

KTC



Shenzhen KTC Technology Sustainability Report 2023

Shenzhen KTC Technology Co., Ltd.

Improving Living Condition with Technology

Stock code: 001308.SZ

Stock abbreviation: KTC



Contents

About this Report	01	Sustainability Management	25	02 Green, Smart Manufacturing for a Low-Carbon Future	53	05 A Diverse, Collaborative Team	91
Message from the Chairman	03	Environmental, Social, and Governance (ESG) System	27	Climate Change Response	55	Employment Compliance and Diversity	93
About KTC	05	Response to Sustainable Development Goals (SDGs)	29	Treatment of Three Wastes	60	Employee Welfare and Care	97
History	07	Stakeholder Communication	31	Resource Management and Recycling	62	Employee Training and Development	100
Globalization	09	Identification of Material Issues	32	Biodiversity Conservation	64	Occupational Health and Safety	107
Core Categories	13	01 Stable Operations, Solid Governance	33	03 Empowering Manufacturing with AI Technology	65	Appendix	
Business Strategy	14	Corporate Governance	35	Sustainable R&D	67	Quantitative Data: Performance Metrics	113
Product Certification	15	Compliance Management and Business Ethics	39	Product Quality	71	Global Reporting Initiative (GRI)	
Company Honors	16	Customer Privacy and Data Security	47	Customer Services	73	Content Index	119
Annual Themes		Intellectual Property (IP) Protection	50	Science and Technology Ethics	78	Content Index for Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report (for Trial Implementation)	123
Building a Strong R&D Innovation Foundation and Developing Future Technologies	17	Human Rights	51	04 Industry and Community Engagement	79	Reader Feedback	124
Enabling Factories for Smart, Green and Flexible Manufacturing	21			Responsible Supply Chain	81		
				Fueling Industry Development	86		
				Building Harmonious Society	88		

About This Report

Report Information Description

This report is the first "Sustainability Report" released by Shenzhen KTC Technology Co., Ltd. The report elaborates on the Company's concepts and policies regarding sustainable development, as well as the efforts made by the Company in 2023 in areas such as environmental protection, social responsibility, and corporate governance, in response to the expectations and concerns of stakeholders.

Time Frame

This report covers a time span from January 1, 2023 through December 31, 2023. In order to maintain the continuity of information and enhance the comparability and forward-looking nature of the report, some contents have been moderately extended to previous or subsequent years. The information involved comes from internal data of the Company and publicly available materials.

Organizational Scope

The organizational scope of this report covers the main business conducts of Shenzhen KTC Technology Co., Ltd. and its subsidiaries, and is consistent with the scope disclosed in the Company's annual report.

Data Interpretation

The data and cases used in this report are all from the Company's official documents and statistical reports.

The operating data disclosed in this report are all from the 2023 Annual Report of Shenzhen KTC Technology Co., Ltd. (the "Annual Report"). In case of any discrepancies in the data listed, the Annual Report shall prevail. Unless otherwise specified, all currency amounts mentioned in the report are presented in RMB.

Reference Standards

This report was written with reference to the following 7 ESG disclosure standards:

- "Reference" standards of the GRI Universal Standards 2021 released by the Global Sustainability Standards Board (GSSB)
- Guidelines No.17 of Shenzhen Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) released by Shenzhen Stock Exchange
- ESG Reporting Guide and Guidance on Climate Disclosures released by the Stock Exchange of Hong Kong
- Recommendations of the Task Force on Climate-Related Financial Disclosures released by the Task Force on Climate-Related Financial Disclosures (TCFD)
- The Ten Principles of the UN Global Compact
- The 17 SDGs of the UN

Notes on Appellations Used in the Report

For the convenience of expression and reading, in this report:

"Shenzhen KTC Technology Co., Ltd." is referred to as "KTC", "the Company" or "We".

"Huizhou KTC Technology Co., Ltd." is referred to as "Huizhou KTC".

"Shenzhen KTC Intelligent Technology Co., Ltd." is referred to as "KTC Intelligent".

"Shenzhen Horion Intelligent Technology Co., Ltd." is referred to as "Horion".

"Shenzhen Horion Software Co., Ltd." is referred to as "Horion Software".

"Shenzhen KTC Commercial Display Technology Co., Ltd." is referred to as "KTC Commercial".

"Shenzhen KTC Medical Solutions Co., Ltd." is referred to as "KTC Medical".

Report Preparation Process

Based on the ESG practice of the Company, this report is promoted in accordance with the process of "the Board of Directors (BOD) deliberating the establishment of the ESG Committee and working rules, collecting materials, preparing a revised report, deliberating and approving by the BOD, and disclosing to the public". The ESG Working Group actively communicates with relevant stakeholders to study and demonstrates the framework structure and content of the report.

Reporting Reliability Statement

The Company undertakes that the content of this report does not contain any false records, misleading statements or material omissions, and is responsible for the authenticity, accuracy and completeness of its content.

This report is published in both Chinese and English versions. In case of any ambiguity between the Chinese version and the English translation, the Chinese version shall prevail.

Access Channels

This report is released in electronic format and investors can access it through the following channels:

- Shenzhen KTC Technology Co., Ltd. official website (<https://www.ktc.cn/>)
- Shenzhen Stock Exchange website (<https://www.szse.cn>)

Contact Information

If you have any suggestions or opinions on this report, please contact the Company through the following methods:

- Contact address: No. 4023 Wuhe Avenue, Bantian Street, Longgang District, Shenzhen
- Contact number: +86-0755-33001308
- Fax: +86-0755-33615999

Message from the Chairman



Dear friends,

On behalf of the Board, I would like to express our sincere gratitude to you for your support.

In 2023, despite a global slowdown and increased competition, KTC showcased its extraordinary resilience and innovative spirit, presenting the outstanding strength and sense of responsibility of China's manufacturing industry to the world. Not only do we grow in the face of challenges, we also understand deeply that improving living condition with technology in the display device industry is our unshirkable mission.

Behind this mission is our unwavering faith and confidence. We believe sustainability creates long-term prosperity. When defining and achieving our vision, mission and values, we are committed to aligning our operations with ESG principles. Through innovative business models, we not only pursue economic benefits, but also contribute to social welfare and environmental protection for a harmony between businesses and the society. Rather than merely a product manufacturer, the Company is a socially responsible organization taking an indispensable role in the global value chain. While we seek commercial success, we also want to contribute to social progress and environmental sustainability.

Low-carbon manufacturing is a path to green growth. Led by green development, KTC is committed to green transformation and upgrading, since it adheres to the concept of green manufacturing and low-carbon development and embraces the "dual carbon" (carbon peaking and carbon neutrality) strategy. Through the introduction of innovative technologies, like solar power and water storage air conditioning, we promote energy saving and emission reduction, optimize the energy mix, and create harmony between production and the environment. We continue to empower green manufacturing through sci-tech innovation to contribute to global green development and a sustainable future.

AI and ethics go hand in hand. KTC takes sci-tech innovation as its foundation and upholds the philosophy that technology improves living condition. We are riding the wave of cutting-edge technology such as AI. We believe AI is not only the driving force of technological innovation, but also the key to assuming corporate social responsibility and promoting sustainability. Together with our global partners, we continue to explore new heights in smart display products to offer consumers a smarter and more personalized experience. Meanwhile, we are deeply aware that the use of technology must go hand in hand with ethics. As a result, we follow the sci-tech ethics strictly to ensure that our innovations respect the law and user rights. In our pursuit of excellent, we play our part in creating a more equitable and harmonious era of intelligence.

Being employee-oriented leads to harmony and win-win outcomes. KTC understands that its success is inseparable from its employees. We uphold the people-oriented principle and are committed to fostering a fair, respectful and harmonious environment for employees to thrive. While protecting the rights and interests of employees, we also unlock their potential and share success with them through diversified training and a sound welfare system. At KTC, we help every employee to realize their self-worth, enabling a win-win situation for both.

China's intelligent manufacturing leads the world. Looking ahead, challenges and opportunities coexist. Adhering to the vision of "To become a world top modern ODM enterprise in flat panel products", KTC is committed to driving the transformation and upgrading of smart display products with cutting-edge technology and innovative thinking. We will continue to increase our core competitiveness, consolidate industry resources and stimulate new growth momentum as we seek to be a globally influential industry leader and contribute to a more intelligent and sustainable future.

Ling Bin
Chairman



About KTC

Company Profile

Founded in Shenzhen in 1995, KTC is among the first companies dedicated to smart display terminal products in China. In the nearly 30 years of development, KTC has focused on the R&D, design, and manufacturing of intelligent displays. Its main products include smart interactive panels, innovative display products, professional display products, smart TVs, etc. Through technological innovation and product development, it has applied cutting-edge display technology for a variety of scenarios and needs. After the transition to modern service-oriented intelligent manufacturing, it is now a pioneer and leader in Chinese manufacturing.

KTC has established a KDM service model of "three modes, four engines, and one pole" for emerging markets and built long-term partnerships with local king brands in Asia Pacific, Latin America, Africa and other regions. Its network spans over 100 countries and regions, covering the global display industry across business, education, health care and home settings. It covers major global smart display markets like the EU, North America, Latin America, Africa and Asia with its new technical support and service centers.







KTC is people-oriented and pays attention to employee needs. The Company is committed to creating a harmonious and friendly working environment. It promotes the spirit of craftsman and an engineering culture to attract, develop and motivate talents. Through programs such as a mentor program, an excellent engineer program, and an excellent manager program, it inspires employees to grow their career value. It has created a mutual aid fund to assist employees in need. It is public-spirited enough to participate in volunteer activities, including environmental protection, traffic control, community support, and blood donation. It donates money and resources to further consolidate the results of poverty alleviation, promote rural revitalization, and support education as it actively takes on its social responsibility.



Company Strategy

KTC will carry on the mission of "improving living condition with technology" to foster new industries, new models, and new momentum with sci-tech innovation. The Company will focus on cutting-edge technologies, such as augmented reality (AR), virtual reality (VR) and AI, to empower a new generation of smart display products. It will boost high-quality development through measures such as breakthroughs in core technologies and AI empowerment. It will step up the development of proprietary brands and help them go global. By integrating digitalization into corporate governance, it will further improve corporate efficiency and advance intelligent and green development. It will proceed with make-to-order (MTO) production on the journey towards becoming a world-leading professional smart display manufacturer.

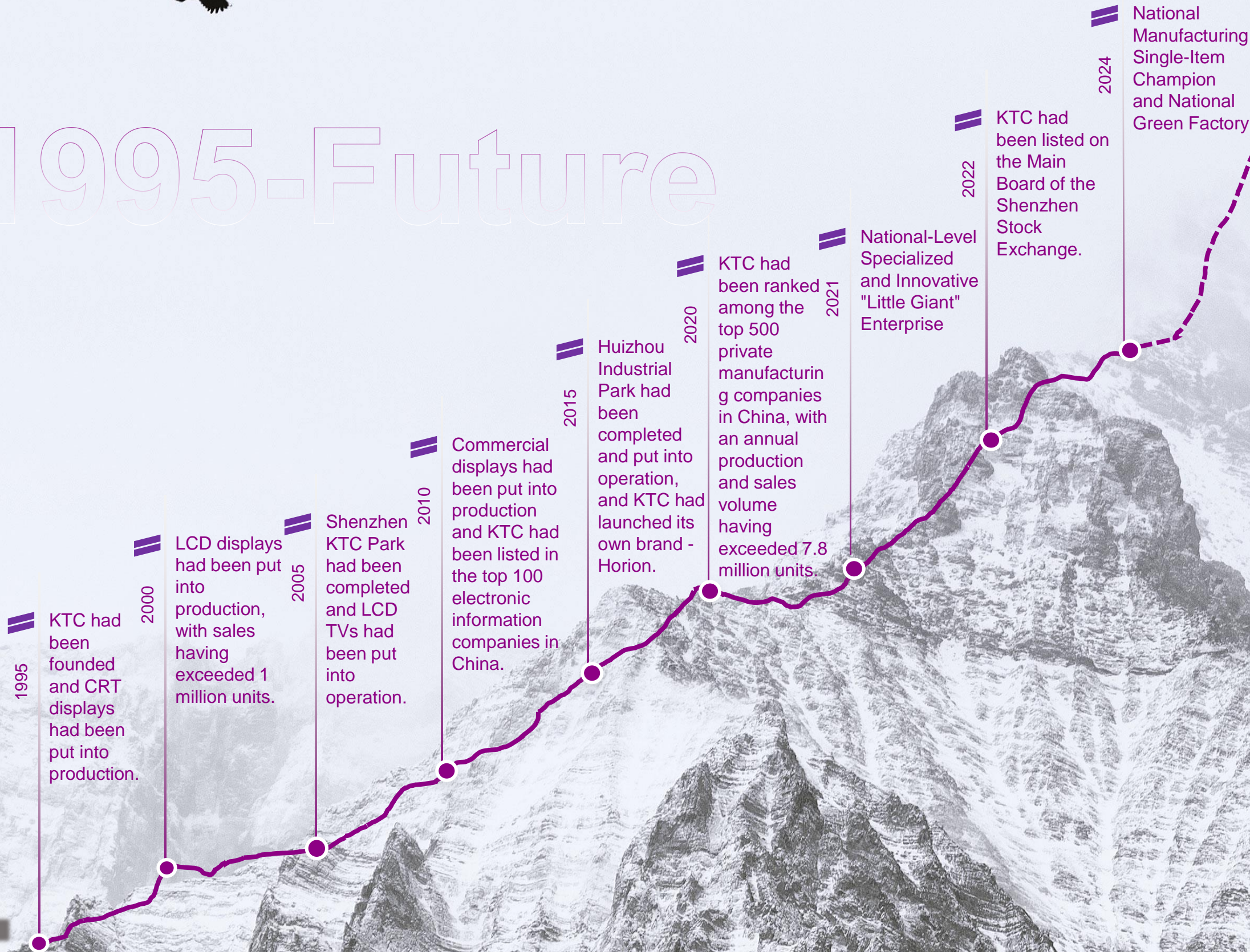
KTC will continue to invest in the R&D and manufacture of new products in emerging/niche markets and focus on the promotion of innovative display products and proprietary brands. It will accelerate globalization with a global headquarters (HQ) center, enhancing foreign operations and securing more overseas resources. While cultivating new strengths, it will also establish a national laboratory and undertake major scientific research tasks. It will use new technologies, such as AI large language models (LLM), around smart interactive panels, innovative display products, and smart TVs to facilitate its industrial upgrading.

<p>Mission </p> <p>Improve living condition with technology</p>	<p>Vision </p> <p>To become a world top modern ODM enterprise in flat panel products</p>	<p>Values </p> <p>Respecting people, commitment to work, industriousness, innovation</p>
<p>Operation Philosophy </p> <p>Honest operation, focus on quality and service</p>	<p>Character </p> <p>Honesty, integrity, impartiality and practicality</p>	<p>Service Philosophy </p> <p>Customers our top priority, deliver inspiration</p>

History



1995-Future



Future

- Focus on cutting-edge technologies such as AR, VR, AI, etc., continue technological innovation, and empower the new generation of display products.
- Expand the innovative display map, enhance the development of proprietary brands, and accelerate the global strategic layout.
- Promote the super factory model as part of MTO production, and build a global HQ center.
- Construct national level laboratories to undertake major scientific research tasks.

Globalization

The Company has developed a differentiated market competition strategy, establishing specific market approaches for leading global brands in intelligent interactive display products, international renowned smart TV brand in small and medium-sized regional markets, and local leading brand customers in various regional markets. These types of clients exhibit diverse product needs, high customization demands, and flexibility. Additionally, well-known brands or local leading enterprises in niche markets possess substantial revenue scales, strong brand appeal, and robust risk resilience. As the market evolves, concentration is increasingly shifting towards these enterprises, leading to synchronized revenue growth for the Company as downstream clients expand their market scales and the number of customers increases.

The Company's primary clients are overseas, and since 2014, its market share in international markets has been steadily increasing. According to the Company's development plan for technical support and service centers, it intends to establish multiple centers globally, covering major smart display terminal markets in the EU, North America, Latin America, Africa, and Asia. Currently, the Company has established wholly-owned subsidiaries in Hong Kong, Taiwan, Seoul, Tokyo, California, Mexico City, Dubai, and Warsaw. This strategic layout allows the Company to penetrate various countries and regions, expanding its business scope and market share.

Through the MTO strategy, the Company can export raw materials in semi-assembled or unassembled forms to corresponding regions for local assembly. This enhances the overall turnover speed of the Company while reducing storage and logistics costs. Moreover, the MTO strategy improves resource utilization efficiency, allowing for greater investment in core areas such as R&D, thereby continuously enhancing the Company's core competitiveness. This layout is conducive to boosting brand influence, expanding market share, improving order responsiveness and delivery capabilities, and refining the Company's service network and technical service capabilities.

Global operations network



- 📍 Overseas Subsidiaries: Hong Kong (China), Taiwan (China), South Korea, Japan, America, Mexico, United Arab Emirates, Poland
- 📍 Overseas Office: India
- 📍 Overseas TSC: Mexico, Brazil
- 📍 Overseas Cooperative Factories: Taiwan (China), Vietnam, Thailand, India, Mexico, Brazil, Poland

Globalization

The Company has consistently focused on the R&D, design, production, sales, and services of smart display products. It has established a development model centered on "independent R&D", a production model based on "sales-driven manufacturing", a purchasing model guided by "production-driven procurement", and a sales model primarily based on direct selling.

The Company values customer service and develops its own brand business. At present, the Company's own brands are: "KTC" mainly engaged in e-sports display, smart home and other products; "Horion" mainly engaged in intelligent conference tablets and other products; and "FPD" mainly engaged in smart home and other products.

The Company adheres to the principle of integrity in its operations, continually enhancing customer service management and improving employee service awareness and capabilities. Through customer service hotlines, on-site visits, and follow-up services, it has built a positive corporate image among its clients.

The Company maintains long-term, stable, and cooperative relationships with suppliers at all levels, ensuring a regulated procurement process that protects suppliers' legitimate rights and fosters a strong reputation both inside and outside the industry.

Additionally, the Company has established internal and external channels for complaints and feedback, appointing professionals to conduct integrity supervision to uphold the Company's reputation and ensure a fair competitive business environment.

Global customer presence



Core Categories

KTC specializes in the R&D, design, production, and sales of smart display-related products. Our main offerings include smart interactive panels, innovative display products, professional display solutions, and smart TVs. Through years of dedicated development in the smart terminal display industry, we have established a unique "KDM" growth model.

The trend of AI empowering the smart display industry is becoming increasingly prominent. As display terminals serve as vehicles for text, audio, images, and video output, they are naturally suited for AIGC applications. KTC will deeply integrate AI technologies to reshape display terminal products in scenarios such as conference assistance, remote education, telemedicine, and entertainment, thereby providing new momentum for the growing demand in display terminal products.

Intelligent interactive flat panel

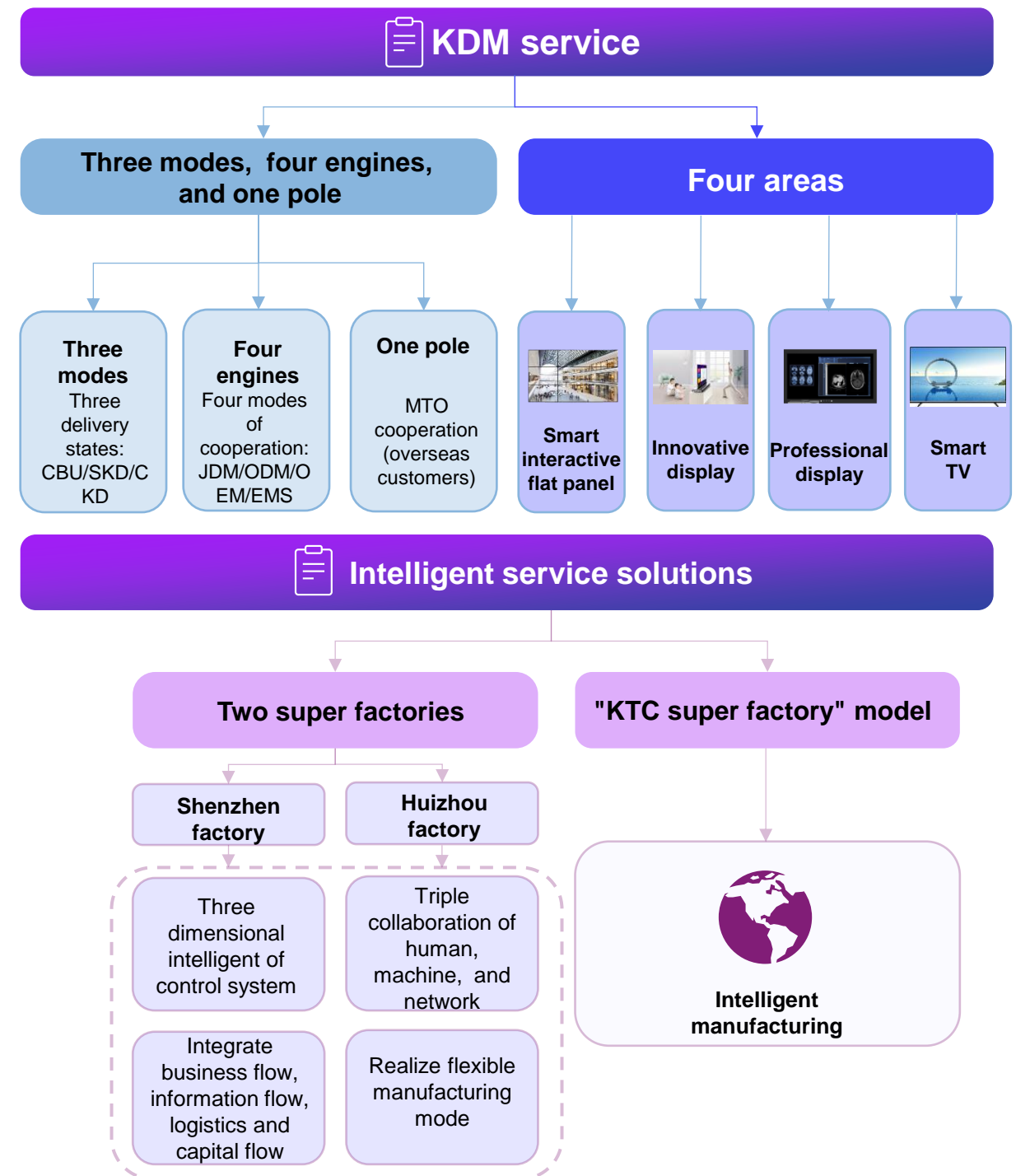
Professional display equipment

Innovative display product

Smart TV

Business Strategy

Leveraging our advanced capabilities in research, design, and manufacturing, the Company has developed the "KDM" service model, characterized by "three modes, four engines, and one pole", tailored for emerging markets like developing countries. We have established long-term partnerships with local king brands in regions such as Asia-Pacific, Latin America, and Africa.



Product Certification

Safety standard and wireless





Green certification (environment & performance)



Patents and labels

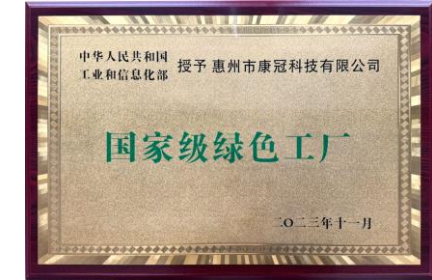



Company Honors

 National-Level Manufacturing Single-Item Champion Demonstration Enterprise 




National Green Factory




 National-Level Specialized and Innovative "Little Giant" Enterprise




 Provincial-Level Manufacturing Single-Item Champion Enterprise in Guangdong



 Smart Manufacturing Capability Maturity Level 3



 Top 100 Electronic Information Enterprise in China



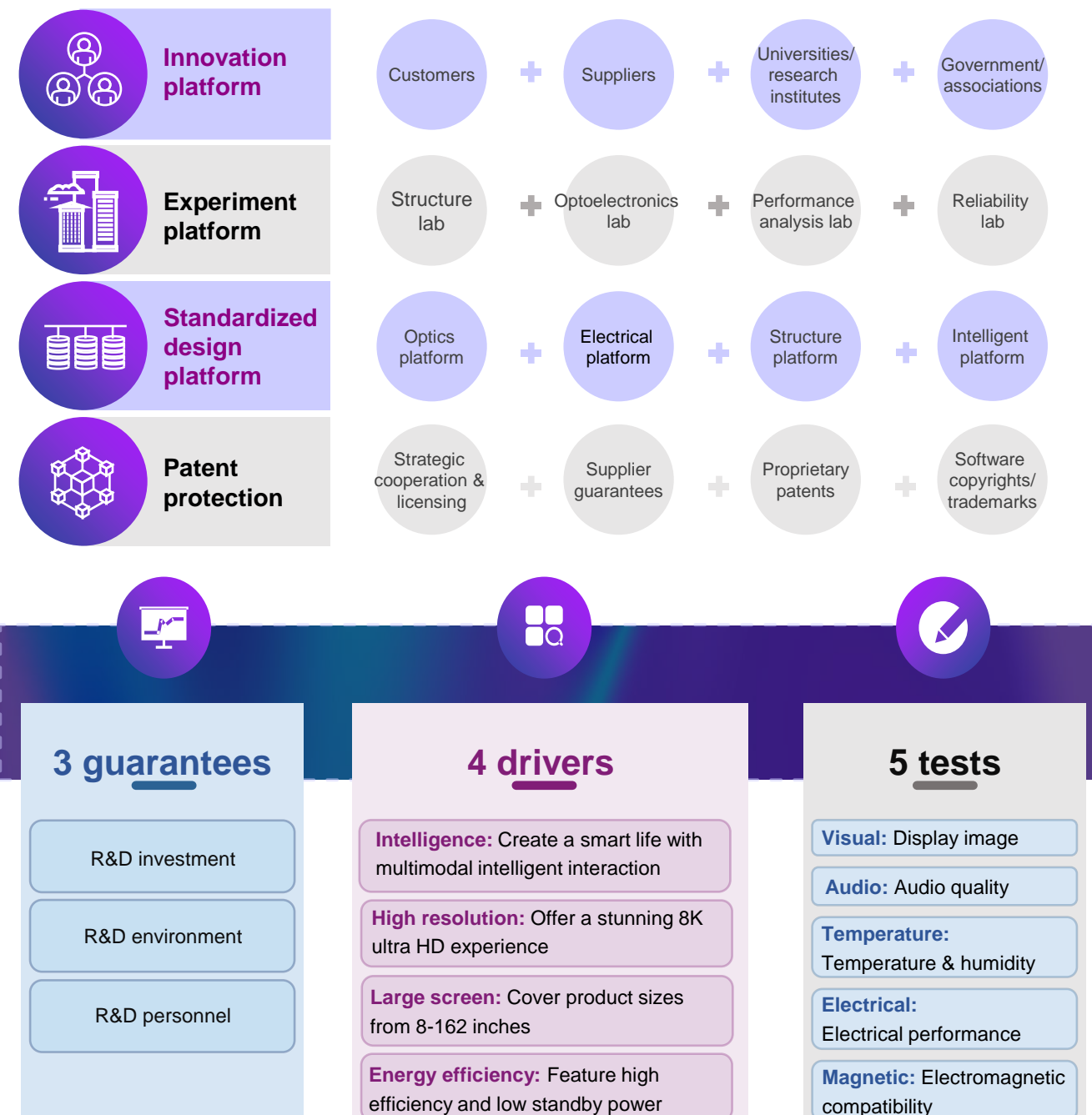
Themes

Building a Strong R&D Innovation
Foundation and Developing
Future Technologies



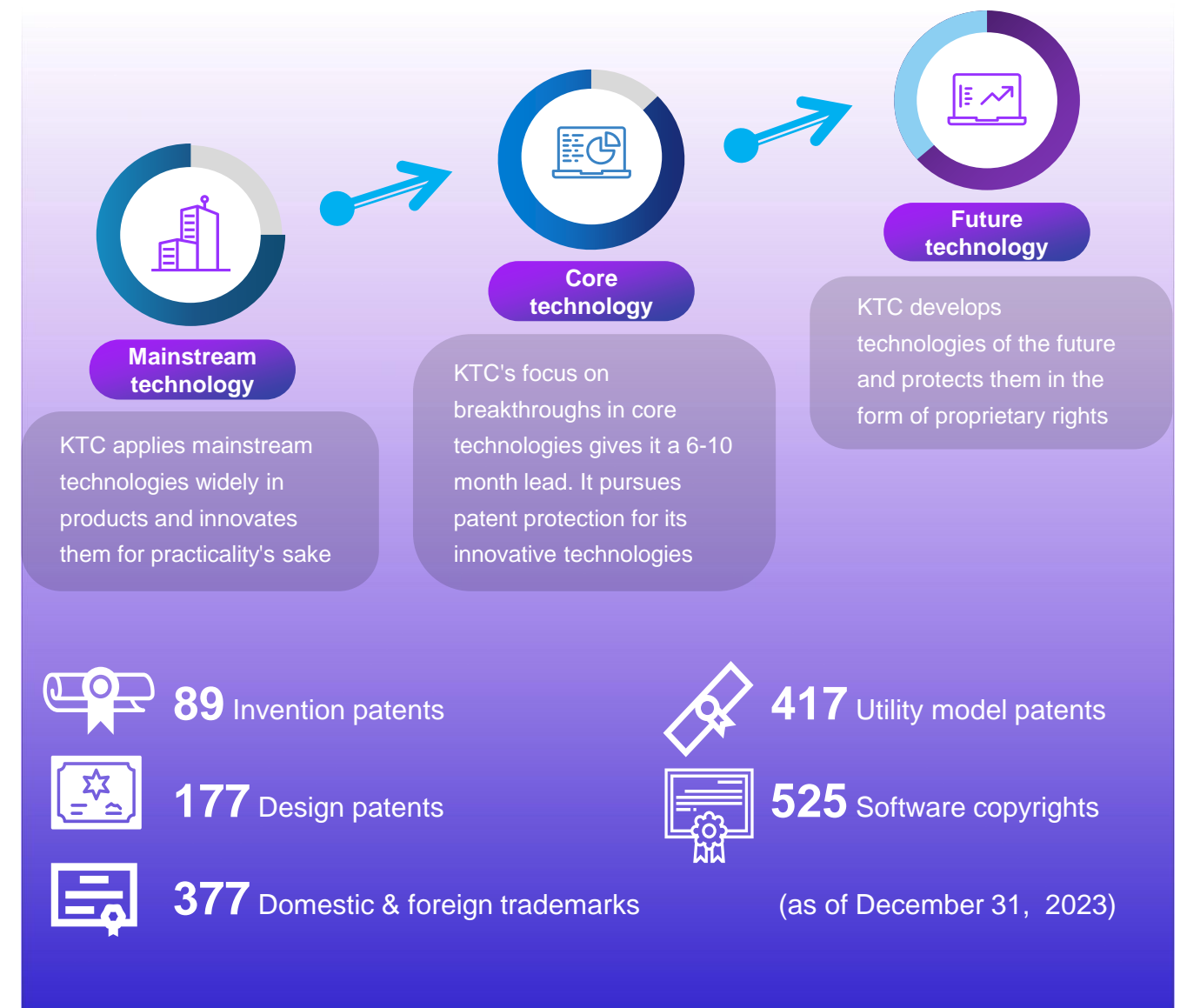
Building a Strong R&D Innovation Foundation and Developing Future Technologies

As a national high-tech enterprise, KTC sees technology as its lifeline. The Company focuses on sci-tech innovation and product applications. Through the establishment of a market-oriented technology innovation system, it continues to advance breakthroughs in core technologies to build core technology competitiveness. With a sound technical management system and R&D system in place, it has created a virtuous cycle of sci-tech innovation and industrial innovation.



