

2024

Kaifa Environmental, Social and Governance (ESG) Report



To be a Reliable and Respectable Enterprise, Strive for a Sustainable and Better Future.

Content

Preface

About This Report	03
A Message from the Chairman	04
About Kaifa	06
Honors and Achievements	08
Sustainability Management	10
Sustainability Strategy	11
Sustainability Goal	12
Materiality Assessment	14
Stakeholder Engagement	15

Special Topics of This Year	16
Lean Intelligent Manufacturing	16
Addressing Climate Change	21
Employee Training and Development	26

Closing

ESG Performance Table	106
Benchmarking Index	111
Appendix	118

1 Responsible Governance

Corporate Governance	32
Risk and Internal Control Management	38
Tax Governance	42
Information Security	43
Business Ethics	45

Sustainable Supply Chain Management

Supply Chain Management	68
Supplier Management	70
Transparent Procurement	73
Conflict Minerals Management	74
Transforming Green Supply Chain	75

2 Sustainable Environmental Management

Environmental Management	50
Energy and Resource Management	53
Pollution and Waste Management	55
Chemical Management	57
Ecological Conservation	60

People-Centric Employer

Human Rights Protection	77
Employee Union	80
Talent Recruitment and Retention	86
Occupational Health and Safety	91

3 Innovation Concepts and Technologies

Industrial Value	62
Product Ecological Design	64
Quality Management	65
Customer Service	66

6 Creators of Social Value

Promoting Employment	101
Public Welfare Actions	102

About This Report

Report Description

This report is the second Environmental, Social and Governance (ESG) Report published by Shenzhen Kaifa Technology Co., Ltd. (referred to as 'Kaifa', 'Company' and 'We') and its subsidiaries. It focuses on disclosing the concepts, management systems, achievements, and future plans to stakeholders, and showcases the outstanding ESG performance in special topics.

Framework of Compilation

This report is prepared in compliance with the Global Reporting Initiative (GRI) and the Guidelines for Social Responsibility of Listed Companies by the Shenzhen Stock Exchange while referring to the ISO 26000 Guidance on Social Responsibility, the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations Global Compact Ten Principles, the United Nations Sustainable Development Goals (UN SDGs) and the significant topics of concern for prominent Chinese and international ESG ratings.

Reporting Scope

Organizational Scope: The policies, statements, and information contained in this report cover Kaifa's actual scope of operations. The list of entities included in the report's scope is consistent with the entity list published in the 2024 Kaifa Annual Report.

Time Scope: This is an annual report covering the period from January 1, 2024, to December 31, 2024, coinciding with the financial report.

Principles of Compilation

- Accuracy:** This report provides accurate and detailed information, eliminating false records, misleading statements, or omissions of significant information.
- Clarity:** This report includes both Chinese and English versions, and provides understandable information such as table of contents, links, charts, explanations, index tables, etc.
- Completeness:** This report discloses full and complete information.
- Verifiability:** The information in this report is true and valid, and can be traced and verified.
- Balance:** This report reflects objective facts without bias and fairly discloses the company's information.
- Comparability:** This report adopts a consistent compilation method and discloses relevant historical data as much as possible. If there are any changes, they will be fully explained in this report.
- Sustainability Context:** We identify the demands and expectations of stakeholders, and report on material topics closely related to sustainable development with a full understanding of sustainability context.
- Timeliness:** This report is published simultaneously with the 2024 Kaifa Annual Report.

Data Sources

The financial data in this report is sourced from the audited 2024 Kaifa Annual Report. Other information and data primarily come from internal statistical reports or documents within Kaifa. The currency referenced in this report is denominated in Chinese Yuan, also known as Renminbi (RMB).

Assurance Statement

This report was reviewed by the management before being presented to the Board of Directors, who confirmed and approved it on April 23, 2025.

Accessing and Responding to This Report

This report is published in electronic format and can be accessed through the designated information disclosure media, the China Securities Information Network (www.cninfo.com.cn), and the official website of Kaifa (www.kaifa.cn).

We highly value the suggestions and opinions of our stakeholders and encourage readers to provide feedback through the following contact methods. Your suggestions and opinions will help us further improve this report and enhance our ESG performance.



Contact Phone: 0755-83200095



Company Email: stock@kaifa.cn

A Message from the Chairman

With the background of accelerating transformations that have not been seen in a century and profound adjustments in the global economy, enterprises, as the crucial drivers of human civilization progress, now face unprecedented opportunities and challenges. We are acutely aware that the era of solely pursuing economic benefits has concluded. An enterprise can build a solid foundation and win a bright future only by integrating environmental responsibility, social accountability, and governance efficiency into the genes of enterprise development. **As an enterprise deeply rooted in manufacturing, Kaifa fully recognizes its mission in advancing sustainable development. In 2024, marking the 30th anniversary of its A-share listing, Kaifa embarks on a new journey of relentless endeavor.** At this pivotal juncture connecting past achievements with future aspirations, we have gained invaluable insights and accumulated substantial wisdom. Guided by the priority of high-quality development, Kaifa has forged strong consensus across the organization to stabilize its core electronics manufacturing foundation, cultivate new value-creation growth points, and achieve corporate sustainability. Adhering to the sustainability strategy of 'Upholding Integrity and Innovation, Putting People First, Embracing Green and Low-Carbon', Kaifa remains resolute and resilient. All economic and sustainability indicators have been successfully achieved, with the company's overall quality continuously improving and optimizing.

Environmental: Embracing Green and Low-Carbon Practices to Ensure Sustainable Development

Manufacturing, as a resource and energy intensive industry, stands as the key focus area for the goals of carbon peaking and carbon neutrality. Kaifa drives green transformation through technological innovation. In 2024, we focused on building green management capabilities by fully implementing a greenhouse gas inventory system based on the ISO14064 international standard, laying the foundation for carbon reduction. Under the leadership of the Energy Conservation and Environmental Protection Leadership Group, we actively promoted environmental initiatives across all subsidiaries, implementing 33 corporate-level energy-saving projects that achieved over 300 tons of CO2 equivalent reductions, making tangible contributions to carbon neutrality.

Through process optimization and equipment upgrades, our electricity consumption intensity decreased by 15.32% and renewable energy usage increased to 10.16%. We established a five-year green factory certification roadmap, with two subsidiaries obtaining green factory certification by 2024. We enhanced waste recycling systems and implemented wastewater reuse measures to reduce natural resource dependency. By integrating environmental standards into procurement agreements with over 50 core suppliers, we extended ESG collaboration across the supply chain.

We firmly believe environmental stewardship enhances competitiveness rather than increasing costs. Kaifa continuously accelerates the transition towards intelligent manufacturing and renewable energy and contributes strength to global climate action.

Social: Putting People First to Build Resilient Organizations

Employees are the foundation of enterprises and the source of innovation. We implement employee equity incentive programs to let value creators share development achievements. We focus on career development and have established a training system based on the Kaifa model, creating a professional growth path for employees to grow together. Prioritizing employee wellbeing, we invested over 16 million RMB in management and education of occupational health and safety in 2024, achieving a 30% year-on-year decrease in work-related injuries per million work hours. Building a diverse and equitable workplace, we achieve 32.4% female employees and 10.2% international employees in 2024.

Employment underpins social stability. Kaifa insists on implementing stable employment policies through industrial development and talent cultivation. Through school-enterprise partnerships and specialized recruitment events, we recruit high-caliber professionals from society and academic institutions while absorbing the working-age workforce from central and western China.



Chairman

ZongYuan Han

By coordinating employment across all levels, we integrate the concepts of 'employment powerhouse,' 'training academy,' and 'growth pathway' into our high-quality development practices. Committed to rural revitalization, we fulfill social responsibilities through consumption, assistance, employment support, and talent cultivation initiatives. In 2024, we allocated over 2 million RMB for targeted assistance programs and contributed a cumulative 2.4 million RMB in medical aid donations.

Governance: Upholding Integrity & Innovation to Drive High-quality Operations

Corporate governance serves as the cornerstone of sustainable development. Kaifa pursues balanced governance among stakeholders including shareholders, investors, employees, and society. In 2024, we achieved a milestone in governance restructuring by elevating our original ‘Board of Directors Strategy Committee’ to the ‘Board of Directors Strategy and Sustainable Development Committee,’ integrating commercial value creation with social responsibility in decision-making. Adhering to scientific governance, law-based governance, and balanced governance, we integrate market logic, prudent operations, and ethical governance practices. Our ESG rating in the Sino-Securities ESG Index increased to AA grade in 2024, and we were honored with the ‘Top 20 Green Governance of Companies Listed in the Greater Bay Area in 2024’ award, demonstrating continuous enhancement of market competitiveness and brand influence.

Innovation-driven is the intrinsic logic of sustainable development. In 2024, Kaifa concentrated on core competencies, adhered to technological leadership, strived to improve productivity, and cultivated new quality productive forces. We coped with the uncertainty of the external environment with our stability and achieved qualitative enhancement and rational quantitative growth in core businesses. We take innovation as the key variable to break through and accelerate the transformation of scientific and technological achievements into real productivity. In 2024, multiple breakthroughs have been made in advanced packaging technology, energy metering technology, and manufacturing process technology, multiple projects have participated in the formulation of domestic and international standards, and the effects of supply chain security and diversified business strategies were significant. We promoted the integration of digitalization and intelligent manufacturing, deepened lean management practices, strengthened system capacity building, and shaped new competitive advantages in the market.

2025 Vision: Illuminate the Journey of Progress with the Light of Sustainability

In 2025, Kaifa will mark its 40th anniversary – not just a milestone in corporate development, but proof of the collective dedication of every Kaifa employee. As we reflect on our journey and summarize our experiences and lessons, we look forward to the future with a broader perspective, gather strength with a broader mind, and do well in the present with more practical actions. Guided by our core values of ‘Teamwork, People Oriented, Strive for Excellence, Innovation, Integrity & Honesty, Collaborative Growth, Financial Stability, Contribution to Society’, we motivate employees with our original aspiration, mission, and spirit, strive for a new journey, and create value for a new era.

Kaifa has drawn a clear ESG development blueprint: achieve a 50% reduction in greenhouse gas emissions by 2035, achieve 60% renewable energy usage by 2050, and achieve carbon neutrality by 2060. We will continue to enhance our ESG management capabilities, strengthen our practices, deepen our actions, and build a worldwide sustainable supply. We are deeply aware that these goals are not only promises of numbers but also a solemn declaration of social responsibility and a community with a shared future for mankind.

ESG is not a multiple-choice question, but a necessary answer for the survival of enterprises. It is not a short-term strategy, but a philosophy of sustainable operation. We will use technology as our pen and responsibility as our ink to jointly write a new chapter of commercial civilization. When every kilowatt hour of electricity shines with green wisdom, every product carries the gene of goodness, and every decision reflects the ingenuity of governance, the value we pursue - ‘let technological progress resonate with human well-being, and let commercial success shine with the sustainability of the earth’ - can truly be realized.



About Kaifa

Kaifa is a world-leading electronics manufacturing company, specializing in end-to-end services such as technology R&D, process design, production control, procurement management, and logistics support for global customers.



Company Name:
Shenzhen Kaifa Technology
Co., Ltd.



Headquarters Address:
No. 7006 Caitian Road, Futian
District, Shenzhen, China



Establishment Date:
July 1985



Stock Code:
000021 (Shenzhen Stock
Exchange, A-share)

Company Overview

Shenzhen Kaifa Technology Co., Ltd. (referred to as Kaifa) is a manufacturing company established in 1985 with 40 years of experience. Based in Shenzhen, China, Kaifa was listed on the Shenzhen Stock Exchange in 1994 and currently employs approximately 20,000 people.

