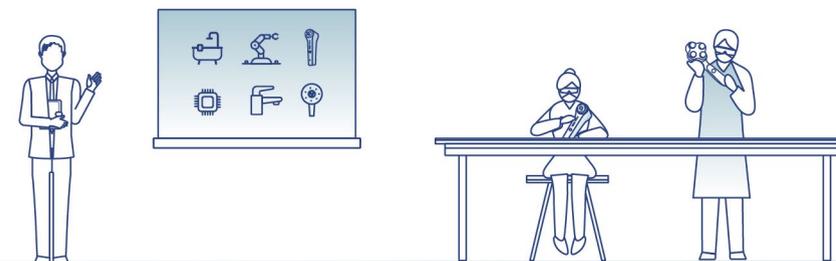


2023

Environmental, Social and Governance (ESG) Report

Xiamen Solex High-tech Industries Co., Ltd.



Stock abbreviation: Solex
Stock code: 603992

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About this Report

Overview

This is the 4th environmental, social and governance (ESG) report publicly released by Xiamen Solex High-tech Industries Co., Ltd. This Report discloses the practices and performance of Xiamen Solex High-tech Industries Co., Ltd. in economy, environment, society, corporate governance and other responsibility fields in 2023. With this Report, we want to communicate with stakeholders and to respond to their expectations and demands in a systematic manner.

Reporting Period

The reporting period is from January 1, 2023 to December 31, 2023, and extends beyond the foregoing scope for some content to enhance the comparability and forward-looking of this Report.

Basis for Preparation

- *Sustainable Development Goals (SDGs) Corporate Action Guidelines*
- *Sustainability Reporting Standards* (GRI Standards) from Global Reporting Initiative
- *Guidelines for Compiling Corporate Social Responsibility Reports in China* from Chinese Academy of Social Sciences (CASS-CSR5.0)
- *Guidelines for Compilation of Social Responsibility Reports* from China's National Standards (GB/T36001-2015)
- *ISO 26000: Guidance on Social Responsibility (2010)* from International Organization for Standardization
- *Guidelines on the Self-Regulation Rules for Companies Listed on Shanghai Stock Exchange No. 1 - Compliant Operation* from Shanghai Stock Exchange

Source of Data

The data used in this Report includes the original data on actual operations of the Company, public data published by government authorities, annual financial data, relevant internal statistics reports, third-party questionnaires and third-party evaluation interviews, etc. The financial data in this Report are in RMB. In case of any inconsistency with the financial report, the financial report shall prevail.

Abbreviations

- Xiamen Solex High-tech Industries Co., Ltd. ("Solex" or the "Company");
- Zhangzhou Solex Smart Home Co., Ltd. ("Zhangzhou Solex");
- Bestter (Xiamen) Technology Inc. ("Bestter").

Report Access

You can download the electronic version of this Report on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) or Xiamen Solex High-tech Industries Co., Ltd. (<http://www.solex.cn/notice.html>) for more information about the Company.

Message from the Chairman

“

In 2023, the recovery trend was seen in global economy, but the growth momentum was waning. Overall demand in export markets declined and recovery was at a slow pace. However, the China's economy is staging a steady recovery. Against the backdrop of complex and severe macroeconomic environments and unexpected factors both at home and abroad, the Company made concerted effort to actively respond to the uncertainties and challenges in the economic environments and markets, and deepen the strategy of the “IDM Hardware Invisible Champion Incubation Platform”. By empowering product values with intelligence, health and green, the Company focuses on the R&D design and intelligent manufacturing of IDM hardware products in such categories as kitchen & bathroom and health, beauty and health, and emerging smart health hardware, with a view to building a platform-based company.

Solex is committed to integrating the concept of environmental protection, social responsibility, and corporate governance (ESG) into its production and operation management, optimizing its own business and development strategies, improving its corporate

governance and operational level; emphasizing innovation and creativity, increasing R&D investment, promoting the transformation of scientific and technological achievements, driving technological innovation, enhancing market recognition, reducing market and operational risks in the new development pattern; implementing responsible procurement, strengthening customer relationship management; safeguarding employee rights, valuing employee growth, paying attention to green environmental protection, deploying green development models based on its own characteristics, integrating the concept of green low-carbon into the entire production management process from green supply gain management to green factory, and enhancing employees' awareness of environmental protection by promoting green packaging and green office.

The Company fully implements the national strategy of strengthening the country through quality improvement, and spares no effort to promote its high-quality development. Also, it fulfills corporate social responsibility with a high sense of responsibility and mission, actively

participates in various social welfare activities, and gives back to the society and benefits the people with practical actions, contributing to a harmonious society.

Solex always pays attention to the impact of environmental protection, social responsibility, corporate governance, etc., and devotes itself to achieving its own long-term and stable growth. Practicing ESG is an important measure for the Company to pursue the concept of sustainable development. This effort is not only necessary for “going out”, but also promotes the implementation of the localization strategies and gains competitive advantages of long-term development in this process. Further, the Company strongly believes in the power of technological innovation, maintains the entrepreneurial spirit, and increases the pace of becoming stronger, contributing to the improvement of human life quality, sustainable economic, and social development.

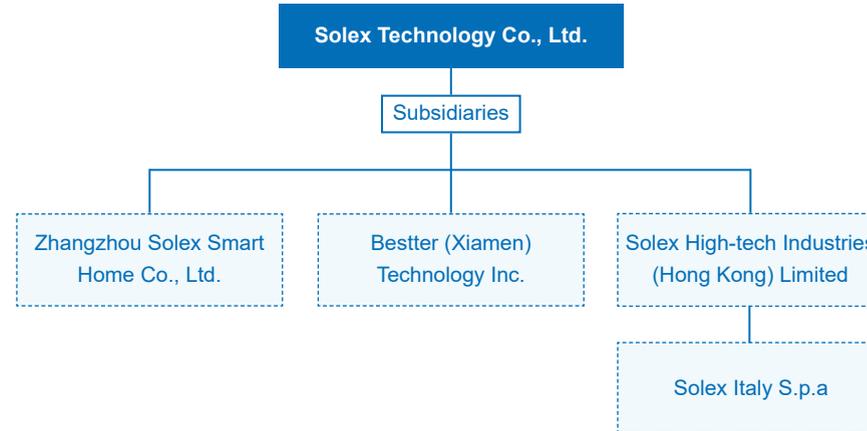
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About Solex

Founded in 2004, Xiamen Solex High-tech Industries Co., Ltd. insists on integrating R&D innovation and industrial design into products, with the “IDM Hardware Invisible Champion Incubation Platform” as its compass and capitalizing on its excellent technological innovation, product development and user demand mastery capabilities. With the concept of model, manufacturing, and technology sharing, and by empowering product values with intelligence, health, and green attributes, it focuses on the R&D design and intelligent manufacturing of IDM hardware products in such categories as kitchen & bathroom and health, beauty and health, and emerging smart health hardware. It aims to enhance the coverage of products in market segments, and spares no effort to provide high-value-added IDM hardware products with “innovation, design, and manufacture” for professional well-known brands, large chain retailers and brand e-commerce players around the world.

Note: (IDM stands for Innovation (original technology creation), Design (art design), and Manufacture (digital intelligent manufacturing) respectively)



Kitchen & Bathroom and Health

- Shower
- Shower System
- Faucet
- Smart Toilet
- Smart Bathroom Cabinet



Beauty and Health

- SPA Beauty Shower Head
- Facial Care
- Water Flosser
- Hair Care Device
- Smart Skin Analyzer



Emerging Intelligent Health

- Smart Fitness System
- Smart Sleep Monitoring System



Product matrix

Kitchen & Bathroom
and Health



Beauty and Health



Emerging Intelligent
Health

Balanlift·百乐力
Smart Adjustable Dumbbells
重量可调节哑铃
重量自由调节魔术师

Smart Fitness System

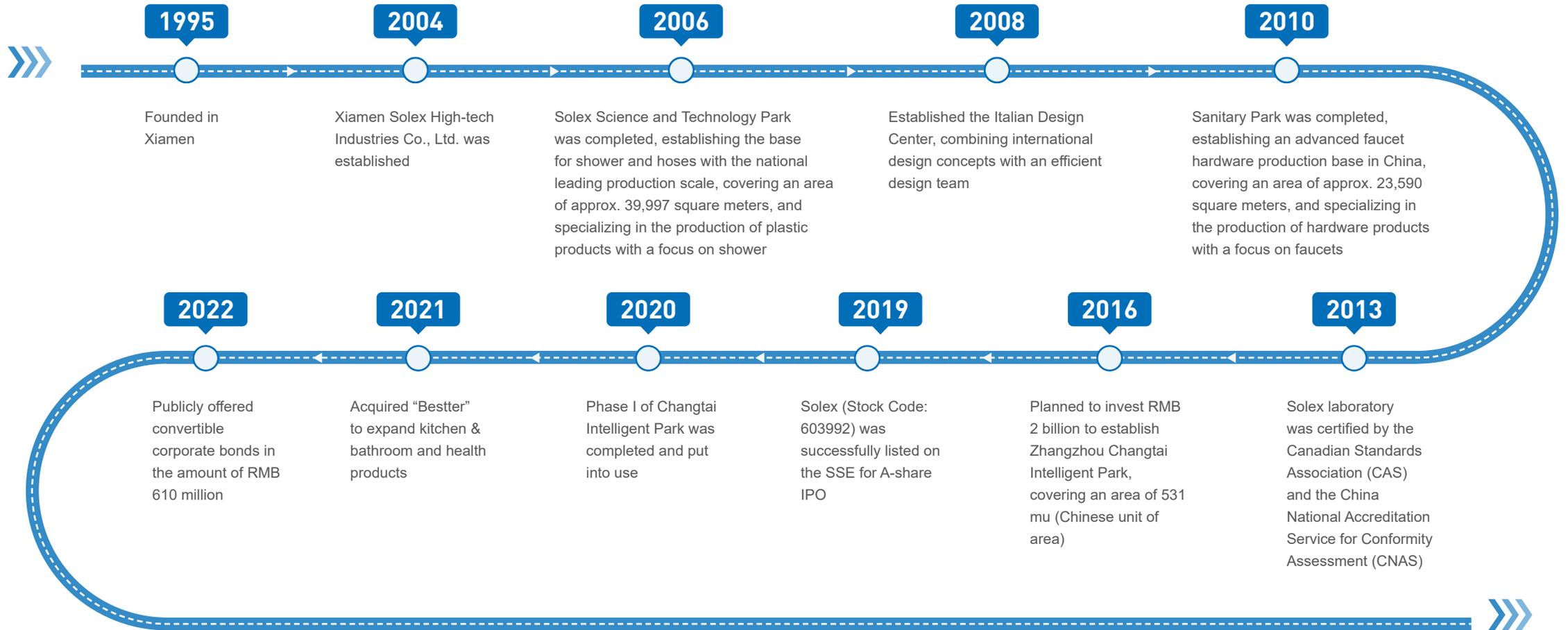
- Smart Weight Adjustment 档位调节
- Intelligent Interaction 智能交互
- Convenient Charging Separation 便捷充电仓

SLEAVE·丝丽芙
Smart Anti-snoring Pillow
智能止鼾枕

Smart Sleep Monitoring System

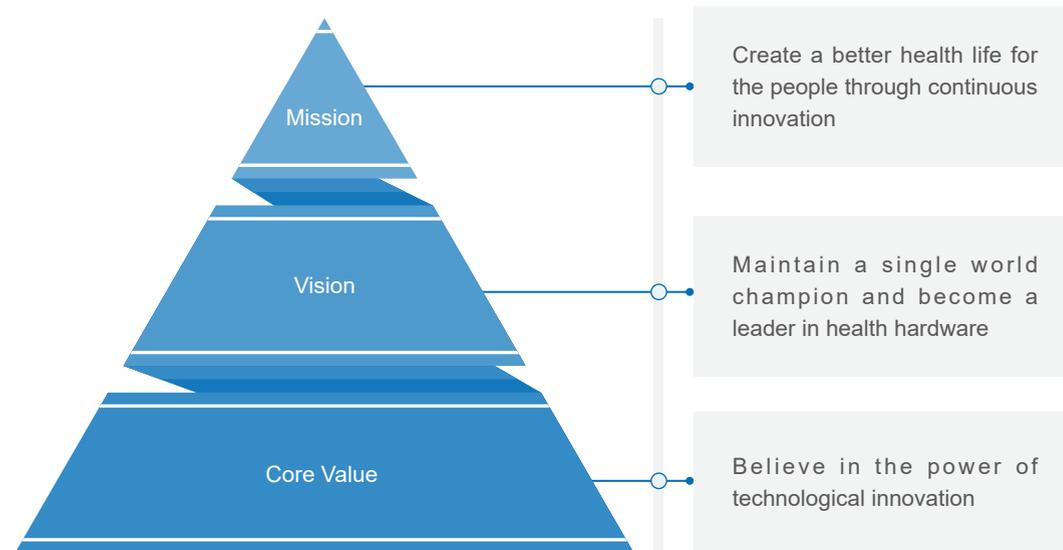
- Accurate Snoring Detection 精准识别呼噜
- Accurate Snoring Pillow Recognition 精准识别呼噜
- Smart Non Inductive Intervention 智能无感干预

Historical Development



Corporate culture

The Company emphasizes fostering the corporate culture and values with Solex characteristics, always “believes in the power of technological innovation”, and keeps pursuing excellent performance. With the mission of “creating a better health life for the people through continuous innovation”, it actively fulfills its social responsibilities, establishes a positive and good corporate image, gathers wisdom and strength from all sides, and strives to realize the vision of “maintaining a single world champion and becoming a leader in health hardware”.



Development Strategy

By upholding the IDM Hardware Platform strategy, and with innovation and creation at the core, the Company insists on the IDM model and deeply explores the human health life demand to provide B-end customers with smart, healthy, and green hardware product solutions. In addition, with the idea of technology sharing, it lays out various segmented categories around the underlying logic to enhance product value.



Major Honors



China's Service-oriented Manufacturing Demonstration Enterprise



Won the title of National Green Factory



National Industrial Design Center



National Enterprise Technology Center



National High and New Technology Enterprise



Won the Corporate Nodes of National Industrial Internet Identification Analysis System



Top 100 Strategic Emerging Enterprises in Fujian in 2023



Top 100 Private Manufacturing Enterprises in Fujian



Major Honors



Top 100 Private Innovative Enterprises in Fujian



Elite Team of Foreign Trade Enterprises in Fujian



Top 100 Xiamen Private Enterprises



Top 20 Xiamen Private Technology Innovation Enterprises



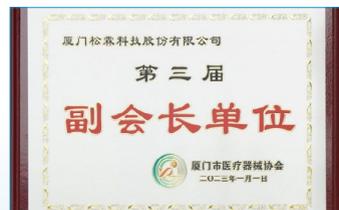
Top 20 Xiamen Private Manufacturing Enterprise



Top 10 Xiamen Green Enterprises



Joined Xiamen Medical Device Association



Top 100 Xiamen Enterprise



Top 10 Xiamen IP Enterprises



Industrial Leader in Zhangzhou



ESG Management

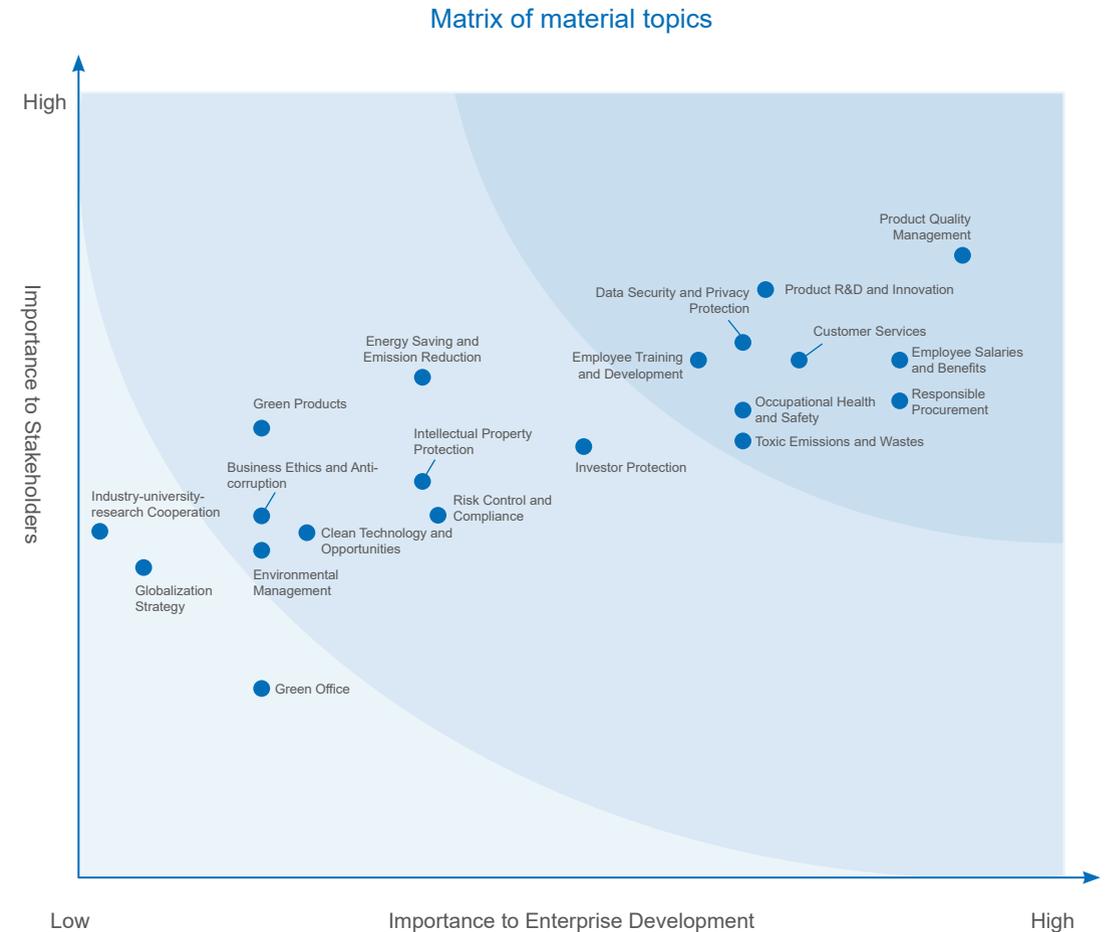
Stakeholder Analysis

With great importance to communication and exchanges with internal and external stakeholders, Solex identifies shareholders, governmental authorities, customers, employees, partners, communities, and the public as its stakeholders, communicates with stakeholders through various channels to understand their demands and expectations, respond to them, and promote the continuous improvement of ESG management.

Stakeholders	 Shareholders	 Governmental Authorities and Regulators	 Customers	 Employees	 Partners	 Communities and Public
Expectations and Demands	<ul style="list-style-type: none"> Intellectual Property Protection Risk Control and Compliance Globalization Strategy Investor Protection 	<ul style="list-style-type: none"> Business Ethics and Anti-corruption Clean Technology and Opportunities Toxic Emissions and Wastes 	<ul style="list-style-type: none"> Product R&D and Innovation Product Quality Management Customer Services Green Products Data Security and Privacy Protection Energy Saving and Emission Reduction 	<ul style="list-style-type: none"> Employee Salaries and Benefits Employee Training and Development Occupational Health and Safety 	<ul style="list-style-type: none"> Industry-university-research Cooperation Responsible Procurement 	<ul style="list-style-type: none"> Environmental Management Green Office
Communication and Response	<ul style="list-style-type: none"> Intellectual Property Protection Mechanism Compliance with Laws and Regulations Cooperation with Regulatory Inspection Globalization Layout Regular and Temporary Information Disclosure Unobstructed Investor Communication Channels 	<ul style="list-style-type: none"> Integrity in Operation Clean Technology Development Sound Risk Management Sound Environmental Safety System 	<ul style="list-style-type: none"> Technology Innovation Quality Assurance Handling of Customer Feedback Customer Satisfaction Survey Green Product Design Data Security and Privacy Protection Energy-saving Technology Improvement 	<ul style="list-style-type: none"> Protection of Employee Rights and Interests Sound Remuneration System Unobstructed Promotion Channels Diverse Training Systems Rich Employee Activities Construction of Health and Safety systems 	<ul style="list-style-type: none"> Industry Discussions and Exchanges Sustainable Supply Chain Management 	<ul style="list-style-type: none"> Environmental Management Rules and Systems Green Office

Matrix of Material Topics

To gain a deeper and more accurate understanding of the expectations and demands of stakeholders, and to enhance the professionalism, relevance, and substance of this Report, the Company invited employees, suppliers, service providers, customers, investors, governmental authorities, regulators and other stakeholders through questionnaires to select and analyze 20 material topics related to the Company's environment, society and governance, directing and laying the foundation for the construction of the Company's sustainable development systems.



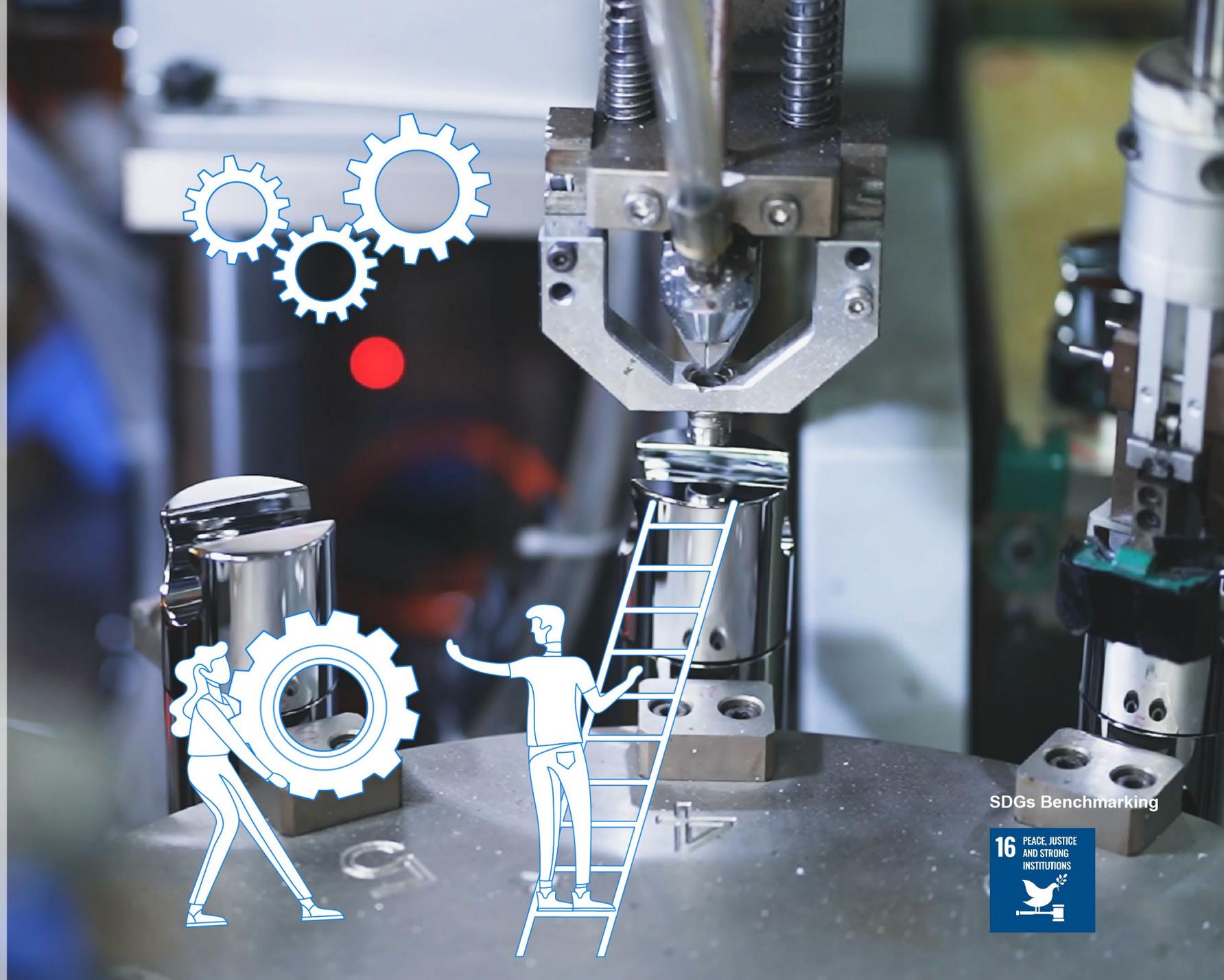
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Responsible Governance and Stable Development

Solex continuously improves its corporate governance, optimizes internal structures, keeps investor communication channels open, identify and avoid operational risks, call on employees and suppliers to act with integrity, and protect the data privacy of the Company and its customers. Further, it strives to establish an unimpeded and coherent management mechanism to promote the efficient and sustainable development of the Company.

