

Shenzhen AV-Display Co., Ltd.

Department: Securities Affairs Department

Tel: 0755-86106838

E-mail: qjutw@av-display.com

Fax: 0755-86106838

Address: No. 39, Jinyuan Road, He'ao, Yuanshan Street, Longgang District, Shenzhen, China

Environmental, Social and Governance (ESG) Report 2023



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Message from the Chairman

Dear friends,

Thank you for reading AVD's first Environmental, Social and Governance (ESG) Report. I really appreciate for your attention to AVD!

Shenzhen AV-Display Co., Ltd. ("AVD", "the Company" or "we") has been listed on the Growth Enterprise Market (GEM) Board of the Shenzhen Stock Exchange for over three years since its debut on January 28, 2021. In recent years, the complex and volatile macroeconomic environment, escalating climate risks, and deepening energy security crisis worldwide have profoundly impacted enterprises, individuals and their families. Given this backdrop, we deeply recognize that the coordinated advancement of environmental protection, social responsibility fulfillment, and corporate governance is of great significance to the sustainable development of the Company. Under the leadership of the management, all of our employees have consistently upheld the corporate mission of "presenting the world, restoring the truth, connecting things and creating value", and steadfastly pursued the path to sustainable development. With the support of compliance governance and scientific decision-making systems, we are committed to fulfilling our mission and values, promoting AVD's excellent development, and making every effort to generate greater value for our employees, partners, and communities.

In 2023, despite persistent uncertainties and challenges, all employees of AVD worked together wholeheartedly and essentially achieved all expected results.

This year, we actively practiced the philosophy of sustainable development and enhanced our ESG management system. AVD integrated ESG into corporate strategies, governance, reform, development and daily operations and prioritized ESG management to improve the quality and efficiency of enterprise development and competitiveness. We endeavored to enhance our consciousness and capability of fulfilling our comprehensive enterprise responsibility and realizing our sustainable development goals. We established a top-to-down ESG governance framework, clarifying the responsibilities and duties of each management level and facilitating the coordinated implementation of ESG strategies. Additionally, we enhanced the supervision and engagement of the Board of Directors in ESG affairs, and improved the integration of ESG management into our development strategies and production operations.

This year, we effectively fulfilled our ecological environmental protection responsibility and contributed to the realization of the "carbon peaking and carbon neutrality" goals. AVD acted on the principle that "lucid waters and lush mountains are invaluable assets", and took practical actions to achieve "carbon peaking and carbon neutrality" goals. We prioritized the production of green and environmentally-friendly products by promoting green manufacturing and establishing green factories. Additionally, we actively participated in the innovation of environmental technologies, and conducted research and development of green products. Alongside advocating for all employees to "work and live in a green and low-carbon way", we endeavored to become the most trustworthy green and environmentally-friendly enterprise for all stockholders and contribute to the achievement of the "carbon peaking and carbon neutrality" goals.

This year, we faithfully fulfill our social responsibility and enthusiastically engage in public welfare undertakings. All the resources needed for the survival and development of an enterprise come from society, and the essence of the survival of an enterprise is to create social value. AVD deeply integrated the fulfillment of social responsibility with the development strategy of the enterprise, closely linking enterprise development with social progress. We insisted on safe operations to safeguard our employees' health, and conducted social responsibility assessments and surveys in our supply chain for responsible procurement. We optimized our remuneration system to promote value co-creation and benefit sharing with employees, strengthened the training for employees' skill development, cared for their well-being, and offered comprehensive support for their growth. Furthermore, we actively participated in public welfare, contributing to society and local communities through initiatives like social donations, rural revitalization and charity activities.

This year, we insisted on stable operations and improved corporate governance. As always, AVD insisted on lawful and honest operations and prioritized product quality, providing responsible and high-quality products and services to meet the diversified needs of our customers worldwide. We continued to optimize our corporate governance structure and improve our rules of procedure. Our governance structure, composed of the "General Meeting of Shareholders, Board of Directors, Board of Supervisors, and Senior Management", operated orderly with clear responsibilities, effectively ensuring that every decision or action is transparent, fair and responsible. We strengthened internal control and risk management, striving to identify, assess, and address risks, while closely monitoring changes in the market environment. We held a steadfast commitment against any corruption, acted on the principles of integrity and legality, and strove to cultivate an environment of fair competition. At AVD, we valued the management of investor relations and the protection of shareholders' rights and interests, made high-quality disclosures, actively managed investor relations, and built a good mechanism for communication and interaction in the capital market.

In the future, we will continue to firmly follow the path of safe, green, low-carbon, and responsible development, further promote the deep integration of ESG with our development strategy and production operation, and continuously optimize corporate governance, enhance endogenous growth momentum. Additionally, we will deepen social responsibility management, explore ESG practices together with stakeholders, and jointly embrace a sustainable and beautiful future.

Chairman of AVD Huang Zhiyi



About This Report

Introduction

This is the first Environmental, Social and Governance (ESG) Report disclosed by Shenzhen AV-Display Co., Ltd. (Stock Code: 300939). In the principles of objectivity, standardization, transparency and comprehensiveness, this report details the environmental, social, and governance practices and achievements of AVD and its holding subsidiaries during 2023.

Reporting Scope

Reporting Period: This report covers the period from January 1, 2023 to December 31, 2023. To improve the comparability and completeness, some sections of this report may extend beyond the reporting period.

Scope of Organization: Unless otherwise stated, this report covers AVD and its holding subsidiaries (please see details in the 2023 Annual Report of Shenzhen AV-Display Co., Ltd.).

Release Cycle

This Environmental, Social and Governance (ESG) Report is released on an annual basis.

Preparation Basis

- ▶ No. 2 Guidelines of the Shenzhen Stock Exchange for the Self-discipline Regulation of Listed Companies - Standardized Operation of Companies Listed on Growth Enterprise Market (GEM) Board
- ▶ No. 1 Guidelines of the Shenzhen Stock Exchange for the Self-discipline Regulation of Listed Companies - Business Handling and its annex "Disclosure Requirements for Social Responsibility Reports of Listed Companies"
- ▶ Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0) issued by the Chinese Academy of Social Sciences (CASS)
- ▶ Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB)
- ▶ Sustainable Development Goals (SDGs) of the United Nations

In preparing this report, we identified important stakeholders and analyzed significant sustainable development issues to determine report boundaries. We collected, summarized, organized, and reviewed relevant materials and information to finalize the report.

Data Sources and Explanations

The financial data in this report are sourced from the 2023 Annual Report of Shenzhen AV-Display Co., Ltd., and other information and data come from statistical summaries of data from relevant departments or public documents. This report doesn't contain any false records, misleading statements, or material omissions. Unless otherwise specified, all amounts in this report are expressed in RMB.

Appellation Description

For the convenience of expression and reading, "Shenzhen AV-Display Co., Ltd." is also referred to as "AVD", "the Company", "We" and similar terms. Please refer to the detailed names of its subsidiaries in the "Interpretation" column of the table below.

Term	Interpretation
Ganzhou AVD	Ganzhou AV-Display Co., Ltd.
Beijing AVD	Beijing AV-Display Co., Ltd.
AVD (Hong Kong)	AV-Display International Co., Ltd.
AVD (Thailand)	AV-Display (Thailand) Co., Ltd.
Ruidisheng	Shenzhen Ruidisheng Technology Co., Ltd.

Access and Feedback

This report is released in both Chinese and English electronic versions. For any discrepancy between the Chinese and English versions, the Chinese version shall prevail. You may access and download the electronic version of this report on the websites of Shenzhen Stock Exchange (www.szse.cn), cninfo (www.cninfo.com.cn) and the official website of AVD (www.av-display.com.cn).

If you have any comments or suggestions on the report, please don't hesitate to contact us:

Department: Securities Affairs Department

Address: No. 39, Jinyuan Road, He'ao, Yuanshan Street, Longgang District, Shenzhen, China

Tel.: 0755-86106838

Fax: 0755-86106838

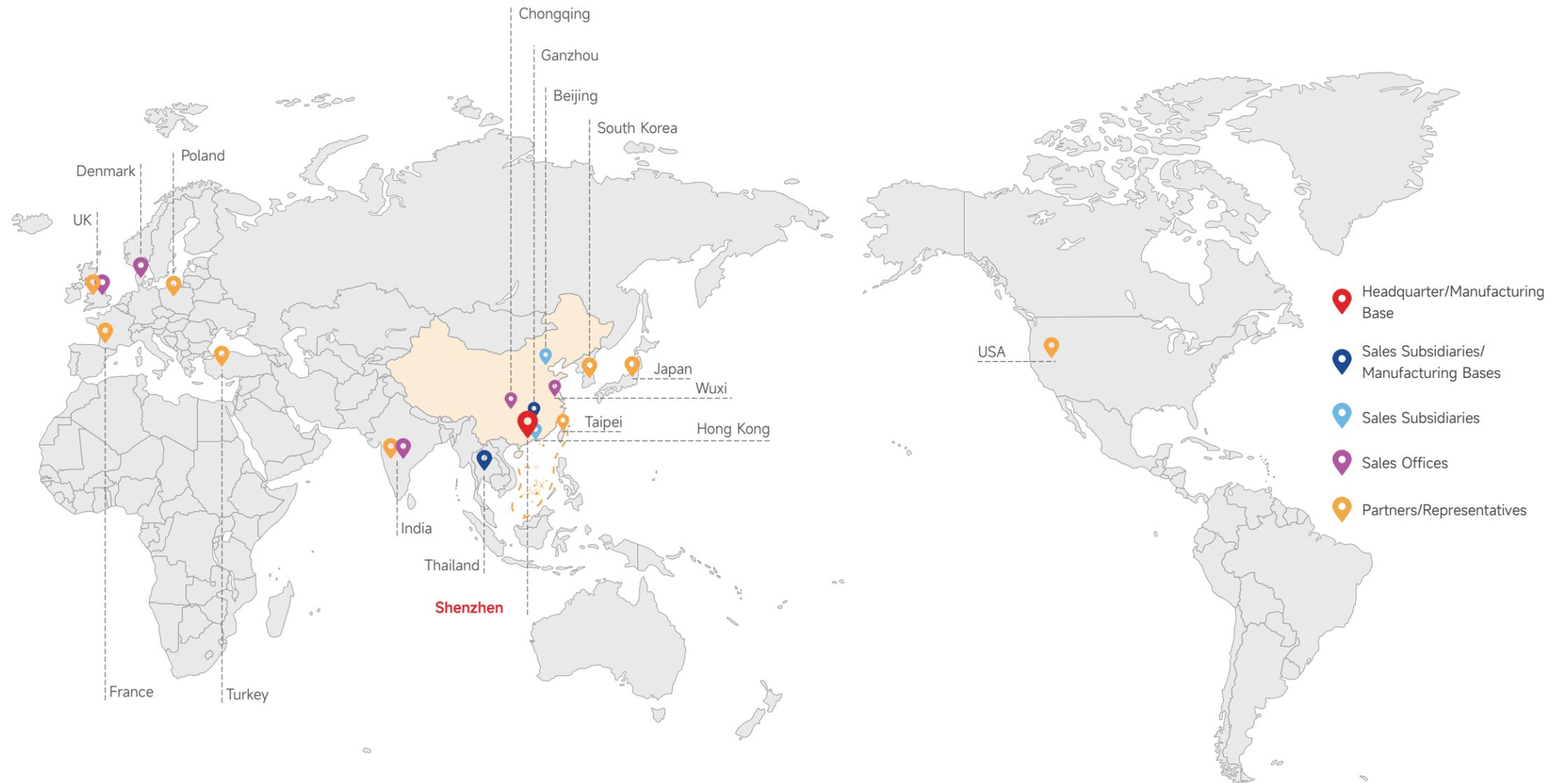
E-mail: qiutw@av-display.com

Glance at AVD

Company Profile

Shenzhen AV-Display Co., Ltd. ("AVD") is a national high-tech enterprise mainly engaged in the R&D, design, production and sales of liquid crystal displays and touch control products. Adhering to the corporate mission of "presenting the world, restoring the truth, connecting things and creating value", the Company is committed to developing into an influential one-stop service provider of HMIs and intelligent control products, providing customers with standard and customized touch and display solutions. The Company was incorporated in 2004 and listed on the GEM board of the Shenzhen Stock Exchange in January 2021 (stock abbreviation: "AVD"; stock code: "300939").

The main products of the Company are liquid crystal displays (LCDs) and touch control products, including monochrome LCDs, monochrome LCD modules, color LCD modules and capacitive touch screens. The Company has long been dedicated to the touch display industry. After years of development and accumulation, the Company has amassed a multitude of core technologies including ARM control boards, industrial computers, industrial displays, intelligent serial port display modules, multi-platform embedded control systems, industrial IoT human-machine interface systems, electronic paper materials and display modules, special optical touch display modules, high-performance touch display modules, reflective TFT LCD display modules with front light, high-performance PMVA-LCDs, fast-response LCD shutters, vehicle anti-glare LCD shutters, automotive automatic dimming sun visor LCD shutters, high-reliability electric meters, industrial control LCDs, and more. The Company's products possess strong market competitiveness. The Company is headquartered in Shenzhen, Guangdong Province, and has established industrial bases in Shenzhen and Ganzhou, and marketing networks in South China, East China, North China, West China, Taiwan, Europe, North America, and the Asia-Pacific region. Our products are sold all over the world through our global sales network, providing technical support and service guarantees for our customers worldwide.



Ganzhou Factory



Headquarters & Shenzhen Factory



Shenzhen Industrial Base (under construction)

Corporate Culture

Mission
Presenting the world, restoring the truth, connecting things, and creating value

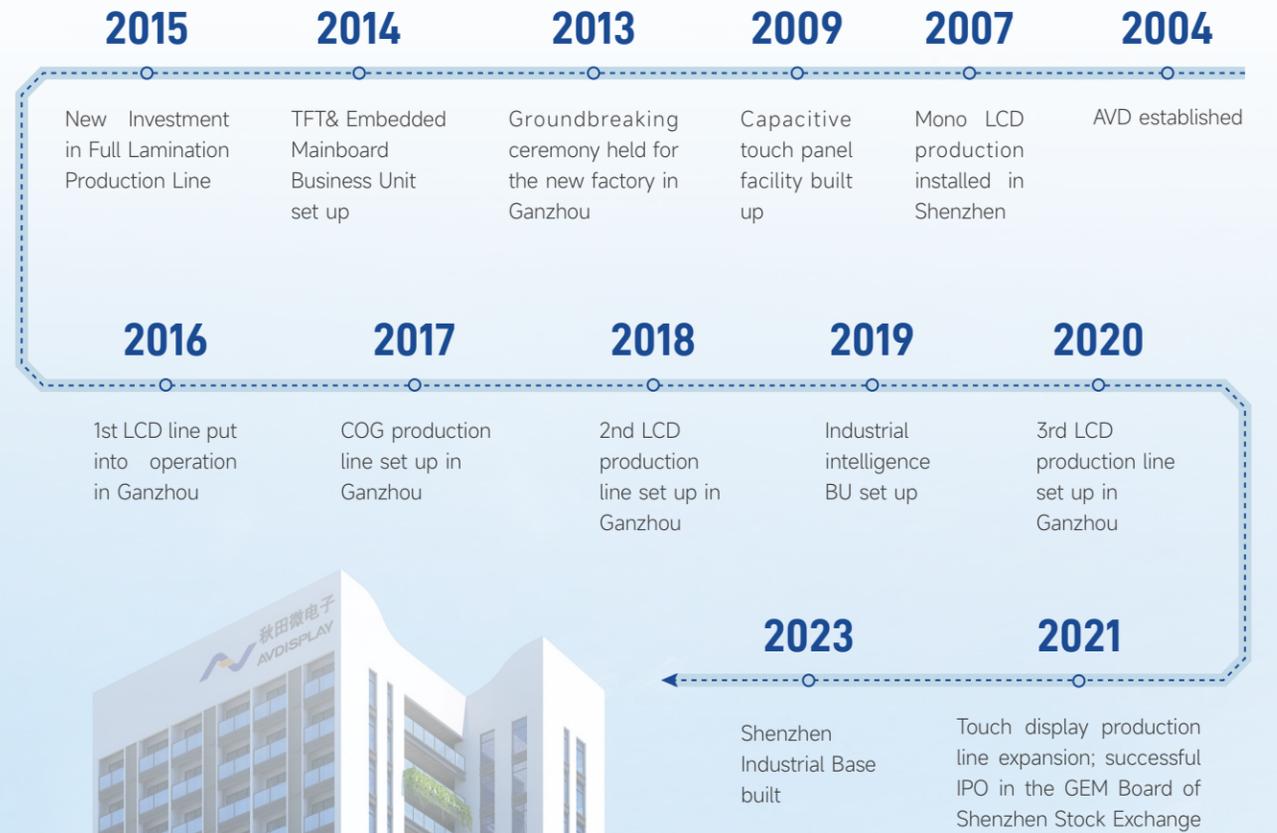
Core Values
Treating people with empathy, and handling matters with precision

Vision
To be the leader of the human-computer interface industry

Enterprise Spirit
Integrity, Enterprisingness, Teamwork, Innovation

Code of Conduct
Adhering to laws and regulations, working diligently and responsibly; embracing teamwork, treating others with sincerity; learning to innovate, and striving for excellence

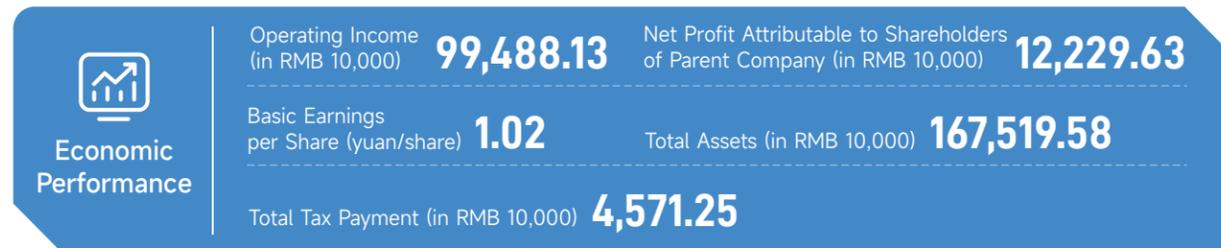
Milestones



Honors

In 2023, AVD won wide recognition and praise from the industry for its excellent corporate strength and outstanding market performance. AVD was granted the "2023 Most Promising Award" by Shenzhen H&T Intelligent Control Co., Ltd., and honored as "2023 Excellent Supplier" by Green Energy Huichong Digital Technology Co., Ltd. and Beijing Yunji Media Information Technology Co., Ltd. This demonstrates our service quality has been highly recognized by our partners. The Shenzhen Public Companies Association recognized AVD as the "Member Unit of Shenzhen Public Companies Association", highlighting AVD's engagement and influence in the capital market. In addition, AVD was awarded the honorary titles of "Top Ten Taxpaying Enterprises of Yuanshan Street in 2023" and "Top Ten Industrial Enterprises of Yuanshan Street in 2023" by the Yuanshan Street Office of Longgang District, Shenzhen. With outstanding innovation capabilities, stable management strategies, and a high sense of social responsibility, AVD has made outstanding contributions to promoting local economic progress.