Employing scientific and forward-looking thinking, KTC divides high tech into three categories based on their sophistication: mainstream technologies, core technologies, and future technologies. It will implement corresponding development and IP strategies for these technologies. With such a tiered strategic plan, KTC can invest resources more accurately to promote the progress and innovation of technologies at all levels.

By the end of December 2023, the Company had 89 invention patents, 417 utility model patents, 177 design patents, and 525 software copyrights.



Themes

Enabling Factories for
Smart, Green and
Flexible Manufacturing



Enabling Factories for Smart, Green and Flexible Manufacturing

KTC adheres to the concept of green and energy efficiency throughout the lifecycle of its development. The Company is committed to developing low-power, high-efficiency products to minimize environmental impacts. It has created a green design and manufacturing system, promoting clean production, clean energy, clean emissions, and energy conservation transformation in the pursuit of sustainability. It is building green and smart modern factories to support higher-quality green development under China's dual carbon goals.



Clean production

KTC has level 1 performance in the manufacturing industry, with a respective energy consumption and carbon emission of 8.56kgce and 42.24kgCO2e per RMB10,000 of output value.



Clean energy

KTC's distributed solar facilities in the Huizhou industrial park generated about 6,217.62MWh of electricity in 2023.



Energy conservation transformation

KTC uses permanent magnet variable frequency energy-saving air compressors to reduce power loss, noise and waste. Annual electricity savings can reach 169MWh.



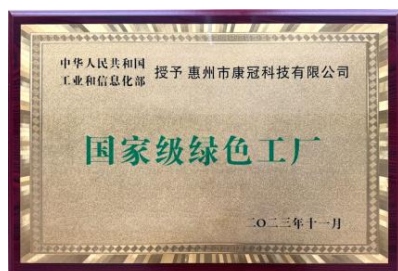
Clean emissions

KTC installs additional waste gas collection and treatment facilities for treatment of workshop waste gases using water membrane purification and activated carbon adsorption processes. Both the smoke and dust emission indicators are in line with the requirements of local laws and regulations in Guangdong province.

National Green Factory

National Industrial Product Green Design Demonstration Enterprise

National Green Design Product



With the continuous improvement of production lines, KTC has continued to optimize modular designs, personalized customization, and personalized product databases. It has established a data-driven system from R&D, design and production to marketing and supply chain management to respond to customer needs quickly and at low cost. Currently, it has an annual production capacity of 15 million smart TVs and smart interactive panels, meeting the production requirements for display terminal products in sizes ranging from 8-162 inches.

Intelligent production process

Implement enterprise resource planning (ERP) system integration to enable IT-based and digital production management and allow for optimized management of quality, information, technology, and resources



Intelligent equipment management

Change the traditional management model, analyze scheduling issues in production process transformation, and reasonably schedule production

Intelligent production decision-making

Provide better data reference for production decision-making through the combination of enterprise management, product lifecycle management, supplier bidding and other systems

18
Smart display CBU production lines

21
Display LCM production lines

14
Machine board production lines

12
Light bar production lines



Machine board production line



SMT production line



Light strip production line



Die-cutting production line



Automatic backlight module production line



Display device production line

Sustainability Management

KTC integrates sustainable development into its overall corporate strategy, focusing on climate change risks and opportunities, employee rights protection, responsible supply chain management, and business ethics to seize the opportunities of the new era.

Internally, we continuously monitor leading trends in sustainability, benchmark against industry best practices, and enhance our internal management capabilities. Externally, we establish regular communication channels, actively listen to and respond promptly to stakeholder concerns, and work collaboratively with businesses and society towards a more sustainable future.

Contents for this chapter:

- Environmental, Social, and Governance (ESG) System
- Response to Sustainable Development Goals (SDGs)
- Stakeholder Communication
- Identification of Material Issues

The SDGs addressed in this chapter



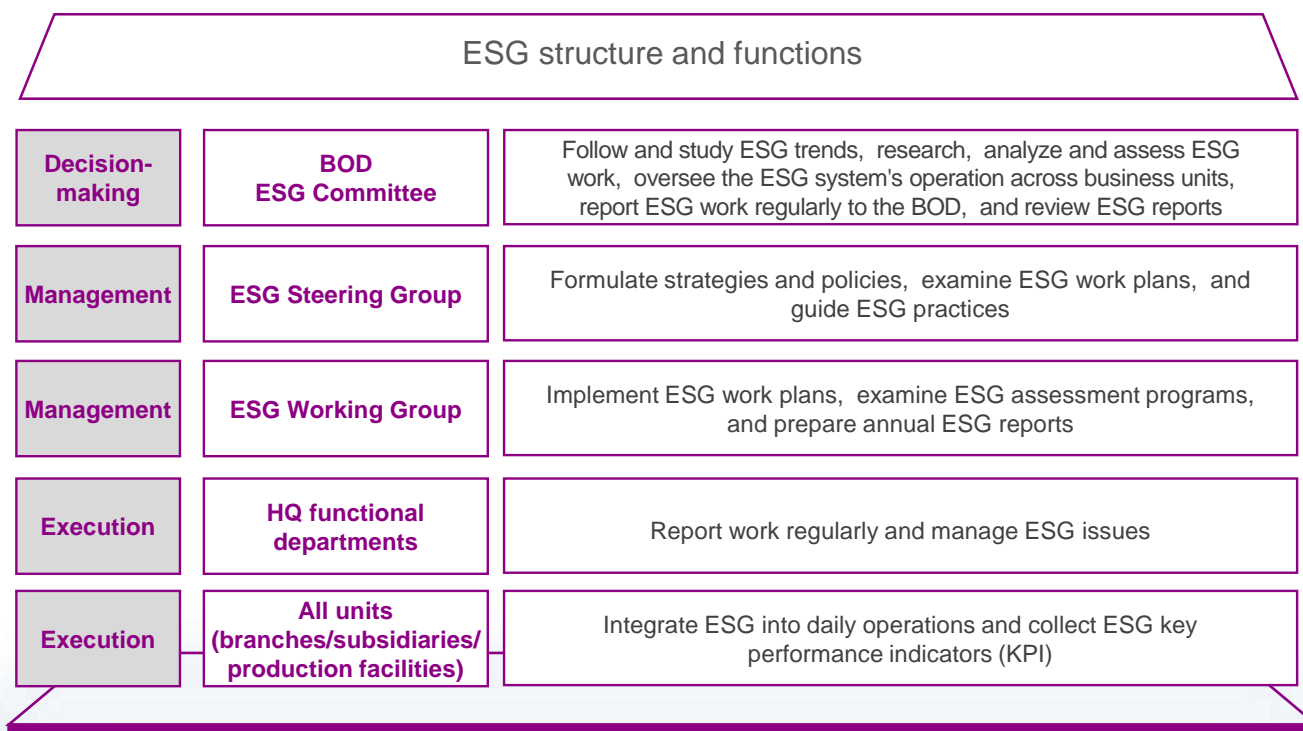
ESG System

KTC applies the concept of sustainability in practice. It embeds ESG into the operational fabric and implements an institutionalized and systematic management system to ensure the effective implementation of the sustainability concept.

As part of continuous improvements to the top-down ESG management framework, the BOD set up an ESG Committee in August 2024 and created the Working Rules for the ESG Committee. Covering the Company and its subsidiaries, the ESG system has established a three-tier ESG management framework with complete structure, clear hierarchy, well-defined powers and responsibilities, and efficient operation to ensure the efficient promotion of ESG work.

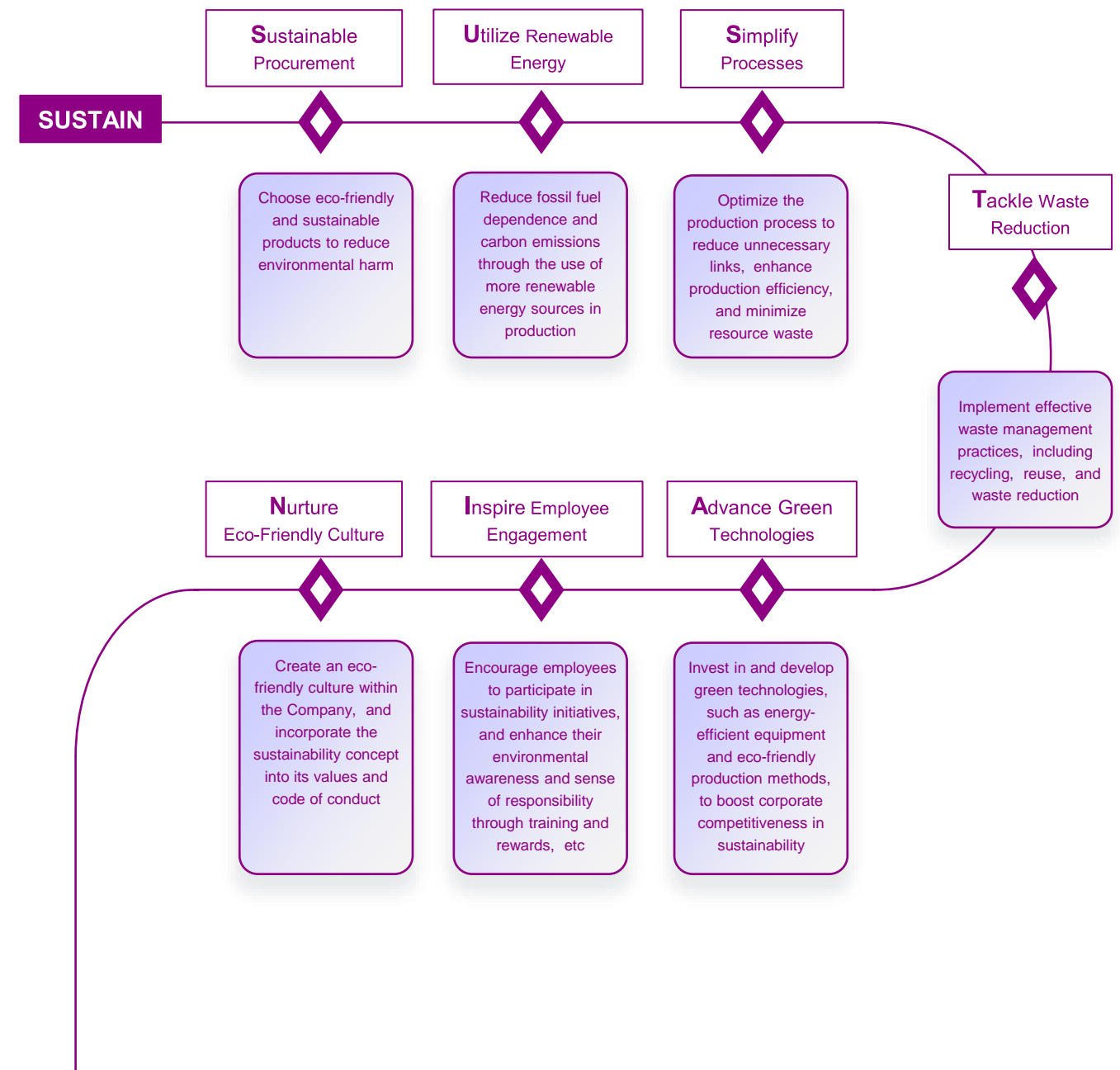
The BOD has authorized the ESG Committee to be responsible for the Company's ESG work, including formulating relevant policies and measures. The Committee is headed by Chairman Ling Bin, and its members include Director and General Manager Li Yubin and Independent Director Yang Jianjun. It makes decisions and oversees the planning and implementation of sustainability management matters.

Governance Framework



Sustainability Concept

KTC focuses more on the coordinated development of stakeholders than expansion of its scale and capabilities. In 2024, the Company has devised its own sustainability concept: SUSTAIN. Based on this concept, it will continue to support long-term, stable corporate development through positive and effective sustainability practices while contributing to the environment and society.



Response to Sustainable Development Goals (SDGs)

Location	Strategy	Mid-term action objectives	Performance in 2023	
Corporate Governance 	Enhance the comprehensive governance capability of enterprises	The proportion of female executives is steadily increasing	Female executives account for 7.14%	
		The BOD fulfills its ESG management obligations	The BOD has established a new ESG Committee in 2024, responsible for managing the Company's ESG related affairs	
		Establish a culture of integrity and compliance in business operations	Maintain employee business ethics training coverage	100% of employees have received anti-corruption training
			Communicate the Company's anti-corruption policies and procedures to all business partners	100% of anti-corruption policies and procedures have been communicated to business partners
	Strengthen management transparency and accountability management mechanism	Conduct investor communication through various channels	Four regular reports and 165 interim announcements were issued and one results briefing was held.	
		The major ESG ratings in the market are steadily improving	Wind ESG rating is BB	
	Strengthen the construction of data security system	No customer privacy leakage incidents	There were no incidents of customer privacy breaches	
		Strengthen the construction of data security governance	The Company has obtained ISO 27001 information security management system certification	
	Environmental and Ecological Protection 	Improve sustainable low-carbon development goals	Continuously improve and optimize the environmental management system (EMS)	In 2023, there were no environmental pollution incidents
			Explore the development of greenhouse gas (GHG) emission reduction targets that align with the Paris Agreement and match the Company's stage of development	The Company has gradually carried out carbon verification work and will gradually promote the formulation of carbon targets by 2024
Increase the proportion of clean energy usage year by year			In 2023, self-built photovoltaic power generation reached 6,217.62MWh, up 52.6% YoY	
Advocate suppliers to fulfill their environmental and social responsibilities			KTC is gradually implementing supplier ESG management, and the percentage of newly added suppliers using ESG dimension evaluation in the current period is 100%	
Enhance the comprehensive recycling level of resources		Continuously optimize the energy management system	In 2023, the unit revenue electricity consumption was 30.4 kWh/RMB10000, a decrease of 9.32% compared to 2020	
		Continuously optimize the water resources management system	In 2023, the unit revenue water consumption was 0.1833 m³/RMB10000, a decrease of 12.13% compared to 2022	
		The scale of recycling harmless waste is increasing year by year	In 2023, the total amount of general industrial solid waste recycling and reuse reached 7,420.60 tonnes, and the recycling rate of harmless waste will continue to improve	

Location	Strategy	Mid-term action objectives	Performance in 2023	
Technology Creates High-quality Life 	Promote intelligent manufacturing and green manufacturing	Promote the construction of green factories	Huizhou KTC has been awarded the title of "National Green Factory"	
		Strengthen the HSF hazardous substance management system	The Company has passed the QC 080000 hazardous substance process management system certification	
		Continuously expand the scale of renewable energy use	By 2023, the scale of self built photovoltaic power generation reached 6,217.62MWh	
		Strengthen the quality management system	Enhance the coverage of quality management system certification	The Company and all major production bases have passed ISO 9001 quality management system certification
	Encourage core technology research and innovation, and promote the application of low-carbon technologies	Focus on cutting-edge technology research and development	The Company has accumulated 1,208 authorized patents and software copyrights	
		Seize the opportunity of AI application	The Company is continuously integrating cutting-edge technologies such as AR, VR, and AI into the new generation of display products	
	Avoid AI application risks			
	Industrial Cooperation and Social Responsibility 	Promote prosperity among stakeholders	Maintain a high proportion of localized procurement	In 2023, KTC's localization procurement rate was 80%
			The growth rate of funds invested in community development is greater than or equal to the Company's net profit growth rate	In 2023, the Company's total charitable donations amounted to RMB6.19 million, with approximately 220 employees participating in charitable/volunteer activities, and employees providing approximately 15,476 hours of volunteer community service
Talent Development and Care 	Ensure life, health, and employee development	The signing rate of labor contracts is 100%	In 2023, all formal employees signed labor contracts	
		No major human rights violations	No major human rights violations have been found	
		Continuously improve the safety production management system	In 2023, there were no work-related deaths among employees, suppliers, and contractors	
		Build a diverse, inclusive, and equal workplace	Continuously promote the scientific and rational adjustment of salary, improve the promotion system and mechanism	
		Maintain a 100% coverage rate of occupational disease physical examinations for current employees	By 2023, the coverage rate of occupational disease physical examinations for in-service employees was 100%	
		The coverage and duration of employee training remain at the forefront of the industry	In 2023, the employee training coverage rate was 99.69%	
			In 2023, the average training time per person was 89.88 hours	

Stakeholder Communication

In 2023, KTC maintained a strong focus on feedback from various stakeholders across society, who expressed diverse expectations regarding the Company's ESG initiatives. Guided by ESG principles, the Company established regular communication mechanisms with stakeholders through multiple channels. Leveraging its extensive industry experience and deep understanding of ESG concepts, the Company effectively addressed the concerns raised by all parties.

Stakeholders	Topics of concern		Communication channels	
Shareholders and Investors	Corporate Governance Strengthen Investor Relations Management	Management of IP Rights Anti Commercial Bribery and Anti Corruption	General Meeting of Shareholders Information Disclosure	Performance Briefing Domestic and International Strategy Meetings
Customers	Innovation-driven Development Data Security and Customer Privacy	Customer Service Responsible Marketing	Innovation in Scientific Research Customer Privacy Protection Measures	Customer Service System
Government and Regulatory Authorities	Corporate Governance Compliance and Risk Control Anti Unfair Competition	Public Welfare and Charity Rural Revitalization Common Progress in the Industry	Supervision and Inspection Receiving Visitors	Policy Implementation
Employees	Employees' Rights and Interests Talent Development	Occupational Health and Safety	Employee Activities Employee Assessment and Promotion	Employee Training
Suppliers	Supply Chain Safety Anti Commercial Bribery and Anti Corruption	Equal Treatment for Small and Medium Enterprises Common Progress in the Industry	Cooperation and Transactions Daily Communication	Contract Execution
Community and Ecological Environment	Energy Utilization Water Resource Utilization Waste Disposal Campaign against Climate Change	Pollutant Discharge Environmental Compliance Management Circular Economy	Waste Management System Conservation Management System	Low Carbon Awareness Cultivation
Academic Institutions	Innovation-driven Development Talent Development	Public Welfare and Charity Common Progress in the Industry	Academic Exchanges Industry-university-research Cooperation	Talent Cooperation Projects Vocational Education

Identification of Material Issues

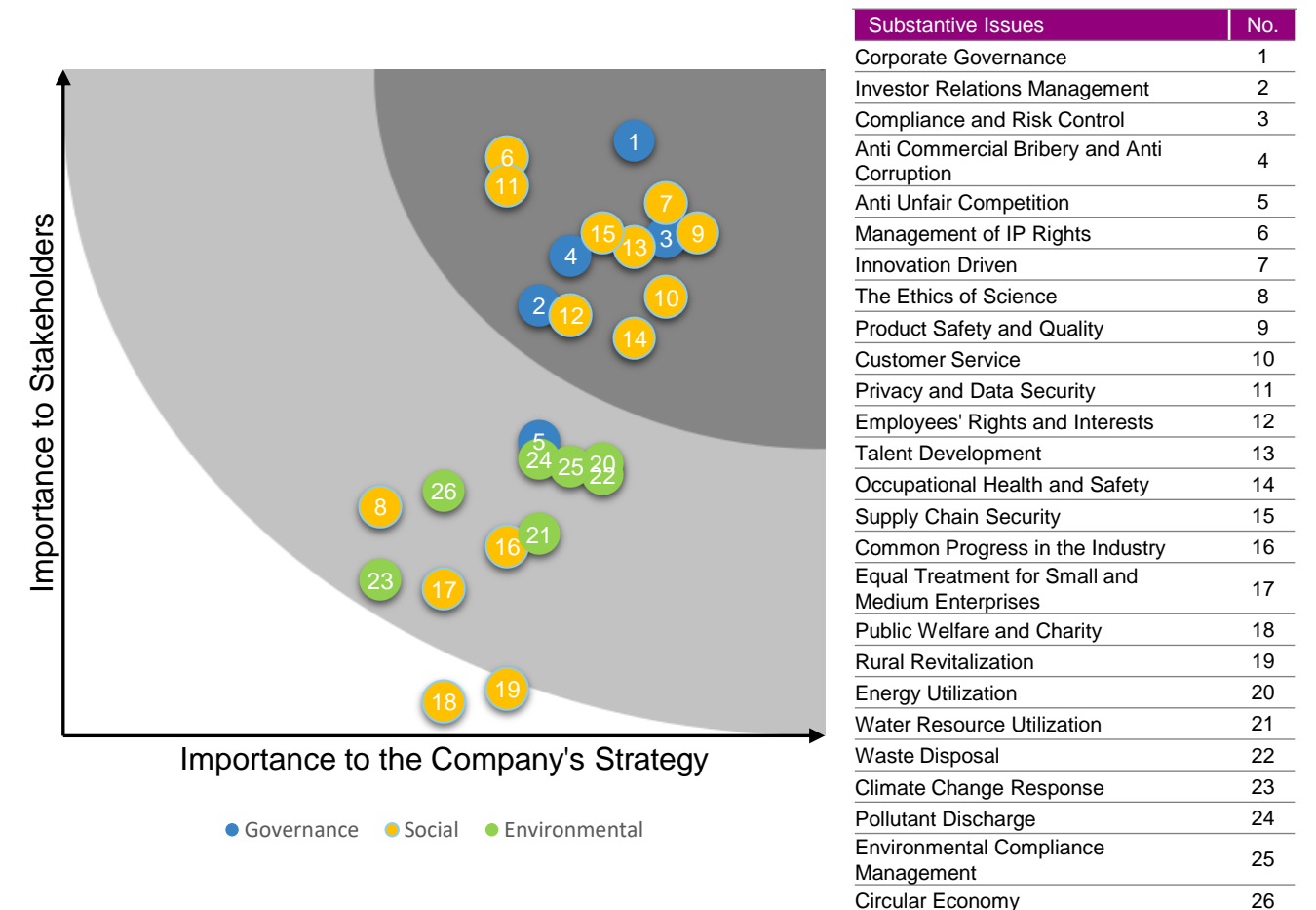
In 2023, the Company undertook the identification of sustainability issues, along with the assessment and selection of their significance. The report provides disclosures and responses regarding the management and performance of the 26 identified issues.

In the identification phase, the Company integrated international standards (such as GRI and SDGs), significant national socio-economic issues, industry sustainability trends, and its own development strategy to pinpoint critical issues that impact both the Company and its stakeholders, thereby establishing a substantial issue database.

During the assessment phase, the Company invited experts and stakeholders from the sustainability field to complete questionnaires on the significance of the identified issues. This input, combined with evaluations from internal employees, created a two-dimensional assessment of issue importance.

In the selection phase, the Company utilized the evaluation results to construct a materiality analysis matrix, resulting in a ranked list of issues based on their significance. High-priority issues were highlighted for in-depth disclosure and analysis in the report.

KTC ESG Material Issues Evaluation Results



01

Stable Operations, Solid Governance

In the context of the Company's proactive globalization strategy, it is encountering unprecedented opportunities and challenges. The governance capability of the Company plays a crucial role in navigating a complex and dynamic market environment. Consequently, "governance excellence" has become a key metric for evaluating overall corporate strength. The Company has meticulously refined its governance structure and risk management mechanisms to safeguard investors' legitimate rights and interests. It adheres to high standards of business ethics and compliance requirements, strengthens integrity culture, protects information security, and ensures the privacy of customers and employees. Furthermore, it emphasizes product quality and R&D, continually enhancing its overall competitive edge.

ESG Key Performance

- ✓ In 2023, the Company has had three independent directors, accounting for 42.86% of the board members.
- ✓ In 2023, the Company held 3 shareholder meetings, 8 BOD meetings, and 8 Board of Supervisors (BOS) meetings.
- ✓ In 2023, the percentage of employees who received anti-corruption training was 100%.
- ✓ In 2023, a dividend of RMB412 million was distributed, with a dividend payout ratio of 32.12%.

ESG Mid-term Goals

- ✓ The BOD is fulfilling its ESG management responsibilities and steadily increasing the rate of female executives.
- ✓ Maintain the coverage of employee business ethics training.
- ✓ Communicate the Company's anti-corruption policies and procedures to all partners, and regularly engage in investor communication.
- ✓ Enhance the ESG rating of the Company.
- ✓ Strengthen the construction of data security governance, with no incidents of customer privacy breaches.

The SDGs addressed in this chapter



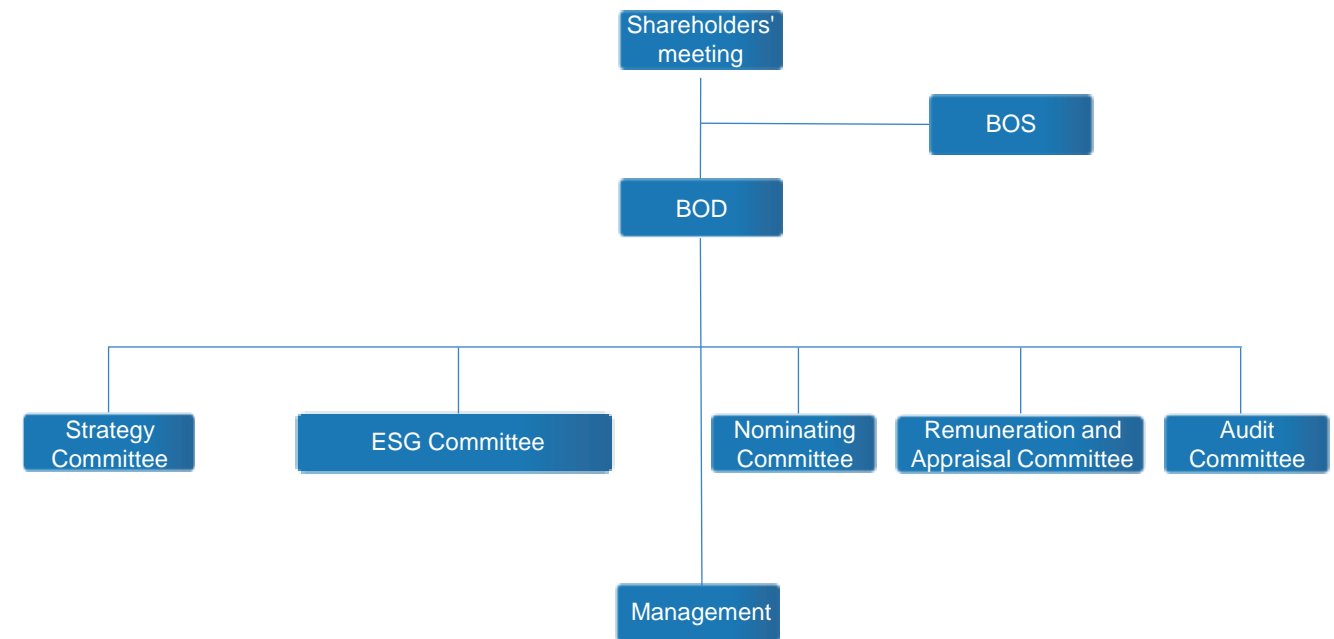
Corporate Governance

KTC's BOD is committed to safeguarding the legitimate interests of the Company and shareholders. It performs management duties, improves corporate governance capabilities, enhances Board independence and diversity, interacts with investors, engages in investor relations management, and standardizes information disclosure.

Management System

The Company carries out standardized operations in strict accordance with relevant national laws, regulations and normative documents, such as the Company Law of the People's Republic of China (PRC), the Securities Law of the PRC, and the Code of Corporate Governance for Listed Companies. It has established a corporate governance structure with clear rights and responsibilities, effective checks and balances, scientific decision-making, and coordinated operation.

As of the disclosure of this report, the BOD has established five committees, including the Audit Committee, Strategy Committee, Nominating Committee, Remuneration and Appraisal Committee, and ESG Committee, which provide consultation and suggestions for major decisions of the Board to ensure professional and efficient discussions and decision-making. The Company has built a corporate governance structure including the shareholders' meetings, the BOD, the BOS, and management. In 2023, the Audit Committee held five meetings, the Strategy Committee held two meetings, the Nominating Committee held one meeting, and the Remuneration and Appraisal Committee held five meetings.



Corporate governance KPIs

Indicator	Unit	2021	2022	2023
Number of shareholders' meetings	/	4	3	3
Number of BOD meetings	/	5	8	8
Number of BOS meetings	/	4	8	8

BOD Diversity and Independence

The Company has a history of exploring diversity in the Board room. By end-2023, three, or 42.86%, of its seven Board members were independent directors. Board members, with a wealth of knowledge and experience in fields such as industry, corporate management and financial accounting, help the BOD make the best decisions and promote sustainable and healthy corporate development. See the 2023 Annual Report for Board member backgrounds.

All the Company's independent directors are professionals in accounting, legal, technology, and other fields. They meet the independence requirements set out in the Measures for the Administration of Independent Directors of Listed Companies, the Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange – Standard Operation of Companies Listed on the Main Board, and the Working System for Independent Directors of Shenzhen KTC Technology, including not holding any other positions in the Company except independent directors, not having any relationships with the Company, its controlling shareholder or affiliated companies that may affect their independent and objective judgment, and not receiving any extra, undisclosed benefits from the Company, its controlling shareholder or affiliated companies.