Kaifa specializes in diverse manufacturing fields, including data storage, medical devices, automotive electronics, consumer electronics, commercial and industrial sectors, and new smart products. As a leading provider of smart metering terminals and industrial IoT systems, Kaifa is the sole Chinese company to extensively deploy smart meters in Europe, actively participating in major Advanced Metering Infrastructure (AMI) projects on the continent. Since 2002, Kaifa has supplied over 92 million smart metering products to more than 80 energy companies in 40 countries worldwide.

Kaifa has CNAS-accredited labs in Shenzhen. Additionally, it has specialized labs in various locations, including Chengdu, Dongguan, Suzhou, Hefei, and Malaysia. These labs cover a wide range of professional fields, such as advanced machinery, material analysis, simulation analysis, reliability and failure analysis, cleanliness control, and electrostatic control. Kaifa provides comprehensive services to industries, including semiconductors, smart meters, medical devices, data storage, commercial and industrial sectors, automotive electronics, smart products, and new energy etc.



Providing high-quality electronic product research and manufacturing services, Creating value for society, and providing employees with a platform for development



To be a Reliable and Respectable Enterprise



- Teamwork
- Strive for Excellence
- Integrity & Honesty
- Financial Stability
- People Oriented
- Innovation
- Collaborative Growth
- Contribution to Society

Global Presence

Kaifa has a global industrial presence with bases located in various cities in China, including Shenzhen, Suzhou, Dongguan, Chengdu, Chongqing, and Hefei, as well as bases in Johor and Penang in Malaysia. Additionally, Kaifa has branch offices or research and development teams in more than ten countries or regions, including the United States, United Kingdom, Netherlands, Singapore, and Hong Kong.

Headquarters

Shenzhen, China

R&D and NPI Centre

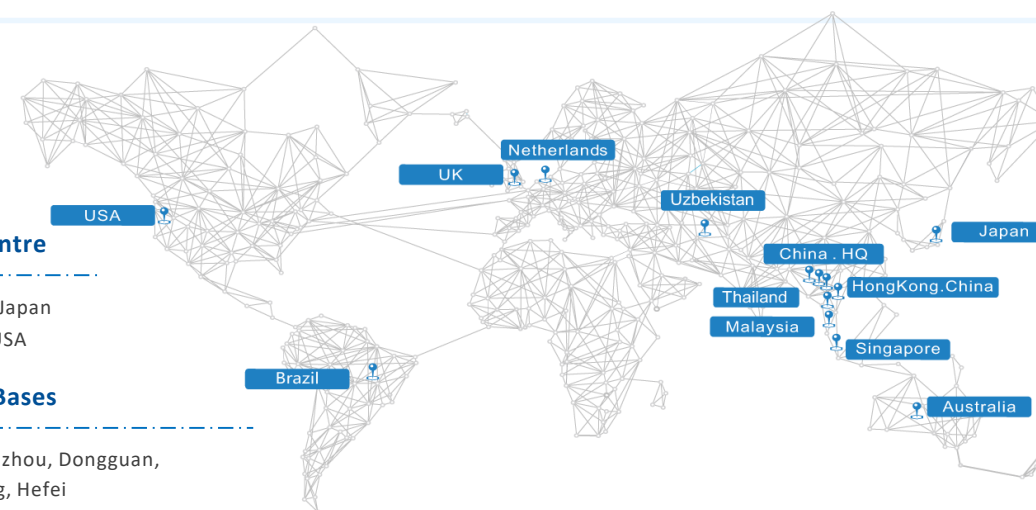
R&D Centre: China, Japan
NPI Centre: China, USA

Manufacturing Bases

China: Shenzhen, Suzhou, Dongguan, Chengdu, Chongqing, Hefei
Overseas: Johor and Penang, Malaysia

Service Centre

China, United Kingdom, Netherlands, Singapore, Thailand, Uzbekistan, Brazil, Australia



Hefei Factory



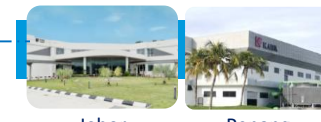
Suzhou Factory



Shenzhen Factory



Malaysia Factory



Johor

Penang

Chongqing Factory



Chengdu Factory



Dongguan Factory



Huizhou Factory

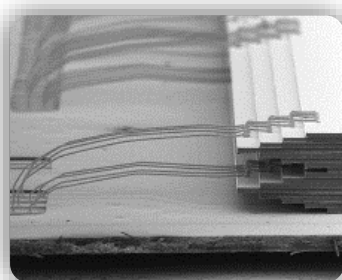


Business Overview

Kaifa is a globally leading professional electronics manufacturing company that has consistently ranked among the top in the Electronic Manufacturing Service (EMS) industry, according to the Manufacturing Market Insider (MMI). With a foundation in advanced manufacturing and a focus on market trends and technological advancements, Kaifa is committed to sustainable growth and has developed a strategic approach based on three core business segments: Data Storage & Semiconductor, Advanced Manufacturing, and Smart Metering Products and Solutions.

Semiconductor

In the field of semiconductor packaging and testing, Kaifa specializes in the packaging and testing of high-end storage chips. Its product portfolio includes DRAM, NAND FLASH, and embedded storage chips, such as Double Data Rate Synchronous Dynamic Random-Access Memory, Low Power Double Data Rate Synchronous Dynamic Random-Access Memory, and Low Power Double Data Rate Synchronous Dynamic Random-Access Memory that complies with embedded storage specifications. As a leading independent enterprise in China's DRAM memory chip packaging and testing industry, Kaifa boasts a highly experienced research and development team and engineering staff, along with exceptional expertise in multi-layer stacking packaging processes and test software and hardware development.



Testing



Packaging

Advanced Manufacturing

With 39 years of experience, Kaifa provides comprehensive electronic product manufacturing services globally. Our expertise in research and development, along with our international professional team, allows us to enhance capabilities in product R&D, intelligent manufacturing, supply chain management, quality control, and after-sales service. We prioritize high-value businesses aligned with our core customers' strategies, specializing in manufacturing and servicing products and components in medical electronics, automotive electronics, consumer electronics, smart homes, IoT, new smart products, and new energy.



Data Storage



Medical Electronics



Commercial and
Industrial Products



Automotive Electronics



Smart Products

Smart Metering Products and Solutions

Kaifa specializes in the research, development, production, and sales of smart metering products for electricity, water, gas, and AMI system software. It offers customers a comprehensive smart energy management system solution that encompasses multiple energy sources, including electricity, water, and gas. The solution integrates software and hardware and is compatible with various communication technologies. With its advanced technology, professional services, industry-leading innovation, and superior quality, Kaifa has earned the long-term trust of customers both domestically and internationally. It has established collaborative partnerships with national-level energy utilities in Europe, Africa, Asia, South America, and the Middle East.



Smart Electric Meter



Smart Water Meter



Smart Gas Meter



Kaifa AMI System



Honors and Achievements



**Top 100 Manufacturing Enterprises in
Guangdong (Ranked 76th)**
Top 500 Enterprises in Guangdong
(Ranked 174th)
Top 500 Enterprises in Shenzhen
(Ranked 99th)



**Shenzhen Stock Exchange
Disclosure Assessment
A-class Rating**
(For Continuously Four Years)



**Top 20 Green Governance of
Companies Listed in the
Greater Bay Area in 2024**



**The 15th Tianma Award for Investor Relations
Management of Chinese-Listed Companies**
**The 5th Panoramic Investor Relations Gold
Award -Outstanding ESG Value-**



**Top 100 Comprehensive Strength of
Electronic Information Manufacturing
Industry in Guangdong Province
(Ranked 46th)**



**Advanced Enterprise in
Fulfilling Social Responsibility**
Shenzhen Top Brand (2023-2025)



**5A-Level Enterprise in Intellectual
Property Rights Protection**
Advanced Unit in Intellectual Property
Rights Protection (2024-2026)



**Advanced Enterprise in
Standard Setting**

Annual Honors and ESG Ratings

In 2024, Kaifa maintains an industry-leading position among the top ESG ratings in China, obtaining a grade of A or above, and ranking in the top 10% of the industry. Due to its outstanding performance in ESG, Kaifa has also achieved significant improvements in the leading global ESG ratings. The ESG rating of S&P Global Corporate Sustainability Assessment (CSA) has increased to 47 points, the ESG rating of the London Stock Exchange Group (LSEG) has risen to 40.1 points, the ESG rating of Carbon Disclosure Project (CDP) has risen to B grade, and the ESG rating of Ecovadis has increased to 63 points.

ESG Rating Agency	2024 ESG Ratings	2024 Achievements
Morningstar Sustainability	16.2 Points Low Risk	Top 14% in the Universe
London Stock Exchange Group	41 Points	Increased 33% compared to 30.9 points in 2023
Hang Seng ESG Index	A- Grade	TOP 10% in the Industry
SynTao Green Finance	A Grade	Continuously improved one grade each year for 3 years
Shenzhen Securities Information Company Limited - CNI Index	AAA Grade	TOP 7 in the Industry
China Reform Consulting	A Grade	TOP 5% in the Industry
China Chengxin Green Finance	A+ Grade	TOP 10% in the Industry

Note: latest update time is 2025. 4. 23



S&P Global
47/100 Points (Kaifa)
Increased 147% compared to 19 (2023)



Wind ESG Rating
A Grade (Kaifa)
TOP 6 in the Industry



China Securities Index ESG Rating
A Grade (Kaifa)
TOP 10% in the Industry



Carbon Disclosure Project (CDP)
B Grade (Kaifa Shiyao)
Increased 2 grades compared to C (2023)

Overall score
➦ **63/100**
Percentile ⓘ
80th



Ecovadis
63 Points - Bronze Medal (Kaifa Dongguan)
Increased 26% compared to 50 (2023), Top 20% in the Industry

Sustainability Management

Kaifa has established the Strategy and Sustainable Development Committee (referred to as the Committee) in accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Articles of Association, and other relevant regulations. The Committee is led by the Chairman and it is composed of 5 to 7 directors, including an independent director. The Committee is responsible for reporting and providing recommendations to the Board of Directors on Kaifa's long-term development strategy, major investment decisions, sustainable development, and ESG-related matters. The Sustainable Development Working Group is chaired by the President and it is responsible for providing the feasibility analysis and formal written proposal of major ESG-related investments to the Committee.