Performance in 2023



ESG Management

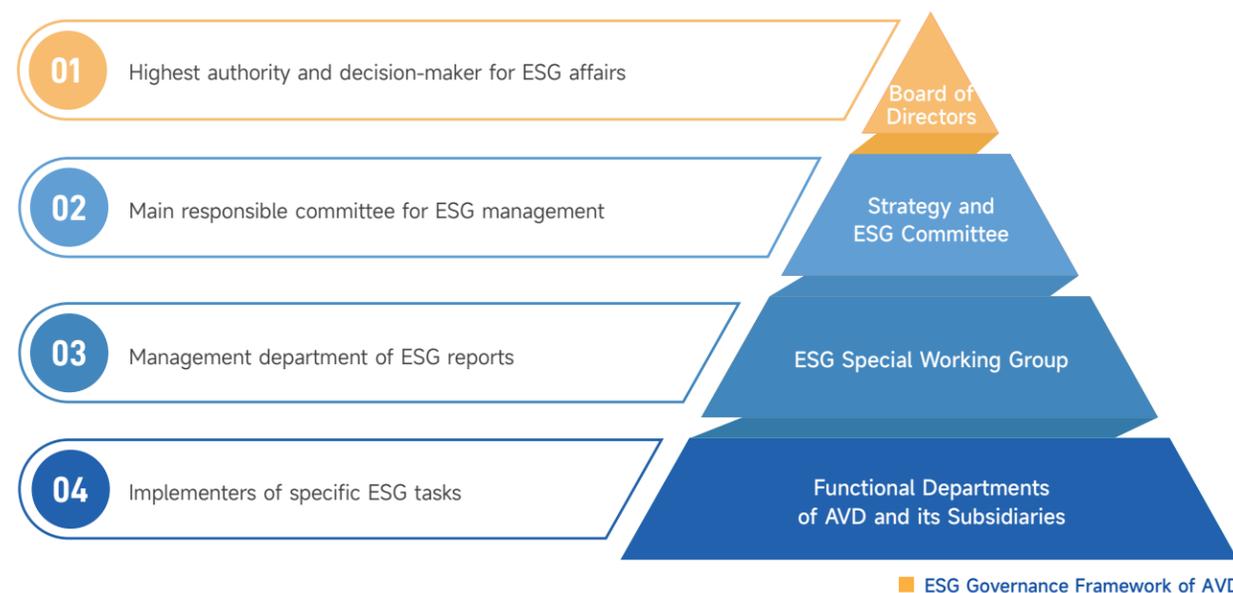
AVD has been practicing the philosophy of sustainable development, integrating ESG into corporate strategies, governance, reform, development and daily operations, and prioritizing ESG management to improve the quality and efficiency of enterprise development and competitiveness. We continuously enhance our comprehensive corporate responsibility and awareness to promote sustainable development.

ESG Management System

AVD continuously improves the ESG management system, and strengthens the supervision and participation of the Board of Directors in ESG affairs. By formulating the *Commitment to Sustainable Development*, we integrate the philosophy of sustainable development management into all aspects of our business operations, devoting to the construction of a sustainable development management system. Furthermore, we adhere to ethical and compliant management, and continuously enhance the communication with stakeholders, so as to ensure the sustainable development of the Company and contribute to our customers and society.

We established a top-to-down ESG governance framework, clarifying the responsibilities and duties of each management level and facilitating the coordinated implementation of ESG strategies. The Board of Directors serves as the highest authority and decision-maker for ESG affairs at AVD. The Strategy and ESG Committee under the Board of Directors assumes the primary responsibility for formulating and promoting the implementation of ESG strategies in alignment with AVD's development strategies, goals and visions, and ensuring the effectiveness of ESG management practices. The ESG Special Working Group, overseen by the Secretariat of the Office of the Board of Directors, is responsible for the management of ESG reports. Composed of ESG Representatives from all functional departments and subsidiaries of AVD, the Special Working Group needs to regularly report ESG efforts to the Strategy and ESG Committee under the Board of Directors. Functional departments of AVD and its subsidiaries are responsible for implementing specific ESG tasks.

ESG Governance Framework



Response to Sustainable Development Goals

By proactively responding to the "carbon peaking and carbon neutrality" goals, enhancing our ESG brand image, and refining our ESG strategy framework, AVD aligns our development with the United Nations Sustainable Development Goals (SDGs), and guides us to better focus on our sustainable development.

SDGs	Content of SDGs	Chapters	Initiatives
1 NO POVERTY	End poverty in all its forms everywhere	Respecting Talents and Professionals, and Acting in Good Faith	Supporting employees with difficulty Participating in social welfare
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	Respecting Talents and Professionals, and Acting in Good Faith	Implementing safety production Guarding occupational health
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Respecting Talents and Professionals, and Acting in Good Faith	Offering clear career development channels Improving employee training mechanisms
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	Respecting Talents and Professionals, and Acting in Good Faith	Opposing gender discrimination Caring for female employees
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	Low-carbon Operation for A Green Future	Strengthening water resources protection Emphasizing wastewater treatment
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	Low-carbon Operation for A Green Future	Taking actions for energy conservation and emission reduction Using clean energy
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Respecting Talents and Professionals, and Acting in Good Faith	Upholding equal employment Protecting the rights and interests of employees
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Taking Responsibility and Ensuring Steady Development	Establishing innovation systems Encouraging R&D and innovation Protecting intellectual property rights
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Taking Responsibility and Ensuring Steady Development	Prioritizing quality management Protecting the rights and interests of customers
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	Low-carbon Operation for A Green Future	Promoting energy efficiency and carbon reduction Advocating for green offices Engaging in green R&D
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Standardizing Governance and Strengthening Foundations	Standardizing the governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors Prioritizing investor relations management Strengthening risk management and control Upholding compliant operations Adhering to business ethics
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Taking Responsibility and Ensuring Steady Development	Building sustainable supply chains Adhering to responsible procurement

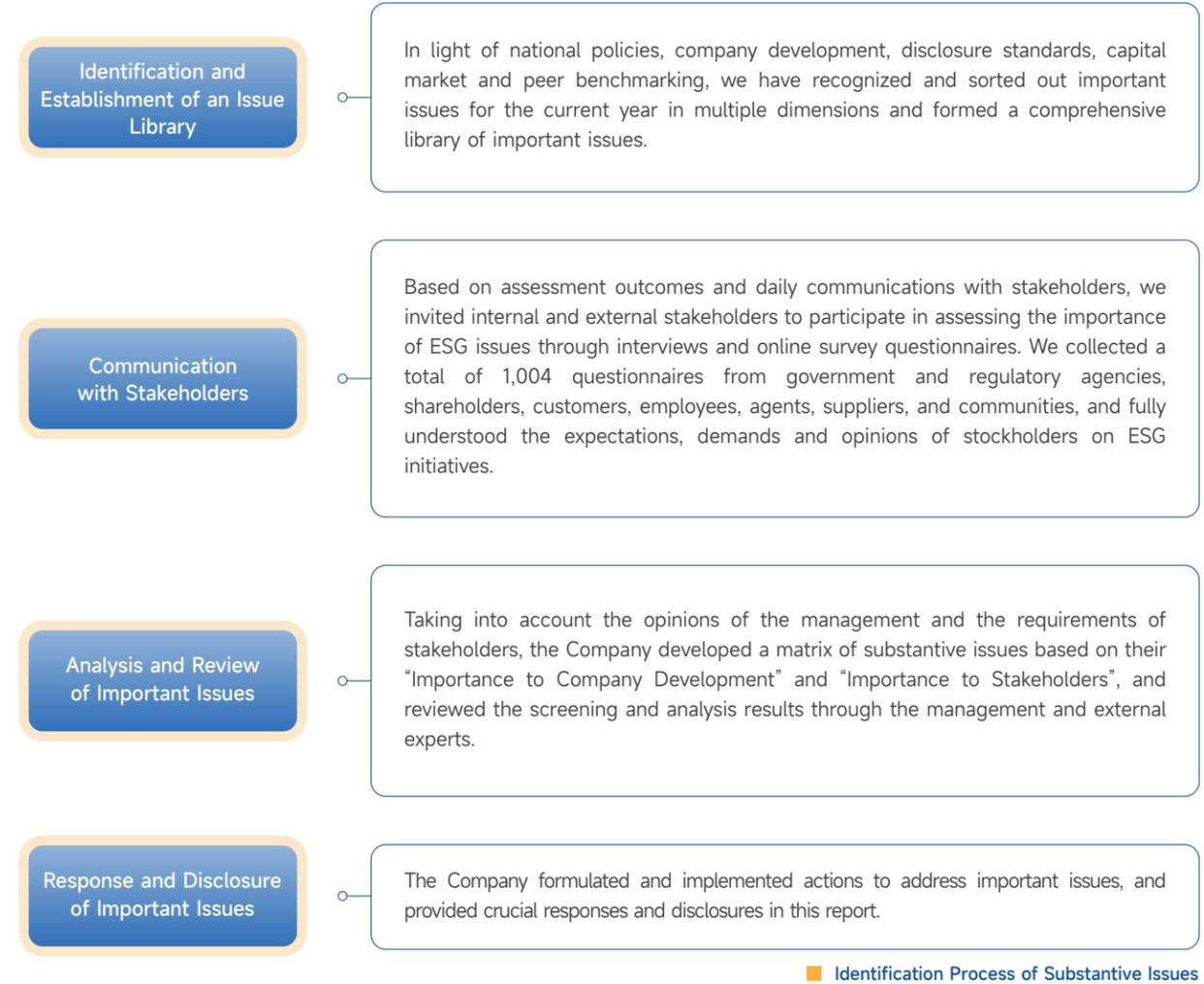
Communication with Stakeholders

The Company always places the expectations and demands of stakeholders in an important position. During the reporting period, the Company continuously communicated with stakeholders, by means such as questionnaire surveys and field interviews to understand and respond to stakeholders' concerns and demands. The concerns and demands of stakeholders were considered important factors in the decision-making process, helping the Company continuously improve the management of sustainable development efforts and achieve win-win cooperation.

Stakeholders	 Shareholders/Investors	 Employees	 Suppliers	 Customers	 Government and regulatory agencies	 Communities
Issues of Concern	<ul style="list-style-type: none"> Corporate governance Compliant operation Business ethics Economic performance R&D and innovation 	<ul style="list-style-type: none"> Salary and welfare Training and development Occupational health and safety Democratic communication 	<ul style="list-style-type: none"> Responsible supply chain Information security and privacy protection Product quality and safety Business ethics 	<ul style="list-style-type: none"> Product quality and safety Responsible supply chain Protection of customers' rights and interests Responsible marketing Information security and privacy protection 	<ul style="list-style-type: none"> Lawful tax payment Compliant operation Support for green and low-carbon initiatives 	<ul style="list-style-type: none"> Engagement in social welfare Enhanced environmental protection Reduction of pollution emissions
Communication Methods and Channels	<ul style="list-style-type: none"> General Meeting of Shareholders Public disclosure Hotlines for investors irm.cninfo.com.cn Surveys on specific targets Performance briefings and other communication activities 	<ul style="list-style-type: none"> Employee satisfaction surveys Employee activities Performance assessments and promotions Employees' Congress Occupational health management 	<ul style="list-style-type: none"> Supplier audit reports Purchasing & quality agreements Routine visits and communication with suppliers 	<ul style="list-style-type: none"> Customer satisfaction surveys Customer complaint channels Customer service hotline 	<ul style="list-style-type: none"> Tax returns On-site inspections Verification of test reports Public disclosure 	<ul style="list-style-type: none"> Volunteer service activities Public disclosure

Analysis of Substantive Issues

Every year, AVD continuously updates and improves the process for identifying and evaluating the importance of ESG issues. Through comprehensive assessments, the Company determines the importance of ESG issues, and fully integrates them into daily operation and management. This enhances the sustainable development management and practices across the Company. We prioritize ESG rating indicators in the capital market. Taking account of national policies, industry trends, and company strategies, we analyze our own sustainable development challenges, and establish a mechanism for identifying substantive issues. Every year, we determine important issues by analyzing and researching internal and external stakeholders.



Enhancement of ESG Governance Awareness

To enhance ESG management capabilities and governance awareness, AVD actively provides ESG-themed training, incorporating ESG-related knowledge into training for the management, business backbones, and grassroots employees. During the reporting period, we organized meetings to discuss newly formulated ESG policies, substantial issue assessment, and other important ESG matters. Additionally, we provided ESG training to all employees to improve their understanding of the Company's ESG management strategy and related work.



■ Communication Meeting of ESG Special Working Group

Standardizing Governance and Consolidating Foundations



SDGs Responded in this Chapter



Key Achievements in 2023

Percentage of Female Directors, Supervisors and Senior Executives:

4/15

Organization and Reception of Investors for Research and Exchange Purposes:

4 times

Dividend Plan for 2023:

4,750.08 (in RMB 10,000)

Percentage of Independent Directors in the Board of Directors:

3/7

Reply Rate to Investors' Online Questions:

100.00 %

Number of External Information Disclosure Announcements:

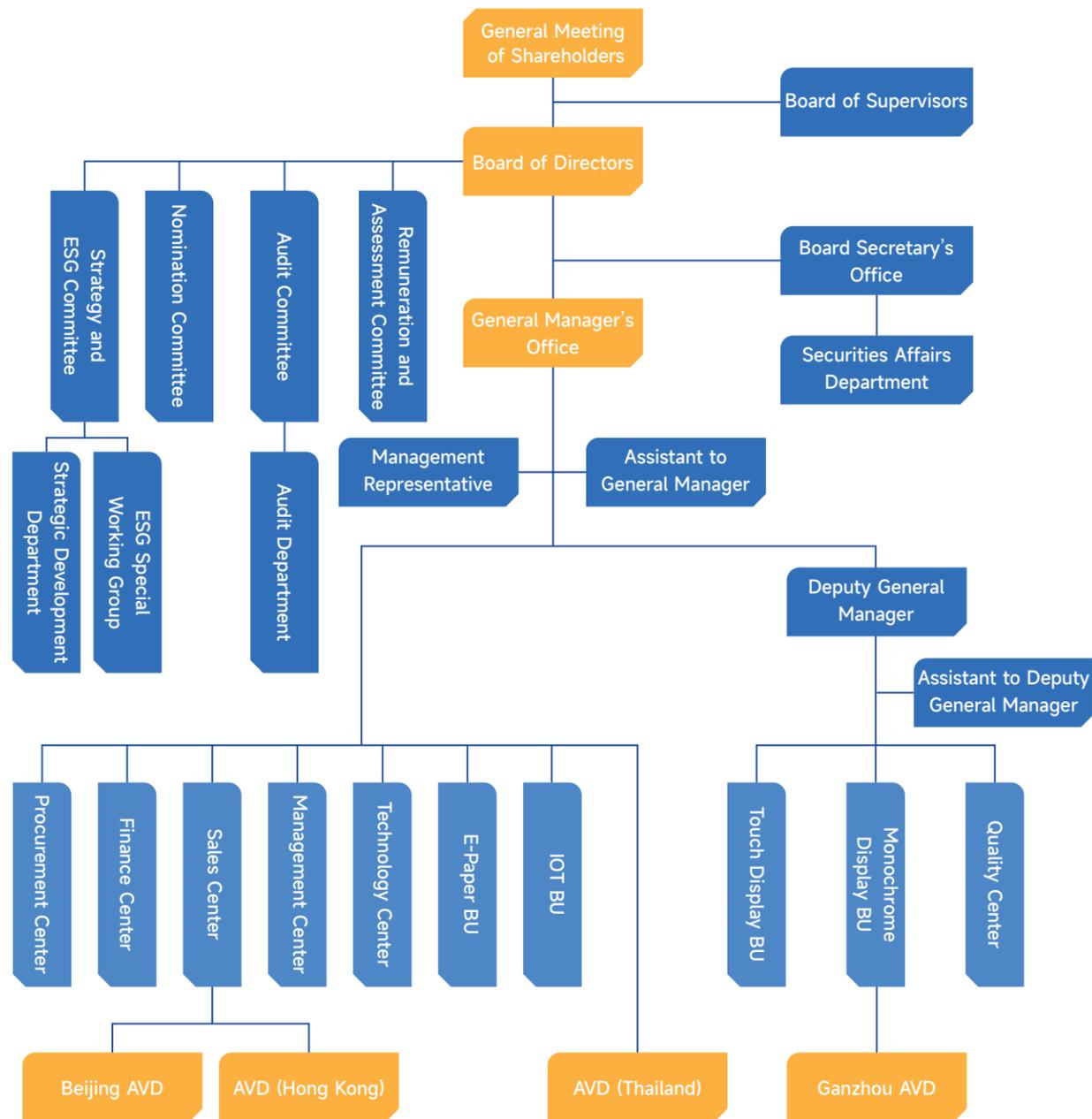
116

Key ESG Issues Covered in this Chapter

- Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors
- Risk Management
- Investor Relations Management
- Business Ethics

Governance Framework

A sound governance structure is the cornerstone and important guarantee for the sustainable development of an enterprise. The Company has implemented a modern corporate governance framework comprising the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the Management, and clearly defined their respective responsibilities and authorities in decision-making, execution, and corporate oversight. This framework helps the Company establish a robust governance mechanism with defined responsibilities and standardized operations, and ensures each governance entity carries out its duties in an orderly manner, thereby ensuring the effective and compliant operation of the Company.



Organizational Structure Chart

General Meeting of Shareholders

In strict compliance with the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Rules for the General Meeting of Shareholders of Listed Companies*, and other applicable laws and regulations, the Company has formulated a series of internal control regulations such as the *Articles of Association* and the *Rules of Procedure of the General Meeting of Shareholders*, clearly standardizing the organization, convocation and voting procedures of the General Meeting of Shareholders. We ensure that all shareholders enjoy equal status and fully guarantee the voice of minority shareholders in the deliberation process of each proposal.

Key performance

During the reporting period, the Company held **3** General Meetings of Shareholders and deliberated **18** proposals.

Board of Directors

The Board of Directors is the decision-making body of the Company and answers to the General Meeting of Shareholders. The directors of the Company conscientiously perform their duties and make decisions in accordance with applicable laws and regulations, as well as the *Rules of Procedure of the Board of Directors*. The Board of Directors sets up four specialized committees, namely the Audit Committee, the Remuneration and Assessment Committee, the Strategy and ESG Committee¹, and the Nomination Committee. The members of each committee perform their duties in accordance with applicable working rules, and provide full support to the professional and efficient deliberation and decision-making of the Board of Directors.