Shareholders' meeting	<ul style="list-style-type: none"> The Company's authoritative body, composed of all shareholders. Decide on the Company's business policies and investment plans. Appoint and remove directors and supervisors who are not employee representatives, and decide on the remuneration of directors and supervisors. Examine and approve the reports of the BOD and the BOS. Examine and approve the Company's proposed annual financial budget and final accounts.
BOD	<ul style="list-style-type: none"> Composed of seven directors, including three independent directors. The BOD shall have a Chairman and may have a Vice Chairman. The Chairman and Vice Chairman shall be elected by a majority of the BOD. Convene the shareholders' meeting and report work to the shareholders' meeting. Implement the resolutions of the shareholders' meetings. Decide on the Company's business plans and investment plans. Formulate the Company's proposed annual financial budget and final accounts.
BOS	<ul style="list-style-type: none"> The BOS consists of three supervisors and shall have a Chairman. The Chairman shall be elected by a majority of the BOS. Review regular reports prepared by the BOD and provide written opinions. Check the Company's finances, supervise the performance of the Company's duties by directors and senior managers, and make recommendations for the removal of directors and senior managers who violate laws, administrative regulations, Company Articles of Association, or shareholders' meeting resolutions.

Investor Protection & Sustainable Dividends

In accordance with the Company Law of the PRC, the Securities Law of the PRC, the Working Guidelines for the Relationship Between Listed Companies and Investors, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and other relevant provisions, the Company has formulated the Investor Relations Management System of Shenzhen KTC Technology. The move aims to standardize communication between the Company and its investors and boost investor recognition and support for its value to enable value maximization and investor rights protection.

The Company maintains close, stable contact and communication with investors in various forms, such as results briefings, strategy conferences, reverse roadshows, the Hudongyi platform of the Shenzhen Stock Exchange and the investor hotline, and through multiple channels, including the Company's official website and its WeChat official account.

In 2023, four regular reports and 165 interim announcements were issued and one results briefing was held.

In compliance with the Regulatory Guidelines for Listed Companies No. 3 – Distribution of Cash Dividends of Listed Companies issued by the China Securities Regulatory Commission and the Articles of Association of Shenzhen KTC Technology, the Company shall implement a continuous and stable profit distribution policy that emphasizes reasonable investment returns to investors and takes its actual operating conditions and sustainable development into account. The profits distributed by the Company shall not exceed the amount of accumulated distributable profits or undermine its ongoing operation. The BOD, the BOS and the shareholders' meeting shall fully consider the opinions of independent directors and public investors in the decision-making and deliberation process of the profit distribution policy. The Company may distribute profits in cash, stock, a combination of cash and stock, or other forms permitted by laws and administrative regulations. If the conditions for cash dividends are satisfied, priority shall be given to cash dividends for profit distribution.

In 2023, the Company paid RMB411,943,567.80 (tax inclusive) in cash dividends, with a payout ratio of 32.12%.

Prevention of Conflicts of Interest

In accordance with the Company Law of the PRC, the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange (2023 Revision), the Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange – Standard Operation of Companies Listed on the Main Board, the Self-Regulatory Guidelines No. 7 for Companies Listed on Shenzhen Stock Exchange – Transactions and Related Party Transactions, the Articles of Association of Shenzhen KTC Technology, and other relevant provisions, the Company updated the Related Party Transaction Management System of Shenzhen KTC Technology in December 2023.

KTC's principles for related party transaction management



In 2023, the Company's related party transactions were normal business transactions which were carried out based on its normal operations and business development needs. These transactions followed the principle of fair market trading, with fair and reasonable prices. The Company performed the requisite decision-making procedures and information disclosure obligations for the transactions, causing no harm to the interests of its shareholders, especially smaller ones.

Director and Executive Remuneration and Appraisals

In compliance with laws and regulations like the Labor Law of the PRC and Company rules including the Articles of Association and the Working Rules for the Remuneration and Appraisal Committee, and given factors such as industry and regional pay, KTC's Remuneration and Appraisal Committee formulates remuneration policies and plans and performance appraisal standards as well as conducts appraisals for its directors and senior management.

The Company attaches particular importance to issues like work safety, environmental protection, compliant operation, and business ethics and correlates them with performance appraisal. The Human Resources (HR) Department directly links performance appraisal results for grossly negligent employees to changes in their pay, bonuses, and positions.

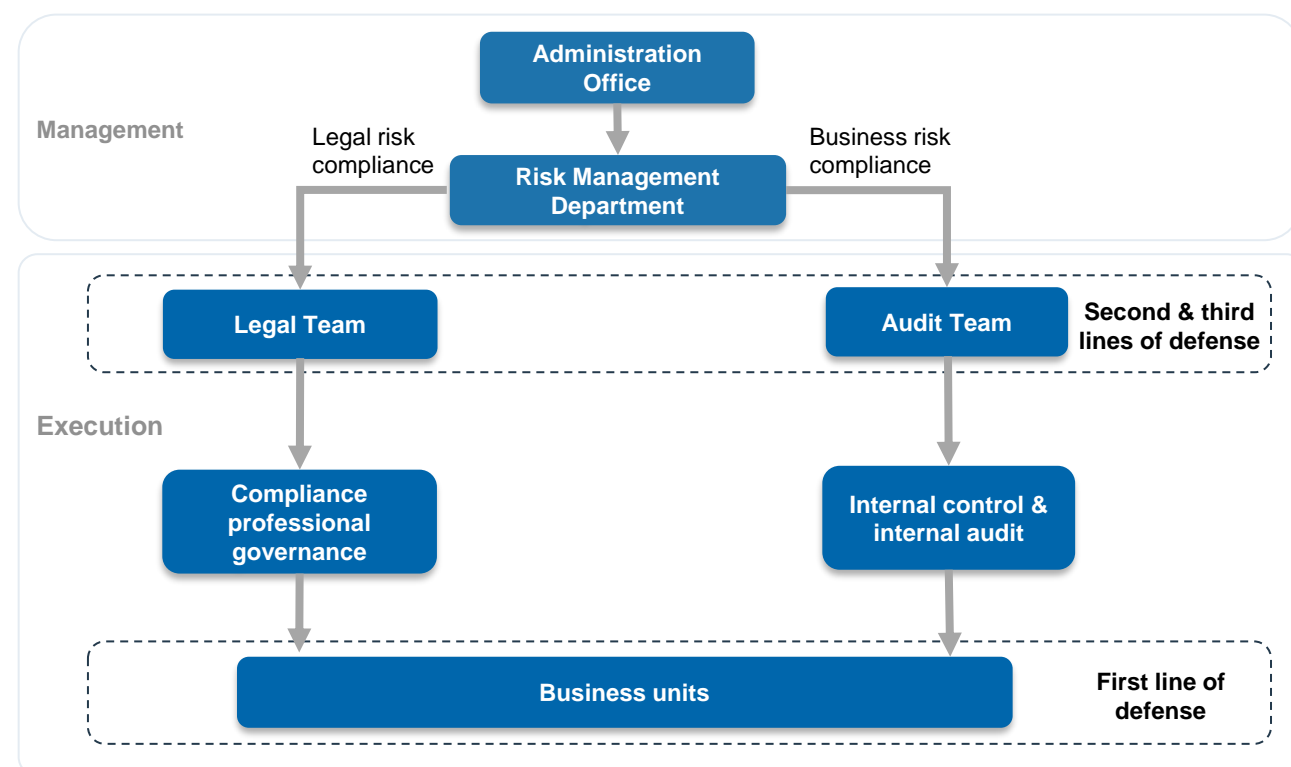
Compliance Management and Business Ethics

Compliance Management

At a corporate governance level, KTC adheres to the bottom line of compliant operation. It puts a strict management system in place, unifies risk control standards, and breaks down risk management content, as part of comprehensive and in-depth compliance management for products and services.

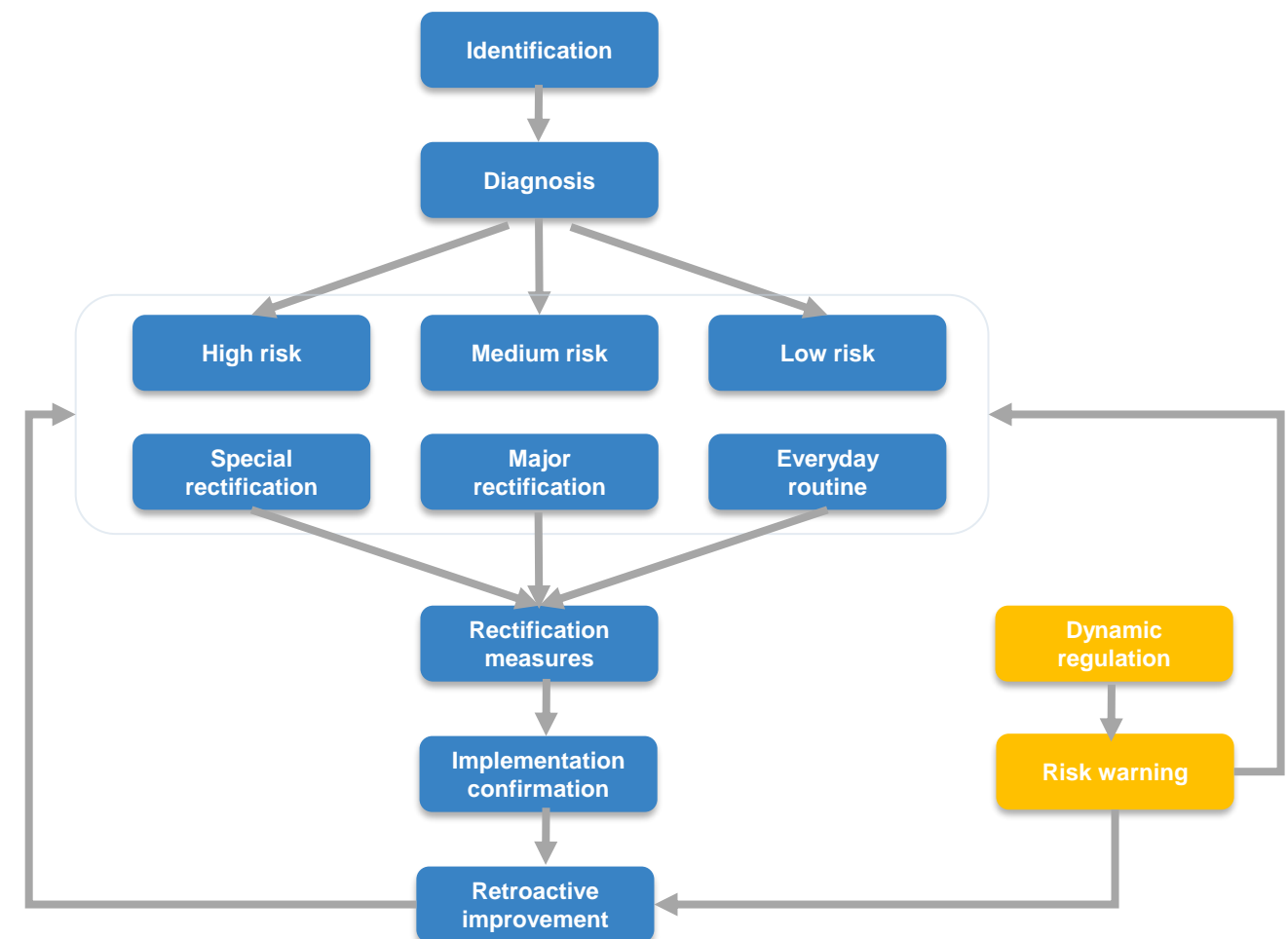
Compliance Management Framework

When it comes to the compliance management system, the Company's Administrative Office has set up a Risk Management Department. The Company has established a compliance governance framework consisting of three lines of defense. Business units constitute the first line of defense, responsible for controlling compliance risks at the forefront of business development. The Legal Team operates as a second line of defense, conducting compliance risk review and supervision from a legal perspective. The Audit Team acts as the third line of defense, auditing and evaluating the Company's business compliance.



Compliance Management System

To strengthen compliance management, the Company has, in line with the ISO 37301 compliance management system, formulated policy regulations such as the Commitment Control Procedure of the Company and the Management Accountability and Responsibility Control Procedure to form its own compliance management system. The Risk Management Department systematically identifies and manages the Company's compliance risks based on the rules and regulations.



Compliance Culture Development

KTC is keenly aware of the importance of compliance publicity in developing a corporate compliance culture. The Company organizes regular training sessions and publishes special issues on compliance to continuously strengthen compliance awareness among employees. Not only does this deepen employee understanding of the importance of compliance, it also promotes the Company's internal compliance culture and safeguards its steady development.

The Company continues to emphasize the importance of compliance culture and compliance awareness in daily training sessions, meetings and work communications. During communications with customers and important stakeholders, it stresses the emphasis placed on compliant operations in related documents and product materials, and engages in dialogue with external stakeholders on compliant operations to explore more ways of compliance culture development.

Case study | KTC employee compliance training

In 2023, the Company conducted compliance training and examinations for all employees. The courses cover eight topics, including compliance management system basics and anti-trust, data privacy compliance, advertising compliance, contract management, seal management, legal dispute resolution, trade secret protection, and export control and economic sanctions.

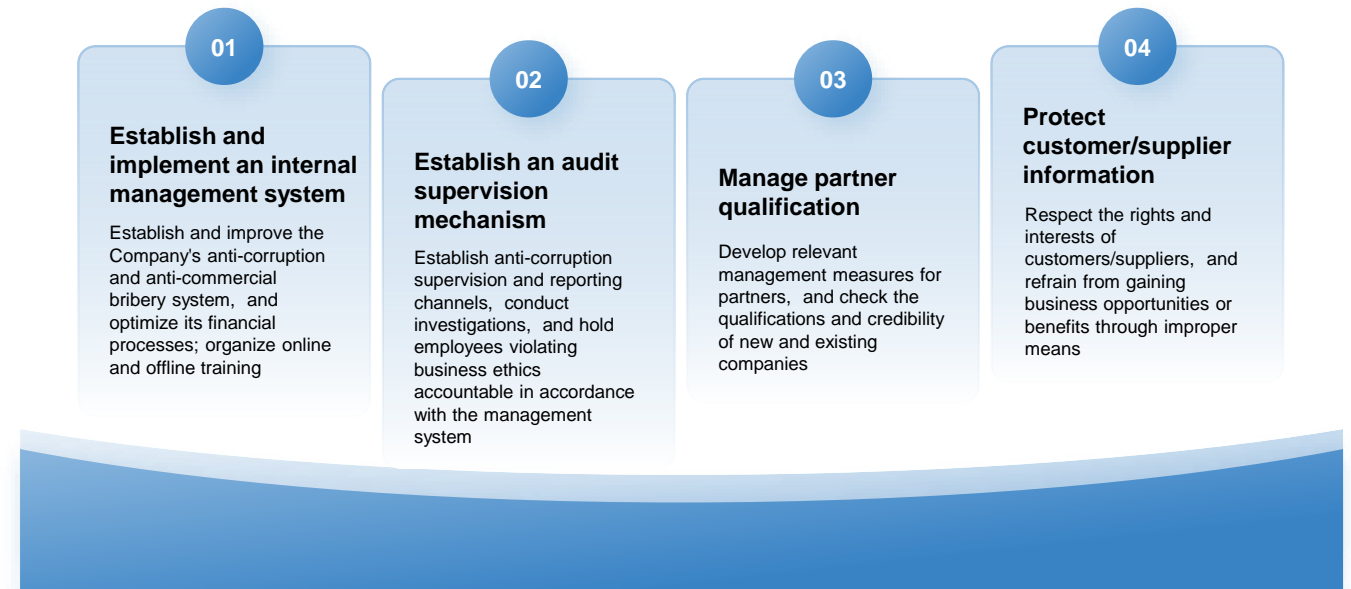


Anti-corruption Management

The Company strictly complies with the national laws, regulations, and standards related to anti-corruption and anti-bribery. In line with international initiatives such as the United Nations Convention against Corruption and the Business Principles for Countering Bribery, it has formulated the Integrity Operation Control Procedure and other relevant system documents to manage anti-commercial bribery and anti-corruption risks.

Anti-corruption Management System

Anti-corruption is an important core issue in corporate governance. The Company attaches great importance to the construction of business ethics. Company executives are fully involved in business ethics supervision and have established a comprehensive supervision and management system from four perspectives, including compliance and integrity management, employee compliance awareness training, supplier evaluation and supervision, and internal reporting and corrective actions. The Company has also set up a sound supplier evaluation and supervision mechanism, covering onboarding, performance, supervision, risk management and other aspects.



When it confirms cooperation with suppliers and decides to onboard them, KTC reaches a Transparent Cooperation Agreement with them, requiring them to follow the Company's regulations concerning integrity management and make available reporting tools such as telephone numbers, WeChat platforms, and emails. KTC signed the Transparent Cooperation Agreement with all suppliers in 2023.

Corruption Risk Identification, Assessment & Management

In 2023, KTC conducted a comprehensive, in-depth identification of major corruption-related risks. Procurement positions, a critical link in the flow of materials in and out of the Company, are exposed to corruption risks in relation to supplier selections and price negotiations. Financial positions, which are in charge of the Company's financial lifeline, need to stay vigilant against corruption in fund approval and accounting. Sales positions are in close contact with the market and may face corruption challenges in customer development and sales policy implementation. Production and warehouse management positions are subject to corruption risks in material management and production process control.

Develop a strict procurement process and standards

Strengthen supplier qualification review and risk assessment, build supplier profiles, and implement an open, transparent tender and bidding system

1

Enhance the supervision and audit of financial personnel

Implement an internal audit and approval system and create a clear and transparent financial system

2

Establish a sound sales management system

Standardize the sales process and operations, strengthen sales staff training and supervision, and prohibit collusion with customers and kickbacks

3

Implement internal control management programs regularly

Monitor internal control implementation across the Company in line with listed company requirements, and carry out risk inspection for its major business processes such as procurement, sales, funds management, and financial reporting

4

Carry out special audit projects from time to time

Perform special audits of the Company's high-risk businesses, including after-sales, regional sales, and supply chain operations

5

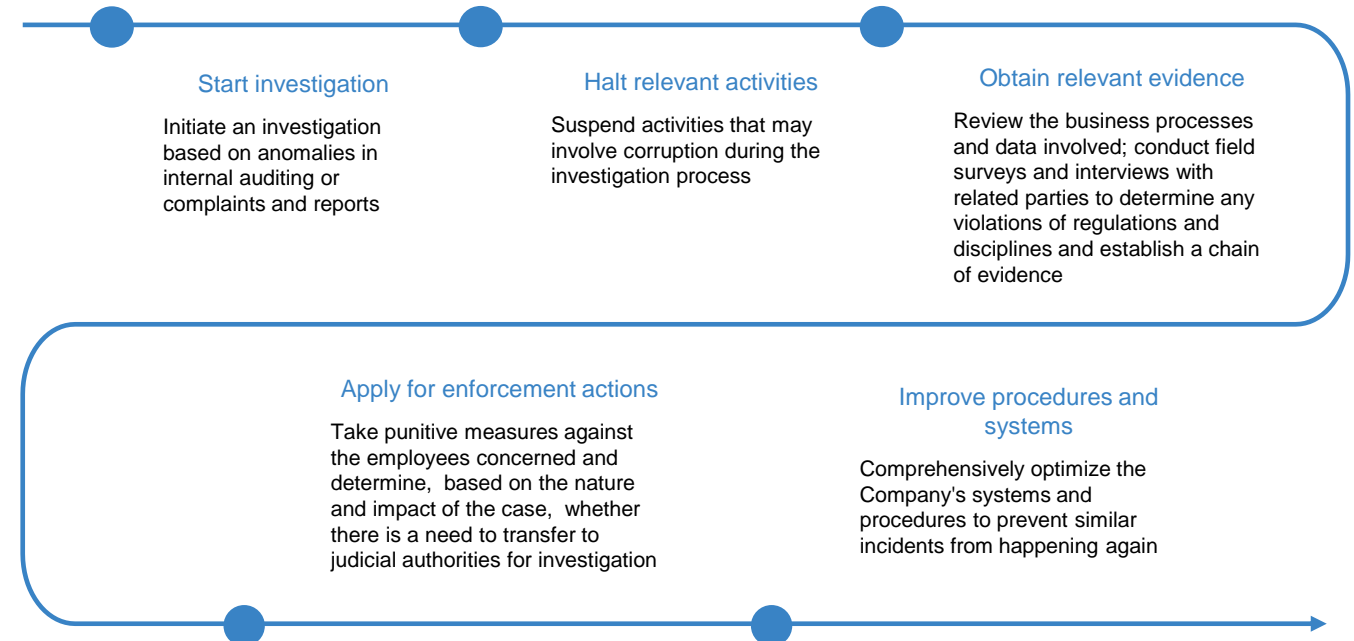
Establish public reporting channels

Both the Company's employees and external partners can make reports by phone/email, through the WeChat official account, etc. An audit inspection team is established to investigate reports after preliminary screening and review

6

KTC strictly adheres to relevant rules and regulations and has clarified detailed procedures for the handling of corruption cases. The five steps are carried out in an orderly manner, including initiating the process to launch an investigation quickly, halting the relevant activities to prevent further loss, obtaining relevant evidence to ensure fair handling, applying for actions to enforce accountability, and improving procedures and systems to upgrade management.

KTC's process of handling corruption cases



Anti-corruption Training

Reflecting the importance attached to anti-corruption training, the Company requires employees to take internal training courses and pass exams. It also provides training seminars from time to time to explain the integrity system to key staff such as procurement and sales.

Case study | KTC anti-corruption training for new on-campus hires

Through a series of training on compliance, integrity and self-discipline in 2023, the Company aims to prepare on-campus-recruited new employees for incorruptibility and remind them to maintain integrity and self-discipline. All new on-campus hires have participated in this training.



Case study | KTC employee anti-corruption training

In 2023, the Company carried out integrity-themed education activities. In one instance, the Longgang District economic investigation unit was invited to conduct training on duty crimes. The training turned out to be productive and engaging with the use of Q&As.



Whistleblower Protection

KTC has published the reporting phone number and email address for employees and suppliers on its website. Upon receipt of reports, each department will respond and handle them in accordance with the rules and regulations. The Audit Team of the Risk Management department is responsible for managing and handling reports, interviewing people related to the cases, recording relevant information, and investigating and handling the cases. The Legal Team offers consultation and advice on legal evidence and provides full assistance to investigators during the investigation of reported cases. The HR, Finance and Information Management departments provide assistance and cooperation during the investigation, assist in the implementation of rewards and punishments post-investigation, and offer professional opinions and suggestions.

The Risk Management Department has a strict control system and procedures for the acceptance and investigation of reports in support of a safe and protected reporting environment for whistleblowers. The Company fully understands the importance of the bravery of whistleblowers in maintaining good corporate governance, and guarantees no damage to the rights and interests they should enjoy. It keeps intact whistleblowers' lawful rights and interests, whether in terms of bidding or employee performance. To further strengthen the privacy protection of whistleblowers, it has implemented more stringent confidentiality measures for those who use their real name and provide solid evidence. It will deal with confidentiality violators strictly and severely and never tolerate them. If the act constitutes a crime, it will pursue criminal accountability in accordance with law to protect the rights and interests of the reporting parties.

<p>若与我司产品物料采购人员在沟通方面有障碍，或对相关人员有投诉意见的，欢迎来电或Email的方式向我司管理层反映。我司的工作时间为：周一至周五，上午8:30-12:00，下午14:00-17:30；请于此工作时间内与我司相关采购监督人员联系。</p> <p>器件采购部 易经理 联系电话：0755-33688371 E-mail: hillaryyh@ktc.com.cn</p> <p>部件采购部 张经理 联系电话：0755-33615539 E-mail: zyn@ktc.cn</p> <p>结构件采购部 谢经理 联系电话：0755-33688156 E-mail: Xieyf@ktc.cn</p> <p>主材采购部 吴经理 联系电话：0755-33113659 E-mail: wujh@ktc.cn</p> <p>供应链 孙总经理（易经理、张经理、谢经理、吴经理的上级） 联系电话：0755-36699599 E-mail: sunjh@ktc.cn</p> <p>风险管理部 李经理（廉洁采购总监督） 联系电话：0755-33615801 E-mail: TS@ktc.cn</p>	<p>采购政策与供应商注册流程</p> <p>SRM系统操作指引</p> <p>密码找回操作指引</p> <p>物料采购与联系</p> <p>产品原料采购</p> <p>医疗产品原料采购</p> <p>投诉与反馈</p> <p>产品原料采购投诉反馈</p> <p>医疗产品原料采购投诉反馈</p> <p>采购中心</p> <p>供应商注册</p> <p>供应商登录</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Anti-unfair Competition

KTC strictly observes relevant national laws and regulations, such as the Anti-monopoly Law of the PRC, the Provisions on Prohibiting Monopoly Agreements, the Provisions on Prohibiting Abuse of Dominant Market Positions, the Provisions of the State Council on Declaration Standards Regarding the Concentration of Business Operators, the Anti-monopoly Compliance Guidelines for Business Operators, the Overseas Anti-monopoly Compliance Guidelines for Enterprises, the E-Commerce Law of the PRC, the Administrative Provisions on Algorithm Recommendation of Internet Information Services, and the Provisions Prohibiting Abuse of Intellectual Property Rights to Exclude and Restrict Competition. It is well-versed in anti-monopoly related laws and regulations across its operating jurisdictions. It identifies risks in anti-monopoly compliance based on business practices and enhances the approval process in risk scenarios.

The Company did not have any antitrust-related penalties during the reporting period.



Tax Compliance

The Company strictly adheres to laws and regulations in China, like the Enterprise Income Tax Law of the PRC and the Law of the PRC on the Administration of Tax Collection, and applicable laws of foreign jurisdictions where it operates. Daily tax-related matters are reviewed by financial and tax managers at all levels, and relevant tax-related assurance reports are issued by external financial and tax intermediaries, effectively reducing tax-related risks.

For the Company, its tax obligations involve the payment of value-added tax, corporate income tax, personal income tax and other major tax types in countries and regions like China, the US, South Korea, Poland, and Japan. In 2023, it continued to cooperate and communicate with stakeholders and pay taxes in good faith. Refer to the 2023 Annual Report for 2023 tax payments.

To effectively prevent tax risks, the Company continuously refines the internal control mechanism for tax risks. By establishing a sound tax management system and process, it ensures the standardization of tax management. It regularly conducts tax risk self-assessments to promptly identify and correct potential tax risks.

Customer Privacy and Data Security

KTC attaches great importance to customer privacy and data security. By forming a management team, developing specifications, and establishing a process, the Company has a customer privacy and data security management system in place to protect customer information and safeguard network information system security.

KTC strictly complies with the laws and regulations applicable to all its operating locations, such as the Cybersecurity Law of the PRC, the Data Security Law of the PRC, and the Personal Information Protection Law of the PRC. To improve information security management, the Company has, in accordance with the clauses of ISO 27001 and Annex A, established a documented information security management system. It has established nearly over 50 rules and regulations, including the Information Security Management System Requirements, the Information Security Risk Management Procedure, the Trade Secret Management Procedure, the Information System Access and Use Monitoring Management Procedure, the Information Security Communication and Coordination Management Procedure, the Information Security Incident Management Procedure, the Computer Management Procedure, and the Information Processing Facility Maintenance and Management Procedure, to implement the customer-centric philosophy strictly and integrate security awareness into daily work.

In 2023, the Company had no violations related to customer privacy and data security.

KTC's information security management related certifications



At the management level, KTC's measures include conducting phishing email security training and simulation drills; standardizing the process of user information extraction; clarifying the IT access application process, covering internet access, instant messaging tool access, USB access, etc; carrying out security awareness training and implementing strict permission management & access control measures; and designing computer screensavers for employees, which spreads information security knowledge and reduces the risk of information leaks.

At the technology level, the Company uses network isolation, firewalls, document encryption, internet behavior management, antivirus software and other means to prevent data leakage in the office network environment. Its business network environment includes internal computer rooms and public clouds. The internal computer rooms use in-depth defense measures such as firewalls, web application firewalls (WAF), data encryption, transmission encryption, and antivirus software to ensure data security and privacy. On top of the physical security measures of public cloud vendors, the public clouds adopt application, network, and data security measures such as WAFs and cloud security centers to ensure data security.

KTC information security management system

- 1** Organizational structure development
 Establish a functional mechanism, including a management committee, a compliance chief, compliance liaison officers, and a compliance governance team, and organize relevant departments to carry out data privacy compliance work at the decision-making, management, execution and supervision levels
- 2** Business and data review
 Sort, classify and organize personal information processing records for each business scenario to form a data asset list. Develop compliance gap analysis reports and propose special rectification measures and implementation plans
- 3** System process development and implementation
 Revise, based on legal provisions and corporate realities, a data privacy management system that is operational and covers all business areas. Relevant management departments develop workflow and other mechanisms to oversee the implementation of system requirements
- 4** Improvement of legal documents
 Revise, based on domestic and international data privacy compliance requirements, relevant legal documents, including privacy agreements, user informed consent forms, data processing agreements, etc
- 5** Implementation of organizational and technical management measures
 To ensure information security, the Technical Management Department develops/improves technical measures throughout the data lifecycle, internal control systems for data security protection and detection, systems and controls for data security response and emergency handling, etc
- 6** Communication and training
 Promote data compliance internally and provide customized training courses for general employees, data processing positions, and the IT Department to enhance data compliance awareness
- 7** Audit, evaluation, and monitoring
 Make corresponding settings based on audit requirements for data compliance, personal information impact assessments, systems and mechanisms for trustee oversight by data processors, etc

Case study | KTC information security management training and culture building

In light of information security incidents, KTC organized an Information Security Month campaign online and offline in 2023 as part of multi-dimensional, comprehensive information security management training and culture development efforts.

1) In July 2023, SANGFOR, a professional organization in the information security industry, provided a comprehensive, in-depth information security awareness training for all KTC departments. The training aims to strengthen employees' attention to security issues in the information age, improve their risk prevention awareness, and ensure the proper protection of corporate information assets.



