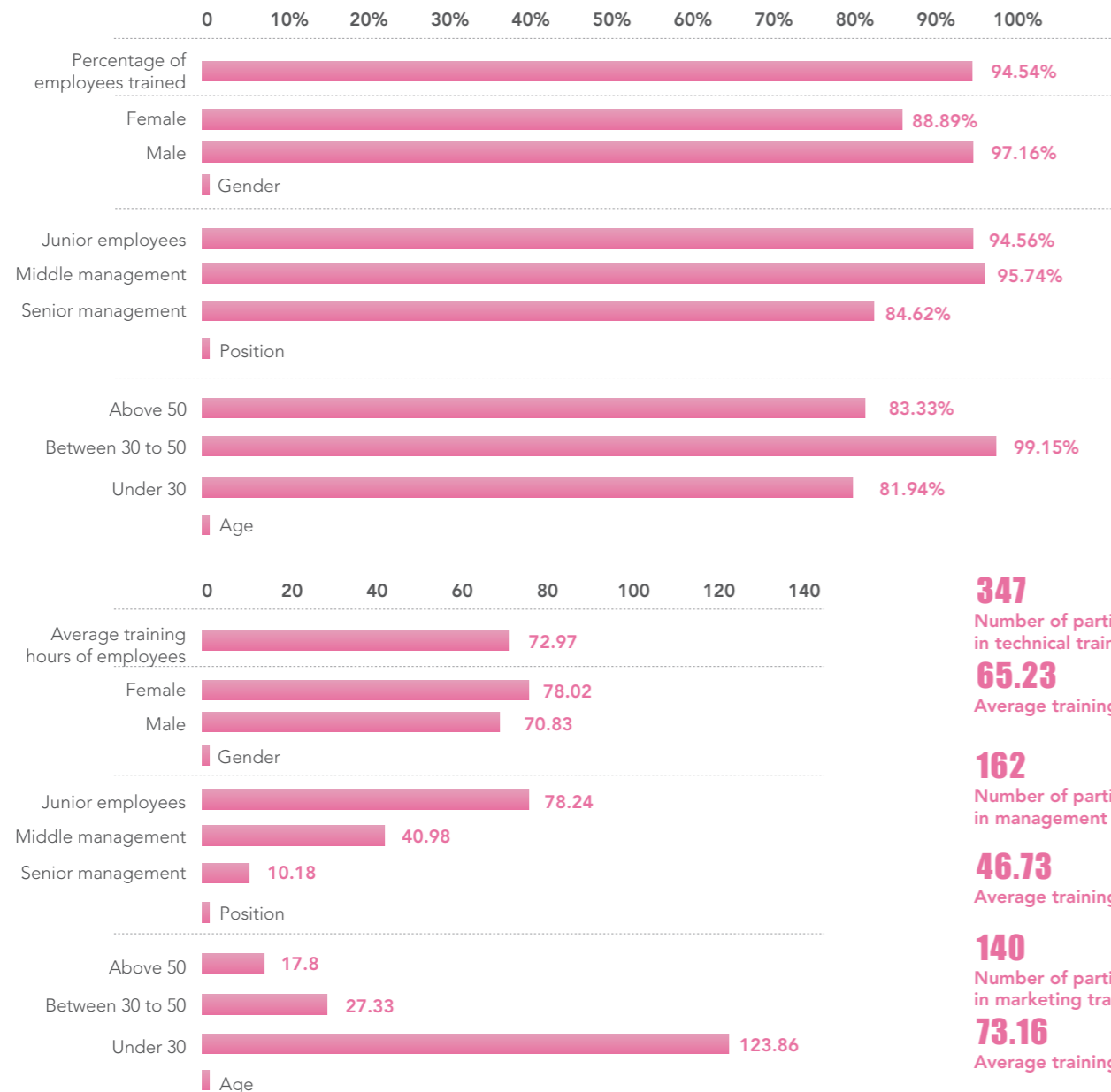**0** work-related fatalities occurred in each of the past three years

32 employee relations activities were organised

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5.1.4 Staff training and career development