Key performance

During the reporting period, the Board of Directors held **6** meetings and deliberated **33** proposals, with an attendance rate of **100.00%**. The special committees convened **12** meetings and deliberated **27** proposals. In particular, the Audit Committee convened **6** meetings and deliberated **18** proposals. The Remuneration and Assessment Committee convened **1** meeting and deliberated **3** proposals. The Strategy and ESG Committee convened **3** meetings and deliberated **4** proposals. The Nomination Committee convened **2** meetings and deliberated **2** proposals.

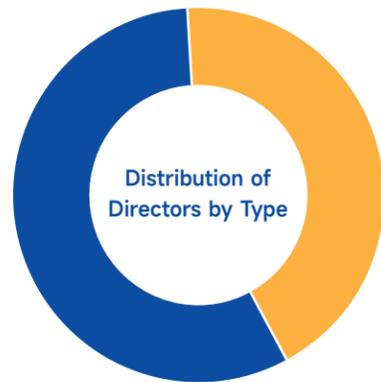
¹ On December 13, 2023, the Board of Directors of Shenzhen AV-Display Co., Ltd. held a meeting to deliberate and approve the adjustment of the "Strategy Committee" to the "Strategy and ESG Committee".

Independence and Diversity

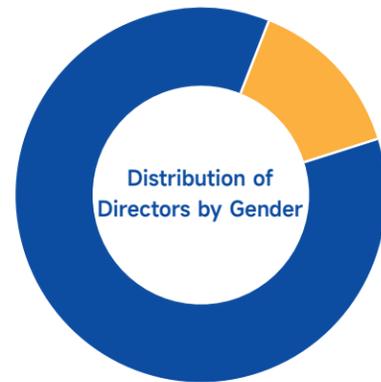
The Company emphasizes the independence of the Board of Directors and has formulated the *System of Work of Independent Directors* to give full play to the positive role of independent directors in the standardized operations of the Company. When planning the composition of the Board of Directors, the Company gives full consideration to the diversity of members in the Board of Directors, including but not limited to gender, age, culture, educational background, professional experience, and skills. The current Board of Directors of the Company consists of experts from fields such as applied chemistry, fine chemicals, environmental monitoring, precision electronics, electronic physics and devices, jurisprudence, and financial management, who have rich work experience and diverse professional backgrounds. They are utilizing their knowledge to provide support for the decision-making of the Company.

Key performance

In 2023, AVD's Board of Directors comprised **7** directors, including **3** independent directors and **1** female director.



■ Independent Directors 42.86%
■ Non-Independent Directors 57.14%



■ Male Directors 85.71%
■ Female Directors 14.29%

Board of Supervisors

The Board of Supervisors is the highest supervisory body of the Company. AVD's Board of Supervisors consists of 3 supervisors, including 1 employees' representative supervisor and 2 non-employees' representative supervisors. All supervisors of the Company conscientiously fulfill their duties in accordance with the requirements of the *Articles of Association*, the *Rules of Procedure of the Board of Supervisors*, etc. They effectively supervise the legality and compliance of material matters, financial conditions, and the performance of directors and officers at AVD, and safeguard the legitimate rights and interests of all shareholders.

Key performance

During the reporting period, the Company convened a total of **6** meetings of the Board of Supervisors to deliberate on **22** proposals.

Investor Relations Management

Information Disclosure

In the principles of fairness, impartiality and openness to all shareholders, and in compliance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Measures for the Administration of Information Disclosure by Listed Companies* and other applicable laws and regulations, AVD has formulated internal rules and regulations such as the *Information Disclosure Management System* and the *Internal Reporting System for Significant Information*, clearly defining the scope and content of significant information and ensuring the fairness of information disclosure. The Company has designated the Secretary of the Board of Directors as the main contact person for the information disclosure, and clarified the responsible person for the reporting of significant information in each related department. Meanwhile, recognizing the importance of maintaining the confidentiality of undisclosed information, we foster employees' awareness of compliance, reduce the risk of information disclosure and prevent insider trading by strengthening publicity and training initiatives and enhancing daily management efforts.

Key performance

During the reporting period, the Company issued a total of **116** announcements and related documents.

Communication with Investors

AVD prioritizes communication with investors. In strict compliance with the requirements of regulatory authorities, we have established the *Investor Relations Management System* to standardize investor reception procedures. We address the concerns of investors and ensure effective communication with investors by various means, including replying by calls, hosting online collective receptions on designated days, holding performance briefing sessions, sending emails to IR mailboxes.

Key performance

In 2023, the Company communicated investors via **4** initiatives, including holding **1** performance briefing session, hosting **1** online collective reception, receiving **2** offline surveys of institutions, and provide **248** replies on irm.cninfo.com.cn.

Protection of the Rights and Interests of Shareholders and Creditors

Returns to Shareholders

The Company endeavors to deliver returns to shareholders, and diligently follows the profit distribution provisions outlined in the Articles of Association. We have devised the Three-Year (2023-2025) Shareholder Return Plan of Shenzhen AV-Display Co., Ltd. to clarify the rationality of AVD's return on investment for new and old shareholders. This plan increases the transparency and operability of our profit distribution decisions, and facilitates shareholders to supervise the operations and profit distribution of the Company.

Key performance

Since its listing on the GEM Board, the Company has consistently distributed cash dividends annually. The cumulative cash dividends distributed amount to RMB **14,350.08** (in RMB 10,000), with a cumulative dividend distribution rate of **36.68%**.

Cash Dividend Distributed by the Company in the Past Three Years

Key Performance	2023	2022	2021
Cash Dividend per Share (RMB)	0.40	0.40	0.60
Total Cash Dividend Distributed (in RMB 10,000)	4,750.08	4,800.00	4,800.00
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements (%)	38.84	30.14	43.77

Protection of Creditors' Rights and Interests

In the process of making major operating decisions, the Company fully considers the legitimate rights and interests of creditors to ensure financial stability and asset/fund safety, effectively protecting the legitimate rights and interests of creditors and maintaining our good reputation.



Risk Management

Internal Control

Effective risk management and internal control systems is an important guarantee for AVD to realize sustainable development. Based on our realities, we have established the *Internal Control Management System* in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Governance Code for Listed Companies*, and other applicable laws and regulations. The system covers all operation stages of the Company, including environmental control, business control, accounting system control, information system control, information transmission control, and internal audit control.

We have established an internal control organization system under the ultimate responsibility of the Board of Directors and the supervision of the Board of Supervisors, wherein functional departments and subordinate organizations bear the primary responsibility. The system enables the Board of Directors and internal management to continuously improve and strengthen functions such as risk identification, monitoring and prevention, and inspect and assess whether the internal control system established by the Company is operating effectively. In conjunction with AVD's *Internal Control System* and assessment methods, we conducted a self-evaluation of internal control effectiveness as of December 31, 2023 on the basis of daily and special supervision of internal control. The Board of Directors believes the Company has maintained effective internal control in all material aspects of financial reporting in accordance with the requirements of our internal control management system and other applicable regulations, and no significant deficiencies or material weaknesses in internal control over non-financial reporting have been found.

We regularly identify, analyze, and evaluate internal and external factors that may lead to the failure in achieving internal control objectives in business activities, to determine the impact and likelihood of these factors, thereby reasonably establishing strategies for addressing risks. Furthermore, based on the risk assessment results, we ensure that relevant directives have been executed by taking corresponding control measures, including approval, verification, adjustment, review, regular validation, record reconciliation, function segregation, safeguarding asset security, and comparison with plans, budgets and previous results. These measures help to keep risks within an acceptable scope.

AVD continues to strengthen risk management training to further solidify risk management awareness. We provide special training sessions on a regular or irregular basis, such as training for chief financial officers of listed companies, to get a full understanding of the latest changes in enterprise accounting standards, the latest regulatory policies and trends regarding listed companies, as well as risk points in the disclosure and regulatory review of annual financial information. This enhances our risk management and response capabilities, and supports the steady development of the Company.

Management of Related Transactions

To standardize the decision-making procedures for related-party transactions between the Company and its holding subsidiaries and related parties, prevent related-party transactions from harming the interests of the Company and minority shareholders, the Company has formulated the *Decision-Making System for Related Transactions* and the *System for Preventing the Exploitation of Funds by Substantial Shareholders and Other Related Parties* to specify the review and disclosure procedures, pricing principles and other aspects of related-party transactions, in accordance with the *Company Law of the People's Republic of China*, the *Articles of Association* of the Company and other applicable regulations. The Company strictly implements the mechanism of avoiding conflicts of interest. When deliberating on related-party transactions, related directors and shareholders must abstain from voting. We always adhere to the principles of fairness, impartiality, and openness in transactions with all related parties, ensuring that such related-party transactions do not harm the interests of the Company and shareholders thereof.

Business Ethics

Strengthening Integrity Management

In compliance with the *Criminal Law of the People's Republic of China*, the *Public Security Administration Punishments Law of the People's Republic of China* and other application laws and regulations, the Company abides by and supports the ten principles of the United Nations Global Compact, and opposes all forms of corruption, including extortion, blackmail, and bribery. We have formulated systems such as the *Code of Ethics Management*, the *Operational Guidelines for Risk Evaluation of Labor Ethics*, and the *AVD Code of Conduct*, which provide specific provisions on anti-corruption, anti-bribery, anti-unfair competition, reporting principles, etc.

The Company has set up a Code of Conduct Working Group and an Office of the Code of Conduct Working Group, which consists of the General Manager, Deputy General Manager, the heads of first-level departments such as the Securities Affairs Department, Audit Department, and General Manager's Office. At the same time, all departments have appointed respective supervisors for integrity and self-discipline to comprehensively supervise and promote the integrity efforts of the Company.

Prevention and Control of Corruption Risks

AVD regularly organizes special audit and supervision of business activities and promptly identifies integrity risks. We focus on inspecting key areas such as sales and collection, procurement and payment, production, research and development, inventory management, fixed asset management, and fund management, with the aim of fostering a culture of transparency within the Company. To further strengthen the integrity and self-discipline of the Company, we organize employees to sign the *Commitment to Maintain Integrity in their Official Duties and Work*, with a signing rate of 100.00%. Throughout the reporting period, the Company did not have any major violations of integrity management, any incidents of corruption, or any litigation involving violations of business ethics worldwide.

Whistle-blowing Management

The Company endeavors to open channels for internal monitoring, reporting, and complaints. We encourage employees, suppliers, customers, and other stakeholders to report, in an open or anonymous manner, any violation of laws, disciplines, or business ethics-related regulations in the Company, through our official website, consultation and complaint hotlines, and email addresses. At the same time, the Company has established a whistle-blower protection mechanism to protect the legitimate rights and interests of whistle-blowers. We are firmly committed to not disclosing the personal information of whistle-blowers to prevent any possibility of retaliation.

Channels



Hotline:
0755-86106838



Email:
qjutw@av-display.com

Fostering a Culture of Integrity

AVD has always attached great importance to the integrity training for employees and continuously promoted the construction of a culture of integrity within the Company. The Human Resources Department and related departments of the Company regularly provide training on the Code of Conduct, utilizing online learning platforms. They also assess the training outcomes through targeted tests to ensure that employees have an in-depth understanding of the code of conduct and guidelines of the Company.

Case AVD Provided Training to Promote the Implementation of the AVD Behavioral Handbook

During the reporting period, in order to strengthen the professional quality and standardized work behavior of employees, the Company organized a special training on promoting the implementation of the *AVD Behavioral Handbook*. The training aimed to enable all employees to deeply understand and master the specific requirements of the handbook regarding work norms and professional ethics. Through case analysis, interactive discussions and other forms, the company aimed to help employees internalize the contents of the handbook and apply them in their daily work. This was done in order to promote the construction of an honest and upright cultural environment, establish a good corporate image, and jointly promote the healthy development of the Company.



Case AVD Provided Training on Integrity and Self-Discipline

In August 2023, the Company organized training on integrity for departments and centers to enhance their awareness of internal integrity and self-discipline. The training covered laws and regulations on integrity, self-discipline and internal rules of the Company, and clarified the requirements of integrity and self-discipline. It reinforced employees' awareness of integrity and self-discipline, and enabled the Company to maintain standardized business operations and a good corporate image.

Key performance

During the reporting period, the Company provided **1** training on anti-corruption and integrity for **10** participants, and the average duration of the training on anti-corruption and integrity was **1.50** hours.

Anti-monopoly and Anti-unfair Competition

AVD strictly abides by applicable laws and regulations, respects the principle of market competition, strengthens anti-monopoly and anti-unfair competition, and supports and maintains a fair and free market competition environment. The Company consistently provides training on laws and regulations, creating a healthy and transparent operating atmosphere and a good business competition environment.

Case AVD Provided Training on the Measures for Anti-Monopoly Compliance Management

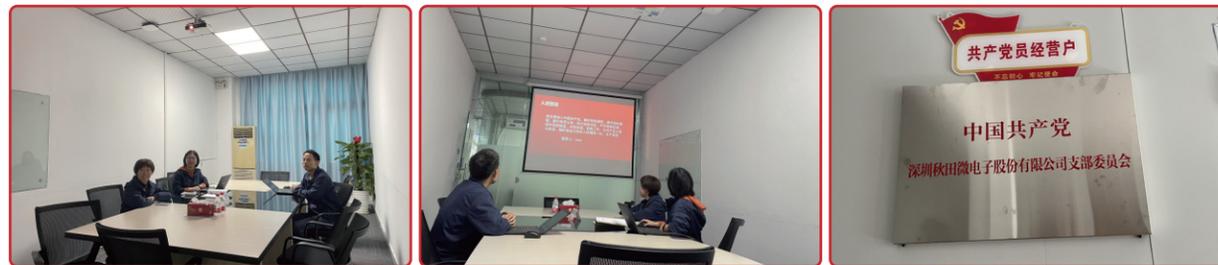
In October 2023, to strengthen the awareness and execution capabilities of all employees regarding anti-monopoly regulations, the Company provided training on the measures for anti-monopoly compliance management. The training included an overview of anti-monopoly laws, an analysis of relevant cases, and an introduction to anti-monopoly compliance measures.



Party Building Work

The Party branch of the Company strengthened the ideological education of party members through a range of party building activities and themed education sessions, including learning sessions on party history, aiming at continuously enhancing its political leadership and organizational strength and effectively guiding high-quality enterprise development with high-quality party building work.

To thoroughly implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 20th National Congress of CPC, the Party branch of the Company adheres to standardizing organizational construction, normalizes ideological education, deepens corporate management, and enriches party building activities. Party members attend party branch meetings, sing the national anthem together, and participate in learning under the Three Meetings and One Lecture system, review the party admission oath, and strengthen ideals and beliefs, laying a solid ideological foundation. During the reporting period, the Party branch of the Company actively promoted the ideological, organizational and working-style improvement of its Party members and drove the progress and growth of employees, laying a solid foundation for fulfilling various tasks of the Company.



■ The Party branch provided training under the Three Meetings and One Lecture system



Case

AVD Organized Employees to Participate in Themed Party Day Events, and Created a Distinctive Corporate Culture

In 2023, the Company organized employees to participate in the themed party day events of the two new party branches in Yuanshan Street and visited the Dongjiang Column Memorial Hall for learning and visiting. This activity not only made the employees more deeply aware of the glorious history of the Party, but also inspired them to pursue a higher level of corporate mission and responsibility.



Case

High-quality Party Building Leads Listed Enterprises in Longgang to Embark on a New Journey

In August 2023, the unveiling ceremony of the Party Committee of Listed Enterprises in Longgang District was held in Tian'an Yungu Industrial Park, Bantian Street. The committee was established by Longgang District with 13 listed enterprises. In November 2023, AVD attended the first party member congress of the Party Committee of Listed Enterprises in Longgang District and successfully elected a complete leading body with "two committees". Before the congress, all party members of the committee visited the Dongjiang Chaohong Cultural Museum located in the service center, reflecting on the arduous exploration and unremitting struggle of the Communist Party of China for the interests of the people.



Low-carbon Operation for A Green Future



SDGs Responded in this Chapter



Key Achievements in 2023

Investment in Environmental Protection Facilities: RMB 169.00 (in RMB 10,000)	Environmental Emergency Drills Conducted: 3 times
Power Generation from Renewable Energy: 261,775 kWh	Compliant Disposal Rate of Hazardous Waste: 100.00 %

Key ESG Issues Covered in this Chapter

- Environmental Management
- Energy Management
- Water Resources Management
- Actions against Climate Change
- Management of Wastewater, Waste Gases and Residues

Enhancement of Environmental Management

We have always adhered to the ecological and environmental protection principle that “lucid waters and lush mountains are invaluable assets” and the responsibility policy of “improving the environment, conserving resources, reducing hazards, and producing in a green way”, and regarded the protection of the environment and the conservation of resources as our own responsibility. We will establish a sound environmental management system to lay an important foundation for the green development of the Company. Additionally, we will formulate and strictly implement environmental management systems, continuously improve environmental management levels, and contribute to environmental protection and ecological balance.

Construction of Environmental Protection System

AVD strictly implements national environmental protection policies and regulations, and adheres to the responsibility policy of “improving the environment, conserving resources, reducing hazards, and producing in a green way”. Focusing on green development, the Company has formulated systems procedures such as *Guidelines for Environmental Protection Management* and *Environmental Pollutant Emission Standard*, to ensure the efficient operation of the environmental management system. During the reporting period, the Company has obtained ISO 14001:2015 certification for its environmental management system. The Company has set up the Environmental Protection Office to coordinate the management and handling of environmental protection-related matters, and established environmental protection-related KPIs for regular functional assessment of relevant responsible persons.

Environmental Protection Office

Undertaking daily liaison, contact, data collection and dissemination, internal and external coordination and arrangements with government environmental departments or agencies; conducting daily spot inspections on environmental system-related facilities, operations, records, storage, and data; demanding rectification and follow-up if any problems are found, and informing the leads of divisions of the rewards or punishment of relevant responsible persons according to the seriousness of damages; leading the publicity and training of environmental protection events, the receipt, renewal or replacement of environmental certification certificates, and the organization of environmental emergency rescue drills; assisting in the documentation and management of environmental management system certification; promptly conveying and updating the requirements of government environmental agencies, and updating ledgers and records (both dynamic and static) related to environmental protection efforts.

Manufacturing Department

Responsible for operations ensuring the scheduled and quantitative emission of wastewater and waste gas during production and machine-washing processes on the production line, and promptly notifying the Equipment Department of any abnormal emission.

Equipment Department

Undertaking the daily operation, maintenance, safety management, troubleshooting, renovation, upgrading, environmental operation data recording, process water quality testing, problem feedback, operation document preparation and modification for industrial wastewater and waste gas facilities, and cooperating the Environmental Protection Office in organizing third-party testing, mutual inspection, verification, environmental drills, etc.

Process Department

Providing information on chemical material composition, wastewater types, main components, production quantities, introducing new technologies and new products involving materials with industrial wastewater and waste gas emissions, and participating in environmental safety assessments, etc.

Administration Department

Undertaking the daily operation, maintenance and repair of domestic wastewater and waste gas facilities, and the transfer of domestic waste and general recycling wastes; signing transfer agreements, and quickly notifying information on visits by external inspectors, etc.