2) KTC has designed computer screensavers that cover important aspects such as data security, phishing emails, social engineering attack prevention, and password security to guard against possible risks.



3) The Company organizes information security awareness training and exams for all new employees at least once a month. Information security team members should take job-related professional information security training, and information security employees (such as system administrators) should receive further professional skills training.

IP Protection

As a technology manufacturer, KTC seeks to enhance its social value by protecting IP rights and respecting sci-tech developments. The Company complies with the Trademark Law of the PRC, the Patent Law of the PRC, the Copyright Law of the PRC, and other legal provisions strictly. Meanwhile, it highly respects the IP rights of others and focuses on preventing the risk of IP infringement. It has established a full-time Patent Team to work with the Legal Department to manage its IP work.

The Company arranges IP-related training sessions on a regular basis. There were four, five and six such training sessions in 2021, 2022 and 2023, respectively, covering all R&D employees.

Case study | 2023 IP protection-themed training

In 2023, the Company organized a number of training sessions on patent protection to promote patent protection awareness among its employees, helping protect its core patent assets and prevent unlawful infringement of its IP rights.



Case study | 2023 trademark protection-themed training

In 2023, the Company organized several training sessions on trademark protection. Through training, employees can master core knowledge such as trademark applications, maintenance, infringement monitoring and rights protection, providing strong support for the Company amid fierce competition and protecting its brand value and reputation for the benefit of its sustainable development.



Human Rights

The Company continues to promote the internationalization of its business and team. Employees, regardless of their color, race, gender, language, or religion, as well as collaborative partners, affiliated communities and governments are all part of our business community and share the fruit of our development. We respect the human rights of all employees, affected communities and business partners. We do not tolerate any form of discrimination, harassment or retaliation in the workplace. We treat all employees fairly and impartially, regardless of their nationalities, races, genders, religious beliefs and cultural backgrounds. Through our operations and corporate culture, we strive to make our partners, contractors and suppliers join us in complying with internationally recognized human rights standards.

Opinion recognition

We follow internationally recognized norms and tenets related to human rights, such as the United Nations Guiding Principles on Business and Human Rights (UNGPs), the Responsible Gold Mining Principles, the United Nations Universal Declaration of Human Rights (UDHR), and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. In international operations, we learn about local regulations and cultural differences to meet local regulatory requirements at the operational and management levels.

Risk identification

In following the UNGPs and related human rights standards, we require all projects to progressively establish processes to identify and manage human rights risks and integrate human rights assessments into their risk assessments.

During the reporting period, we did not find any significant human rights risks related to child labor, forced labor, or violations of the freedom of association and collective bargaining rights at the Company or its major collaborative suppliers.

In the process of further global expansion, we will pay more consistent attention to the Company's upgrading and optimization of the risk management system to ensure that there is no possibility of significant risks with human rights management.

Future plans

Continuously follow up on and study the human rights-related laws and regulations of the countries where the projects are located, to fully identify human rights risks and improve our social responsibility management policies, standards and processes.

Strengthen specialized training and capacity building for project management around the ESG review plan to further improve the internal management system.

Promote the establishment of workplace sexual harassment prevention and punishment mechanisms, improve handling procedures for workplace sexual harassment, address sexual harassment reports, and take remedial measures. Strengthen security and human rights in the supply chain and improve the complaint and grievance mechanism.

Major human rights issues	KTC's major multi-departmental efforts
Eradication of child labor	We require all projects to strictly comply with the minimum working age requirements of the laws and regulations of the country (place) in which they are located or ILO Convention No. 138, whichever is higher. We have a comprehensive hiring screening mechanism to avoid hiring child labor by mistake. In addition, we require contractors, suppliers and third-party recruitment agencies to eradicate the use of child labor, analyze the risk of hiring child labor by mistake and take timely measures.
Eradication of forced labor	We follow a labor risk assessment process that prevents modern slavery and continuously improves human rights risk management in our operations and supply chain to reduce the risk of forced labor.
Collective bargaining	We support the union to represent employees in communicating with the Company to safeguard their legitimate rights and interests. Employees may join and withdraw from the union at their own free will. When there are matters that may have a negative impact on the employees, such as major operational changes, the Company will give the employees advance notice to minimize such impact.
Anti-discrimination and anti-harassment	In following a general workplace anti-discrimination and anti-harassment policy, we reduce the risk of workplace sexual harassment through education and training, dissemination of legal knowledge, establishment of a joint mechanism for preventing and punishing workplace sexual harassment, and creation of a corporate culture of zero-tolerance for workplace sexual harassment.
Human rights of indigenous peoples	In following the United Nations Declaration on the Rights of Indigenous Peoples, we adhere to the principles of free, prior and informed consent in our community work and respect the rights, interests, aspirations, culture and natural resource-based livelihoods of indigenous peoples. During the reporting period, we did not find any violation on the rights of indigenous peoples.

02

Green, Smart Manufacturing for a Low-Carbon Future

Green and low-carbon development is a key direction in the new round of industrial revolution. In response to China's dual carbon strategy of "reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060," as well as the calls for "building a beautiful China" and "accelerating full green transformation of economic and social development," KTC is committed to environmental stewardship. We integrate the concept of green operations into our production processes, continually promote energy conservation and emission reduction, and effectively execute resource recycling initiatives to enhance our capabilities in green manufacturing. We optimize our EMS through ISO 14001 and ISO 50001 certifications, facilitating our green transformation and upgrade. Additionally, we focus on the research and commercialization of clean technologies to contribute to the low-carbon and green development of society.

ESG Key Performance

- ✓ In 2023, KTC has self generated 6,217.62MWh of green electricity.
- ✓ In 2023, the Company's electricity consumption per unit revenue was 30.4 kWh/RMB10,000, down 9.32% YoY.
- ✓ In 2023, the water consumption per unit revenue of the Company was 0.1833 m³/RMB10,000, down 12.13% YoY.

ESG Mid-term Goals

- ✓ Continuously improve and optimize the EMS.
- ✓ Explore the development of GHG emission reduction targets consistent with the Paris Agreement, and increase the proportion of clean energy use.
- ✓ Improve the energy and water management systems, and increase the scale of non-hazardous waste recycling.
- ✓ Advocate suppliers to fulfill environmental and social responsibility.

The SDGs addressed in this chapter



Climate Change Response

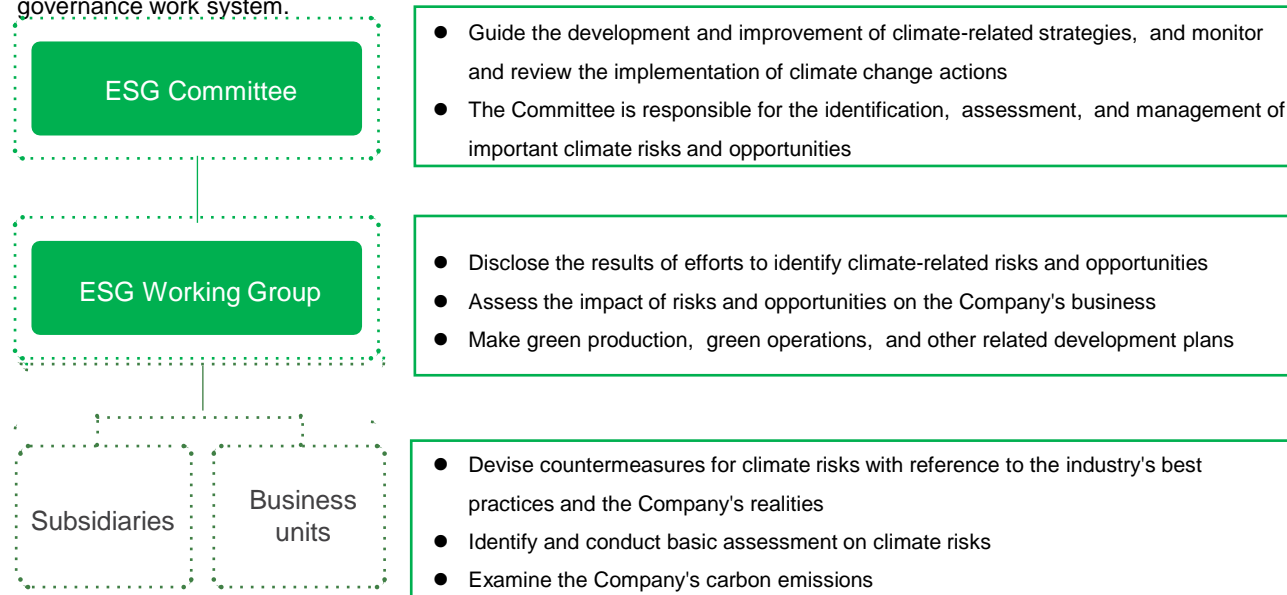
KTC adheres to the concept of green manufacturing and low-carbon development in its sustainability practices. In the reporting period, it continuously invested in the energy-saving and environmental transformation of production lines and parks, and took energy-saving and environmental measures in environmental management, production, park infrastructure construction, and other respects in line with the carbon emissions reduction goal and China's dual carbon policy. It strengthened its long-term competitiveness through green, low-carbon organic growth.

KTC's subsidiary Huizhou KTC is the main driver of its green development. A long-time advocate of the concept of green, environmental protection and energy conservation, Huizhou KTC pursues energy conservation and carbon reduction across the entire production chain, integrates sustainability into quality management, and promotes clean production, clean energy, clean emissions, and energy conservation transformation, to build an eco-friendly, quality and efficiency-oriented enterprise and support the country's dual-carbon goals. Huizhou KTC has been recognized as a national-level green factory and received a demonstration award for pollution and carbon emissions reduction from Zhongkai High-Tech Zone.

In 2023, KTC stated support for the TCFD initiative. With reference to the TCFD initiative framework, the Company has identified climate-related risks and opportunities that may affect it and taken effective countermeasures. It integrates ESG concepts into its business operations and considers climate and environmental factors in its business processes.

Climate Risk Management Framework

In 2023, KTC established an ESG system led by the BOD and incorporated responsibilities related to climate risks and opportunities into the ESG management team to promote the formation of an initial company-wide climate governance work system.



Climate Risk and Opportunity Management

KTC attaches great importance to the impact of climate change on its business sustainability. It identifies major climate risks and opportunities based on the TCFD framework.

T

The ESG Committee under the BOD is responsible for examining the Company's climate change-related matters, including stakeholder communication, risk identification, and goal and strategy development, to ensure the implementation of the corporate climate change strategy

Governance

C

Identify climate risks and opportunities based on the TCFD's guidelines and the Company's business operations. Go through related risks and opportunities based on the identified results to understand the impact of climate change, macro policies, and more on the Company's business, strategy and financial planning, as well as future trends

Strategy

F

Each risk department identifies, screens and evaluates the climate risks that KTC is facing or may face and develops countermeasures every year. The ESG Committee reviews the content and proposes additional countermeasures as needed. Climate risks are classified according to the probability of occurrence and impact. The management implements countermeasures for risks with higher importance and urgency

Opportunity

D

Set phased climate goals and promise to achieve carbon peaking no later than 2030 and carbon neutrality no later than 2060

Metrics and Targets

Risk Type	Risk Description	Countermeasures	Financial Impact	
Transformation Risk	Policy and Legal Risks	<ul style="list-style-type: none"> Failure to meet mandatory ESG reporting requirements may result in administrative penalties and legal proceedings Stricter policies and regulations to mitigate climate change, as well as the expansion of China's GHG emissions trading market, have led to increased costs 	<ul style="list-style-type: none"> The Company has started ESG related information disclosure, closely monitoring and timely understanding the latest government policies on ESG information disclosure Increased non operating expenses and rising costs 	
	Technical Risk	<ul style="list-style-type: none"> Failed investment in low-carbon technology R&D The high power consumption performance of the product has led to its low-carbon transformation lagging behind its peers 	<ul style="list-style-type: none"> Actively carry out energy conservation and emission reduction work, and continuously increase the proportion of clean energy use such as solar energy. The Company generated 6,217.62MWh of self generated green electricity in 2023 Strengthen market research, actively engage in low-carbon technology industry cooperation, and enhance the Company's R&D capabilities Cost increase 	
	Market Risk	<ul style="list-style-type: none"> Failed to effectively meet consumers' demand for green and low-carbon products 	<ul style="list-style-type: none"> Superior performance display devices can help customers save energy and reduce carbon emissions. The Company's products adopt multiple technologies to improve their power consumption performance Based on consumer research and demand analysis, the Company's products are manufactured using non hazardous materials and green processes, and an ISO 14001 EMS has been established 	<ul style="list-style-type: none"> Income decline
		<ul style="list-style-type: none"> Rising costs of raw materials and energy 	<ul style="list-style-type: none"> Pay attention to energy conservation and emission reduction work; improve resource utilization efficiency and recycling ratio 	<ul style="list-style-type: none"> Cost increase
	Reputation Risk	<ul style="list-style-type: none"> ESG negative events, or negative feedback from stakeholders due to a lack of green and low-carbon technologies and products 	<ul style="list-style-type: none"> Respond to stakeholder concerns, enhance reporting and information transparency, strengthen environmental management and monitoring, and adhere to sustainable development 	<ul style="list-style-type: none"> Income decline
	Physical Risk	Acute Risk	<ul style="list-style-type: none"> Extreme weather can damage factories, office buildings, and equipment, causing asset losses Due to extreme weather conditions, employees are unable to work normally and transportation is interrupted, which affects stable production 	<ul style="list-style-type: none"> The Company's core production bases are located in Shenzhen and Huizhou, and the main natural disaster is flood risk. Therefore, the Company regularly inspects and maintains buildings and equipment, establishes disaster emergency plans, strengthens monitoring and early warning, and purchases necessary insurance Capital expenditures increase, income decreases
Chronic Risk		<ul style="list-style-type: none"> Rising temperatures require companies to equip more refrigeration equipment, increasing operating costs Employees may not be able to work outdoors for long periods of time during the high temperature season, which may affect operational efficiency 	<ul style="list-style-type: none"> The Company provides reasonable cooling measures for the production workshop to reduce production losses caused by rising temperatures Adjust working hours and working environment appropriately based on temperature changes and employee needs Cost increases, revenue decreases 	
Climate Opportunities	Resource Efficiency	<ul style="list-style-type: none"> Equipment, buildings, and technologies with higher energy efficiency Supportive policy incentives 	<ul style="list-style-type: none"> Use more energy-efficient equipment and materials to improve resource utilization efficiency and reduce energy costs 	
	Products & Services	<ul style="list-style-type: none"> R&D of green and low-carbon products Climate change response solutions within the industry 	<ul style="list-style-type: none"> Actively explore the application of new technologies, equipment, and processes In response to government supportive policies, increase investment and innovation in renewable energy and low-carbon technologies, and assist in the comprehensive green transformation of society 	
	Market	<ul style="list-style-type: none"> User preference shift expands green market demand Increased demand for comprehensive energy services Explore new overseas markets 	<ul style="list-style-type: none"> Optimize resource utilization, reduce energy consumption and GHG emissions Collaborate with partners to drive technological innovation Cost reduction, revenue increase 	
	Resilience	<ul style="list-style-type: none"> Energy substitution and diversification solutions Participate in renewable energy projects 	<ul style="list-style-type: none"> Reduce dependence on traditional fossil fuels and promote innovation and development in the energy sector 	

Energy Conservation and Carbon Reduction

Energy Usage Management

To achieve efficient and coordinated management of energy use in production and operation, the Company has obtained the ISO 50001 energy management system. The main energy source of the Company is electricity. The Company has been actively responding to the national carbon peak and carbon neutrality strategies, reducing electricity consumption and further lowering carbon emissions through the construction of photovoltaic power generation projects, the use of more energy-efficient equipment, and the implementation of energy management systems.

Case study | Energy saving measures and renewable energy use

- The Company is laying out photovoltaic power generation and striving to create a green factory. KTC buildings 1 to A have introduced photovoltaic power generation systems, and the current annual power generation has reached 6,000MWh. Building B/C has added a second phase photovoltaic project, and the overall photovoltaic power generation of the Company is expected to reach 7,000MWh/year after use.
- The first and second phase of the factory building will be integrated into the water storage cooling plan: the water storage cooling pipeline of Building B/C will be introduced into the first and second phase of the factory building, and the air conditioning units and other important accessories will be centralized in the same machine room to achieve centralized management of air conditioning cooling. It is expected to save RMB1.2 million in electricity bills annually.
- Starting from 2024, Huizhou KTC will introduce nitrogen furnace reflow soldering equipment to improve welding quality. To prevent the direct discharge of cooling equipment exhaust into the air, which can cause thermal pollution to the workshop and increase the air conditioning load, the Company has established a cold water circulation system (plate heat exchanger+water pump+pipeline) in each workshop, which is directly connected to the welding equipment through water pipes, replacing the chiller for cooling. This can save about RMB360,000 in electricity bills per year.
- In order to improve the effectiveness of exhaust gas treatment, the Huizhou KTC machine board workshop promptly upgraded the exhaust gas treatment system, increasing the exhaust volume by 30% and effectively reducing the electricity consumption of this equipment.

Indicator	Unit	2021	2022	2023	
Total internal energy consumption	MWh	38,503.35	38,826.35	40,860.98	
Total electricity consumption	MWh	38,494.80	38,816.41	40,849.62	
Total electricity consumption by source	Outsourced electricity	MWh	38,494.80	34,906.20	35,010.60
	self-generated green electricity	MWh	0	4,074.01	6,217.62
Electricity consumption per RMB10,000 of revenue	MWh	0.0324	0.0335	0.0304	
Total gasoline consumption	MWh	8.28	9.68	11.11	
Total diesel consumption	MWh	0.24	0.25	0.27	

As of the end of the reporting period, the number of KTC's production bases or subsidiaries have obtained ISO 14001 EMS certification

3

As of the end of the reporting period, the number of National or provincial green factory certification

New additions this year

1

1

Green Workspace

KTC encourages employees to lead a low-carbon lifestyle. It promotes a green office model and advocates the concept of resource conservation.

Case study | KTC's greening measures

According to the greenbelt maintenance contract signed with the Company, a third-party greening company is responsible for the daily maintenance of green plants. The Company regularly buys potted plants, which absorb carbon from the air through photosynthesis, for offices and the workplace.



Renewable Energy Use

KTC continues to increase the proportion of clean energy use in production and operations with rooftop solar, water storage air conditioning and other technologies. In 2023, the Company generated 6,217.62MWh of green electricity, up 52.6% YoY. In early 2024, it saw continued growth in rooftop solar installations, with an estimated annual electricity production capacity of 7,000MWh.



Treatment of Three Wastes

KTC's EMS complies with relevant national laws and regulations including the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, and the Water Pollution Prevention and Control Law of the PRC, and is built on relevant international standards such as the ISO 14001. KTC and its subsidiaries follow the relevant system requirements strictly, and implement an autonomous environmental management and monitoring program as part of the annual plan, covering wastewater, exhaust gas, noise, etc. The Company regularly reports monitoring data to the national pollution source monitoring information management and sharing platform.

KTC has formulated a series of system documents for environmental management, including the Environmental Factor Identification and Evaluation Control Procedure and the Environmental Operation, Monitoring and Evaluation Control Procedure. The Company's targeted rules regulate the identification, evaluation and control of environmental factors and hazardous sources, with detailed provisions on wastewater, waste gas, noise and solid waste control measures.

Currently, KTC and its subsidiaries, including KTC Commercial and Huizhou KTC, have obtained the ISO 14001 EMS certification. In 2023, the Company's various pollution control measures were in line with both national and local environmental standards, with no serious environmental pollution observed. The Company faced no penalties for environmental issues, and had no major environmental accidents.

Pollution emission control

KTC has developed the Environmental Operation, Monitoring and Evaluation Control Procedure in-house. By clarifying pollutant control and treatment procedures, the Company promotes waste and carbon emissions reduction, and conducts regular supervision and inspections.

Environmental emergency management

KTC has established and maintains a sound ISO 14001 EMS, strengthens employees' environmental management awareness, implements source control and process management, and conducts regular environmental monitoring. In line with local ecological and environmental requirements, the Company has developed and updated emergency plans for sudden environmental events and filed them with the ecological and environmental departments. It has arranged relevant personnel to conduct regular drills.

Wastewater discharge management

KTC's production process does not involve industrial wastewater discharge. Based on the Environmental Operation, Monitoring and Evaluation Control Procedure, the sanitary wastewater discharged by the Company strictly complies with the wastewater quality standards for discharge to municipal sewers (GB/T 31962-2015). The Company carries out water and energy-saving publicity from time to time, imparting the right values by posting signs at faucets that state "Save water" and "Reuse water."

Exhaust gas emission management

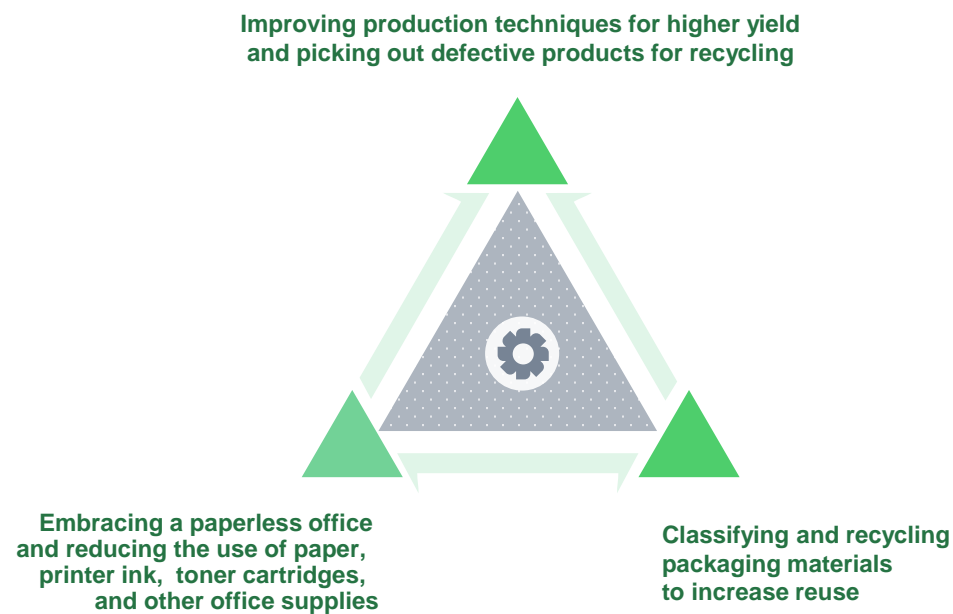
According to the Environmental Operation, Monitoring and Evaluation Control Procedure, KTC puts the waste gas generated in the filter box, and transports the treated gas to the activated carbon adsorption box for the adsorption of organic compounds. After adsorption, the discharged gas is satisfactory.

KTC has established an environmental monitoring system to monitor and manage the exhaust gas from the production process in real time and achieve clean and eco-friendly production. Through the installation of multifunctional air quality transmitters at the gas outlet, it monitors the particulate matters and odor generated in real time. According to the Environmental Operation, Monitoring and Evaluation Control Procedure, it tracks environmental targets and metrics regularly. For indicators that require external compliance assessment, it engages external testing agencies to conduct assessment every year. All the test results are satisfactory.

To reduce environmental pollution, KTC chooses eco-friendly raw and auxiliary materials, which can reduce pollutant emissions during production. By achieving centralized production through the optimization of production plans, the Company avoids frequent startup and shutdown during production to reduce the excess exhaust gas during startup.

Solid waste management

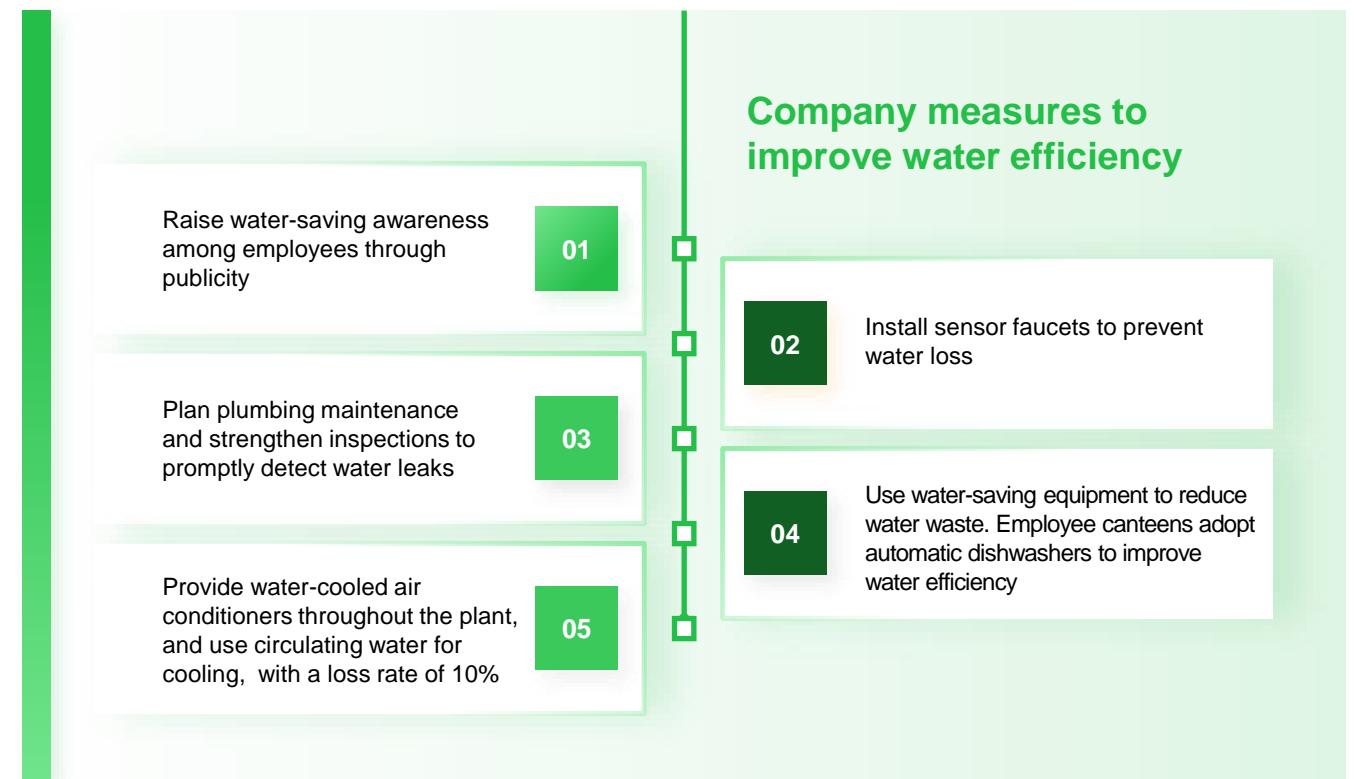
The Company disposes of harmless and hazardous wastes in strict compliance with the Environmental Operation, Monitoring and Evaluation Control Procedure to ensure the safety and eco-friendliness of waste treatment. For hazardous waste raw materials, it has taken special measures. That is, it engages professional recycling agencies for door-to-door recycling to ensure that hazardous wastes are properly handled to prevent potential harm to the environment and human health. It has also outlined management measures for waste reduction as follows:



Resource Management and Recycling

Water Resource Management

KTC's main source of water is purchased municipal water so that there is no impact on local water use. The Company has established a sound water management system and developed the Water Resources Management Control Procedure. It reduces water resource consumption and continuously explores water-saving opportunities through measures such as regular inspections, water recycling, energy-saving technological improvements, and water-saving education.

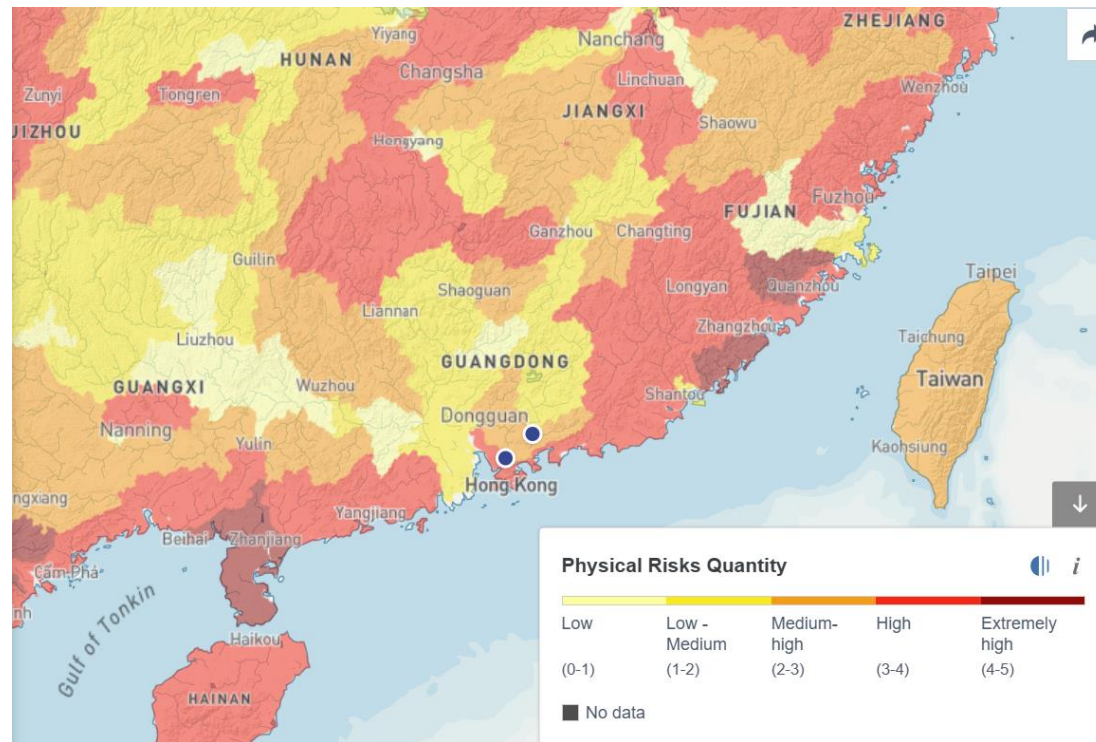


Water consumption KPIs

Indicator	Unit	2021	2022	2023
Water consumption per RMB10,000 of revenue	m ³	0.2028	0.2086	0.1833
Total water consumption	m ³	241,074	241,700	246,457
Municipal water source	m ³	241,074	241,700	246,457

In 2023, KTC used the World Resources Institute's (WRI) water resource risk assessment tool to evaluate water resource risks at all production bases. For the Company's Shenzhen and Huinan facilities, water physical risks are high. We use water resources properly and reduce risks through measures such as the installation of sensor faucets and water-saving devices.