Our Actions

- Efficient and Regulated Governance
- Sound Investor Protection
- Risk Control and Compliant Operation
- Anti-corruption and Integrity in Operation
- Data and Information security



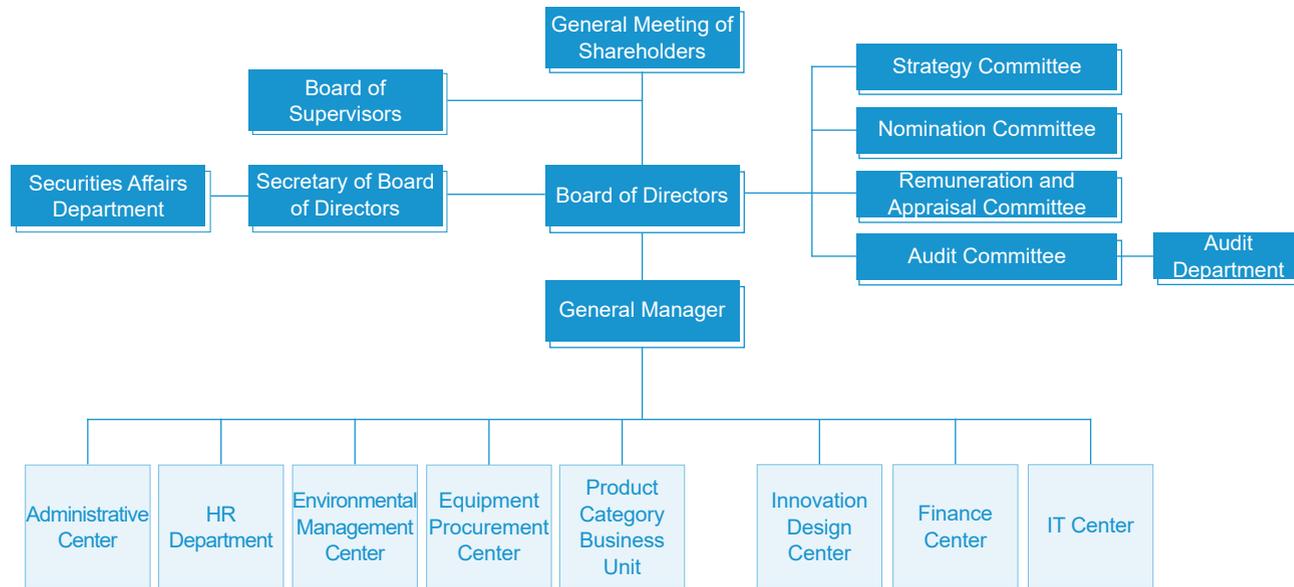
SDGs Benchmarking



Efficient and Regulated Governance

In strict accordance with the requirements of the Companies Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations, the Company has established its sound internal control system, regulated its operations, and enhanced corporate governance, so as to ensure that the corporate governance structure is legal and compliant, and operates stably. During the reporting period, the convening and voting procedures of all meetings of the Company complied with the relevant requirements of the laws and regulations, and of the Articles of Association and rules of procedure, and all voting results were legal and valid, laying a solid foundation for the compliant operations of the Company.

Organization chart of the Company



General Meeting of Shareholders

The Company ensures that the general meeting of shareholders can exercise its rights in accordance with law, and operate in an efficient and regulated manner and make scientific decision-making. In strict accordance with the provisions and requirements of the Code of Corporate Governance for Listed Companies, Articles of Association and Rules of Procedure for the General Meeting of Shareholders, the Company convened and held general meetings of shareholders, and engaged lawyers to witness general meetings. Shareholders attended general meetings of shareholders and had the rights to be informed, speak, inquire, and vote at such meetings in accordance with law.

During the reporting period



the Company held a total of

5 general meetings of shareholders



including

1 annual general meeting



extraordinary general meetings

4

Board of Directors

In accordance with the relevant laws and regulations, the Company has formulated the Rules of Procedure for the Board of Directors, specified legal person governance structure, and regulated the mode of the meeting and decision-making procedures of the Board of Directors, urges the directors and the Board of Directors to effectively perform their duties, and improves the regulated operation and scientific decision-making level of the Board of Directors. Independent directors of the Company are all senior professionals with expertise in law, risk management, accounting, finance, industry-related technology, and business management, etc. Four special committees are established under the Board of Directors, i.e. Strategy Committee, Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee. Each Committee includes at least one independent director. Except for the Strategy Committee, the chairmen of other Committees are independent directors. With this, it enhances the autonomy and independence of the Committees' operations and provides scientific and professional opinions for the Board of Directors to make decisions.



Audit Committee

- Guide and supervise the establishment and implementation of internal audit systems
- Review the annual internal audit work plans of the Company
- Supervise and urge the implementation of the internal audit plans of the Company
- Guide the effective operation of the Audit Department
- Report to the Board of Directors on the progress and quality of internal audits as well as significant issues identified in internal audits
- Coordinate the relationship between the Audit Department and external audit institutions such as accounting firms and national audit authorities



Strategy Committee

- To conduct research on the long-term development strategy planning of the Company, and make suggestions
- To conduct research on significant strategic investments and financing schemes that shall be approved by the Board of Directors in accordance with the provisions of the Articles of Association, and make suggestions
- To conduct research on significant capital operations and asset management projects that shall be approved by the Board of Directors in accordance with the provisions of the Articles of Association, and make suggestions
- To conduct research on other significant matters affecting the development of the Company, and make suggestions
- To track and inspect the implementation of the aforementioned matters



Nomination Committee

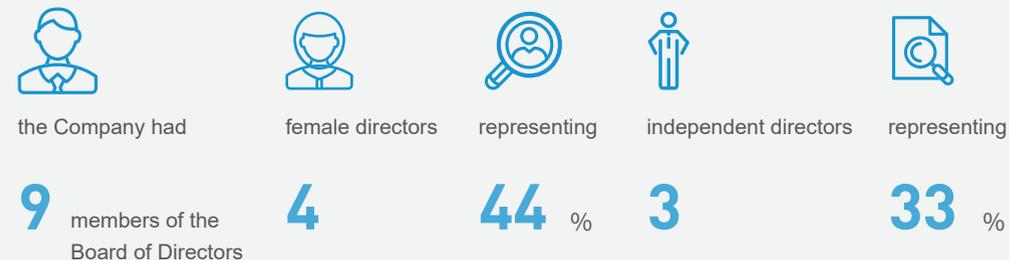
- To study the selection criteria and procedures for directors and senior officers, and make suggestions to the Board of Directors
- To extensively search for qualified candidates for directors and senior officers, screen and review such candidates and their qualifications
- To make suggestions to the Board of Directors with respect to the nomination, appointment or removal of directors
- To make suggestions to the Board of Directors with respect to the appointment or dismissal of senior officers
- To exercise other functions and powers granted by the Board of Directors, and make recommendations to the Board of Directors in accordance with the provisions of the laws, administrative regulations, of the CSRC, and of the Articles of Association



Remuneration and Appraisal Committee

- To work out remuneration plans or schemes based on the main scope, duties and responsibilities, importance of director and senior officer positions, and the remuneration level of other related positions of other related companies
- Remuneration plans or schemes mainly include but are not limited to performance evaluation criteria, procedures and major evaluation systems, as well as major reward and punishment schemes and systems
- To review the performance of directors (non-independent directors) and senior officers of the Company, and conduct annual performance evaluations on them
- To oversee the implementation of the remuneration system of the Company

By the end of the reporting period



During the reporting period, the Company held a total of



Board of Supervisors

The Company has set up the Board of Supervisors in accordance with the requirements of the Companies Law, Articles of Association and Rules of Procedure for the Board of Supervisors, and procured the supervisors and the Board of Supervisors to effectively perform their supervisory duties, namely, overseeing the legality and compliance of corporate governance, significant matters and financial position, and performance of duties by the directors, managers, and other senior officers of the Company in a manner responsible to shareholders.

By the end of the reporting period



the Company had

3 members of the Board of Supervisors



female supervisors

3



representing

100 %



executive supervisors

2



employee supervisor

1

During the reporting period



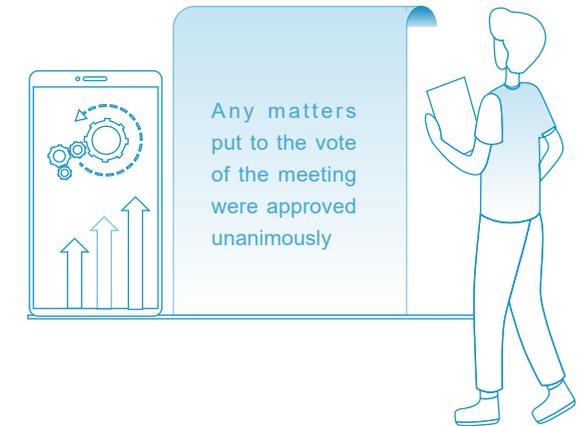
meetings of the Board of Supervisors

9



with an average attendance rate of

100 %



Sound Investor Protection

With great importance to the information disclosure and investor communication, the Company ensures a good relationship with investors by promoting transparency and trust.

Information Disclosure

In strict accordance with the provisions of the laws and regulations such as Companies Law, Securities Law, Administrative Measures for Information Disclosure by the Listed Companies, and Rules Governing the Listing of Stocks, and of the Articles of Association, the Company has formulated the Management Regulations of Information Disclosure to regulate the information disclosure of the Company and the relevant persons with information disclosure obligation, enhance its information disclosure management level and information disclosure quality, and protect the legitimate rights and interests of the Company, its shareholders and the relevant stakeholders.

The securities affairs representative and securities affairs officer of the Company assist in the information disclosure activities of the Company, timely understand important information generated by the Company in its daily business activities, and promptly release it; organize and arrange the preparation of the Company's periodic reports, interim announcements, and other documents to be submitted in accordance with the requirements of other securities regulatory authorities, etc.; and assist in the collection, transmission, summarization, organization and release of information from the Company's various information points. The specialists urge the Company and the relevant persons with disclosure obligation to comply with the provisions on information disclosure and perform their disclosure obligation in good faith.

信息披露原则

Truthfulness

The matters stated in the information disclosed by the Company shall be consistent with the facts

Accuracy

The contents of the information disclosed by the Company shall accurately reflect objective reality

Completeness

The information disclosed by the Company shall be free from any significant omissions that may be misleading

Timeliness

The information disclosed in the Company shall be finished within the period as specified by the relevant laws and regulations, and other normative documents

During the reporting period



the Company disclosed

4 periodic reports

The Company has disclosed
ad hoc reports

88

Number of announcement
attachments and documents
posted online

65 份

Investment Communication

The Company maintains unobstructed and transparent communication and interaction channels with investors, and has formulated the Investor Relationship Management System to effectively protect the legitimate rights and interests of investors, especially small and medium investors, enhance investors' understanding and recognition of the Company, and uplift the corporate governance level and overall corporate value, thereby achieving the goal of respecting, rewarding and protecting investors. The Company has an investor relationship officer, responsible for managing investor communication, maintaining investor relationship, monitoring market sentiment, disclosing ESG information, promoting the brand, and strengthening effective communication between the Company and investors.

投资者关系工作基本原则



During the reporting period



The Company received investors

99 times in total through phone or on-site methods



held

3 performance briefings



held

1 online collective reception



received over

708 investors



replied to

5 e-interactive questions



answered

48 investor hotlines



received and responded to

18 emails



2023 Online Collective Reception Day for Investors

In May 2023, the Company participated in the “2023 Collective Reception Day for Investors of Listed Companies in Xiamen” jointly organized by the CSRC Xiamen Office and the Listed Companies Association of Xiamen. The Company’s senior officers communicated with investors online regarding the issues of concern to investors such as 2022 and 2023Q1 performance, cash dividends, corporate governance, development strategies, operating conditions and sustainable development of the Company, provided valuable information for investors, and created channels and platforms for interaction and communication between the Company and investors.



With shareholder return as its top priority, the Company has clearly established the basic principles and specific policies of profit distribution in the Articles of Association. The Board of Directors of the Company updates the Shareholder Dividend and Return Plan every three years and rewards shareholders first through cash dividends.

In the future, the Company will continue to share its fruits with investors through its steady operation and good performance.

During the reporting period

the Company paid cash dividends	totaling	representing of 2023 net profits attributable to the parent company
2 times	178,851,700 RMB	50.74 %

distributing out of 2022 profit in the first time out of 23Q1-Q3 profit in the second time

78,598,500 RMB	100,253,200 RMB
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Since its listing, the Company has constantly paid reasonable returns to shareholders through cash dividends. By the end of 2023



the Company’s cumulative cash dividends amounted to RMB

361,311,200 (including tax)

Risk Control and Compliant Operation

In accordance with the relevant provisions of the Companies Law, Securities Law, Rules Governing the Listing of Stocks, Guidelines for the Internal Control of Listed Companies, Articles of Association and other laws and regulations, and based on the actual situation of the Company, the Company has formulated its Internal Control System, establishes and effectively implements the sound Internal Control System to enhance its risk management level.

Purposes of internal control of the company



To establish and improve the internal organizational structure that complies with modern corporate management requirements, form scientific decision-making, implementation and supervision mechanisms, effectively prevent controlling shareholders and actual controllers from abusing control rights to encroach on the interests of the Company, harm the interests of small and medium investors, and ensure the achievement of the Company's business management objectives



To improve the operational efficiency and effectiveness, enhance quality, establish an effective risk control system, strengthen the risk control capabilities, increase returns to shareholders, and ensure the healthy operation of all business activities of the Company



To establish a sound internal economic environment, prevent and promptly identify and correct various errors and frauds, and safeguard the security and integrity of the Company's assets

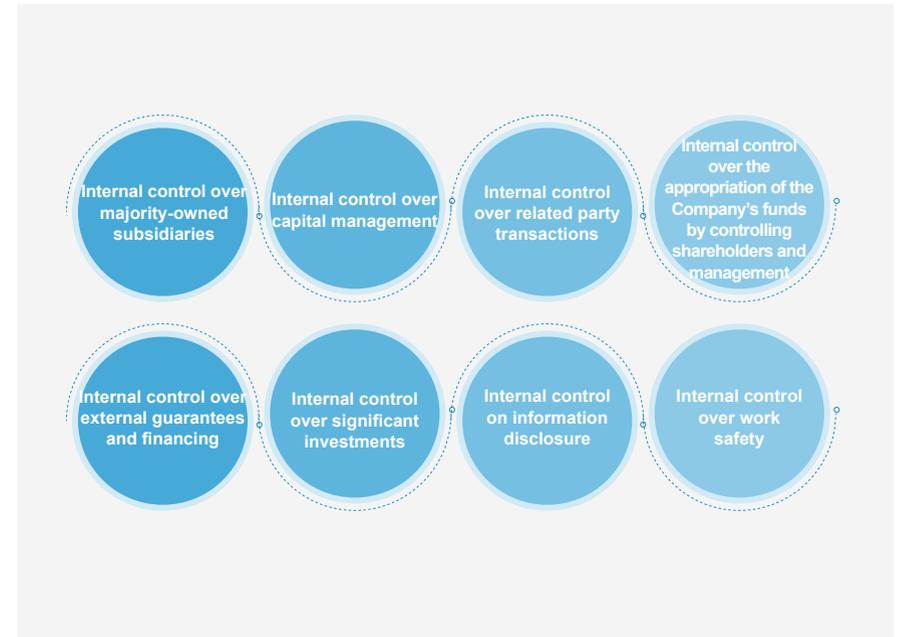


To ensure that the Company discloses information in a truthful, accurate, complete and timely manner



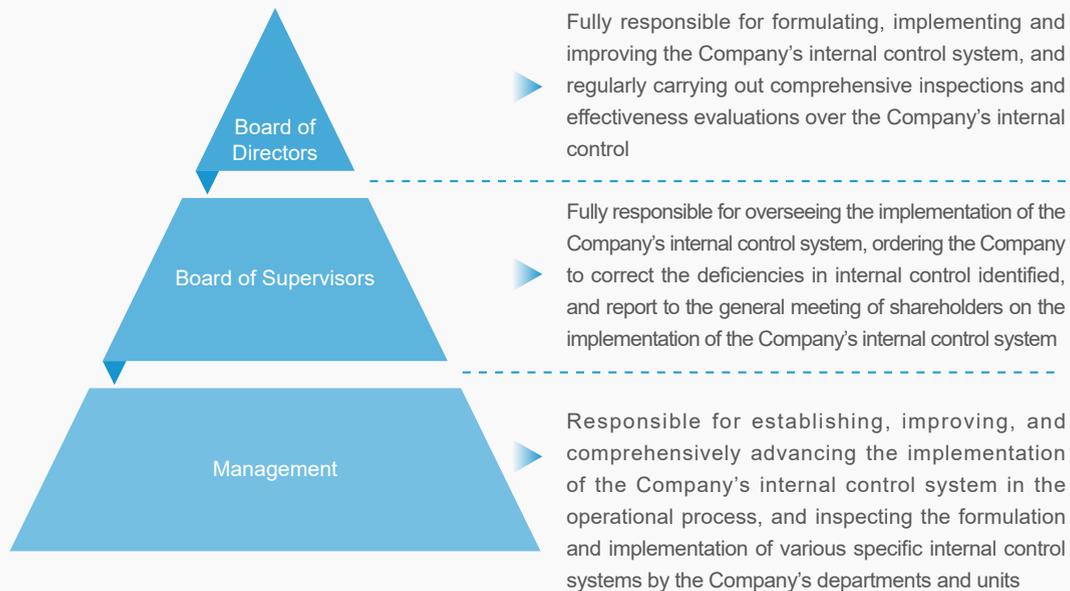
To ensure the compliance with and implementation of the relevant national laws, regulations, and the Company's internal rules and regulations

Significant internal control activities



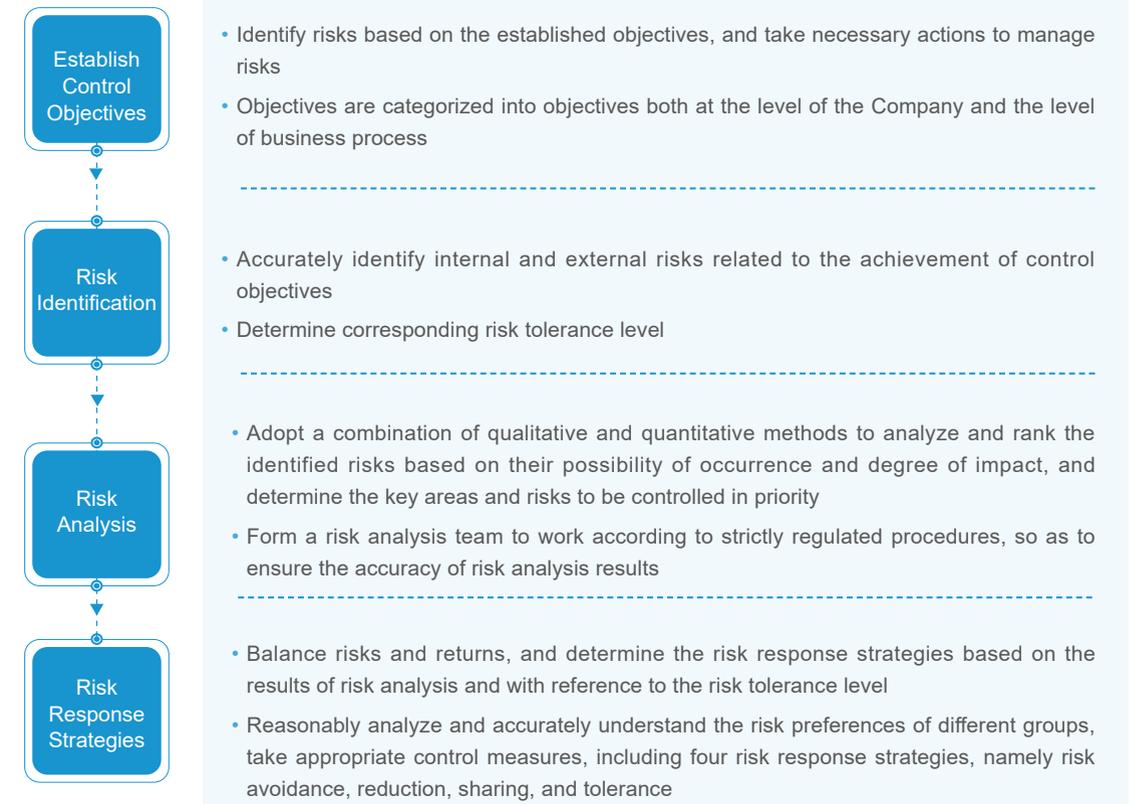
The Audit Department under the Audit Committee of the Board of Directors is responsible for overseeing and inspecting the internal control system of the Company. The Audit Department regularly inspects the deficiencies in the Company's internal control system, inspects and oversees the Company's internal control once a year, assesses the effectiveness and efficiency of its implementation and makes suggestions for improvement, and carries out the special inspections and supervisions over the Company's internal control from time to time.

Internal control governance structure



The Company timely identifies and systematically analyzes the risks related to the achievement of internal control objectives in operational activities, so as to find a reasonable strategy to deal with the risks. Based on the risk evaluation results, the Company takes corresponding control measures to keep the risks within tolerable levels, and ensures that the management's instructions are carried out.

Risk control measures

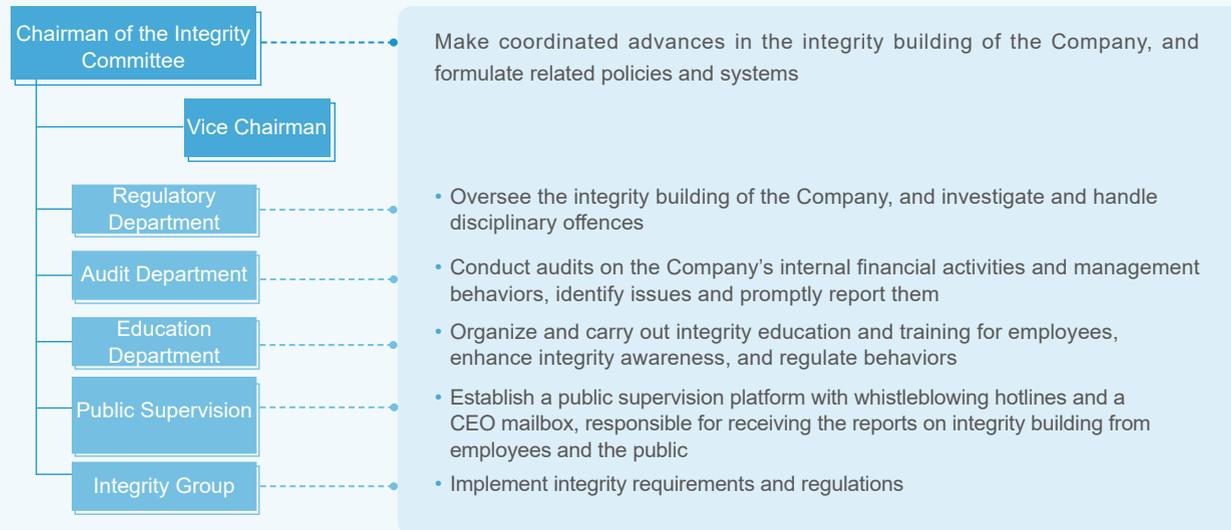


Anti-corruption and Integrity in Operation

The Company attaches great importance to and continues efforts to foster a culture of integrity, and integrates the code of business ethics into daily operations. Additionally, it cultivates a clean work atmosphere and strengthens the integrity building through training, education, warning reminders or otherwise, so as to ensure normal business order and the healthy development of the Company.

The Company continues to strengthen the two-tier anti-commercial bribery compliance system of Solex and its subsidiaries, and adopts a zero-tolerance approach towards commercial misconduct across the entire Group. Bestter has formulated the Code of Conduct on Integrity, which regulates employees' integrity in their work, safeguards the interests of the Company and shareholders, and encourages fair competition. Bestter has set up an Integrity Committee, and established a sound supervision and restriction mechanism to ensure the implementation of regulations and the popularization of internal anti-corruption awareness.