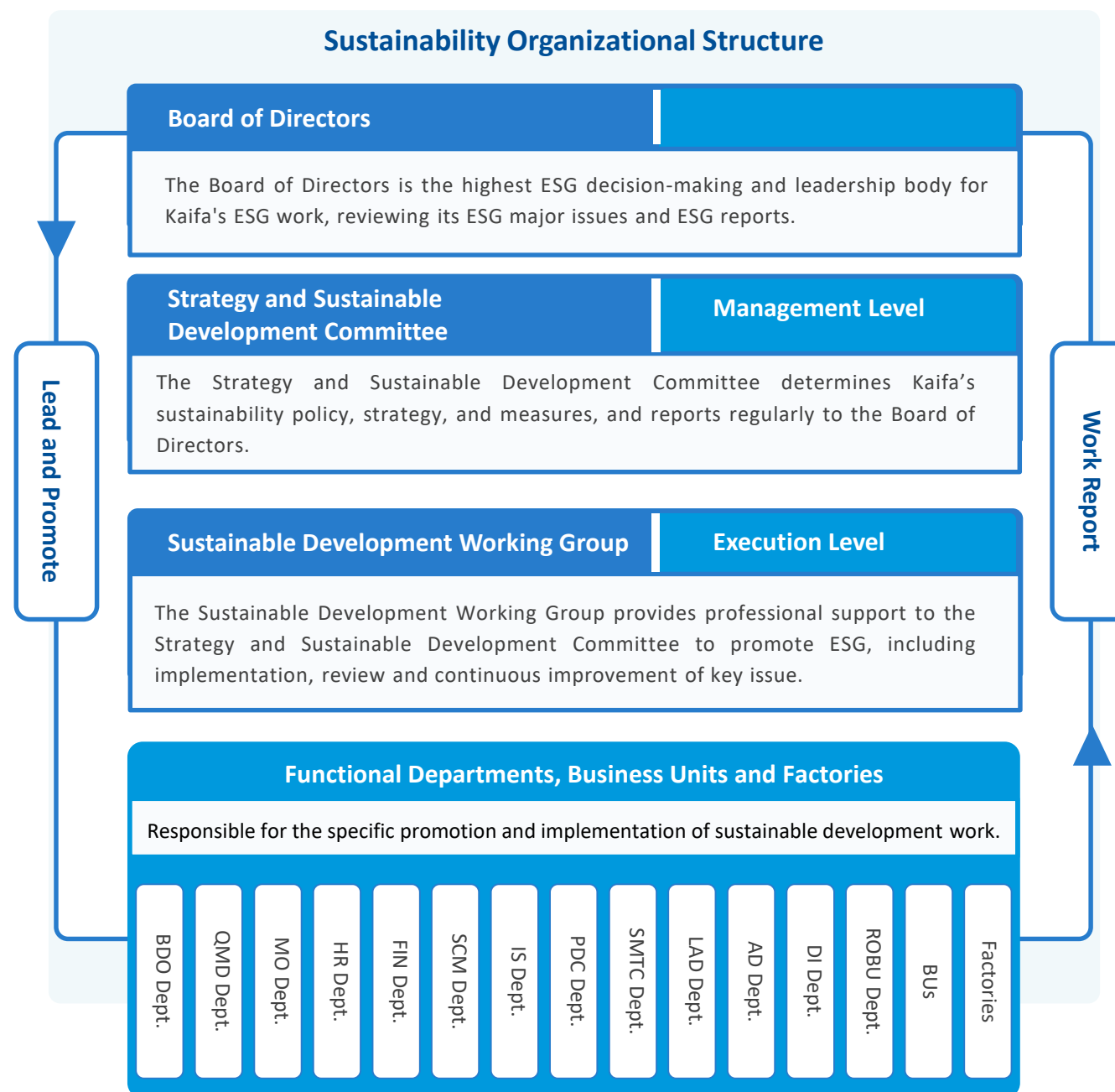
Sustainability Vision

To be a reliable and respectful enterprise,

Strive for a sustainable and better future.



Sustainability Organizational Structure



Sustainability Commitment

Kaifa actively responds to the United Nations Global Compact Ten Principles and strictly follows the codes, guidelines, and requirements for sustainable development in China. We insist on providing high-quality electronic product R&D and manufacturing services to our clients, integrating ESG concepts into our company culture and business operations, and continuously building a management system for sustainable development.

Kaifa adheres to the principles of law-abiding compliance and honest operation and is committed to promoting energy conservation, emission reduction, and green manufacturing. We actively respond to the long-term climate goal of 'achieving carbon peak before 2030 and carbon neutrality before 2060' in China, creating value for society and customers, providing development platforms for employees, working together with various stakeholders to achieve win-win coexistence, and striving for high-quality economic and social development.



Sustainability Strategy

Kaifa actively responds to the United Nations Sustainable Development Goals (SDGs) and is committed to integrating ESG concepts into all aspects of our company culture and business operations. Kaifa has taken the following measures to achieve a sustainability strategy of 'Upholding Integrity and Innovation, Putting People First, Embracing Green and Low-Carbon.'



- Prioritize the physical and mental well-being of employees by ensuring a supportive work environment, fair compensation and benefits, and equal opportunities for professional growth.
- Value employee development by providing personalized learning and development plans.
- Actively fulfill social responsibilities through active participation in charitable initiatives.
- Foster strong partnerships with employees, customers, and suppliers to cultivate shared value and foster mutual success.



- Enhance governance mechanisms for transparent and ethical decision-making and operations.
- Maintain a commitment to fair competition, regulatory compliance, and the fight against corruption.
- Advocate innovation, injecting new vitality into Kaifa's development and driving high-quality growth.



- Embrace manufacturing practices that emphasize low consumption, low emissions, high efficiency, and high profitability.
- Utilize energy-efficient equipment and implement clean production technologies to minimize environmental impact.
- Continuously optimize resource utilization and proactively incorporate eco-friendly materials in design to reduce waste and emissions.
- Strive to build a green supply chain and achieve low-carbon development of the value chain.

Sustainability Goal

Kaifa has long been concerned about the development of environmental, social and governance, and has comprehensively established international standard systems including environmental management system, occupational health and safety management system, information security management system, and human rights protection system, as well as a goal setting and performance evaluation system. In order to enhance the company's sustainable development capabilities and market competitiveness, and strengthen the trust of stakeholders, Kaifa publicly discloses its sustainability goals and achievements annually, thereby improving sustainable development performance and making more proactive and specific changes. In addition, Kaifa has integrated sustainability goals into the performance evaluation system to measure the progress of sustainable development improvement, to increase employee attention and enthusiasm, and to provide a combination of spiritual recognition and material rewards as incentive measures for ESG management, demonstrating the concern and commitment to environmental, social and governance.

Sustainability Goal Setting

Kaifa has planned short-term goals, medium-term goals, and long-term goals based on the principles of environmental, social and governance.

Environmental Aspect

Focusing on the goals of climate change, green factory construction, and renewable energy management.

Social Aspect

Focusing on the goals of employee training and development, occupational health and safety, and equal employment opportunities.

Governance Aspect

Focusing on the goals of anti-corruption and anti-bribery, business ethics, and the integrity operation.

Sustainability Performance Evaluation

Sustainable development performance evaluation is a comprehensive assessment and measurement of a company's performance in environmental, social and governance aspects, aimed at clearly demonstrating its progress and potential risks on the path of sustainable development to investors, stakeholders, and the company itself. Kaifa integrates ESG concepts into its performance evaluation system. The sustainable development performance goals are reviewed, confirmed, and tracked by the management every year and distributed to the management at all levels of Kaifa and its subsidiaries.

Respond to United Nations Sustainable Development Goals



- Provide competitive compensation packages that meet the minimum wage requirements set by local governments. The total wage income includes basic salary, performance-based pay, and various social insurance contributions. Additionally, salary increases are determined based on performance each year. (1.3)



- Pay attention to the employees' mental and physical health, and reduce the occurrence of related illnesses through activities such as regular check-ups, medical services, mental health seminars, and traditional Chinese medicine lectures. (3.3)
- Provide employees with training on traffic safety and health education. Enhance employees' awareness of traffic safety and health through educational courses. Additionally, establish medical clinics in the workplace to provide healthcare services. (3.6, 3.8)
- Provide employees with social medical insurance as per local policies. Additionally, purchase commercial insurance to enhance employees' protection in case of accidents. (3.8)
- Implement measures to prevent leakage and control channels for hazardous chemical management. Strictly monitor and prevent occupational hazards that may arise from the use of hazardous chemicals. (3.9)



- Provide employees with widespread vocational skills training. In 2024, training exceeded 140,000 hours, with 200+ offline courses. Actively promote online learning platforms and offer a wide range of learning resources. The number of online courses exceeds 3,000. (4.4)
- Provide employees with education and training opportunities for sustainable development. We offer relevant learning courses based on employees' career development paths and assign mentors to provide guidance. Additionally, we have established a talent pool within Kaifa to facilitate talent rotation. (4.7)



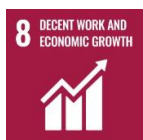
- Pay attention to the physical and mental health of female employees and promote their career development. Regularly organize various activities and lectures for female employees. Provide maternity leave, paternity leave, and breastfeeding leave. During the reporting period, over 1,000 female employees enjoyed leave and participated in various activities. (5.1)
- Employees' salaries and compensation are determined based on their education, professional skills, experience, length of service, and performance. Gender does not influence employee recruitment and career development. In 2024, female employees accounted for over 32% of the workforce. The male-to-female ratio among Kaifa's senior management is 11:3. (5.5)



- Adhere to relevant regulations by regularly conducting secondary water supply testing and water balance testing through third-party organizations. (6.1)
- Implement effective wastewater treatment, and comprehensive control of sewage processes to prevent harmful substances from polluting the water. Also, establish proper disposal and recycling methods for waste chemicals to avoid water pollution through sewage pipes. (6.3)
- Protect the environment by conserving water, installing water-saving devices, and providing water conservation training for employees. (6.4)



- Utilize sustainability technologies in the design and manufacturing of green products. (7.1)
- Ensure the use of renewable energy and reduce carbon emissions through the installation of solar photovoltaic power generation equipment and utilization of green electricity. (7.2)
- Establish energy management systems, develop energy goals, and implement projects to enhance energy efficiency. Replace old equipment with high-efficiency equipment to improve energy efficiency. (7.3)



- Equal employment opportunities and fair remuneration for disabilities were provided. During the reporting period, there were 83 employees with disabilities. (8.5)
- Establish school-enterprise cooperation with multiple universities, actively recruit fresh graduates (trainees), and offer a 3-year training plan for trainees. During the reporting period, more than 260 trainees were trained and stored. (8.6)
- Committed not to use child labor, committed to the International Labor Organization Convention and the Prohibition of Child Labor Regulations, conduct regular risk assessments on compliance and labor issues, and conduct RBA Code of Conduct audits to ensure implementation of policies against child labor. (8.7)
- Foster a diverse workforce and provide a work environment that is free from discrimination, retaliation, harassment, or any form of abuse. Prohibit any behavior that is demeaning, intimidating, or hostile. Ensure all employees have a stable, secure, and supportive work environment, guaranteeing their rights to safety and well-being. (8.8)



- Actively develop diversified industrial layouts and drive employment through industry. The total number of employees in Kaifa during the reporting period is over 20,000. (9.2)
- Implement a patent incentive program and establish multiple innovation studios in global research and development centers and NPI (New Product Introduction) centers. Over the years, a total of 713 patent applications have been filed, with 538 patents granted. (9.5)



- Formulate reasonable salary growth policies, and focus on motivating teams involved in R&D innovation, efficiency improvement, cost savings, and key projects. Implement equity incentives for key talents to achieve a steady increase in employee compensation. (10.1)
- Dedicate to promoting a fair and harmonious work environment with zero tolerance for discrimination and harassment, provide fair employment opportunities, and ensure that employees at all levels are treated equally in the hiring and promotion process without discrimination on race, gender, religion, age, sexual orientation, disability, national origin or other characteristics. (10.2)
- Conduct talent selection openly, treating all applicants without bias or discrimination. To foster fair competition, establish a range of labor rights protection systems. Provide educational opportunities and resources to those in need, ensuring that everyone has an equal chance to maximize their potential and contribute their talents. (10.3)



- Purchase housing funds for employees according to the local governmental policies and provide transition housing for family members and talent housing at lower than market prices. (11.1)
- Develop natural disaster contingency plans in local factories and conduct flood prevention drills to reduce flood hazards. (11.5)
- Regularly conduct waste gas testing, set up fixed garbage sorting places, establish solid waste warehouses and hazardous chemicals warehouses, and handle garbage by third parties. (11.6)
- Continuously improve the safe production environment to provide a comfortable and safe working space for all employees. (11.7)



- Comply with laws and regulations on hazardous substances such as ROHS and REACH, purchase materials that meet environmental requirements, recycle and dispose of waste chemicals, and reduce the impact of harmful substances on the environment and human health. (12.4)
- Implement office energy conservation and consumption reduction measures (such as paperless, etc.), rationally treat wastewater according to laws and regulations, and establish rainwater recycling equipment. (12.5)
- Promote the sustainable development of the supply chain by building a domestic and international dual circulation supply chain, deepening the two funds management, and strengthening the digital transformation of the supply chain. (12.7)



- Following the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify climate risks and opportunities, establish an emergency command center, and establish risk management mechanisms to proactively prevent natural disasters. (13.1)
- Strictly adhere to relevant national emergency laws, regulations, and standards. Develop an effective emergency management manual to effectively respond to climate-related risk events. Regularly monitor changes in climate-related risks and opportunities and promptly update emergency plans to ensure they remain up to date. (13.2)
- Annually carry out emergency drills and emergency response team training, and regularly publicize and train safety knowledge about natural disaster prevention and escape. (13.3)



- Build an emergency team and prepare contingency supplies, actively prevent all contingencies, to fully guarantee the company against contingencies including violent attacks. (16.1)
- Take Integrity and Honesty as the core values, and establish a business ethical governance structure to ensure that the anti-corruption work system is fully implemented in the company's operations. (16.6)
- In order to achieve the full coverage of integrity employment, corresponding institutional regulations are introduced for key leaders, all employees, and overseas employees according to the concept of risk stratification control system of integrity employment. (16.5)
- Promote the integrity spirit, persist in organizing and learning anti-bribery and professional ethics training, and continuously control commercial bribery, to ensure transparency and standardization of procurement behavior. (16.5)
- Develop policies such as the Code of Conduct for Procurement Personnel and Supplier Code of Conduct as part of a transparent procurement strategy. Publicly disclose reporting hotline numbers and email addresses on the supplier management platform. (16.5)

Materiality Assessment

To better understand stakeholders' demands and expectations, Kaifa identifies, evaluates, and approves material topics from the perspectives of 'financial importance' and 'impact importance' through questionnaire surveys and interviews, providing crucial insights for developing sustainability strategies and taking action. Meanwhile, Kaifa integrates importance assessment into the company's comprehensive risk management (ERM) process. Moving forward, Kaifa will continue to focus on stakeholders, review and update material topics, and accurately comprehend their diverse needs, guiding and directing our operations in environmental, social and governance.