Water resource risks at KTC's selected production facilities

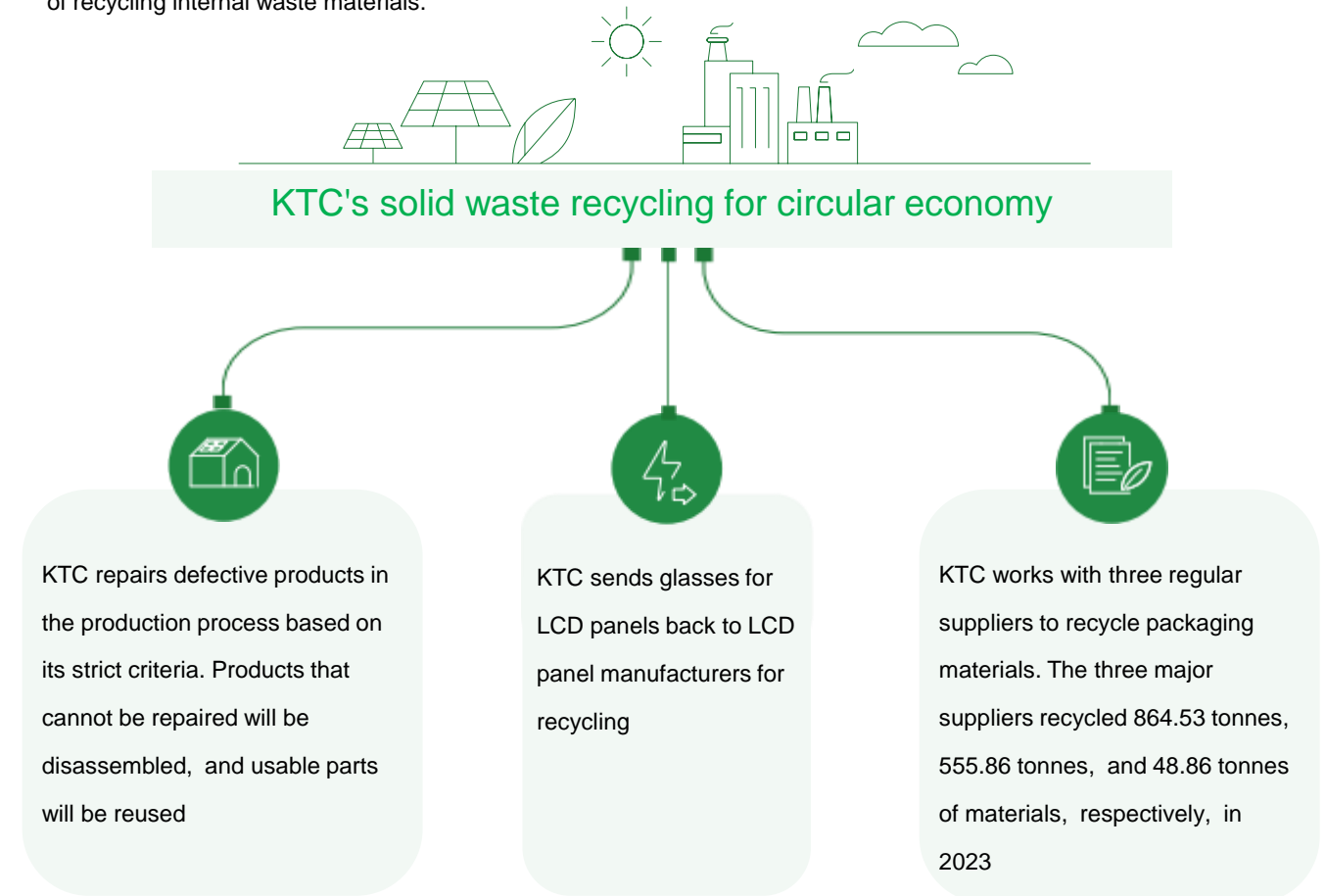


KTC's WRI water risk assessment

	Physical risks quantity	Water stress	Groundwater table decline	Interannual variability	Seasonal variability	Drought risk	Riverine flood risk	Coastal flood risk
Shenzhen facility	Medium-high (2-3)	Low (<10%)	Negligible trend	Low-medium (0.25-0.50)	Low-medium (0.33-0.66)	Medium (0.4-0.6)	Medium-high (2 in 1,000 to 6 in 1,000)	Medium-high (7 in 100,000 to 3 in 10,000)
Huinan facility	Medium-high (2-3)	Low-medium (10-20%)	Negligible trend	Medium-high (0.50-0.75)	Medium-high (0.66-1.00)	Medium (0.4-0.6)	Low (0 to 1 in 1,000)	Low (0 to 9 in 1,000,000)

Circular Economy

KTC maintains its deep understanding of the circular economy and turns this into firm action. It promotes product recycling and internal material recycling, encourages consumers to return used products, and explores the possibility of recycling internal waste materials.



Biodiversity Conservation

KTC will continue to monitor and respond to the potential impact of business activities on biodiversity. It recognizes the Kunming-Montreal Global Biodiversity Framework. In strict compliance with relevant national laws, regulations and policies, including the Opinions on Further Strengthening the Protection of Biological Diversity, the Law of the PRC on Prevention and Control of Soil Contamination, and the Regulation on Groundwater Management, it conducts risk assessment and hazard identification. In the reporting period, it did not have any production bases or operation sites within natural reserves or rich biodiversity regions. Its production, operations, products or services did not involve any large-scale land use or have any major impact on biodiversity.

03

Empowering Manufacturing with AI Technology

The Company is grounded in technological innovation and adheres to the philosophy that "technology improves living condition." Its three proprietary brands—"KTC," "Horion", and "FPD"—target distinct market segments and user needs, offering a unique product range and delivering leading-edge system display solutions. In the future, the Company will continue to embrace its commitment to technology and innovation, staying attuned to market changes and consumer demands while expanding its portfolio of smart hardware products. By integrating high-performance chips with AI LLMs, the Company aims to collaborate with global partners to provide consumers worldwide with superior smart hardware products and services.

ESG Key Performance

- ✓ In 2023, the Company's R&D expenditure is RMB617 million, accounting for 4.59% of the operating income.
- ✓ In 2023, the Company has 1,552 R&D personnel, accounting for 21.06% of the total number of employees.
- ✓ The Company has obtained ISO 45001, ISO 9001, ISO 14001, QC 080000, and ISO 27001 international management system standard certification.

ESG Mid-term Goals

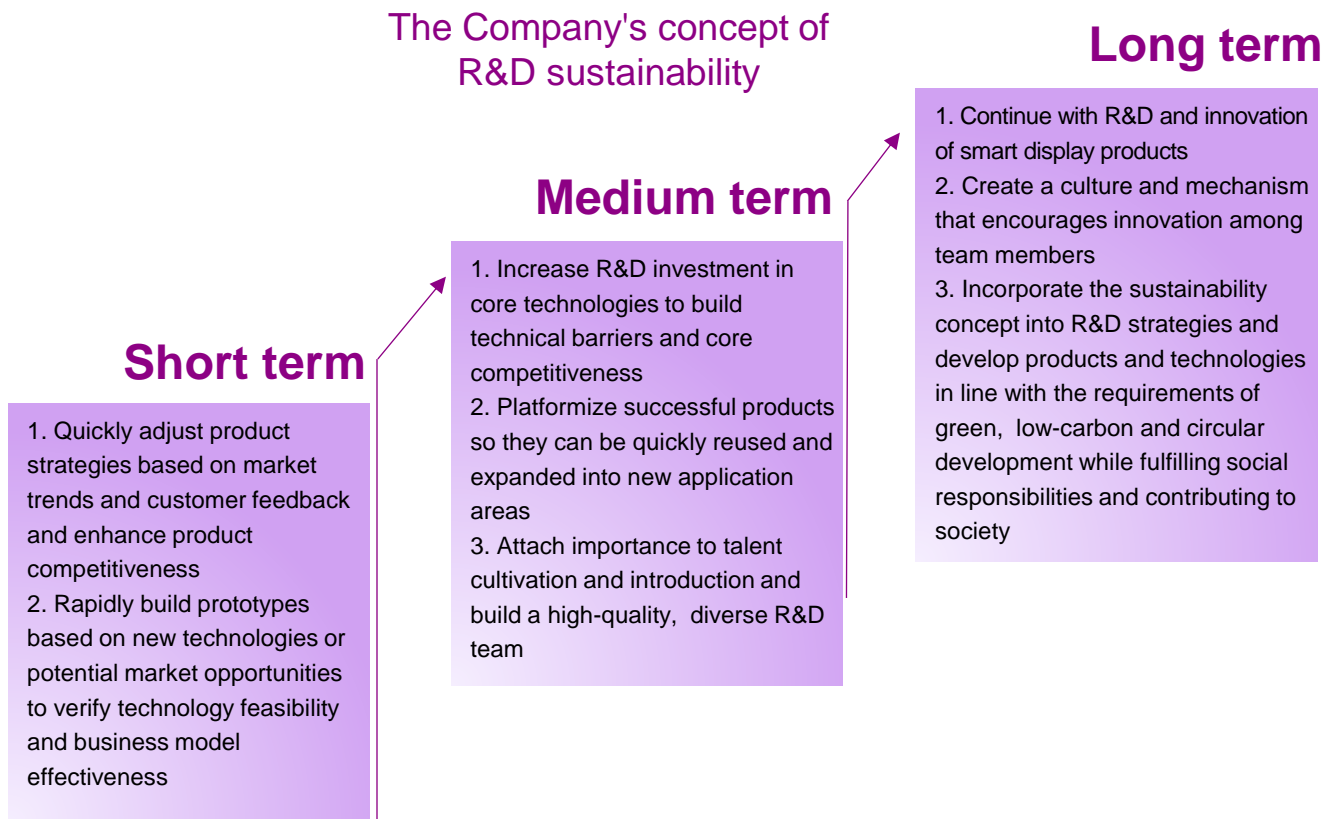
- ✓ Promote green factory construction and the super factory model as part of MTO production, and build a global HQ center.
- ✓ Focus on the development of AR, VR, AI and other cutting-edge technologies to enable a new generation of display products, seize AI opportunities, and avoid AI risks.
- ✓ Improve the quality management system certification coverage, strengthen the HSF hazardous substances management system, and continue to expand the scale of renewable energy use.

The SDGs addressed in this chapter



Sustainable R&D Sci-tech Innovation System Building

KTC attaches great importance to advances and innovation in products and service technologies. It is customer oriented and has as its mission to lead industrial upgrading. To align with domestic and foreign advanced technologies, it develops and implements long- and short-term technology development plans. It focuses on innovation and technology accumulation to build its core competitiveness.

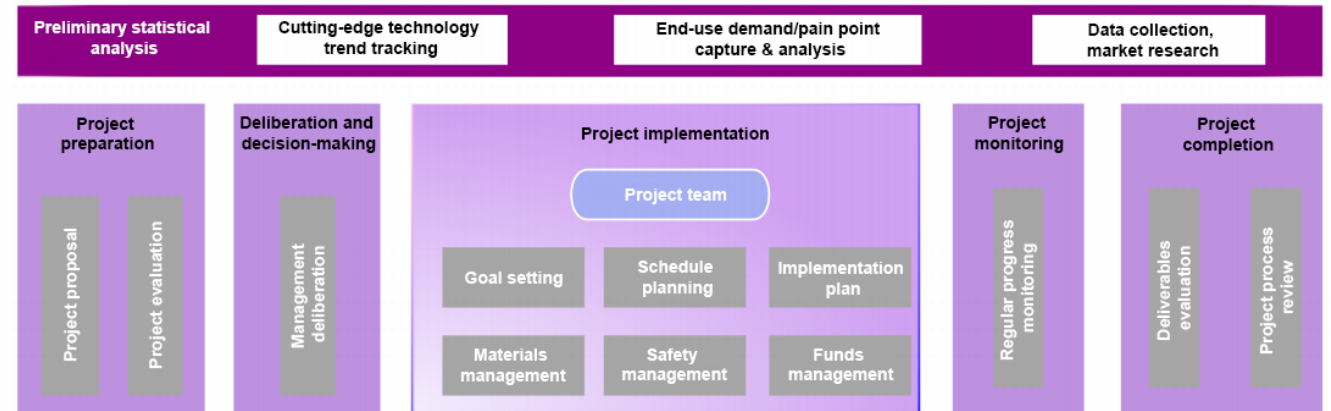


By end-2023, the Company boasted **1,552** R&D employees, accounting for **21.06%** of the total. Of them, **63** employees have master's degrees.

R&D spending amounted to RMB**616.87** million, up **21.18%** YoY and accounting for **4.59%** of core business revenue.

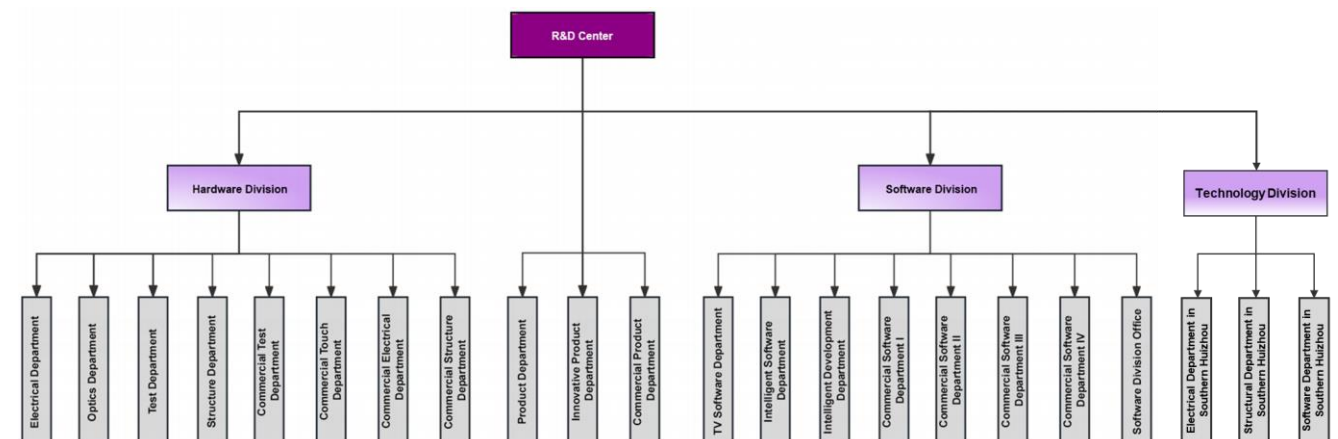
The Company has formulated and implemented innovative incentive system documents, such as the KTC Regulations on Management of Innovation Award Incentives, the Regulations on Intellectual Property Protection and Management, and the Intellectual Property Reward and Punishment System, to advance technological and management innovation in an all-round manner. It has formulated system documents including the R&D Expense Accounting Regulations and the Financial Budget Management Procedures. The documents have identified optimal technical routes and methods of doing this, as well as investment priorities. They have also defined the process and responsible departments for R&D expense approval, collection & accounting, and annual audits, boosting the Company's innovation capabilities through institutional management for the use, reimbursement, accounting scope and accounting rules of R&D expenses.

R&D evaluation process



R&D System Building

The Company attaches great importance to R&D system building. Through internal training and external introduction, it has established a strong team of engineers with professional software development, hardware development, structural design, industrial design and other capabilities. It works with universities for industry-university-research cooperation and builds product pipelines through product planning, technical pre-research, and cutting-edge technology research. Currently, it has R&D teams in cutting-edge technology fields, including the internet of things, big data technology and algorithms, embedded communications, sensor technology and algorithms, voice control, and human-computer interaction.



R&D Technology Resources

KTC possesses strong R&D capabilities. It has a series of testing and acceptance equipment that enable comprehensive testing and evaluation of display products on metrics such as transmission signal quality, overloading simulation, component performance, reliability, and anti-interference to ensure excellent product quality and performance meet national and industry standards. Meanwhile, it provides complete validation data for product design performance indicators.

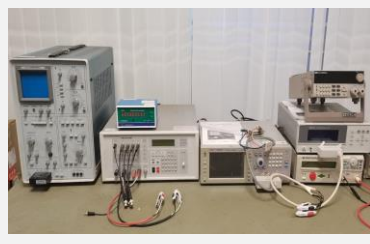
The Company's R&D equipment (selected)



Signal quality tester



Electronic load



Component performance tester



High and low temperature aging tester



Automatic tester



Lightning surge generator

Technology innovation platform certifications



R&D Achievements

The Company is deeply involved in smart interactive display technology, and attaches great importance to cutting-edge technology & product R&D and resource investment. By the end of 2023, it had 1,208 valid authorized patents and software copyrights, including 89 invention patents, 417 utility model patents, 177 design patents, and 525 software copyrights.

KTC and its five subsidiaries, including KTC Commercial, KTC Intelligent, Horion, Horion Software, and KTC Medical, were recognized as National High-Tech Enterprises. KTC was selected as a National-Level Manufacturing Single-Item Champion Enterprise and a Provincial-Level Manufacturing Single-Item Champion Enterprise in Guangdong. KTC Commercial was recognized as a National-Level Specialized and Innovative "Little Giant" Enterprise.

The Company's major R&D technologies (selected)

Touch



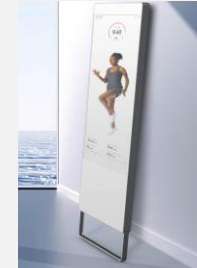
Infrared touch technology allows multiple users to write simultaneously. The line thickness and colors are optional, and brush strokes are smooth

Wireless screen mirroring



Wireless screen mirroring between devices, such as phones, pads and computers, is smooth in real time, with low latency and high quality

Motion sensing



A built-in camera can capture the body's motion posture and detect its key bone points. Combine this with precision calibration technology for scientific, standardized motion guidance

Optical display



High-partition mini backlight design allows for independent control of each partition. The use of sophisticated local dimming creates contrast and visual hierarchy

Acoustics



HiFi sound quality, professional acoustic tuning, and bass boost create an immersive experience

Intelligent color calibration



Devices are calibrated separately to achieve overall color control. New color calibration technology restores the colors across scenarios

Product Quality

Adhering to the business philosophy of integrity management, KTC is customer-centric and takes quality as life. The Company upholds the quality concept of creating excellent performance with process excellence and exceeding customer expectations. It strictly controls quality for customers.

KTC strictly adheres to quality-related laws, regulations and standards in all its operating locations worldwide, including the Product Quality Law of the PRC and the Standardization Law of the PRC. According to international standards, such as China RoHS, EU RoHS, EU REACH, the US TSCA, EU POPs, German GS PAHs, the EU Battery Directive, and the EU Packaging Directive, the Company strictly controls the quality and safety of product materials. As of 2023, the Company obtained international management system certifications such as ISO 45001, ISO 9001, ISO 14001, QC 080000, and ISO 27001 and reported no product quality and safety law violations.

To ensure product compliance with customer needs and enhance corporate reputation and product competitiveness, KTC has a documented information security management system in place. The Company has developed the Quality, Environment and Safety Manual, with corresponding systems for different management processes, including the Product Certification Control Procedure, the Non-Conformity Control Procedure, and the Conformity Assessment Procedure for Hazardous Substance Management.

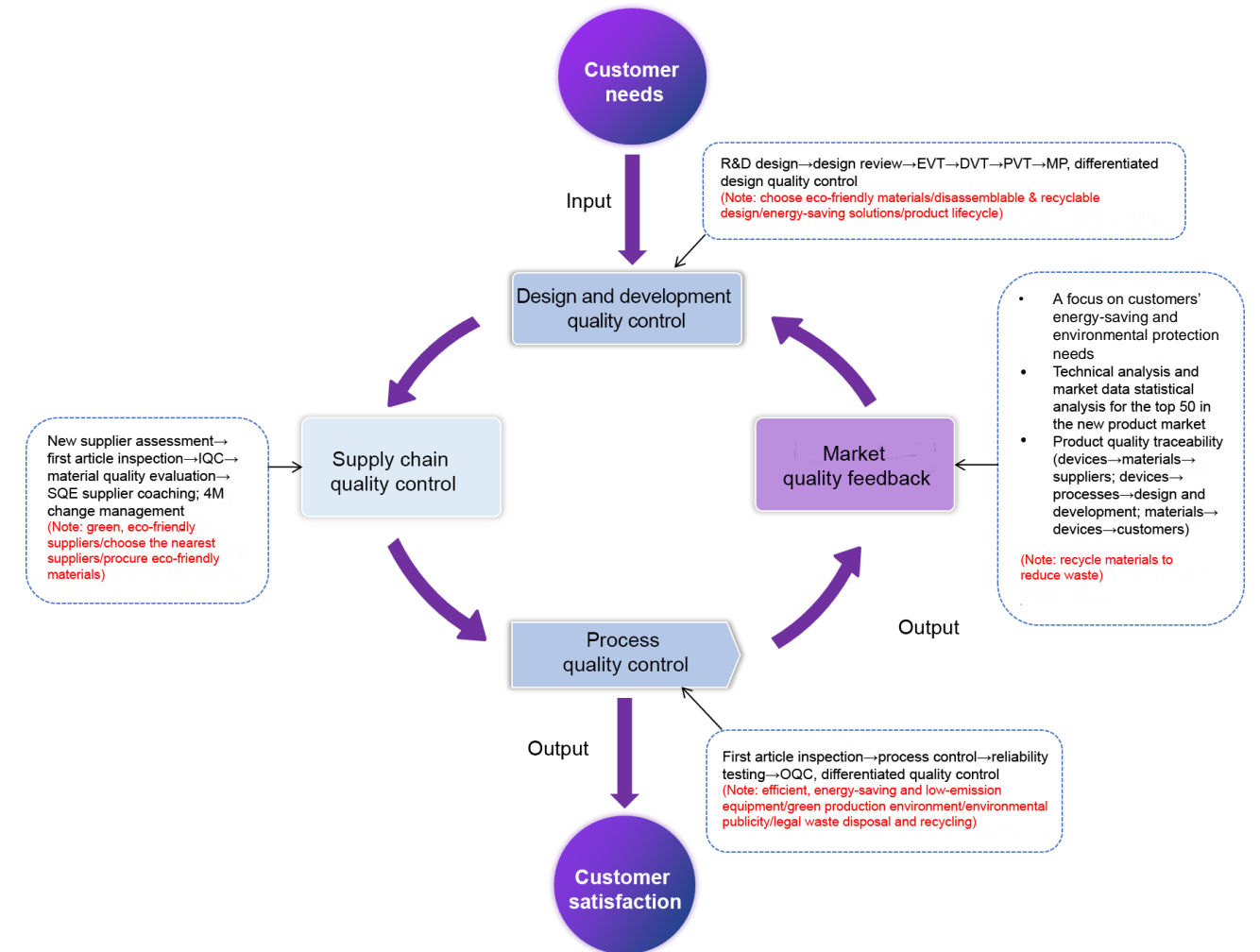
Quality management system related certifications



Quality management system related certifications



Green Development, Comprehensive Quality Control

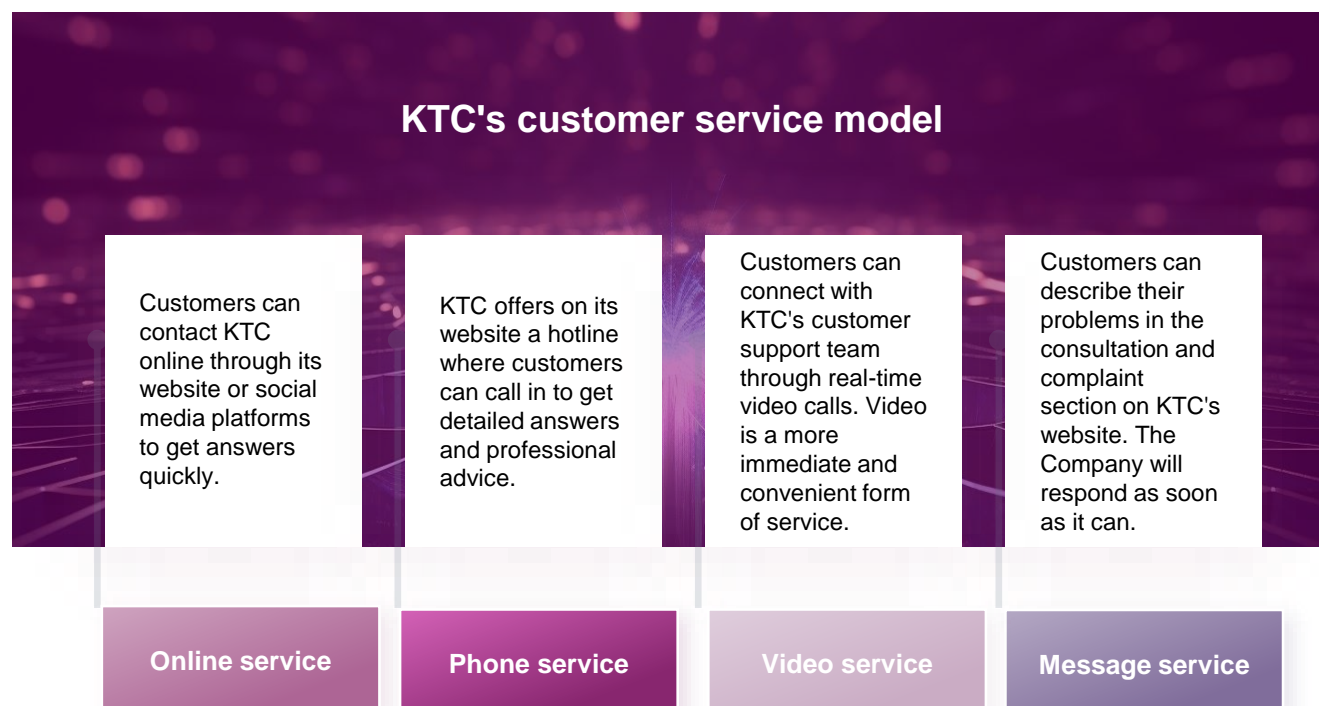


Customer Services

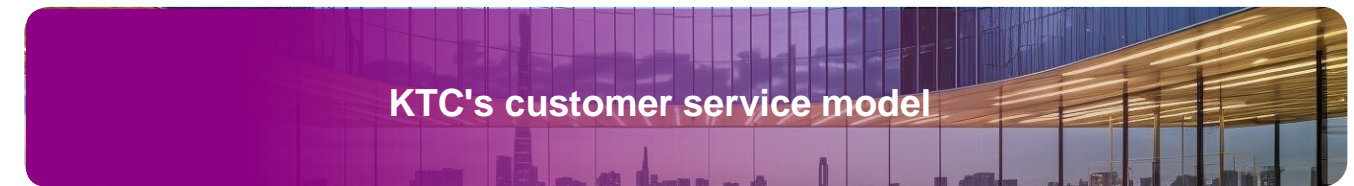
KTC adheres to the service concept of "Customers our top priority, deliver inspiration". Through technological innovation and refined management, it ensures that its products and services can meet diverse customer needs and maximize customer value.

KTC has developed and continuously optimized customer service methods and processes to ensure that users solve problems in the first place and enjoy the best quality of service experience. Data-driven, systematic and digital management enables KTC to gain accurate insights into customer needs, allowing for real-time monitoring and efficient analysis of service processes to speed up problem solving and improve service quality.

To drive the improvement of products and user experience, KTC has set up an After-Sales Service Department, which serves the domestic market and expands internationally to ensure that customers worldwide can enjoy its high-standard services. To allow access to service support more conveniently, KTC has established a dedicated service window, including phone calls, video chats, emails and other instant forms of communication, so that users can choose the way they want to ask questions, provide feedback, or seek help.



To meet the various needs of users during product use, KTC offers a variety of services such as spare parts supply, depot repair, and third-party mail-in repair.



Case study | Depot repair services for sustainability

Once customers submit a repair request, KTC will provide door-to-door logistics support to ensure that the products reach the repair center safely and quickly. Through diagnosis, repair and quality checks, KTC ensures products are restored to optimal working conditions.

In the reporting period, KTC repaired products and extended their lifecycles through depot repair services, greatly reducing the environmental burden caused by product obsolescence. Based on customer feedback, this has boosted customer satisfaction greatly and enhanced brand loyalty and market competitiveness. To further improve service efficiency and customer experience, KTC continues to develop more advanced maintenance technology and management systems. By using more eco-friendly materials and processes, KTC reduces carbon emissions during maintenance as it continues to advance its environmental achievements.

Case study | Spare parts services for environmental protection and efficiency

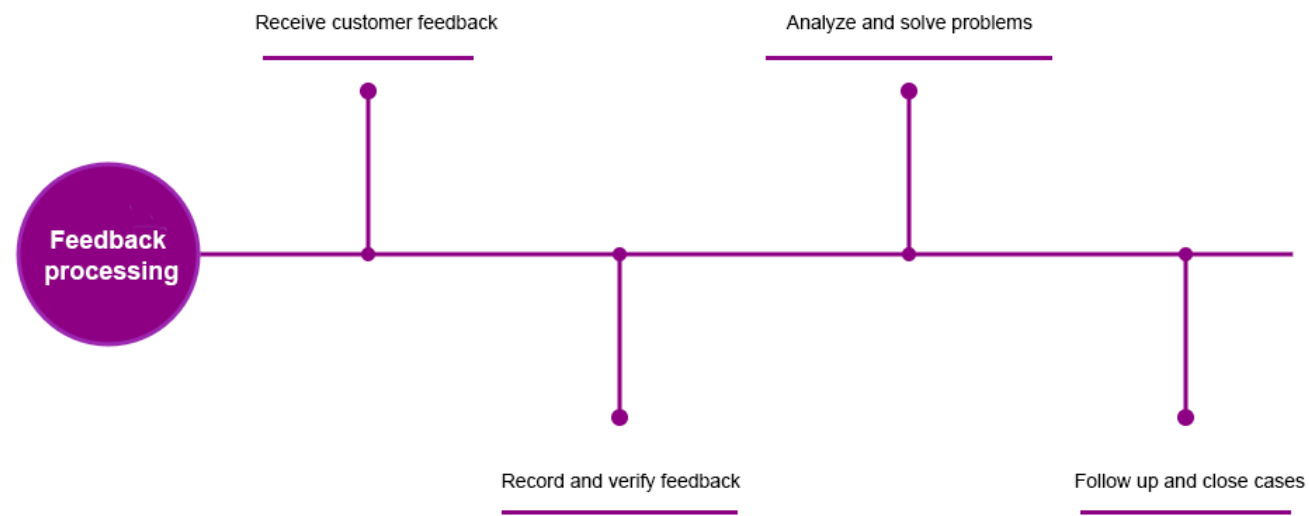
With growing customer expectations for reliability and continued support, and in response to environmental calls, KTC provides efficient, eco-friendly spare parts services and rapid, accurate spare parts replacement solutions to reduce product downtime while implementing eco-friendly packaging and recycling programs to minimize environmental impact.