The Group attaches great importance to the sustainable development of employees. The career paths of employees are divided into technical professional line, management professional line, and marketing professional line. Targeted at different categories of talents and employees at all levels of the Group, we provide a large number of training resources, including newcomers' training, on-the-job training, professional development seminars and accredited educational courses, and online learning platform, X-Learning. For fresh graduates recruited on campus, the Group has established a dedicated "Talent Program (優才計劃)" to stimulate their potential and help them embark on a healthy career path through specialised management and training programs; for the sales employees, we will conduct an annual review of sales talents to explore their business and development goals, and achieve mutual growth of employees and the Company; for the R&D and product employees, the human resources department, in conjunction with the industry research institute of the Group, jointly form an expert level talent team to build think tank assets. We believe that the targeted talent development plan mentioned above will achieve personalised teaching and help employees achieve stability and progress.

	Percentage
Percentage of employees trained	94.54%
Female	88.89%
Male	97.16%
Gender	
Junior employees	94.56%
Middle management	95.74%
Senior management	84.62%
Position	
Above 50	83.33%
Between 30 to 50	99.15%
Under 30	81.94%
Age	

	Hours
Average training hours of employees	72.97
Female	78.02
Male	70.83
Gender	
Junior employees	78.24
Middle management	40.98
Senior management	10.18
Position	
Above 50	17.8
Between 30 to 50	27.33
Under 30	123.86
Age	

347
Number of participants in technical training

65.23
Average training hours

162
Number of participants in management training

46.73
Average training hours

140
Number of participants in marketing training

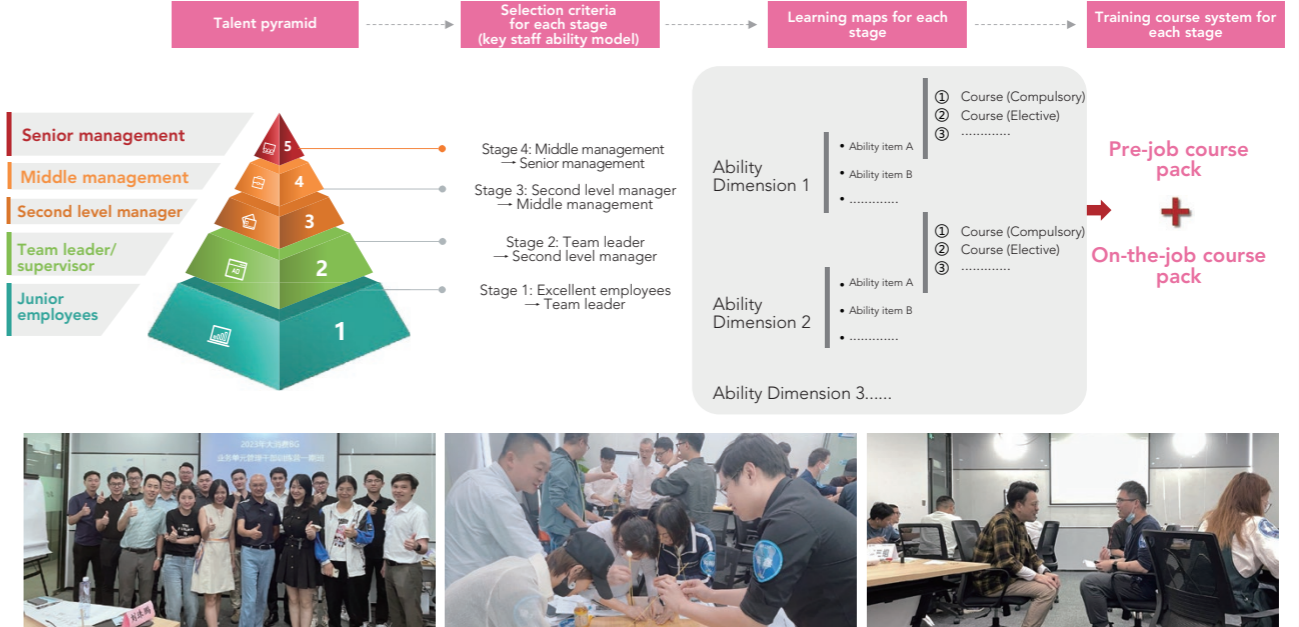**73.16**
Average training hours

📋 Case 1   Xuan Wu Talent Program Ten Phases Training Project (the "Talent Program")

The Talent Program conducts empowerment training around three directions: business, skill enhancement, and organisational performance. It achieves the ultimate goal of organisational performance and provide talent support for the Company's future strategy and business through business learning, cultural identity, professional and general skill enhancement. The Talent Program is divided into training stages, and four themed training camps are carried out, combined with the corresponding training materials and operation mechanism of the training camps, to enhance the comprehensive ability of outstanding talents.