Materiality Assessment Process

Identifying Topics

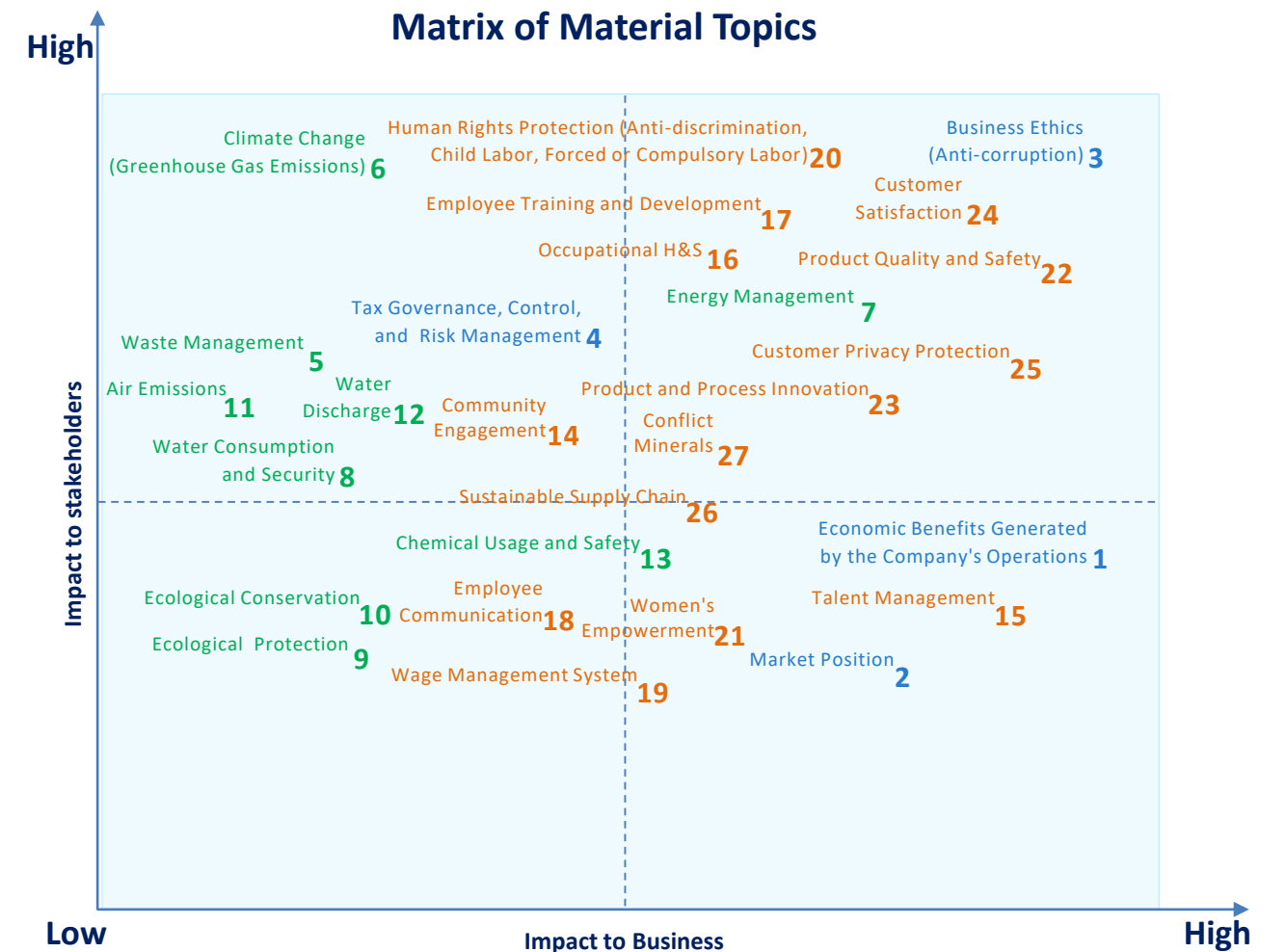
1. Understand the company background including company activities, business relationships, sustainable development background, stakeholders, etc.
2. Based on stakeholder concerns, corporate values, industry characteristics, and sustainability goals, among other factors, comprehensively consider the actual and potential positive and negative impacts of company activities and business relationships from the dimensions of environment, social and governance. Analyze and establish a sustainable development agenda for the company based on relevant laws, regulations, standards, policies, and industry cases at home and abroad.

Assessing Importance

1. Every 2 years, Kaifa gathers input from different stakeholders through surveys and interviews to understand the impact and level of concern regarding the Topics. This helps in assessing and prioritizing the importance of the material Topics.
2. Conduct a materiality assessment of the sustainable development agenda from the perspectives of 'financial importance' and 'impact importance', and set importance thresholds to identify the material topics.
3. Apply an importance matrix to prioritize material topics with significant impact.






Approval Confirmation

1. The Sustainable Development Working Group reviews and evaluates the results of the previous year's material topics, and makes adjustments and confirmations based on the assessment results identified and changed in this year's material topics list.
2. The Board of Directors supervises, reviews, and approves material topics and priorities to ensure that Kaifa determines the key material topics that need to be disclosed in the ESG report and takes appropriate action.



Stakeholder Engagement

Kaifa actively addresses the demands and expectations of stakeholders while maintaining stable business development. We have implemented a normalized and diversified communication mechanism to listen to the opinions of all parties and promptly respond through various channels.

Stakeholders	 Shareholders & Investors	 Employee	 Client	 Government & Regulators	 Suppliers & Partners	 The Public	 Community
Stakeholder Expectation	<ul style="list-style-type: none"> Consistent and stable return on investment Timely and comprehensive information disclosure Corporate governance Business ethics and anti-corruption Profitability and core competitiveness 	<ul style="list-style-type: none"> Protection of rights and interests Occupational Health and Safety Fair promotion and development Competitive compensation and benefits Communication and care 	<ul style="list-style-type: none"> Quality products and services Data and information security 	<ul style="list-style-type: none"> Discipline Compliance operations Risk management Energy saving and emission reduction 	<ul style="list-style-type: none"> Clean business environment Supplier audits Supply chain sustainability Cooperative development 	<ul style="list-style-type: none"> Better products and services Job creation Social responsibility 	<ul style="list-style-type: none"> Soliciting opinions through various channels Public job postings Participate in public welfare activities
Communication Mechanism	<ul style="list-style-type: none"> General meeting of shareholders News, announcements, periodic reports Roadshow events Investor networking events Daily telephone communication research and visits 	<ul style="list-style-type: none"> Employee congresses and trade unions Employee satisfaction surveys Performance management Internal and external training Employee care activities 	<ul style="list-style-type: none"> Customer satisfaction surveys Customer complaint mechanism Regular communication visits 	<ul style="list-style-type: none"> Disclosure Regulatory information submission On-site inspection and research 	<ul style="list-style-type: none"> Open tenders Supplier assessment review 	<ul style="list-style-type: none"> Promoting community economic development Maintain the community environment Participate in community charities 	<ul style="list-style-type: none"> Community building involvement Volunteer services Support for cultural and sports activities

Lean Intelligent Manufacturing

Kaifa adheres to the business philosophy of sustainable development and focuses on cultivating lean production capabilities. Since 2002, we have gradually introduced Six Sigma, industrial engineering, lean, and other tools to continuously improve our lean production management level. The company has established a lean production management system with maturity assessment as a long-term mechanism, guided by lean thinking, and built a cross-system and refined comprehensive information control platform. It effectively integrates lean and intelligent technologies, creates a lean automation production system for human-machine collaboration, and improves the level of intelligent manufacturing. We have trained lean production experts and built a lean learning culture that benefits everyone.



Lean Intelligent Manufacturing

Lean Experts
Ratio **48.7%**

Lean Projects **318**

Total Awards **77**

Lean Management Process

Strategic Orientation

Integrating Lean Six Sigma management with our strategy, reaching a consensus from top to bottom, and transforming towards 'digital intelligent manufacturing' to achieve high-quality development.

Standard Guideline

Develop a lean manufacturing maturity assessment standard for Kaifa, covering 10 modules, 76 qualitative terms, and 36 KPI quantitative indicators, and setting 5 levels of maturity for gradual and continuous improvement.

Assessment Driven

Based on the lean manufacturing maturity assessment standard, identify weaknesses, summarize advantages, set indicators, clarify responsibilities, carry out projects, and systematically drive improvement activities that involve all employees.

Technical Support

Top management leads top-level design and planning, and business units drive resource investment in new technologies as needed with the goal of performance improvement, effectively supporting productivity growth.

Empowering All Employees

Build a comprehensive training empowerment system that covers high, medium, and basic levels, and cultivate lean and intelligent manufacturing talents at all levels required for business through a combination of training and combat.

Project Realization

We have established a Lean Six Sigma project management platform to test the value realization of lean improvement through the results of the Lean Six Sigma project in terms of methods, technology, talent, and capabilities.

Lean Intelligent Manufacturing Capability Special Action

Guided by the development strategy, Kaifa started the Lean Intelligent Manufacturing Capability Enhancement 2.0 project in 2022, proposing a 'two-step' action plan. Based on the assessment scores of lean intelligent manufacturing, a lean improvement plan is developed for weak links to reach a 32.4% increase in the average assessment score by 2024, reaching a good level of L3.

In 2024, multiple measures were taken to enhance the level of lean intelligent manufacturing, including personnel empowerment, implementation of improvement projects, and implementation of lean month activities. Re-assessment was conducted in 19 business units, and the lean maturity score increased by 9%, achieving the second phase goal.

Lean Maturity Assessment Improvement Performance

Increase in Lean
Maturity Score

9%

Increase in Modules
with Score ≥ 3.5

37%

Level	Tiers of Projects		
L5	Tier 9: 5.0		
L4	Tier 7: 4.0-4.49	Tier 8: 5-4.99	
L3	Tier 4: 2.27-2.99	Tier 5: 3.0-3.49	Tier 6: 3.5-3.99
L2	Tier 2: 2.0-2.33	Tier 3: 2.34-2.66	
L1	Tier 1: <2.0		

Lean Intelligent Manufacturing 2.0 Commendation Conference

The Lean Intelligent Manufacturing 2.0 Commendation Conference was grandly held in Kaifa Dongguan, and a total of 120 representatives of managers and employees from the headquarters and other eight subsidiaries attended the conference. The top management shared the company's lean work, the review of lean achievements in 2024, and the lean planning for 2025. She emphasized the importance of lean management for company operations, clarified the focus on major customers and projects in 2025, proposed three persistence and three task plans, and also explored the development direction and related assessment system of Lean 3.0.