Management of Environmental Risks

AVD attaches great importance to the management of environmental risks. The Company regularly inspects and supervises the daily operation of each set of its environmental protection facilities, and ensures that the pollutants discharged from each factory comply with the requirements of the EIA approval, emission standards, and discharge permits. These efforts ensure legal and compliant discharges and enhance the awareness of environmental protection. The Company has formulated the *Guidelines for Identification and Evaluation of Environmental Factors*. Through regular internal environmental inspections, commissioned tests by third-party organizations, and special environmental inspections by external regulatory agencies, the Company identifies and evaluates its environmental factors, and controls the identified important environmental factors, to rectify adverse environmental hazards in a timely manner. During the reporting period, the Company did not incur any environmental penalties and violations.

Case Visits by External Regulatory Agencies

In May 2023, Longgang Environmental Protection Bureau conducted a spot inspection at AVD to check relevant documents and sites, and found no abnormality. During the reporting period, AVD received a total of 16 inspections such as notified inspection, spot inspection, double random inspections (random selection of both inspectors and inspection targets), and double random re-inspections from a number of external regulators, including the Enforcement Section of Yuanshan Street and the Environmental Monitoring Association. No abnormality was found during these inspections.

In 2023, Ganzhou AVD received 23 inspections from relevant regulators (mainly including local Environmental Protection Bureau, Emergency Management Bureau, Fire Brigade, Market Supervision Bureau, etc.). A total of 6 items requiring general rectification by these regulators have been rectified in accordance with the requirements.

The Environmental Protection Office has formulated the *Emergency Response Plan for Sudden Environmental Incidents* ("Emergency Response Plan"), which covers things like responses to actual emergencies and accidents, measures to reduce the consequences of emergencies, measures to reduce the consequences of emergencies, and actions to prevent environmental emergencies and accidents. The Emergency Response Plan aims to standardize the requirements for handling potential environmental emergencies or potential accidents. The Company conducts a detailed feasibility assessment of the items identified and established in the Emergency Response Plan and includes them in its annual plan for execution of drills. To ensure the effectiveness of the drills, we invite the participation of personnel from relevant departments. After the drills are completed, we will comprehensively summarize problems and results during the execution process and assess the feasibility of the emergency plan. If necessary, we will update the Emergency Response Plan to ensure that it complies with the Company's latest environmental protection standards and best practices, which will help improve the Company's resilience against environmental emergencies and ensure the timely and effective handling of emergencies.

Key performance

During the reporting period, the Company conducted a total of **3** environmental emergency drills.

Case Emergency Drill for Wastewater Emission Concentration Exceeding the Limits at Discharge Ports

In November 2023, the Company conducted an emergency drill for wastewater emission concentration exceeding the limits at discharge ports, and a total of 9 relevant personnel participated in the drill. Through the emergency drill, the Company assessed its ability to respond to emergencies, evaluated the response speed of relevant personnel, assessed their mastery of expertise related to environmental emergencies, and enhanced their awareness of environmental emergency safety.



Establishment of Environmental Protection Goals

AVD's Environmental Protection Goals in 2024

Content	Indicator
Qualification Rate of Environmental Testing Data (Third Party)	100.00%
Times of Penalties for Non-Compliance Found in Verification by Government Agencies	0 times

Research and Development of Green Technologies

AVD attaches great importance to the production of green and environment-friendly products, actively conducts environmental technology innovation, and actively conducts innovations in environmental technologies and the R&D of green products. During the reporting period, the Company developed green display products, such as reflective/semi-transparent TFT modules, and extensively applied and promoted them in outdoor and semi-outdoor scenarios such as vending machines and walkie-talkies.

In addition, with the acceleration of economic digitization, e-paper (a new type of green and low-carbon material) can significantly reduce environmental pollution. AVD is actively promoting the research and development of "e-paper films and modules". During the reporting period, the Company continued to increase its research and development efforts and trial production investment in the e-paper project. It has completed the initial construction of the e-paper material research and development laboratory, film coating workshop, and automated coating production line. Teams for the production, process, and quality control of e-paper films and modules have been established, advancing the trial production of e-paper films and improving yield rates. Standard module samples have been developed and tested, facilitating promotion to small-scale customers and sample testing. As of the disclosure date of this report, the Company has completed the procurement of production equipment for e-paper films and modules, and is in the stage of equipment installation and debugging.



Reflective TFT Modules

Promotion of Environmental Awareness

AVD actively promotes the construction of green corporate culture, insists on advocating employees to perform green behaviors in the workplace, guides all employees to comprehensively and deeply practice the concept of green office and green lifestyle, creates a good trend of energy conservation, rational consumption, and green healthy living, and contributes to the construction of a green home. The Company constantly publicizes the principles of energy conservation and consumption reduction to employees, prompting them to take the initiative to turn off lights and other office equipment when leaving the workplace and meeting rooms. We have formulated the Guidelines for Office Management, advocating employees to adopt actions such as saving electricity and setting the air conditioning temperature not lower than 26 °C. This enhances the environmental protection awareness of all employees.

To thoroughly promote environmental awareness and implement environmental actions, the Company continuously provides training on environmental protection for all employees during the establishment of the environmental management system. We organize environmental training activities to introduce environmental laws and regulations in the past three years to employees, so that the concept of "green and low carbon" is deeply ingrained in the hearts of all employees. Our training covers the requirements of applicable laws and regulations, basic knowledge of environmental protection, as well as expertise and special skills required for important positions. This ensures that participants have a full understanding of environmental management-related knowledge. The training covered all management and ordinary employees from top to bottom within the Company.

Key performance

During the reporting period, the Company invested RMB **1,690,000.00** in environmental facilities and paid RMB **5,922.00** in environmental protection-related taxes and fees.

Optimization of Resource Management

We actively assume responsibilities and consciously shoulder the historical mission of promoting green development. We continuously promote the construction of a green manufacturing system, improve energy management and water resources management systems, strengthen energy conservation and emission reduction, improve energy utilization efficiency, promote water conservation, and contribute to pollution reduction and emission reduction.

Energy Management System

Energy management is the key for enterprises to achieve operational carbon reduction and green development. To reasonably and effectively use resources and minimize waste, the Company controls its resource and energy consumption by establishing the energy management system and formulating the *Operational Guidelines for Control of Resource and Energy Consumption according to the Energy Management System - Requirements with Guidance for Use*. The Product Department, Planning and Material Control Department, Equipment Department and other departments cooperate and perform their respective duties to continuously promote the orderly energy management of the Company.

Indicator ²	Unit	2023	2022	2021
Total Electricity Consumption of Factories	10,000 kWh	2,999.13	3,017.77	3,145.35
Total Electricity Consumption of Large-scale Manufacturing	10,000 kWh	2,687.67	2,788.69	2,857.41

Actions for Energy Conservation and Emission Reduction

The use of fossil fuels such as coal and natural gas results in the emission of a large amount of greenhouse gases into the atmosphere, leading to global warming. It is urgent for us to shift our energy structure to clean energy. In response to national policies and following the requirements of relevant industry standards and norms, the Company vigorously promotes the use of clean energy to further reduce greenhouse gas emissions. We prioritize energy conservation and emission reduction and vigorously take action for energy conservation and emission reduction. During the reporting period, we have increased equipment operating efficiency and reduced energy consumption by using energy-saving equipment and upgrading and upgrading production processes.

Power-saving Measures

- Power-saving of air conditioning system: Reducing power consumption by increasing the temperatures of water freezers at stages and using fixed-frequency and adopting fixed frequency and differential pressure frequency conversion for air-conditioning air cabinets;
- Power-saving of compressed air system: Saving electricity by adopting a "0" air consumption adsorption dryer, increasing the end cache tank to stabilize the pressure of air supply, and regularly (quarterly) checking the air tightness of pipelines in the compressed air system.

Documentation Related to Energy Conservation

- Collecting relevant measured data to form documents for subsequent parameter setting when corresponding to environmental temperature, and regularly checking and addressing the breakage, percolation, seepage and leakage in each area.

²Electricity Consumption of Factories includes Electricity Consumption of Large-scale Manufacturing. The consolidated standard for electricity consumption includes Shenzhen AVD, Ganzhou AVD, and Ruidisheng. Ruidisheng was established in August 2022, therefore, the electricity consumption data for 2021 does not include Ruidisheng.

Daily Inspection and Audit Management

- Collecting energy consumption in various areas of the entire factory to monitor whether there are abnormal fluctuations;
- Performing inspections in various areas of the factory from time to time every week and giving timely feedback to the working group on energy conservation and consumption reduction;
- Organizing relevant departments to convene meetings for energy conservation and consumption reduction;
- Promoting energy-saving awareness and posting energy-saving signs.

Case Energy Conservation and Consumption Reduction of Central Air Conditioning System

The Company took measures for energy conservation and consumption reduction, including increasing the operating efficiency of air conditioning units and terminal cabinets, improving the cooling effect affected by the aging of water collectors in the cooling system of air conditioners, and enhancing the automatic switching control of air conditioning systems and the air exhaust systems in workshops, etc. In 2023, the total power consumption of the central air conditioning system decreased by 580,000 kWh over that of 2022, including 510,000 kWh in the TP central air conditioning system, and 70,000 kWh in the TFT central air conditioning system.



The average COP energy efficiency ratio of the air conditioning unit in the No. 1 plant of Ganzhou AVD was approximately 4.5. By replacing it with Haier Magnetic Bearing Chiller Units, and conducting the energy-saving transformation of cooling towers, and optimizing the intelligent group control management system of the central air conditioning system, AVD increased the energy efficiency ratio to about 6.9. After the improvement project was put into operation in July 2023, electricity consumption significantly decreased. The electricity consumption in the Ganzhou factory during the Q3 peak period decreased by 840,000 kWh compared to the same period of the previous year.



Case Energy Conservation and Consumption Reduction of Compressed Air Equipment

The Company saves electricity by realizing the integrated operation control of air compressors, enabling automatic start/stop of air pressure equipment, optimizing and adjusting air supply pressure of the compressed air system, transforming 1 fixed-frequency air compressor to variable-frequency operation, and organizing production lines to eliminate the high power-consumption static electricity bars and replacing them with energy-saving static electricity bar, etc. The total electricity consumption of the compressed air system in 2023 was reduced by 430,000 kWh compared with that of 2022 on a year-on-year basis.

Case Energy Improvement of Pre-laminating Machine for Water-based Adhesive Bonding

In the design of the machine at the Shenzhen Industrial Base, each of the drug-washing tanks and the water-washing tanks was equipped with an independent pump, and there was excess flow when the drug-washing tank was not filled with drugs, resulting in electricity waste. Upon evaluation, the spray pipes of the two tanks were connected, a switching valve was added, and then only one pump was required, which saves electricity 1.50 kWh per hour.



Case Photovoltaic Power Generation

The Company erected rooftop photovoltaic power generation equipment to increase the use of clean energy and further reduce carbon emissions. In 2023, the power generation of such solar photovoltaic equipment was 261,775 kWh.

power generation of solar
photovoltaic equipment
» **261,775** kWh »



Protection of Water Resources

AVD strictly follows applicable laws and regulations such as the *Water Law of the People's Republic of China*, and continuously promotes the comprehensive control of water resources. The Equipment Department prevents water waste by inspecting various equipment and facilities daily and timely repairing equipment and facilities with breakage, percolation, seepage and leakage. The water consumed by the Company mainly comes from municipal water supply. During the reporting period, the Company continuously strengthened the whole-process water-saving management from water intake to water use and achieved the recycling of water resources by realizing equipment transformation and increasing the recycling efficiency of reclaimed water.

Water-saving Measures and Effects Thereof

Item	Result
Conducting classified collection and treatment of wastewater discharged from workshops to increase the recycling efficiency of reclaimed water	The recycling efficiency of reclaimed water increased by 5.00%.
Increasing the supply efficiency of pure water with a pure water system	Tap water consumption decreased by 40.00%.
Improving the reuse efficiency of reclaimed water	The recycling efficiency of reclaimed water increased by 5.00%.

Data about Water Consumption

Indicator	Unit	2023
Industrial Water Consumption	m ³	436,835
Fire-fighting Water Consumption	m ³	104

Actions to Climate Change

In recent years, with the frequent occurrence of extreme weather events and the exacerbation of global climate risks, addressing climate change has become a global consensus. We actively respond to the economic opportunities and challenges that climate change may bring to the Company, integrate climate change response into the Company's management and operational practices, and consider reducing greenhouse gas emissions as an important part of our environmental management efforts. Additionally, we incorporate carbon management into the whole-lifecycle operation of the Company, and seek economic models to address climate change risks.

Procedure and Organization

To quantify and report the greenhouse gas emissions, the Company has formulated the *Management Procedures for the Quantification and Reporting of Greenhouse Gas Emissions*, to clarify the quantification and reporting scope of greenhouse gas emissions, the categories for identifying and quantifying greenhouse gas emissions, the quantification and reporting methods and steps, the data collection methods for quantification, and the calculation of emissions, etc. This ensures that the data and data sources for quantification and reporting of greenhouse gas emissions comply with the principles of relevance, consistency, completeness, transparency, and accuracy.

The Company has established a GHG Management Team led by the Director of the Safety Committee, and convened all departments to form an informal organization for the quantification and reporting of GHG emissions. The Greenhouse Gas Management Team is responsible for drafting and maintaining the *Management Procedures for the Quantification and Reporting of Greenhouse Gas Emissions*, clarifying requirements for the data collection, statistical calculation, and reporting of greenhouse gas emission. It should organize the quantification of greenhouse gas emissions, prepare greenhouse gas quantification reports, apply for third-party verification, and disclose greenhouse gas-related information to customers and other target users.

Structure and Responsibilities of the Greenhouse Gas Management Team

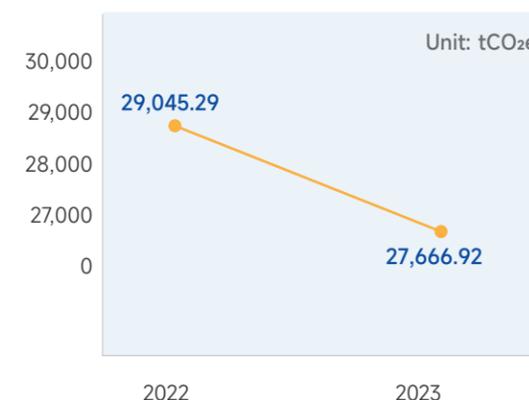
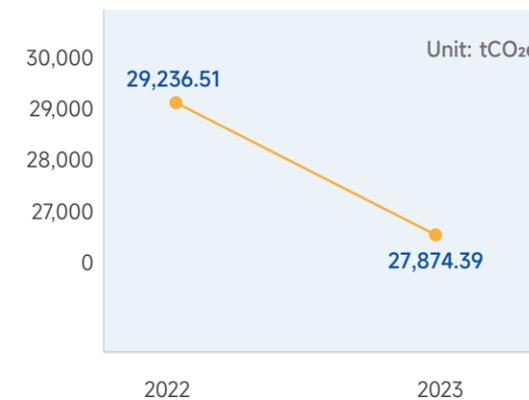


Management of Carbon Emission

To standardize the requirements for greenhouse gas management in the Company, AVD conducts internal carbon emission investigations, scientific statistical evaluations, and annual greenhouse gas verification for the previous year, and publicly releases relevant reports. Through mechanisms such as data mapping and tracking verification, the overall planning of greenhouse gases and the implementation of emission reduction mechanisms are effectively implemented.

In accordance with the requirements of standard SZDB/Z 69-2018, the Company has established procedures such as the *Document and Record Management Procedures* and the *Data Quality Management Procedures*, and conducted annual GHG footprint verification under the planned greenhouse gas management system and standard requirements. The Company invites third-party organizations to conduct inspections on its carbon emissions. Through document review and on-site inspection, the Company ensures that the information and data regarding the greenhouse gas emission of AVD are verifiable and compliant with the standardization guideline of Shenzhen City: SZDB/Z 69: *Guidance for Quantification and Reporting of the Organization's Greenhouse Gas Emissions*.

In 2023, the Company completed the *Report on the Verification of Organization's Greenhouse Gas Emissions* for 2022. In 2024, based on the Emission-Factor Approach, we conducted preliminary calculations of the carbon emission data for 2023, and the carbon footprint verification for 2023 is underway³.



³If there are discrepancies or conflicts between the carbon emission-related data in this report and that in the 2023 Report on the Verification of Organization's Greenhouse Gas Emissions, the latter shall prevail.

Reduction of Pollution Emissions

We have formulated company-wide internal management procedures for wastewater, waste gas, plant noise and solid waste generated in the course of production and operation, including the *Emission Standard of Environmental Pollutants*, the *Guidelines for Operation and Maintenance of Facilities for Wastewater Emission*, the *Guidelines for Inspection on Wastewater Emission*, the *Guidelines for Operation and Maintenance of Facilities for Waste Gas Emission*, the *Procedures for Control of the Wastewater, Waste Gases, Residues and Noise*, the *Checklist for Classification of Solid Wastes*, and the *Rules for on the Management of Dangerous Wastes*. These efforts ensure the normal operation of environmental protection facilities, the emission of wastewater and exhaust gas, and the compliant disposal of solid wastes.

Management of Wastewater

AVD prioritizes wastewater management, establishes wastewater treatment systems during the production process, and introduces advanced wastewater treatment equipment and technologies to achieve the compliant emission of wastewater. The Equipment Department is responsible for the daily operation, inspection, maintenance, and troubleshooting of the system. The Environmental Protection Office samples the discharged water from the wastewater station every day. If abnormalities are found, the Environmental Protection Office will immediately request the wastewater station to stop operations, and report the findings to relevant leaders for handling. The Company has set up dedicated sewage treatment facilities for post-production wastewater, and treated production wastewater using physical, chemical, and biological treatment methods.

In order to make the operators and inspectors of the wastewater system understand the operation status of the system and whether the water quality discharged from the metering outlet meets the requirements of environmental protection, so as to ensure the normal operation of the wastewater system, we have carried out wastewater monitoring and inspection. The Equipment Department and Quality Control Center collect and analyze samples from wastewater systems and discharge ports, to check whether they meet emission standards.

Key performance

In 2023, the Company treated **135,739** tons of wastewater, with COD and ammonia nitrogen as the main pollutants, discharging **2.75** tons of COD and **0.05** tons of ammonia nitrogen.

Case Reuse of Reclaimed Water

To reduce wastewater emission, the Company set up reclaimed water reuse facilities and prioritized the classification and recycling of wastewater discharged from workshops. We reinstalled wastewater collection pipelines in the existing factory area, and conducted classified collection and treatment of different types of wastewater to increase the reuse rate of reclaimed water. Additionally, we realize compressed reuse management by installing instruments that can automatically identify and switch the conductivity at the concentrated water outlet of the second reclaimed water reuse system. This measure enabled the Company to increase the reuse rate of reclaimed water from 50.00% to over 65.00%.