Organization chart of the Integrity Committee



Code of Conduct for Integrity



» The employees of the Company should effectively safeguard the interests of the Company and shareholders, and not misuse their authority or damage the assets and equities of the Company



» The employees of the Company should diligently perform their responsibilities, and not misuse their authority for private gain or damage the interests of the Company



» The employees of the Company should properly exercise their management rights to prevent any behavior that may infringe on public interests and the Company's interests



» The employees of the Company should be thrifty, and spend position-related expenses in accordance with the relevant regulations



» The employees of the Company should exercise their authority properly, perform their duties faithfully, and any duty encroachment or other illegal appropriation is strictly prohibited

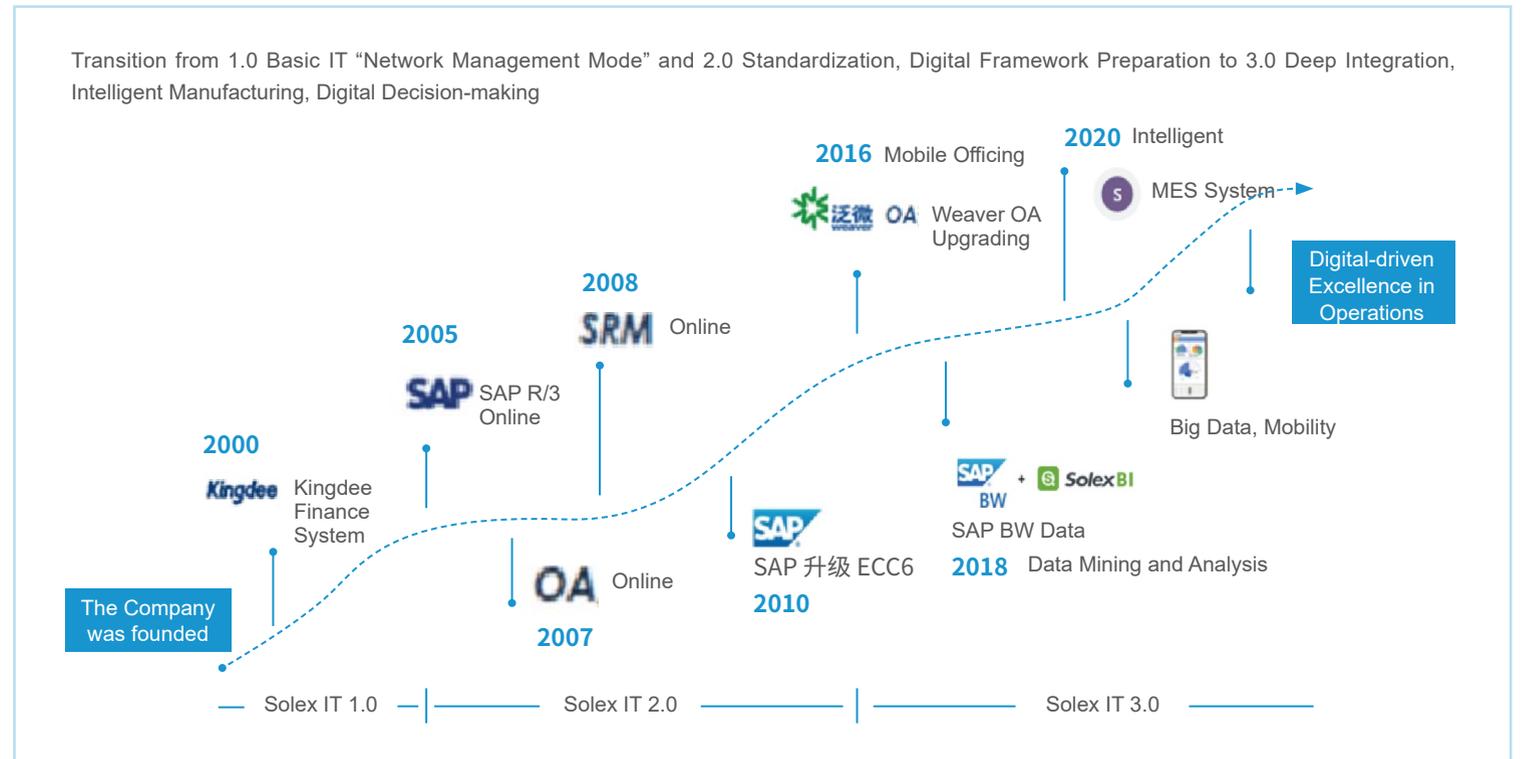
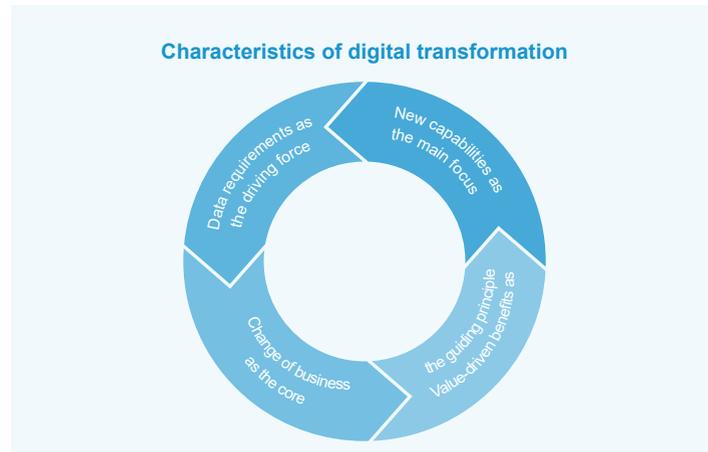
Solex has established an employee whistleblowing mailbox and dedicated hotline, improved the whistleblowing management system, and regulated whistleblowing management. The relevant handlers strictly comply with confidentiality rules, not disclose any pending matters to the complainants or the accused, promptly handle problems, and address relevant reports and feedback within 3 working days.

Data and Information Safety

The Company strengthens the protection and management of information assets through the building of digital platforms and systems, and ensures the stable and secure operation of information systems. In the future, the Company will further improve business operational efficiency and security to provide customers with safer and more reliable services.

Digitalization Construction

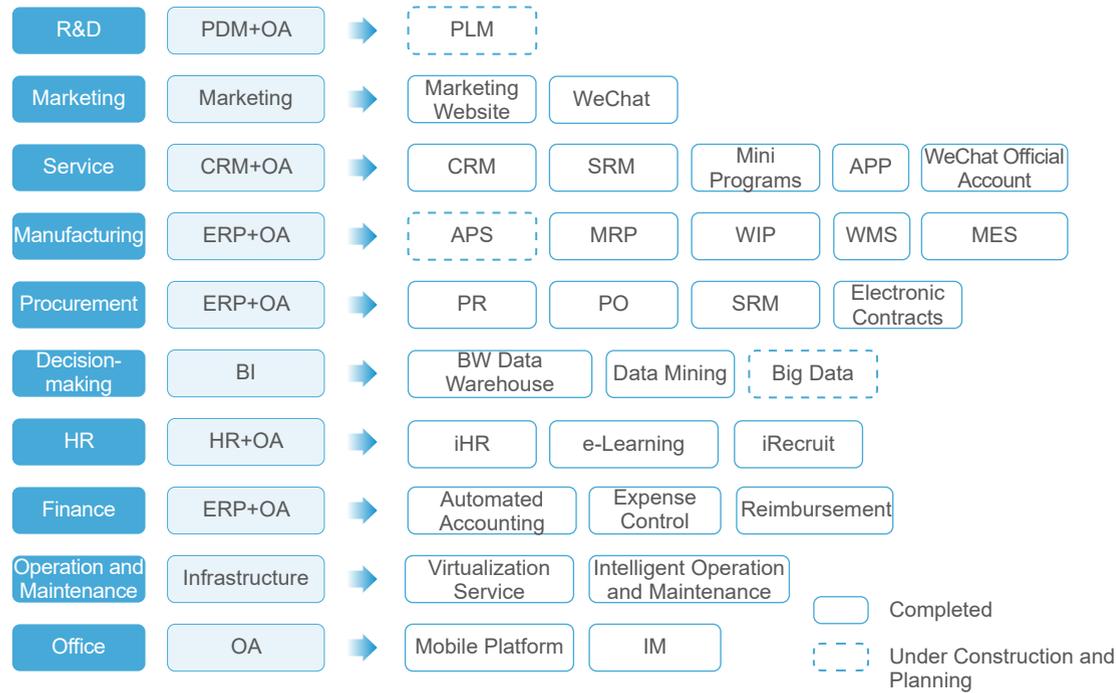
To comply with the Industry 4.0 and Made in China 2025 industrial policy, the Company deepens the application of next-generation information technology, transforms production methods through development of digital productivity, and enhances new capabilities to thrive and evolve in the digital age, so as to achieve its transformation, upgrading, and innovative development.



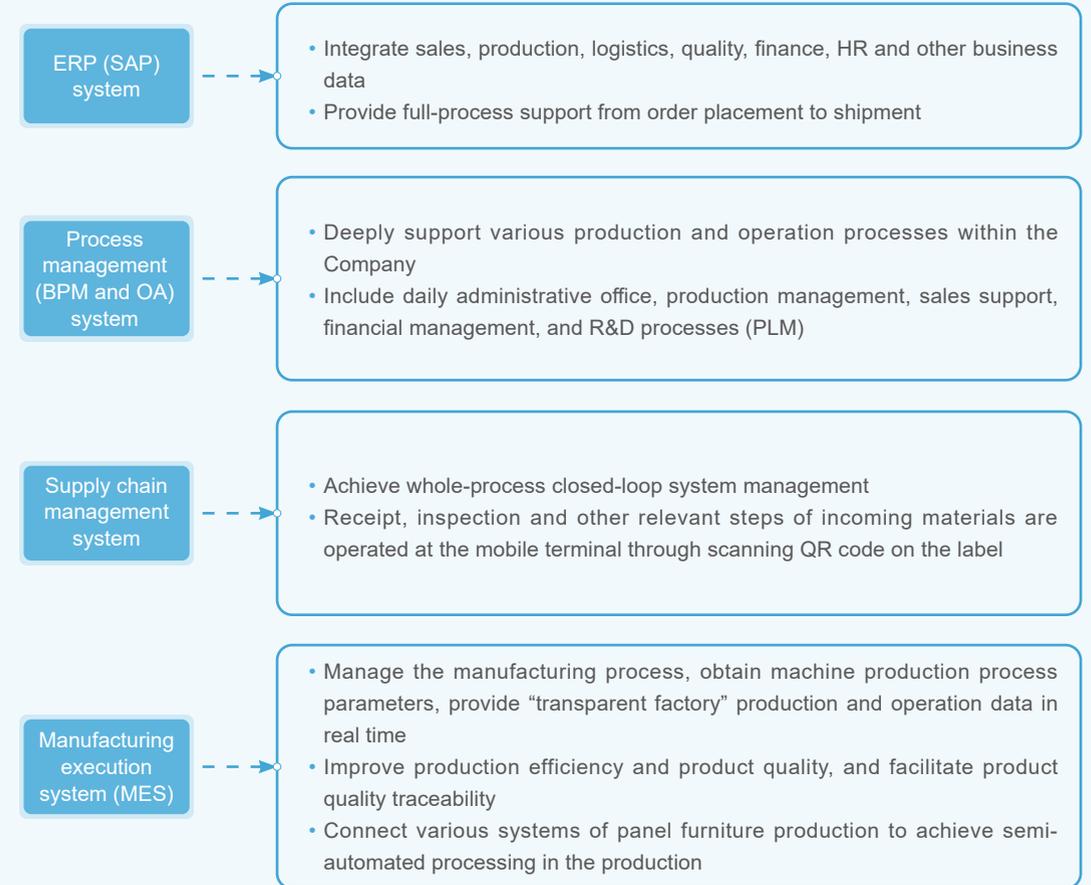
Digital development history of the Company

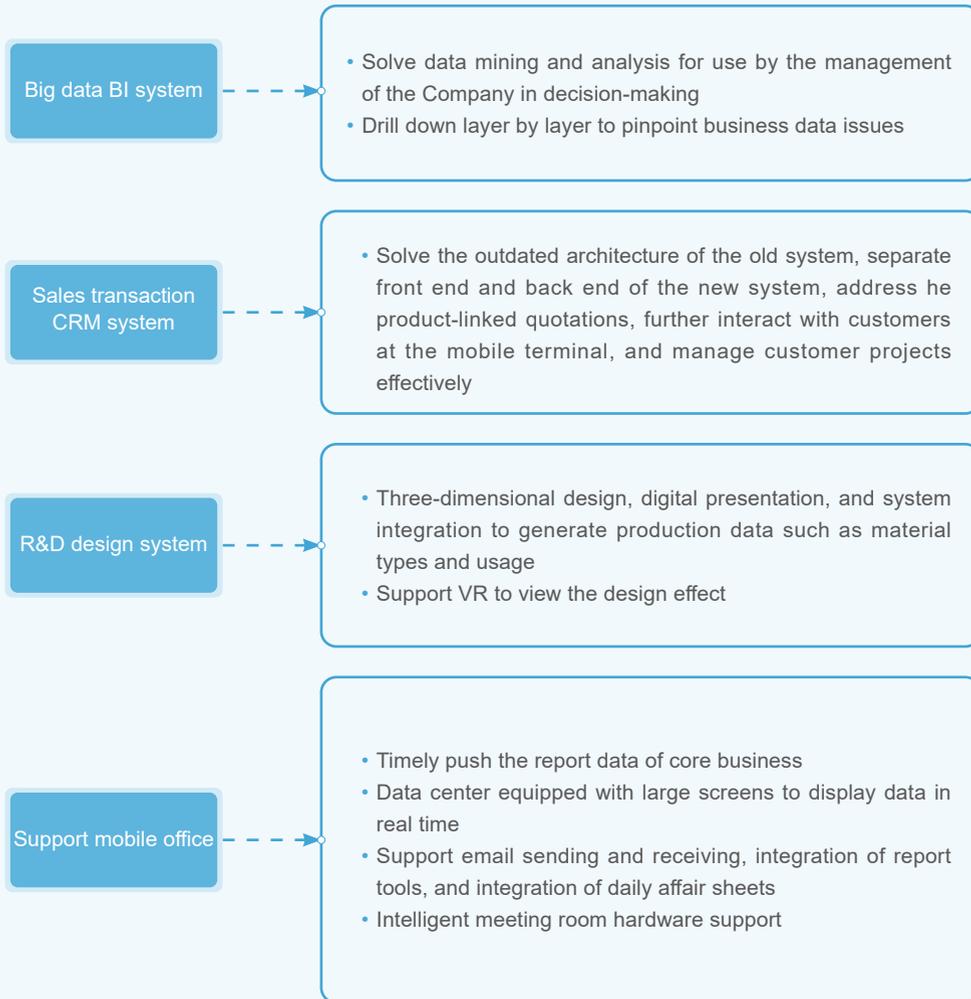
The Company defines the overall details and priorities of digital transformation projects, devotes output results, corresponding technological manpower, and time. Meanwhile, it also completes the overall planning of data asset management, provides comprehensive information technology support through ten different dimensions, builds an intelligent big data cloud platform, and reshapes productivity and business processes.

Informatization system framework



Highlighted applications of digital transformation





The Company's informatization covers all business departments to create a digital operation and digital factory for the manufacturing industry. In this process, the risk is controlled effectively.

Internal design process of digital transformation

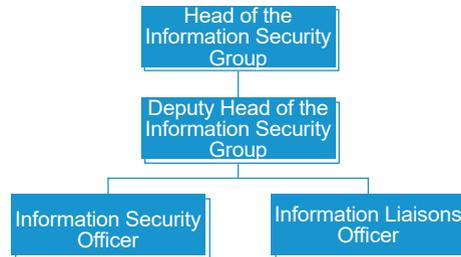


▲ Smart factory

Information Security Protection

The Company has formulated the Computer Network and Data Security Management Measures, Data Backup and Recovery Management Regulations, and other information security systems to guarantee the security of internal and external computer networks and data, the protection of intellectual property and the confidentiality of core technologies of the Company. The IT Center of the Company is responsible for formulating and revising network and data security management systems, establishing and maintaining computer networks, managing electronic media and electronic media devices, and ensuring the security of the computer networks and data of the Company.

Structure of the Information Security Group



To effectively ensure the normal management and operation of computer networks, the Company implements unified network exit management, unified user management, and publicizes and popularizes the information security knowledge within the intranet of the Company. Departments using electronic equipment keep a clean, safe, and good work environment for electronic equipment to avoid potential network information security risks.

Measures for the standardized use of electronic equipment

- ✔ Not place hazardous items such as flammable, explosive, strongly corrosive, or strongly magnetic materials in the electronic equipment application environment, and follow the principle of “whoever uses is responsible”
- ✔ Set a password for the electronic equipment with password setting function
- ✔ Turn off electronic equipment when leaving work or not using electronic equipment for a long time
- ✔ Turn off the power switch of electronic equipment in case of long downtime, such as statutory holidays
- ✔ Not use others’ passwords to log into others’ electronic equipment without permission
- ✔ Contact the relevant electronic equipment administrator of the Group’s IT center for assistance when forgetting the password

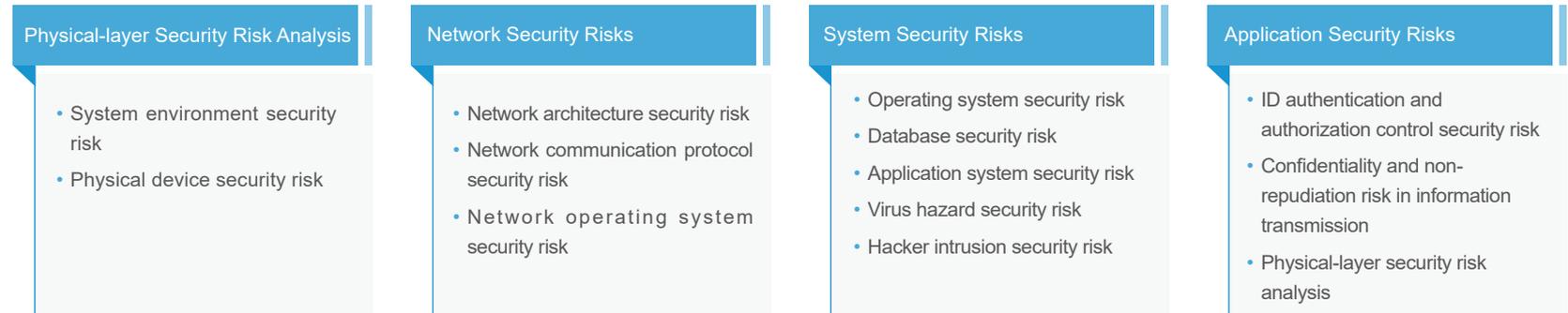
The Company has formulated the Information Security Management Procedures, Information Security Resource Management Procedures and other information security systems to ensure the information security of the Company. It organizes the assessments on information security management level and the regular vulnerability scans to identify problems in the information security management process and propose improvement measures.

Information safety management measures

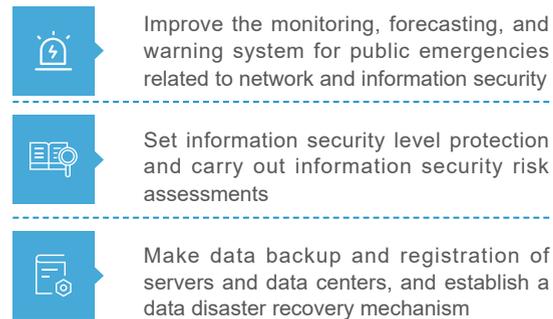


The Company has formulated the Information Security Emergency Plan, strengthens the network operation security and information security, effectively handles responses to public emergencies related to network and information security, and further improves the ability and level of preventing and controlling network and information security emergencies, so as to ensure its network operation security and information security. Additionally, it has established a leading group of information system emergency response, responsible for leading, organizing, and coordinating the response to information system emergencies throughout the Company.

Identification of information security risks



Emergency prevention and warning measures



Information security education and training

The Company organized its employees and the employees of subsidiaries to participate in information security education and training in June 2023. The training covered the email safe use standards and other relevant contents, and the employees were assessed online to check whether they have grasped the contents. This training standardized the operating methods of the employees, enhanced their awareness of information security prevention, and created a secure information work environment.



▲ Information security training

02

Hand in Hand with Society

Solex remains committed to promoting technological innovation and industry exchange, and collaborating and communicating with peer companies to promote the healthy development of the industry. Regarding customer services, the Company always prioritizes customer demand, and takes customer satisfaction as the core indicator. In terms of procurement, the Company has established a stable and reliable supply chain to ensure the stability of material supply and the quality controllability. Regarding employees, the Company grows together with employees and provides them with a good work environment and growth opportunities. For social welfare, the Company actively participates in social welfare activities, making positive contributions to society.

Our Actions

- Innovation-driving Development
- Promotion of Industry Exchange
- Offer of Top-notch Customer Service
- Stable Procurement Supply
- Common Growth with Employees
- Participation in Charity

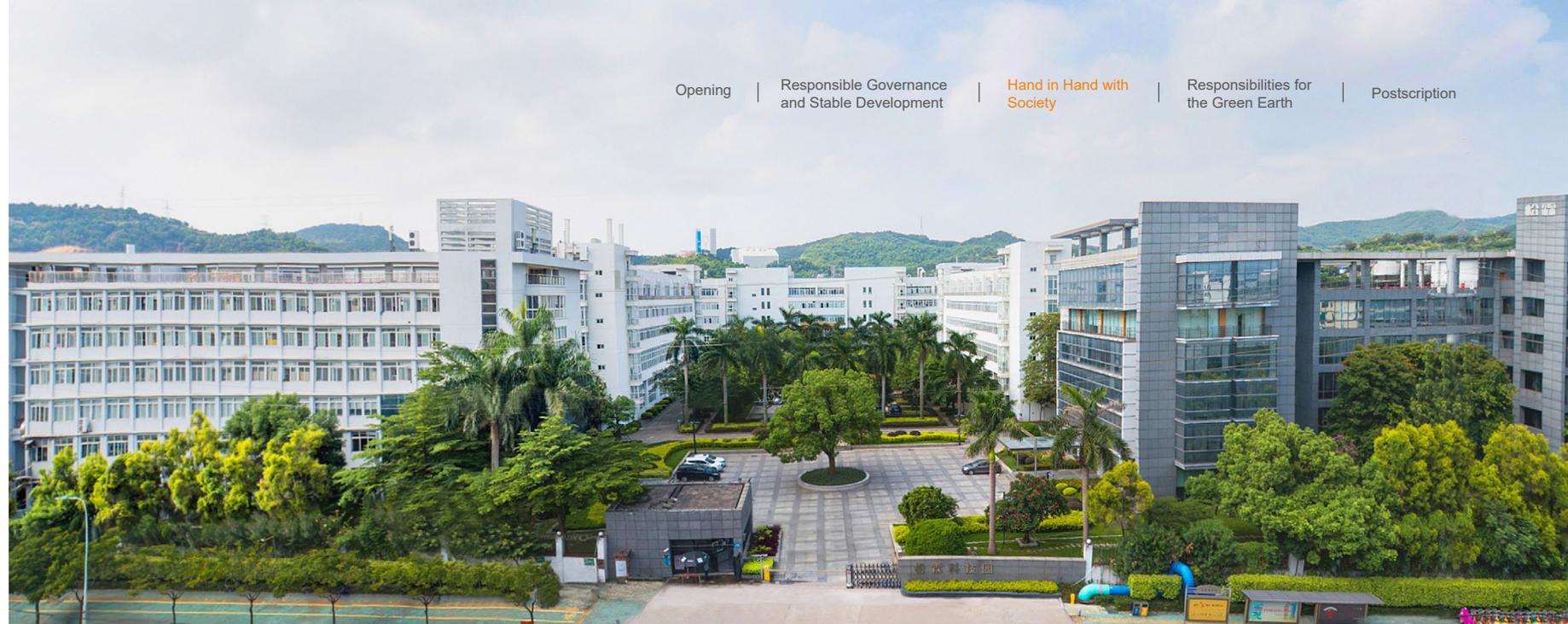


SDGs Benchmarking



Innovation-driving Development

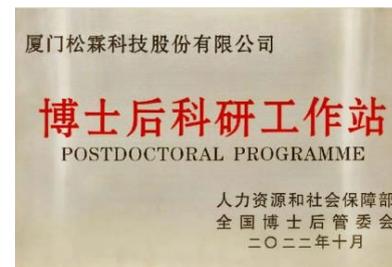
Solex always insists on the business philosophy of “innovation, design, and manufacture”. Guided by the strategy of “IDM Hardware Invisible Champion Incubation Platform”, and capitalizing on the mature R&D model, the Company focuses on closely integrating the technological innovation and product R&D of the IDM hardware category with the market demand, continuously builds, integrates, and optimizes its three major resource-sharing platforms of “model, manufacturing and technology”, enriches products with more cutting-edge functions and higher value through continuous innovation, so as to comprehensively enhance the core competitiveness of its segmented categories.



R&D Infrastructure

The Company values the cultivation of highly-competent R&D engineers and managers with team spirit, devotes itself to discovering and nurturing strategic R&D management talents, and has established a hierarchical system consisting of experienced technical R&D talents with a reasonable professional structure. Meanwhile, the Company adopts a mentorship system for one-to-one training, and offers targeted cultivation to the R&D team from time to time through internal training, university education and overseas training.