Chairman Han Zongyuan made an important speech at the conference, pointing out that Kaifa Lean 2.0 is filled with concepts, practices, methods, efficiency, and atmosphere! He also gave three suggestions for lean management in centralization, systematization, and value orientation, and one expectation of 'Lean 3.0 opens up a good situation, starts well, and achieves good results'.

Lean Talent

Talents	2022	2023	2024
Champion:	6.1%	6.9%	7.8%
Black Belt:	1.0%	1.1%	1.3%
Lean Specialist:	1.0%	1.7%	2.6%
Green Belt:	25.9%	31%	37%

Project Realization

Projects	2022	2023	2024
Black Belt:	3	7	18
Green Belt:	177	254	300



*Setting sail again, inspiring the advanced,
and stimulating enthusiasm*

Excellent Lean Team:
4 people

Excellent Evaluation
Experts: 2 people

Excellent Lean
Instructors: 5 people

Excellent Lean Experts:
19 people

Intelligent Production and Manufacturing Platform

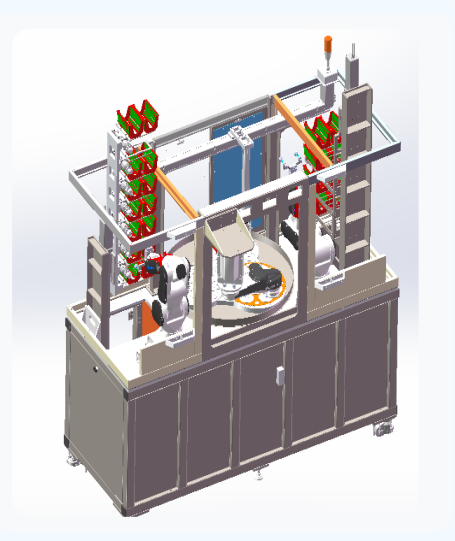
Kaifa provides comprehensive intelligent manufacturing technology support and builds a cross-system and refined integrated information control platforms and human-machine collaborative automated production system, to integrate lean thinking. Based on process standardization, we independently develop MES systems to finely control the five major elements of people, machines, materials, methods, and environment, promoting continuous optimization and solidification of processes. We eliminate information silos, with the MES system as the center, to achieve integration with SAP, BI, energy management, and other application systems, building an integrated information control platform for rapid discovery, analysis, and handling. We build a human-machine collaborative production system based on demand rhythm, apply VSM value stream mapping to identify automation opportunities, and develop small-scale automation transformation and low manpower automatic assembly production lines for large-scale production equipment based on demand rhythm. We use logistics simulation technology, combined with AGV, automatic material tower, and MES system, to achieve small batch on-demand delivery. We optimize equipment layout using lean methods based on demand rhythm and configure one person with multiple machines. Through these multiple measures, we create a human-machine collaborative automatic production system centered on demand rhythm.

Independently Developed MES System

The MES system independently developed by Kaifa integrates production equipment, testing equipment, data collection, visual boards, and other system devices on the manufacturing site. It provides real-time feedback on various situations that occur on the production site, such as material management, inventory operations, and abnormal reminders, and can provide a series of service applications such as subsequent resource integration and traceability.

Practical Methods for Intelligent Manufacturing

Kaifa Shiyan vigorously promotes the construction of intelligent manufacturing. The comprehensive construction of the intelligent lights-out workshop in the turning section has achieved a production process characterized by advanced automation, intelligence, and unmanned operations, resulting in significant enhancements to both productivity and product consistency; The comprehensive coverage of air intelligent logistics enables precise distribution and efficient management of materials from points, lines, and surfaces in the turning section, effectively shortening the production cycle; The successful development and promotion of the grinding ALM automatic loading and unloading mechanism, as well as the widespread use of ground logistics AGVs, have reduced manual intervention, lowered labor intensity, broken through traditional labor-intensive processing modes, and improved production accuracy and efficiency.



ALM Design

The coarse grinding machine realizes ALM automation, replacing the original pure manual disc arrangement, saving manpower and improving efficiency, reducing coarse grinding labor by 80%.



IDOD Rail-in-air Logistics System

Following its pilot launch in 2023, the IDDO rail-in-air logistics system entered full-scale deployment across production lines in 2024. This innovation has significantly reduced manual labor in IDDO turning operations while simultaneously enhancing production efficiency and process automation.



SPC Sampling Robot

Complementing this advancement, the implementation of an SPC digital sampling control system coordinates robotic arms to perform standardized sampling and inspection at scheduled intervals, further optimizing automated manufacturing capabilities.

Lean Month Activities

In September 2024, Kaifa closely adhered to the strategic core of 'Unity and Excellence', and successfully held the Lean Month event. This event is not only a comprehensive review of the company's lean manufacturing capabilities and quality culture construction, but also a profound response to customer needs and employee development.

The event covered 8 domestic and foreign subsidiaries and promoted the lean concept through various forms. The on-site improvement initiative, specifically through soliciting practical case studies, empowers employees to identify optimization opportunities aligned with customer needs. By documenting and showcasing enhancements via video demonstrations, this program has driven measurable improvements in product quality and customer satisfaction. Kaifa also organized employees to actively participate in the National Enterprise Employee Comprehensive Quality Management Knowledge Competition to enhance their quality management skills and provide a broader platform for their career development.

This event deepened Kaifa's lean culture, promoted the mutual growth of employees and the company, and laid a solid foundation for better meeting customer needs and promoting the company's sustainable development.

2024 Lean Moth Activities

Harvesting Efficiency, Reaping Lean Gains

Lean Lessons from BU Leaders

BU leaders actively participate in lean knowledge training and lean activity presentations.

TQM Knowledge Competition

530 Participants
Pass Pate **92%**
Excellent Pate **65%**

Video Contest on Improvement

18 Lean Improvement
Videos
9 Awards

MINITAB Operation Competition

31 Participants
15 Awards

Excellent Project Evaluation

124 Excellent Employee
proposals
159 Excellent Rapid
Improvement



Kaifa Dongguan Lean Month Activity



Kaifa Shiyuan Lean Month Activity



Kaifa Suzhou Lean Month Activity



Kaifa Chongqing Lean Month Activity

Overseas Lean Activities

In 2024, overseas factories organized the Lean Month activity for the first time and got great support and reaction. During the activity, the President Assistant and BU leaders shared lean knowledge and management's support for lean tools and culture. The Lean Six Sigma Green Belt and Lean Tool Training are extended to overseas subsidiaries to enhance the lean capabilities of overseas employees, and effective incentive measures are implemented to promote full participation. Material rewards and spiritual incentives are given to selected outstanding projects of Green Belt, rapid improvement, and employee proposals.

Management Conducts Series of Lean Training Sessions



Lean Month Activities



Outstanding Project Award Representative



Trainees Pass the Green Belt Certification

• Green Belt Certification: 11 People

• Excellent Green Belt Projects: 15 Projects

• Excellent employee proposals: 78 Proposals

• Excellent rapid improvement: 101 Projects

Addressing Climate Change

As a world-leading electronics manufacturing company, Kaifa actively responds to the global climate change issue that customers and stakeholders are deeply concerned about. Kaifa referenced the Task Force on Climate-related Financial Disclosures (TCFD) framework, assessing and disclosing climate risks to uncover business opportunities and manage climate impacts. The board of directors ensures sustainable development and reporting, aligning with sustainable development and climate change. Transparent information is provided to investors and stakeholders for long-term success and positive contributions to global climate issues.



Addressing Climate Change

GHG Emission
Reduction^{1,2}

2035

50%

Renewable
Energy Usage

2050

60%

Carbon
Neutrality

2060

100%

Note:

1. The base year is 2024;

2. The scope of greenhouse gas emission reduction by 2035 is Scope 1 and Scope 2;

External Cooperation:

Kaifa actively participates in external industry organizations and serves as a director of the Futian District Environmental Protection Industry Association in Shenzhen. This allows us to stay informed about and share relevant policies and events related to climate change.

Internal Management:

In order to enhance the ability to address climate change, reduce greenhouse gas emissions, and minimize our environmental impact, we have established the Climate Change Risk Management and Opportunity Operation Instruction to manage climate change risks and opportunities.

The Governance Structure for Addressing Climate Change:

Board of Directors

As the top supervisory and management body for sustainability, the Board of Directors is responsible for addressing climate change, including setting visions, policies, strategies, work priorities, and goals for addressing climate change and reviewing significant matters related to climate change.

Strategy and Sustainable Development Committee

The Strategy and Sustainable Development Committee comprises senior management personnel with expertise in sustainable development, and it is responsible for assisting the Board of Directors in climate-related work, reviewing progress and measures, and providing reports to the Board of Directors.

Sustainable Development Working Group

Guided by the Strategy and Sustainable Development Committee, the Sustainable Development Working Group is responsible for coordinating ESG management work, assessing climate-related risks and opportunities, monitoring and evaluating environmental performance, concerning and meeting changes in regulations, policies, and standards, supporting the circular economy, training, management, and auditing.

Climate Change Governance System

Kaifa refers to the Climate Related Financial Disclosure (TCFD) framework and focuses on the four thematic areas: governance, strategy, risk management, metrics, and targets, to continuously develop the climate change governance system, enhance the ability to respond to climate change, promote sustainable development, and accelerate the transformation to a green economy.

Governance

Kaifa has put climate change and greenhouse gas emissions as its material topic and strategic considerations to ensure that it can address the climate change challenges, identify related risks and opportunities, and achieve sustainable development. Kaifa incorporates environmental and climate goals into long-term planning and performance evaluation systems and takes appropriate monitoring and management measures for them. The achievement of these goals will directly affect the rewards and year-end evaluation results of management at all levels. For individuals or teams who have achieved significant results in energy conservation and emission reduction projects, Kaifa will adopt a combination of spiritual and material rewards to commend them. Kaifa has established a governance structure for addressing climate change. The Strategy and Sustainable Development Committee reports to the Board of Directors on measures and implementation progress, and the Sustainable Development Working Group is responsible for the implementation of relevant actions.

Strategy

Kaifa refers to the TCFD framework to disclose climate-related information and to identify opportunities and multiple potential risks related to climate change. The Strategy and Sustainable Development Committee closely monitors these potential risks to ensure appropriate monitoring and measurement are conducted and takes appropriate actions to mitigate climate change. Referred to the Science Based Carbon Targets Initiative (SBTi), Kaifa selected and compared the International Energy Agency's Sustainable Development Scenarios (SDS) of Paris-aligned Scenario and Business-as-usual Scenario, as well as the IPCC's RCP 8.5 and RCP 1.9 scenarios, to identify the physical and transition risks and opportunities and develop climate strategies and actions. Kaifa promises to achieve net zero emissions by 2060, in line with the Paris Agreement's commitment to limit the global average temperature rise to well below 2°C, and to aim for 1.5°C.