▲ Facilities in Reclaimed Water System

Management of Waste Gases

Chemical waste gases in the Company mainly come from volatile organic compounds, tin welding gases, and acidic and alkaline gases used in production workshops. Ordinary waste gases mainly include hot gases, water vapor, dust, and odors, as well as burnt gas from the use of fuel in the canteen, oil fumes, waste gases from internal motor vehicles, etc.

In accordance with applicable laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Integrated Emission Standard of Air Pollutants* and applicable laws and regulations, we have established the *Guidelines for the Operation and Maintenance of Waste Gas Emission Facilities* and built waste gas neutralization towers and organic waste gas purification towers to treat the waste gases generated by factories. We control the emissions of acidic and organic waste gases generated by the factories to meet the requirements of applicable laws and regulations, and conduct regular monitoring to facilitate timely and effective handling of abnormalities.

The Equipment Department is responsible for the treatment of factory waste gas emission systems and the handling of abnormal situations in waste gas emission systems and facilities. The Safety Office arranges third-party organizations to take samples and test the waste gas emission outlets quarterly and issue testing reports. The Environmental Supervision Team inspects waste gas emission systems to determine whether they comply with daily operational requirements.

On-Site Control of Waste Gases

- 1 In places where waste gases are generated, operations are carried out only when the exhaust equipment is functioning normally; all cleaning lines must be covered with sealed protective covers during operation; the etching room must form an obvious negative pressure to prevent acidic gases from leaking outward.
- 2 Chemicals used for production must be checked during packaging, storage, and use to ensure that the bottle caps are tightly closed, thereby minimizing the volatilization of chemicals inside the containers.
- 3 Employees who are long exposed to volatile chemical solvents in the workshop, or operators who prepare such chemical solutions, should receive relevant training to ensure that they consciously reduce gas emissions during their daily work.
- 4 The Administration Department and the Safety Office regularly inspect, clean, and maintain the stoves, exhaust system, gas pipelines and other appliances used in the canteen, and make records of the repair and maintenance of the equipment.
- 5 Motor vehicles within the factory should undergo annual inspections to ensure that their exhaust emissions meet relevant regulatory requirements.

Key performance

In 2023, the Company processed **455,660,000.00** m³ of organic waste gas (of which the main pollutant is volatile organic compounds, with a total emissions of **0.61** ton) and **114,780,000.00** m³ of acidic waste gas (of which the main pollutants are hydrogen chloride and nitrogen oxides, with a total emission of **2.26** tons and **0.40** ton, respectively).

Management of Wastes

In accordance with the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes*, *Technical Guidelines for Solid Waste Treatment & Disposition Engineering*, and other applicable laws, regulations and standards, the Company has established rules and procedures such as the *Rules for Control of the Wastewater, Waste Gases, Residues and Noise and the Checklist for Classification of Solid Wastes*. These procedures are formulated to standardize the basic requirements for the management, classification, treatment, and comprehensive utilization of wastes, clarify the responsibilities of the generating unit, using unit, and disposal unit of wastes, and reduce environmental risks.



Reduction and Recycling of Wastes

- 1** The Safety Committee and the Environmental Protection Office and the Administrative Department are responsible for monitoring the quantity of each type of waste every month. When the waste emissions increase significantly, the Environmental Protection Office will promptly give feedback to the relevant departments, and the responsible departments will take targeted management or recycling measures to reduce waste emissions.
- 2** General waste can be recycled by recycling companies. When selecting waste recycling companies, it is necessary to verify that their business scope aligns with the approved business scope.
- 3** Hazardous waste can be disposed with internal sewage treatment facilities or additional equipment. Internal treatment measures and methods should be established on the basis of economy and operability assessment results, to reduce the wastes requiring consigned disposal.
- 4** For hazardous waste that can be recycled by the original suppliers (e.g., empty chemical barrels, used engine oil, etc.), it is necessary to clearly agree on the recycling requirements with the suppliers to ensure that the whole process complies with the requirements of relevant hazardous waste management procedures as well as applicable laws and regulations.

Management of General Waste

On the premise of simplicity and feasibility, each department sets up its own temporary storage place for general waste. For the collection of general waste, the Company clearly specifies that general waste should be classified to avoid mixing, disorderly placement, and odor generation. At the same time, the temporary storage area at each site needs to be provided with clear classification signs that are easily understood at a glance. We require that all collected general waste must be properly placed in designated garbage stations. Dumping wastes outdoors is strictly prohibited to prevent sewage from entering the rainwater pipes due to rainwater flushing. In sites where many types but few quantities of general waste are generated, recyclable and non-recyclable waste should be separated for better waste management and treatment. In addition, the sewage discharge outlet of the canteen must be equipped with a filter to block domestic garbage from entering the sedimentation tank, and the filtered substances should be treated in accordance with the requirements for general waste treatment. The filter should be cleaned twice a day on each working day. In 2023, AVD generated 205 tons of general industrial solid waste, and recycled and disposed of 251 tons of general industrial solid waste.

Management of Hazardous Waste

To standardize the daily management of hazardous waste, clarify the responsibilities of hazardous waste management, stipulate the disposal requirements of hazardous waste, ensure the strict implementation of relevant laws and regulations on hazardous waste, and reduce the risk of environmental pollution, the Company formulated the Rules for on the Management of Dangerous Wastes to clarify the responsibilities among relevant departments, and provided detailed explanations on the requirements and precautions for the identification, collection, storage and disposal of hazardous waste.

The Safety Committee and the Environmental Protection Office prepare hazardous waste management plans and establishes ledgers for hazardous waste disposal in each contract period and submits them to the Environmental Protection Agency for record. We synchronize and update the data on the environmental supervision information platform for solid wastes, and update the monthly report data on the platform every month, and the annual report data every year. In addition, we keep the data of hazardous waste disposal in the last three years for the inspection and audit by the government as well as related parties in the future.

To prevent risks, the Safety Committee organizes the formulation of the emergency response plan for environmental abnormalities, and specifies on-site emergency disposal plans for hazardous wastes in the plans. It also organizes relevant departments to conduct emergency drills for addressing abnormalities occurring in hazardous waste disposal every year and retains relevant records.

Indicator	Unit	2023	2022	2021
Quantity of Hazardous Waste Generated	ton	69.07	94.89	50.43
Quantity of Hazardous Waste Transferred	ton	69.64	94.62	50.24

Training on Waste Management

AVD regularly provides training on waste management, and each department communicates the importance of waste management to personnel at all levels to ensure that waste classification becomes the consensus of all employees.



Through diversified training programs, the Company encourages all employees to deeply understand and agree with the importance of waste management and integrating the waste management into the corporate culture, providing a solid foundation for the Company to achieve sustainable development and fulfill social responsibilities.

Taking Responsibility and Ensuring Steady Development

SDGs Responded in this Chapter



Key Achievements in 2023

Product Percent
of Pass:

98.40 %

Quality Culture
Training:

303 sessions

Customer
Satisfaction:

92.31 %

Investment in R&D: RMB **6,426.01** (in RMB 10,000), accounting for **6.46**% of operating income

Number of R&D Personnel:

228

Total Patents Obtained:

154

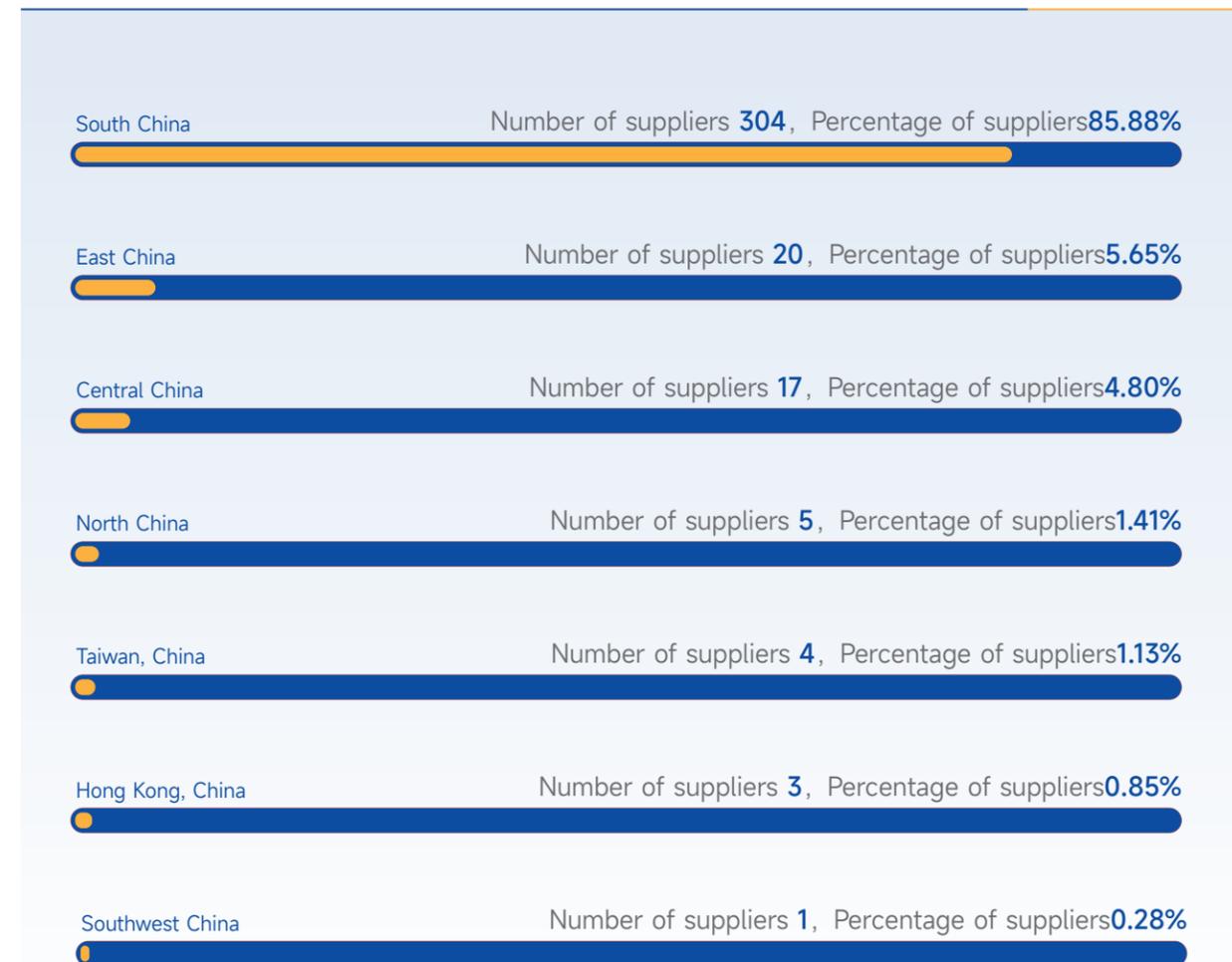
Key ESG Issues Covered in this Chapter

- Supply Chain System
- R&D and Innovation
- Product Responsibility
- Protection of Customers' Rights and Interests
- Information Security and Privacy Protection

Establishment of Sustainable Supply Chains

In accordance with the laws and regulations such as the *Law of the People's Republic of China on Tendering and Bidding* and the *Regulations on the Implementation of the Tendering and Bidding Law of the People's Republic of China*, the Company has formulated the *Purchasing Control Procedures* and the *Supplier Assessment and Control Procedures* and set up a Purchasing Center which controls the supplier screening and assessment, the purchasing of raw materials and other related activities to ensure that the suppliers follow the Company's requirements in terms of ethics, environmental protection, safety and quality.

Local purchasing is of great significance for cost-effectiveness, energy saving and emission reduction, supply stability, quality control, risk management, and local economic development. During the reporting period, AVD cooperated with a total of 354 suppliers nationwide. Among them, 225 suppliers are located in Shenzhen, contributing to 68.39% of our local purchasing, and 11 suppliers in Ganzhou, contributing to 44.00% of our local purchasing.



Supplier Management Mechanism

Admission of Suppliers

The Company continuously strengthens the management of supplier admission, continuously develops and introduces high-quality suppliers, and carries out multi-stage assessments as per the *Supplier Assessment and Control Procedures* in stages including: the preliminary selection, investigation, qualification confirmation, sample delivery and assessment of suppliers. By doing this, we can ensure that the products and services provided by suppliers meet our requirements and that we can establish a healthy, stable and mutually beneficial cooperative relationship with relevant suppliers.

Assessment and Evaluation of Suppliers

We assess and select suppliers based on their qualifications, delivery capabilities, integrity, honesty and other literacy, in combination with our own business plans and strategic goals. The Company organizes the quality and technical departments to conduct semi-annual comprehensive performance assessments on Tire 1-4 material suppliers, and formulates an annual supplier audit plan for a 5-year period, especially focusing on key controlled suppliers, outsourced processing plants, and suppliers with significant quality abnormalities in the previous year. Real-time on-site audits for important quality improvements can be arranged when products from non-key controlled suppliers have quality issues. We implement a mechanism for the survival of the fittest to promote continuous improvement of suppliers at each level while ensuring fair and just assessment.

Elimination of Suppliers

The Company strengthens the management of qualified and non-qualified suppliers, follows up and guides the improvement of the approved, unqualified, and Class-C suppliers to help them avoid being eliminated. If the assessment of performance or improvement results indicate that some suppliers are unable to meet the Company's needs, we will terminate the cooperation with such suppliers.



Responsible Purchasing

We consistently integrate the philosophy of sustainable development throughout our purchasing process. We have developed a *Supplier Conduct Handbook*, focusing on key aspects like environmental protection, anti-discrimination, health and safety, labor, wage and salary, and business integrity, to establish corresponding sustainable purchasing processes and capabilities. Guided by our values of "integrity and mutual benefit", we engage in resource sharing and deep collaboration with various suppliers on quality, delivery, and cost, aiming to build a symbiotic and mutually beneficial ecosystem together.

Environmental protection

We strictly adhere to laws and regulations regarding environmental protection and dispose of waste from our plants according to relevant requirements to create a sound work and social environment.

Anti-discrimination

We prohibit discrimination based on personality, age, religious beliefs, ancestry, social status, social background, disability, race, nationality, political affiliation, sexual orientation, or any personal characteristic.

Health and safety

We are dedicated to developing and refining rules and procedures related to occupational health and safety and ensuring their strict enforcement to protect employee health and safety.

Labor

We strictly prohibit forced or prison labor and any form of physical punishment, psychological or physical coercion, and verbal abuse. Our approach to rewards and discipline prioritizes psychological and educational aspects, supported by material means when necessary.

Wage and salary

We strictly adhere to local government standards for minimum wages and comply with the requirements on overtime payment under the Labor Law of the People's Republic of China to ensure that our employees' earnings suffice for their normal living expenses. We guarantee that wages are neither withheld nor delayed in any form.

Business integrity

We prohibit any forms of corruption, extortion, bribery, and embezzlement in our operations. We adhere to the principles of fairness in marketing, sales, and competition, ensure the protection of customer information, and forbid unfair competitive practices such as slander, defamation, or collusion.

Clean purchasing

We enforce guidelines requiring our purchasing staff to maintain integrity, objectivity, and fairness in all work-related activities, while adhering to professional ethics, safeguarding business secrets, and loyally protecting our interests. Additionally, we have established anti-corruption reporting and whistleblower protection mechanisms, which are strictly monitored through our online email complaint channels. During our interactions with suppliers, we continuously emphasize the importance of anti-corruption practices and engage in mutual oversight with our partners to promote a cooperative and mutually beneficial supply chain.

To foster transparent collaboration with suppliers and encourage their integrity, we've agreed upon a *Supplier Conduct Handbook* embodying principles of clean and transparent cooperation. We are committed to respecting the cooperative interests of our suppliers under the principles of legality, legitimacy, and mutual benefit. We firmly oppose any entity or individual using inappropriate means, such as enticements or promises, to influence our staff for personal gain. Such actions are regarded as unfriendly and potentially malicious. Our employees are prohibited from soliciting or accepting any form of cash, monetary gifts, negotiable securities, payment vouchers, shopping cards, gifts, tobacco, alcohol, valuable items, kickbacks, benefits, gratuities, intermediary fees, or commissions (remunerations). Our employees are strictly prohibited from accepting any form of commercial bribery, whether directly from suppliers or indirectly through third parties.

Management of Conflict Minerals

AVD is committed to responsible mineral sourcing. Our products align with the Conflict-Free Sourcing Initiative (CFSI), ensuring compliance with the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, or equivalent recognized due diligence frameworks. We ensure that tantalum, tin, tungsten, and gold used in our products are not sourced, directly or indirectly, from the Democratic Republic of Congo or neighboring regions.

Key performance

During the reporting period, we worked with **88** suppliers certified under quality management systems, **57** suppliers certified under environmental management systems, and **12** suppliers certified under occupational health and safety management systems. There were no suppliers suspended or prospective suppliers rejected due to non-compliance. We had signed a transparent cooperation agreement with **96.00%** of our suppliers.

Orientation to Product Quality

Quality Management Mechanisms

Ensuring high-quality products is crucial for our sustained corporate growth. We adhere to a quality policy that prioritizes "customer first, quality foremost, innovative development, and continuous improvement" to ensure strict quality control. We strictly adhere to laws and regulations such as the *Law of the People's Republic of China on Product Quality*. Relying on a scientific and stringent quality management system, we have successively obtained certifications in several quality management systems, including ISO 9001:2015 and IATF16949:2016. Furthermore, we have established a Quality Center, serving as the organizational body for our quality management and quality system construction. The Quality Center is responsible for coordinating and managing the overall quality throughout our company, establishing our quality culture, preparing strategic quality plans, and constructing whole-process quality systems. We have prepared a suite of quality assurance documents, including the *Control Procedures for Product Design and Development*, *Control Procedures for Advanced Product Quality Planning (APQP)*, and *Control Procedures for Nonconforming Products*, to ensure quality control throughout the entire process, from raw material acceptance and storage to product manufacturing and inspection, and nonconforming product handling and recall.

■ The Company and Ganzhou AVD have obtained ISO 9001:2015 and IATF16949:2016 certifications for its quality management system.

Ruidisheng has obtained ISO 9001:2015 certification for its quality management system.

Quality Management Measures

AVD meticulously oversees and administers the complete life-cycle of products and services in a scientific manner to realize scientific, standardized, regulated quality management. We continuously apply methodologies, such as Design for Six Sigma (DFSS) and Lean Six Sigma management, to establish scientifically sound systems across product design, material purchasing, manufacturing, quality control, and sales, thus ensuring that our management systems operate efficiently and orderly and our product quality meet the demands of our customers.

We have developed the *Control Procedures for Advanced Product Quality Planning (APQP)* according to the IATF16949:2016 quality management system to carry out quality management efforts based on systems and policies.

R&D phase

Our Technical Department conducts feasibility analyses based on information from the Sales Department to achieve the whole-process control of product and service realization processes, thus guaranteeing the quality and safety of products in mass production and enhancing user experience and satisfaction.