The first stage of training — Focusing on ten phases Talent Program
- Talent enrollment training camp — Probationary period management
- Job skills training camp — Advisor mentoring
- General skills training camp — Personal growth review

The second stage of training — Focusing on high potential talents
High potential talent training camp
- Empowering education   Personal IDP plan   Featured learning circle

📋 Case 2   Xuan Wu Key Staff Development Training Program

Based on the talent pyramid and the selection criteria for management key staff at various levels, we have extracted learning maps and corresponding curriculum systems for each growth stage. Through empowerment methods such as grassroots experience, practical training, and theoretical convergence, we continuously improve the competence of key staff.

Talent pyramid → Selection criteria for each stage (key staff ability model) → Learning maps for each stage → Training course system for each stage

Senior management (5)
Middle management (4)
Second level manager (3)
Team leader/supervisor (2)
Junior employees (1)

Stage 4: Middle management → Senior management
Stage 3: Second level manager → Middle management
Stage 2: Team leader → Second level manager
Stage 1: Excellent employees → Team leader

Ability Dimension 1
- Ability item A
- Ability item B
- ....

① Course (Compulsory)
② Course (Elective)
③ ....

Ability Dimension 2
- Ability item A
- Ability item B
- ....

① Course (Compulsory)
② Course (Elective)
③ ....

Ability Dimension 3......

Pre-job course pack
On-the-job course pack

• 5.2 ENTHUSIASM ABOUT SOCIAL WELFARE

As a technology enterprise with warmth, Xuan Wu Cloud holds a sense of responsibility and actively fulfills the social responsibility of corporate citizens. In the daily operation process, combined with the Company's own business situation, the Company has carried out community donations, emergency training, ecological protection, poverty alleviation, agricultural assistance and other public welfare activities during the Year.

📄 Case 1   Xuan Wu Cloud × Tangxia Social Work Service Station in Guangzhou — Co-hosting Warm Winter Plan (暖冬計劃), Public Welfare Donations

19–21 December 2023

The Group encourages all employees to donate idle items and gather items for charity sales, including living, educational, sports, entertainment, etc. The materials raised have been transported to Tangxia Social Work Service Station in Guangzhou. We have collaborated with the Service Station to carry out a charity sale in the community. The proceeds from the sale and the remaining unsold items will be used to assist targeted disadvantaged groups.

30+ employees participated

103 donated items

List of donated idle items in the Warm Winter Plan

Quality requirements	Category	Item
80% new and above	Living	Small appliances: electric kettles, power banks, bluetooth speakers, etc Daily necessities: storage box/rack, warm water bag, vase, mirror, umbrella, etc
	Educational	Study books: Language, Mathematics, English and other books, Chinese English dictionaries, etc Extracurricular books: children's books, picture books, classics, interest books, etc Learning supplies: backpacks, calculators, calligraphy supplies, desk lamps, etc
	Sports	Sports equipment: basketball, racket, jump rope, shuttlecock, yoga bricks, etc
	Entertainment	Children's toys: plush toys, building block LEGO, model cars, dolls, etc Leisure games: board game supplies such as chess, Gomoku, UNO, Werewolf, etc
Brand-new	—	New unopened/unused idle items, such as hand cream, facial mask, toothpaste, thermos cup, snacks, grain and oil, etc

📄 Case 2   Xuan Wu Cloud × Shenzhen IMT Charity Foundation — Emergency Rescue Science Popularisation of "Walking with Love and Caring by Your Side (與愛同行　救在身邊)"

16 August 2023

In order to actively respond to General Secretary Xi's important call for the "Healthy China Action (健康中國行動)", further boost education on life safety in emergency, improve the quality of comprehensive emergency response of employees (volunteers) in various enterprises, master the ability to identify sudden accidents, basic first aid skills and methods, the Group, in conjunction with the IMT Charity Foundation, jointly carried out emergency rescue science popularisation and education activities, aiming to establish awareness of cherishing life and cultivate good and safe social habits.