In the reporting period, KTC's spare parts services reduced the waiting time for customers, with a 30% rise in the average response time. Through its parts recycling program, KTC has achieved the recycling and reuse of some accessories, reducing waste and contributing to the environment. Going forward, it will continue to invest in technology and process innovation to improve the efficiency and environmental performance of spare parts services. It will explore new ways of using sustainable materials and increasing used parts utilization to strengthen commitment to environmental protection and social responsibility.

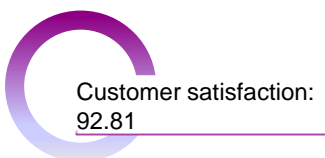
Customer Feedback Processing

For ToB Customers

KTC has established diversified customer communication channels throughout the user service process based on business units to ensure timely response to user needs. For toB customers, it has formulated the Product and Service Control Procedure and the Abnormal Feedback Processing Specification, which clearly define key elements such as the definition of complaint, responsibility allocation, and process flow. It analyzes in depth the complaints received and uses the established information feedback mechanism to ensure timely information transmission, effective coordination and tracking, issue escalation, and progress and result tracking. In this way, it creates a complete closed-loop management system for handling user problems.

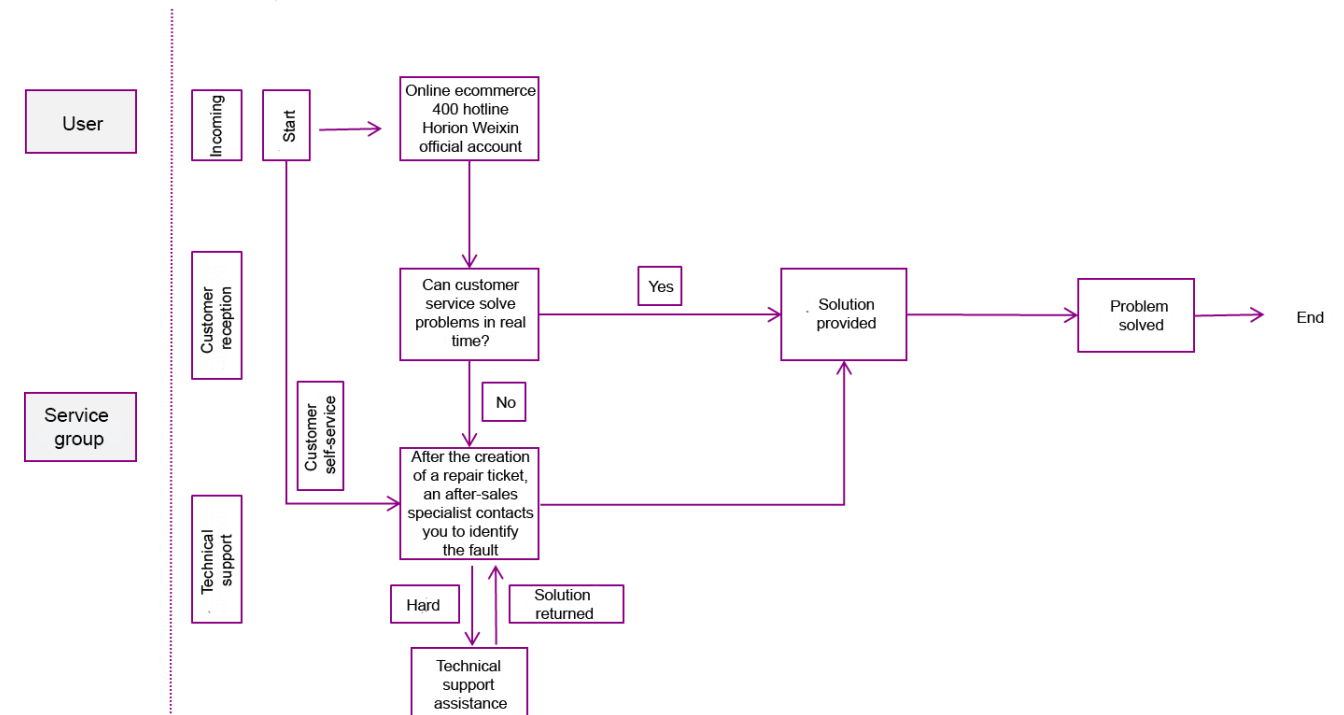


1. Receive customer feedback	Customers can lodge complaints via phone, email, online chat, etc. A complaint should be responded to within four working hours as required
2. Record and verify feedback	After-sales and relevant department heads conduct preliminary assessments of complaints, determine the urgency and nature of complaints and the departments involved, and record detailed information on the content and time of complaints, customer contact information, etc
3. Analyze and solve problems	Take temporary countermeasures and remedial measures for products in transit/storage, analyze defective products and samples, look at why defects have occurred and not been caught, produce analysis reports, implement improvement measures, and track the effectiveness of improvements
4. Follow up and close cases	Provide feedback to customers on the progress and results of incident analysis, explore more solutions, and adopt pro-sustainability responses



For ToC Customers

For example, toC customers can contact Horion, a subsidiary of KTC, through its service hotline 4006-818-999/WeChat official account/mall/platform customer service and purchase channels for inquiries, repairs, complaints, or suggestions. The Company requires customer support staff to determine the effectiveness and type of inquiries and the Technical After-Sales Department to implement the processing mechanism. Based on the type of problems reported, the Company should contact customers within two working hours, and dispatch technicians for debugging within 24 hours. The Company should complete general software fault handling within 72 hours and hardware fault handling within 2-4 weeks. The Company should keep the inquiry closure rate at 100%.



1. Receive customer inquiries	Receive customer inquiries and record detailed information on the content and time of inquiries, contact information, etc
2. Perform preliminary assessments	Customer service representatives try to provide a solution from their end. If they cannot find an answer, then they create a ticket
3. Assign tasks	Based on the rules, the system directs customer inquiries to corresponding after-sales staff
4. Develop solutions	Develop targeted solutions based on fault problems and communicate with customers for confirmation
5. Implement solutions	Follow established plans to ensure that problems are resolved

Indicator	Unit	2021	2022	2023
Number of inquiries received regarding products and services	/	8,839	9,666	18,786
Handling rate of inquiries	%	100%	100%	100%

Customer Training Services

To improve customer services in an all-round manner, KTC provides information on how to use products and what precautions to take, and offers technical support as well as troubleshooting guidance, knowledge and skills. Customers can gain a deeper understanding of product functions, features, and applications, thereby maximizing the potential value of products.

Case study | Customer training services – helping customers grow and succeed

In response to the ever-intensifying competition and more diverse customer needs, KTC provides training services for customers to help them better understand product use and after-sales maintenance, improving after-sales service efficiency and competitiveness.

In 2023, KTC offered maintenance manuals and training materials to domestic and foreign customers to help them get familiar with product characteristics, master troubleshooting skills, and solve problems in the after-sales service process.

Since the provision of training services, customers have reported a 20% increase in after-sales maintenance efficiency. Going forward, KTC will continue to optimize and expand customer training services with more personalized and interactive training programs to ensure that it can meet the changing needs of customers and grow together with them.

Responsible Marketing

KTC attaches great importance to safeguarding the legitimate rights and interests of customers. In strict compliance with relevant laws and regulations, including the Advertising Law of the PRC, the Measures for the Administration of Internet Advertising, the Regulations on Control of Advertisements, the Administrative Measures for Livestreaming Marketing (for Trial Implementation), and the Administrative Measures for Sales Promotion Acts of Retailers, the Company discloses production information truthfully and rejects false marketing.

In 2023, the Company stepped up advertising and promotion efforts for its proprietary brands, KTC, Horion and FPD. Within selling expenses, its advertising expenses were about RMB65 million, up 86.94% YoY. It has developed an office automation (OA) process for Online Information Publishing Applications. For its product and service publicity efforts, all content is checked by product, marketing, sales, customer service, and other departments, before being released after confirmation by department managers, website administrators, and the manager of the board secretary office. For promotional materials like product details pages and advertising pages, it specifies, among others, data sources, information sources, and restrictions in ways such as remarks to prevent audience misunderstanding. Its internal control audits the relevant specifications, processes, projects and expenses, and requires follow-up improvement with project- and expense-related issues. It has made initial updates to the relevant specifications.

In compliance with the Measures for the Administration of Certification Certificates and Certification Marks and based on the QS02-10 Design and Development Control Procedure, the QS02-12 Identification and Traceability Control Procedure, the QS02-15 Product Certification Control Procedure, and the QS02-29 Conformity Assessment Procedure for Hazardous Substance Management, the Company promotes green and standardized product label management for sustainability.

Science and Technology Ethics

In 2023, LLM technology advanced rapidly worldwide. As the integration of algorithm applications and hardware accelerates, the trend of smart display consumption may look good long-term. First, smart homes are more intelligent and personalized. LLM-based voice assistants can understand user needs more accurately and provide personalized services and suggestions to improve user experience. Second, home appliances are more connected than ever. LLM technology enables home appliances of different brands and types to communicate to build a smarter ecosystem. Users can control devices through a unified app, thereby further improving convenience.

LLMs are also important in the design and R&D of home appliances. Using big data analysis and intelligent algorithms, companies can capture market trends and consumer preferences more quickly to shorten the R&D cycle and accelerate product iteration. The application of intelligent maintenance and fault prediction technologies has extended the life of home appliances and reduced maintenance costs.

Amid great changes in the external environment, KTC takes sci-tech ethics management seriously in the face of new technology applications and product iterations. In 2023, it adhered to a pragmatic attitude. It upheld the principle of steady development, and based on industry supervision and policy requirements, it moved to learn about the advanced management models and compliance dynamics of internet companies. It also moved to keep up with technology iterations, learn new LLM concepts, and understand new technology trends from the perspective of product R&D.

To ensure that the ethical bottom line is upheld in the journey of sci-tech development, KTC has taken the initiative to learn and understand laws and regulations of important guiding significance, such as the Interim Measures for the Management of Generative AI Services and the Administrative Provisions on Deep Synthesis in Internet-based Information Services. In this way, it aims to clarify its responsibilities and obligations in terms of sci-tech ethics and improve the internal management mechanism to promote technological innovation and developments like AI.

Case study | KTC holds internal discussions on future technology application and related ethics

KTC attaches great importance to the use of new technologies in smart display devices. During exploration, KTC is also keenly aware of the security issues that might arise. Given this, KTC discusses cutting-edge technologies such as LLMs, AI, VR, and AR from time to time to take a look at the trends and use cases of these technologies and consider the potential risks during application and the sci-tech ethical issues involved.



04

Industry and Community Engagement

A supply chain management model that balances environmental, social, and economic benefits is crucial for enhancing a company's core competitiveness across multiple dimensions. KTC integrates sustainability assessments into procurement decisions and supplier management, establishing a sustainable supply chain management system that promotes a transition toward high-quality, green, and low-carbon practices. Furthermore, maintaining strong community-enterprise relations is essential for achieving sustainable operations; thus, the Company places significant emphasis on community feedback and needs, collaborating with partners to build a harmonious and healthy society.

ESG Key Performance

- ✓ By the end of 2023, KTC has 1,373 suppliers, with local suppliers accounting for 80%.
- ✓ The percentage of new suppliers using ESG dimension assessment in the current period is 100%.
- ✓ In 2023, the Company has invested a total of RMB 6.19 million in charitable donations, and 220 employees have participated in public welfare activities.

ESG Mid-term Goals

- ✓ Maintain a high proportion of local procurement.
- ✓ The growth rate of funds invested in community development is greater than or equal to the growth rate of net profit of the Company to create harmonious community relations.

The SDGs addressed in this chapter



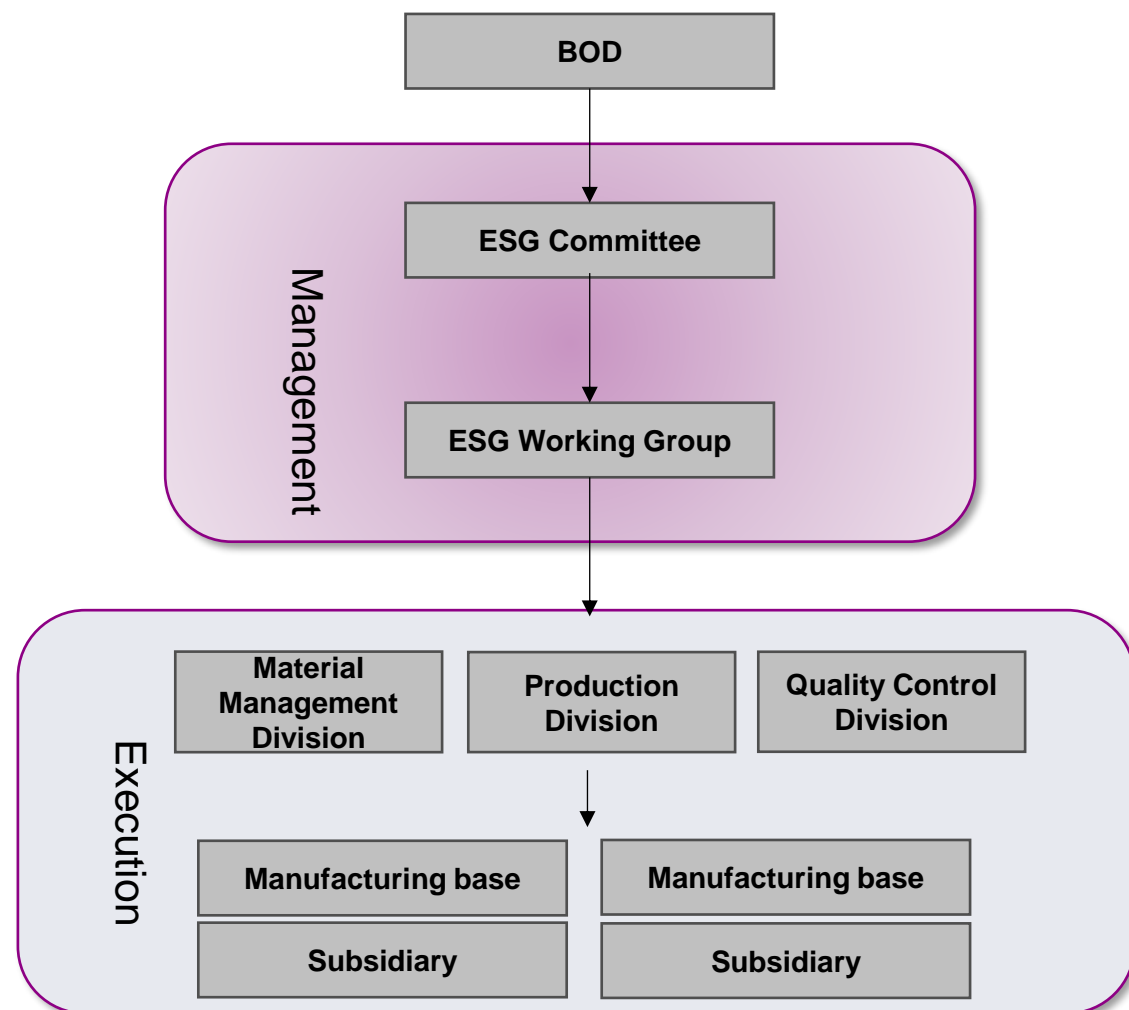
Responsible Supply Chain

KTC is committed to building a sustainable supply chain. While meeting procurement needs and fulfilling contracts in a timely manner, it also drives suppliers to improve their sustainability performance. It provides full chain/full lifecycle management from supplier onboarding and procurement to evaluation and empowerment, with strict onboarding and management policies for suppliers in terms of environmental protection, quality, and business ethics.

Governance

The Company has a sound supply chain management system to ensure a long-term, stable supply of goods, services and raw materials related to its business.

The Company's supply chain governance framework



Risk Management

The risk of supply chain disruptions can have a significant impact on our business operations, so we identify key suppliers (based on the quantity or importance of supplied materials) to pinpoint areas of supply chain risk and develop a risk management strategy. For highly dependent raw materials, we have introduced a second or third supplier to lower the risk of single supplier dependence. Based on the inventory strategy, we adjust inventory levels and maintain appropriate safety stock for high-risk materials in case of short-term supply disruptions. KTC regularly evaluates supplier performance based on indicators like prices, on-time delivery rates, company basics, yields, and online defect rates as part of supplier selection and management.

The risk categories that KTC focuses on

- (1) Risks related to human rights
- (2) Risks related to conflicts
- (3) Risks related to governance
- (4) Risks related to environmental protection and occupational health and safety

If there are reasonable grounds to believe that a supplier is risky, we will immediately devise, adopt and implement a risk management plan with upstream suppliers and other stakeholders based on its specific position in the supply chain to prevent or mitigate specific risks. We will immediately suspend or terminate cooperation with very high-risk suppliers. We will continue to monitor and track the implementation and completion of risk management plans, and assess periodically the effectiveness of their implementation.

Distribution of suppliers, 2023

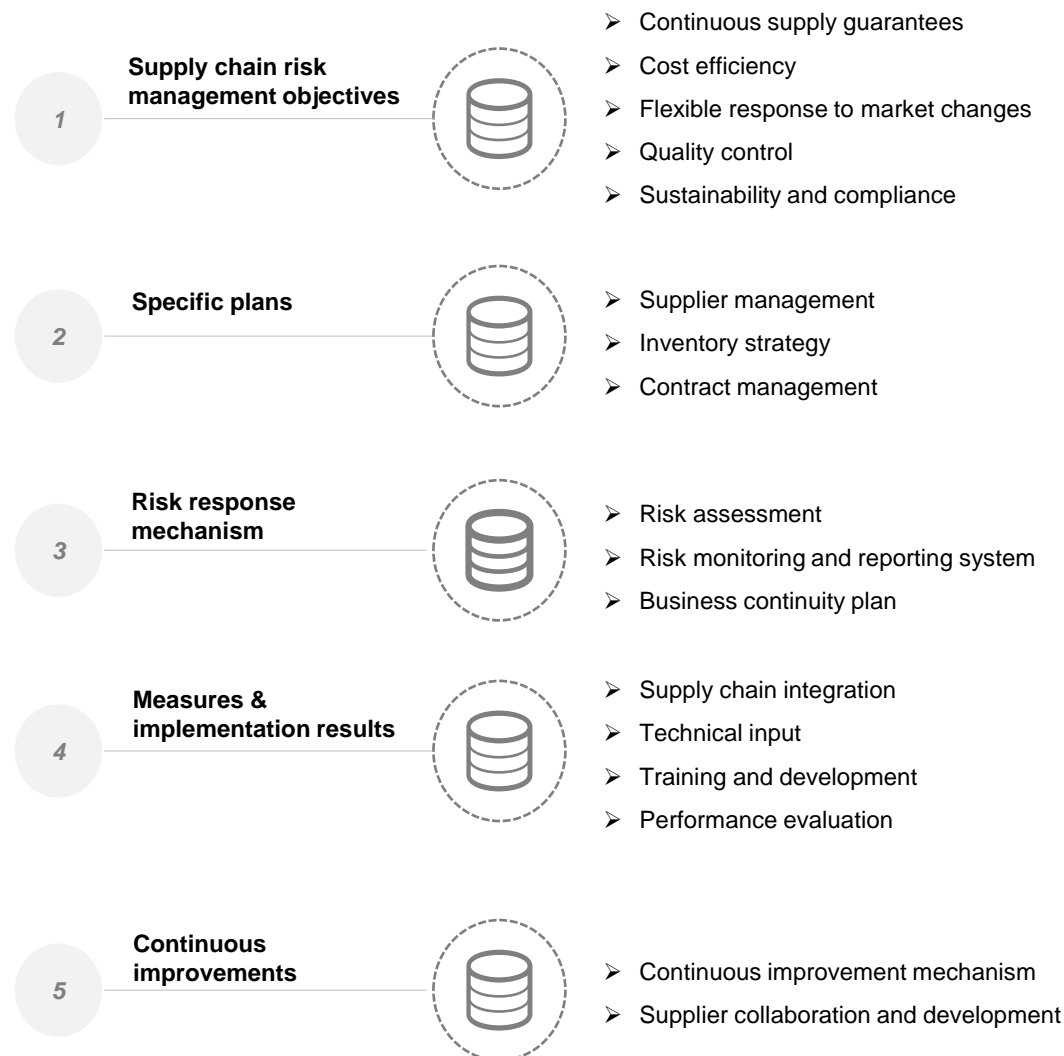


Supply Chain Management System

Based on the type of products they supply, KTC categorizes suppliers into four groups: main materials, devices, structural parts, and components suppliers. Based on the source of their products, it categorizes suppliers into two groups: manufacturing and distributor suppliers. It develops different procurement management strategies according to the procurement needs of different modules, such as hierarchical management of suppliers, elimination of exclusive supply for key materials, supplier assistance, cost control, performance evaluation, etc.

To ensure supply chain sustainability, the Company has established a sound policy system for each key link of the value chain, mainly including the Transparent Cooperation Agreement, the New Supplier Evaluation Report, and the Other Stakeholder Requirements. The Materials Center is responsible for supplier development and management.

The Company's supply chain management system



Supply Chain Management Process

Regarding supplier management, KTC has established policies throughout the entire supplier lifecycle for the Materials Center. Its supplier-related policies include the New Supplier Audit Report, the Regulations for the Management of Supplier Reassessment, and the Procurement Management Control Procedure. It conducts regular (semi-annual/annual) supplier performance evaluations, covering aspects such as quality, cost, delivery, and service.

Supplier onboarding

KTC has established the supplier review control process and procedures for supplier onboarding and conducts preliminary assessment based on the supplier information obtained from various channels. First, it will prioritize enterprises with quality, QC 080000, ISO 14001, and ISO 45001 certifications in evaluation and assess the implementation by suppliers of the Responsible Business Alliance (RBA) Code of Conduct. Second, it will prioritize suppliers with good product quality, affordable pricing, sound after-sales service, strong supply capacity, and timely delivery. It will send a Supplier Survey Form to the suppliers deemed appropriate after evaluation for them to complete and then send back to its Procurement Department for review.

Supplier assessment

During assessments, KTC focuses on supplier performance in environmental and social risk management, such as environment, quality, and labor rights, and has formulated regulations like the Supplier Re-evaluation Management Regulations, the Procurement Management Control Procedure, and the Supplier Rating and Price Comparison Management. Suppliers are re-evaluated every six months based on criteria like price, delivery, service, RBA compliance, secure trade & quality, and environment & safety. The full score is 100. Suppliers are rated AAA (best) if they score 85 or above, AA (second best) if they score between 60-85, and A (general) if they score below 60.

A: For suppliers rated A in semi-annual assessments, the Supplier Quality Engineering (SQE) Division runs a supplier review meeting and provides on-site guidance for improvement. Such suppliers are required to improve their rating within three months.

AA: For suppliers rated AA in monthly reviews, the SQE Division runs a supplier review meeting and follows up.

Local Supply Chain

In terms of supplier distribution, the Company works with local suppliers to cut logistics costs, reduce GHG emissions, maintain community relations, and promote local development. By end-2023, it registered 1,373 suppliers and sourced 80% of its procurement from local suppliers.

Indicator	Unit	2021	2022	2023
Number of suppliers	/	813	1,056	1,373
Percentage of procurement from local suppliers	%	75%	78%	80%

Conflict Minerals

Currently, KTC's operations do not involve conflict minerals. In case of changes, the Company will uphold the US Dodd-Frank Act, the EU Conflict Minerals Regulation, and the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, and promise not to purchase or use the materials sourced directly or indirectly from conflict and high-risk areas, including but not limited to tin, tantalum, tungsten, cobalt and gold.

Supply Chain ESG Management

KTC requires its suppliers to follow high standards of business ethics and formulate formal business ethics policies. Through the Procurement Agreement, it commits its suppliers to the principles of confidentiality and transparent procurement. It asks suppliers to sign a Transparent Cooperation Agreement. These moves bolster integrity and business ethics management and prevent harm to the interests of both parties for the benefit of long-term partnerships.

The Company requires its suppliers to include social responsibility clauses in the Other Stakeholder Requirements to ensure that they participate in, understand and work with social responsibility system management and operations. It asks its suppliers to ensure a safe and healthy working environment for employees and not to use forced labor.

By end-2023, the Company had 1,373 suppliers. It evaluated all of its existing and new suppliers from an ESG perspective.

Indicator	Unit	2021	2022	2023
Number of suppliers with ESG assessment	/	813	1,056	1,373
Percentage of new suppliers assessed on ESG criteria	%	100%	100%	100%

Fueling Industry Development

KTC attaches importance to product quality and R&D innovation. It seeks to provide cutting-edge high-quality products and explores ways to commercialize R&D results. It has presided over or participated in the formulation of 17 national or group standards, like the minimum allowable values of energy efficiency and energy efficiency grades for displays (national standard), the Colorimetry - Part 4: CIE 1976 L*a*b* Colour space (national standard), the general specification for digital signage (group standard), and the technical specification for Wi-Fi connection level of smart home devices (group standard), to contribute to industry development.

KTC presides over or participates in standard setting



Creating Harmonious Society

In 2023, KTC invested RMB6,190,100 in philanthropy, up 70% YoY. Around 220 employees took part in public welfare activities, with a total service time of about 15,476 hours.

Indicator	Unit	2021	2022	2023
Number of employees participating in public welfare activities	/	235	352	220
Volunteer service hours	/	13,619	120,416	15,476
Investment in philanthropy	RMB10,000	96.46	364.45	619.01
Social welfare	RMB10,000	56.46	83.54	129.97
Healthcare	RMB10,000	30	60.92	464.5
Education	RMB10,000	0	120	16.5
Poverty alleviation	RMB10,000	10	100	8.04

Note: Investment in philanthropy includes money and material donations from the Company and its employees, employee financial support offered by its mutual aid fund, etc.

Case study | Educational support for vulnerable children

KTC is well aware of its corporate responsibility, and participates in public welfare activities, with a focus on education and children's wellbeing. KTC employees have visited low-income families in Shenzhen's urban villages to understand, through face-to-face communication, and improve the environment vulnerable migrant children grew up in. Employees convey their love through companionship to help vulnerable migrant children grow, highlighting the warmth and responsibility of KTC.



Case study | University-enterprise cooperation

KTC highly values cooperation with higher education institutions and works to create an innovative ecosystem that integrates industry, academia and research. It has established solid partnerships with top universities in China, such as Xiamen University and Southern University of Science and Technology (SUSTech), helping to promote product R&D upgrades, talent development and technological innovation. KTC's collaboration with Xiamen University contributes new ideas for its product upgrading and reinforces its influence in the academic community. As part of graduate training cooperation, KTC's R&D General Manager serves as a Distinguished Professor at SUSTech. Such academic exchange and teaching practice build a talent and technology pipeline for KTC in support of cutting-edge technology research.

Case study | KTC supports vocational students

KTC's efforts in supporting skills education demonstrate its far-reaching impact on social talent development. With contributions to the Special Education Development Fund, KTC supports students from Shenzhen Xiechuang Senior Technical School to help them acquire professional skills and open the doors to a successful future for them. Through educational public welfare activities, KTC brings knowledge and skills to children, and sets the stage for them to realize their dreams, allowing them to thrive with care and support.



Note: Shown in the picture are student representatives of the school, not direct funding recipients.

Case study | KTC takes social responsibility and participate in public welfare programs

KTC organizes employees to regularly participate in volunteer service activities in Gangtuo Community, Bantian Subdistrict to serve community residents. Through these activities, Company employees have cultivated deep connections with community residents, promoting community cohesion and resident wellbeing and contributing to a better environment and quality of life.



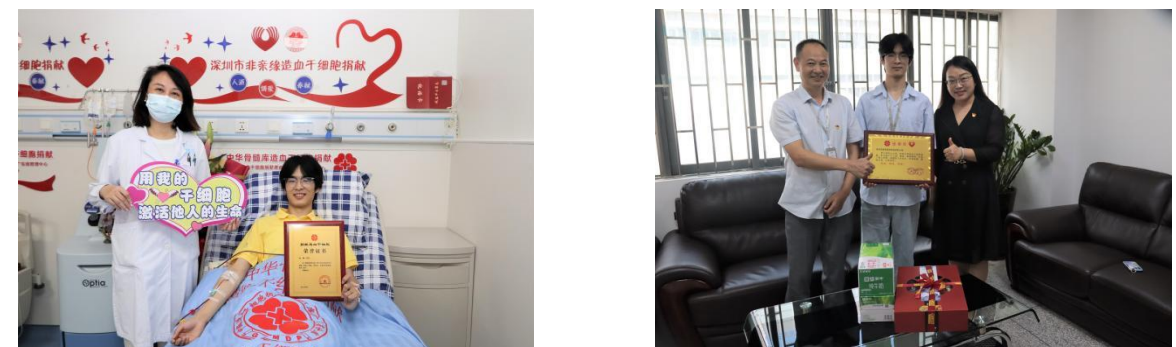
Case study | KTC extends love and warms the community

KTC integrates a sense of social responsibility and public welfare spirit into its corporate culture, and encourages employees to participate in charitable activities such as free blood donation. Under the Company's leadership, employees have participated in community-organized free blood donation campaigns. Through such activities, KTCers have demonstrated their social responsibility and created an environment full of love and warmth with community residents.