Production phase

We implement strict system standards and quality control measures. Products requiring new materials and processes should be strictly inspected according to the *Material Development Guidelines*. Meanwhile, product and reliability tests need to be confirmed and test plans need to be prepared, which will be recorded in the *Sample Test Plans*, to enhance the detection power of our products. To ensure high-quality products, we perform multi-dimensional inspections of goods to guarantee that our products meet the optimal user experience.

Prevention and correction phases

In the improvement stage, we organize our Quality Control and Quality Centers to review internal anomalies and customer feedback, updating and implementing the necessary documents accordingly. These centers annually review and update control plans, as well as failure mode and effects analyses. Additionally, the Quality Center and Sales Department assess the achievement of customer targets and trends each year to foster continuous improvement. Post-mass-production changes are managed in accordance with the *Guidelines for the Management of Project Changes*. The necessary document updates related to the approval of production parts should adhere to the *Guidelines for the Control of Production Parts Approval* and require customer re-approval. Through corrective and preventive actions, along with diligent implementation tracking, we effectively eliminate the causes of actual and potential nonconformities.

Key performance

During the reporting period, AVD achieved an average incoming product pass rate of **98.40%**.

Quality Culture Training

AVD places a high emphasis on developing a team of highly qualified and skilled quality professionals. To improve our product quality, we consistently organize quality training sessions to enhance employees' awareness and continuously elevate their professional skills. In 2023, utilizing both online and offline modes, we integrated internal and external resources to conduct targeted training for quality personnel across various product lines, levels, and needs, and have achieved significant results.

Case AVD's "Do It Right the First Time" Quality Culture Seminar

In 2023, AVD organized a "Do It Right the First Time" seminar for middle and senior management to deepen and strengthen the construction of our quality culture. Participants actively shared experiences and insights, collectively exploring how to apply the "Do It Right the First Time" philosophy in their work.



Key performance

During the reporting period, we held **303** quality culture training sessions, with **6,189** instances of participation and a total of **10,050.50** hours dedicated to the training.

Information Security and Privacy Protection

Concept and System

AVD has prepared and continuously improved the *Guidelines for the Control of Information Security Incidents* according to applicable laws and regulations, such as the *Personal Information Protection Law of the People's Republic of China* and the *Network Security Law of the People's Republic of China*, to ensure the safe and stable operation of our information systems and devices and prevent the incidents of information loss or leakage.

We have established an IT Department to be responsible for organizing the preparation of information security incident processing systems, investigating information security incidents, and proposing handling measures, rewards, punishment, and corrective and preventive actions. The department includes roles such as the information security situation and incident discoverers and information security specialists, thereby reinforcing our management of information security.

Emergency Incident Management

To enhance our responsiveness to emergency incidents, we have developed contingency plans and response mechanisms, including the *Guidelines for the Implementation of Network Security Contingency Plans*. In case of any leakage of personal information or security risk, we will promptly initiate remedial actions and follow up efficiently to minimize the damage and impact of the incident. We regularly inspect servers and key network equipment, promptly update the virus database of antivirus software of servers, regularly conduct vulnerability scans and patch repairs on all servers, back up critical data on a routine basis, and enforce a duty system during special periods. Those violating our *Information Security Management System* and resulting in damages will be held accountable in accordance with the *Guidelines for Disciplinary Actions against Violations of Disciplines*.

Additionally, our IT Department has established a comprehensive data backup strategy and strengthens employee training on computer usage, thereby enhancing the overall security awareness of our employees. Regular or occasional technical training and emergency drills for professionals are conducted to improve our capabilities in emergency security and ensure the effective implementation of our contingency plans. In May 2023, we carried out information security training for employees to raise their awareness of preventing information security incidents.

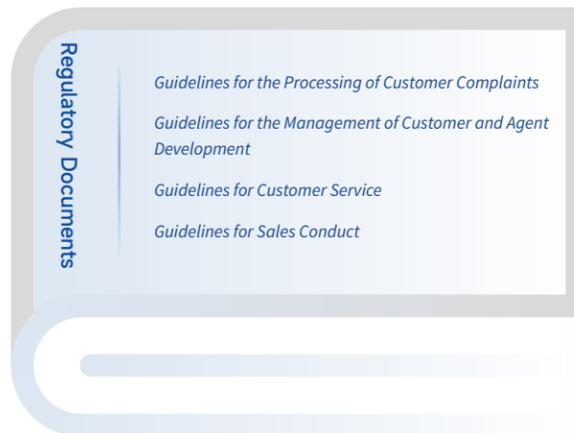


Information Security Training Site

Protection of Customers' Rights and Interests

Customer Service Management

Since our establishment, we have been committed to providing professional services and high-quality products to meet the diverse needs of our customers. Leveraging our advanced product R&D and manufacturing capabilities, we offer comprehensive services from design to distribution, striving to ensure customer satisfaction with our products and services. We have established internal standard documents such as *Guidelines for the Processing of Customer Complaints*, *Guidelines for the Management of Customer and Agent Development*, *Guidelines for Customer Service*, and *Guidelines for Sales Conduct*.



Customer Demands

We prioritize the response and satisfaction of customer's demands. For customer complaints, we have established effective handling channels. Customers can file complaints with product quality and services by various means including phone and email, or in written, oral, or other forms of communication. We optimize our customer complaint-handling mechanisms and processes based on product or service feedback. Issues raised by customers are documented in the *Summary of Daily Customer Complaints*, and their impact is assessed to determine the level of action required. In collaboration with responsible departments, we investigate and analyze the root causes, rectify issues raised by customers, and prevent their recurrence. We treat the resolution of customer complaints as a starting point for enhancing our products and services and actively listen and respond to customer suggestions and opinions. We commit to an initial response within 2 hours after the receipt of a customer complaint to confirm the details of the complaint of the customer. Within 24 hours, we provide a second response, offering preliminary improvement measures. Within 5 days, a third response is issued, presenting a detailed analysis and planned improvement strategies. Should these time limits not be met, the complaint is escalated to higher-level personnel for resolution.

- Within **2** hours,
we commit to an initial response after the receipt of a customer complaint to confirm the details of the complaint of the customer.
- Within **24** hours,
we provide a second response, offering preliminary improvement measures.
- Within **5** days,
a third response is issued, presenting a detailed analysis and planned improvement strategies. Should these time limits not be met, the complaint is escalated to higher-level personnel for resolution.

Customer Satisfaction

We continuously strengthen customer service in the pre-sale, sale, and post-sale stages to build a high-quality customer service system. We have prepared customer relationship management procedures such as the *Guidelines for Customer Satisfaction Survey* to clarify the responsibilities of each department, meet customer needs, and enhance our customer service level.

We focus on effective communication with our customers and conduct annual customer satisfaction surveys, covering the entire year. Customer satisfaction questionnaires are disseminated to our customers through our customer service team. We ensure diligent tracking and collection of these questionnaires within a month of distribution, aiming for a minimum recovery rate of 80.00%. Our Quality Center, informed by the *Summary of Customer Satisfaction Surveys*, directs responsible departments to conduct specific analyses and countermeasure reviews of items requiring improvement. The Sales Center responds to customers with internal analyses and planned or completed improvement measures via phone, WeChat, email, etc. They also monitor customer feedback to these responses. Furthermore, our Quality Center is committed to ensuring the completion and fine-tuning of any unfinished internal improvement plans. When customers are not satisfied with the responses provided, the Quality Center will proactively follow up on these improvement plans, or may even organize visits to customers for direct discussions and implementation of further enhancements.

Key performance

During the reporting period, we received and successfully resolved **80** customer complaints, achieving a customer satisfaction rate of **92.31%**.

Responsible Marketing

We strictly follow national laws and regulations concerning product sales and promotions and have established the *Sales Management Control Procedures*. We adhere to responsible marketing principles, standardize product identification, advertising, and sales activities, provide comprehensive and detailed information about our products and services to our customers, and train our sales staff in responsible marketing practices to effectively safeguard the legitimate rights and interests of our customers.



R&D Innovation for Development

As a nationally recognized high-tech enterprise, we always prioritize innovation and independent research and development. To continuously enhance our products' competitiveness, we have been increasing our investment in R&D and improving our innovation system. We actively explore cutting-edge technologies in the industry and base our technological innovations on advanced application technologies that align with policy development directions, industry characteristics, market demands, and our current resource status, thereby driving our future development with technological innovation. We maintain our competitive edge in the industry by keeping track of industry-leading technologies and exploring, researching, developing, and extending the application fields of related products.

We have always emphasized investment in technological R&D, the perfection of experimental equipment, and the construction of our R&D team. We possess numerous invention and utility model patents, alongside advanced production equipment, diversified product lines, and intelligent testing equipment, enabling us to offer comprehensive and customized touch display solutions to our clients. With our solid technical capabilities and high-quality R&D team, we actively work on improving our existing products, researching and developing new ones, and are committed to becoming a leader in the HMI interface industry.

Investment in R&D

Innovation is an essential support for the enhancement of product and service quality. We highly value R&D investment to consolidate our continuous innovation capability and then provide a strong impetus for independent R&D.

Key performance

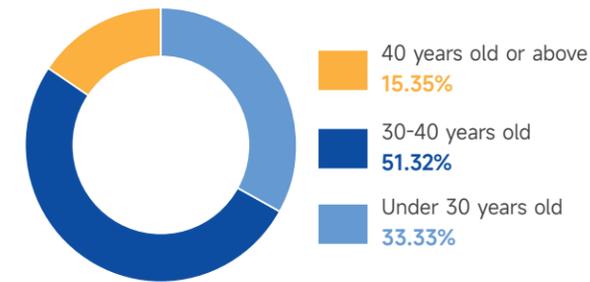
During the reporting period, our total R&D investment amounted to RMB **6,426.01** (in RMB 10,000), a **7.80%** increase compared to the previous year and representing **6.46%** of our operating revenue.



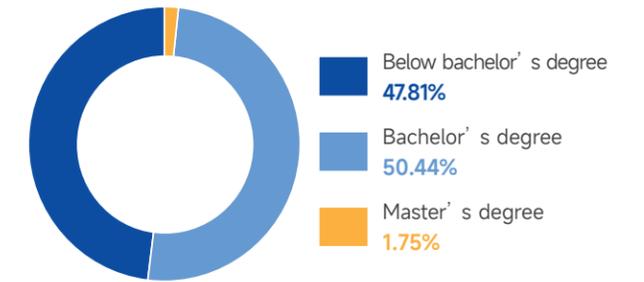
R&D Team

Innovation is our primary driver, and talent is our foremost resource. Our high-quality R&D team provides a solid foundation for our innovation efforts. Since our establishment, AVD has rapidly grown, now boasting a total of 228 R&D personnel. We have become a specialized R&D institution that integrates scientific and technological innovation, product R&D, and international exchange, laying a solid groundwork for our technological advancement.

Percentage of the Number of R&D Personnel (by Age)



Percentage of the Number of R&D Personnel (by Academic Qualification)



Encouraging R&D and Innovation

To standardize the performance appraisal system for our technical department employees and motivate them to exceed annual operational goals, we have established the *2023 Design In Incentive Scheme*. This scheme clearly defines the academic achievements and subjects eligible for rewards, conditions, criteria, and detailed implementation guidelines. The evaluation and awarding of academic achievements adhere to the principles of openness, fairness, and justice. We recognize and reward individuals and groups that have made significant contributions to technological progress and academic research, thus fully engaging and inspiring our researchers and promoting the creation of significant achievements.

R&D Results

As a national high-tech enterprise, the Company consistently prioritizes innovation and independent research and development. To enhance product competitiveness, the Company continues to increase investment in research and development, improve the innovation system, actively explore cutting-edge industry technology, and focus on technological innovation based on policy direction, industry characteristics, market demand, and the Company's own status quo of cutting-edge application technology to drive future development through technological innovation. In 2023, the latest progress and achievements of the Company's main research projects (excluding completed projects in the market promotion stage) are as follows:

E-Paper Films and Modules: The Company's e-paper focuses on the research and development of small to medium-sized products, which can be applied in various fields such as price tags, name badges, and smart homes. In the early stages, key optoelectronic materials research was completed through collaborations with the Shenzhen Qinghua Research Institute, Southern University of Science and Technology, and the Hong Kong University of Science and Technology. The Company has achieved full-chain independent research and development from pigment particle modification, electrophoretic fluid formulation, capsule synthesis, film coating to electronic paper module processing. As of December 31, 2023, the Company has filed 24 patents for electronic paper technology, obtaining 4 invention patents and 8 utility model patents.

Direct Current (DC) Charging Station Control Board: Expanding into the charging station market has always been one of the Company's key business development directions. As of now, the Company has achieved mass production and sales of charging station Human-Machine Interface (HMI) modules. As of the disclosure date of this report, the Company's DC charging station control board project has entered the small-scale trial production stage. The product quality and technical performance meet expectations and are progressing in market expansion.

Protection of Intellectual Property Rights

Intellectual property rights, as our most important intangible assets, are crucial for promoting our scientific and technological innovation and enhancing our core competitiveness. We strictly abide by intellectual property-related laws and regulations such as the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*. We focus on building a robust intellectual property rights protection system, ensuring that while protecting our business intellectual property rights, we do not infringe upon the intellectual property rights of others.

Mechanism for the Protection of Intellectual Property Rights

We have formulated and implemented a series of systems, including the *Control Procedures for the Acquisition of Intellectual Property Rights*, *Control Procedures for the Resolution of Disputes over Intellectual Property Rights*, *Control Procedures for the Maintenance and Use of Intellectual Property Rights*, and *Control Procedures for the Risk Management of Intellectual Property Rights*. Our Technology Center is responsible for the management of our intellectual property rights. Based on the nature and causes of risks relating to corporate intellectual property rights, we adopt targeted measures to reinforce control over these risks. To effectively implement intellectual property protection, our Technology Center serves as the department for the centralized management of patents, copyrights, and trademarks. It is responsible for managing and evaluating patents, copyrights, and trademarks and reviewing and controlling relevant changes, transfers, waiving, and licensing. As a national high-tech enterprise and an AEO advanced certified enterprise by the General Administration of Customs of China, we have obtained the GB/T29490-2013 Intellectual Property Management System Certification. This accomplishment reflects our establishment of a core technology and product system rooted in our independent intellectual property rights.



Non-infringement of others' intellectual property rights

In our operations, we use authentic software and instruments for research and development, ensuring that our procurement of production equipment and software does not infringe on the intellectual property rights of others. We maintain a system for tracking and searching domestic and international intellectual property rights during our R&D activities. This system enables us to regularly assess both domestic and international technological progress and intellectual property application statuses related to our R&D projects, guiding us in developing unique designs and effectively avoiding redundant developmental endeavors.

Protection of Intellectual Property Rights

We attach great importance to protecting our intellectual property rights, adhere to the relevant requirements of intellectual property laws and regulations, and defend our legitimate interests and rights through patent applications, trademark registrations, and legal actions, among other channels, to prevent the infringement of our R&D achievements by others.

Key performance



By the end of the reporting period, we had obtained a total of **154** patents, comprising **19** invention patents, **132** utility model patents, and **3** design patents. Additionally, we have secured **15** computer software copyrights.



Respecting Talents and Professionals, and Acting in Good Faith

SDGs Respected in this Chapter



Key Achievements in 2023

Total Number of Employees:

1,914

Number of Participants
in Employee Training:

13,236

Total Training Hours:

32,721 hours

Employee Welfare Coverage Rate:

100.00 %

Investment in Safety Production:

RMB **274.21** (in RMB 10,000)

Investment in Security Training:

RMB **3.36** (in RMB 10,000)

Hidden Danger Investigation
and Rectification Rate:

100.00 %

The Number of
Security Emergency Drills:

19 sessions

The Number of New Occupational Diseases:

0

Key ESG Issues Covered in this Chapter

- Occupational Health and Safety
- Labor Relation Management
- Employee Training and Development
- Community Contribution

AVD is committed to the core values of “treating people with emotion and dealing with things rigorously”. We respect and care for each employee and are dedicated to creating a diverse, equal, and inclusive workplace, providing a safe, healthy, and high-quality work environment for every employee. By strengthening democratic communication and enriching employee activities, we have established a scientific and just personnel management system. We are committed to a people-centered approach and humanistic care, fostering a harmonious and high-quality enterprise development.

Employment Management

Diversity, Equality, and Inclusion

AVD has formulated the *Guidelines for the Risk Evaluation of the Code of Ethics for Labor* in strict accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, the *Regulations on Prohibiting the Use of Child Labor*, and other applicable national or local laws and regulations. We explicitly prohibit using child labor and forced labor, uphold an equal and non-discriminatory employment policy, and ensure no differential treatment in employment, wages, benefits, and promotions based on gender, race, religious belief, disability, nationality, pregnancy, etc. We are dedicated to respecting and protecting human rights and integrating these principles into our HR management, business ethics, and other relevant systems.

Key performance

During the reporting period, we achieved a **100.00%** employment contract signing rate and social insurance coverage rate of employees.

Anti-harassment and anti-abuse

We treat our employees humanely, opposing all forms of sexual harassment, abuse, corporal punishment, mental or identity coercion, and verbal abuse. Relevant regulations are in place to prevent and address such behaviors.

Anti-discrimination

We highly value the protection of employee rights and maintain an equal employment management guideline. We treat employees from different backgrounds with respect and equality, ensuring no discrimination based on race, skin color, age, gender, sexual orientation, race, disability, pregnancy, religious belief, political affiliation, union relationship, or marital status. Discrimination in the workplace or other work platforms is prohibited. We have established a complaint and grievance mechanism, allowing employees to report unfair treatment (if any) to the management, who are committed to providing reasonable responses according to reality and providing a handling solution within one week. Additionally, a “Suggestion Box” and an “Official WeChat Account” are available for employees to report unfair treatment. Our HR department, labor union, and management will handle and investigate discrimination incidents and take action in accordance with internal policies, laws, and regulations.

Equality in employment

We treat all employees equally throughout the recruitment process, production process, and promotion, make decisions based on qualifications and competencies relevant to the position, and strictly prohibit any form of targeted discrimination.

Gender equality

We uphold the principle of equal pay for equal work regardless of gender. During recruitment, we do not refuse to employ women or raise their hiring standards based on gender, except for roles not suitable for women as per national regulations. There is no discrimination against female employees regarding their marital or childbearing status. Women shall be equal with men in the allotment of housing and enjoyment of welfare benefits.

Prohibition of using child labor

Complying with relevant laws, we avoid recruiting underage individuals and strictly forbid employing child labor (persons under 16 years old), focusing on protecting minors' rights and health. Before hiring employees, we inspect, verify, and retain legally certified age documents. In the event of inadvertently hiring a child, we promptly report to the local labor department and provide a free medical examination for the child. Should the child fall ill, we offer free medical care until recovery. Following this, in collaboration with the labor department, we ensure the child is safely returned to their original residence and handed over to their parents or guardians.

Key performance

In 2023, AVD reported no incidents of employing child labor, hiring minors for hazardous work, or any forced labor.