30+ volunteers of the Group

180mins activity duration

📄 Case 3   Xuan Wu Cloud × Hegu Taoyuan Ecological Agriculture Co., Ltd. (合谷桃園生態農業有限公司) in Guanyang County, Guilin — Poverty Alleviation and Agricultural Assistance

September 2023

According to the new requirements and deployments of deepening the cooperation between the East and the West by the new development stage of the Central People's Government, we will continue to promote the development of poverty-stricken areas and promote comprehensive rural revitalisation. Xuan Wu Cloud has purchased tea from the Hegu Taoyuan Ecological Agriculture Zone in Guanyang County, Guilin, with the aim of assisting the production and sales of local agricultural products.

100 boxes purchase quantity

¥20,560 purchase amount

PRACTICE GREEN DEVELOPMENT WITH ROOTED CONCEPT OF ENVIRONMENTAL PROTECTION

- Practice Energy Conservation and Emission Reduction

- Climate Risk Analysis and Response

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• 6.1 PRACTICE ENERGY CONSERVATION AND EMISSION REDUCTION

The Group strictly abides by the *Environmental Protection Law of the PRC*, the *Energy Conservation Law of the PRC* and other environment-related laws and regulations, and actively responds to the national goal of "achieving carbon peak by 2030 and carbon neutrality by 2060". In daily management, the Group comprehensively promotes green operations, utilises cutting-edge business models and scientific operational thinking to reduce emissions, and had carried out environmental protection activities such as "picking up garbage" and "collecting disappearing batteries" and implemented a series of energy-saving and emission reduction measures during the Year.

Since the Company's business is to provide software services, and most of our products and services are deployed on the cloud, our daily operations do not involve significant emissions of pollutants or the consumption of a large amount of energy or packaging materials, and will not have significant negative impacts on the environment and natural resources.

Initiatives for energy conservation and emission reduction

| Emission reduction	• Opt for energy-saving and green products when purchasing new electric appliances. • Organise meetings using telephone and online channels to promote green meetings. • Encourage green travel, including encourage employees to take public transportation such as buses and subways.
Air conditioning and lighting	• Set all air-conditioners to a unified temperature of 26 degree Celsius from April to September and 20 degree Celsius from December to March, during normal office hours and working days, and switch off all air-conditioners after office hours and on non-working days. • Switch off the air-conditioners of conference room when the conference room is not in use, and post reminders at the entrances and exits of conference rooms to remind employees to switch off the air-conditioners and lights when leaving. • Arrange technicians to maintain the cooling system of air conditioners on a regular basis. • Switch off all office light during the lunch hour, and switch off the lighting system regularly after 8 p.m. • Adopt multi-mode control lighting system and use LED and energy-saving light luminaries.
Energy conservation	• Provide microwave in pantry to encourage employees to bring their own meal box so as to reduce the use of disposable tableware. • Encourage employees to bring their own laptops to work and are given cash reimbursements to reduce unnecessary electronic pollution.
Water conservation	• Urge employees to report water leakage in a timely manner, and arrange relevant maintenance personnel to repair leaking equipment in time. • Apply automatic system with all toilet flushes and handwashing taps to avoid water wastage when employees forgot to shut the flushes and taps.
Reduce paper consumption	• Encourage paperless office and minimise photocopying and printing. • Promote double-sided printing, set up paper recycling bins next to printers, and encourage the recycling of waste paper.
Waste management	• Carry out fine management of domestic waste, treat it according to the type of waste, and improve the efficiency of resource recycling. • Set up sorting and recycling bins in the office building and post garbage sorting slogans to encourage employees to sort domestic waste and improve the efficiency of garbage disposal.

📄 Case: "Emphasising environmental protection, practicing public welfare and low-carbon" employee volunteer activity

In July, Xuan Wu Cloud organised the 10th gifted student talents park walk to jointly carry out activities, picking up roadside waste along the way, and practicing a low-carbon footprint with practical actions.

📄 Case: "Disappearing battery" battery recycling environmental protection action

A button battery can pollute 600,000 liters of water after being discarded in nature, and the toxic elements of lead, mercury and tin contained in waste batteries will damage human health, and the recycling of batteries is imperative! The Company has set up battery recycling points to encourage all employees to participate, and during the Year, a total of 227 batteries were recycled.
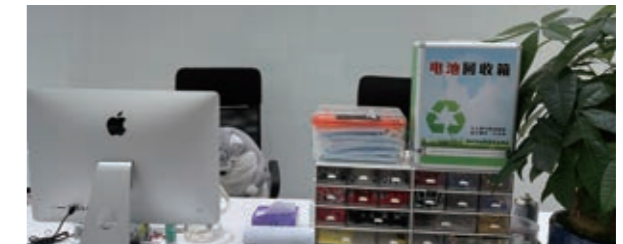
Xuan Wu Cloud carried out a review of greenhouse gas emissions for Scope 1 and Scope 2 within the organisational and reporting boundaries in 2023. Scope 1 includes emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. However, we are unable to obtain emission data related to the scope of direct emissions due to the following reasons: (i) the Group does not own any official vehicles; (ii) the Group's business does not generate significant direct greenhouse gas emissions; and (iii) the Group's air-conditioning system is a central air-conditioning mode and is maintained by the property service provider. Scope 2 mainly refers to the electricity consumed by the Group during the Year.

Due to the nature of business of the Group, we are not involved in the massive discharge of hazardous waste during the Reporting Period. Non-hazardous waste is mainly the food waste and general office waste generated in the course of daily operations. Due to the nature of business of the Group, the waste generated is non-hazardous and in minimal quantities.

Energy consumption	**355,542.76** Electricity consumption (kWh)	**49.36** Intensity (kWh/m²)	**103.23** Water consumption (tonnes)	**0.13** Per capita water consumption (tonnes/person)
GHG emissions	**203,726.00** Scope 2 indirect emissions (kg)	**28.28** Intensity (kg/m²)		
Waste management	**0.6** tonnes Recycle non-hazardous waste, food waste and general office waste	**227** pieces Recycle hazardous waste-used batteries		

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• 6.2 CLIMATE RISK ANALYSIS AND RESPONSE

Fully aware of the seriousness of the climate change and the urgency of addressing climate change, Xuan Wu Cloud has carried out climate change risk identification and analysis in accordance with the disclosure recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and actively established countermeasures to reduce its impact on our business and finance.

Risk category	Risk description	Risk response
Extreme weather	Extreme weather events caused by climate change worldwide, including extreme rainfall, typhoons, floods, extreme cold weather, etc., may pose significant risks and impacts to the security of the Group's CRM PaaS services, CRM SaaS services and network systems.	The Group will inform employees of the weather conditions prior to the occurrence of an extreme weather event and provide them with information on how to respond to the extreme weather event to ensure continuous availability and stability of services and also store a large portion of its computing resources on a cloud storage system and regularly back up its data.
Environmental changes	The possibility of a fire is increasing due to high temperatures, which may result in the Group facing operational disruption or asset loss.\n\nReducing water resource may lead to higher water bills and higher operating costs.\n\nRising sea levels may inundate data centers in coastal areas, resulting in loss of assets and revenue.	We will regularly overhaul the power system and refrigeration facilities, and continue to improve the refrigeration efficiency through various technical upgrades during the operation phase.\n\nWe have taken a variety of measures to improve water efficiency and continuously improve the awareness of energy conservation and emission reduction among employees. We always pay attention to extreme weather and flood seasons, and organise and carry out flood prevention drills.
Policy and legal risks	Carbon emissions, environmental information disclosure and other relevant laws and regulations, regulatory policies and taxes, mandatory carbon trading, etc., may increase our operating and compliance costs.	We have strengthened energy management and control, and gradually increased the proportion of clean energy. We have a dedicated team that regularly reviews national policies and provides response plans to ensure operational compliance.
Technology risks	If we fail to follow up and apply emerging technologies such as low-carbon technologies and artificial intelligence in a timely manner, our operational efficiency may be reduced, our products may lag behind our competitors, and we will lose our advantage in market competition, which may affect the Group's revenue.	We continue to follow up on market trends, continuously optimise our technologies and products, and also set up an Industry Research Institute to build our think tank assets, aiming to explore cutting-edge technologies and form industry leadership.
Market risks	If the market's preference for low-carbon and green development continues to rise, it may have an impact on clients' preferences and behaviours, and the Group needs to outperform its peers in grasping market change opportunities and responding to the market's low-carbon demand, otherwise it may result in a loss of revenue and market share.	We take into account our clients' preferences and take responding measures accordingly to their needs. We continuously improve our green credibility and social reputation, actively carry out greening and environmental protection publicity work in the community, and enhance our environmental protection image.
Reputational risks	Negative perceptions to Xuan Wu Cloud by stakeholders, such as failure to identify laws and regulations in a timely manner; inaction or slow response to climate change; and poor corporate behaviour, can damage the Company's reputation, affect the Group's earnings, institutional ratings and public reputation, and thus affect its long-term development.	We have an ESG management system in place, which annually reviews the Group's ESG risks, establishes an effective governance structure to regularly assess the impact of climate change-related issues on the Group's reputation, and continuously improves the transparency of our information disclosure on sustainable development.

ESG KEY PERFORMANCE INDICATORS AND INDEX

Aspect	Requirement		Chapter
A1: Emissions	**General Disclosure**\nInformation on:\n(a) the policies; and\n(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.		6.1 Practice Energy Conservation and Emission Reduction
	Note:	Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.	
		Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.	
		Hazardous wastes are those defined by national regulations.	
	KPI A1.1	The types of emissions and respective emissions data.	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	6.1 Practice Energy Conservation and Emission Reduction
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.1 Practice Energy Conservation and Emission Reduction
A2: Use of Resources	**General Disclosure**\nPolicies on the efficient use of resources, including energy, water and other raw materials.		6.1 Practice Energy Conservation and Emission Reduction
	Note:	Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	
	KPI 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).	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.1 Practice Energy Conservation and Emission Reduction\nESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI A2.3	Description of the energy use efficiency target(s) set and steps taken to achieve them.	6.1 Practice Energy Conservation and Emission Reduction
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.1 Practice Energy Conservation and Emission Reduction\nThe Group operates within the leased premises, and the water supply and drainage are controlled by the building management department. Individual users do not have separate household water meters, so only the consumption of bottled drinking water in the Group is recorded
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable.\nThe Group's business does not involve the use of any packaging material.

Subject Area	Disclosure	Reference
A3: The Environment and Natural Resources	**General Disclosure** Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.1 Practice Energy Conservation and Emission Reduction
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.1 Practice Energy Conservation and Emission Reduction
A4: Climate Change	**General Disclosure** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.2 Climate Risk Analysis and Response
	KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.2 Climate Risk Analysis and Response
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.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents / 5.1.2 Employee Benefits and Compensation
	KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents / ESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents / ESG KEY PERFORMANCE INDICATORS AND INDEX
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.	5.1.3 Occupational Health and Caring of Employees
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.1.3 Occupational Health and Caring of Employees
	KPI B2.2 Lost days due to work injury.	5.1.3 Occupational Health and Caring of Employees
	KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.1.3 Occupational Health and Caring of Employees
B3: Development and Training	**General Disclosure** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.1.4 Staff Training and Career Development
	Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.1.4 Staff Training and Career Development / ESG KEY PERFORMANCE INDICATORS AND INDEX
	KPI B3.2 The average training hours completed per employee by gender and employee category.	5.1.4 Staff Training and Career Development / ESG KEY PERFORMANCE INDICATORS AND INDEX
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.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	5.1.1 Flexible, Standardised, and Equal Aggregation of Talents
B5: Supply Chain Management	**General Disclosure** Policies on managing environmental and social risks of the supply chain.	4.4 Supplier Management
	KPI B5.1 Number of suppliers by geographical region.	4.4 Supplier Management
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.4 Supplier Management
	KPI B5.3 Description of practices used to identify environmental and social risks at each stage along the supply chain, and how they are implemented and monitored.	4.4 Supplier Management
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.4 Supplier Management

About the Report   Chairman's Statement   About Xuan Wu Cloud   Determine ESG Strategy   Strengthen Responsible Governance   Innovate Products and Services

Adhere to Client First   Deepen Our People-Centered Approach   Rooted Concept of Environmental Protection   ESG Performance Indicators   Comments Feedback Form

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.		4.2 Product Quality Management
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable. The Group's business does not involve any risk in terms of safety and health.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.2.2 Improve client satisfaction and complaint handling
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.1 Intellectual Property Management
	KPI B6.4	Description of quality assurance process and recall procedures.	4.2.1 Quality management system and processes
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.3 Information Security And Privacy Protection
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.		2.3.1 Adhere to Code of Conduct
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.3.3 Honest training
	KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	2.3.2 Smooth reporting channels
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	2.3.3 Honest training 2.1.3 Sustainable development of Director
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.		5.2 Enthusiasm About Social Welfare
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.2 Enthusiasm About Social Welfare
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	5.2 Enthusiasm About Social Welfare

Total employees by gender, employment type, age group and geographical region			
		Number of employees (person)	Percentage (%)
By gender	Male	563	68.33%
	Female	261	31.67%
By employment type	Full-time	743	90.17%
	Part-time	81	9.83%
By age group	Under 30	465	56.43%
	Between 30 to 50	353	42.84%
	Above 50	6	0.73%
By educational background	Doctoral degree	2	0.24%
	Master degree	54	6.55%
	Bachelor degree	629	76.33%
	Other educational qualifications	139	16.87%
By geographical region	The PRC	824	100%
Total employees		824	

The number of turnovers, number of new hires and turnover rate of employees by gender, age group and geographical region				
		Number of resignations	Number of new hires	Employee turnover rate[1]
By gender	Male	344	296	37.93%
	Female	177	160	40.41%
By age group	Under 30	434	419	48.28%
	Between 30 to 50	87	37	19.77%
	Above 50	0	0	0.00%
By geographical region	The PRC	521	456	38.74%
Total number of turnovers/total number of new hires		521	456	38.74%

The proportion of male and female employees by management, sales, and R&D work				
	Number of males	Percentage	Number of females	Percentage
Senior management	12	92.31%	1	7.69%
Middle management	72	76.60%	22	23.40%
Sales personnel	75	54.35%	63	45.65%
R&D personnel	168	71.19%	68	28.81%

Percentage of employees trained and average training hours				
Number of employees	Number of employees trained	Percentage of employees trained	Total training hours	Average training hours
824	779	94.54%	56,846.50	72.97

1. The formula for calculating the employee turnover rate for the Year is as follows: Employee turnover rate=cumulative number of resignations in this category for the year/(final number of employees in this category for the year + cumulative number of resignations in this category for the year) * 100%, excluding the number of internal job transfers.

Percentage of employees trained by gender and average training hours									
Number of male employees	Number of male employees trained	Percentage of male employees trained	Total training hours of male employees	Average training hours of male employees	Number of female employees	Number of female employees trained	Percentage of female employees trained	Total training hours of female employees	Average training hours of female employees
563	547	97.16%	38,746.4	70.83	261	232	88.89%	18,100.1	78.02

Percentage of employees trained by employee category and average training hours				
Number of senior management	Number of senior management trained	Percentage of senior management trained	Total training hours of senior management	Average training hours of senior management
13	11	84.62%	112	10.18
Number of middle management	Number of middle management trained	Percentage of middle management trained	Total training hours of middle management	Average training hours of middle management
94	90	95.74%	3,688	40.98
Number of junior employees	Number of junior employees trained	Percentage of junior employees trained	Total training hours of junior employees	Average training hours of junior employees
717	678	94.56%	53,046.5	78.24

Percentage of employees trained by age and average training hours				
Number of employees under 30	Number of employees trained under 30	Percentage of employees trained under 30	Total training hours under 30	Average training hours under 30
465	381	81.94%	47,190.34	123.86
Number of employees between 30 to 50	Number of employees trained between 30 to 50	Percentage of employees trained between 30 to 50	Total training hours between 30 to 50	Average training hours between 30 to 50
353	350	99.15%	9,567.16	27.33
Number of employees above 50	Number of employees trained above 50	Percentage of employees trained above 50	Total training hours above 50	Average training hours above 50
6	5	83.33%	89	17.8

Percentage of employees trained by training skills and average training hours		
Number of employees participated in technological trainings	Total training hours participated in technological trainings	Average training hours participated in technological trainings
347	22,635	65.23
Number of employees participated in management trainings	Total training hours participated in management trainings	Average training hours participated in management trainings
162	7,569.5	46.73
Number of employees participated in marketing trainings	Total training hours participated in marketing trainings	Average training hours participated in marketing trainings
140	10,243	73.16

CO_2 emissions	
Type of GHG emissions	2023
	Equivalent CO_2 emissions (kg)
Direct emissions (Scope 1)	None (Note 1)[2]
Indirect emissions (Scope 2)	203,726.00
Total	203,726.00
Intensity	28.28 kg/m^2

Energy and water consumption	
Type of energy	2023
Electricity (kWh)	355,542.76
Energy intensity	49.36 kWh/m^2
Water consumption (tonnes)	103.23
Per capita water consumption	0.13 tonnes/person

Waste management		
2023		
Type of waste	Quantity	Treatment method
Non-hazardous (note 2)[3] food waste and general office waste	0.6 tonnes	Recycle
Non-hazardous intensity	0.73kg/person	/
Hazardous waste-used batteries	227 pieces	Recycle
Hazardous intensity	0.28 pieces/person	/

2.　note 1: Emission data in relation to scopes of direct emissions was not available based on the following reasons: (i) the Group did not own any official vehicle; (ii) the Group's business would not generate significant amount of direct greenhouse gas emissions; (iii) the Group's air-conditioning system was a central system, which was maintained by the property management.

3.　Due to the business nature, the Group does not generate significant hazardous wastes, and therefore the amount of hazardous wastes generated by the Group is minimal and will not cause significant impact on the environment. Non-hazardous waste generated by the Group are mainly food waste and general office waste.

COMMENTS FEEDBACK FORM

Dear Readers,

The Report is published in both English and Chinese versions and is presented in electronic format. The Report may be accessed and downloaded from the HKEXnews website of the Stock Exchange or the website of Xuan Wu Cloud Investor Relations or by contacting us via e-mail.

Thank you very much for reading the Xuan Wu Cloud's 2023 Environmental, Social and Governance (ESG) Report in your busy schedule. We look forward to your comments and suggestions on the report and our efforts. You can send us your valuable feedback by post or email after completing the "Comments Feedback Form".

Thank you!

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1.   What kind of stakeholder do you belong to Xuan Wu Cloud?

☐ Internal management   ☐ Shareholders/ investors   ☐ Internal employees   ☐ Suppliers / business partners

☐ Clients and potential clients   ☐ Governmental departments and regulatory authorities   ☐ Community   ☐ Experts and scholars

☐ Non-governmental organizations   ☐ Public   ☐ Other (Please explain)

2.   Your overall assessment of the Report:

☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor

3.   Your assessment of our fulfillment of social and environmental responsibilities:

Social responsibilities   ☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor
Environmental responsibilities ☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor

4.   What do you think about the clarity, accuracy and completeness of the information, data and indicators disclosed in the Report?

Clarity   ☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor
Accuracy   ☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor
Completeness   ☐ Good   ☐ Better   ☐ Fair   ☐ Worse   ☐ Poor

5.   Do you think the Report is easy-to-read in both content and layout?

☐ Yes   ☐ Fair   ☐ No

6.   Any other comments and suggestions you may have about our work and the Report:

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We welcome all investors to follow us continuously through the Xuan Wu Cloud Investor Relations official account, and you can communicate and interact with us by scanning the QR code. We attach great importance to the communication and interaction with our investors in order to share the latest developments and important information of our Company in a timely manner.

Please feel free to put forward your questions and feedback, and we will be dedicated to serve you. Thank you for your support.