Quantitative Indicators	Unit	2023	2022	2021
R&D expenditure	RMB (in 0,000)	20,353.17	19,221.98	16,956.82
Proportion of total R&D expenditure to revenue	%	6.82	6.04	5.70
R&D personnel	Person	664	799	732



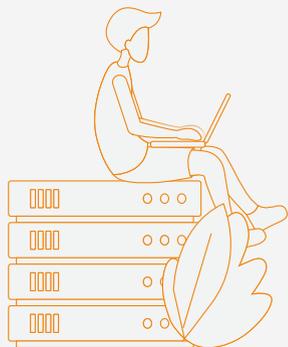
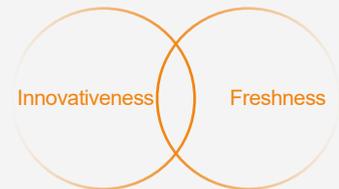
▲ Post-doctoral research workstation of Solex



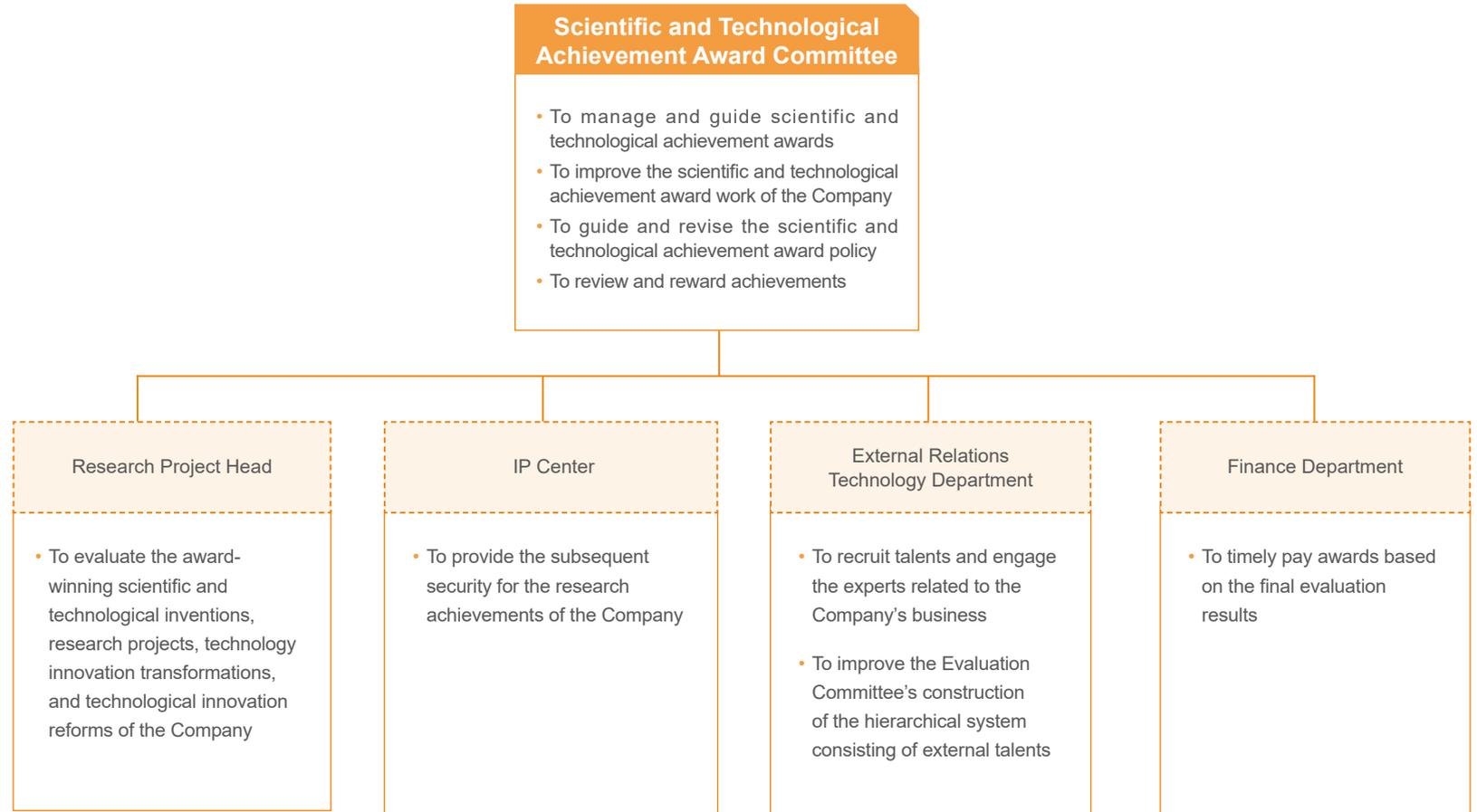
▲ The Company as the subsidiary was recognized as a High and New Technology Enterprise

To encourage the R&D team to actively engage in the transformation of new technologies, the Company has formulated the Measures for Rewarding Technology Research Achievements, R&D Reward System, R&D Incentive System, and other documents to innovation incentive, and has set up the Innovation Output Prize, Innovation Transformation Prize and other awards to stimulate the innovation capabilities of individuals and teams. These measures aim to improve the overall research level and technological status of the Company, and promote the commercialization of research achievements.

Innovation incentive assessment dimensions



The Company has established a Scientific and Technological Achievement Award Committee, which consists of 9 professionals from diverse fields, including 6 research project heads, and others heads of the Intellectual Property Center, External Relations Technology Department, and Finance Department. Each member of the Committee has distinct responsibilities and jointly handles matters related to scientific and technological rewards in the Company.



The Company actively promotes intelligent construction. By the end of the reporting period, the Company has established a globally leading intelligent manufacturing base covering an area of near 700,000 square meters, and possessed multiple leading automated production lines in the peer industry and globally advanced intelligent production management systems.



▲ Intelligent production lines

Innovative R&D Achievements

The Company regards technological innovation as its core strategies, and insists on the innovation and research of original, fundamental, and industry-critical technologies. The Company focuses on underlying key technology research, continuously strengthens R&D and innovation investment, and takes the lead in such fields as contactless sensing technology, quantitative technology, and micro-current technology.

The Company has established a Product R&D Review Committee, responsible for its technological development strategy and R&D strategy, and organization of internal technical exchanges and discussions, and conduct of technical reviews, phased reviews and evaluations on the established R&D projects. The Review Committee helps ensure that R&D aligns with the strategic development direction of the Company, promotes internal R&D team communication, and advances R&D progress.

Product R&D Process





Kitchen and Bathroom

- Break through the limitations of traditional and basic household needs of consumers, and seek to create high value-added health life demands for consumers based on the “IDM Hardware Platform” Strategy and with the “intelligence, health and green” as the main R&D directions.
- Grasp the consumer demand for antibacterial, beauty, health care, healthy water quality, and health testing in kitchen and bathroom health products or spaces, and continuously upgrade categories such as showers, faucets, and smart toilets based on the concept of “health”.



Beauty and Health

- Focus on IDM business model, accelerate continuous innovation in core and key technologies, such as water saving and emission reduction, water quality improvement, skincare improvement, interchangeable head technology, radio frequency technology, microcurrent technology, smart detection, spectral imaging technology, and light wave energy saving.
- Against the backdrop of segmentation, deepening and diversification of the market and user needs, the Company accelerates the development of new products in the beauty and health fields, including smart detection, skin health, dental care, hair care, and beauty skincare, to meet the needs of customers at different levels and stages.



Smart Health

- Have begun to incubate new smart health hardware with the help of the endogenous R&D technology sharing platform, accelerate the R&D of emerging smart health products, and extend smart health hardware to a broader range of fields.
- Take smart sleep products and smart sports health products as the two core R&D categories. The smart sleep products focus on the smart pillows and smart thin pads, while smart sports health products mainly include smart strengthen, smart mats, and smart sports rehabilitation.



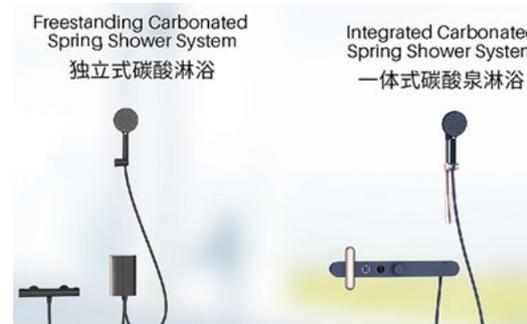
AI Technology

- Independently engage in algorithm research and AI application, IOT scenario construction, and the R&D and production of smart electronic components, provide software and hardware support for various single-product categories and empower intelligent scenes or spatial solutions for multi-category integration.
- Continue to explore AI algorithms + health fields such as deep image algorithms, 3D vision, and sensor fusion algorithms, which have been applied in various multi-category smart hardware terminals such as commercial skin analyzers, smart mirrors, and anti-snoring pillows.



Carbonated Spring Shower System

The Company innovatively developed a carbonated spring shower system, which can increase the concentration of carbon dioxide gas in water to 2g/L, thereby improving blood flow speed in the human body. Tests showed that a user's blood flow speed when using this system is 1.2 times that when using ordinary warm water, thereby promoting user metabolism and helping relieve fatigue. In addition, this system also helps expand capillaries, accelerate blood circulation, increase circulating blood volume, and reduce the incidence of cardiovascular diseases. Also, it can make the pH value of the bathwater weakly acidic, neutralizing residual hair bleach and dye in the hair, thereby effectively removing alkaline substances, and caring for the user's hair.



▲ Carbonated Spring Shower System



Xivi commercial skin tester

The Company works with well-known domestic hospitals and universities to research and develop the Xivi commercial skin tester with 17 innovative skin testing dimensions such as horn plugs, and the five-spectrum snapshot function. Such device has unique AI skin testing technology, and combines skin medical testing standards and clinical testing with a big data skin health intelligent analysis algorithm more suitable for the Asian population. Based on AIOT deep learning, it can quantitatively analyze skin conditions, generate electronic detection reports and intelligent skincare plans in 10 seconds, and provide more medically professional skin diagnostic treatment program for large applications such as beauty salons and cosmetic counters. The Xivi commercial skin tester has obtained multiple patent certificates, and its innovative technology has won respected recognition.

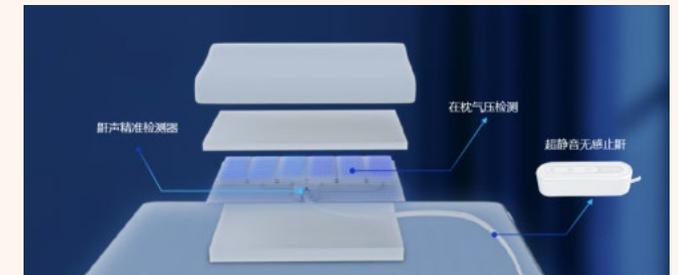


▲ Xivi commercial skin tester



Smart ultra-quiet anti-snoring pillow changing sleep position

For patients with obstructive sleep apnea (OSA) and snoring during sleep, the Company has developed a smart pillow with an inserted AI neural network and air pressure sensing monitor, which monitors multiple airbag pressures, adjusts the height of the airbags, and gently changes the head's sleeping position, thereby improving airway ventilation, alleviating snoring symptoms, and improving various health problems caused by breathing pauses.



▲ Smart anti-snoring pillow



Participation in craft design competitions

The Company sets up a professional industrial design team, which actively participates in international and domestic industrial design competitions such as the iF Industrie Forum Design, Red Dot Design Award, International Design Excellence Awards (IDEA), GOOD DESIGN AWARD and Cross-Straits Industrial Design Competition. While promoting internal innovation and R&D enthusiasm, the Company exchanged and cooperated with outstanding companies participating in the competitions, and learned their advanced design concepts and technologies to enhance its brand image and expand its market channels.

Award Recipient	Awards	Awarded by	Product Name	Category
Solex	iF Design Award 2023	International Forum Design GmbH	Oceanus (Quantitative Sensing Water Dispenser)	Shower
			Wings (Sheet Lifting Pole)	Shower
Zhangzhou Solex	iF Design Award 2023		Double (Cup Cleaning Faucet)	Hardware
Solex	Red Dot Winner 2023	Red Dot Award AG	Minerva (Shoulder Spray Lifting Pole)	Shower
			Detective (Dental Detection Pen)	Shower
Solex	IDEA 2023-Finalist	Industrial Designers Society of America	Shoulder Spray Lifting Shower	Hardware
			Slick Shower	Shower
Zhangzhou Solex	IDEA 2023-Finalist		Sleeve (Smart Anti-snoring Pillow)	Health
Solex	GOOD DESIGN AWARD 2023	GOOD DESIGN AWARD BUREAU	PIONEER ELMO (ECO-PLASTIC LIFTING POLE)	Shower - Lifting Pole
			Detective (Oral Detection Pen)	Beauty
Zhangzhou Solex	Bronze Award in the 5th Cross-Straits "Longjiang Cup" (Zhangzhou)	Organizing Committee of Cross-Straits Industrial Design Contest	Venus	Shower - Lifting Pole
	Excellence Award in the 5th Cross-Straits "Longjiang Cup" (Zhangzhou)		Pioneer (Front Aluminum Wall-Mounted Lifting Pole)	Shower - Lifting Pole



▲ iF Award Certificate 2023



▲ Red Dot Winner Certificate 2023



▲ IDEA Award Certificate 2023



▲ G-mark Award Certificate 2023

▲ Bronze Award in the 5th Cross-Straits "Longjiang Cup" (Zhangzhou)

Intellectual Property Protection

With great importance to patent applications and intellectual property protection, the Company has formulated documents such as the Basic Management Control Procedures for Intellectual Property, Patent Management System, Trademark Management System, and Intellectual Property Handbook. It has established an Intellectual Property Center, responsible for classifying, grading, maintaining and modifying intellectual property, issuing warnings for potential infringement, and working out effective preventive plans. The Company continues efforts to improve intellectual property construction, and has won the titles of “Xiamen IP Demonstration Enterprise”, “Fujian IP Advantage Cultivation Enterprise”, and “National-level IP Demonstration Enterprise”.

Intellectual Property Policy

Technology leads the future and intellectual property contributes to development

Long-term Goal

Stimulate creation, effective utilization, emphasize protection, strengthen management and cultivate culture



Number of invention patents held

356 pcs

Number of patents under review

565 pcs

Number of new patents in a year

213 pcs

Number of trademarks held

106 pcs

Number of patents held

1,346 pcs

The Research and Development Management System of the Company clearly stipulates that the Product R&D Department responsible for new technology and product R&D shall file patent applications for each self-developed technology, conduct patent searches and analysis, and timely protect and avoid infringement of intellectual property. The Intellectual Property Review Committee has been established under the Intellectual Property Center, responsible for evaluating and reviewing intellectual property applications and maintenance filed by various departments to ensure the protection and management of the Company’s R&D achievements.

The Intellectual Property Center is responsible for collecting and updating information on national and local government intellectual property laws and regulations, policy measures, domestic and foreign related patent literature, and trademark registration, and publishing it on the “Intellectual Property Management Center” module on the Company’s internal website for reference by the R&D team. Regarding possible intellectual property issues, the Company has formulated the Intellectual Property Emergency Response Measures, clarifying the work responsibilities of relevant departments, so as to timely respond to possible intellectual property disputes such as patents and trademarks and protect its legitimate rights and interest.

Intellectual property dispute handling process



Promotion of Industry Exchange

Industry Cooperation

Solex values common growth with the industry, actively involves in the formulation of industry standards, participates in industry exhibitions and exchange activities, shares advanced knowledge and experience, and establishes good cooperative relationships with upstream and downstream enterprises in the industrial chain to jointly advance industry development.

Formulation of industry standards

Standard Name	Standard No.	Standard Nature (International/National/ Industry Standards)
Ceramic Cartridge Faucets	GB/18145-2014	National Standard
Sanitary Ware - Pressure Assistant Water Flushing Devices	GB/T 26750-2011	National Standard
Sanitary Ware - Gravity Water Flushing Devices and Supports	GB 26730-2011	National Standard
Sanitary Fixture for Water Saving	GB/T 31436-2015	National Standard
Terminology and Classification for the Kitchen and Sanitary Ware Fittings	GB/33733-2017	National Standard
Minimum Allowable Values of Water Efficiency and Water Efficiency Grades for Showers	GB28378-2019	National Standard
Quality Classification for the Kitchen and Sanitary Ware Fittings (Zhangzhou Solex)	Chu Wei Wu Jin Biao Wei 2021	National Standard
General Requirements for the Kitchen and Sanitary Ware Fittings (Zhangzhou Solex)	Chu Wei Wu Jin Biao Wei 2021	National Standard
General Technical Specifications for Faucets	QB/T 1334-2013	Industry Standard
Flow Rate Regulators for Sanitary Tapware	JC/T 2117-2012	Industry Standard
Non-contact Sensing-actuating Valves for Water Supply Appliance	JC/T 2115-2012	Industry Standard
Test Method and Acoustic Group on Noise Emission from Appliances and Equipment Used in Water Supply Installations	JC/T 2193-2013	Industry Standard

Formulation of industry standards

Standard Name	Standard No.	Standard Nature (International/National/ Industry Standards)
Specification of Plastic Sanitary Ware Security Production	JC/T2353-2016	Industry Standard
Specification for Hardware Sanitary Ware Security Production	JC/T2355-2016	Industry Standard
Lavatory for Sanitary Fittings	QB/T2658-2017	Industry Standard
Accessories of Bathroom	QB/T1560-2017	Industry Standard
Thermotatie Faucets	QB/T 2806-2017	Industry Standard
Thermostatic shower	QB/T 5418-2019	Industry Standard
Cartridges for Faucet	QB/5524-2020	Industry Standard
Kitchen and Sanitary Ware Fittings-Check Valve	QB/T5740-2022	Industry Standard
Smart Faucets	T/CBMF24-2018/T/ CBCSA2-2018	Group Standard
General Principles for Upgrade and Innovation Evaluation of Consumer Goods	T/CNLIC0012-2020	Group Standard
Extractable Nozzle for Kitchen and Bathroom Faucet	T/CBCSA25-2020	Group Standard
Foam Makers for Faucet	T/CBCSA43-2021	Group Standard



Participate in the 27th CEB China Beauty Expo

In May 2023, the 27th CBE China Beauty Expo was held at the Shanghai New International Expo Center (Pudong). The Company displayed a range of R&D achievements in beauty and health, including commercial skin analyzers, nursing RF instruments, AI hair removal devices, dual-use devices for spot lightening and skin rejuvenation, and ultrasonic essence atomizers. Additionally, it also set up an immersive interactive experience area to share new technologies and achievements with peers and customers.



▲ The Company's booth at the 27th CBE China Beauty Expo



Participate in the 27th Shanghai Kitchen & Bath China Fair

In June 2023, the 27th China International Kitchen & Bath Facilities Exhibition was opened at the Shanghai New International Expo Center. Solex and its subsidiary Bestter jointly participated, and set up three kitchen & bath exhibition halls for Solex showers, faucets, and Bestter's smart toilets. Around the concept of "big health", these halls perfectly matched the "integrated, embedded, green, interconnected, intelligent, healthy, and innovative" theme, attracting thousands of visitors.



▲ The Company's exhibition hall at the 27th Shanghai Kitchen & Bath China Fair



University - Enterprise Cooperation

Solex has established various forms of cooperation with many universities, including joint training, collaborative R&D, topic cooperation, internships and practical training, so as to achieve resource sharing and complementary advantages between universities and enterprises, promote the industry-university-research integration, and contribute to technological innovation and industrial upgrading.

- June 2023** The Company conducted unified promotion for the students majoring in numerical control of Xiamen Ocean Vocational College and invited them to visit the exhibition hall of the Company
- June 2023** The Company invited the students majoring in water engineering of Xiamen University of Technology to visit the exhibition hall and production workshop, and conducted unified promotion for them
- July 2023** The Company conducted unified promotion for the students majoring in mechanical and electrical engineering of Xiamen University to attend the theme lecture held by the Company and invited them to visit the exhibition hall of the Company
- August 2023** Students from various majors of Wenshan University attended a career planning lecture held by the Company and visited the production workshop and exhibition hall of the Company
- November 2023** Students majoring in materials formation and control of Xiamen University of Technology visited the production workshop and exhibition hall of the Company and attended a career planning lecture held by the Company
- November 2023** Students majoring in industrial design of Huaqiao University attended an industrial design lecture held by the Company and visited the production workshop and exhibition hall of the Company
- December 2023** Teachers from the Language and Literature College of South China University held an exchange meeting with the Company and visited the exhibition hall of the Company
- December 2023** Overseas study groups from Huaqiao University visited the exhibition hall of the Company



Join hands with Huaqiao University to explore "AI+Health"

To further deepen university-enterprise cooperation and industry-education integration, the Company and Huaqiao University held a "Scholarship Donation Ceremony and Joint Research Center Opening Ceremony" in November 2023. Through joint training of postdoctoral fellows, and integration of resources from universities, enterprises and vertical application industry partners, the two sides aim to create a localized and specialized first-class "AI + Health" industry-university-research innovation institution. With a focus on the digital economy construction needs of Fujian, and by adhering to an open and joint innovation model between universities and enterprises, they are committed to building the Smart Health Joint Research Center into an influential "AI + Health" integration and innovation platform in the industry. Additionally, the donation provided by the Company to Huaqiao University was used to establish the "Industry-Education Integration Scholarship of Huaqiao University and Solex", with the aim of supporting the education of Huaqiao University.



▲ University - Enterprise Cooperation Opening Ceremony



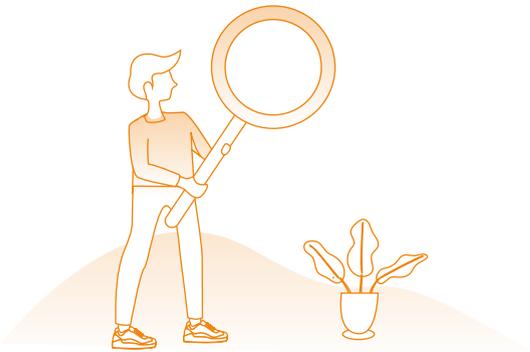
▲ University - enterprise cooperation forum

▲ Students from universities were visiting the enterprise

Offer of Top-notch Customer Service

Quality Management

Solex always upholds the quality policy of “customer focus, continuous improvement; quality first, pursuit of excellence”, and exercises strict quality control in all aspects such as product R&D, material procurement, production and product testing, thereby establishing a good brand image. The Company has formulated quality control procedures, including the Incoming Inspection and Test Control Procedures, Production Management Control Procedures, Process Inspection and Test Control Procedures, and Final Inspection and Test Control Procedures, promotes and continues to implement the requirements of the quality management system, executes a comprehensive quality management system covering all employees and processes throughout the Company, so as to further enhance its product quality.



Whole-process quality management system of the Company

Product Design and Development Quality Management

- **Product input:** Clarify the product development cycle and quality requirements, and convert them into quality standards. Key quality elements include appearance, performance and special requirements.
- **Design and review:** Conduct design reviews to ensure design quality
- **Product development and validation:** Conduct type tests on parts and products to complete the reliability verification of processes and products
- **Product output and standardization:** Review trial assembly analysis reports, trial production analysis reports and type inspection test results
- **Transition into mass production:** Establish key control points, such as a zero complaint rate for new products and 90% of pass rate for the first order

Procurement Process Quality Management

- **New suppliers:** The development of new suppliers requires sample trials, and the Quality Department, R&D Departments and other departments conduct on-site assessments to comprehensively evaluate the suppliers' quality performance.
- **Long-term cooperative suppliers:** Clarify the basic quality requirements for the cooperation between the two sides, the handling of non-conforming products, and other matters, conduct on-site quality assessments and training from time to time to enhance the suppliers' supply quality

Product Manufacturing Process Quality Management

- **Manufacturing quality control:** Continuously control and improve quality-related indicators such as sampling pass rate and quality losses
- **Parts manufacturing:** Introduce automated equipment to improve production quality, such as automatic drawing, automatic polishing, injection molding automation, in-mold monitoring systems, and other automated intelligent equipment; introduce MES information systems to enhance quality reliability, handle abnormal work orders, and improve data informatization
- **Assembly:** Continuously improve processes to enhance production quality, such as standardization of tooling design, and removal of residual water
- **Change of management:** Establish the change implementation process regarding a change in product processes, tooling, equipment, configuration, and structure

Marketing Service Process Quality Management

- **Customer demand:** After the Sales Department and Quality department receive the Customer Demand Information Form, the after-sales quality personnel confirm customer needs, including product model, quality requirements, packaging methods, product configurations, etc., and the personnel of the data group convert them into relevant SAP data and publish them in digital and written documents.
- **Quality complaints from customers:** Confirm with customers the details of product defects, shipment date of defective products, order number, and quantity, etc. After-sales quality personnel are responsible for summarizing customer feedback and submitting it to the management review meetings.

The Company identifies different quality requirements of stakeholders such as customers, suppliers, partners, and internal related parties through the whole-process quality management, and enhances its testing system capabilities, including personnel inspection skills, equipment testing capabilities, laboratory testing capabilities, and certification capabilities.

► Improvement of personal inspection skills



Quality skills competition of the Company

In March 2023, the Company organized a competition for quality skills and knowledge at the management level to promote basic quality knowledge, improve the professional skills of key quality positions, and enhance the enthusiasm of employees in various positions for quality improvement. The competition was divided into four parts: written test, practical exercises, quick-response questions, and award ceremony, with the winners being awarded at the end of the competition.



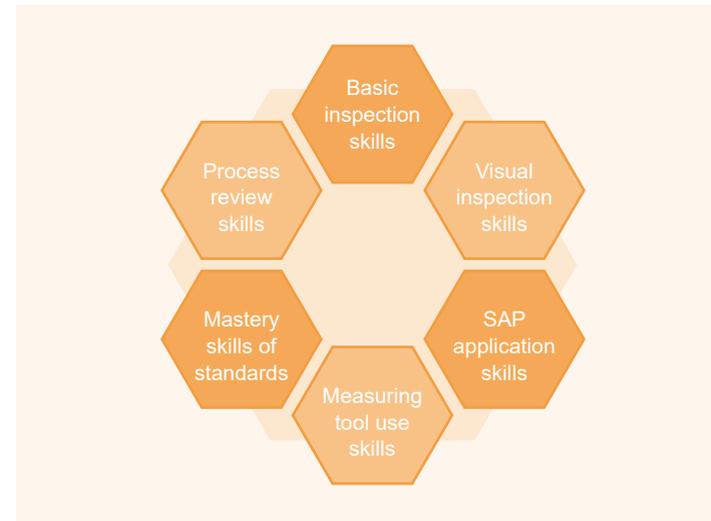
▲ Quality skill competition



Skill assessment tests

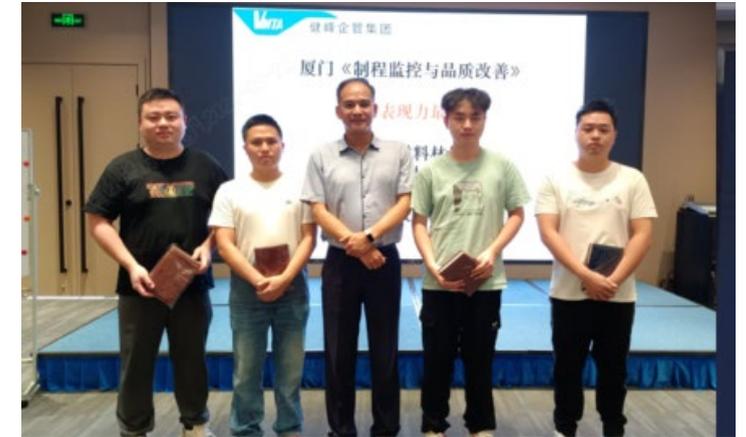
During the reporting period, the Company conducted two QC skill assessment tests to enhance the work skills of personnel involved in quality control, stimulate the learning enthusiasm of personnel involved in quality control, and improve the overall quality management level of the Company.