Diverse Staff Composition

We believe that "talent" is key to our company's development. Starting with an overall analysis of our human resources, including aspects like the gender, age, education, and positions of our employees, we consistently analyze the reasonableness of the structure of each department and continuously improve our workforce, which is instrumental in facilitating our company's sustainable development.

Key performance

By the end of 2023, AVD had **1,914** full-time employees, including **153** employees of minority nationalities.



Male **48.28%**
Female **51.72%**



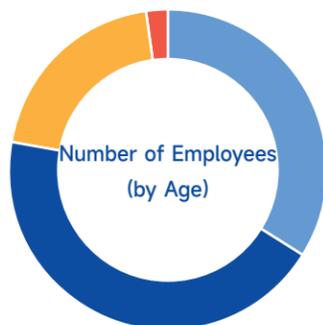
The Senior Management **0.47%**
Middle management **4.18%**
Junior management **20.01%**
Ordinary employees **75.34%**



Production **76.38%**
Sales **3.45%**
Technology **11.91%**
Finance **1.25%**
Administration **7.00%**



Below bachelor's degree **89.71%**
Bachelor's degree or above **10.29%**



Under 30 (exclusive) years old **33.39%**
30 to 40 years old (including 30 but not 40) **44.36%**
40 to 50 years old (including 40 but not 50) **20.11%**
50 years old or above **2.14%**

Talent Recruitment

Annually, we develop a recruitment plan based on business growth planning and job demands to strengthen workforce construction and maintain a stable and dynamic workforce. We absorb new talents through various recruitment modes such as on-campus recruitment, social recruitment, and internal referrals. We respect differences, encourage diversity, and strive to foster our growth and ensure sustained profitability through our strict, open, fair, equitable, and standardized recruitment process.



“Longgang's Premier Enterprises at Top Universities” On-Campus Recruitment Campaign at Sichuan University



“Longgang's Premier Enterprises at Top Universities” On-Campus Recruitment Campaign at Southwest Jiaotong University



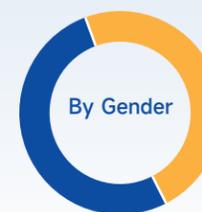
On-Campus Recruitment Campaign of Ganzhou's Key Enterprises at Nanchang Hangkong University



On-Campus Recruitment Campaign of Ganzhou's Key Enterprises at Nanchang University

Key performance

In 2023, we welcomed **1,608** new employees.



Male **52.36%**
Female **47.64%**



Social recruitment **96.82%**
On-campus recruitment **3.18%**

Employee Growth and Development

AVD upholds a principle of valuing both talent and virtue in employment, considering talent training and development as core to our competitiveness and a driving force for future development. We aim to provide employees with opportunities for continuous growth. A comprehensive employee training system has been established, including the *Training Management Guidelines* and *Employee Promotion Management System*. These systems, alongside rich, flexible, and diverse training courses, systematically support and broaden the career advancement pathways for our employees.

Smooth Career Development Sequences

To address the diverse career development needs of our employees, motivate self-improvement, and enhance job enthusiasm, we have established and disseminated the *Employee Promotion Management System* and *Cultivation Mechanism and Management Measures for Fresh Graduate Reserve Cadres*. We have created three career development channels: Management Sequence (M), Technology Sequence (T), and Sales Sequence (S), to strengthen the internal selection and development of talents to optimize career advancement pathways.

Employee Career Development Sequences

Management Sequence (M)		Technology Sequence (T)		Sales Sequence (S)		Remarks
Position grade	Management	Position grade	R&D/Equipment/Process/Quality	Position grade	Sales	
M7	General Manager					Promotion pathways available across three sequences
M6-2	Senior Deputy General Manager	T6-2	Senior Chief Engineer	S6-2	Senior Vice President of Sales	
M6-1	Deputy General Manager	T6-1		S6-1	Vice President of Sales	
M5-2	Senior Director	T5-2	Chief Engineer	S5-2	Senior Director of Sales	
M5-1	Director	T5-1		S5-1	Sales Director	
M4-2	Senior Manager	T4	Principal Engineer	S4	Sales Manager/ Customer Service Manager/ Marketing Manager	
M4-1	Manager					
M3	Section Chief	T3	Senior Engineer	S3	Senior Engineer	
M2	Administrator	T2	Engineer	S2	Salesman/ Customer Service Director	
M1	Shift Head	T1	Assistant/Assistant Engineer	S1	Customer Service Representative /Marketing Specialist	
Clerk/Technician						
10-3	Team Leader/Quality Controller/Material Management Officer/Machine Debugging Officer					Grassroots Position
10-2	Multi-skilled Operator/Machine Operator					
10-1	General Operator (including Cleaning Personnel/Caterer/Security Staff)					

To meet the diverse development needs of our employees, we have abandoned the "job-for-life" approach to position management. We actively encourage career development planning, support, and motivation and have established a job management system characterized by "clear sequences for roles, defined pathways for growth, and ample room for development". Our system enables both "vertical and horizontal progression" across management, technology, and sales sequences. By adopting a "multi-sequence" strategy, we continually refine the pathways for employee development, offering a holistic array of opportunities for advancement.

Improving Employee Training Mechanisms

AVD prioritizes the cultivation of top talent. We conduct essential training for all employees to ensure they possess the skills, service quality, and environmental awareness needed for their roles, aligning employee quality with the demands of management and customer service. Our Human Resources Department is dedicated to continually refining our internal training system and managing all training-related activities, so as to meet our employees' needs for enhancing professional knowledge and basic vocational skills, and encourage our employees to learn autonomously and contribute to the sustainable development of our company while enhancing their own value.

For this purpose, we design training plans tailored to various roles such as managers, technicians, and production staff, considering different management levels, business functions, and educational backgrounds. We utilize a blend of internal and external training resources, encompassing in-house instructors, external professional lecturers, external training programs, and team development exercises, which significantly enhance our employees' overall quality and provide robust human resource support for the implementation of our corporate development strategy.

Targeted trainee	Training contents
Management personnel	Modern business management theory, cutting-edge technical knowledge, organizational decision-making ability, and the strategic management of the Company and each system
Professional technicians	Professional technical training, basic theory training, and practical business training
Internal system auditors	System-related knowledge, internal auditor skills, and system-related laws and regulations
Personnel engaging in design, process, production, QC, or intellectual property	Expertise in certification systems
Information security-related personnel	Information security-related knowledge
Legal representative of the Company, executives responsible for customs affairs, and trade-related personnel	Customs laws and regulations and other relevant provisions; and trade security, information security, supply chain security, and crisis management relating to the relevant job responsibilities

Construction of an in-house instructor team

We are actively developing our in-house instructor team with a focus on reducing cost, improving efficiency, tapping into the potential of internal training, enriching our training resources, and steering our training system toward standardization, systematization, and formalization. Our *Training Management Guidelines* encompasses criteria for internal instructor selection and assessments, teaching processes, responsibilities, and incentive standards.

Key performance

During the Reporting Period, our in-house instructor team included **118** internal instructors, with **14** new certified instructors.

Employee training

To enhance the leadership and professional management capabilities of our management, AVD conducts specific training for middle-level reserve leaders and newly promoted managers.

Case Training on Management Communication Skills

In November 2023, AVD implemented a management communication skills training program covering efficient communication strategies. The core goal was to improve the communication abilities of the management in everyday management, enabling them to lead more effectively and drive comprehensive enhancement in team collaboration and execution, thus contributing to the steady achievement of our strategic objectives.



We cater to the distinct training needs of various new employee groups to facilitate them to rapidly integrate into our teams, acclimate to our corporate culture, understand their job responsibilities, and improve their vocational skills, thereby building a potential talent reserve for our company.

Case New Employee Training

In June 2023, AVD organized comprehensive training programs for new employees, encompassing induction training, plant-level safety training, and quality awareness and quality training. The induction training included foundational knowledge about our company's culture, values, and regulations, which helped new employees understand our history and future direction, enhancing their sense of belonging and identification with our company. The plant-level safety training equipped employees with knowledge about safety operation procedures and emergency response to accidents, thereby elevating their safety awareness and skills. The quality awareness and quality training emphasized the importance of product quality, fostering quality management awareness and skills among employees. These training sessions not only assisted new employees in quickly adapting to the work environment but also enhanced their work efficiency and quality, laying a solid foundation for the development of our company.

To enhance the professional capabilities of our employees, AVD provides systematic professional training for employees across various sequences. To promote the comprehensive development of our employees, we develop tailored training plans focused on professional knowledge and skills for various business units and job roles, aligning with their unique characteristics and responsibilities.

Case Training on Sales Skills

In April 2023, AVD organized a sales skill training session focused on the popularization of basic knowledge in the field of industrial intelligence and a deep understanding of our products. This training detailed the core features, technical specifications, and key parameters of our industrial intelligence products, ensuring that the sales team fully grasped the performance indicators of our products. The training emphasized a detailed analysis of the product manufacturing process, allowing the sales team to thoroughly grasp the entire production cycle and technical advantages and then provide professional and comprehensive explanations of products during customer interactions. Through this focused and extensive training, AVD has enhanced the professional expertise of our sales staff. They are now adept at not only accurately promoting our existing products but also offering specialized consultancy services based on product processes, further strengthening our competitive edge and brand presence in the industrial intelligence market.

Case Training in Xiahe Class

In 2023, Ganzhou AVD launched the first phase of the Xiahe Class Grassroots Technology Management Training to advance the development of grassroots technical personnel, enhance their professional skills, and cultivate their logical and behavioral standards in problem-solving and analysis. The program saw the participation of 79 individuals, out of which 21 successfully completed the training.



Training and assessment

AVD emphasizes training effectiveness and adopts an institutionalized approach to managing various training-related processes, including demand identification, planning, application, resource development, implementation, and effectiveness evaluation. The Human Resources Department is in charge of efficiently managing all types of training resources and records. Furthermore, a comprehensive training quality monitoring mechanism is in place. Post-training, employees undergo evaluations through written tests, oral exams, practical operations, and experience reports. This process aids in the iterative improvement of the training system, continuously enhancing the overall effectiveness of our training initiatives.

Key performance

Summary of AVD's Overall Training Performance in 2023

Total investment in employee training: RMB 43.69 (in RMB 10,000)	Total training hours: 32,721 hours	Total number of training sessions: 323 sessions	Total number of persons trained: 13,236
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Educational enhancement

AVD encourages our employees to pursue further academic qualifications, offering allowances for educational enhancement to support their personal growth. Our eligible employees have the option of participating in the exams for self-taught students, the national higher education exams for self-taught adults, or other exams, to enhance their on-the-job academic qualification.

Key performance

During the reporting period, we supported **6** employees with our educational enhancement allowance, with the total subsidy amounting to RMB **6,000.00**.

Sound Remuneration and Benefit Systems

Remuneration and Appraisal

To standardize salary and benefits management, motivate employees, and ensure fairness and reasonableness, AVD has established internal salary and benefit systems in accordance with laws and regulations, including *Salary Management Guidelines*, *Benefits Management Guidelines*, *Objective Management Appraisal and Reward Measures*. We have created a salary structure for employees comprising both basic and variable income, with the latter linked to individual performance appraisals. We continuously refine our salary and benefits system, providing our employees with a compensation structure that is competitive externally and motivating and fair internally.

Aligned with our annual operational goals approved by the Board of Directors, we conduct regular quarterly and annual KPI index performance appraisals for all employees and establish corresponding standards for bonuses and commissions. These appraisals include aspects like employee work performance and serve as objective criteria for performance bonus distribution, salary adjustments, job promotions or demotions, recognition of outstanding employees, and job adjustments.

According to our *Salary Management Guidelines*, our employee remuneration is structured as follows:

- Hourly salary system** The salary is composed of basic salary, job grade salary, overtime salary, various allowances, full attendance bonus, performance appraisal-related pay, and other additional and deductive salary items.
- Monthly salary system** The salary is composed of basic salary, post/job allowance, job grade salary, overtime salary, full attendance bonus, night shift allowance, performance-related pay, and other additional and deductive salary items.

Welfare System

In terms of social security, we actively implement various welfare policies to ensure the statutory rights and interests of our employees. We fully declare and pay social insurance and the housing provident fund, including pension insurance, medical insurance, and work-related injury insurance. Moreover, we offer a variety of benefits like job allowances, technical allowances, high-temperature allowances, and a diversified welfare system that includes annual leave, marriage leave, sick leave, maternity leave, and other statutory holidays. During festivals like the Spring Festival and Lantern Festival, as well as on employee birthdays, we present holiday benefits and birthday gifts.

Diversified Welfare System		
Welfare classification	Welfare type	Coverage
Basic welfare	Pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident fund	All employees of the Company
Care and benefits	Holiday benefits, job subsidies, birthday parties, high-temperature subsidies, night shift subsidies, technical subsidies, female employee benefits, team building, dining benefits, and medical checkups	All employees of the Company
Special welfare	Household registration support for recruited or transferred employees, talent housing, educational enhancement subsidies, couple dormitories, marriage subsidies, and service awards	Eligible employees

Key performance

In 2023, the employee welfare coverage rate of the company is **100%**, with an average of **5.44** paid annual leave days per employee.



Employee birthday party



Employee Care

AVD consistently focuses on "employee well-being" by fostering a "warm and harmonious" work environment. We fully respect and care for our employees, take the initiative to support those in difficulty, and ensure the legal rights of female employees are protected. We also engage in diverse cultural and sports activities to enhance employee happiness and strengthen corporate cohesion.

Supporting employees with difficulty

We support employees in hardship, focusing on resolving their urgent and challenging issues. By taking practical actions, we aim to do good deeds for our employees, striving to precisely cover the needs of employees in difficulty and those of special employees' families.

Caring for female employees

To safeguard the rights and interests of female employees, our Labor Union Committee has signed the *Special Collective Contract for Female Employees*. To nurture and care for our female employees, and to genuinely attend to their well-being, we aim to inspire their dedication and passion for their roles. During the 2023 "Goddess Festival", we issued holiday red packets and bouquets to our female staff, while also arranging enjoyable activities such as yoga and aerobics classes specifically for them. These efforts not only relieve work-related stress but also add joy to their lives.



Yoga class

We are dedicated to creating a comfortable work environment and safeguarding the lawful rights of female employees during menstruation, pregnancy, childbirth, and breastfeeding periods, ensuring they receive the necessary special labor protection. During menstruation, female employees are not assigned to work at heights, in low temperatures, in cold water, or in work with Grade III physical labor intensity as stipulated by national regulations. We provide special meals and designated seating for pregnant employees. Those complying with the provisions of the Regulations on Family Planning are entitled to two daily breastfeeding breaks, each lasting 0.5 hours. These breaks can be combined, allowing employees the flexibility to leave work an hour early or start an hour later.

Key performance

In 2023, we had **31** employees take maternity leave and **21** employees take paternity leave.

Enrichment of employee activities

To balance our employees' work and life and cater to their growing spiritual and cultural needs, we actively encourage the establishment of cultural and sports clubs to continuously a variety of cultural and sports events, thus enhancing our employees' happiness and sense of belonging and strengthening our cohesiveness and unity. Additionally, we regularly organize sports meets and competitive activities for our employees, who also participate in various cultural and sports events arranged by labor unions and governmental organizations.



An Event of AVD Basketball Club



An Event of AVD Badminton Club



An Event of AVD Football Club



"Labor Union Cup" Table Tennis Competition for Enterprise Employees



Outdoor Activities for Employees



Selection of "Employee Stars" in Longgang District

Employee Communication

Democratic Governance

AVD is committed to establishing an open and democratic communication mechanism for our employees, safeguarding their rights to information, participation, expression, and supervision. We ensure the rights of our employees by signing the *Collective Contract of the Labor Union* and actively listening to their opinions and suggestions through the Employee Congress. The decisions made in the assembly are implemented after thorough voting. In compliance with the *Company Law*, the *Articles of Association*, and relevant regulations, one Employee Supervisor was elected in the Employee Congress to help employees legally exercise their democratic management rights. We proactively support the labor union in its legal activities and ensure that it plays a pivotal role in safeguarding employee interests and enhancing internal coordination, thus fostering a sense of belonging and loyalty among our employees and cultivating a positive and supportive corporate atmosphere.

We keep enhancing our employee communication channels through our Official WeChat Account, suggestion boxes, and employee communication meetings, so as to timely understand and address employee needs and concerns. Employee feedback is also gathered through annual satisfaction surveys. We value employee input and continuously refine our workplace environment according to obtained feedback and suggestions.

Case Communication Meeting for Ganzhou AVD Management Trainees and Grassroots Management

Ganzhou AVD's Human Resources Department regularly hosts communication meetings tailored to newly hired college graduates. These meetings are designed to understand their adaptation process and address any challenges they face, offer guidance and support to facilitate their transition from students to professionals, and ensure that every new employee can swiftly integrate into our team and then contribute to the development of our company.



In addition, Ganzhou AVD regularly organizes communication meetings with grassroots management to deeply understand their work status and address the challenges they face, thus ensuring the efficient functioning of the management team.



Key performance

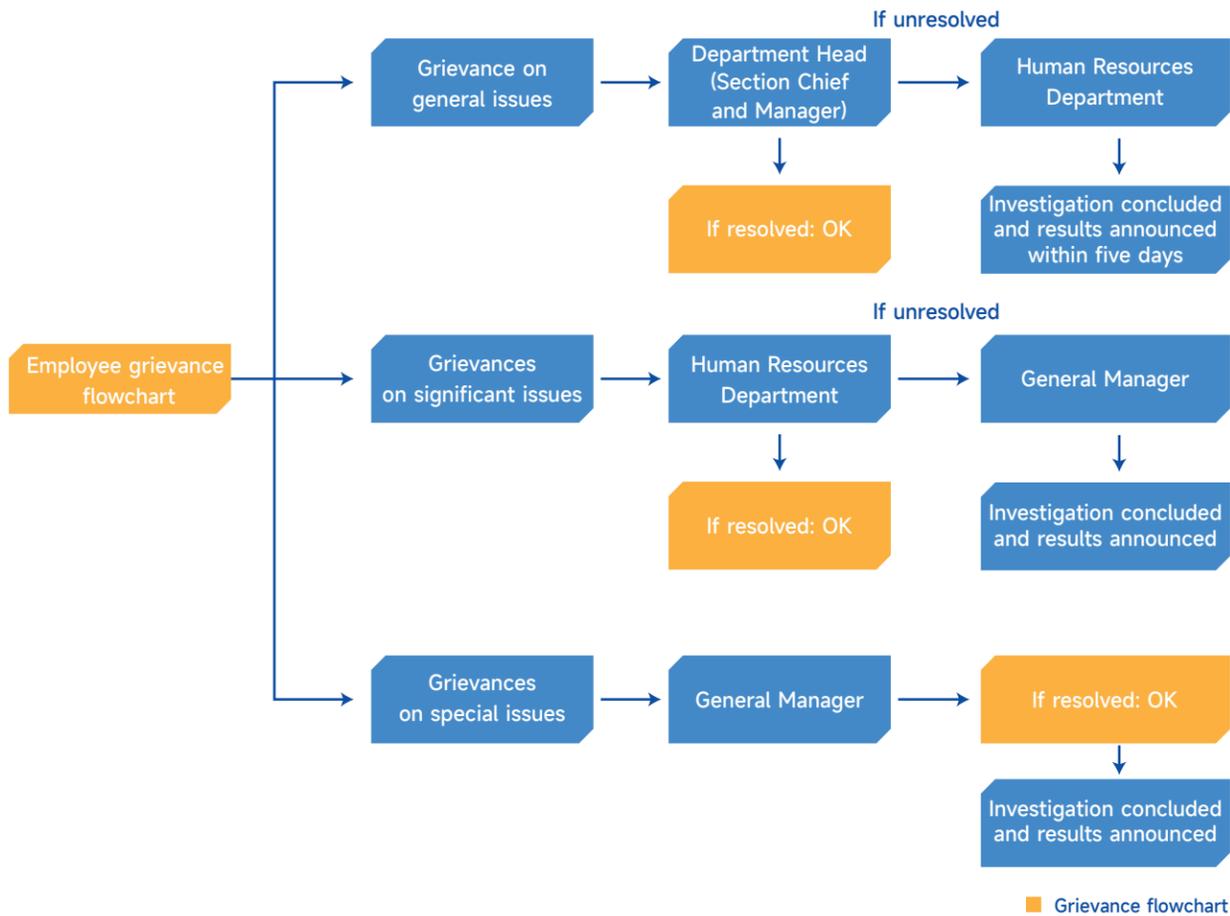
In 2023, AVD conducted one Employee Congress Meeting and **18** employee communication meetings and maintained a **100.00%** processing and response rate.