Case study | KTC's chapter of saving lives

KTC employees bring us a heartwarming chapter of saving lives. A KTC employee has donated hematopoietic stem cells to a blood disease patient. From making a commitment in college, to signing up to the bone marrow donor registry, to finally making that donation, he has the full support of his family and KTC. During the process, KTC provided the necessary vacation and care for him to ensure the donation is completed successfully. His selflessness is an epitome of KTC's active involvement in social welfare. KTC's support for employee participation in public welfare conveys a sense of social responsibility and care for employees.



05

A Diverse, Collaborative Team

As societal demands for corporate labor rights protection become more stringent, KTC is committed to enhancing talent attraction and fostering a diverse and inclusive workplace. We have established a comprehensive labor risk management system to safeguard employees' legitimate rights and interests while focusing on talent development. Our training framework, infused with the unique culture of our company, offers a range of programs on skills enhancement, leadership, ESG, and other diverse topics. We have also refined our compensation, benefits, and performance evaluation systems to share the fruits of development with our employees. At the same time, we attach great importance to the occupational health and safety of our employees, have established an efficient management mechanism, and are committed to improving employee safety performance.

ESG Key Performance

- ✓ By 2023, the Company's global workforce had reached 7,370 people. Female employees had accounted for 35.96%; The proportion of female senior management employees had been 7.14%, and the labor contract signing rate had been 100%.
- ✓ In 2023, the Company had continued to increase investment in employee training, and the average number of training hours received by employees had significantly increased to 89.88 hours. The employee training coverage rate had reached 99.69%.
- ✓ KTC, KTC Commercial, and Huizhou KTC had all obtained ISO 45001 occupational health and safety management system certification.

ESG Mid-term Goals

- ✓ There will be no major human rights violations, and the safety production management system will be continuously improved.
- ✓ Build a diverse, inclusive, equal, and women friendly workplace.
- ✓ Maintain a 100% signing rate of labor contracts, continuously improve employee training coverage, and enhance the employee development and promotion system.

The SDGs addressed in this chapter



Employment Compliance and Diversity

KTC takes practical action to support the UDHR, the International Bill of Human Rights, the ILO core conventions, the UNGPs, and the Responsible Business Alliance Code of Conduct, as well as relevant laws and regulations in its operating jurisdictions. It strictly abides by laws and regulations such as the Labor Law of the PRC, the Labor Contract Law of the PRC, the Social Insurance Law of the PRC, the Special Rules on the Labor Protection of Female Employees, and the Regulation on Paid Annual Leave for Employees.

KTC has issued internal system documents, including the KTC Human Resources Management Manual and the Human Resources Control Procedure, to enable employees to understand their rights and interests and oversee the Company's provision of treatment and conditions for them. In strict compliance with both international labor laws and labor standards in its operating areas, it seeks to create a diverse, inclusive workplace and safeguard employee rights and interests.

KTC's overall employee development strategy is formulated by the BOD and implemented by the management led by the General Manager. The HR Department is mainly responsible for the Company's HR work and in charge of employee development-related matters, such as compensation & benefits, diversified employment, labor rights, and employee training. All Company subsidiaries have HR departments or specialists in place to carry out related work to protect employee rights. In 2023, the Company found no violations of labor-related laws and regulations, and all, or 100%, of its full-time employees signed labor contracts.

Overview of KTC's employee policies



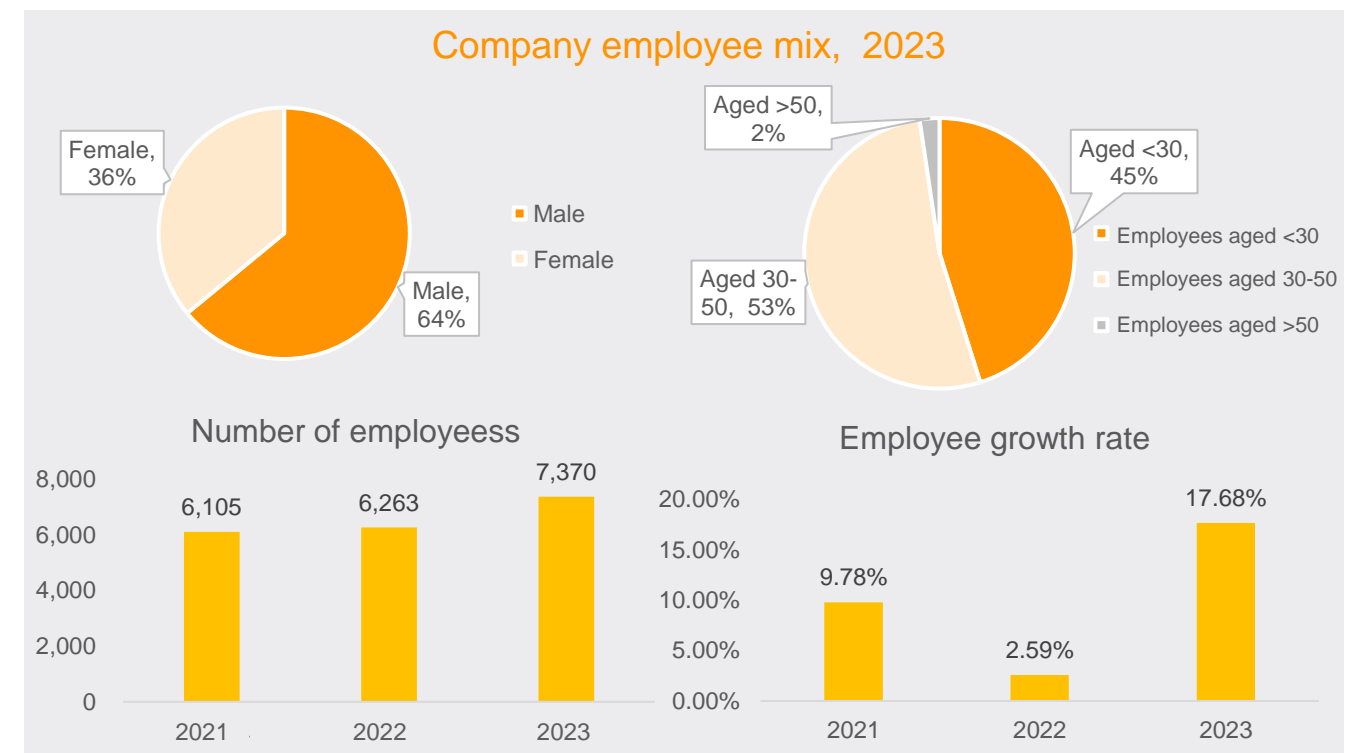
Respect Workers' Human Rights

In strict compliance with the Trade Union Law of the PRC and related laws and regulations, KTC establishes a union and a workers' congress, and designates Company representatives for equal consultation with employee representatives on matters such as employee interests. After approval through a democratic process, a Collective Contract is signed. KTC prohibits forced and child labor and protects the human rights of workers with the formulation of policies like the Free Occupational Choice Control Procedure and the Young Worker Management and Control Procedure.

As per the Control Procedure for Prevention of Inhuman Treatment, KTC does not tolerate illegal harassment in the workplace. Illegal harassment includes not only sexual harassment, but harassment on the basis of race, color, religion, national origin, ethnic origin, age, disability, marital status, military service status, or any other protected classification. KTC strongly opposes and will not tolerate harassment of employees by managers or supply chain partners. An employee who experiences harassment or believes he or she has been the target of discrimination should report the situation to his/her superior or a subsidiary's HR or Risk Management Department promptly. In 2023, KTC found no violations of labor rights, like discrimination, harassment, child labor, or forced labor, and received no employee complaints.

Build a Diverse Team

According to internal policies such as the KTC Human Resources Management Manual, the KTC Promotion Management System, and the Anti-Discrimination Control Procedure, KTC makes clear the principles of diversified employee recruitment and management. As part of our recruitment process and other internal activities, we do not discriminate or treat anyone differently in areas of employment, compensation, training and promotion based on race, color, religion, gender, sexual orientation, national origin, age, genetics, disability, marital status, or other factors not related to the legitimate business interests of the Company.



Female Employee Support

KTC respects and values female workers, protects their legitimate rights and interests, and empowers them to realize their potential and self-worth. It guarantees female employees equal employment opportunities and equal pay for equal work. In accordance with the Labor Contract Law, it implements the female staff protection system related to pregnancy, childbirth, and breastfeeding, including prenatal check-up leave, maternity leave, paternity leave, and breastfeeding leave, while organizing regular caring activities for female employees and paying attention to their rights and special needs.

KTC has taken measures to ensure more care and support to female employees. Firstly, on International Women's Day (March 8), it gives holiday gifts to female employees and organizes celebrations such as making cakes and hats. Secondly, it has set up well-equipped nursing rooms to provide a safe and convenient for maternal employees, allowing them to breastfeed, change clothes and take care of children. The move aims to support its employees to balance work and childcare and offer them a friendly and convenient working environment. In addition, it has invited physicians from the Cancer Hospital Chinese Academy of Medical Sciences, Shenzhen Center for lectures on women's health, such as breast and cervical cancer.

Female employee support KPIs

Indicator	Unit	2021	2022	2023
Number of employees on parental leave	/	228	220	202
Number of female employees on parental leave	/	120	112	99
Number of male employees on parental leave	/	108	108	103
Number of female employees who returned to work after parental leave during the reporting period	/	120	112	99
Number of male employees who returned to work after parental leave during the reporting period	/	108	108	103
Share of female employees returning from parental leave	%	100%	100%	100%

Case study | KTC celebrates Women's Day for female staff

KTC respects and appreciates the efforts made by female employees. On Women's Day, it gives gifts to female employees to express blessings and care, and celebrates the festival with them through hands-on activities to enhance their sense of happiness and belonging. On its subscription account, it shares Women's Day celebration posters and female employee stories to demonstrate its attention and care for female employees and encourage them to realize their self-worth in their jobs.



Holiday gifts

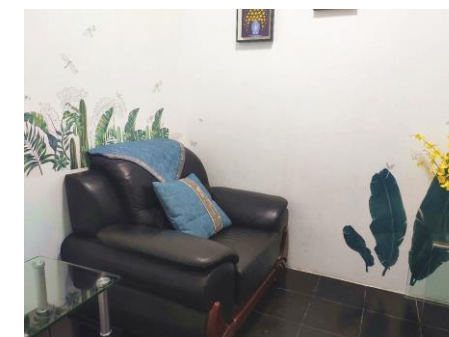
Holiday celebration



Case study | KTC provides nursing rooms and organizes lectures on women's health

KTC pays attention to the needs of female employees. It has set up comfortable nursing rooms to provide a private space for maternal employees, allowing them to better balance life and work. It has invited hospital specialists for lectures on women's health to promote breast and cervical cancer-related health knowledge among female employees and enhance their ability to cultivate healthy behaviors.

Nursing room



Women's health lecture



Employee Welfare and Care

KTC is committed to improving employee happiness. It offers competitive salaries and benefits and comprehensive social insurance and ensures that employees are entitled to statutory holidays, annual leave, sick leave and special leave. Meanwhile, it provides internal and external training courses, learning resources and promotional opportunities for employees to develop professional skills and career planning and achieve personal value growth. It has established an employee welfare system covering food, accommodation, transportation and entertainment as well as special care to ease the burden of life on employees and help them achieve a work-life balance. Its focus on employee health and growth leads to increased job satisfaction, loyalty, and overall happiness within the workplace.

Overview of employee benefits

Meal allowances

KTC pays attention to the health and welfare of its employees. It offers meal allowances and refreshments around the clock to ensure that employees enjoy nutritionally balanced meals during working days

Special gifts

KTC prepares birthday presents for employees, and offers gifts to those who have worked for a certain number of years to express gratitude and care

Holiday benefits

During traditional festivals such as the Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, KTC gives holiday gifts to all employees and organizes celebrations for them to enhance team cohesion and corporate culture recognition

Life support

KTC provides employees with well-equipped dormitories for free, talent housing at preferential rents, and housing subsidies to reduce their living burden

Health care

As part of its care for the physical and mental health of employees, KTC arranges regular health checkups, purchases medical insurance, and organizes health lectures and fitness activities for employees

Cultural activities

Each year, KTC hosts badminton, table tennis and other sports events, organizes team building activities for young employees, and holds year-end reviews and celebrations. It provides financial support for activities of interest to enrich the cultural life of employees

Paid leave

In strict accordance with labor law provisions, KTC provides paid leave to ensure that employees can get enough rest after work and maintain physical and mental health

Special Activities and Employee Care

KTC regularly organizes festival celebrations and recreational activities, like sports, hiking and travel, and offers prizes for participating employees to increase their sense of happiness and belonging. It has also established and funded employee interest clubs and regularly organizes club activities. Its employees can join the clubs they want and participate in training and activities.

The Company upholds the people-oriented concept and provides special employees with care and support. It has created a mutual aid fund to financially support employees and their families in need due to illness, disasters, etc. Also, it offers marriage and childbirth allowances for employees and scholarships for their children. As part of its family day event, it invites employee families to visit and get to know the Company to enhance family understanding and support for the work of their loved ones. It pays pension insurance premiums in full and according to the law to provide protection for employees' retirement life.

Case study | The Company's sports club activities

KTC offers a variety of cultural activities, like sports events and travel-based team building, so that employees can get more exercise and develop hobbies outside of work to achieve work-life balance.



Case study | KTC family day 2023

In 2023, we organized the family day event, inviting families to visit and experience what it is like to be an employee at KTC. Employees' families can also gain a deep understanding of KTC's prospects. Reflecting its corporate culture and humanistic care, KTC conveys a message of care and respect for its employees and promotes family understanding and support for their work.



Employee Communication

To better safeguard employee rights and interests and promote communication with employees, KTC has established a union and regularly convenes workers' congress meetings in accordance with regulations. It attaches great importance to the voices and needs of employees. Through various channels, it regularly collects employees' opinions and suggestions to understand their voices and satisfaction, laying a solid foundation for providing sustainable support.

Case study | KTC's 4th Trade Union Committee held the 1st session of the Workers' Congress In 2023

On June 13, 2023, KTC's 4th Trade Union Committee held the 1st session of the Workers' Congress. The meeting covered such topics as the Company's operational report, the union's duty performance review and planning, the election of union committee members, the review of Employee Handbook revisions, and the changes to the employee reward and punishment system.



Through employee participation and feedback, KTC could promptly adjust its strategic direction and optimize its management strategies to ensure that it maintains its continued leadership amid intense competition.

Case study | Company survey on employee physical examination satisfaction (2023)

In February 2023, KTC carried out the employee physical examination satisfaction survey for 2022 to understand employees' thoughts and feelings on physical examination arrangements and supplier satisfaction and improve their happiness and overall experience. The number of employees who participated in the survey was 2,285, with a participation rate of 100%.

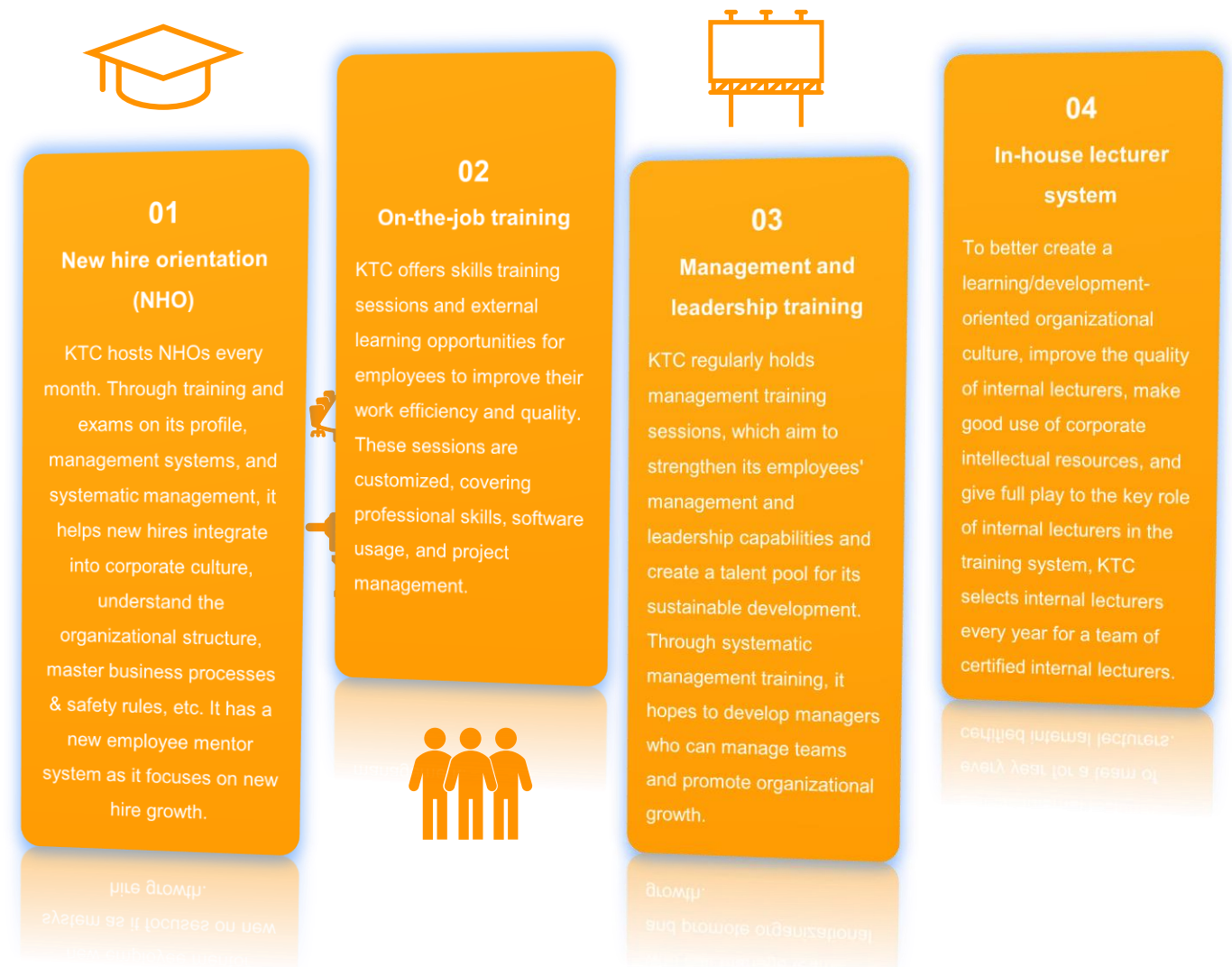
Based on an analysis of the survey, employees were highly satisfied with the physical examinations in 2022. Especially employee satisfaction reached 92%. The majority of employees were most satisfied with the physical examination center's environment & facilities, services, physical examination process smoothness, and physical examination package settings. But they wanted shorter waiting times for computed tomography (CT) and B-ultrasound examinations.

Employee Training and Development

Talent is the core driving force for KTC's sustainable development. As a result, the Company has formulated the Annual Training Plan, the Training Assessment Management System, the Internal Lecturer Management System, and the External Training Management Regulations in accordance with its development strategy, creating a training system based on its tiered plan for corporate talent training and development.

KTC maintains close cooperation with universities in and out of Guangdong province to promote talent projects. With the help of the industry-university-research model, the Company works together with universities to cultivate high-quality talents that meet enterprise needs through the establishment of an employment base and scientific research cooperation.

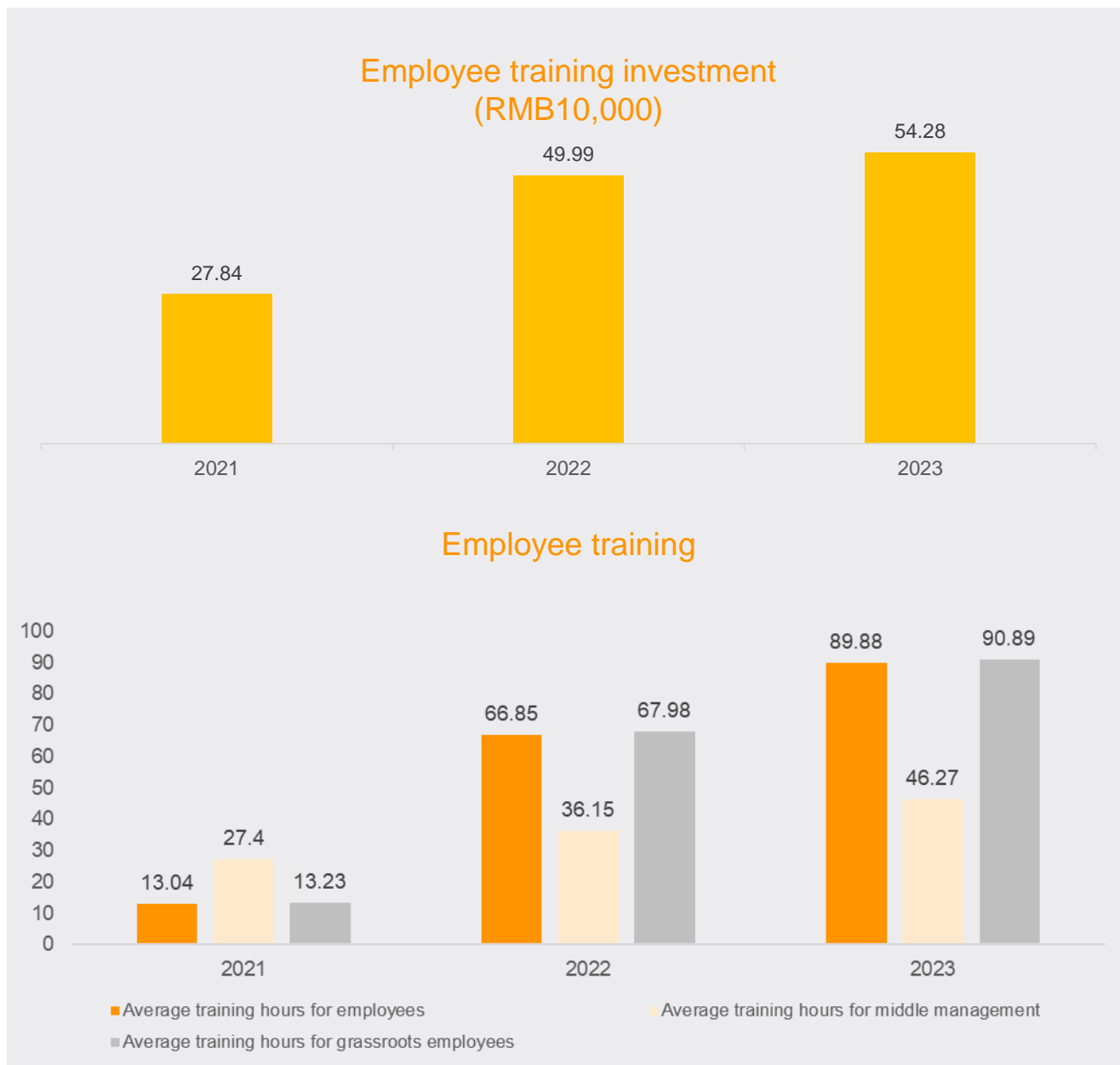
Employee training system



Employee Training and Growth

KTC creates an annual training plan for all employees and increases investment in employee training. It is committed to unlocking the potential of employees and improving their skills, encouraging them to pursue the development paths that suit them for personal value realization.

KTC continued to increase its investment in employee training in 2023, when spending totaled RMB542,800. The employee training coverage rate reached 99.69%. Total employee training time came to 660,359 hours, with an average of 89.88 hours per employee.



All-staff Training System

To achieve sustainable development and ensure talent pool, KTC has developed a comprehensive and systematic learning framework. The framework includes training for employees at different stages, like new employees, core technical personnel, and management, and covers key areas such as professional skills improvement, leadership development, industry knowledge updates, and personal career planning, aiming to provide employees with diversified growth paths.

KTC advocates full participation in this training system to ensure that every employee can keep up with industry developments and enhance their skills and quality.

Overview of employee training programs



Special Training Programs

KTC has developed special training programs in three directions based on different employee characteristics to improve the skills and knowledge of employees at different stages. It strives to help both new and senior employees gain the latest industry knowledge and professional skills through training so as to improve their work efficiency and quality.

The Company's special training programs focus on teamwork and cultural integration. Through teamwork and interactive learning, employees can improve communication and collaboration and enhance team cohesion. Special training programs, as an important channel for conveying corporate culture and values, also strengthen employees' sense of belonging and loyalty by promoting a deep understanding and recognition of corporate culture.

Special training programs for employees

Special training program	Participants	Program description
Management skills training	Newly promoted managers and supervisors	A program on daily management skills training has been developed for new supervisors and above. It focuses on leadership development and aims to foster elite leaders of the future
Manager job training	Managers and supervisors	The program is designed to improve the overall quality of managers. Through case studies and practical exercises, it helps managers master practical operation skills and support continued individual and team growth
NHO	New employees	The program aims to help new employees understand KTC's systems and culture and get integrated into the Company and the workplace as quickly as possible. It offers systematic and comprehensive training courses and activities to get new employees familiar with Company culture, business processes and industry knowledge

Case study | Summary of the Company's training programs in 2023

In 2023, KTC organized diversified and systematic employee training programs. The Company has carefully designed special training programs for employees at different levels, from management skills training for newly promoted managers and supervisor job training for supervisors to PCB design training for the Electrical Department and NHO for new employees. Through these training programs, the Company hopes to develop a high-quality, efficient team to lay a solid foundation for its long-term development.



Vocational Skills Support

KTC conducts regular apprenticeship training and examinations to provide a good platform for employees to improve their professional skills. With this mechanism, it can accurately assess the professional skills of employees and provide clear guidance for their career development.

In 2022-2023, the Company completed intermediate training for LCD manufacturing workers under the new apprenticeship program. A total of 49 staff completed all courses and obtained certificates. In 2024, the new apprenticeship program will continue.



Employee Promotion and Incentives

The Company has formulated the KTC Promotion Management System. It has established sound employee promotion channels and implemented diversified incentive measures to help employees achieve personal development goals and provide strong support for talent retention and talent team building.



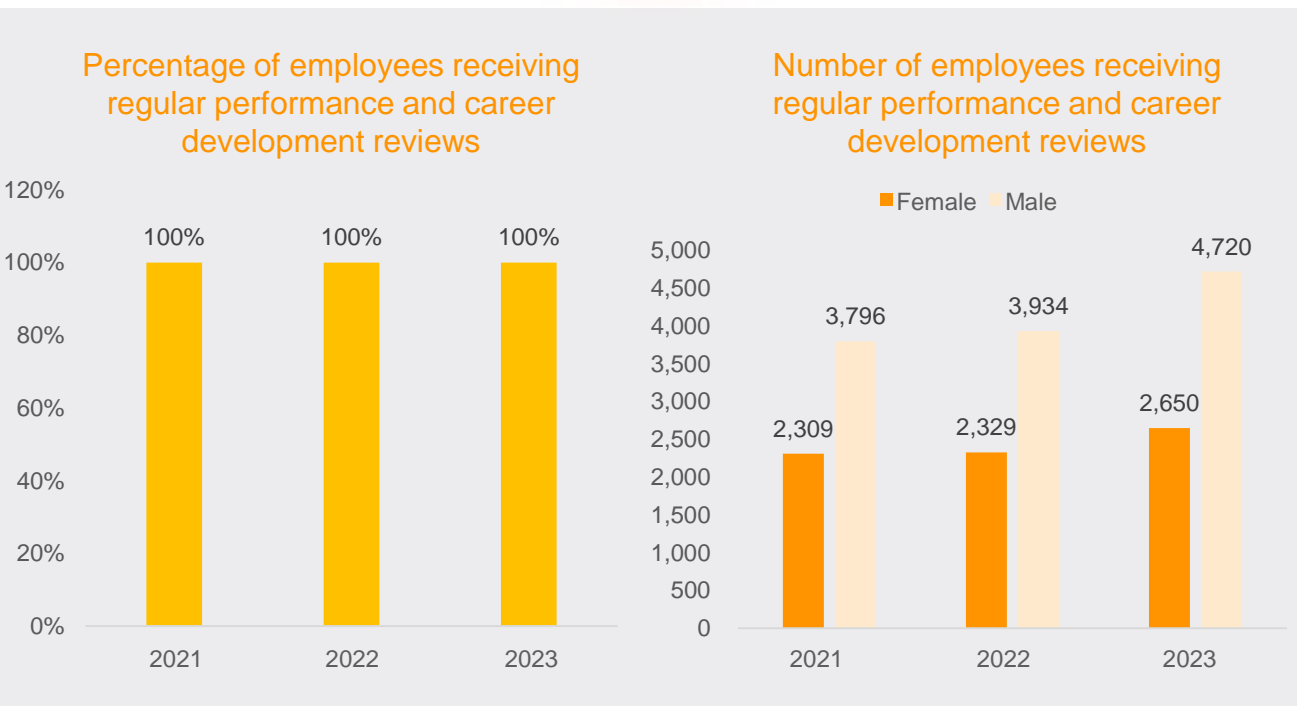
Talent Retention

KTC consistently adheres to the corporate values of "Respecting people, commitment to work, industriousness, innovation". The Company implements measures to strengthen itself with talents and focuses on talent introduction, training and development. Besides the new hire mentor program, it has also developed differentiated incentive programs based on its stages of business development to ensure talent stability. Differentiated incentive programs are mainly for management, core personnel, key positions, and key production & research staff.

For key R&D technical staff, the Company adopts a differentiated strategy to attract and retain these critical talents. To this end, it has formulated the KTC Key R&D Position Management Specification. This Specification may include more competitive pay, broader promotion space and development opportunities, and more personalized career development plans and training programs.

To enhance employee engagement and satisfaction, the Company has further strengthened corporate culture promotion. It creates a positive, harmonious, and friendly work environment through a variety of employee activities, such as women's care, team building, and cultural exchanges.

The Company stabilizes key talents with the implementation of equity incentive plans. It stimulates employee enthusiasm by aligning the personal development of employees with long-term company goals, which helps to enhance team cohesion and collaborative spirit and inject vitality into long-term corporate development.