Contents of skill assessment tests



Internal quality management training

During the reporting period, the Company completed 77 sessions of internal quality improvement training and 10 sessions of external quality improvement training, focusing on quality management and professional skill enhancement. What's more, it conducted multiple sessions of training covering the operation and use of inspection tools, the concepts and certification requirements of the quality management system, and the discussions on common customer complaints regarding specific products, etc., so as to enhance the quality management capabilities and inspection skills of employees.



▲ Quality management training



► **Enhancement of equipment testing capabilities**



Innovation of the instrument measurement size

During the reporting period, the Company made breakthroughs and innovations in injection molding quality control measurement, reducing measurement time, increasing productivity, ensuring precise size measurement, reducing labor costs, and enhancing its modern quality image. With the help of new measuring tools, the Company's quality management personnel no longer need to position the measured parts manually, and the system automatically makes determination and remains unaffected by the skill proficiency of operators. The whole measuring process is simple, fast, and accurate, reducing the waiting time for the measuring machine, eliminating measurement errors caused by human factors, and the measurement data at the end of the process is automatically saved.



▲ Automated measurement



In-mold monitors at the injection molding plant

During the reporting period, the Company gradually promoted visual monitoring of the production process and post-production visual identification and screening. Unmanned monitoring work can be achieved by adding in-mold monitors. Cameras continuously capture images of the production process inside the mold for monitoring and verification. The process involves three rounds of image capture and verification. If any abnormality is detected during the process, the control molding machine is prohibited from closing the mold and issues an abnormality alarm, thereby ensuring the stability of the process of parts production.

The precision detection can identify defects with an accuracy of 0.01mm and the judgment and processing time of 0.01 seconds, thereby achieving stable process production quality, reducing labor costs, minimizing scrap generated by abnormalities and customer complaints.



▲ Camera monitor

► **Enhancement of laboratory testing capabilities:**

The Company has a national-level standard laboratory center, and introduces advanced international and domestic equipment testing to conduct repeated tests on a series of quality requirements for product waterproof performance, structural strength, performance life, electrical safety, environmental tolerance, and transportation safety, so as to ensure that product quality achieves the advanced level.

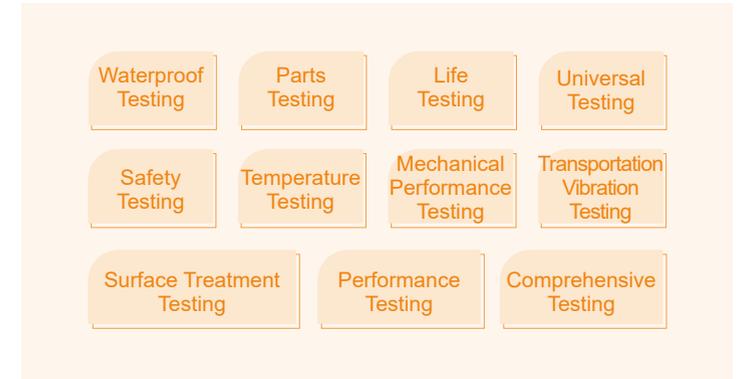


▲ The Company obtained the ISO 17025 Testing and Calibration Laboratory Certification



▲ CNAS Laboratory Center Certification

实验室测试能力



► **Enhancement of certification capabilities**

The Company has successfully obtained more than 20 certifications from many countries in North America, Europe, and Australia for more than 400 products such as showers, faucets, hoses and ARCs, providing high-quality services for customers to expand their products globally. During the reporting period, the Company and its subsidiaries obtained ISO 9001 Quality Management System Certification, and the Company obtained ISO 13485 Medical Device Quality Management System Certification.



▲ The Company obtained ISO 9001 Certification



▲ The Company obtained ISO 13485 Certification



▲ The subsidiary Zhangzhou Solex obtained ISO 9001 Certification

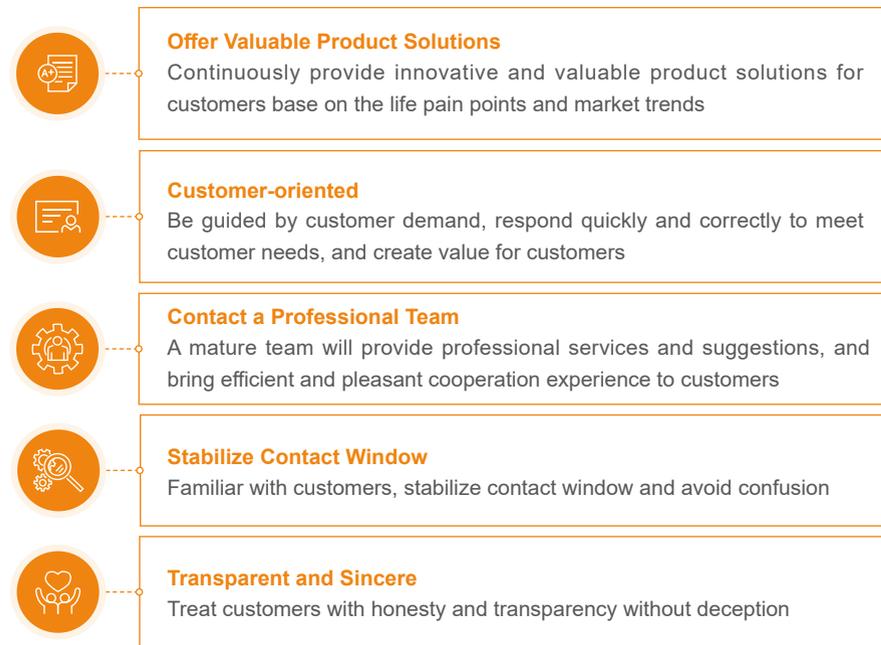
Customer services

With the “customer-oriented” service philosophy, Solex is willing to listen to and understands the real needs of customers, carries out all of its business activities fully from the perspective of customers. It also keeps making innovation and improvement to meet the customers’ current and future demand for products, and spares no effort to go beyond customer expectations. These efforts enable Solex to swiftly address customer issues, stand in its customers’ shoes, and always provide high-quality services for customers.



The Company maintains open communication and information sharing with customers, swiftly advances the updating and iteration of its technology and products by fully utilizing R&D database resources and technological innovation capabilities, and continuously recommends to customers high-value-added technologies or products that meet market demand hotspots to achieve win-win results, thereby effectively enhancing the stickiness of downstream customers. The Company has established a unified customer resource sharing platform, where customer expansion of existing or entirely new categories can fully rely on existing customer resources, and cross-coverage of different categories of customer groups can generate synergies.

Customer service system



Cooperate with the customer to develop products

The Company and the customer plan to jointly develop a soda system faucet with the Company’s distinctive quantitative function for high-end clients. In the development process, the project encountered difficulties as the mass production of the support arm could not meet the pass yield requirements. The main reason was that the original process was stainless steel precision casting, which resulted in a high defect rate because of the product’s shape and size. After close communication between the Company and the customer regarding the R&D process, the Company urgently switched to the stamping process, and the product finally met the pass yield requirements. The customer was satisfied with the Company’s attitude to solve the problem, and the newly improved product had no issues caused by the changes and has been steadily shipped in batches.



▲ Soda boiling water drinking faucet



Cooperation with the customer

The Company has been cooperating with a shower brand customer since 2005, and provides this customer with showers, including design and production. As one of core suppliers of customers, this Company has established good cooperation with customers.



NPD Model

Leverage the Company's core innovation competitiveness to provide innovative product solutions, and cooperate with customers to complete the development and launch of new products



Quality Management

Stabilize highly intelligent production capabilities to ensure product quality, enhance consumer satisfaction, and reduce complaint rates



Supply Chain Management

Stabilize the production supply chain to ensure on-time delivery of products and meet market-side inventory needs of customers



Daily Management

- Actively respond to customer needs in daily work, and provide excellent services
- Make improvement based on the relevant issues identified in the Annual Review



Customer product experience

The Company provides customers with thoughtful beauty experience services. Before the experience, it provides makeup removing and cleansing products, introduces professional instruments, explains health status assessment reports, and receives suggestions for areas and solutions to be improved. During the experience, it provides tracking and guidance services, technical services, reminders on important points, and auxiliary supplies such as gels, creams, and hair regrowth products. After the experience, it provides post-care products like hydrating masks, lotions, and skincare creams.

At the end of the experience, the Company provides users with a complete experience report, comparing data before and after the experience and offering specific beauty care solutions.



▲ Beauty testing services

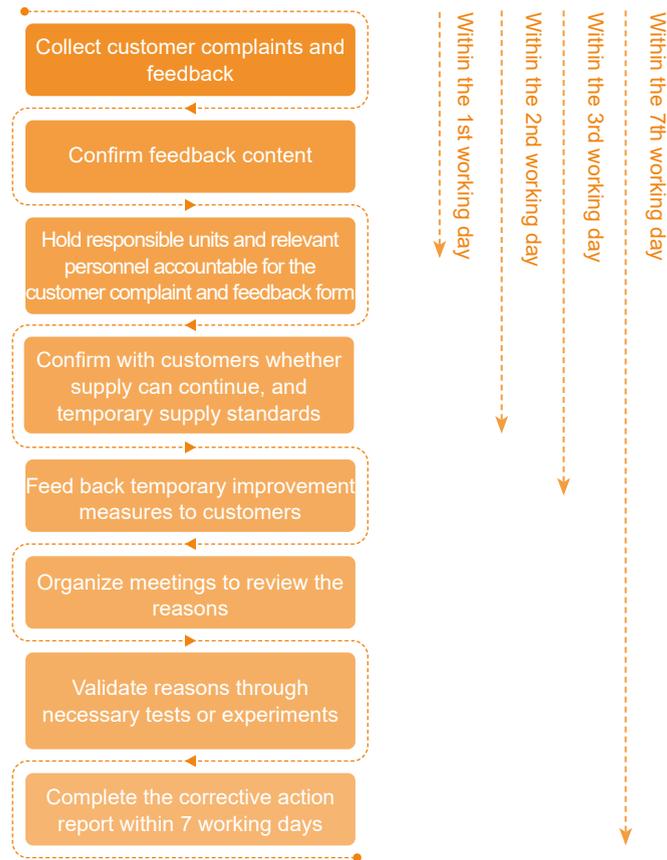
The Company has established the Identification and Traceability Control Procedures to manage products throughout their lifecycle, and ensure that the quality status of products at all phases from entry of raw materials to delivery of products is identified and traceable. In the incoming phase, all directly purchased/outsourced and customer-supplied materials must use the Company's unified QR code labels, specifying supplier information, order number, parts information, production date. This facilitates internal tracking and traceability of raw materials in case of customer complaints. Specific product packaging boxes of the Company have traceable labels, specifying production date and other information, which are synchronized into the SAP management system, so as to trace production batch of parts and provide customers with complete, clear and correct product manufacturing information.



▲ Supplier identification of raw materials

The Company has formulated customer after-sales management systems such as the Customer Complaint Handling Operation Guide, and Customer Satisfaction Survey Evaluation Procedures to understand current and future needs and expectations of customers regarding service quality, improve the quality of complaint handling, and continuously enhance customer satisfaction.

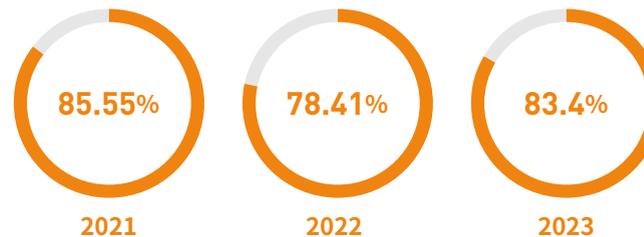
Customer complaint flow chart



Customer satisfaction survey

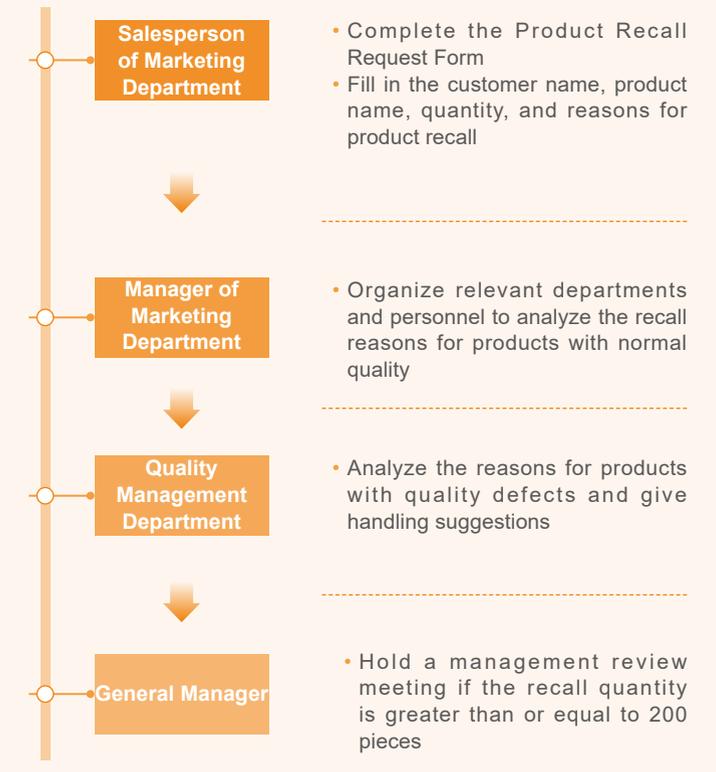


Three-year customer satisfaction results



The Company has established the Recall Operation Guide and Medical Device Recall Control Procedures to strictly manage product recall, ensure that product recall is under control, and guarantee the safety of users.

Product recall process



Stable Procurement Supply

Supplier Management

Solex is committed to building a responsible supply chain, continuously optimizing communication with suppliers, improving quality of delivery by suppliers, and working with suppliers to create a win-win cooperation relationship. The Company mainly purchases raw materials and components, sets safety stock levels for raw materials, and has formulated a complete management system and standard system. It strictly implements the mechanism for supplier introduction and continuous evaluation, and signs the Basic Supply Contract framework with qualified suppliers to define the rights and obligations of the Parties.

The Company has formulated supplier management systems including the Procurement Management Control Procedures, New Product Development and Procurement Operation Procedures, and Business Partner Development and Management Rules, and put a sound supplier management system in place to standardize supplier selection, access, evaluation and elimination mechanisms, and stabilize the supply of materials to the Company.



During the reporting period, the Company conducted supplier assessments with a coverage rate of **38** % a qualification rate of **98** %

		2023	2022	2021
Supplier category management	Overall suppliers	1,338	1,333	1,324
	Raw material suppliers	144	142	139
	Equipment suppliers	180	176	168
	Non-production suppliers	211	207	200
	Production suppliers	783	790	801
	Administrative and logistical suppliers	20	18	16



Supplier screening process



- Collect the information about potential suppliers through peer recommendation, internet search, industrial concentration areas or otherwise based on the development service needs of the Company
 - Collect information about suppliers with performance capabilities, select target suppliers, and contact them
-
- Contact target suppliers, understand their cooperation willingness, main business, whether the types of products match the procurement needs of the Company, and whether the quality system or financial position is good, and conduct preliminary screening
-
- Suppliers truthfully fill in relevant information such as company profiles, organization structures, equipment status, logistics conditions, quality management, environment and safety, and intellectual property
 - Procurement and development: Evaluate supply capabilities, supply chain systems, customer service capabilities, and safety and compliance of suppliers
 - R&D technology: Evaluate development capabilities, technical capabilities, equipment capabilities, and process capabilities of suppliers
 - Quality: Evaluate quality management structures, quality management systems, equipment, and other relevant conditions of suppliers
-
- Suppliers make samples based on the drawings provided by the procurement and development department, and provide corresponding samples for review
 - The Company evaluates the functionality and quality of samples
 - Officially place purchase orders if the requirements are met; inform suppliers to make corresponding corrections, discuss product design structures, process technology and performance, and negotiate for the best solution if the requirements are not met

The Company identifies and controls quality or business risks in the supply chain through regular supplier performance evaluations, audits, or otherwise. The Company offers coaching and training to suppliers whose assessment results are unqualified, so as to help them improve production and operation. If a supplier's assessment score is at level D or below for 3 consecutive months, and the coaching offered by the Company fails, or if there is a serious violation of contractual terms or the Company's regulations, then the Company will handle unresolved orders, returns, payments, and other matters, and remove the supplier from the existing supplier database.



Month assessment scoring criteria

Category	Weight	Scoring Rules
Quality	Incoming qualification rate	A: 90-100 Excellent B: 80-90 Good C: 70-80 To be corrected D: 60-70 To be rectified
	Disconnection and customer complaints	
Delivery period	20%	
Development of new products	20%	



▲ The Company was conducting appearance training for suppliers



▲ The Company awarded excellent suppliers

Transparent and Sustainable Procurement

The Company promotes the sustainable procurement, specifies anti-commercial bribery clauses in contracts signed with suppliers, improves the supervision mechanism for commercial cooperation constraints, enhances the two sides' awareness of compliance with law and integrity in operation, and creates a legal, honest, clean, and efficient work environment to safeguard the legitimate rights and interests of the two sides in cooperation.

The Company requests suppliers to comply with the laws and regulations on environmental and occupational health and safety in operation, gives priority to the suppliers that have passed ISO 14001 Environmental Management System Certification and ISO 45001 Occupational Health and Safety Management System Certification, and conducts on-site evaluations on suppliers' environmental and safety behaviors from time to time.

The Company stipulates the suppliers' business ethics, fair competition, anti-corruption, conflicts of interest, human rights, prohibition of child labor and forced labor, freedom of association and collective bargaining, anti-discrimination and harassment, sustainable products, conflict minerals, employee health and safety, environment, and quality, among others in the Code of Conduct for Suppliers, and request suppliers to sign the Code of Conduct for Suppliers.

During the reporting period,



Percentage of suppliers who have signed the Code of Conduct for Suppliers

100 %

Number of suppliers who have conducted environmental impact assessments

289



Percentage of suppliers who have signed agreements containing the environment and labor requirements clause

100 %

Number of suppliers who have conducted social impact assessments

289



Percentage of the Company's internal procurement staff who have passed the sustainable procurement training

100 %



Common Growth with Employees

With great importance to employee management and care, the Company is committed to providing a good work environment and broad career promotion opportunities for employees. It advocates democratic management, values employees' rights to participate in decision-making and management, focuses on employees' occupational health and work safety, provides regular safety training and health examinations to ensure physical and mental health of employees.

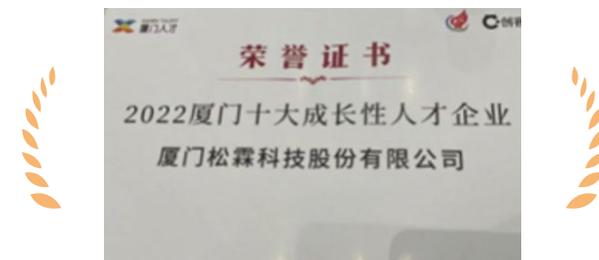
Employee Management

With the people-oriented management philosophy, the Company focuses on individual differences among employees, and has formulated scientific and reasonable management strategies. In order to comprehensively standardize key management processes such as employee recruitment, attendance, training, benefits, rewards, and punishments, the Company has formulated the Employee Handbook and Human Resources Management System to ensure that all management behaviors are governed by rules and provide employees with clear code of conduct. Meanwhile, this also safeguards the legitimate rights and interests of employees and promote the stable and healthy development of the Company.



The Company was named as one of Top 10 Growth Talent Enterprises

During the reporting period, the Talent Office of Xiamen Municipal Committee, Xiamen Torch High-tech Zone Management Committee, and Xiamen Human Resources and Social Security Bureau jointly conducted talent enterprise evaluations, and the Company was named one of the Top 10 Growth Talent Enterprises in Xiamen, reflecting the efforts of the Company in talent introduction and cultivation. High-quality talents are the driving force for enterprise development. The Company will continue to deepen talent management reforms, improve the quality of talents, and optimize the allocation of talent resources to vigorously promote the healthy development of the Company.



▲ Certificate of Top 10 Growth Talent Enterprises



Adhering to the principle of transparent and open decision-making, the Company encourages employees to actively make suggestions and participate in the operation and management of the Company, and focuses on improving employee communication and management mechanisms to build diverse communication channels. Additionally, it regularly holds the Congresses of Workers and Staff. At the Congresses, it earnestly listens to the opinions and suggestions of employees, promptly responds to and address their demands, safeguards their rights to participate in democratic management, so as to enhance their sense of belonging and involvement.



Congress of Workers and Staff

In April 2023, Zhangzhou Solex Smart Home Co., Ltd. held the Third Congress of the First Trade Union, at which the important documents, including the Rewards and Punishments Management System, Human Resources Management System and Compilation of Safety and Health Management Systems, were reviewed, and the proposals regarding engineering technology, production and operation, personnel and labor, living benefits, and occupational health were discussed and explained. In addition, the Congress set up a Q&A session to fully listen to employees' opinions and promote the continuous improvement and development of the Company.



▲ Congress of Workers and Staff and Congress of Trade Union



Set up the CEO mailbox

To strengthen communication between employees and management, the Company has set up a CEO mailbox on the enterprise WeChat platform to collect the opinions, suggestions, complaints, or feedback of employees, and help the management to understand real thoughts and needs of employees. All letters received are carefully reviewed, categorized and processed to ensure that the opinions and suggestions of employees are responded to in a timely and reasonable manner, and confidentiality measures are taken against the information of employees during the processing.



Employee Recruitment

The Company strictly complies with the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and other laws and regulations, signs the labor contract with each employee, ensures that employees, regardless of their ethnic group, race, sex, or religious belief, shall not be discriminated against in employment, and creates a diverse, inclusive, and harmonious work environment.

During the reporting period



the Company employed

5 disabled persons



veterans

52



Number of employees



Total employees

4,688 Person

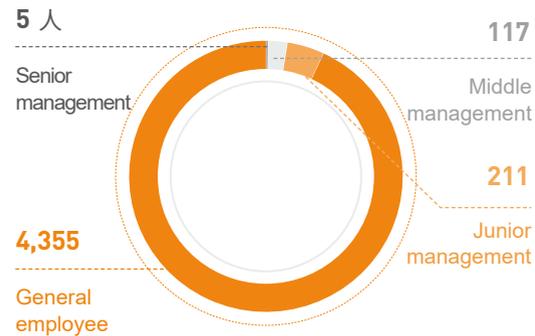
研发部门人员情况



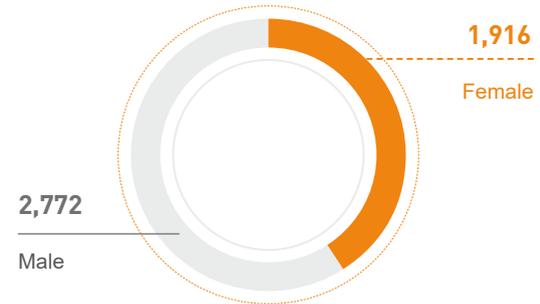
研发人员总数

664 Person

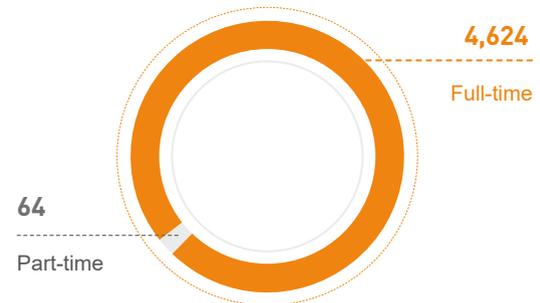
By rank (Person)



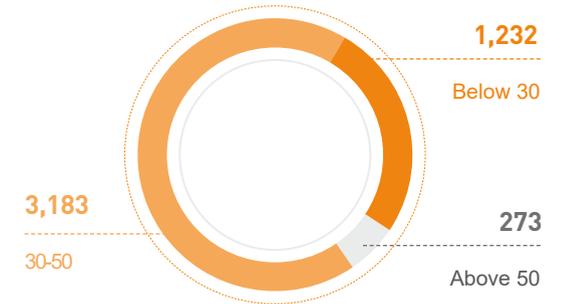
By gender (Person)



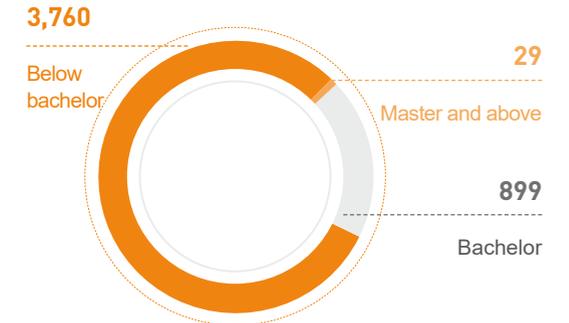
By employment type (Person)



By age (Person)

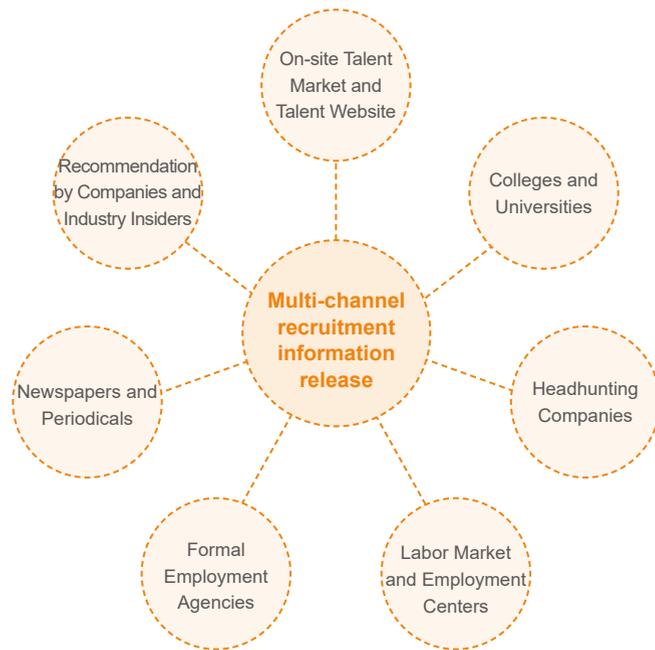


By education (Person)



Note: Part-time employees refer to employees who have signed service contracts.

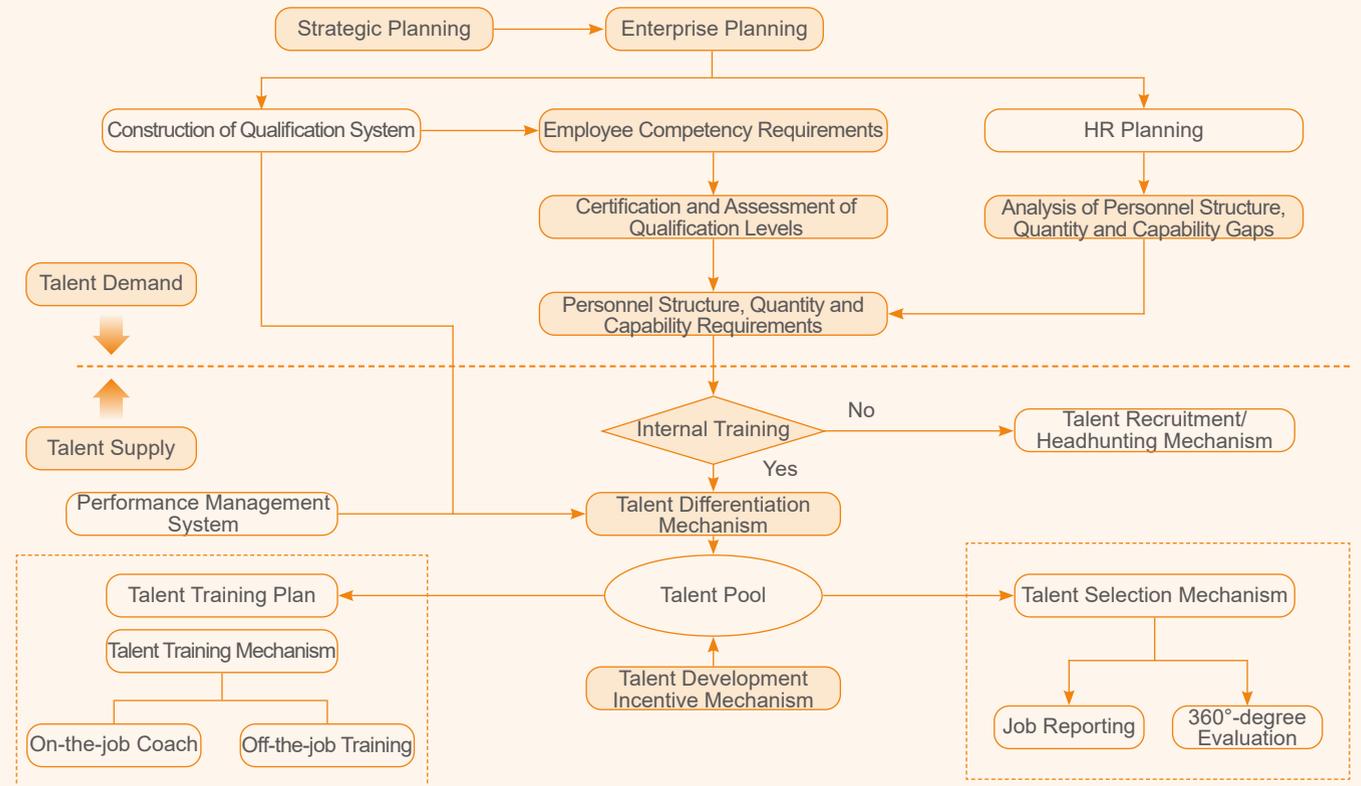
Adhering to the principles of fair, just, and open talent recruitment, the Company has formulated scientific recruitment processes and selection criteria to comprehensively evaluate the professional skills, comprehensive qualities, and development potential of candidates. The Company actively attracts outstanding talents both inside and outside the industry through multi-channel and multi-form recruitment activities, and ensures that the talents introduced fit with its strategies and business development to build a high-quality and efficient talent team.



Cultivation and Promotion

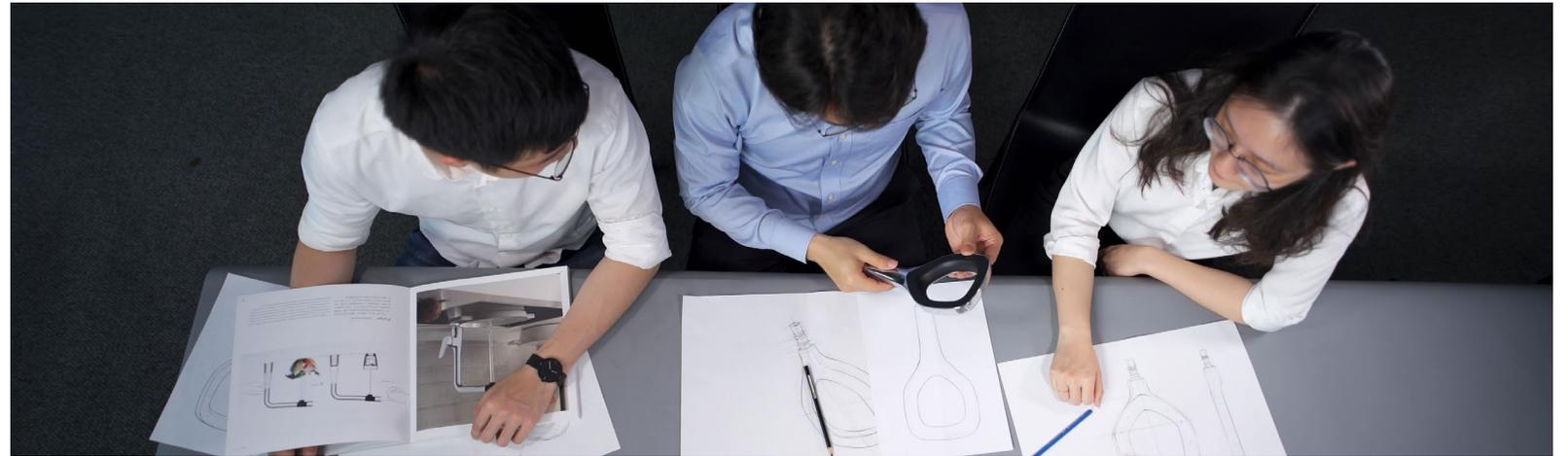
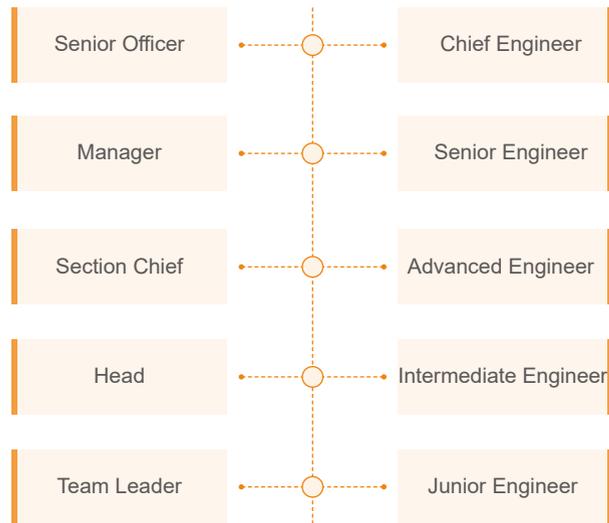
To meet the development needs of its strategic planning, the Company has built a sound hierarchical talent system, accurately identifies and cultivates employees with potential, supplements high-quality talents that meet strategic planning requirements, assures the sufficient talent reserves at various stages of development, further optimizes the talent structure, and enhances its overall competitiveness.

A hierarchical talent system



The Company is committed to providing employees with comprehensive career development opportunities, assisting employees in working out personal growth plans, and clarifying their career development direction and goals. By implementing systematic training plans and adopting scientific training assessment methods, the Company comprehensively improves the professional skills and comprehensive qualities of employees, and promotes rapid growth of talents. To attract and retain outstanding talents in the industry, the Company has established open and transparent promotion channels to ensure that every employee has fair promotion opportunities.

Dual-channel career development



To standardize and promote the continuous and efficient training, the Company has formulated the Training Management System, Internal Trainer Management System, Outbound Training Management System, and Solex Middle and Senior Management Teaching Management Plan. By conducting online and offline training in a planned way, the Company enhances the professional knowledge of employees, strengthens their job competency, combines their personal career development with the Company's strategic goals, and helps the common growth between the Company and employees.

During the reporting period



the Company provided a total of **452** sessions of training



with a total training duration of **21,244.5** hours



an average duration of **4.5** hours per person



employees participating in training assessments **8,005**



a pass rate of **100** %

Training assessment methods

Level	Contents of assessment	Assessment approach	Assessment time	Assessment subject
Response assessment	Employee satisfaction with training courses, and trainers, etc.	Questionnaires, interviews, discussions	After the courses	Training department/training organizer
Learning assessment	Trainees' mastery of the training contents/what they learned from the training program	Questioning, written tests, oral tests, personal experiences	After the courses, and during the courses	Training department
Behavior assessment	Whether the trainees' behaviors are changed as a result of the training	Questionnaires, observation performance evaluation, 360-degree evaluation	After three months or six months	Direct head
Result assessment	Impact of the training on the Company's performance/whether the changes in behaviors have a positive impact on the organization	Accident rate, quality, production rate, wastage rate, morale, cost, revenue	After six months or one year	Enterprise

Formulation of training plans



Class-based hierarchical talent training

High-potential Talent Training Camp

Focus on general skills with basic management knowledge as supplementary, enhance job competence of trainees, and reserve talents for the grassroots and middle management teams in advance.

Junior Management Training Camp

Provide job skills training on the professional side, and provide management knowledge required by production departments on the managerial side. Through this training, team leaders can coordinate and solve specific problems encountered by employees in their work, assist and support superiors, collaborate with peers, and guide and supervise subordinates.

Qingsong Training Camp

Enhance the job competence of trainees, identify high-potential individuals, and reserve talents for the middle management team through training for talents at the level of section chief or above

Jinsong Training Camp

Unify the direction, clarify strategic goals of the Company; learn and master the management systems of the Company, and fulfill management responsibilities; systematically learn non-personnel and non-financial knowledge to master the team goals and team building knowledge from the perspective of finance and human resources; systematically learn management knowledge of team building, grasp the key points of efficient team building; improve departmental performance and management level from actual work with the help of senior officers.

Training for Senior Management

Focus on enterprise operation management and building of the hierarchical talent system, including but not limited to role cognition, coaching techniques, effective empowerment, organizational capabilities, entrepreneurial spirit, enterprise culture management, and leadership skills.

SOLEX E-learning platform

The Company has built a cloud learning platform to optimize the learning experience and efficiency of employees and facilitate their learning at any time and at any place. This platform gathers diverse learning materials, at which employees can freely choose courses for learning based on their work needs and personal interests. It enriches the learning paths of employees and provides new and powerful support for the knowledge management and talent cultivation of the Company.



▲ SOLEX E-learning platform

Welfare Activities

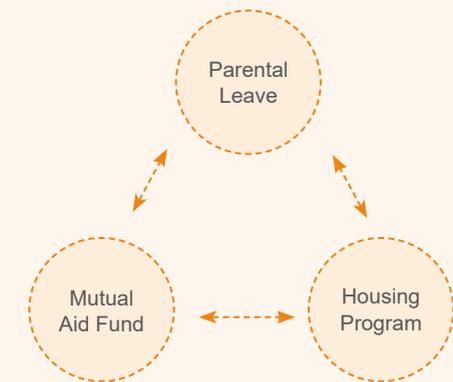
The Company is committed to building a comprehensive and high-quality welfare system, and providing employees with competitive salaries and benefits. In addition to basic salaries, it stimulates the long-term work motivation of employees by granting equity incentives. It also provides a comprehensive social security system to ensure the basic living standards of employees. Further, the Company highly values the physical and mental health of employees, and provides them with regular holidays and occupational health examinations to enhance their sense of happiness and security, stimulate their enthusiasm and creativity, and jointly promote the sustainable development of the Company.



To ensure that effective implementation and management of employee benefits, the Company has established and improved multiple systems. To be specific, the Solex Parental Leave Plan clearly defines the vacation rights and interests of employees during parental leave; the Solex Housing Plan specifies that the eligible employees will be entitled to interest-free loans to alleviate their economic pressure; the Solex Employee Mutual-aid Fund Management Measures stipulates that the Company will provide timely financial assistance to the employees encountering special difficulties or disabled ones. The improvement of supplementary welfare systems resolves the concerns of employees, fully safeguarding and enhancing their benefits.



Supplementary welfare



With great importance to the well-being of employees, the Company regularly plans and organizes various cultural and sports activities as well as holiday celebrations, and builds a self-display platform for employees to promote their interaction and communication. Meanwhile, the Company gives special condolences and care to injured employees, with the aim of enhancing their well-being, strengthening team cohesion, and guiding them to pursue a healthy and sustainable quality of life.



Organize the fun sports meet

During the reporting period, the Company organized a fun sports meet, integrating traditional sports with fun elements, and set up challenging activities such as relay races and target throwing. Employees actively participated in various items, not only exercising their bodies, enhancing mutual understanding and trust in a relaxing and pleasant atmosphere, effectively promoting communication and collaboration among teams, but also demonstrating unlimited vitality and creativity of teams.



▲ Scene of the fun sports meeting



The trade union organized mooncake gambling on the Mid-Autumn Festival

On the Mid-Autumn Festival, the trade union of the Company organized mooncake gambling, and employees actively participated. In this activity, employees enjoyed the pleasure of throwing dice and competing for prizes, experienced the charm of traditional culture, and felt the warmth of Mid-Autumn reunion. It not only brought joy to employees but also deepened their understanding and respect for traditional culture, injecting new vitality into the cultural construction of the Company.



▲ Mooncake gambling on the Mid-Autumn Festival



Care about injured employees

During the reporting period, the Company has always paid attention to employee health. For injured employees, the Company swiftly took actions, and promptly sent representatives to visit them in hospital with fresh fruits, expressing condolences on behalf of all employees, and conveying the care and blessings of the Company. This demonstrated the humanistic care of the Company.



▲ Representatives were visiting an injured employee

Occupational Health

With great importance to the occupational health and safety of employees, the Company strictly complies with the Work Safety Law of the People's Republic of China, Fire Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other laws and regulations, has formulated dozens of systems including the Hidden Danger Investigation and Management System, Fire Management Measures, Major Fire Accident Management System, Warehousing Management Measures, and Management System for Occupational Disease Protection Articles, and established a Safety Production Committee to define safety responsibilities at all levels and implement safety management into various operational activities. By establishing a sound occupational health and safety management system, the Company has obtained ISO 45001 and OHSAS 18001 Occupational Health and Safety Management System Certifications.

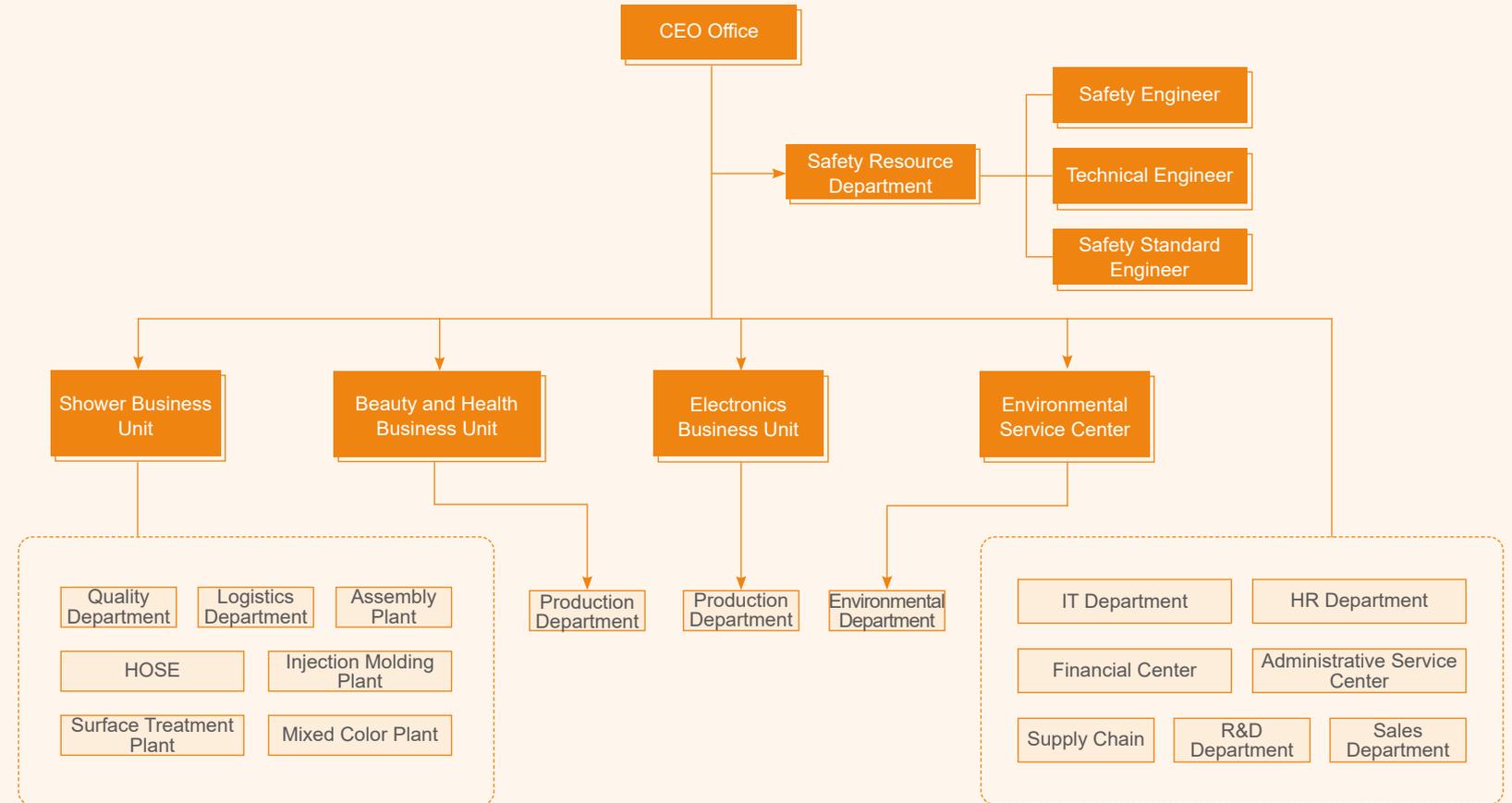


▲ ISO 45001 Occupational Health and Safety Management System (Solex)



▲ ISO 45001 Occupational Health and Safety Management System (Zhangzhou Solex)

Organization chart of the Safety Production Committee



Note: Haicang Park

During the reporting period



the Company had

0 fire and explosion accidents

0 equipment injury accidents

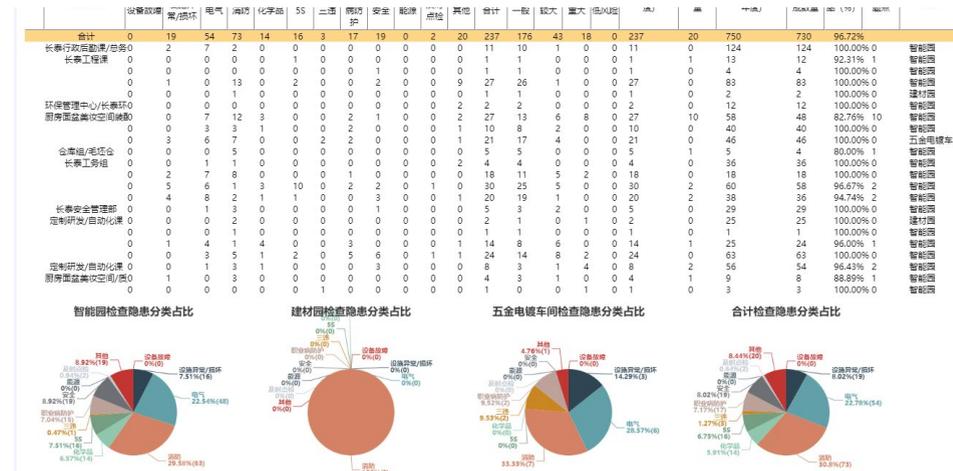
0 casualties due to electric shock

0 cases of occupational diseases among employees

The safety management informatization is a key means for the Company to improve the safety management levels and enhance risk prevention capabilities. By establishing a hidden danger investigation and analysis system, safety document management system, and safety training system, the Company has achieved real-time monitoring, risk warning, and data analysis in the whole process of safety production. With these efforts, the Company has enhanced the accuracy and timeliness of safety management and built a comprehensive and efficient safety management system.



▲ Hidden danger investigation statistics and analysis interface display (Solex)



▲ Hidden danger investigation statistics and analysis interface display (Zhangzhou Solex)

The Company has adopted comprehensive and systematic measures to build a solid defense line of work safety. Specifically, it regularly conducts various safety activities and fire drills to deepen employees' understanding of safety operation procedures, familiarize them with emergency response processes, improve their risk identification and response capabilities, and enhance their safety awareness and self-protection capabilities.

Safety-themed activity

During the reporting period, the Company carried out a theme activity titled "Everyone Knows Safety, and Everyone Can Respond to Emergency", including various kinds of activities such as award-winning quiz, explanation of emergency process, wearing of emergency equipment, and anti-fraud quiz. Through a combination of theory and practice, the Company helped employees understand each aspect of emergency response, grasp the core points of emergency response, and improve their practical operation capabilities.



▲ Safety-themed Activity



Conduct the fire drill

In December 2023, the Company conducted a fire drill, covering employee evacuation, indoor exercises, and fire fighting simulations. It is designed to comprehensively enhance employees' safety awareness and emergency response capabilities to ensure that they can respond to safety accidents, if any, in a quick, orderly, timely, and effective manner. Through this drill, employees deeply realized the importance of safety hazard prevention and fully understood their responsibility for fire safety.



▲ Indoor fire drill



▲ Fire fighting exercise



▲ Outdoor evacuation

To ensure the occupational health and safety of employees, the Company has established a comprehensive mental health support system. By setting up a mental health counseling room and providing professional psychological assessment, counseling, and educational training services, the Company helps employees effectively cope with work pressure and enhance their psychological adjustment capabilities. Meanwhile, the Company carries out a series of activities for occupational disease prevention to promote the standardization and scientific development of its occupational health management.



Publicize the Law on the Prevention and Control of Occupational Diseases

During the reporting period, the Company conducted publicity of the Law on Prevention and Control of Occupational Diseases in the form of a lecture to popularize relevant laws and regulations on prevention and control of occupational diseases to all employees, emphasize the importance of occupational disease prevention, and guide everyone to establish correct concepts of occupational health. Through this lecture, employees gained a deeper understanding of occupational diseases, learned more methods to prevent them, and enhanced their awareness of occupational health.



▲ Psychological counseling room



▲ Publicize the Law on the Prevention and Control of Occupational Diseases



Participation in Charity

The Company fully implements the national strategy of strengthening the country through quality improvement, and spares no effort to drive its high-quality development. It fulfills corporate social responsibility with a high sense of responsibility and mission, actively participates in various social welfare activities, gives back to the society and benefits the people with practical actions, contributing to a harmonious society and sustainable development.



Organize the voluntary blood donation drive among employees

During the reporting period, the Company organized a voluntary blood donation drive titled “Roll Up Your Sleeves, Donate Blood Generously”, and encouraged employees to participate actively. Through this activity, employees lent their helping hands to patients in urgent need of blood, and spreading warmth and care. Also, employees experienced the responsibilities and missions as members of society.



▲ Voluntary blood donation activity



Visit the Elderly Association

In October 2023, the Company sent representatives to visit the Gunong Farm Liming Zhuqu Elderly Association, talk with the elderly members, learn about their living and health conditions, and present them with souvenirs. This activity strengthens the connection between the Company and the elderly, expresses care and respect for the elderly, and carries forwards the traditional virtues of respecting the old and caring for the young.



▲ Visit the Gunong Farm Liming Zhuqu Elderly Association



Sponsor the Athletic Meet at the Gunong Farm Middle School

To promote the development of sports at Gunong Farm Middle School and effectively improve the physical fitness of students, the Company assisted the Gunong Farm Middle School in organizing an athletic meet by providing necessary funding and material support. This sports meet inspired more students to participate in sports, cultivated their spirit of teamwork and competitiveness, and laid a solid foundation for their comprehensive development.



▲ “Solex” Athletic Meet at the Gunong Farm Middle School

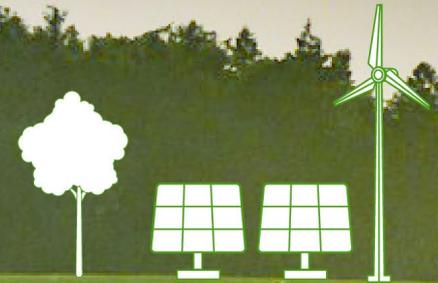
03

Responsibilities for the Green Earth

Solex has formulated a sound daily environmental management system and taken strict environmental monitoring and management measures to ensure that the pollutants generated in the production process meet emission standards, and to achieve pollution prevention and control. The Company has taken effective measures to treat and dispose of waste water, waste gas and solid waste, with a view to minimizing pollution and damage to environment. With a focus on energy conservation, the Company enhances the environmental awareness of all stakeholders by promoting green water-saving products and offering green training.

Our Actions

- Daily Environmental Protection Management
- Prevention and Control of Three-waste Pollution
- Energy and Resource Conservation
- Green Water-Saving Products
- Green Home Co-creation



SDGs Benchmarking



Daily Environmental Protection Management

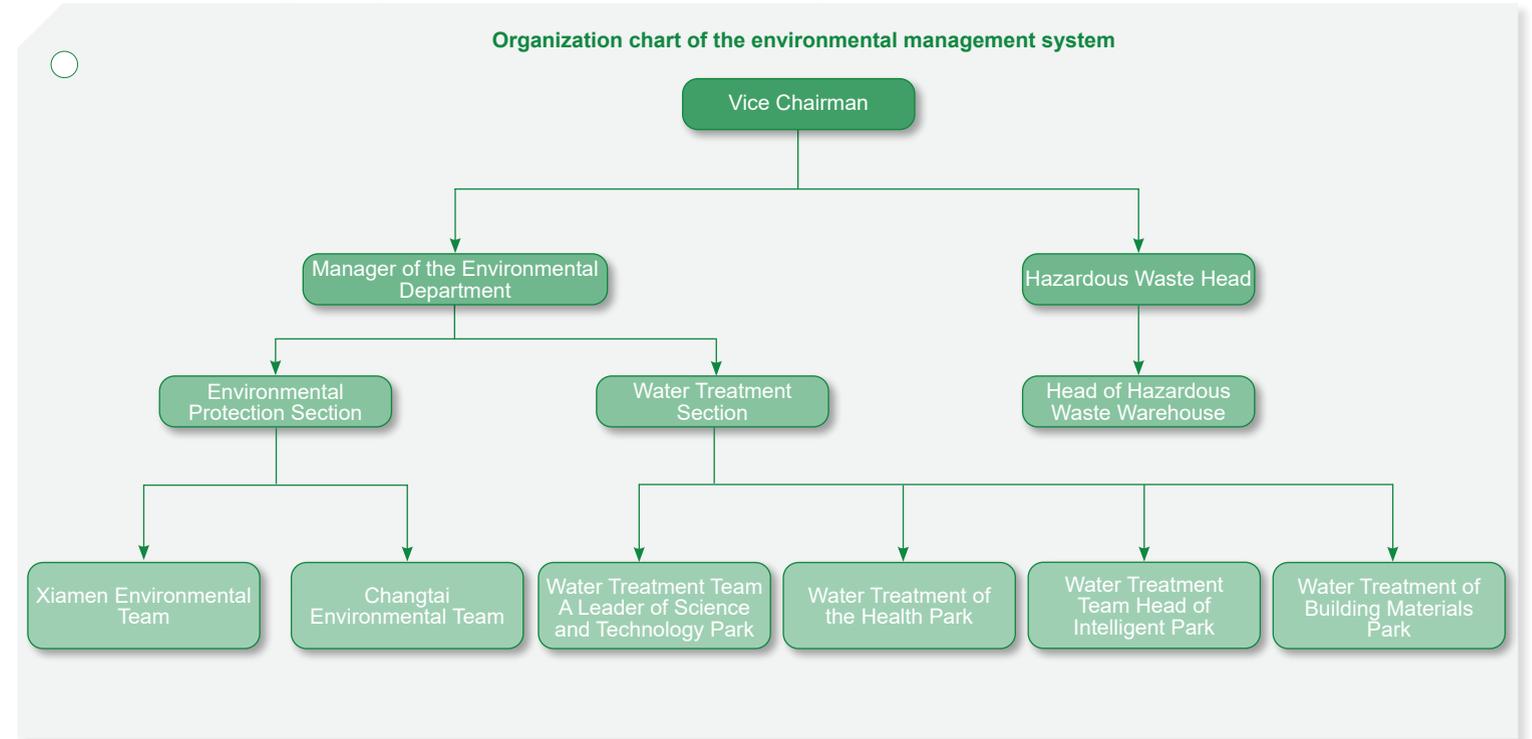
The Company has established a sound environmental management system and a response management system, and hopes that its production activities comply with the requirements of environmental regulations and standards through comprehensive assessment and control of possible environmental impacts and risks in its production activities.



▲ ISO 14001 Environmental Management System Certifications obtained by the Company and Zhangzhou Solex

Environmental Management

With the environmental policy of “preventing environmental pollution, complying with environmental regulations, promoting energy conservation and consumption reduction, and creating a harmonious coexistence of people and water”, the Company has formulated and revised the Environmental Management Technology system, and established an Environmental Management Center, fully responsible for the daily environmental supervision, management, and monitoring of the Company, and the coordination between the Company and the government’s environmental departments, so as to ensure the smooth conduct of daily environmental work. In addition, it has established a sound environmental management organization structure, and obtained ISO 14001 Environmental Management System Certification and National Green Factory Certification.



National Green factory

Being officially put into production in 2020, Zhangzhou Solex is the Company's largest smart home manufacturing center in recent years. After only two years of operation, this center has reached the level of a "Green Factory", namely, achievement of green goals such as intensive land use, harmless raw materials, clean production, waste resource utilization, and low-carbon energy, and has become an advanced model of local green manufacturing.

Currently, both the Company and Zhangzhou Solex have obtained the Green Factory Certification.



▲ Green Factory plaques

During the reporting period

the Company organized a total of

12 sessions of environmental protection training

covering

3,084 person-times

Emergency Management

The Company has established the Environmental Hidden Hazard Investigation System, and implemented environmental protection and work safety according to the principles of "three musts", "who is in charge, who is responsible", and "all employees, whole process, all around, and 7*24". In addition, the Company has established the Environmental Emergency Response Plan, and formed an emergency plan revision group to strengthen the response capabilities of the employees when facing environmental emergencies.

Training on the Environmental Emergency Response Plan

In July 2023, the Company organized special training on the Environmental Emergency Response Plan for the environmental specialists from various workshops. The contents of training included but were not limited to the types and characteristics of environmental emergencies, formulation and implementation process of emergency response plans, departmental coordination mechanisms, and preparation and use of emergency response equipment and resources. This training was designed to enable employees to respond quickly and effectively to environmental emergencies, minimize damage to the environment, and ensure the safety and health of employees.



▲ Training on the Environmental Emergency Response Plan

Hazardous waste leakage disposal drill

In August 2023, the Company conducted its annual drill on the disposal of hazardous waste (oil) leakage, primarily simulating emergency treatment in the process of leaked hazardous waste (oil) cleanup. This drill aimed to enhance the capabilities of the employees in handling emergencies and their environmental awareness, and to test the emergency response speed of relevant employees.



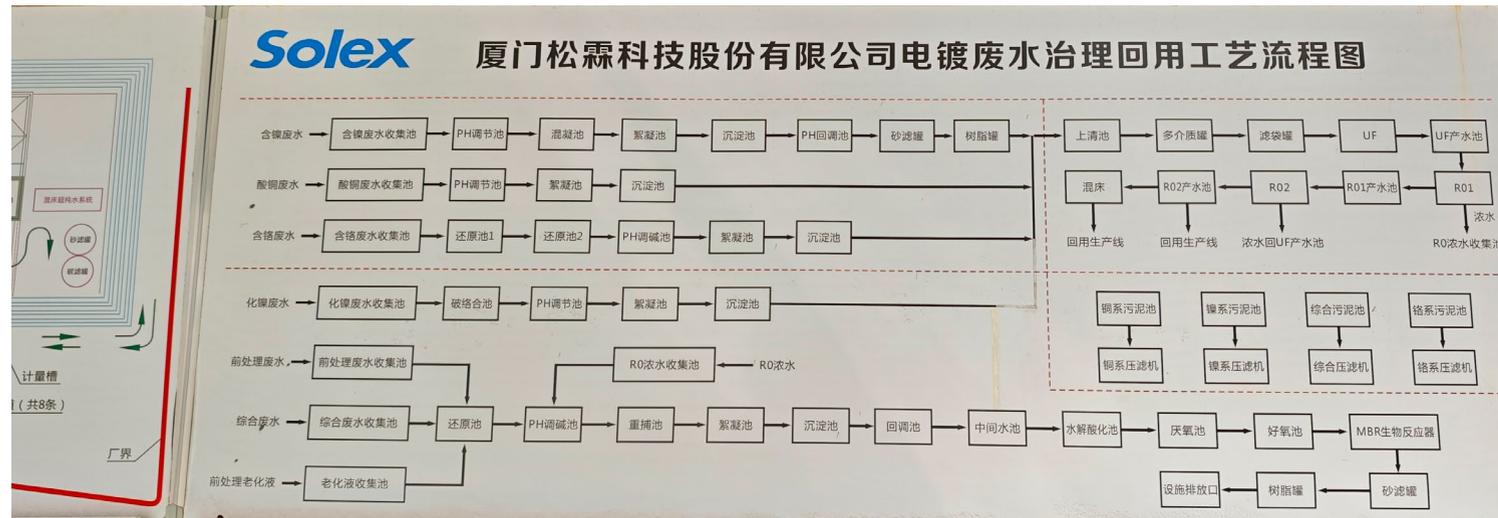
▲ Hazardous waste leakage disposal drill

Prevention and Control of Three-waste Pollution

The Company spares no effort to minimize the impact of three wastes (i.e. waste water, waste gas, and solid waste), hazardous wastes, and hazardous chemicals on the environment and human health and ensure the work safety. It has also taken a series of effective measures to reduce and treat the emissions of “three wastes”. Through comprehensive treatment and management of three wastes, the Company not only protects the environment and abates pollution, but also improves resource utilization efficiency, reduces production costs, and achieves both economic and environmental benefits.

Waste Water

The Company has formulated the the Operation Manual for Water Discharge of the Electroplating Workshop to standardize the discharge of various types of waste water and ensure the normal operation of the water treatment system. In the production process, the Company discharges the project waste water into the comprehensive pool after quality separation and diversion processing, so as to improve the water resource utilization rate. Some waste water from the comprehensive pool is reused for production after being treated in the water reuse treatment facility, while the remaining is discharged after meeting discharge standards.



▲ Flow chart of waste water quality separation and diversion processing

Waste Gas

The Company has formulated the Waste Gas Operation Manual for each production line to standardize the waste gas treatment process, abate unorganized emissions of waste gas, and improve the efficiency of terminal treatment, so as to ensure compliance with exhaust emission standards.



In May 2023, the Company organized the training on the operation manual for waste gas treatment facilities and volatile organic compound emissions for the equipment staff, the person in charge of the management of waste gas treatment facilities and the environmental specialists of on-site production workshops. The contents of training covered basic principles and workflow of waste gas treatment facilities, preparation and updating of the operation manual, identification, monitoring and control of volatile organic compound emissions, etc.



▲ Training on the operation manual for waste gas treatment facilities and volatile organic compound emissions

Solid Waste

The Company manages solid waste by garbage classification, waste oil recycling devices in the injection molding workshop, injection molding granulation ABS recycling and other measures, so as to increase the reuse rate and avoid waste.



Training on standardized management of solid waste

In March 2023, the Company organized the training on standardized management of solid waste for on-site hazardous waste management personnel, key environmental management leaders from various workshops and environmental specialists. The contents of training covered the knowledge on the classification, collection, storage, transportation, and disposal of solid waste. Meanwhile, the lecturer introduced corresponding treatment methods and technologies for different types of solid waste. What's more, the training emphasized the importance of environmental protection laws and regulations, reminded relevant personnel to strictly comply with the requirements of relevant regulations, and standardized waste treatment.



▲ Training on standardized management of solid waste



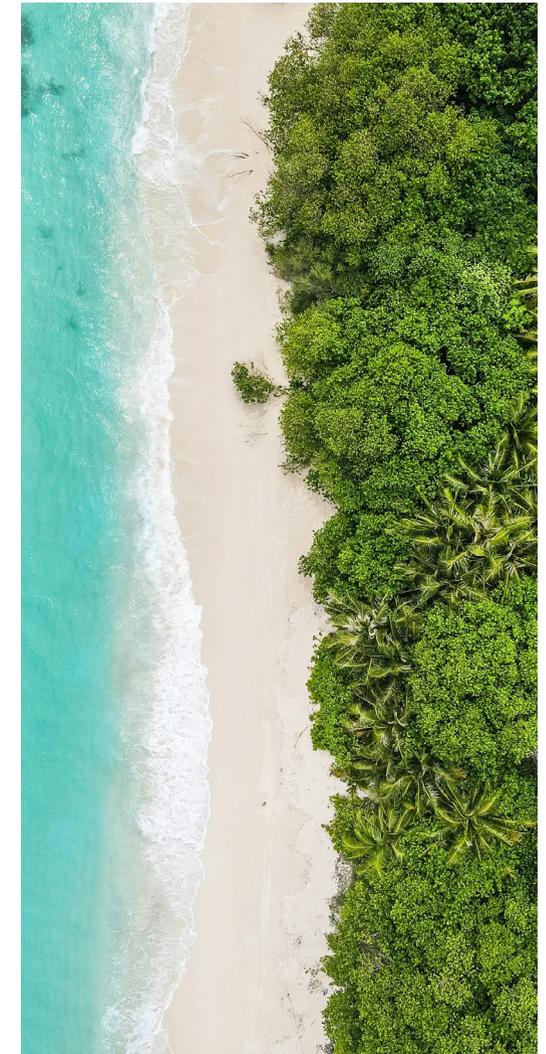
▲ Garbage classification in the park



▲ Waste oil recycling device



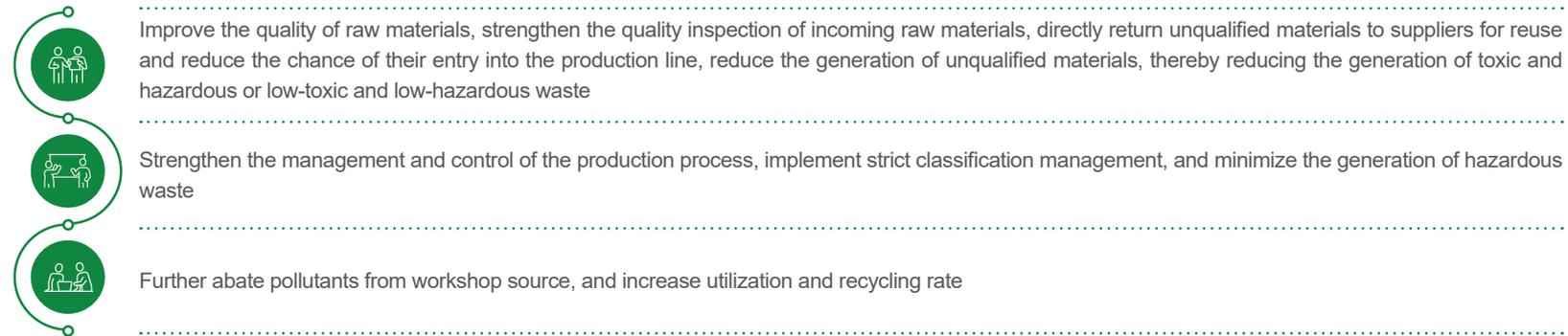
▲ Injection molding granulation ABS recycling



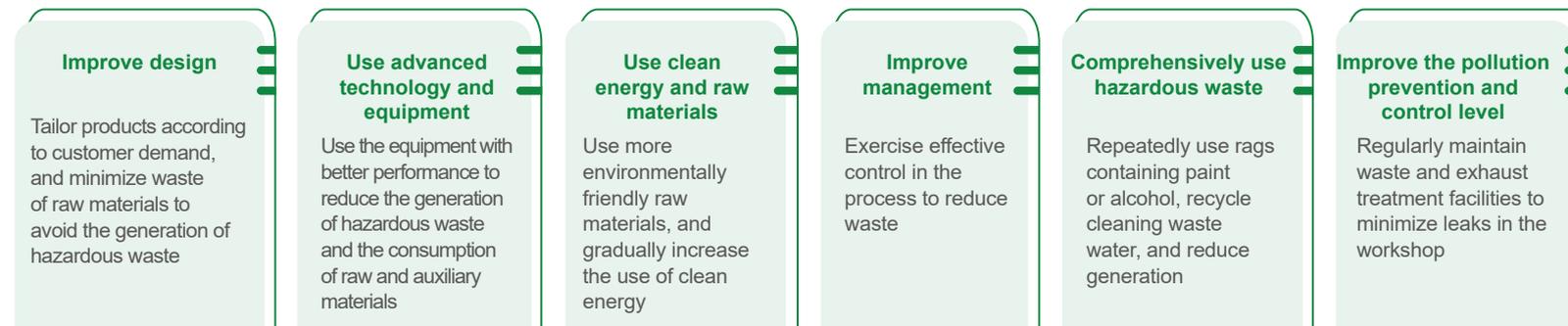
Hazardous Waste

The Company has formulated the Hazardous Waste Management System, Hazardous Waste Management Plan, and Hazardous Waste Warehouse Management System to standardize the management of hazardous waste. Hazardous waste generated in the production process of the Company is transferred to qualified third-party companies for disposal.

Plan on minimization of toxicity from hazardous waste



Measures to reduce the generation of hazardous waste and minimize its toxicity



Hazardous Chemicals

To strengthen the safety management of chemicals, ensure work safety, and safeguard the lives and properties of employees, the Company has formulated the Measures for Management of Chemicals and Operating Regulations for Dangerous Chemicals, and implements a “specialized management system” for storage of chemicals.

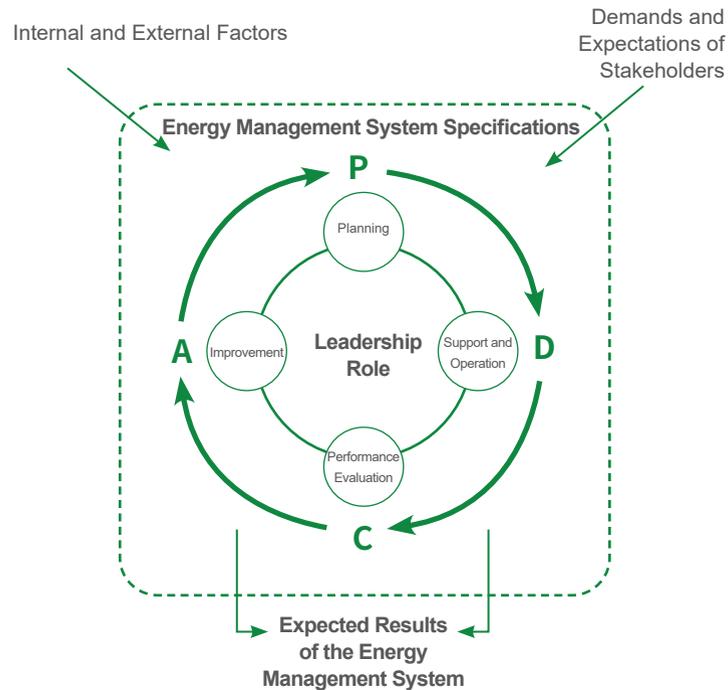
List of chemicals used in the production process of the Company

- Particle urea-formaldehyde molding plastics
- Polypropylene
- Degreasing oil
- Low-temperature shock-absorbing grease
- Hydraulic oil
- Lubricating oil
- Silicone
- Liquid silicone rubber

Energy and Resource Conservation

The energy and resource conservation is one of the Company's important environmental protection efforts. Through the energy and water saving technology reform, the Company not only reduces production costs, meets customer demand, but also decreases environmental burdens.

Chart of energy management system process



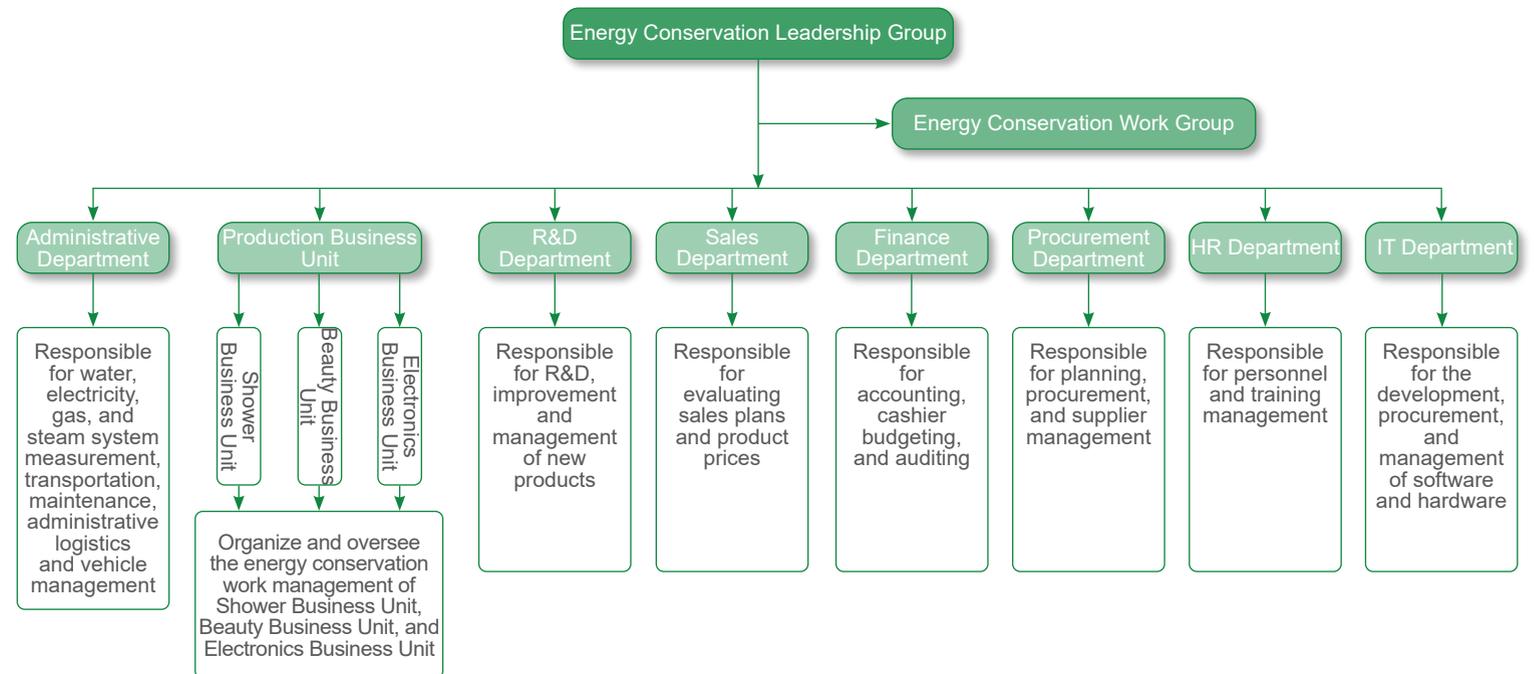
Energy Conservation

The Company adheres to the energy management policy of “compliance with law, fine management, low-carbon manufacturing, and sustainable development”. The Company has formulated the Energy Management Procedures, Energy Review Management Procedures, and Management of Energy Benchmark, Energy Performance Parameters and Goal Indicators and other energy management systems, revised the Energy Management Manual and New, Modified, Expanded Energy Planning and Design Management Procedures during the reporting period to standardize its daily energy and resource usage. By establishing a sound energy management system, the Company has obtained ISO 50001 Energy Management System Certification.



▲ ISO 50001 Energy Management System Certification

Organization chart of the energy management system



The Company has established the Energy Risk and Opportunity Control Procedures, and set up an energy risk and opportunity assessment team, which is led by the energy-saving team. After extensive discussions and effective analysis and judgement by various departments, the Company prepares the Energy Risk and Opportunity Assessment Form, grades risks and develops corresponding response measures.

In accordance with the provisions of the Energy Operation Management Procedures, the Company shall hold an annual energy conservation summary and analysis meeting, conduct energy conservation publicity and education, and organize energy conservation training at the beginning of each year to enhance employees' awareness of energy conservation. Additionally, the Company formulates medium- and long-term energy conservation plans and corresponding employee reward and punishment measures based on energy conservation goals every year. Adhering to the principle of a combination of both spiritual and material management in energy conservation efforts, the Company ensures rewards for savings and punishments for waste.

During the reporting period

he Company implemented a total of **16** energy conservation management plans invested approx. RMB **3.75** million

achieve annual electricity savings of **500,000** kWh annual steam savings of **10.8** tons

Rewards and punishments for energy conservation assessments of the Company

Commend outstanding units and individuals in energy conservation efforts, and criticize the units and individuals who consistently fail to meet energy conservation goals

Increase assessments on those who are irresponsible in their work and inefficient in their management, and who cause energy losses due to human and management responsibilities, and impose administrative penalties and performance assessments on the managers, section chiefs and team leaders on a joint basis

Conduct an assessment on the responsible person, and also on the corresponding department manager on a joint basis based on specific circumstances in case of energy losses caused by equipment, systems and other factors, or in case of failure to consider, analyze, study the defects affecting equipment efficiency or failure to work out improvement or treatment plans in the whole production process

Increase assessments when there is an improvement and treatment plan, but the improvement and treatment fail to be finished within the period as specified therein

Conduct performance assessments when human error results in metering errors, omissions, or misreporting of energy consumption and electrical energy

The Administrative Department is responsible for maintaining and repairing all non-production energy (gas, water, electricity) metering devices at measurement points, and is required to ensure that the effective use and accuracy rates of such devices must reach 100%. Conduct an assessment on the responsible person based on the resulting loss in case of any anomalies

Relevant departments should inspect energy-saving measures for the use of water, electricity, gas and steam at offices and on-site. Circulate a notice of criticism against any waste behavior due to failure to comply with the requirements





Application of energy-saving air compressors

Zhangzhou Solex invested RMB 1,636,000 to purchase 4 air compressors with the level-1 energy efficiency label, which were equipped with AI controllers. These compressors can automatically start and stop based on backend big data, with one featuring load adjustment frequency and two incorporating waste heat recovery systems. The application of these technologies will effectively reduce energy consumption, decrease environmental burdens, and also contribute to improvement in production efficiency and cost savings. This energy-saving technology reform project reflects the Company's commitment to energy conservation and emission reduction and has won the title of "Provincial Energy-saving Demonstration Project".



Rooftop PV power generation

In response to the national carbon peaking and carbon neutrality goals, Zhangzhou Solex introduced a rooftop PV project, taking full advantage of idle rooftops for distributed PV construction. By adopting the "self-generation and self-consumption, with surplus electricity being transmitted to the grid" model, Zhangzhou Solex achieved the dual goals of effective utilization of electricity, and energy saving and emission reduction. Clean energy accounted for 25.33% of the total energy consumption at this base.



▲ Rooftop PV power generation project



With PV construction, the Company generated

5,000,000 kWh of electricity annually

reduced carbon emissions by equivalent to planting

5,000 tons **209,600** trees

Water Saving

The Company has formulated a Water Consumption Management System to rationally standardize water consumption, strengthen water management, and improve water utilization efficiency. In accordance with the requirements of the policy, the Company's Energy Department organizes water balance tests every three years and obtains test reports.

During the reporting period



the Company implemented a total of

7 water saving management plans



which can achieve annual water savings of

64,590 tons



Water consumption plan is

50,884 tons per month



Water saving management plans

Waste water from production is reused after being treated by equipment and meeting standards.



▲ Waste water recycling treatment center

The Company's factories use recycled water in their cooling towers and adopt medication treatment to reduce waste water discharge.



▲ Cycling use of water in injection molding cooling

The production assembly water testing of the Company uses recycled water, and the cleaning frequency has been extended from once per quarter to once per year.



▲ Recycling pool of assembly water testing

Green Water-Saving Products

The Company takes “green manufacturing and smart home” as its long-term development strategy. It seeks to achieve greening of products from four aspects, namely, energy conservation, water saving, zero PVC, and recycled materials, and strives to reduce the impact on environment in the product life cycle, to enhance the green quality of products, and to meet the demand of customers for environmentally friendly products, thereby making positive contributions to sustainable development.

Green products

Energy Conservation

Manage water and energy consumption by water usage and water temperature displayed on LED display screens, thus reducing energy consumption

Water Saving

Mix water with air to reduce water consumption by 40%, without affecting shower experience

0 PVC

Use environmentally friendly materials to manufacture products, and not generate harmful gases or heavy metal pollution in the production process

Recycled Materials

Up to 65% recycled materials are contained in the products of the Company, which are based on the waste plastics discarded by the end consumer.



Green electroplating technology

Green electroplating is an environmentally friendly surface treatment technology, which can reduce or eliminate environmental pollution and harmful substance emissions generated in traditional electroplating process. The Company introduced the advanced Chrome 3 technology to optimize the production process, reduce energy consumption and waste water discharge, and minimize the negative impact of the electroplating process on employees and the environment.

Comparison of two electroplating technologies

Traditional Chrome 6 technology

Metallic chromium coating in plating solution comes from Cr^{6+} or Cr^{3+}

Chrome 3 technology

- Metallic chromium coating in plating solution comes from Cr^{3+}
- Less toxic to human health (toxicity is only 1% of Cr^{6+})
- Non-oxidizing
- Safer in manufacturing processes and also for humans and the environment



Water saving and energy conservation starting with small steps

The cross-flow of hot and cold water pipes in faucets leads to significant hidden energy waste. If calculated based on a cross-flow rate of 0.8L/m per time, 150 times/day, 20 seconds/time, a rise in the temperature from 20 degrees Celsius to 70 degrees Celsius, and a heater thermal efficiency of 0.9, a conventional temperature-adjustable faucet will waste 900 degrees of electricity a year, which can be used by the family for three months. To address this issue, the Company has developed a completely independent and closed full-cold and full-hot sensor facet, helping energy conservation from small steps.

Efficient water saving

The Company has upgraded the temperature adjustment plan, and uses a new faucet structure to ensure cold and hot separation without any leakage. This design ensures that the faucet ball head and the gasket are completely sealed when the water flow is in either full cold or full hot state, thus preventing cold water infiltration in full hot state and eliminating hot water waste in full cold state. The design has been awarded an invention patent.



▲ Updated temperature adjustment plan

Efficient energy conservation

The Company developed infrared sensing technology, ensuring that the static power consumption of the faucet is not greater than 25UA. When a user uses ordinary four AA batteries, the faucet can operate normally for more than 2 years. When the user uses lithium batteries along with super capacitors, if calculated at a flow rate of 3L/min, the charging current can reach over 35mA. It takes approx. 10 minutes to fully charge the capacitor, and when fully charged, it can power the solenoid valve to switch continuously for over 250 times, with no need for battery replacement for at least 8 years.



▲ Hydropower sensor faucet

Green Home Co-creation

The Company is actively pursuing its carbon neutrality goals and strives to become a carbon-neutral company by 2025. With a strong conviction that the environmental initiatives are key to building a green home, it hopes to drive environmental concern and involvement among downstream supply chains and employees by practicing green packaging and green office initiatives.

Green Packaging

The Company uses biodegradable or recyclable green materials for product packaging, such as paper and bio-based plastics, to reduce plastic pollution and resource waste. All printing adopts environmentally friendly inks, including product silk screen, packaging liner and outer box printing. The Company reduces the use of packaging materials, decreases packaging weight and volume, and minimizes consumption and waste generation by optimizing product packaging design. In addition, the Company reuses packaging and cargo transport pallets to minimize packaging waste and environmental pollution.

The sustainable packaging solutions of the Company have been verified by the Forest Stewardship Council (FSC). Further, the products and raw materials of the Company have obtained green supply chain certifications from reputable organizations in multiple countries or regions.



▲ Forest Stewardship Council (FSC) Certification



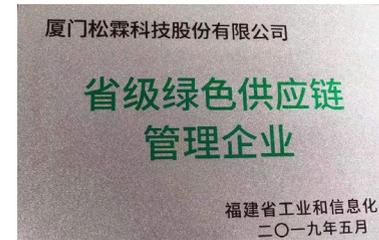
The recycling rate of the Company's product packaging materials is

100 %



the percentage of recycled plastic content in some plastic packaging materials is

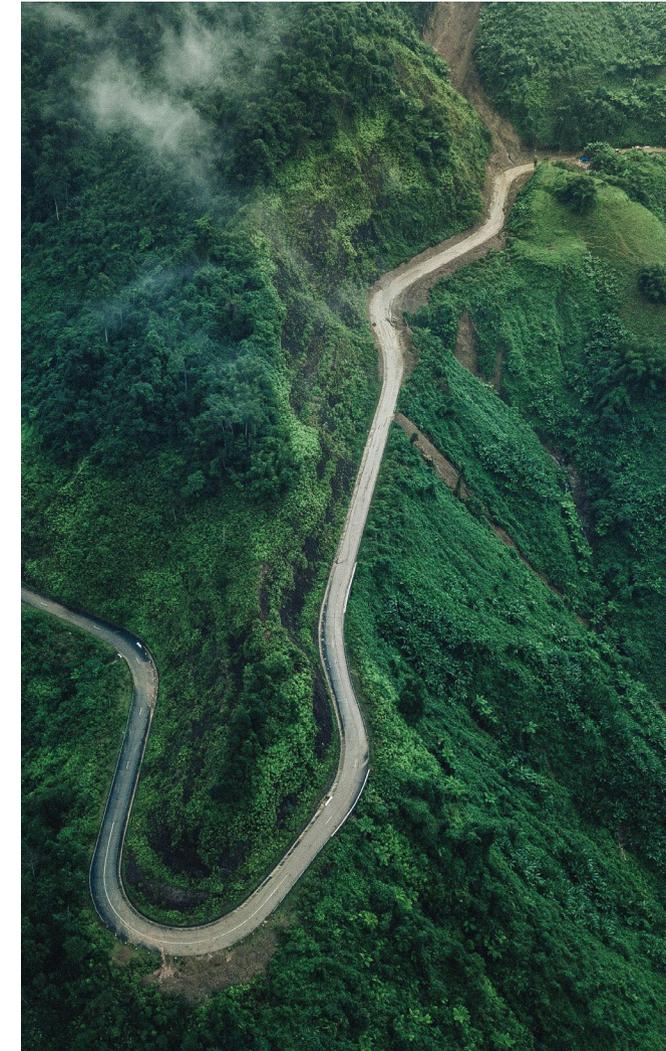
50 %



▲ Provincial Green Supply Chain Management Enterprise

Basic types of the environmentally friendly packaging materials of the Company

Wrapping paper	PE bags with 51% recycled content	PE bags with 30% recycled content	PP nonwoven fabric bags that can decompose naturally after 90 days outdoor
PP nonwoven composite bubble bags	Bio-based hydroentangled bags	Dust-free paper bags	PBAT/PLA blended biodegradable plastic bags



Reduced packaging

The Company continuously explores and promotes green product packaging, and redesigns product packaging and streamlines packaging structure to minimize the use of packaging materials, while ensuring the functionality and protective performance of production packaging are not affected. Additionally, it advocates the concept of green consumption, conveys the value and significance of reduced packaging to consumers, and guides them to support green products, with a view to reducing the negative impact of packaging waste on the environment.

Reduced product packaging of the Company

Item	Downsize the color packaging box:	Remove internal plastic packaging:	Downsize turnover pallets:
Before change	Reduce height and width of the color packaging box	Replace inner PE bags with bundled straps	Downsize turnover pallets of internal parts Replace the expandable polystyrene with paper for the turnover pallets of internal parts
After change			

Green Actions

The Company organizes green actions such as environmental knowledge competitions to enhance employees' awareness of environmental protection and facilitate the dissemination of environmental concepts within the Company. Meanwhile, it devotes itself to promoting green office and taking measures such as water-saving slogans and air-conditioning temperature limitation, so as to ensure that energy conservation efforts are integrated into the daily work of employees.



Contest on the Environment Day

In June 2023, the Company organized a World Environment Day activity titled "Building Modernization for Harmonious Coexistence between Humans and Nature". This activity was designed as an interactive environmental knowledge competition, with the aim of enhancing employees' environmental awareness and increasing their concern to and involvement in environmental protection efforts.



建设人与自然和谐共生的现代化

——2023年六五环境日主题

▲ Publicity posters and banners



Green financial investment publicity

During the reporting period, the Company efficiently and visually promoted the concept of green investment to employees and the public with help of the electronic screen, so as to popularize knowledge about green financial investment, enhance recognition of green finance, strengthen risk prevention awareness, advocate green investment, and jointly promote the sustainable development of the financial industry.



▲ Green financial investment publicity

Key Performance

Environmental

Issue	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Environmental Management	Total investment in environment management	RMB	14,488,071	13,773,408	10,217,587
	Including: Total investment in energy-saving and consumption-reducing improvement initiatives	RMB	3,173,631	5,306,735	2,167,666
	Including: Total investment in other measures related to environmental protection	RMB	11,314,440	8,466,673	8,049,921
Energy Use	Gasoline consumption in self-owned vehicles for official use	Liter (L)	44,921	35,897	45,690
	Diesel consumption in self-owned vehicles for official use	Liter (L)	11,358	10,587	9,681
	Diesel consumption in self-owned logistics freight vehicles	Liter (L)	50,753	54,786	67,859
	Total natural gas consumption	Cubic meter (m ³)	120,862	140,530	163,172
	Total steam consumption	Cubic meter (m ³)	9,941	10,094	10,627
	Total electricity consumption	Megawatt hour (Mwh)	62,134	59,029	67,331
	Total purchased electricity	Megawatt hour (Mwh)	26,950	29,342	33,731
	Consumption of self-generated renewable electricity	Megawatt hour (Mwh)	2,080	0	0
	Electricity consumption per unit output	Megawatt hour (Mwh)/RMB 10,000	0.21	0.20	0.20
	Annual electricity savings directly realized by energy saving and efficient measures	Kilowatt hour (kWh)	8,487,251	759,528	3,512,004
	Annual use of recycled plastic	Ton	991	954	905

Issue	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Waste Gas Management	Total waste gas emissions	0,000 cubic meters (0,000 m ³)	373,908	274,140	393,156
	Nitrogen oxide (NOx) emissions	Kilogram (kg)	0.02	0.02	0.22
	Sulfur oxides (SOx) emissions	Kilogram (kg)	0.02	0.02	0.22
	Volatile organic compounds (VOCs) emissions	Kilogram (kg)	1.27	1.63	1.14
	Ammonia (NH ₃) emissions	Kilogram (kg)	0.07	0.10	0.31
	Hydrogen chloride (HCL) emissions	Kilogram (kg)	1.79	0.88	2.31
Water Resource Management	Total water consumption	Cubic meter (m ³)	463,751	410,648	467,872
	Total net freshwater consumption	Cubic meter (m ³)	463,751	410,648	467,872
	By source of abstraction: municipal water supply	Cubic meter (m ³)	463,751	410,648	467,872
	Recycled/reused water	Cubic meter (m ³)	47,330	45,660	44,260
	Water consumption per unit of product	Cubic meter (m ³)/RMB 10,000	1.57	1.39	1.36
	Annual water savings directly realized by water saving measures	Ton	76,357	50,289	56,210
	Total waste water emissions	0,000 cubic meters (0,000 m ³)	24.28	22.36	24.81
	Total chromium	Kilogram (kg)	12.60	6.90	22.50
Hexavalent chromium	Kilogram (kg)	1.20	0.40	12.00	

Issue	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Water Resource Management	Total copper	Kilogram (kg)	12.10	6.60	48.90
	Total nickel	Kilogram (kg)	11.90	8.50	11.1
	Chemical oxygen demand in waste water	Kilogram (kg)	15,842	10,809	13,926
	Ammonia and nitrogen in wastewater	Kilogram (kg)	4,211	3,764	5,253
	Total nitrogen in waste water	Kilogram (kg)	5,774	6,193	7,249
	Total phosphorus in waste water	Kilogram (kg)	801	849	111
	Suspended solids in waste water	Kilogram (kg)	8,164	4,904	3,723
Solid waste management	Total hazardous waste	Ton	1,100	1,112	1,299
	Total industrial solid waste	Ton	1,948	2,311	1,819
	Total recycled/reused solid waste	Ton	3,048	3,423	3,118
	Solid waste recycling rate	%	100	100	100



Society

Issue	Indicator Category	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Occupational Health and Safety	Environmental training and drills	Total hours of environmental and work safety training	Hour	1,802	1,705	2,207
		Number of safety drills (fire, toxic gas leakage, etc.)	Time	35	31	28
	Work-related injury	Number of employees who were injured at work (minor injury and above)	Person	20	22	25
		Number of work-related fatalities	Person	0	0	0
		Number of lost workdays due to work-related injuries	Day	353	729	525
		Incidence rate of occupational diseases	%	0	0	0
		Lost time injury frequency rate of employees	%	3	3	3
	Supplier safety	Number of suppliers who were injured at work (minor injury and above)	Person	0	1	0
		Number of supplier work-related fatalities	Person	0	0	0
		Lost time injury frequency rate of suppliers	%	0	0	0
		Total hours of supplier safety training	Hour	237	284	379

Issue	Indicator Category	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Talent Training and Development	Employee training hours	Total training hours	Hour	21,245	20,768	19,436
		Training participation hours per capita	Hour	4.50	4.00	3.50
		Total training hours of male employees	Hour	12,534	12,668	11,855
		Training hours per male employee	Hour	4.50	4.02	3.51
		Total training hours of female employees	Hour	8,710	8,099	7,580
		Training hours per female employee	Hour	4.50	3.96	3.49
	Employee training and assessment	Total employees who participate in training and assessment	Person	8,005	9,042	10,484
		Total employee who passed the assessment	Person	8,005	9,042	10,484
		Training assessment pass rate	%	100%	100%	100%
Employee Survey	Employee satisfaction	Total number of employee satisfaction questionnaires distributed	Copy	4,974	5,596	5,553
		Questionnaire recovery rate	%	100	100	100
		Employee satisfaction result	%	97%	89%	99%



Issue	Indicator Category	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Supplier Management	Overall suppliers	Number of suppliers		1,338	1,333	1,324
	Supplier category management	Raw material suppliers		144	142	139
		Equipment suppliers		180	176	168
		Non-production suppliers		211	207	200
		Tier 1 suppliers (direct suppliers)		783	790	801
		Non Tier 1 suppliers (indirect suppliers)		20	18	16
		Supplier assessment	Supplier assessment coverage rate	%	38	37
	Supplier assessment pass rate		%	98	98	98
	Sustainable procurement	Percentage of suppliers who have signed the Code of Conduct for Suppliers	%	100	100	100
		Percentage of suppliers who have signed agreements containing the environment and labor requirements clause	%	100	100	100
		Number of suppliers who have conducted social impact assessments		289	284	277
		Number of suppliers who have conducted environmental impact assessments		289	284	277
		Number of suppliers who have been identified as having actual and potential significant negative social impacts		0	0	0
		Number of suppliers who have been identified as having actual and potential significant negative environmental impacts		0	0	0
		Percentage of the Company's internal procurement staff who have passed the sustainable procurement training	%	100	100	100

Issue	Indicator Category	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data
Intellectual Property	Intellectual property	Number of patents held	pcs	1,346	1,475	1,328
		Number of invention patents held	pcs	356	394	397
		Number of new patents in a year	pcs	213	250	289
		Number of patents under review	pcs	565	640	635
		Number of copyrights held	pcs	0	2	2
		Number of trademarks held	pcs	106	138	138
Network Safety	Network safety	Number of confirmed network safety incidents	Case	0	1	1
		Number of network safety training sessions	Session	5	4	2
		Number of network safety emergency response drills	Time	0	0	0
		Number of confirmed network safety incidents	Case	0	0	0
Public Welfare	Investment in public welfare	Social contribution value per share	RMB	3.23	2.61	2.36
		Investment in social contribution	RMB 0'000	38.88	4.99	10.38

Governance

Issue	Indicator Category	Quantitative Indicator	Unit	2023 Data	2022 Data	2021 Data	
Anti-Corruption	Corruption incidents	Total of corruption incidents under investigation	Case	1	0	0	
		Total of confirmed corruption incidents	Case	2	2	0	
		Total of resolved corruption incidents	Case	2	2	0	
		Number of personnel involved in resolved corruption incidents	Person	4	2	0	
		Total of terminations or non-renewals of contracts with business partners due to corruption-related violations	Case	2	1	0	
	Anti-Corruption Training	Number of anti-corruption training sessions	Session	1	0	0	
		Number of employees participating in anti-corruption training	Person	430	0	0	
		Percentage of employees who have signed the Commitment on Code of Conduct	Number of employees who have signed the Integrity Commitment	Person	451	158	183
			Percentage of employees who have signed the Integrity Commitment	%	10	3	3
			Number of suppliers who have signed the Anti-bribery Committee	Person	579	542	498
Percentage of suppliers who have signed the Anti-bribery Committee	%	43	41	38			
Compliance Operation	Environmental violations	Number of violations of environmental laws and regulations	pcs	0	2	0	
		Total fines imposed on violations of environmental laws and regulations	RMB (in 0,000)	0	4.90	0	
	Unfair competition	Violations of unfair competitions	pcs	0	0	0	
		Total fines imposed on violations of unfair competitions	RMB (in 0,000)	0	0	0	
	Violations of laws	Number of violations of social laws and regulations	pcs	1	2	0	
		Total fines imposed on violations of social laws and regulations	RMB (in 0,000)	0.20	0.21	0	

GRI Contents Index —“Reporting with reference to GRI Standards”

GRI Standard	Disclosure	Location
Statement of use	Solex has reported the information cited in this GRI Content Index for the period from January 1, 2023 to December 31, 2023 with reference to the GRI Standards.	
GRI 1 used	GRI 1: Foundation 2021	
	2-1 Organizational details	About this Report
	2-2 Entities included in the organization’s sustainability reporting	About this Report
	2-3 Reporting period, frequency and contact point	About this Report
	2-4 Restatements of information	About this Report
	2-6 Activities, value chain and other business relationships	About Solex
	2-7 Employees	Common Growth with Employees
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	Efficient and Regulated Governance
	2-11 Chair of the highest governance body	See the Annual Report
	2-16 Communication of critical concerns	ESG Management
	2-23 Policy commitments	About this Report
	2-27 Compliance with laws and regulations	Efficient and Regulated Governance
	2-28 Membership associations	Promotion of Industry Exchange
	2-29 Approach to stakeholder engagement	ESG Management

GRI Standard	Disclosure	Location
GRI 3: Material Topics 2021	3-1 Process to determine material topics	ESG Management
	3-2 List of material topics	ESG Management
	3-3 Management of material topics	ESG Management
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	See the Annual Report
GRI 205: Anti-Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption and Integrity in Operation
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Key Performance
	301-2 Recycled input materials used	Key Performance
	301-3 Reclaimed products and their packaging materials	Green Home Co-creation
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Key Performance
	302-3 Energy intensity	Key Performance
	302-4 Reduction of energy consumption	Energy and Resource Conservation
	302-5 Reductions in energy requirements of products and services	Energy and Resource Conservation
	303-2 Management of water discharge-related impacts	Energy and Resource Conservation
GRI 303: Water and Effluents 2018	303-4 Water discharge	Energy and Resource Conservation
	303-5 Water consumption	Energy and Resource Conservation
	306-3 Waste generated	Prevention and Control of Three-waste Pollution
GRI 306: Waste 2020	306-3 Waste generated	Prevention and Control of Three-waste Pollution
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Stable Procurement Supply

GRI Standard	Disclosure	Location
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Key Performance
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Common Growth with Employees
	401-3 Parental leave	Common Growth with Employees
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Common Growth with Employees
	403-2 Hazard identification, risk assessment, and incident investigation	Common Growth with Employees
	403-5 Worker training on occupational health and safety	Common Growth with Employees
	403-6 Promotion of worker health	Common Growth with Employees
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Common Growth with Employees
	403-8 Workers covered by an occupational health and safety management system	Common Growth with Employees
	403-9 Work-related injuries	Common Growth with Employees
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Common Growth with Employees
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Efficient and Regulated Governance and Common Growth with Employees
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Stable Procurement Supply
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Offer of Top-notch Customer Service
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Offer of Top-notch Customer Service

Reader Feedback

Dear reader,

Thank you for sparing time to read the 2023 Environmental, Social and Governance (ESG) Report of Xiamen Solex High-tech Industries Co., Ltd. To provide you and other stakeholders with more valuable information and improve our capabilities of performing the corporate social responsibility, we are looking forward to your comments and suggestions.

Choices (Please tick the appropriate box ✓)

Question	Excellent	Good	Mediocre	Subpar	Bad
What's your overall impression on this report?	<input type="checkbox"/>				
Does this report respond to the issues that the stakeholders concern about or disclose the information as required?	<input type="checkbox"/>				
How do you think of Solex in performing the economic responsibility?	<input type="checkbox"/>				
How do you think of Solex in performing the environmental responsibility?	<input type="checkbox"/>				
How do you think of Solex in security management?	<input type="checkbox"/>				
How do you think Solex in performing the employee responsibilities?	<input type="checkbox"/>				
How do you think of Solex in performing the community responsibilities?	<input type="checkbox"/>				
Are the information, indicators and data disclosed in the report clear, accurate and complete?	<input type="checkbox"/>				

Do you find content arrangement and layout design of the report reader-friendly? 是 否

Open Question: Do you have any comments and suggestions for Xiamen Solex High-tech Industries Co., Ltd. in performing social responsibility or preparing the report?