Employee Satisfaction Survey

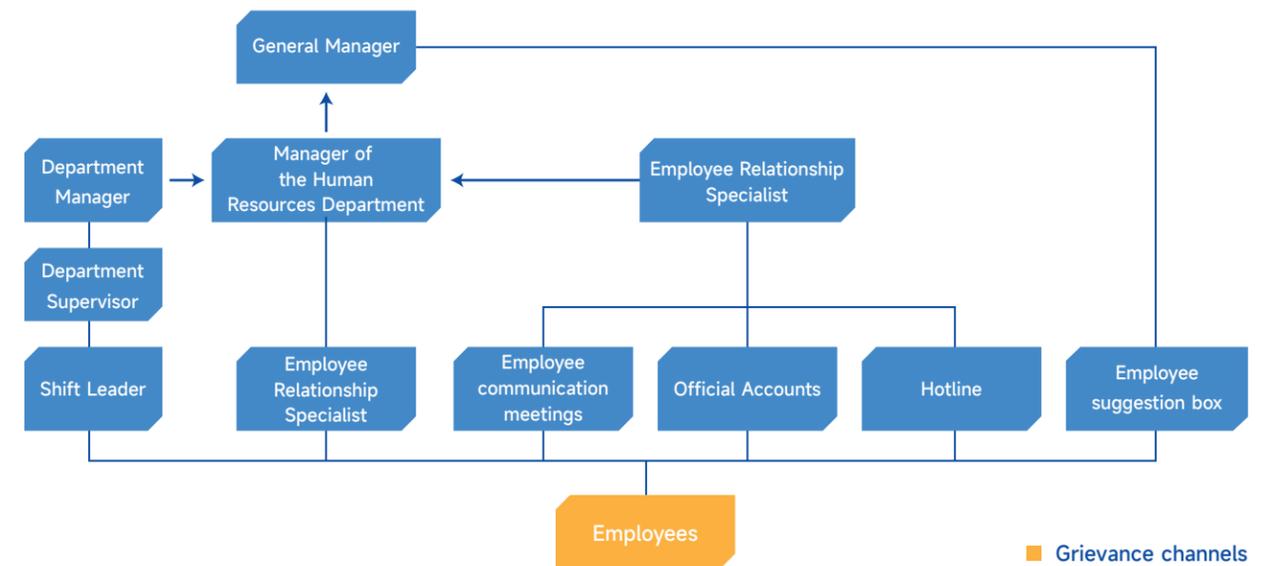
AVD conducts an annual employee satisfaction survey, thoroughly collecting opinions and suggestions to assess employee satisfaction. In 2023, 40 aspects were evaluated for the employee satisfaction survey, including performance policies, welfare systems, living environment and management, the developmental prospects of our company, and our employees' sense of belonging and identification with the company.⁴ In 2023, our employee engagement survey, involving all employees of our group, achieved an 84.33% response rate. The overall satisfaction score stood at 71.45, marking a 0.60% increase from 2022.

Employee Grievance Mechanism

To ensure open channels for employee feedback, we have established comprehensive compliant and grievance mechanisms in strict accordance with the *Guidelines for the Management of Employee Complaints and Grievance* to offer smooth and confidential channels for employees to submit their grievances and support all employees to submit a grievance against or report any corruption, abuse of power, confidentiality breach, illegal order, misuse of authority, and other issues causing dissatisfaction. We have constructed a comprehensive protection mechanism for complainants, ensuring that no one retaliates against employees for their legitimate grievances. If any such retaliation is discovered, we impose severe penalties, potentially including the termination of employment. For grave violations, the relevant personnel will be investigated for legal responsibilities according to law.



⁴The satisfaction survey is specifically focused on the employees of Shenzhen AVD.



Occupational Health and Safety Production

We strictly adhere to applicable laws and regulations, including the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Law of the People's Republic of China on Work Safety*, and the *Provisions on the Administration of Occupational Health at Workplaces*. Our safety management policy is built around the principles of "prioritizing safety and prevention, fulfilling responsibilities, ensuring safety, complying with laws, reinforcing management, improving the environment, and protecting health". We have established several occupational health and safety management systems such as *Occupational Health Operation & Surveillance Control Procedures*, *Hazard Identification and Risk Assessment Guidelines*, *Management Procedures for Safety Inspection and Accident Assessment*, *Rules of Fire Safety Management*, *Occupational Health Monitoring Standards*, *Accountability System for Safety Production*, *Equipment Safety Management Procedures*, *Rules of Safety Management of Hazardous Chemicals*, and *Rules of Safety Management for Construction and High-Risk Work*. These systems consistently integrate safety management into all aspects of our operations, effectively ensuring the health and safety of our employees.

Health and Safety Management

We have established a safety production Committee responsible for overseeing and guiding our safety production and supervising and implementing significant decision-making and deployment relating to safety production to ensure adherence to essential safety standards at work. AVD has established a comprehensive safety accountability system, ensuring accountability in safety production management. We sign a Letter of Responsibility for safety production, periodically evaluate our adherence to safety production standards, and conduct thorough assessments of our achievements in meeting safety production objectives and benchmarks.



In 2023, we established occupational health and safety goals including “zero work-related fatalities, zero chemical leak incidents, 100.00% coverage of three-level safety education for new employees, and 100.00% completion rate for safety contingency plan drills”, to quantify and implement requirements on safety production. To achieve our annual safety production management objectives, we focused on implementing our safety accountability system, enhanced risk control for safety production, conducted training relating to safety production, and improved the safety awareness of all employees to minimize our safety risk. During the Reporting Period, Ganzhou AVD was recognized as a “Healthy Enterprise of Ganzhou City” for 2024-2026.



Implementing Safety Production

Risk identification

We implement a dual prevention mechanism in accordance with the *Safety Production Law of the People's Republic of China*. In addition, we have established and implemented the *Rules of the Management of Hazard Identification and Risk Assessment*, *Occupational Health Operation & Surveillance Control Procedures*, and *Rules of the Management of Safety Inspection and Accident Assessment* to identify potential hazards in our production process and assess risks, thus guiding our company to continuously improve our safety risk identification and control mechanisms, minimize our safety risks, and safeguard the life safety of our employees.

Identification of hidden hazards

We deeply engage in special rectification and improvement actions for safety production and refine and implement the investigation of internal hidden dangers and cross-location hidden dangers according to our internal regulations to promote the rectification of hidden dangers in safety production. We intensify our focus on identifying and rectifying safety risks, conducting coordinated annual safety production inspections, and guiding related departments to perform self-inspections and corrections.

We place a high emphasis on safety production, rigorously address hidden dangers in safety production, and investigate and rectify hidden dangers in electrical safety, fire safety, chemical safety, and electrical safety, thus intensifying governance at the source and governing dangers systematically and comprehensively.

Key performance

During the Reporting Period, we have conducted **52** special safety inspections, identified and addressed **613** hidden dangers in safety, and achieved a rectification rate of **100.00%** for hidden dangers.

Contingency plan and drills

We have formulated contingency plans for events such as fires, chemical leaks, forklift accidents, and pressure vessel explosions. Meanwhile, we organized training and drills and summarized and evaluated drill outcomes to maximize the safety awareness and capacity to handle emergency safety incidents of our employees, thus safeguarding their safety. In 2023, we have conducted 19 emergency training and drills.

Case An Emergency Drill for Injury Accidents from Motorized Forklift

In April 2023, the Company conducted an emergency response drill simulating an injury accident resulting from a motorized forklift. The training encompassed reporting procedures, vigilance and protection, first aid for the injured, and the use of emergency medications. In addition, emergency response and first aid drills were conducted through the on-site simulation of an injury accident resulting from the forklift. The drill significantly improved our employees' emergency response skills and methods for handling forklift injury accidents. It also helped them become proficient in our contingency plans for such accidents, ensuring that in the event of an incident, the injured can be promptly treated to minimize secondary injuries.



Case An Emergency Drill for the Disposal of a Hazardous Chemical Leakage Accident

In May 2023, we conducted a drill for hazardous chemical leaks, covering crucial aspects like evacuation, vigilance and protection, rescue operations, medical aid, the sealing of leaks, and on-site evaluation and summary. The drill enhanced our employees' ability to handle hazardous chemical leaks and ensured their familiarity with emergency procedures and proper use of emergency facilities, thereby ensuring both employee safety and normal company operations. Moreover, the drill facilitated the further refinement of our contingency plans, preparing us for any potential hazardous chemical leaks that might occur in the future.



Security awareness promotion

We endeavor to deeply embed a culture of safety in every employee, organize extensive safety production training activities, diligently adhere to the safety production policy of "safety first, prevention foremost", and strictly follow the *Rules of the Management of Safety Training*. In 2023, tailored to the needs of different types of employees, we conducted various training sessions such as "Training on the Promotion of the *Safety Production Law of the People's Republic of China*", "Training on the Prevention of Mechanical Injury", and "Training on the Use and Management of Hazardous Chemicals" to enhance our employees' safety awareness, avoid potential risks, and safeguard our safety production and the life safety and health of our employees.

Case Safety Production Month

During the reporting period, AVD organized a "Safety Production Month" campaign themed "Everyone Speaks of Safety, Everyone Knows Emergency Response". The campaign emphasized the fundamental knowledge of safety production, related laws and regulations, and the sharing of in-plant safety incident cases. These efforts were aimed at fortifying our responsibility towards safety production, enhancing our employees' safety awareness and expertise, fostering a robust safety culture, and establishing a solid foundation for safety production practices.



Case Safety Re-education Training Campaign

During the reporting period, AVD carried out an all-employee safety re-education campaign, providing annual safety education to everyone in the company. The education covered a range of topics including: responsibilities in safety production, industrial safety, occupational health, environmental protection, and fire safety. This training played a significant role in strengthening safety awareness across all levels of our company.



Key performance

In 2023, we invested RMB **2,742,100.00** in safety production and RMB **33,600.00** in safety education and training. A total of **7,669** instances of employee participation were recorded in **146** safety training sessions, accumulating **3,279** hours. We achieved a **100.00%** coverage rate for safety training. There were **10** cases of work-related injuries among employees, with no fatalities reported. The total number of workdays lost due to work-related injuries was **188.5**.

Guarding Occupational Health

AVD prioritizes employees' occupational health, strictly abides by national and local laws and regulations, implements and continuously improves our internal management systems, such as the *Rules of Labor Safety Protection* and *Occupational Health Monitoring Standards*, and identifies, analyzes, and controls occupational hazards that may arise from or present in work processes.

Key occupational health hazards in our workshops include hydrochloric acid, noise, sodium hydroxide, and acetone. Each year, we engage certified occupational health technical service organizations to assess potential occupational disease hazards in our workplace. For roles identified as having occupational health risks, we implement various measures to ensure the occupational safety and health of employees. These include making technological modifications to reduce sources of hazards, providing personal protective equipment, limiting daily exposure times, conducting regular health checkups, and strengthening the management of occupational health assessments.

Priority measures for the prevention of occupational diseases

In 2023, AVD implemented a variety of measures to safeguard employee health and safety.



Occupational health checkups

For employees in roles associated with occupational hazards, we arrange corresponding occupational health checkups before their employment begins, annually during their tenure, and before they leave their positions. These checkups effectively monitor their health conditions and enhance their awareness of self-protection.



Equipping with protective tools for occupational diseases

In accordance with occupational disease risk prevention standards, we equip workers in positions with potential occupational disease hazards with the necessary protective tools, such as face shields, earplugs, and safety footwear. We also ensure that employees are supervised to use these protective tools.



Detection of occupational hazard factors

The Safety Office identifies points of occupational hazards within our company based on occupational health assessment reports from third-party organizations and conducts routine safety inspections according to the requirements of laws and regulations.



Product design phase

Our Technical Department considers measures to prevent occupational injuries and diseases during the product design process. During the design and review stages, we assess the environmental and occupational health and safety risks that may arise in the use or production of our products. We advocate using non-toxic and harmless technologies and replacing toxic substances with non-toxic or less toxic alternatives wherever feasible.



Equipment renovation for harm reduction

We replaced high-noise equipment with low-noise alternatives and installed vibration and noise reduction facilities. Measures such as sound insulation or absorption have been employed to prevent noise levels from exceeding standards. We also systematically upgrade or phase out equipment that fails to meet safety requirements.

Key performance

In 2023, we achieved a **100.00%** occupational health checkup rate for employees, with **0** new case of occupational diseases reported.

Soul Station

Beyond physical health, we also focus intently on our employees' mental well-being. Upholding the principle of "developing and promoting mental health knowledge within our factory and community, and serving the mental health of our employees and community members", we established the Shenzhen AVD Psychological Aid Association to create a "Soul Station" for our employees to help them "develop and improve themselves, gain knowledge about mental health, and improve problem-solving abilities and the capacity to assist others".

Regularly, we organize educational campaigns on mental health, coupled with activities like psychological growth workshops, one-on-one counseling sessions, and mental health guidance. These initiatives form a platform that fosters both corporate communication and the psychological development of our employees, thus driving and spearheading innovation in corporate management, significantly contributing to the healthy development of our employees within the community.



Social Contribution

Since our inception, we have consistently focused on integrating corporate development with social responsibility, seizing strategic opportunities like rural revitalization, playing a leading role in our industry, actively participating in social welfare activities, and contributing substantially to social value. In 2023, we continued our commitment to public welfare by advancing social donations, rural revitalization, and various charitable activities, thereby sharing warmth and love with society.

Case Supporting Zhuozhou in Flood Control and Disaster Relief

In July 2023, heavy rains began in North China due to the residual circulation of Typhoon Doksuri. Influenced by these continuous downpours and upstream floods, Zhuozhou in Hebei Province confronted a critical situation in flood control and disaster relief efforts. Responding to the crisis, we directed a donation of RMB 80,000.00 to Zhuozhou City through the Zhuozhou Civil Affairs Bureau's disaster relief account, providing aid and comfort to the people in the disaster-affected area, and helping them overcome this difficult time.

Case Supporting Gansu in Earthquake Relief

In December 2023, Jishishan, Gansu Province was struck by a sudden 6.2 magnitude earthquake. In response to the disaster, we donated RMB 100,000.00 to the earthquake-stricken area. This donation was allocated for emergency rescue efforts, assistance to affected residents, and post-disaster reconstruction, providing aid to those impacted by the disaster.

Case Volunteer Activities

We embody the volunteer spirit of "dedication, friendship, mutual assistance, and progress", consistently engage in volunteer services, and demonstrate our corporate ethos. While our corporate leaders engage in various charitable activities, our employees also actively perform social responsibilities in the community. They participate in different types of volunteer activities to contribute their power to build a better society. During the Reporting Period, our volunteers carried out activities such as cleaning roads and picking up trash to foster a clean, comfortable, and healthy living environment for the community.



Case Purchasing as a Form of Donation

To actively support rural revitalization, we implement strategies such as "purchasing as a form of donation" and "purchasing as a form of assistance" to purchase agricultural products from regions undergoing poverty alleviation, thus facilitating the disposal of challenges faced by farmers in these regions regarding the sale of their agricultural by-products and income generation. By stimulating consumption, we contribute to their development and ignite the inherent momentum for rural revitalization.

Case Visit by Students from the Daliangshan Region

Every year, our company partners with students from the Daliangshan region to conduct a unique social welfare campaign. We present the students with advanced technological equipment and production processes, while also arranging for interactive exchanges between the students and our employees. This allows us to gain a deeper understanding of their lives, academic pursuits, and dreams. These activities broaden the student's perspectives and establish a communication bridge between our company and the youth of the Daliangshan region.



Annex I: Indexes

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Annex II: Feedback

We appreciate your time in reading the 2023 Environmental, Social and Governance (ESG) Report of Shenzhen AV-Display Co., Ltd. To continuously improve our ESG efforts and further enhance sustainable development management, we cordially invite you to provide your valuable feedback by filling out the relevant questions in the feedback form through the following modes.

Your insights are crucial for our ongoing improvement in ESG work and sustainable development management. We are grateful for your strong support of our ESG initiatives.

Department: Securities Affairs Department of AVD

Tel.: 0755-86106838

Email: qiutw@av-display.com

Address: No. 39, Jinyuan Road, He'ao, Yuanshan Street, Longgang District, Shenzhen, China

1. Which type of stakeholders do you belong to:

Employee Client & Consumer Shareholder or Investor Supplier Government & Regulatory Authority Media/Industry Association Others (please specify)

2. Your overall assessment of this year's ESG report:

Excellent Good Average Below Average Poor

3. Your opinion on this report's information disclosure:

Excellent Good Average Below Average Poor

4. Your opinion on this report's layout design:

Excellent Good Average Below Average Poor

5. Your opinion on this report's readability:

Excellent Good Average Below Average Poor

6. Which topics are of most concern to you? (You may select 3 items)

Energy Saving and Emission Reduction Climate Change Green Production Safe Operation R&D Innovation

Quality Service Standardized Governance Product Quality Employee Care Community Care

7. Does this ESG report provide any information that you are interested in:

Yes No (What additional information would you like to see _____)

8. Do you have any other comments or suggestions regarding our ESG report, ESG work, or sustainable development management?



If you have any suggestions on this report or the sustainable development management of our Company, please scan the QR code below to provide feedback. Your suggestions will help Qiu Tian Wei continuously improve the level of sustainable development of the Company.