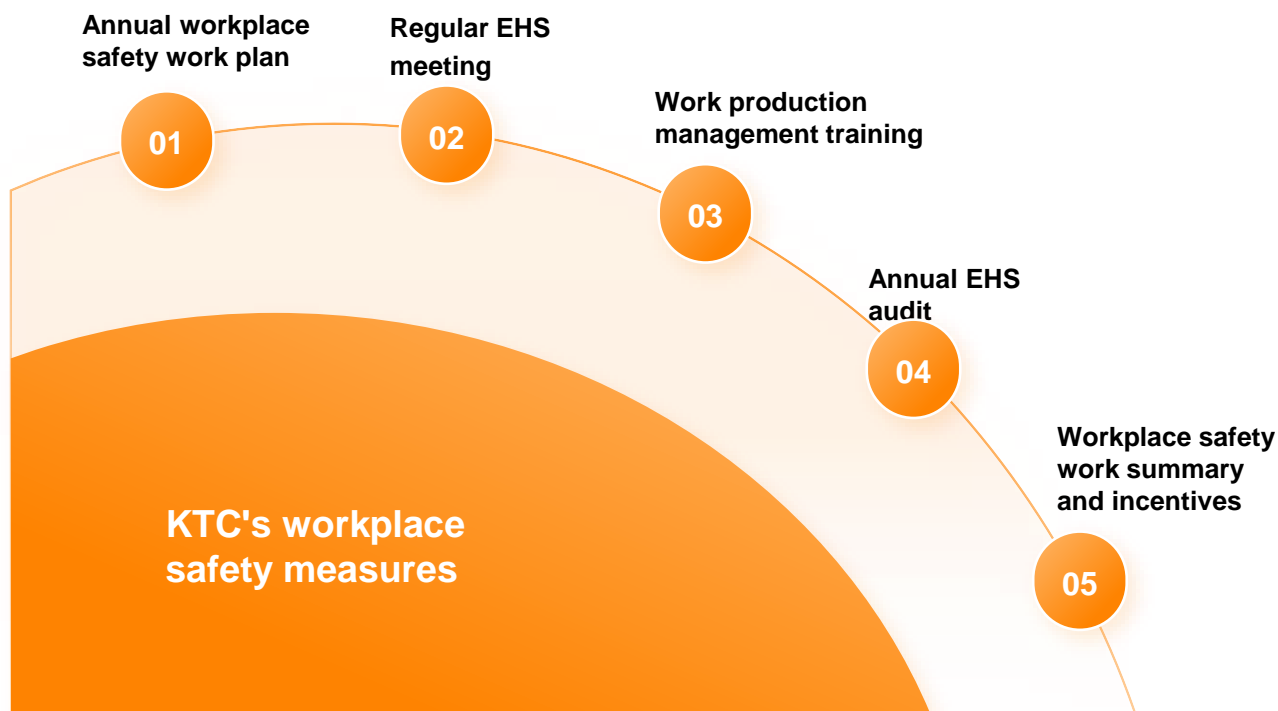
Occupational Health and Safety

KTC adheres to the Law of the PRC on Work Safety, the Law of the PRC on the Prevention and Control of Occupational Diseases, and the Regulation on Work-related Injury Insurance, as well as laws and regulations in its operating regions. Through the introduction of internationally advanced occupational safety standards, it continuously improves the internal management process and enhances employees' safety awareness and operational skills.

Work Safety

KTC has established a sound work safety accountability mechanism. Its Safety Management Team, composed of environment, health and safety (EHS) related personnel, is responsible for approving Hazard Identification and Risk Assessment Records. Its Engineering Department works with its various departments to identify hazards and assess risks and to generate company-level Hazard Identification and Risk Assessment Records.

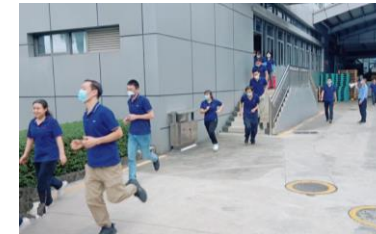
In 2023, KTC and its subsidiaries were actively involved in safety standardization. KTC, KTC Commercial, and Huizhou KTC passed level 3 work safety standardization acceptance tests and formulated contingency plans for work safety incidents. By end-2023, KTC, KTC Commercial, and Huizhou KTC received the ISO 45001 occupational health and safety management certification. Meanwhile, KTC reported no safety accidents above general level or negative work safety events.



KTC, which promotes occupational health and safety management system certification, is committed to establishing a sound occupational safety management system. Reflecting an emphasis on employee physical health, it has carried out employee health training activities, like lectures on women's health, cardiopulmonary resuscitation (CPR) training, and mental health. Its health hub, equipped with advanced all-in-one health machines, provides comprehensive physical exams, including blood pressure/blood oxygen/blood glucose/uric acid tests, electrocardiogram, height and weight, to enable convenient health monitoring for employees. Some of its pantries also have blood pressure, blood glucose, blood oxygen, and weight measuring instruments so that its employees can take a look at their health during breaks. It has placed four automated external defibrillators (AED) in two parks and made greater efforts to promote first aid knowledge. During the typhoon warning period in 2023, it enabled employees to take time off and adjust their hours based on actual conditions to ensure their safety.

Case study | KTC's work safety emergency drills

To improve employees' ability to respond to emergencies, KTC attached great importance to and regularly organized emergency exercises in 2023. Immersed in simulated emergencies such as fires, employees could learn and master the right emergency response skills. Through regular exercises, employees' emergency response capabilities have improved significantly. Employees are able to respond rapidly to emergencies with the right actions.



Case study | The Company's safety culture building

In 2023, KTC adopted diverse measures to build its safety culture. It continued to improve employees' safety awareness and skills through safety training sessions, fire emergency drills, safety knowledge promotions, and hands-on first aid training courses. Especially the CPR training it provided combines professional knowledge and practical experience. More than 100 of its employees have passed the assessment and obtained completion certificates.



Third-party Safety Management

KTC is concerned about the occupational health and safety of supply chain workers, in addition to its own employees. When selecting suppliers, it views labor health and safety as an important indicator. It evaluates supplier performance in labor rights protection, work environment improvement and safety management through due diligence, on-site audits, and third-party verification. It prefers suppliers that have established a proper labor protection mechanism and are willing to make continuous improvements.



KTC and its supplier partners have developed the Other Stakeholder Requirements. The rule explicitly outlines the safety responsibilities, obligations and expectations for the Company's stakeholders (such as suppliers and service providers).

For suppliers



KTC has implemented strict safety measures to manage contractors entering its premises. First, it asks all contractors to sign a safety agreement before entering the premises to set out safety responsibilities and obligations for both. Second, it has established a supervision and work permit issuance mechanism for dangerous operations. Before carrying out dangerous work, its contractors are required to submit work plans and safety measures, and can only proceed after obtaining work permits. It assigns safety supervisors to conduct on-site supervision to ensure safety during the operation.

For contractors



KTC has formulated the Visitor Management System. On the one hand, the System clarifies the conditions, procedures and requirements for visitors to enter KTC's premises. Visitors must have an appointment and register before visiting, and undergo identity verification and security checks and abide by the KTC safety regulations when arriving on-site. On the other hand, the System establishes the behavioral norms and responsibilities for visitors in KTC premises to ensure that their behavior will not pose a safety threat.

For visitors

Work safety KPIs

Indicator	Unit	2021	2022	2023
Number of participants in safety education and training	/	6,081	6,239	7,347
Safety education and training coverage	%	99.61%	99.62%	99.69%
Number of employees missing work due to work-related injuries	/	22	25	14
Number of work-related fatalities for suppliers or contractors	/	0	0	0
Number of work days lost to work-related injuries at suppliers or contractors	/	0	0	0

Note: Statistics for suppliers or contractors are in areas under the Company's jurisdiction.

Case study | Third-party safety management system

KTC attaches great importance to the work safety of stakeholders. It has a third-party safety management system in place for suppliers to ensure safe production.

Management and onboarding

- Measure suppliers on criteria like social responsibility, information security, human rights protection, quality, environment, safety requirements, occupational health & safety, and ESD systems based on the New Supplier Audit Checklist. Clarify the definition of safety for suppliers and develop relevant safety requirements

Safety risk assessment

- Conduct on-site inspections of suppliers and track their safety-related performance in accordance with the New Supplier Review Record and other documents

On-site EHS inspection for suppliers

Occupational health & safety management

EMS certification

Hazardous substance process management

ESD protection management

On-site EHS inspection for contractors

Construction management safety

Construction worker safety

Site safety

Hazardous area identification

Road safety

Electromechanical equipment safety

Temporary housing safety

Other unsafe acts

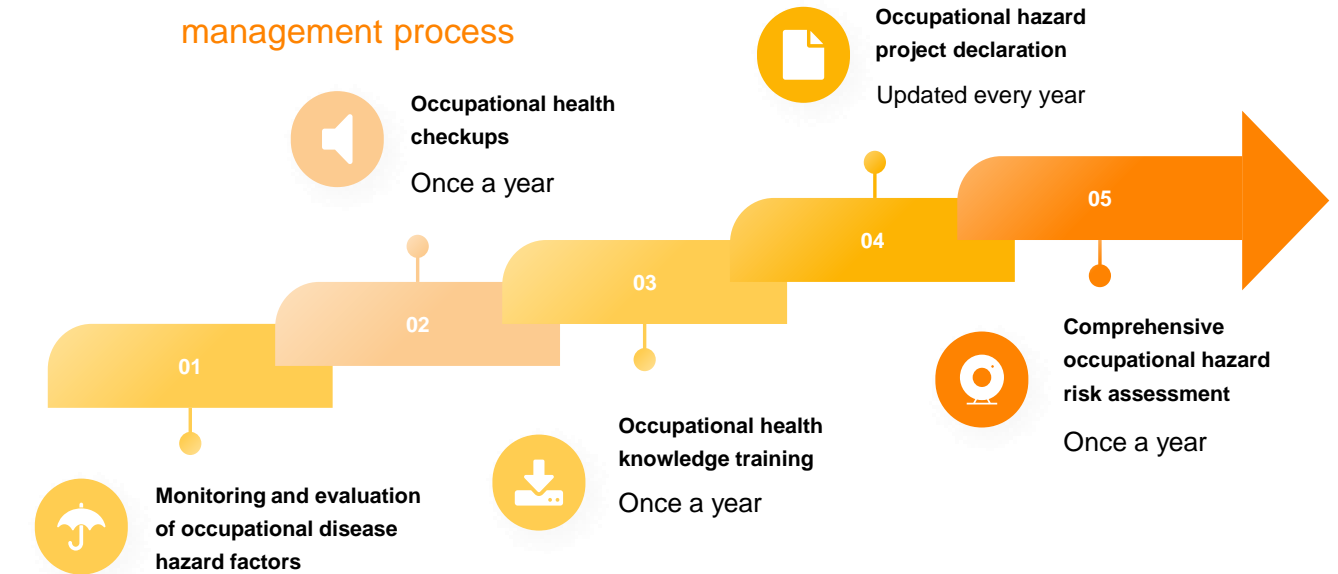
Occupational Health Management

KTC attaches great importance to environmental and personnel health and ensures that the occupational safety and health environment meets national standards. It conducts regular environmental and personnel monitoring to integrate occupational health into practice. It carries out occupational hazard site detection every year, occupational hazard evaluation and results publicity every three years, and occupational health examination for employees exposed to occupational hazards every year. Also, it provides occupational health and safety training for all employees annually to allow them to understand the hazards they face and take good personal protection.

Occupational health management system



Occupational health risk identification and management process



Case study | KTC free clinic: A collaboration with Shenzhen Hospital of Beijing University of Chinese Medicine (BUCM)

To care for the physical and mental health of employees and improve their health awareness, KTC's Party branch and trade union, in partnership with traditional Chinese medicine experts from Shenzhen Hospital of BUCM (Longgang), hosted a free clinic at KTC Bantian Park on November 8, 2023 to screen for diseases and provide recommendations and plans to employees.



Case study | KTC's occupational health examinations for employees in 2023

In 2023, KTC organized pre-job, on-the-job, and post-job occupational health examinations for 214 employees exposed to occupational hazards and had results properly managed.

It provides regular or irregular occupational health examinations for employees, with the aim of ensuring their physical health and enhancing their cohesion and work motivation.

Occupational health KPIs

Indicator	Unit	2021	2022	2023
Number of employees exposed to occupational health hazards	/	137	283	214
Employee occupational disease physical examination coverage	%	100%	100%	100%

Quantitative Data: Performance Metrics

The Company adheres to the principle of "Quantification and Consistency" in disclosing the quantitative performance metrics that reflect the effectiveness of its sustainability management.

Statistics Scope During the Reporting Period

Unless otherwise specified, the statistics scope of governance and economic reporting is consistent with that of the Company's consolidated financial statements.

Economic Performance

Indicator	Unit	2021	2022	2023
Operating Income	RMB10,000	1,188,874.51	1,158,704.38	1,344,665.51
Net Profit Attributable to Owners of the Parent Company	RMB10,000	92,306.73	151,559.82	128,258.65
BVPS	RMB	7.45	11.31	10.12
EPS	RMB	2.56	2.96	1.88
Employee Salary and Welfare Expenses	RMB10,000	75,339.80	94,095.59	103,316.13
Interest Expense	RMB10,000	1,168.76	783.42	3,614.30
Total Dividends	RMB10,000	30,186.56	45,416.69	41,194.36
Retained Earnings	RMB10,000	179,790.13	301,163.39	384,005.35
Government Subsidy Amount	RMB10,000	10,430.77	20,632.88	14,886.07
Costs Incurred from Measures Taken to Address Climate Change Risk Management	RMB10,000	68.04	82.6	75.04

Corporate Governance

Indicator	Unit	2021	2022	2023
Number of BOD Members	/	7	7	7
Number of Independent Directors	/	3	3	3
Proportion of Independent Directors	%	42.85%	42.85%	42.85%
Number of BOD Meetings	/	5	8	8
Number of Important Substantive Issues Conveyed to the BOD	/	32	50	47

Business Ethics

Indicator	Unit	2021	2022	2023
Number of Employees who Have Received Anti-corruption Training	/	6,105	6,263	7,370
Percentage of Employees who Have Received Anti-corruption Training	%	100%	100%	100%
Number of Corruption Incidents Confirmed by the Company	/	3	1	2

R&D Innovation

Indicator	Unit	2021	2022	2023
Number of R&D Personnel	/	1,310	1,441	1,552
R&D Expenses as a Percentage of Operating Revenue	%	4.00%	4.39%	4.59%
Number of Authorized Patents and Software Copyrights	/	816	1,372	1,208
--Including: Number of Overseas Patents	/	0	1	4

Employee Composition

Indicator	Unit	2021	2022	2023
Number of Employees	/	6,105	6,263	7,370
Number of Employees by Gender	Male	3,796	3,934	4,720
	Female	2,309	2,329	2,650
Number of Employees by Age	Aged Under 30	2,909	2,818	3,326
	Aged Between 30 and 50	3,069	3,299	3,870
	Aged Over 50	127	146	174
Employee Growth Rate	%	9.78%	2.59%	17.68%
Employee Growth Rate by Gender	Male	9.21%	3.64%	19.98%
	Female	10.74%	0.87%	13.78%
Employee Growth Rate by Age	Aged Under 30	8.95%	-3.13%	18.03%
	Aged Between 30 and 50	9.69%	7.49%	17.31%
	Aged Over 50	36.56%	14.17%	19.86%

Occupational Health and Safety

Indicator	Unit	2021	2022	2023
Number of Employees Receiving Safe Education and Training	/	6,081	6,239	7,347
Coverage Rate of Safety Education and Training	%	99.61%	99.62%	99.69%
Number of Employees who Suffer Work-related Injuries and Miss Work	/	22	25	14
Death Toll of Suppliers or Contractors due to Work-related Reasons	/	0	0	0
Number of Days of Work-related Injury and Loss of Work for Suppliers or Contractors	/	0	0	0
Number of Employees Exposed to Occupational Health Hazards	/	137	283	214
Coverage Rate of Occupational Disease Physical Examination for Employees	%	100%	100%	100%

Employee Training

Indicator	Unit	2021	2022	2023
Total Expenditure on Employee Training	RMB10,000	27.84	49.99	54.28
Employee Training Coverage Rate	%	99.70%	99.60%	99.69%
Average Number of Employee Training Hours	/	13.04	66.85	89.88
Average Number of Employee Training Hours by Gender	Male	13.04	66.85	89.88
	Female	13.04	66.85	89.88
Average Number of Employee Training Hours by Job Level	Middle Management	27.40	36.15	46.27
	Grassroots Employees	13.23	67.98	90.89
Number of Employees who Regularly Receive Performance and Career Development Evaluations	/	6,105	6,263	7,370
Number of Employees who Regularly Receive Performance and Career Development Evaluations by Gender	Male	3,796	3,934	4,720
	Female	2,309	2,329	2,650
Number of Employees who Regularly Receive Performance and Career Development Evaluations by Job Level	Senior Management	22	24	24
	Middle Management	74	84	84
	Grassroots Employees	6,009	6,155	7,262

Support for Female Employees

Indicator	Unit	2021	2022	2023
Number of Employees on Parental Leave	/	228	220	202
Number of Employees on Parental Leave by Gender	Female	120	112	99
	Male	108	108	103
Number of Employees who Returned to Work During the Reporting Period After the End of Parental Leave by Gender	Male	120	112	99
	Female	108	108	103
Share of Female Employees Returning from Parental Leave	%	100%	100%	100%

Energy use

Indicator	Unit	2021	2022	2023	
Total Internal Energy Consumption	MWh	38,503.35	38,826.35	40,860.98	
Total Electricity Consumption	MWh	38,494.80	38,816.41	40,849.62	
Total Electricity Consumption by Source	Outsourced Electricity	MWh	38,494.80	34,906.20	35,010.60
	self-generated green electricity	MWh	0	4,074.01	6,217.62
Electricity Consumption Per RMB10,000 of Revenue	MWh	0.0324	0.0335	0.0304	
Total Gasoline Consumption	MWh	8.28	9.68	11.11	
Total Diesel Consumption	MWh	0.24	0.25	0.27	

GHG

Indicator	Unit	2021	2022	2023
Total GHG Emissions	tCO2e	4,634.58	4,959.71	5,920.59
Scope 1 GHG Emissions	tCO2e	109.96	84.26	111.06
Scope 2 GHG Emissions	tCO2e	4,524.62	4,875.45	5,809.53

Water Resource Utilization

Indicator	Unit	2021	2022	2023
Total Amount of Water Intake	m ³	241,074	241,700	246,457
Total Drainage Volume	m ³	229,020	229,615	234,134
Circulating Water Consumption	m ³	10	10	10
Total Water Consumption	m ³	241,074	241,700	246,457
Water Consumption Per RMB10,000 of Revenue	m ³	0.2028	0.2086	0.1833

Emissions and Waste

Indicator	Unit	2021	2022	2023
Chemical Oxygen Demand (COD)	tonne	0.10	0.13	0.16
Volatile Organic Compounds (VOCs)	tonne	0.53	0.51	0.51
Total Amount of General Industrial Solid Waste Generated	tonne	14,658.50	14,890.50	15,262.60
General Industrial Solid Waste Disposal Volume	tonne	14,658.50	14,890.50	15,262.60
Total Amount of General Industrial Solid Waste Recycling and Reuse	tonne	6,713.50	6,984.50	7,420.60
Total Amount of Hazardous Waste Generated	tonne	15.34	19.76	35.08
Hazardous Waste Disposal Volume	tonne	24.18	18.54	38.62

Indicator annotation:

- (1) The cost incurred by the measures taken by the Company to address climate change risk management mainly refers to the amount of property insurance purchased to cope with climate risks, that is, the amount of property insurance investment.
- (2) The average number of employee training hours is equal to the total number of training hours provided to employees divided by the total number of employees.
- (3) The statistical scope of suppliers or contractors is within the scope of the Company's jurisdictional work area.

Global Reporting Initiative (GRI) Content Index

KTC has reported in accordance with the GRI (Foundation 2021) Standard for the period from January 1, 2023 to December 31, 2023.

GRI Standards and Disclosure Items		Location
GRI 2-1	Organizational details	About KTC
GRI 2-2	Entities included in the organization's sustainability reporting	About this Report
GRI 2-3	Reporting period, frequency and contact point	About this Report
GRI 2-4	Restatements of information	Quantitative Data: Performance Metrics
GRI 2-5	External assurance	None
GRI 2-6	Activities, value chain and other business relationships	Globalization, Core Categories, Business Strategy
GRI 2-7	Employees	Employee Rights, Employment Compliance and Diversity
GRI 2-8	Workers who are not employees	Employment Compliance and Diversity
GRI 2-9	Governance structure and composition	Corporate Governance
GRI 2-10	Nomination and selection of the highest governance body	Corporate Governance
GRI 2-11	Chair of the highest governance body	Corporate Governance
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Environmental, Social, and Governance (ESG) System
GRI 2-13	Delegation of responsibility for managing impacts	Environmental, Social, and Governance (ESG) System
GRI 2-14	Role of the highest governance body in sustainability reporting	Environmental, Social, and Governance (ESG) System
GRI 2-15	Conflicts of interest	Corporate Governance
GRI 2-16	Communication of critical concerns	Stakeholder Communication
GRI 2-17	Collective knowledge of the highest governance body	See the 2023 Annual Report for details
GRI 2-18	Evaluation of the performance of the highest governance body	Corporate Governance
GRI 2-19	Remuneration policies	Corporate Governance
GRI 2-20	Process to determine remuneration	Corporate Governance
GRI 2-21	Annual total compensation ratio	Not Disclosed, involving confidentiality requirements
GRI 2-22	Statement on sustainable development strategy	Environmental, Social, and Governance (ESG) System
GRI 2-23	Policy commitments	See each chapter for details
GRI 2-24	Embedding policy commitments	See each chapter for details
GRI 2-25	Processes to remediate negative impacts	See each chapter for details
GRI 2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Communication
GRI 2-27	Compliance with laws and regulations	See each chapter for details

GRI Standards and Disclosure Items		Location
GRI 2-28	Membership associations	Product Certification, Fueling Industry Development
GRI 2-29	Approach to stakeholder engagement	Stakeholder Communication
GRI 2-30	Collective bargaining agreements	Employee Welfare and Care
GRI 3-1	Process to determine material topics	Identification of Material Issues
GRI 3-2	List of material topics	Identification of Material Issues
GRI 3-3	Management of material topics	See each chapter for details
GRI 201-1	Direct economic value generated and distributed	Quantitative Data: Performance Metrics
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Climate Change Response, Quantitative Data: Performance Metrics
GRI 201-3	Defined benefit plan obligations and other retirement plans	Employee Welfare and Care
GRI 201-4	Financial assistance received from government	See the 2023 Annual Report for details
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not Disclosed, involving confidentiality requirements
GRI 202-2	Proportion of senior management hired from the local community	Not tracked
GRI 203-1	Infrastructure investments and support services	Building Harmonious Society
GRI 203-2	Significant indirect economic impacts	Building Harmonious Society
GRI 204-1	Proportion of expenditures on local suppliers	Responsible Supply Chain
GRI 205-1	Operations assessed for risks related to corruption	Quantitative Data: Performance Metrics
GRI 205-2	Communication and training about anti-corruption policies and procedures	Quantitative Data: Performance Metrics
GRI 205-3	Confirmed incidents of corruption and actions taken	Compliance Management and Business Ethics
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance Management and Business Ethics
GRI 207-1	Approach to tax	Tax Compliance
GRI 207-2	Tax governance, control, and risk management	Tax Compliance
GRI 207-3	Stakeholder engagement and management of concerns related to tax	Tax Compliance
GRI 207-4	Country-by-country reporting	Not disclosed
GRI 301-1	Weight or volume of materials used	Quantitative Data: Performance Metrics
GRI 301-2	Recycled input materials used	Resource Management and Recycling
GRI 301-3	Recycled products and packaging materials	Resource Management and Recycling
GRI 302-1	Energy consumption within the organization	Resource Management and Recycling
GRI 302-2	Energy consumption outside of the organization	Not tracked
GRI 302-3	Energy intensity	Resource Management and Recycling
GRI 302-4	Reduction of energy consumption	Resource Management and Recycling
GRI 302-5	Reductions in energy requirements of products and services	Resource Management and Recycling
GRI 303-1	Interactions with water as a shared resource	Resource Management and Recycling
GRI 303-2	Management of water discharge-related impacts	Resource Management and Recycling
GRI 303-3	Water withdrawal	Not involved
GRI 303-4	Water discharge	Not involved

Global Reporting Initiative (GRI) Content Index

GRI Standards and Disclosure Items		Location
GRI 303-5	Water consumption	Quantitative Data: Performance Metrics
GRI 304-1	Operational sites owned, leased, or managed by the Company in or near biodiversity-rich areas, inside or outside protected zones	Not involved
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Not involved
GRI 304-3	Protected or restored habitats	Not involved
GRI 304-4	Species in habitats affected by operations listed in the IUCN red list and the list of state key protected wild animals	Not involved
GRI 305-1	Direct (Scope 1) GHG emissions	Quantitative Data: Performance Metrics
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Quantitative Data: Performance Metrics
GRI 305-3	Other indirect (Scope 3) GHG emissions	Not tracked
GRI 305-4	GHG emissions intensity	Not disclosed
GRI 305-5	Reduction of GHG emissions	Not disclosed
GRI 305-6	Emissions of ozone-depleting substances (ODS)	None
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Quantitative Data: Performance Metrics
GRI 306-1	Waste generation and significant waste-related impacts	Waste Management
GRI 306-2	Management of significant waste-related impacts	Waste Management
GRI 306-3	Waste generated	Waste Management
GRI 306-4	Waste diverted from disposal	Waste Management
GRI 306-5	Waste directed to disposal	Waste Management
GRI 308-1	New suppliers that were screened using environmental criteria	Responsible Supply Chain
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Responsible Supply Chain
GRI 401-1	New employee hires and employee turnover rate	Quantitative Data: Performance Metrics
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare and Care
GRI 401-3	Parental leave	Employee Welfare and Care
GRI 402-1	Minimum notice periods regarding operational changes	The Company notifies in accordance with national laws and regulations
GRI 403-1	Occupational health and safety management system	Occupational Health and Safety
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
GRI 403-3	Occupational health services	Occupational Health and Safety
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety

GRI Standards and Disclosure Items		Location
GRI 403-5	Worker training on occupational health and safety	Occupational Health and Safety
GRI 403-6	Promotion of worker health	Occupational Health and Safety
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety
GRI 403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety
GRI 403-9	Work-related injuries	Occupational Health and Safety
GRI 403-10	Work-related ill health	Occupational Health and Safety
GRI 404-1	Average hours of training per year per employee	Employee Training and Development
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Employee Training and Development
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Quantitative Data: Performance Metrics
GRI 405-1	Diversity of governance bodies and employees	Employee Rights, Employment Compliance and Diversity
GRI 405-2	Ratio of basic salary and remuneration of women to men	Not disclosed, involving confidentiality requirements
GRI 406-1	Incidents of discrimination and corrective actions taken	Employment Compliance and Diversity
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Employee Welfare and Care, Responsible Supply Chain
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	None
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None
GRI 410-1	Security personnel trained in human rights policies or procedures	Not involved
GRI 411-1	Incidents involving violations of indigenous rights	Not involved
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Building Harmonious Society
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Not involved
GRI 414-1	New suppliers that were screened using social criteria	Responsible Supply Chain
GRI 414-2	Negative social impacts in the supply chain and actions taken	Responsible Supply Chain
GRI 415-1	Political donations	Not involved
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Product Quality
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product Quality
GRI 417-1	Requirements for product and service information and labeling	Customer Services
GRI 417-2	Violations related to product and service information and labeling	None
GRI 417-3	Violations related to marketing communications	None
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None

Content Index for Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report (for Trial Implementation)

Dimension	No.	Issue	Location
Environment	1	Campaign against Climate Change	Climate Change Response, Quantitative Data: Performance Metrics
	2	Pollutant Discharge	Waste Management
	3	Waste Disposal	Waste Management
	4	Ecosystem and Biodiversity Protection	Climate Change Response Resource Management and Recycling Biodiversity Conservation
	5	Environmental Compliance Management	Climate Change Response Waste Management
	6	Energy Utilization	Resource Management and Recycling
	7	Water Resource Utilization	Resource Management and Recycling
	8	Circular Economy	Resource Management and Recycling
Society	9	Rural Revitalization	Building Harmonious Society
	10	Social Contributions	Building Harmonious Society
	11	Innovation-driven Development	Sustainable R&D
	12	Technology Ethics	Science and Technology Ethics
	13	Supply Chain Safety	Responsible Supply Chain
	14	Equal Treatment for Small and Medium Enterprises	Responsible Supply Chain
	15	Safety and Quality of Products and Services	Product Quality
	16	Data Security and Customer Privacy Protection	Customer Privacy and Data Security
	17	Employees	Employment Compliance and Diversity Employee Welfare and Care Employee Training and Development Occupational Health and Safety
Sustainability Development and Related Governance	18	Due Diligence	Stakeholder Communication Identification of Material Issues
	19	Stakeholder Communication	Stakeholder Communication
	20	Anti Commercial Bribery and Anti Corruption	Compliance Management and Business Ethics
	21	Anti-Unfair Competition	Compliance Management and Business Ethics

Reader Feedback

Dear Reader,

Thank you for reading the Sustainability Report 2023 of Shenzhen KTC Technology Co., Ltd. To provide more valuable information to you and other stakeholders, and to effectively enhance the Company's ability and performance in fulfilling corporate social responsibility, we sincerely look forward to your opinions and suggestions.

Please rate the following questions on a scale of 1 to 5 (1 being the lowest score, 5 being the highest):

1. How would you rate this report?

1 2 3 4 5

2. How well do you believe the Company is fulfilling its economic responsibilities?

1 2 3 4 5

3. How well do you believe the Company is addressing its environmental responsibilities?

1 2 3 4 5

4. How do you evaluate the Company's performance in corporate governance?

1 2 3 4 5

5. How would you rate the Company's performance in terms of employee responsibility?

1 2 3 4 5

6. How would you think the Company handles its social responsibilities?

1 2 3 4 5

7. How would you rate the level of information disclosure in this report:

1 2 3 4 5

8. How would you rate the quality of the writing in this report:

1 2 3 4 5

9. How would you rate the design and style of this report:

1 2 3 4 5

10. Which topics in this report stood out to you the most?

11. Do you have any additional opinions or suggestions for this report?

Please leave your contact information:

Name:

Phone:

Email:

Organization: