



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

(INCORPORATE IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE: 580

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



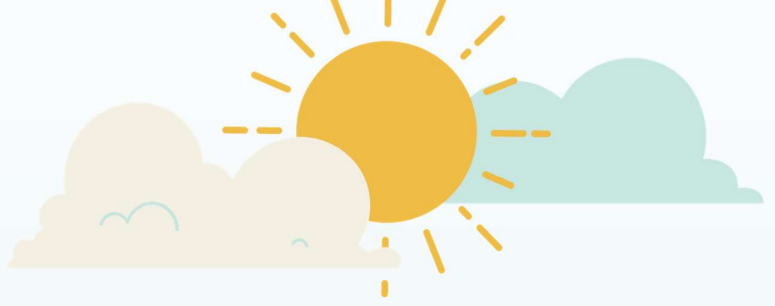


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THE CHAIRMAN'S STATEMENT

The environmental, social and governance ("ESG") philosophy has been increasingly recognised and widely promoted around the world in recent years, and has become an important assessment standard to measure the comprehensive value of listed companies. As an enterprise that promotes development with scientific and technological innovation as the core, we are well aware that the high-quality development of an enterprise requires more attention to be paid to environmental protection, active assumption of social responsibilities and improvement in corporate governance standard. Therefore, we have been integrating the ESG philosophy into the whole process of production and operation of the Company, continuing to instill them from the top, and through exploration and practices, strive to make contribution to building a healthy ecological environment and harmonious social relations while promoting the sustainable development of the Company.

With the profound transformation of the global energy structure represented by the rapid development of new energy, the Group adheres to its corporate mission of "promoting the development of green energy through scientific and technological innovation", and is committed to providing a variety of core electrical and electronic components and innovative technologies for the new energy industry and the construction of new power systems. In 2023, we not only achieved remarkable results in our business, but also actively practiced the ESG philosophy, strengthened our ESG management, and established a sound ESG governance structure to improve the ESG performance. On behalf of the Board of the Company, I would like to present to you the Group's ESG practices and achievements.

In terms of the environment, we are committed to supporting the development of key technologies for new energy transmission (ultra-high voltage direct current (UHVDC) and flexible direct current (DC) transmission) with a variety of core components and devices, and promoting the efficient use of clean energy. In addition, our products are also widely used in wind power, photovoltaics, electric vehicles, electrified vessels, energy storage, industrial control and energy saving and many other new energy equipment and low-carbon environmental-friendly products, so as to promote clean energy and reduce environmental pollution. While innovating and developing new products and technologies to support the development of new energy, we have also begun to promote the construction of a green energy system. In 2023, one of the Group's subsidiaries was awarded the title of "Green Factory" at the municipal level. A distributed rooftop photovoltaic power generation system built by Jiashan Sunking has also been connected to the grid, and will soon provide clean electricity for several subsidiaries. We wish to achieve environmental protection of raw materials, clean production, waste recycling, and low-carbon energy by creating a green environment, promoting a green supply chain, and improving green production lines, and strive to build more green factories and green industrial parks within the Group.

Regarding the society, we pay attention to employee growth and development, protect their occupational health and safety, provide them with a good working environment and career path, and maintain a stable and harmonious labour relationship. We pay attention to the construction of talent pool and team building, and regularly invite external professionals to conduct technical and management training, and arrange middle and senior management to visit benchmarking enterprises

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for exchange and learning. The introduction of talents through multiple channels, widening of channels for cultivation of talents, and scientific, efficient and proper use of talents are guarantees for the high-quality development of the enterprise, while quality assurance of products is the key to winning market trust and be competitive. At the same time, we continue to improve our anti-corruption mechanism, firmly avoid fraudulent activities, create a clean working environment, continue to support public welfare undertakings and care for the disadvantaged. In 2023, the Group made donations to public welfare organizations and undertakings such as Jiashan Charity Foundation (嘉善慈善基金會), Wuxi Huishan Development Zone Charity Association (無錫市惠山開發區慈善會), and "China Good Children in the New Era (新時代中國好兒童)", making our modest contribution to spread the message of benevolence. We firmly believe that a great enterprise should not only pursue economic benefits, but also devote itself to social well-being and attain the common development of enterprises and society.

In respect of governance, a diversified Board provides more ideas and options for the Company's decision-making, which will improve its risk prevention and control capabilities and decision-making quality, and boost innovative ideas. The Board leads by example, instills a corporate culture from the top, upholds disciplined operations, transparent management, and respects and communicates with shareholders. We will continue to improve the governance structure and raise the governance standard to ensure the sound operation and sustainable development of the Group and create long-term value for the Company and its shareholders.

Looking forward, we will continue to uphold the ESG philosophy, strengthen technological innovation and industrial upgrading, and drive the Company to make more outstanding achievements in various fields of the new energy industry. We wish to work hand in hand with friends and partners from all walks of life to practice the "dual carbon" strategy and create the future with green energy.

Xiang Jie

Chairman of the Board

SCOPE

This is the eighth Environmental, Social and Governance report (“**Report**”) of Sun.King Technology Group Limited (the “**Company**”, and collectively with its subsidiaries referred as the “**Group**”), highlighting ESG performance, with disclosure made pursuant to the ESG Reporting Guide as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Main Board Listing Rules**”). Climate-related disclosures are aligned with the Task Force on Climate-Related Financial Disclosures (“**TCFD**”) framework.

The principal activities of the Group are the trading and manufacturing of power electronics components and system, which mainly are applied in power transmission and distribution, electrified transportation, and other industries.

As the Group’s major operations are in Chinese Mainland, and over 95% of the Group’s revenue are attributable to customers located in Chinese Mainland and non-current assets are located in Chinese Mainland, this ESG report covers the overall environmental and social performances of all subsidiaries in Chinese Mainland. The principal subsidiaries in Chinese Mainland are as follows,

- Beijing Sunking Power Electronics Technology Co. Ltd. *(“**Beijing Sunking**”);
- Jiashan Sunking Capacitor Co. Ltd. (“**Jiashan Capacitor Co.**”)*;
- Jiashan Sunking Power Equipment Technology Co. Ltd*. (“**Jiashan Sunking**”);
- Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd. *(“**Sunking Semiconductor Zhejiang**”);
- Wuhan Langde Electrics Co. Ltd. (“**Wuhan Langde**”)*;
- Wuxi Sichuang Power Electronic Technology Co. Ltd.* (“**Wuxi Sichuang**”);
- Wuxi Sunking Power Capacitor Co. Ltd.* (“**Wuxi Sunking**”);
- Zhejiang Jiashan Keneng Power Equipment Technology Co. Ltd.* (“**Zhejiang Jiashan Keneng**”);
- and
- Zhejiang Saiying Power Technology Co., Ltd *(“**Zhejiang Saiying**”).

Note: the English names of all the above companies are direct translations of their registered Chinese names.

While the Group also has offices for manufacturing and research and development activities located in Hong Kong, Germany, Netherlands, and Switzerland, the environmental and social performance of those operations shall not be considered to be within the reporting scope of this Report. Nevertheless, the Group complies with all relevant laws and regulations of the above-mentioned regions, and shall elaborate as necessary if needed.

For the Group’s corporate governance practices, please refer to the section headed “Corporate Governance Report” on page 16 to 24 of Annual Report 2023.

REPORTING PERIOD

This ESG report details the Group’s activities, challenges, and measures in ESG aspects from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”), unless otherwise stated.

REPORTING PRINCIPLES

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix C2 to the Listing Rules of the Stock Exchange (the “Guide”). The contents covered herein are in compliance with the provision of “Comply or Explain” as well as four reporting principles of materiality, quantitative, balance and consistency required in the Guide.

Materiality – Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the Report.

Quantitative - Key performance indicators (“KPI”s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – The Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.

Consistency – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

THE GROUP’S FUTURE DEVELOPMENT AND COMMITMENTS

With rising emphases on developing sustainably, there comes with opportunities and risks associated with the environmental and social discourse. In face of such uncertainty, the Group will actively adjust its development plans according to the market trends. It hopes to better manage ESG-related risks in relation to future business development and operate with high ethical standards. With a long-term goal of expanding its operations, the Group will make use of opportunities and avoid risky investments to achieve an effective whilst stable business growth.



BOARD STATEMENT ON SUSTAINABILITY GOVERNANCE

The Group strives to create value for its shareholders and fulfil its corporate social responsibility at the same time. Our corporate social responsibility structure comprises of three parts, the Board of Directors (the “**Board**”), the strategy and sustainability committee, and the ESG Working Group.

The Board is committed to implementing ESG philosophy into the Group’s business operation. The Board has ultimate oversight and is overall responsible for the Group’s ESG matters. The Board monitors ESG-related risks and opportunities and reviews the progress made against the ESG-related goals. The Board formulates ESG strategies and policies, considering ESG-related risks and opportunities as part of the Company’s overall strategic planning, and oversees the implementation of decision of ESG-related matters. In addition, the Board reviews the Company’s ESG report annually and other disclosures.

In order to identify potential risks and better manage the Group’s ESG performance the Board, with the assistance of the strategy and sustainability committee and the ESG Working Group, conducts annual materiality assessments, taking into account the views of various stakeholders, to assess and prioritise key ESG-related issues. The Group ensures that various communication channels including platforms are available for contacting, listening to, and responding to major stakeholders. Through periodic communications with stakeholders, the Group may better understand their expectations and concerns. The Group evaluates the materiality of each ESG aspects through the below steps:

- (i) the Group identifies ESG-related matters;
- (ii) the priority of key ESG areas in which the stakeholders engaged; and
- (iii) based on the results of stakeholder communication, verifies and determines major ESG-related matters.

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Through these procedures, the Group gains better understanding of stakeholders' expectations and concerns regarding different ESG matters, which in turn allows the Board to establish the sustainability direction to cope with major ESG-related issues in the future, and to adjust its sustainability plan as needed to align with the long-term business strategy of the Group.

The Strategy and Sustainability Committee provides recommendations to the Board on the Group's sustainable development strategy, including sustainable development vision, goals, strategies, policies, etc., supervises the implementation of the Group's sustainable development strategy, reviews environmental, social and governance-related reports, and promotes other environmental, social and governance related work to implement regulatory requirements.

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

In order to identify the most significant aspects for the Group to report on for this ESG report, the Group regularly collects views and discusses ESG matters with stakeholders through a variety of channels as follows:

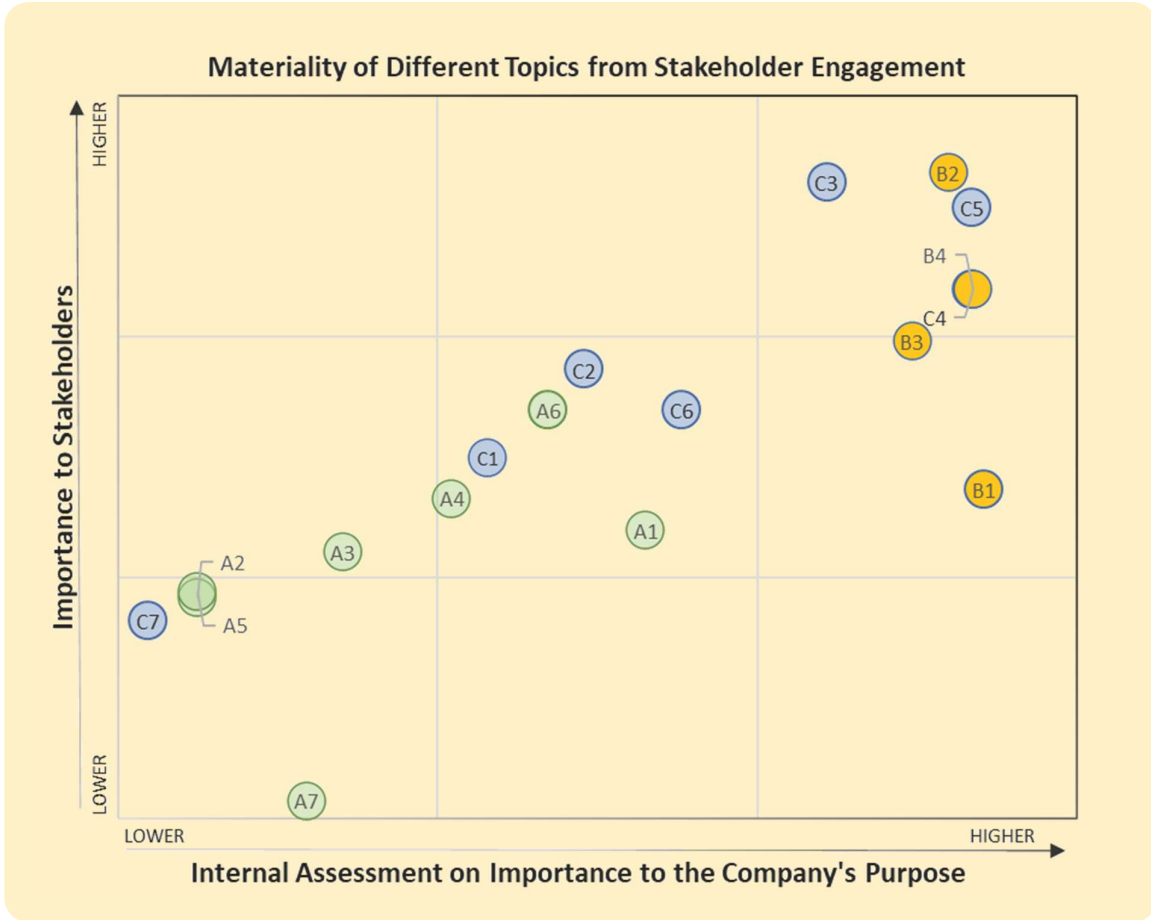
Stakeholder Type	Communications Channels	Expectations
Employees	<ul style="list-style-type: none">Regular performance evaluationTraining and seminarsInternal communicationsEmployee satisfaction surveyVarious staff activities	<ul style="list-style-type: none">Remuneration and benefitsEqual opportunitiesCareer developmentOccupational health and safety

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	<ul style="list-style-type: none"> • Labour union 	
Shareholders and Investors	<ul style="list-style-type: none"> • Annual general meeting • Announcement and circular • Periodic reports (including financial reports) • Investor conference • On-site investigation 	<ul style="list-style-type: none"> • Financial performance • Information transparency • Safeguard the interest of shareholders • Compliance operation
Customers	<ul style="list-style-type: none"> • Customer service hotline and email • Company's website • Customer satisfaction survey • Customer visit 	<ul style="list-style-type: none"> • Product safety and quality • Customer service • Customer's privacy protection
Suppliers	<ul style="list-style-type: none"> • Site visits • Correspondence • Conference 	<ul style="list-style-type: none"> • Supply chain management • Fair and open procurement • Long-term partnership
Government and Regulatory Bodies	<ul style="list-style-type: none"> • Regular performance monitoring and evaluation • Written or electronic communication • Government press release 	<ul style="list-style-type: none"> • Comply with laws and regulations • Corporate governance
Local Community	<ul style="list-style-type: none"> • ESG Report • Community service activities 	<ul style="list-style-type: none"> • Environmental protection • Corporate social responsibility • Community activities • Employment opportunities

When issues have been identified, they are discussed as an issue of the corporate culture. The Group also emphasises the importance of paying attention to issues and giving appropriate response to arising problems. Solutions to relevant topics are regularly explored on, such that relevant issues can be addressed and resolved.

During the Reporting Period, the Group has specifically engaged board members, senior management, frontline employees, suppliers, contract staff, and regulators through its annual materiality assessment in the form of surveys to gain further insights on ESG aspects that are deemed material, and to identify relevant challenges that they may induce. A materiality assessment has then been produced according to the engagement as follows:



Environmental Practices		Labour Practices		Operational Practices	
A1	Energy	B1	Employment	C1	Supply Chain Management
A2	Water	B2	Occupational Health and Safety	C2	Intellectual Property
A3	Air Emission	B3	Development and Training	C3	Data Protection
A4	Waste and Effluent	B4	Labour Standards	C4	Customer Service
A5	Other Raw Materials Consumption			C5	Product/Service Quality
A6	Environmental Protection Measures			C6	Anti-corruption
A7	Climate Change			C7	Community Investment

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According to the assessment, the top five material topics to the Group are therefore:



The Group aims to keep close communication with its stakeholders for the identified aspects and continue to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development. In alignment with the Group’s vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders.

STAKEHOLDERS’ FEEDBACK

The Company welcomes stakeholders’ feedback on its environmental, social and governance approach and performance. Please give your suggestions or share your views with the Group via the following methods:

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

Email: info@sunking-tech.com

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



GREEN DEVELOPMENT

The Group has always upheld the operating strategy of green and sustainable development, and therefore the Group instils environmental protection concepts and implements relevant environmental policies from top to bottom, which includes the effective control of pollutants emissions, reduction of green gas emissions, reasonable use of resources, and ecological construction. The Group has reviewed its environmental risk management, and is committed to fulfilling its ecological protection responsibilities while pursuing economic benefits.

During the Reporting Period, the environmental management activities involved by design, development, production and sales of the Group’s main products as following and sites have been certified for compliance with GB/T 24001–2016/ISO 14001:2015 environmental management system, which effectively drives environmental management work.

Reactors	Power capacitors and power capacitor installations
IGBT chip, Diode chip, IGBT module	Capacitor for flexible HVDC
Power electronic switches(AC solid-state switches, DC circuit breaker, pulse power switches);	Online monitoring system for transmission, transformation and distribution;
Laminated busbars	Computer information system integration and online monitoring system software;
High-voltage static dynamic reactive power compensator device	Infra-red thermal imager and partial discharge tester



During the Reporting Period, Jiashan Sunking was listed as a “Green Factory” by Jiaxing, Zhejiang. Going forward, the Group shall continue to build green manufacturing system, as to promote high quality development within the Group.



During the Reporting Period, distributed rooftop photovoltaic power generation system constructed by Jiashan Sunking successfully connected to power grid. Photovoltaic power will not only fulfil the demand for electricity of several subsidiaries of the Company, but also reduce the impact on the environment, thus aligning with sustainability and vision of green energy.



EMISSIONS

In view of the potential environmental impact of the operation process (i.e. generating waste gas,

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wastewater and waste), the Group focuses on implementing emissions policies and enhancing emissions management to promote clean production and green office.

During the Reporting Period, the Group complied with national and local laws and regulations concerning emissions and waste resulting from its operations, including but not limited to:

- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- PRC Emission Limits of Air Pollutants (DB44/27-2001);
- Water Pollution Prevention and Control Law of the PRC;
- PRC Discharge Limits of Water Pollutants (DB44/26-2001);
- Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes; and
- Standard for Pollution Control on Hazardous Waste Storage (GB18597-2023).

Effective Control of Exhaust Air Emissions

During the production process, the Group generates various air emissions. For effective control of air emissions, the Group has formulated the systems related to management of air emissions and disposal measures, including the Pollutant Emission Control Procedures and the Environment Pollution Treatment Facility Control Procedures. Going forward, the Group will continue to monitor its air emissions and treatment procedures.

For major organised air emissions (such as welding fumes, potting exhaust gas, plastic injection exhaust gas, etc.), the Group has actively implemented various treatment methods as shown in the table below to ensure that organised emissions meet national and local environmental standards.

Air Emission	Welding Fume	Potting Exhaust Gas and Plastic Injection Exhaust Gas	Flue Gas from Spray-Paint and Flue Gas from Drying Spray-Paint	Shot Blasting Exhaust Gas	Welding Exhaust Gas, Washing Exhaust Gas, and Solidified Exhaust Gas
Pollutant Type	Particles	Non-Methane Hydrocarbons	Paint Mist / Xylene	Iron Particles	Non-Methane Hydrocarbons
Treatments	Exhaust gas collection device with filter cartridge dust removal device	Vacuum pump suction with activated carbon absorption device	Water-curtain type paint fume treating equipment Environmentally friendly spray-painting facility with activated carbon processing	Textile dust bag treatment	Textile dust bag at the suction outlet with level 2 activated carbon absorption device Gas collecting hood with level 2 activated carbon absorption device

Whereas for minor unorganised emissions, such as dust generated during the production process, their environmental impact is reduced by equipping ventilation facilities, enhancing ventilation, and

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conducting timely cleaning for dust reduction to ensure that unorganised emissions also meet national and local environmental standards.

During the Reporting Period, the Group has always monitored its exhaust gas treatment procedures, which include regular inspections and maintenance of environmental friendly facilities such as dust collection device to ensure their effective operation, and regular replacement of dust collection materials such as activated carbon, and the exhaust gas emission generated from the Group's production was tested and proven to be in line with the emission standard. While controlling its exhaust gas emission within the emission standard, the Group also discussed further possible measures to reduce its emissions of exhaust gases and pollutants to the greatest extent. To this end, the Group will strengthen its refined management, including the improvement of production technology and employee production skills, optimization of the layout, upgrade, and innovation of environmental protection facilities.

In addition, emissions from vehicles occur during the Group's operations. The Group strictly follows relevant laws and regulations, and implements national and local policies relating to the prevention and control of motor vehicle pollution. These policies include the use of unleaded fuel and low sulphur fuel for its vehicles, and the elimination of substandard vehicles among the Group's vehicle fleet. The Group has formulated the Office Vehicles Management Measures and Vehicle Management System, which lay out the acquisition, use, maintenance, and retirement process of company vehicles. In order to ensure the reasonable allocation and efficient use of vehicles, the Group also conducts annual review on the management of its vehicles, and accordingly makes better improvement. The Group also performs replacements for old-age or inefficient vehicles.

According to the Drivers' Behaviour Guidelines established by the Group, drivers are required to switch off the engine when the vehicle is idle or not in use, to plan routes in advance to optimise fuel consumption, and to maintain regularly vehicles to ensure performance does not hinder fuel efficiency, etc.

During the Reporting Period, the Group reviewed the management of its vehicles, including number and use frequency of existing vehicles, vehicle scheduling, maintenance and wear-out. The Group performed replacement for a forklift and certain cars that are old-age and inefficient. See below for the breakdown of air emissions during the Reporting Period, as well as comparisons with previous years.

Type of Air Emission	2023 Emission (in kg)	2022 Emission (in kg)	2021 Emission (in kg)
Nitrogen Oxides (NO _x)	45.90	31.16	37.37
Sulphur Oxides (SO _x)	1.08	0.71	0.96
Particulate Matter (PM)	3.38	2.29	2.75

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Total	50.36	34.16	41.08
Employee Intensity (g/Chinese Mainland employee) ^{Note 1}	62.95	43.91	64.79

Note 1: As of 31 December 2023, the employee count in Chinese Mainland is 800.

As the effects of the COVID-19 pandemic have begun to subside during the Reporting Period, the Group's use of vehicles have started to return to pre-pandemic levels, resulting in the increase of total non-GHG air emissions as compared to 2022 and 2021.

While the Group had not previously set any environmental targets for non-GHG air emissions; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding non-GHG air emissions, the Group has set its target to achieve a 10% reduction in non-GHG air emissions intensity in 10 years from 2023, or by 2033. To achieve this target, the Group will persist in implementing and continuously optimizing the above-mentioned measures regarding company vehicles. In addition, as the performance of new energy vehicles improves and the market becomes more popular, the Group will also consider gradually replacing existing vehicles with new energy vehicles.

Continual Green and Low-Carbon Management

During the Reporting Period, the Group's greenhouse gas ("GHG", mainly carbon dioxide, methane and nitrous oxide) emissions were contributed by:

- Scope 1 – Direct Emissions from operations that are owned by or controlled by the Group;
- Scope 2 – "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group; and
- Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions.

The Group attaches great importance to its energy saving and emission reduction action plans, and has continued to refine its green and low-carbon management during the Reporting Period. Apart from the above-mentioned policies for company vehicles, the Group has also established a series of company policies and procedures regarding use of production and office equipment, consumption of office supplies, business travel, and water and electricity conservation to strengthen the Group's environmental management.

During the Reporting Period, other than measures regarding vehicles, the Group has continuously adopted the following measures to reduce GHG emissions:

- Perform regular maintenance and replacements for old-age or inefficient production and office equipment;
- Encourage employees to use public transport, new energy vehicles, and other green transport means for work;
- Expand the use of renewable energy, such as installing solar-powered street lights in factory areas, and further installing photovoltaic power generation systems;

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- Implement various measures, such as management and control over the operation of manufacturing equipment based on production plans, turning off the power on a timely basis, and maintaining reasonable temperature settings for air-conditioning, as to ensure power-consuming devices are utilised with little wastage;
- Regulate routes on business air travel and encourage the use of conference call, video conference, and other digital means to hold and participate in meetings, in order to reduce the number of business travels; and
- Conduct energy-saving and environmental protection trainings and promotions through corporate communication, displays on notice board, posting slogans, and arranging regular seminars, to promote corporate culture of environmental protection and to raise awareness on green and low-carbon development.

The Group will further monitor and optimise its carbon reduction measures to facilitate China in achieving its goal of “carbon peak by 2030 and carbon neutrality by 2060”.

See below for the detail breakdown of GHG emissions during the Reporting Period, as well as comparisons with previous years.

Scope of GHG	Emission Sources	2023 Emission (in tCO ₂ e)	2022 Emission (in tCO ₂ e)	2021 Emission (in tCO ₂ e)
Scope 1 Direct Emissions	Combustion of petrol in group-owned vehicles ^{Note 1}	191.98		
	Combustion of diesel in group-owned vehicles ^{Note 1}	2.89	254.83	275.57
	Combustion of diesel in stationary sources ^{Note 1}	0.02		
Scope 2 Energy Indirect Emission	Purchased electricity ^{Note 2}	6,752.37	9,338.43	40,469.51
	Purchased steam ^{Note 3}	2,112.40	N/A ^{Note 4}	0.00
Scope 3 Other Indirect Emissions	Paper waste disposal ^{Note 1}	33.94		
	Electricity used for processing fresh water and sewage by third party handler ^{Note 5}	76.59		N/A ^{Note 6}
	Business air travels ^{Note 7}	246.88	76.08	54.05

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Total	9,417.06	9,669.34	40,799.13
Employee Intensity (tCO₂e/Chinese Mainland employee) ^{Note 8}	11.77	12.43	64.35

Note 1: Emission factors were made reference to Appendix C2 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

Note 2: According to The Ministry of Ecology and Environment of People's Republic of China (2022): Emission factor of 0.5703 tCO₂e/MWh was used for purchased electricity from the National Grid of the PRC in 2023.

Note 3: According to Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of China's Coal Production Enterprises (For Trial Implementation) (2015): Emission factor of 0.11 tCO₂e/GJ was used for purchased steam in PRC in 2023.

Note 4: The Group had also purchased steam in 2022, however the Group did not record steam enthalpy, thus corresponding GHG emissions cannot be calculated.

Note 5: According to Water Supplies Department Annual Report 2021/22, and Drainage Services Department Sustainability Report 2020-21: Emission factor of 0.435 kgCO₂e/m³ was used for processed fresh water in 2023, whereas emissions factor of 0.21915 kgCO₂e/m³ was used for processed sewage in 2023.

Note 6: To better reflect the Group's environmental performance, the Group has started to disclose the Scope 3 emissions from water treatment and paper waste disposed at landfills in 2023.

Note 7: CO₂ emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

Note 8: As of 31 December 2023, the employee count in Chinese Mainland is 800.

While the Group had previously set the environmental target of reducing the intensity of GHG emissions over the next three years as compared to 2021; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding GHG emissions, the Group has set its target to achieve an 10% reduction in GHG emissions intensity in 10 years from 2023, or by 2033.

Implementations of Hazardous Waste Disposal and Mitigation Measures

During the Reporting Period, the Group's generation of hazardous waste from operations and production mainly include waste organic solutions, sealing materials waste, waste paint residue, waste activated carbon, and oil and water mixtures. For which the Group has established the Hazardous Waste Management System, Solid Waste Emission Control Procedures, Safe Management Procedures for Hazardous Waste, and Waste Storage Management System to regulate its management of hazardous waste generated from the production process, including their collection and subsequent disposal. In order to effectively identify and handle hazardous waste, production departments have designated areas where waste is sorted, located and labelled, and then transferred to centralised waste storage. Hazardous waste is stored in hazardous waste warehouse and disposed of on a regular basis by qualified companies commissioned by the Group. The Group has prepared the Hazardous Waste Management Ledger to monitor and record its disposal of hazardous waste generated from the production process. The Group has also formulated the Hazardous Waste Accident and Emergency Plan to address possible hazardous waste accidents in a timely and accurate manner, so as to reduce harm and damages as much as possible.

During the Reporting Period, the Group collected and disposed of hazardous waste in strict accordance with regulations to ensure that there is no adverse impact on the surrounding environment. The Group

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strictly produced based on received orders to avoid the production of sluggish and scrapped products. In addition, the Group insisted on comprehensive quality control of raw materials and regular training of employees' operating skills to improve the utilization rate of raw materials and the qualification rate of each production process, thereby reducing the generation of hazardous waste.

Furthermore, the Group also generated a small amount of hazardous waste in its daily operations, such as waste batteries, waste toner cartridges, and waste electronic products. The Group implemented garbage classification and places garbage classification bins for each department or office floor. The administrative department is responsible for transferring the classified waste to the garbage storage area of the factory or industrial park on a daily basis, which would be finally collected and processed by the garbage removal company. The Group continues to carry out garbage classification publicity and education activities and garbage classification knowledge training to guide employees to actively participate in garbage classification and correctly classify garbage. Implementing garbage classification can not only reduce environmental pollution, but also allow the Group to make better use of resources.

See below for the emissions and intensity of hazardous waste of the Group during the Reporting Period, as well as comparisons with previous years.

Hazardous Waste	2023 Amount (in tonnes)	2022 Amount (in tonnes)	2021 Amount (in tonnes)
Total	53.59	53.88	42.70
Employee Intensity (tonnes/Chinese Mainland employee) ^{Note 1}	0.067	0.069	0.067

Note 1: As of 31 December 2023, the employee count in Chinese Mainland is 800.

While the Group had previously set the environmental target of reducing the intensity of hazardous waste emissions over the next three years as compared to 2021; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding hazardous waste emissions, the Group has set its target to achieve an 10% reduction in hazardous waste emissions intensity in 10 years from 2023, or by 2033.

Implementations of Non-Hazardous Waste Disposal and Mitigation Measures

The Group's operations have resulted in the generation of non-hazardous waste during the Reporting Period. In daily operations, the Group takes various measures to collect and recycle waste. The Group's production department centrally stores iron filings and scrap steel generated during the production process in the warehouse. As per its Waste Storage Management System and Waste Sales Management System, the Group's administrative department periodically sells wastepaper, iron filings, and scrap steel from its production and office work processes to recycling companies.

The Group implements a garbage classification policy, and tries to reduce the generation of garbage from the source as much as possible. The Group strictly approves and controls the quantity of office

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supplies issued, and has adopted a variety of electronic systems to expand paperless office. The Group encourages employees to establish a sense of conservation and improve resource utilization starting from their own positions, such as circulating electronic files, double-sided printing, or photocopying as much as possible. In addition, the Group has also launched initiatives to its suppliers to conserve resources and reduce excessive packaging.

See below for the detail breakdown of non-hazardous waste generation of the Group during the Reporting Period, as well as comparisons with previous years.

Type of Non-Hazardous Waste	2023 Amount (in tonnes)	2022 Amount (in tonnes)	2021 Amount (in tonnes)
Household Garbage	482.31	407.57	222.00
Iron Filings	2.41	2.10	1.75
Scrap Steel	0.09	0.30	0.99
Waste Paper Products	70.70	5.20	4.60
Office Paper	4.65	4.03	5.91
Used Bubble Wrap	0.82	N/A	N/A
Total	560.98	419.20	235.25
Employee Intensity (tonnes/Chinese Mainland employee) ^{Note 1}	0.70	0.53	0.37

Note 1: As of 31 December 2023, the employee count in Chinese Mainland is 800.

While the Group had previously set the environmental target of reducing the intensity of non-hazardous waste emissions over the next three years as compared to 2021; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding non-hazardous waste emissions, the Group has set its target to achieve an 10% reduction in non-hazardous waste emissions intensity in 10 years from 2023, or by 2033.



USE OF RESOURCES

The Group has incorporated the concept of resource conservation and environmental protection into its business operations, and is committed to optimising the use of resources in its operations. In order to improve the efficiency of use, the Group has formulated a series of management systems for the use of water, electricity, motor fuel, and other resources, and has identified the responsible management departments and penalty mechanisms to minimise the consumption of resources.

Regarding the consumption of raw materials, the Group has implemented a timely production system and adopted a requisition system for raw materials to avoid a large-scale backlog of inventory.

Management of Energy Consumption and Efficiency Initiatives

In addition to the fuel used by its vehicles, the Group also uses electricity and steam in its operations. The Group has formulated the Resource and Energy Management and Control Procedures and the Management Rules on Electricity Conservation to manage its energy consumption. The Group promotes energy conservation in daily office work and strictly implements energy-saving measures. Regarding energy consumption in production, the Group has always arranged production according to volume of orders to reduce energy waste. The Group also closely monitors and evaluates electricity and steam consumption, and investigates any abnormal or excessive consumption for identifying the causes and implementing corrective measures.

The Group is committed to identifying feasible opportunities to reduce energy consumption in its operations. When acquiring equipment, the Group would avoid purchasing energy intensive office and production equipment. The Group continues to optimize its lighting system, such as replacing energy-saving light sources and installing smart lighting control systems to achieve functions such as sensor control, timer switches and brightness adjustments, as to optimise lighting energy consumption. The Group eliminates energy-intensive, inefficient, obsolete, or outdated production equipment and the equipment used is also regularly maintained and retrofitted to save energy. In addition, the Group continuously optimises the proportion of electricity and steam usage based on the characteristics of the production process to maximise reduction in production energy consumption.

See below for the detail breakdown of energy consumption of the Group during the Reporting Period, as well as comparisons with previous years.

Type of Energy Source	2023 Consumption (in MWh)	2022 Consumption (in MWh)	2021 Consumption (in kWh)
Direct Energy Consumption	648.62	481.05	638.70
Petrol ^{Note 1}	637.52	467.76	633.31
Diesel ^{Note 1}	11.10	13.29	5.39
Indirect Energy Consumption	17,174.36	11,760.08	51,115.83
Purchased Electricity	11,840.02	11,760.08	51,115.83
Purchased Steam	5,334.34	N/A ^{Note 2}	0.00
Total	17,822.98	12,241.13	51,754.53
Employee Intensity (MWh/Chinese Mainland employee) ^{Note 3}	22.28	15.73	81.63

Note 1: Conversion factors were referred to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

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Note 2: The Group had also purchased steam in 2022, however the Group did not record steam enthalpy, thus corresponding energy consumption cannot be calculated.

Note 3: As of 31 December 2023, the employee count in Chinese Mainland is 800.

While the Group had previously set the environmental target of reducing the intensity of total energy consumption over the next three years as compared to 2021; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding total energy consumption, the Group has set its target to achieve an 10% reduction in total energy consumption intensity in 10 years from 2023, or by 2033.

Management of Water Consumption and Efficiency Initiatives

Given the geographical location of its operations, the Group did not encounter any problems in sourcing water. The Group monitors its water consumption to further improve its water consumption management. The Group utilises water in its production process. Through skills training for employees, technical inspection of water system, improvement of functions of water-consuming equipment, reuse of water, and other measures, the Group reduces its water consumption wherever possible. Furthermore, for the green and scenic facilities within its plant, the Group prioritises the use of recycled water.

The Group encourages all employees to develop the habit of conscientious water conservation in order to reduce water consumption in the office. To promote water conservation, the Group has posted water saving slogans at its operations, such as turning off water taps when they are not in use, to educate and guide employees to use water wisely. In addition, the Group regularly conducts technical inspection of water system and requires its employees to report leaks in taps or water pipes to the relevant departments in a timely manner.

The Group also continues to prevent and control water pollution. During the Reporting Period, the Group strictly implemented wastewater disposal measures and its wastewater was tested to meet discharge standards. See below for the consumption and intensity of water resources of the Group during the Reporting Period, as well as comparisons with previous years.

Water Consumption	2023 Amount (in m ³)	2022 Amount (in m ³)	2021 Amount (in m ³)
Total	117,087.40	177,574.52	196,200.38
Employee Intensity (m³/Chinese Mainland employee)^{Note 1}	146.36	228.24	309.46

Note 1: As of 31 December 2023, the employee count in Chinese Mainland is 800.

While the Group had previously set the environmental target of reducing the intensity of water consumption over the next three years as compared to 2021; going forward, the Group shall be setting quantitative environmental targets to measure its progress in sustainability. Regarding water

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consumption, the Group has set its target to achieve an 10% reduction in water consumption intensity in 10 years from 2023, or by 2033.

Packaging Materials

During the Reporting Period, the Group's operations involved the regular use of packaging materials, which include foam, cardboard, and wooden boxes. In order to optimise its packaging methods, the Group's plant management specifies the most suitable and efficient material for each production item. However, the Group is not able to quantify the weight of the packaging as the specifications of the packaging materials vary depending on the model of the products. The Group will closely monitor its packaging material consumption to formulate measures that further optimise and reduce the use of packaging materials.

See below for the detail breakdown of packaging material consumption of the Group during the Reporting Period, as well as comparisons with previous years.

Type of Packaging Material	2023 Amount (in pieces)	2022 Amount (in pieces)	2021 Amount (in pieces)
EPE Foam Sheet	725,629	426,637	149,789
Paper Box	21,867	18,117	5,942
Wooden Box	10,236	8,068	5,308
Plastic Box	69,968	48,101	1,126
Static Bags and Air Bubble Bags	9,386	9,040	142



THE ENVIRONMENT AND NATURAL RESOURCES

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact on the environment and society while bringing sustainable growth and profit.

Significant Impacts of Activities on The Environment

To create a harmonious and beautiful environment for production and office employees, the Group has planted trees and grass in the garden area, arranged green plants and flowers in the office area, and performed daily maintenance and management to ensure that the garden area is clean and tidy, and the plants are always green in all seasons. The Group regularly carries out activities such as voluntary work and tree planting to beautify the environment.

The Group's productions generate exhaust gases, and its mechanical electrical equipment also generate noise. The Group monitors and regularly measures the noise, exhaust gases, dusts, and fumes generated, and takes measures to reduce exhaust gas and noise. The Group also installs safety precautions for toxic and flammable gases to avoid harm to people and the environment.



The awareness of the public for climate change is increasing and climate change is one of the most frequently discussed topics in the international arena. The Group is aware that climate change is a serious threat and agrees with the latest scientific findings of the IPCC regarding climate change. The Group recognises the importance of identifying and mitigating significant climate-related issues and pays close attention to the potential impact of climate change on the Group's business and operations, and is committed to managing potential climate-related risks that may affect the Group's business activities.

The Group has taken further steps to disclosing its climate-related information aligning with the four core elements, namely, Governance, Strategy, Risk Management, and Metrics and Targets of TCFD recommendations on climate-related financial disclosure.

Governance

The Group recognises that energy consumption, GHG emissions, and climate change are important aspects of environmental protection which have significant impact on its operations, and thus the Board and senior management have developed a risk management system around formulating countermeasures and strategies for any risks or opportunities that may arise from climate change.

Furthermore, the Group has included carbon footprint reduction as one of its long-term goals, and has pledged to reduce greenhouse gas emissions of its operations as well as its supply chain. For further details of the Group's ESG governance, please refer to the section "Sustainability Governance".

Strategy

The Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

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Climate Risks	Time horizon	Trend	Potential financial impact	
Physical Risks	Acute	Short term	Increase	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources.
	Chronic	Long term	Increase	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.
Transition Risks	Technology	Long term	Increase	During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.
	Policy and Legal	Short to medium term	Increase	Implementation of tightened environmental laws, stringent requirements on climate disclosures and carbon pricing system increases operating costs.
	Market	Short term	Increase	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.
	Reputation	Short to medium term	Increase	Stakeholders' concerns on climate-related issues of the Group might dampen the investment sentiment of investors, impacting the stock price and market capitalisation of the Group, and hence increasing the liquidity risk.

However, the Group does not solely view climate change as a risk; amid the climate-related risks, the Group has also identified climate-related opportunities.

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Along with tightened environmental laws and regulations, the Group also expects the national government to further implement subsidy schemes to encourage adoption of renewable energy, and subsequently the construction of more sustainable infrastructure and more transmission network infrastructure. As a provider of electric transmission equipment and power electronic components, the Group anticipates an expansion to its business as demand for its energy products and system solutions sees growth in such an environment.

To reduce the environmental impact of its business operations, the Group has also been diversifying the energy and resource consumption of its production chain, for example through the introduction of steam usage into its energy mix in 2022. In addition, the Group believes it can further align with environmental subsidy schemes, such as through active introduction of green electricity into its energy mix, allowing it to collect benefits from subsidies and lower its operation costs.

The Group views these as key steps towards addressing opportunities arising from climate change.

Risk Management

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium, and low. Risks are then prioritised and classified into the risk levels, high, medium, and low based on the possibility and impact ratings. The overall risk level was determined depending on the overall possibility and impact of the risks.

Risk Levels	Definition of the overall risk levels
High	Risks at this level may have serious consequences. It is highly likely that there will be some impacts to the Group and hindrance for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

The Group has identified its risk profile based on the climate-related risks suggested by the TCFD recommendations on climate-related financial disclosure. All climate-related risks are assessed to be in high risk levels according to the risk assessment.

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	Climate risks	Overall risk level	Management Approach
Physical	Acute	High	<ul style="list-style-type: none"> • Develop relevant ESG management strategies • Contingency plans include work-from-home arrangements for non-essential staff and preparations for weather-related disruptions in supply chain • Purchased property liability insurance for its properties
	Chronic		
Transition	Technology	Medium	<ul style="list-style-type: none"> • Introducing renewables into production energy mix in advance • Laying groundwork for sustainable supply chain with further adoption of green technology and materials, and reduced usage of single-use materials
	Policy and Legal	Low	<ul style="list-style-type: none"> • Appoint professionals to provide advice on climate-related issues • Continuously monitor the latest climate-related regulations and trend
	Market	Medium	<ul style="list-style-type: none"> • Continuously monitor latest market trends • Diversify supply chain and customer base • Implement green and innovative designs to satisfy market demand
	Reputation	Low	<ul style="list-style-type: none"> • Active communication with stakeholders to keep track of concerns and address identified issues • Continuously monitor the latest climate-related regulations and trend

Metrics and Targets

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, Scope 3 GHG emissions (in tCO_{2e.}), total GHG emissions (in tCO_{2e.}) and GHG emission intensity (in tCO_{2e.}/ Group employee) regularly. The GHG emission data and information about target setting are shown in the section "Emissions" of this Report.

CARING FOR EMPLOYEES



EMPLOYMENT

Employees are the most valuable assets of the Group and the foundation for corporate development; as such, the Group continuously enhances its ability to attract, cultivate, and retain its employees. The Group has formulated a comprehensive human resources management policy, which is comprised of a series of guidelines on recruitment and screening process, remuneration and benefits, working hours and holidays, performance management, promotion, termination, and training and development, with an aim to regulate the function of human resources.

The Group continues to invest in capacity building among local human resource, adopting best practices, and following local and national laws. These include, but not limited to:

Mainland China

- Labour Law
- Labour Contract Law
- Regulations on Paid Annual Leave for Employees
- Law on the Protection of Women's Rights and Interests
- Special Rules on the Labour Protection of Female Employees

Hong Kong

- Employment Ordinance (Cap. 57)
- Inland Revenue Ordinance (Cap. 112)
- Sex Discrimination Ordinance (Cap. 480)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Personal Data (Privacy) Ordinance (Cap. 486)
- Disability Discrimination Ordinance (Cap. 487)
- Family Status Discrimination Ordinance (Cap. 527)
- Race Discrimination Ordinance (Cap. 602)
- Minimum Wage Ordinance (Cap. 608)

Germany

- Bürgerliches Gesetzbuch ('Civil Law Book')
- Allgemeines Gleichbehandlungsgesetz ('General Act on Equal Treatment')

Netherlands

- Civil Code, Book 7 Special agreements
- Extraordinary Labour Relations Decree
- Equal Treatment Act

Switzerland

- Swiss Code of Obligations
- Swiss Civil Code (CC)
- Swiss Labor Act (ArG)

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, and anti-discrimination during the Reporting Period. The Group did not note any cases of material non-compliance in relation to employment during the Reporting Period.

Recruitment, Promotion, and Dismissal

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

The Group also attaches great importance to the introduction and incentive of professional technical personnel and management personnel. To this effect, the Group announced the implementation of talent referral rewards to encourage its staff to recommend in-demand talents.

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

The Group has also formulated the Promotion Management System to provide multiple promotion routes for all employees. According to the promotion process stipulated in this system, employees who are qualified for promotion can apply for promotion to the Human Resources Department, and each department can also recommend employees who are qualified for promotion to the Human Resources Department based on actual needs. The Human Resources Department will review the promotion qualifications and arrange the promotion assessment before finally organising an annual promotion review meeting, upon which the final decision for promotion shall be made by the review team.

As of 31 December 2023, the Group had a total of 834 employees, whereas the Group in Chinese Mainland had a total of 800 employees. See below for the detail breakdown of the workforce in Chinese Mainland.

Total Workforce as of 31 December	2023	
	Number	Percentage
By Gender		
Male	483	60.38%
Female	317	39.62%
By Employment Type		
Full-Time	800	100.00%
Part-Time	0	0.00%

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By Age Group		
18-25	129	16.13%
26-35	324	40.50%
36-45	262	32.75%
46-55	76	9.50%
56 or above	9	1.12%
By Geographical Location		
Beijing	70	8.75%
Jiashan	484	60.50%
Wuhan	94	11.75%
Wuxi	152	19.00%
Total	800	100.00%

The procedures relating to the dismissal of the Group’s employees are set out in detail in the Staff Handbook which are established in accordance with relevant legal and regulatory requirements. Dismissals are only carried out on a legal and reasonable basis, and full communication is ensured prior to formal dismissal. The Group forbids any forms of unlawful or illegal dismissal. During the Reporting Period, the Group had also organised the “Along the Way, Grateful for You” farewell party for retiring employees.

A total of 107 employees left the Group in Chinese Mainland during the Reporting Period, which corresponds to a turnover rate of 13.38%. See below for the detail breakdown of turnover rate by employee group.

Turnovers as of 31 December	2023	
	Number	Turnover Rate
By Gender		
Male	81	16.77%
Female	26	8.20%
By Age Group		
18-25	24	18.60%
26-35	56	17.28%
36-45	24	9.16%
46-55	2	2.63%
56 or above	1	11.11%
By Geographical Location		
Beijing	9	12.86%
Jiashan	60	12.40%
Wuhan	23	24.47%
Wuxi	15	9.87%
Total	107	13.38%

Competitive Compensation and Benefits

Based on the principles of fairness, competition, motivation, reasonableness, and lawfulness, the Group has established a remuneration system for its employees, as set out in the policies of the Remuneration Management System and the Performance Appraisal System. The policies provide for basic pay and performance pay, as well as a year-end double pay. Furthermore, the Group has also established special bonus policies to sufficiently incentivise employees. During the Reporting Period, the Group reviewed and adjusted the annual remuneration of its employees in light of changes in the external environment and internal circumstances. The Group also provides its employees with various daily allowances and special allowances for festivals, marriage and childbirth, provision of working lunches, organisation of staff trips, and arrangement of health check-ups, among other benefits.

The Group pays the five social insurance and one housing fund for its employees as required by various national and local government laws. The Group also purchases supplementary medical commercial insurance for all employees, in order to improve the risk mitigation of its employees and show the Group's care for its employees and their families.

The Staff Handbook of the Group regulates the working hours of its employees and various types of rest periods and holidays. In addition to statutory leave, the Group also provides employees with additional benefits, such as corresponding increase in annual leave days based on years of service with the Group.

Equal Opportunity

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

Employee Communication

To enhance employees' sense of belonging, the Group regularly organises gatherings and events for its employees. As the effects of the COVID-19 pandemic begin to subside, the Group organised employee sport competitions, "Excellency Cup" basketball tournament, the "Hope Cup" badminton tournament, birthday parties, festive-themed events, team building events, tours, and other events during the Reporting Period. These activities strengthened the mutual communication and understanding among employees, thus leading to enhanced corporate cohesion.

While formulating its internal policies, the Group also consults with its employees and the labour union for their opinion and input. The labour union of the Group also plays an effective role in the participation of employees, safeguarding employees' rights and privileges, and coordinating labour relations. Every year, the Group uses questionnaires, seminars, and other means to understand the

employees' satisfaction with their jobs, in order to enhance their sense of identity and belonging to the Group.



EMPLOYEE HEALTH AND SAFETY

During the Reporting Period, the Group did not have any material breaches of relevant occupational health related laws and regulations. These include, but not limited to:

Mainland China

- Labour Law
- Work Safety Law
- PRC Law on The Prevention and Control of Occupational Diseases
- Fire Control Law

Hong Kong

- Employees' Compensation Ordinance (Cap. 282)
- Occupational Safety and Health Ordinance (Cap. 509)

Germany

- Arbeitsschutzgesetz ('Act on the Implementation of Measures of Occupational Safety and Health to Encourage Improvements in the Safety and Health Protection of Workers at Work')
- ArbMedVV ('Ordinance on Preventive Occupational Health Care')

Netherlands

- Working Conditions Act
- Working Conditions Decree
- The Working Conditions Regulation

Switzerland

- Swiss Labor Act (ArG) incl. Ordinances, especially ordinance 3 (Gesundheitsschutz ArGV 3)
- Accident Insurance Act (UVG)

In order to provide a safe and healthy working environment for its employees, the Group attaches great importance to the occupational health and safety of its employees. Thus the Group has continuously improved its occupational health and safety mechanism and system, and has also carried out management work on occupational health and safe production, as well as training and protection for occupational diseases. The Company's main subsidiaries have been accredited with GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Assessment Series certification.

As effects of the COVID-19 pandemic begin to subside, the Group has begun to wind down preventative and control measures during the Reporting Period. Nevertheless, the Group remains diligent on updates and makes sure to closely monitor any changes to the pandemic situation to minimise the risk of any outbreaks.

There were no major changes in management practice in relation to occupational health and safety during the Reporting Period.

Occupational Health Policies

The Group has formulated the Operation and Control Procedures for Environmental and Occupational Health and Safety, the Management System for Occupational Hazard Position, as well as accompanying series of systems and procedures to focus on work environment issues and eliminate occupational injuries for employees.

The Group has taken various measures to protect the health of its employees, such as regularly inspecting the production environment, increasing or renovating environmental protection facilities, installing basic medical equipment in production and office workplaces, providing personal protective equipment to employees, and supervising and inspecting the utilisation of these measures. The Group arranges annual medical check-ups for all employees, thereby establishing comprehensive health files for its employees and allowing employees to focus on their health. In addition to the five social insurance and one housing fund, the Group also purchases supplementary medical commercial insurance for its employees to provide them with multiple levels of health protection. The Group places emphasis on the mental health of its employees and has established a feedback channel for listening to their demands, thus facilitating communication and strengthening mental health management through various methods such as seminars, trips, themed activities, and one-to-one counselling.

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

In order to protect the health and safety of employees in extreme weather, the Group takes practical preventive measures. During hot weather in summer season, the Group arranges rest time reasonably, such as adjusting work and rest time in a timely manner, strictly controlling outdoor working time, reducing labour intensity, ensuring sufficient drinking water and equipped with heatstroke prevention and cooling items, and doing a good job in hygiene and epidemic prevention. For extreme weather such as typhoons and heavy rains, the group also adopts flexible management methods such as delaying work and working from home to avoid any employee harm.

The Group also has a focus on guiding employees towards a healthy lifestyle. The Group has organised and arranged health-related training and seminars to publicise health knowledge for employees. The Group also built various fitness facilities such as gymnasiums and courts in its factories to allow its employees to relieve work stress and enhance physical fitness through exercise after work.

Safety Production Measures

The Group continues to strengthen the implementation of the main responsibility for corporate safety and to establish a sound safety management system. The Group has formulated a series of rules and regulations, such as the Identification, Evaluation and Control Procedures for Risk Source, the Production Safety Management System, and the Hazardous Work Management System, and through these policies adopted systematic management of safe production.

The Group has formed the environment safety team in its factories, with the responsibility of safety management and supervision. The Group's voluntary fire brigade also conducted fire hazard inspection. The Group conducts annual identification and evaluation for sources of material risks during production and operation, and also implements corresponding control measures to mitigate these risks. Through regular inspection of working environment, facilities, and equipment, the Group can ensure the safety of workplaces and the sound operation of facilities, as well as regulate job operations and the use of labour protective equipment. The Group has also established an early warning monitoring system and corresponding contingency plans.

The Group also conducts safety education and training on an ongoing basis and actively build a culture of safety among its employees. All new employees are required to undergo induction training pertaining to safety education and pre-employment training, and employees in hazardous work positions are required to obtain relevant licences before commencing work. The Group organises annual training on safety production and fire safety knowledge, and posts safety production slogans and wall paintings for the promotion and education of work safety.

During the Reporting Period, the Group organised safe production inspections and carried out special inspections of hazardous chemicals, during which problems were found, especially regarding hazardous chemicals, and were promptly improved. For example, regarding the issue of incomplete hazard labels in special storage rooms for hazardous chemicals, the Group consulted experts on relevant standards and requirements and posted hazard labels according to different types of chemicals; additionally, the power supply of the distribution box in the gas cylinder storage area was deemed a flammable source, so the Group removed the power supply of the distribution box and deactivated the distribution box; finally, the Group discovered incomplete special drill records in the ledger, thus it consulted experts to accurately record the drill plan in terms of time arrangement and plan layout for future records.

During the Reporting Period, with assistance from the Group's voluntary fire brigade, the Group also conducted fire training, fire hazard inspections, and arranged fire drills, which include skills training for employees on fire extinguishing, evacuation, and escaping. Through these activities, the Group aims to promote safety awareness and self-protection among its employees, as well as strengthen its

employees' understanding of self-help measures and evacuation methods, thus laying down the foundation for healthy corporate development.

Work-related fatalities and injury

Occupational Health and Safety Data in 2023	
Work related fatality	0
Fatality Rate	0.00%
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

Occupational Health and Safety Data in 2022	
Work related fatality	0
Fatality Rate	0.00%

Occupational Health and Safety Data in 2021	
Work related fatality	0
Fatality Rate	0.00%

During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.



DEVELOPMENT AND TRAINING

The Group has focused on the establishment of in-house management training and development system, and therefore satisfies the needs of different employees and improve their skills through a diverse training model. For Directors and Senior Management, the Group invites professionals such as lawyers and accountants to provide annual training with respect to up-to-date information on matters such as the Companies Ordinance, regulatory policies, corporate governance, financial management, and market trends. Arrangements are also made for the company secretary and other personnel to participate in relevant professional training annually.

The Group provides new staff with orientation training on topics such as corporate and industrial information, work duties and responsibilities, work skills, production safety, and career planning, helping them to promptly understand the Company and adapt to their positions. For existing staff, the Group provides training courses specifically catered for their career development, including annual concentrated professional training for technicians, and management training for intermediate and

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senior management with expenses paid for by the Group, while also encouraging them to participate in position-relevant training offered by external institutions.

To enhance staff morale and motivation and maintain staff stability, the Group has continued to implement a reward and promotion mechanism to encourage staff to improve themselves and create benefits for the Group. Through the Promotion Management System, the Group strives to optimise the allocation of internal human resources, thus providing more opportunities and platforms for the career development of its staff to meet the development needs of the Group.

During the Reporting Period, the Group organised employees to participate in various routine internal trainings, and also arranged for employees to participate in annual external technical and management training. Among them, the group's middle and senior management participated in external training such as "From Strategy to Execution - How to Implement Corporate Strategies Layer-by-Level", aiming to improve corporate management's understanding and application of strategy execution. The Group organised a sales elite training session with the purpose of improving retail staff's sales skills and services in the face of the rapid changes in the market for the Group's products. In addition to routine training, the Group has also arranged for special training, such as business etiquette training, project management training for non-project personnel, etc., to enhance the comprehensive capabilities of its employees. In addition, in the face of the serious dangers of telecommunications fraud, the Group has actively carried out telecommunication prevention knowledge publicity and training to improve employees' safety awareness and enhance their ability to prevent fraud and prevent losses. Wuxi Sunking carried out anti-telecom fraud publicity activities under the organization of the Wuxi Huishan Development Zone Police Station. Through on-site explanations, employees were trained to prevent telecom fraud to avoid property losses.

The Group believes that employee development is critical for maintaining sustained advantage in the market. Cultivating a learning culture, promoting continuous education and development, and improving occupational safety awareness within the Group is essential for employees to deliver high quality services and products to clients.

During the Reporting Period, 751 employees, or 93.88% of all employees in Chinese Mainland, received training as arranged by the Group, and the average training hours that each employee received (inclusive of those who did not receive training) was 5.10 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

	Percentage of Trained Employees	Average Training Hours per Employee
By Gender		
Male	94.00%	5.12 hrs
Female	88.96%	5.05 hrs

By Employee Category		
Senior Management	100.00%	7.90 hrs
Middle Management	79.12%	7.24 hrs
Frontline and Other Employees	93.37%	4.68 hrs



LABOUR STANDARDS

The Group attaches great emphasis and strive to uphold human rights. During the Reporting Period, the Group has strictly complied with all applicable national laws, regional regulations and relevant labour laws and regulations in its places of business operation, including:

Mainland China

- Labour Law
- Provisions on the Prohibition of Using Child Labour of the PRC

Hong Kong

- Employment Ordinance, Chapter 57 of the Laws of Hong Kong

Germany

- Bürgerliches Gesetzbuch ('Civil Law Book')
- Jugendarbeitsschutzgesetz ('Employment of Young Persons Act')

Netherlands

- Civil Code, Book 7 Special agreements
- Child Labour Due Diligence Law
- Child Labour Act

Switzerland

- Swiss Labor Act (ArG), And corresponding Ordinances, especially ordinance no. 5 on the protection of juvenile workers (Jugendarbeitsschutzverordnung, ArGV 5)

The Group strictly prohibits the employment of any child labour and forced labour and has set out the relevant requirements in the Management System for Recruitment. The system clearly stipulates that only employees of legal age may be employed, and requires new employees to provide true and accurate personal information when they join the Group. Recruiters are to rigorously scrutinise the identification documents of the candidates to ensure their authenticity, as to prevent any child labour in the Group's operations. The Group enters into labour contracts with its employees in accordance with relevant labour laws and regulations, which clearly set out the job descriptions and obligations, and therefore there is no forced use of labour. In addition, the Group's employees work overtime on a voluntary basis to avoid violating labour standards and to safeguard employees' rights and interests.

The Group also prohibits punitive measures, management methods and behaviours such as verbal abuse, physical violence and psychological oppression against employees for any reason. If any employee has been found to have provided false information or violated the Group's regulations, the Group will immediately terminate the probationary period or terminate the labour contract with said employee in accordance with the Company's regulations.

During the Reporting Period, the Group did not have any material breach of relevant laws and regulations on the prevention of child labour or compulsory labour that had a significant impact on the Group.

COMPLIANCE IN OPERATIONS



SUPPLY CHAIN MANAGEMENT

The Group has insisted on win-win cooperation with its suppliers. To this end, the Group strengthened its supply chain management to enhance the competitiveness of the industrial chain. At the same time, the Group understands the importance of environmental and social risk management on the sustainability of supply chain. Therefore, the Group has established policies to identify, assess and respond to environmental and social risks in supply chains.

The Group has established supplier guidelines and only partners with suppliers that meet the requirements of the guidelines. In order to strengthen the responsible management of the supply chain, the Group requires its suppliers to make commitments to integrity and compliance, including complying with laws and regulations on environmental protection, occupational health and safety, product liability, and adhering to business ethics. By continuously improving the transparency and traceability of the supply chain, the Group can understand the sustainable development performance of its cooperative suppliers and focus on key issues, thereby effectively managing risks in the supply chain. The Group also uses information systems and other supply chain management technologies to optimize company resources and reduce supply chain management risks, thus improving the standard of supply chain management. The Group develops good relationship with suppliers on the basis of integrity, fairness, and mutual-benefit.

During the Reporting Period, the Group's business operations in Mainland China has engaged 609 suppliers for materials, of which details are as follows:

Supplier Region	Numbers
PRC	605
Germany	3
United States	1

In addition, the Group has one Chinese Mainland power electronics supplier and five overseas power electronics supplier, including Hitachi Energy. The Group is their distributor in Chinese Mainland.

Supplier Engagement

The Group has established the Management System on Suppliers, as to standardise the screening and engagement of materials suppliers. The Group has currently implemented supply chain management measures for all suppliers for materials, which include the following:

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

Sustainable Supply Chain

The Group uses information systems in its operations to effectively improve its management standard. To ensure that the selected suppliers comply with relevant laws regulations and have no actual significant impact on the environment and society, suppliers are required to fill in the supplier questionnaire and provide required documents, including environment management system certificates, and quality and occupational health management system certificates. The Group also conducts on-site inspections. The Group also takes measures to assess whether its major suppliers or contractors comply with relevant laws and regulations and other required standards in the areas of health, safety, forced labour and child labour.

In its daily management, the Group regularly reviews the environmental and social performance of its suppliers to avoid significant adverse impact. The Group terminates supply contracts with suppliers

that may cause serious pollution or serious hazards, those that have caused major environmental pollution incidents, or those that had non-compliance with laws and regulations. The Group also communicates with them to improve the environmental and social risk management of supply chain through meetings and visits.

Green Procurement

The Group requires its suppliers' products and the raw materials they use to meet the requirements of national, local, and industry laws and regulations relating to environmental protection, and its suppliers are required to give priority to production processes and equipment that are pollution-free or less polluting. The Group also encourages suppliers to avoid excessive packaging, or to use environmentally friendly packaging.



PRODUCT RESPONSIBILITY

The Group's products are mainly used in the field of power transmission and transformation, electrified transportation and new energy fields. The Group's main products, including IGBT, capacitors, reactors, busbars, and online monitoring for transmission, transformation, and distribution, have all passed the ISO9001 quality management system certification. The Group has always regarded product quality as the foundation of the Company, and has formulated a series of systems, including the Product Quality Feedback and Management System, the Procedures for Customer Satisfaction Survey, the Service Control Procedures, and the Control Procedures for Process Related to Customers to control the quality of its products and services.

During the Reporting Period, in recognition of the Group's commitment to innovation and quality, Jiashan Sunking, Sunking Semiconductor Zhejiang, and Zhejiang Saiying have been listed as a Specialised New Small-and-Medium-Sized Enterprise ("專精特新中小企業") by the Economy and Information Technology Department of Zhejiang during the Reporting Period. Wuhan Langde was also selected into the fifth batch of specialized and new "little giant" enterprises by the Ministry of Industry and Information Technology. This is the newest breakthrough for Wuhan Langde since it was selected as a specialized and new "Little Giant" enterprise by the Ministry of Industry and Information Technology of Hubei Province in 2022.

The Group's business does not involve significant matters relating to advertising and labelling. Notwithstanding this, the Group has formulated and implemented relevant systems for advertising and marketing, and strictly reviews publicly released promotional materials to prevent inaccurate and misleading content. The News Work Management Regulations formulated by the Group clearly stipulates the news work mechanism to ensure the timely delivery of the group's true and legal information. The Group also formulated the Label Management Measures, and is committed to ensuring that the labelling of the Group's products is in line with the reality and specifications of the products.

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The Group takes full responsibility for its products and services, and follows all regulatory requirements, industry guidelines, and internal procedures on safeguarding customer health and safety, promoting responsible marketing, and ensuring privacy of information related to the Group and its business partners. As such, during the Reporting Period, the Group did not have any violations of laws and regulations related to products and services regarding health and safety, advertising, labelling and privacy matters, and remedies that had a significant impact on the Group. These laws and regulations include, but not limited to, the following:

- Product Quality Law of the PRC;
- Trademark Law of the PRC;
- Patent Law of the PRC;
- Copyright Law of the PRC;
- Criminal Law of the PRC;
- Advertising Law of the PRC;
- Cyber Security Law of the PRC;
- Anti-Unfair Competition Law of the PRC; and
- Provisions on Protecting the Personal Information of Telecommunications and Internet Users.

Quality Assurance and Product Recall Procedures

The Group has established a quality inspection responsibility system to ensure quality assurance in all aspects from product design, procurement of raw materials, production to product delivery. The Group has formulated job responsibilities for relevant departments in relation to conducting quality inspections. Before commencing product design and development, the Group makes sure to specify clear quality standards and indicators based on customer and market needs. For the quality inspection of raw materials, the procurement department purchases raw materials on demand according to the application of the relevant department, and the quality inspection department conducts stock-in inspection upon arrival and is also in charge of recordkeeping. The production department specifies the staff in charge of the quality according to the workshop and team, and sorts out the inspection control points according to the production process, while the quality inspection department will conduct the final inspection before shipping from warehouse. The Group also pays close attention to customer satisfaction to achieve further self-enhancement. In addition, the Group will also ensure the consistency and stability of the production process through scientific and reasonable automation upgrades, and reduce product quality problems caused by human factors. The Group is constantly refining and optimising its product quality inspection standards to meet market demand.

After-sales services are also an important part of product quality management. Based on customer needs and feedback, the Group continues to improve its products and service to meet customer satisfaction. In order to facilitate timely collection, follow-up, and handling of the feedback from customers on product quality, the Group has formulated the “Product Quality Information Feedback Management System”, which refined the division of work between the relevant departments in

quality management, and ensured that problems in respect of product quality are resolved in a reasonable and effective manner.

The Group strives to consistently deliver high quality products and services, and also takes measures to recall products that are found to be defective. If a product is found to be defective through information such as quality control records and customer complaints, the Group will assess the defectiveness of the product, the associated hazards, and the cost of recall. If any products have to be recalled, the Group has the ability to trace the status of defective product through its established product and customer information system, and also to promptly notify customers to recall the defective product for repair or exchange.

During the Reporting Period, the Group had not received any product or service-related complaints. In addition, there had been no products sold or shipped subject to recalls for safety and health reasons during the Reporting Period.

Information Security

The Group has established an information security management system to avoid disclosure or leakage of customer privacy. To this end, the Group requires strict compliance with the confidentiality policy. The custody of customer information, retention, and destruction of customer files and other items are to be carried out by a dedicated person, and permission rights would be strictly set for internal personnel to use information. For electronic information systems, the Group also takes necessary technical and management measures to ensure the security of customer information, such as encrypting customer information to ensure security during storage and transmission, establishing access rights controls, and regularly conducting assessments and inspections of information systems and data security. The Group has also strengthened employee security awareness training to educate employees on the importance of customer information protection and privacy and how to deal with information security issues that have been encountered. Furthermore, customer information and customer data are considered part of the Group's resources, and may not be sold, shared, or disclosed by anyone for any purpose.

The Group complies with all applicable laws regarding confidential information and data protection of the laws of PRC, Hong Kong, Germany, Netherlands, and Switzerland. No substantiated complaints concerning breaches of client privacy, identified leaks, thefts, or losses of customer information was received during the Reporting Period.

Protecting Intellectual Property Rights

The Group believes that intellectual property rights such as trademarks, patents, and technical know-how are extremely valuable assets to its business. Therefore, the Group catalogues the types of intellectual property rights owned and makes every effort to protect them through registering its trademarks and patents, through signing confidentiality agreements regarding proprietary technology and other measures. The Group has strengthened the training of its staff on intellectual property rights and signed confidentiality agreements with its staff to effectively protect the Group's interests. In addition, the Group also monitors the market, as to promptly discover any infringements of its

intellectual property rights, and shall take necessary legal action to stop them. Furthermore, in order to effectively protect trade secrets, the Group's individual subsidiaries also have corresponding internal management organizations. Jiashan Sunking Trade Secret Protection Demonstration Point was jointly planned and established by Jiashan Sunking and Jiashan County Market Supervision Bureau, while the Jiashan Sunking Trade Secret Protection Committee also plays an important role in the effective operation of the trade secret protection mechanism.

During the Reporting Period, the Group had made great achievements in technology research and development. The "FBKCS-±500kV/1800A anode saturated reactor" independently developed by Jiashan Sunking was awarded the "First Equipment (set) in Zhejiang Province in 2023". Wuxi Sunking is taking the lead in the National Key R&D Project 6-2 "Energy Storage and Smart Grid Technology", Project Topic 4 "Dielectric Film Materials for Dry DC Capacitors", and "Dielectric Film Metallization Process and Dry DC Capacitor Design and Development". This is the first time that Wuxi Sunking has participated in a national key project, and it was also the only capacitor company participating in the project. Jiashan Capacitor Co. is the first domestic capacitor manufacturer in China to pass a full set of type tests by a third-party manufacturer. It has extensive design and production experience in the development of high-voltage and large-capacity DC support capacitors. Its DC support capacitors have been successfully used in Suizhou Guangshui's 100% new energy new power system technology demonstration project has realized the first batch application of domestically produced DC capacitors in the field of DC transmission of power systems. At the same time, its two self-developed DC support capacitors successfully passed the "DC Support Capacitor for Flexible Direct Use" technical appraisal organised by the China Machinery Industry Federation. The Group's marine DC solid-state circuit breakers have obtained dual certifications from the China Classification Society ("CCS") and Det Norske Veritas ("DNV"), laying a solid foundation for the Group's future development in the marine electrical equipment industry. As of 31 December 2023, the Group obtained a total of 258 patent certificates and had 43 patent applications pending.

The Group attaches great importance to the protection of intellectual property rights, and complies with the relevant laws and regulations of PRC, Hong Kong, Germany, Netherlands, and Switzerland. During the Reporting Period, there had been no cases that violate intellectual property rights.



The Group strictly complies with relevant national laws and regulations and advocates a clean corporate culture to promote the healthy development of enterprises. The Group does not tolerate bribery, corruption, extortion, fraud, misappropriation of funds and assets, money laundering, insider trading, and other corrupt behaviours. The Group has formulated an "Anti-Corruption System" to provide employees with clear business conduct guidelines and consequences for violations, such as providing and accepting benefits (e.g. gifts or souvenirs) and conflicts of interest. The Group continues to monitor links and positions that are prone to corruption and bribery. In order to strengthen the internal control on anti-corruption and anti-fraud, the Group has put in place the "Internal Reporting

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System”, the “Internal Audit System”, and the “Audit Management System” under which the Board authorises the audit committee to monitor the conduct of activities in violation of commercial standards, and to review the internal control system on a regular basis.

The Group has also established a whistleblowing system to maintain a culture of integrity and transparency within the Group. The Audit Committee is responsible for supervising and managing the reporting work, including establishing and improving the reporting process, guiding the Audit Department to investigate reporting incidents, supervising the progress of reporting incidents, and reporting them to the Board of Directors in a timely manner. The Audit Department has set up a complaints channel, such as a whistleblower mailbox and telephone number, where all employees and stakeholders of the Group (including customers, suppliers, etc.) can report negligence, corruption, bribery, and other misconduct within the Group to the Audit Department anonymously. Reports are followed up promptly, fairly, and confidentially by the Audit Department and reported directly to the Audit Committee. Once the reported incident is found to be true, the Group will take corresponding measures, including but not limited to verbal warnings, written warnings, recovery of payments, termination of labour contracts, and transfer to judicial authorities. On the other hand, the whistleblowing system also protects whistleblowers from unfair treatment as a result of making a report, from being unreasonably dismissed and from being unjustifiably disciplined.

The Group provides regular anti-corruption training to directors and staff. The training covers a wide range of topics, from relevant laws and regulations, industry best practices to case studies on recent corruption, and unethical practice prevention practices.

The Group abides by the Prevention of Bribery Ordinance, Chapter 201 of the Laws of Hong Kong, as well as applicable laws in Mainland China in relation to bribery, extortion, fraud, and money laundering. All other guidelines outlined by the Independent Commission Against Corruption (“ICAC”) and Securities and Futures Commission (“SFC”) are also followed by the Group. As mentioned above, the Group has a whistle-blowing policy available for anyone to raise any concern worthy of the Group’s awareness, protecting the anonymity of any whistle-blower. To ensure that directors and its employees familiar with relevant topics, the Hong Kong office invites ICAC to deliver training regarding anti-corruption. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

During the Reporting Period, the Group did not have any serious violations of laws and regulations related to bribery, extortion, fraud, and money laundering that had a significant impact on the Group, including but not limited to:

Mainland China

- Criminal Law of the PRC
- Anti-Money Laundering Law of the PRC
- Company Law of the PRC
- Bidding Law of the PRC
- Anti-Unfair Competition Law of the PRC

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Hong Kong

- Bribery Ordinance, Chapter 201 of the Laws of Hong Kong
- Independent Commission Against Corruption Ordinance, Chapter 204 of the Laws of Hong Kong

Germany

- Strafgesetzbuch ('Criminal Code')
- Geldwäschegesetz ('Money Laundering Act')
- Gesetz zur Bekämpfung der Korruption ('Anti-Corruption Act')

Netherlands

- Dutch Criminal Code. Article 177 penalizes active bribery
- Dutch Criminal Code. Article 363 penalizes passive bribery
- House for Whistleblowers Act

Switzerland

- Swiss Criminal Code
- Anti-Money Laundering Act
- Anti-Money Laundering Ordinance FINMA
- 1999 Council of Europe Criminal Law Convention on Corruption

BUILDING HARMONY TOGETHER



COMMUNITY INVESTMENT

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

Furthermore, the Group made charitable donations in the amount of approximately RMB 160,000 during the Reporting Period to various parties. This includes a donation in the amount of RMB 50,000 to Beijing Xinkang Charity Foundation for "China Good Children in the New Era (新時代中國好兒童)", and a RMB donation in the amount of RMB 60,000 to Huishan District Charity Foundation and Jiashan Charity Foundation for charity projects. In addition, the Group actively participates in student aid activities to spread warmth and care. Jiashan Sunking sponsors students in paired care activities every year to help solve difficulties; Wuhan Langde donates materials to special education schools to care for and protect the healthy growth of special education youth. The Group shall continue to pay close attention to social development and give to worthy causes in the future.