Identify Climate Related Risks

Type	Risk Description	Time	Proba bility	Impact	Our Response
Physical Risks					
Acute	The increase in extreme weather such as typhoons, floods, and extreme high temperatures may cause labor losses, asset losses, supply chain and production disruptions, instability of energy consumption and supply, etc.	Short to Med	High	Cost↑ Rev↓	<ul style="list-style-type: none">Review the Business Continuity Management (BCM) program annually to ensure the adequacy of emergency plans to protect employees and minimize losses.Regularly conduct emergency drills such as fire drills or flood drills.Implement various energy-saving projects to minimize energy consumption and improve energy efficiency in our day-to-day operations.Set absolute reduction goals for carbon emissions and reduce energy intensity.Incorporate chronic physical risks into business decisions, such as increasing manufacturing bases and assessing supply chain risks.
Chronic	Extreme climate changes such as average temperature increase, sea level rise, and precipitation changes may have adverse effects on water resource distribution, human health, asset facilities, factory construction, energy, and supply chain management.	Long Term	Med	Cost↑ Rev↓	
Transition Risks					
Policy and Legal	The stricter climate change regulatory requirements may increase the risk of non-compliance, lead to the need for emission reduction measures, and increase costs such as investment in new technologies and equipment.	Short	High	Cost↑	<ul style="list-style-type: none">Regularly monitor regulatory trends to identify potential climate-related risks and opportunities that may impact our business operations.Account for greenhouse gas emissions in accordance with ISO 14064 and undergo third-party verification.
Technology	The innovation and substitution of low-carbon products, and the transformation of innovative technologies, have led to an increase in the cost of investing in green innovative technologies such as low-carbon products and ecological design.	Med to Long	Med	Cost↑	<ul style="list-style-type: none">Implement energy management according to ISO 50001 Energy Management System.Optimize or change production methods to use more efficient production processes and equipment.Strengthen research and development of environmentally friendly products in collaboration with customers.
Market	Customer preferences for green products, market changes, and rising material costs have led to adjustments in product mix and market positioning to meet new market demands.	Med to Long	Med	Rev↓	<ul style="list-style-type: none">Seek business opportunities to increase green products.Conduct product carbon footprint and lifecycle assessments as required by customers.Control and avoid the use of hazardous materials in products.
Reputation	Faced with changes in consumer preferences and increased attention to climate change, there may be risks of reputation loss, financial processes, and increased negative feedback.	Med to Long	Med	Rev↓	<ul style="list-style-type: none">Seek business opportunities to increase green products.Align with stakeholder requirements.

Risk Management

Kaifa's risk management system includes the process of identifying, evaluating, and managing climate-related risks, and incorporates climate-related risks into Kaifa's existing risk classification and risk inventory. Kaifa regularly monitors changes in climate-related risks and new threats and updates emergency plans in a timely manner to ensure they are up to date.

We refer to the recommendations of TCFD to identify, assess, implement, and monitor climate change risks (or potential risks) and their impacts to address the challenges and opportunities posed by climate change to operations and supply chains. At the same time, we have developed a process for managing climate change risks and opportunities, known as the Climate Change Risk Management Operation Instruction.

We identify potential risk factors related to climate change and assess the probability and magnitude of their impact. Finally, based on a comprehensive assessment of probability and impact measures, risks are prioritized to determine the most important and urgent ones.

Metrics and Targets

The primary climate-related metrics encompass greenhouse gas emissions, energy consumption, waste, and water usage. In 2024, Kaifa has implemented a unified and standardized approach to collect greenhouse gas emissions data (including scope 3) across the entire organization. Using the data from 2024, both short-term and long-term targets will be established.

Commitment	
2035 GHG Emission Reduction (Scope 1&2)	50%
2050 Renewable Energy Usage	60%
2060 Carbon Neutrality	100%

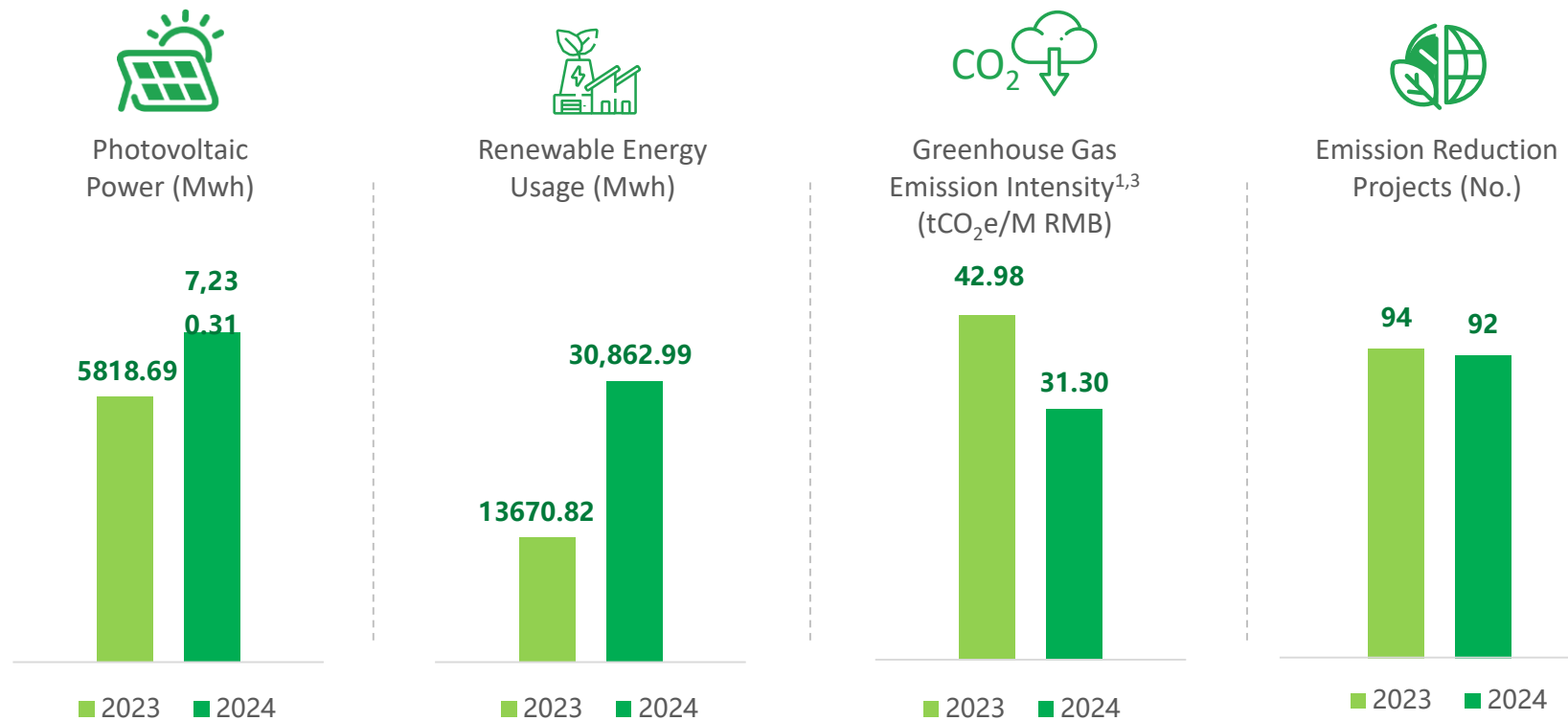
Kaifa prioritizes greenhouse gas verification work to ensure the accuracy and reliability of carbon emissions data. To improve the fairness and accuracy of the final results, Kaifa conducts greenhouse gas inventory at the headquarters and all of its subsidiaries, and has been verified by trusted third-party organizations.

Identify Climate Related Opportunities

Type	Opportunities Description	Time	Proba bility	Impact	Our Response
Opportunities					
Resource Efficiency	Reduce costs, improve productivity, and increase revenue by using more efficient production processes, implementing recycling and reuse practices, transitioning to more efficient buildings, and reducing water use and consumption.	Med to Long	High	Cost↓ Rev↑	<ul style="list-style-type: none">Optimize production methods, using more efficient production processes, technologies, and equipment.Develop environmental conservation strategies, including reducing energy consumption and promoting recycling.Implement green building practices for our administration and commercial buildings.
Energy Sources	Reduce the risk of rising fossil fuel prices, lower energy consumption costs, and mitigate the impact of changes in carbon costs by utilizing innovative technologies and renewable energy, choosing more energy-efficient and eco-friendly facilities and equipment, using supportive policies and incentives to promote technological innovation, and participating in the carbon market.	Med to Long	Med	Cost↓	<ul style="list-style-type: none">Manage energy efficiently based on ISO 50001 Energy Management System, striving for energy efficiency.Establish internal carbon pricing mechanisms.Install more highly efficient green power generation products such as photovoltaics.Purchase green energy and green certificates based on the actual situation and climate goals of Kaifa.Actively respond to the goal of carbon peak and carbon neutrality, and participate in the domestic carbon market.
Products and Services	Enhance our advantages of products and services in the market, strive for a better competitive position, improve customer satisfaction, and ultimately increase revenue by developing, expanding, and innovating energy-saving and low-carbon products and services, and responding to client preferences of climate change.	Long Term	Med	Rev↑	<ul style="list-style-type: none">Develop and promote the energy-saving management system.Seek business opportunities for green products.Strengthen R&D collaborations with customers to develop eco-friendly products.Increase investment in research and development to develop more efficient and low-carbon products and production technologies.Provide clients with more energy-efficient and eco-friendly building and property services.
Markets	Promote the entry of products and services into new markets, gain new opportunities, and increase revenue by responding to stakeholders' concerns about climate change.	Med Term	High	Rev↑	<ul style="list-style-type: none">Seeking business opportunities, funding sources, and investments to increase green products.Continuously monitor and actively respond to market demands related to climate change.Actively seek support from governments and associations regarding climate change.
Resilience	Increase the reliability and capability of the supply chain by promoting flexible supply chains and utilizing more diverse resources and energy.	Long Term	Med	Cost↓	<ul style="list-style-type: none">Assess and manage supply chain risks to ensure stable logistics and supply capabilities.Incorporate chronic physical risks into business decisions, such as increasing manufacturing bases.

Greenhouse Gas Management

Kaifa has listed greenhouse gas management as one of the company's sustainability goals and included it in the company's performance evaluation indicators. In order to achieve the goal of net zero emissions, Kaifa strongly supports energy-saving and emission reduction projects, uses renewable energy, installs photovoltaics, and plans to reduce carbon emissions in Scope 1, Scope 2, and Scope 3 of the production, operation, and value chain through carbon offsetting, and purchasing carbon credits. In 2024, Kaifa achieved the greenhouse gas goals of increasing renewable energy usage by 2% annually, reducing greenhouse gas emissions intensity by 2% annually, and promoting 50 emission reduction projects annually.



Note:

- Greenhouse gas emission intensity data includes Scope 1 and Scope 2.
- In 2024, Kaifa established a greenhouse gas inventory system according to the ISO14064-1:2018 standard and obtained third-party verification certification.
- Greenhouse gas emission intensity = greenhouse gas emissions (Scope 1 and Scope 2)/VA, M RMB is the million VA value for this year.

Greenhouse Gas Data

In 2024, Kaifa strictly followed the requirements of the ISO14064-1:2018 standard and adopted the methods of the GHG Protocol to successfully establish an internal greenhouse gas inventory system covering all production and operation sites of the company. Kaifa completed the greenhouse gas inventory work for the entire group and obtained third-party verification successfully. As a result, Kaifa has set 2024 as the base year, providing strong data support for future emission reduction goals and plans.

Category ²	Greenhouse Gas Emissions (tCO ₂ e)	Greenhouse Gas Emission Intensity (tCO ₂ e)/M RMB
Category 1	16,524.9	3.00
Category 2	155,840.19	28.30
Category 3	23,434.65	4.26
Category 4	1,784,614.97	324.05
Category 5	1,489,249.93	270.42
Category 6	N/A	N/A
Total	3,469,664.64	630.02

Energy Conservation and Emission Reduction Project

Case

National-Level Certification of Green Factory

Kaifa Dongguan has been awarded the National-Level Certification of Green Factory for its outstanding performance in green manufacturing and sustainable development. This honor not only demonstrates our leading practices in energy conservation, emission reduction, and resource recycling, but also reflects its commitment to actively fulfill social responsibilities and promote the green transformation of the industry.



Kaifa Dongguan Awarded the National-Level Certification of Green Factory

Case

Rainwater Recycling

Kaifa Dongguan has built a 101m³ rainwater recycling and utilization system. This system consists of a water storage system and a water purification system, which collect and treat rainwater to meet the designed usage standards, thereby achieving water resource conservation. Rainwater recycling not only saves energy and resources, but also has great significance in alleviating urban floods and waterlogging problems.



Kaifa Dongguan Rainwater Recycling and Utilization System

Case

Condensate Water Recovery

Direct discharge of air conditioning condensate water wastes water resources and cooling capacity. In 2024, Kaifa Dongguan completed the air conditioning condensate water recovery project, collecting the condensate water and using it to supplement the cooling tower. The annual recovery exceeded 10,000 tons, accounting for 1.6% of the total water consumption. This not only reduced the amount of municipal tap water used, but also utilized the condensate water cooling capacity to lower the temperature of the cooling tower and improve the refrigeration efficiency of the chiller unit.



Kaifa Dongguan Condensate Water Recovery System

Employee Training and Development

Kaifa is dedicated to establishing a learning organization and cultivating a positive learning atmosphere. We organize training programs for employees at various levels, including external hiring, internal training, job rotation, experiential learning, visits, and seminars, as well as other methods. These initiatives align with our development strategies and business needs, aiming to foster the growth of both our employees and contribute to the overall development of Kaifa. We focus on developing talents with ESG awareness and skills, enhancing employees' professional knowledge and abilities in environmental, social and governance aspects to support the company's sustainability goals.



Employee Training and Development

**Total
Training
Hours** **146,842hrs**

Average training
hours per female
employee **37hrs**

Average training
hours per male
employee **35.6hrs**

**Number of
Active Trainers** **237**

**Number of
Newly
Developed
courses** **200**

**Training
Coverage Rate** **90%**

**Training
Satisfaction
Exceeding** **>95%**

We have implemented training systems, including the Training Management Process Guidelines, and talent development policies such as the Measures for Enhancing Talent Quality. These initiatives drive the ongoing transformation and advancement of our training programs, aligning talent development plans and implementation strategies with our company's strategic objectives.

Kaifa has established a training organization, with the headquarters responsible for building and planning the company's training system and projects, while the subsidiaries are responsible for local differentiated talent development projects and coordinating company projects.

We attract, retain, and develop diverse talents including technology professionals, engineers, and technicians, and encourage employees to continuously enhance their professional skills by providing opportunities for outbound learning, obtaining professional qualifications, and academic advancements. Kaifa offers rewards and considers these achievements as key factors for talent development and promotion.

Training and Development Risk Prevention

Risk Type	Target	Risk Impact	Risk Mitigation
Training and Development	All Employees	<ul style="list-style-type: none">Inability to meet customer and business development needs.Impact on product quality and delivery, customer satisfaction.Impairment of employee personal development, career planning, and reduced employability.	<ul style="list-style-type: none">Establish a comprehensive training system.Provide abundant learning resources, training courses, and diverse learning methods.Customize learning paths for key talents and carry out targeted learning projects.

Career Development Pathway

Kaifa is dedicated to providing comprehensive career development support and opportunities to its employees, enabling them to achieve their personal career goals and unlocking their potential, increasing their satisfaction, thus actively contributing to Kaifa's business growth. To facilitate this, we have implemented policies such as Employee Promotion Management Measures, Measures for Enhancing Talent Quality, Job Rotation Management Measures, and Qualification Standards for Employment. These policies establish diverse development paths and encourage employees to develop horizontally and vertically in multiple dimensions. In their overall career, there is not only a path for vertical promotion, but also a broad space for horizontal integration and learning. This lays a smooth bridge for employees' career transformation and aims to provide unlimited possibilities for every step of their career exploration. Kaifa provides diversified training, personalized development paths, and open and transparent talent flow mechanisms for employees with excellent performance and high potential. These methods stimulate employee potential, drive employees to progress with the company, motivate employee growth and development, and lay a good foundation for the company's composite talents.



Training Opportunities

Starting from new employee onboarding, we combine online and offline, internal and external, as well as interactive and sharing learning formats to help employees continuously enhance their professional skills and knowledge. This ensures that employees stay aligned with industry trends and best practices.

Personal Development

We place a strong emphasis on the personal development of our employees, prioritizing the Individual Development Plans (IDPs). Additionally, we have implemented Regulations for Recent Graduate Selection and Development to provide comprehensive support. Each new employee is assigned a mentor, and we create individualized training programs with specific targeted indicators.

Key Initiatives for Employee Career Development

Customized Development

We design customized development plans for key talent. Through processes such as personnel selection, concentrated training, on-the-job practice, and performance evaluations, we identify outstanding individuals. These individuals are then entered into Kaifa's talent pool and provided with priority career development opportunities within our organization.

Lifelong Learning

We advocate for employees to continuously enhance their employability and encourage them to engage in continuous learning and self-improvement.

Fair and Inclusive

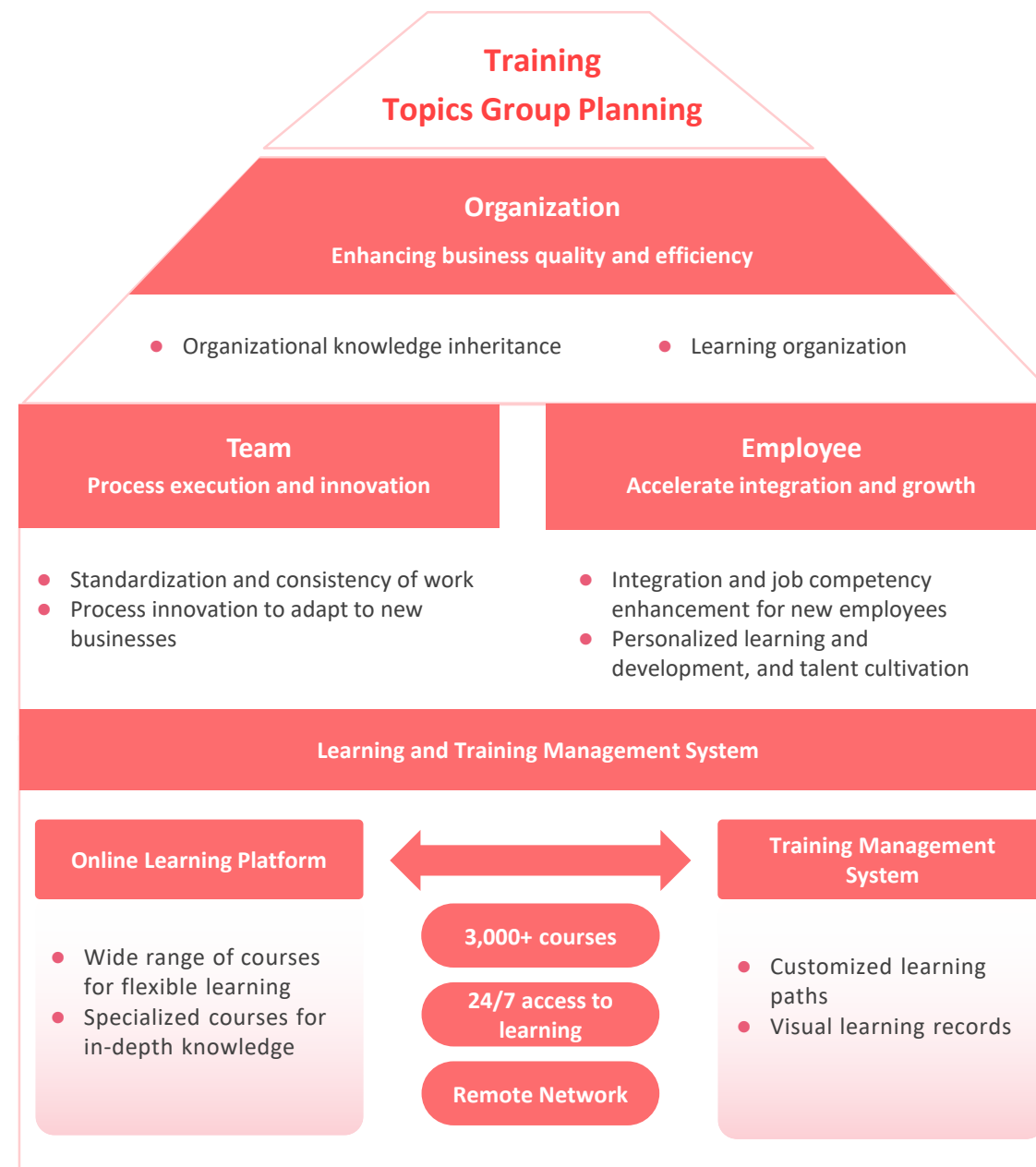
We have developed the Employee Promotion Management Measures to promote talent mobility through open recruitment and internal competitions. This allows employees to pursue career growth based on their professional expertise and development aspirations.

Employee Training and Development System

Kaifa continuously supports the key talents, including new hires, potential leaders, team managers at different levels, and engineering and technical staff to enhance their personal and professional skills by providing diverse learning pathways and resources.

We also cooperate with high-quality third-party training institutions to help employees enhance their professional knowledge and broaden their views. Kaifa provides learning platforms and resources, shares external best practices and experiences, and comprehensively supports the growth of outstanding talents.

We recognize the challenges involved in training and development for manufacturing companies, including high costs, time investment, employee turnover, technological innovation, and limited instructor resources. To address these challenges, we continuously innovate our training system and methods, offering high-quality courses and instructors tailored to business pain points and development needs. Our comprehensive training programs, rich learning resources, and dedication to fostering a learning organization enable us to overcome these difficulties.



Talent Cultivation

New Talent Integration and Development

Kaifa provides special pre-job training for new employees helping them integrate into the work environment. In 2024, we redeveloped and reviewed our existing online courses, forming a multi-level curriculum system with the Kaifa general courses and differentiated courses from various factories and departments. Based on the professional requirements of the new employee's position, we identify the necessary knowledge including the processes and documents for the job, and use the online system to follow up and conduct the new employee's probation assessment.

Cultivation of Key Talents in Management and Technology

In 2024, we established a training model to manage talents with high potential and engineering technology and select young and outstanding core talents. Based on the employees' personal development potential and professional strengths, we plan business manager successors and technical reserve talent pools separately. We adopt an action learning approach with a combination of internal course development and external excellent courses, and a combination of classroom training and practical application, to truly create business value through learning and application.

Meanwhile, we work closely with the superiors to make special development plans for them, helping each core talent to grow rapidly on their own path and become an expert supporting the continuous development of the team.

Yunfan Action Training Camp

The Yunfan Action Training Camp is launched to further lead the young experts to take on responsibilities and make breakthroughs by focusing on goal management, client awareness, team management, innovative thinking, business awareness, and decision-making. We carry out an approach with a combination of training and practice to help students strengthen their cognitive ability and continuously create value for the company by stimulating energy through thinking, enhancing creativity through breakthroughs, and gaining strength through collaboration.

Case

Yunfan Action Training Camp

At the opening ceremony, the senior management warmly welcomed the students who participated in the Yunfan Action Training Camp, interacted, and shared opinions with them from various aspects such as the current industry environment, economic situation, and challenges.

Kaifa 2024 Yunfan Action Training Camp



Talent Cultivation of Quality Experts

To further enhance the level of quality management and cultivate a group of professional talents with advanced quality management concepts and practical abilities, Kaifa opened a one-week quality expert training camp, where 30 outstanding students received systematic learning of six core courses, including key areas such as five quality tools, 8D failure analysis and error correction, and digital operations.

Case

Quality Expert Training Camp

This training especially shared three best practices, including a quality data tracking system, FMEA software demonstration and operation experience, and introduction of an intelligent SPC system. The lecturer team effectively answered various doubts in management and clarified the ideas and solutions for solving problems based on the technical tools and methods, with methods of starting from shallow to deep, integrating theory with practice, and combining multiple cases.

Kaifa 2024 Quality Expert Training Camp



Empowered by Internal instructors

Kaifa owns a stable and excellent internal team of instructors, actively accumulating and inheriting organizational experience and corporate culture, effectively supporting the implementation of company strategies, assisting businesses, and providing strong support for talent cultivation and talent team construction. By continuously selecting and cultivating a group of core management and technical experts into the instructor team under the project mode, Kaifa organizes activities such as lecturer empowerment, co-creating courses, and trial teaching, independently develops and launches the company's internal TTT training course (Training the Trainer to Train), comprehensively improves the lecturer's abilities in course development and interactive teaching, and creates good teachers and courses.



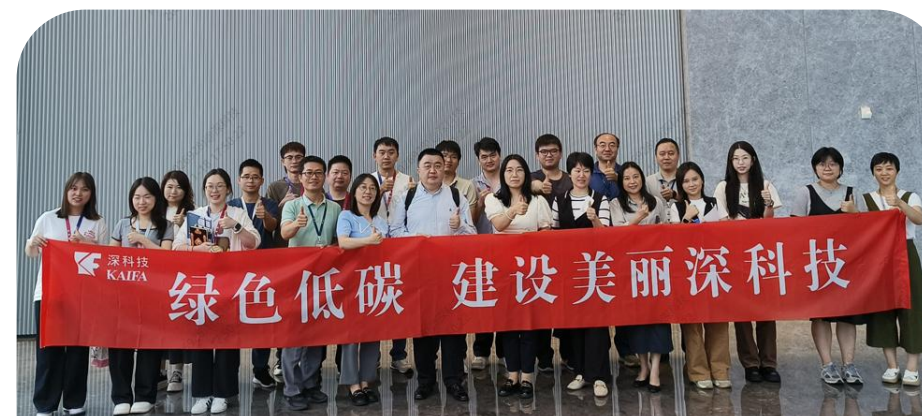
Empowered by ESG

Kaifa closely follows the ESG trends and is committed to promoting the strategic implementation of green transformation and low-carbon development. In order to further enhance the employee awareness of climate change, energy conservation, and carbon reduction, and improve their professional ability in greenhouse gas inventory, Kaifa has hired senior lecturers from external institutions to conduct a three-day greenhouse gas awareness training and ISO14064-1 standard internal auditor training for leaders, employees, and internal auditors.

Case

Greenhouse Gas Training

This course focuses on the basic concepts of China's carbon goals, analyzes the global background of climate change, and helps students comprehensively understand the current status and development trends of greenhouse gas management. Based on the requirements of ISO14064 standard, this course clarifies the key points of greenhouse gas management and strives to continuously enhance the technical capabilities and professional level of greenhouse gas inventory, ensuring the accuracy and completeness of data to meet the business development and clients' expectations, enabling students to obtain the skills of greenhouse gas inventory internal auditors, providing strong support for enterprises to achieve outstanding performance in the field of greenhouse gas management.





Responsible Governance

Kaifa is dedicated to achieving high standards of corporate governance, recognizing its importance in promoting transparency and sustainable business practices. Our corporate governance philosophy is centered around ethical conduct, responsible decision-making, and protecting shareholder interests, which are fundamental to how we operate.



14.83 billion RMB, total revenue.



1.09 billion RMB, net profit.



**Shenzhen Stock Exchange 2023-2024 Disclosure Assessment:
A-class rating, Four-year Consecutive A-class rating.**



Corporate Governance

Kaifa strictly adheres to the laws and regulations of the People's Republic of China, including the Company Law, Securities Law, and Corporate Governance Code for Listed Companies. It has established a proper corporate governance structure based on the requirements of regulatory bodies such as the China Securities Regulatory Commission, Shenzhen Stock Exchange, and Shenzhen Securities Regulatory Bureau. Kaifa continuously improves its Articles of Association and system framework, as well as implements various regulations, including the Rules of Board Meetings, Provisions of Board Committees, Information Disclosure Management System, Fundraising Management System, and Methods for Managing the 2022 Stock Option Incentive Plan, Independent Director Work System, Rules of Strategy and Sustainable Development Committee. These measures enhance production, improve corporate governance, and elevate the overall governance level.

Governance Honors

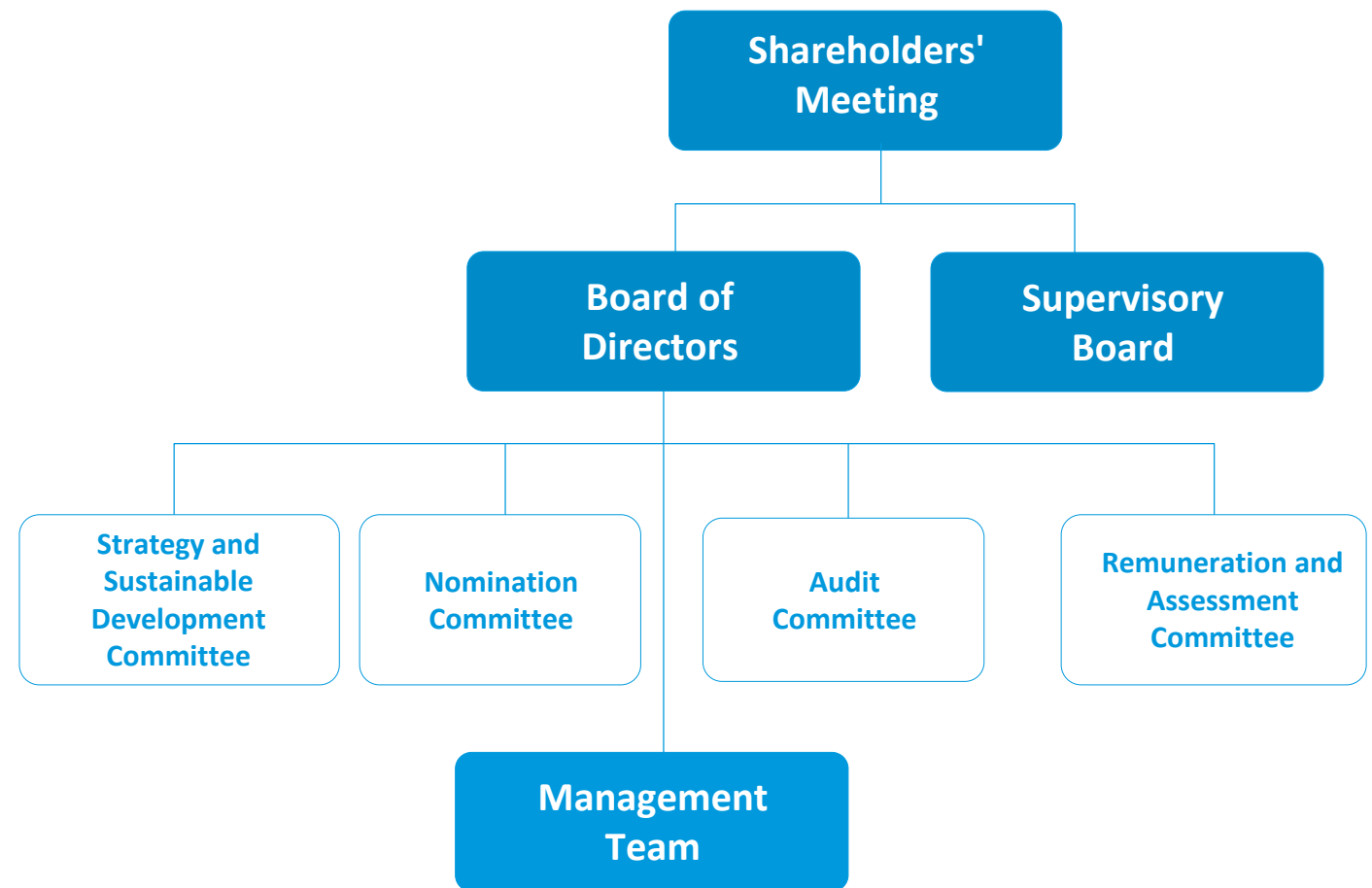


Best Practices in Board Office for
Listed Companies in 2024



Best Practices in Board Operations
for Listed Companies in 2024

Governance Structure



Shareholders' Meeting

The shareholders' meeting is the highest authority, responsible for important decisions related to Kaifa's policies, finance, investments, and profit distribution.

Board of Directors

Kaifa's Board of Directors serves as the central pillar of its governance structure, assuming responsibility for driving Kaifa's long-term development and protecting shareholder interests. It formulates, approves, and revises Kaifa's mission, vision, values, strategies, policies, and sustainability goals. Operating within legal boundaries, the Board exercises decision-making authority and diligently evaluates the professionalism and effectiveness of each director. The Board of Directors has four specialized committees: the Strategy and Sustainable Development Committee, the Nomination Committee, the Audit Committee, and the Remuneration and Assessment Committee. The convener of the Strategy and Sustainable Development Committee is the Chairman, while the conveners of other specialized committees are independent directors.

On April 9, 2024, in order to adapt to the company's strategic and sustainable development needs, improve the environmental, social and governance framework, and promote the company's sustainable development and ESG goals, the Board of Directors renamed the 'Board Strategy Committee' to the 'Board Strategy and Sustainable Development Committee', expanding its mandate to incorporate ESG responsibilities alongside existing functions. The Rules of Strategy and Sustainable Development Committee were concurrently approved.

Kaifa's governance framework ensures robust safeguards for independent directors and specialized committees to leverage their professional expertise, thereby guaranteeing the legitimacy, scientific rigor, and soundness of board decision-making while effectively mitigating operational risks.



2024 (First) Extraordinary General Meeting of Shareholders

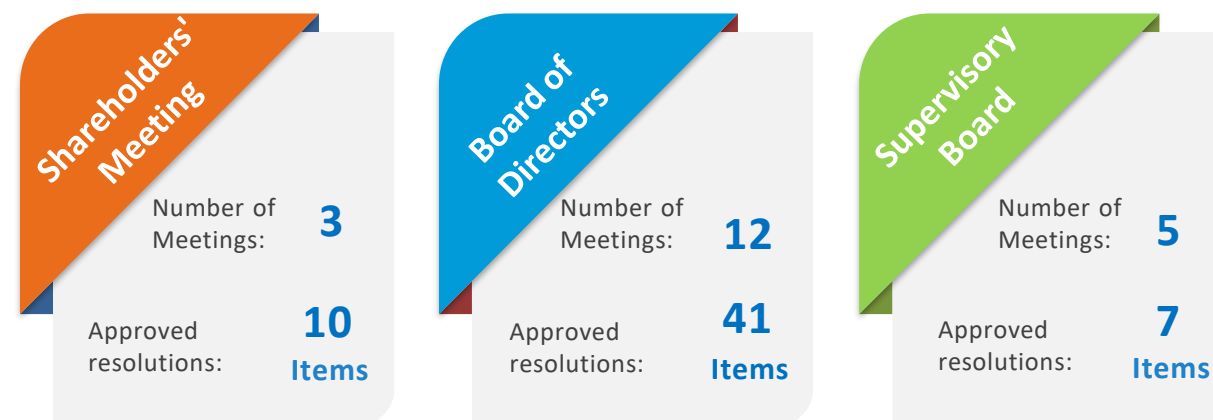


The 10th Board Strategy and Sustainable Development Committee Meeting

The Supervisory Board

The Supervisory Board oversees Kaifa's operations, financial status, and management activities of the Board of Directors, senior executives, and management team. It ensures compliance with laws, regulations, supervisory rules, and Kaifa's articles of association. Its responsibility includes protecting the rights and interests of shareholders, employees, and Kaifa. The Supervisory Board comprises three members, including one employee representative, and two female supervisors.

2024 Oversight Performance



Management Team

The senior executives at Kaifa, including one President, three Vice Presidents (including the Finance Executive), and one Board Secretary, are accountable for organizing and implementing board resolutions, overseeing daily operations, and managing internal control activities.

Assessment

The Compensation and Assessment Committee is responsible for establishing assessment criteria for directors and executives and conducting assessments.

Supervision and Management

Implement a reporting system to promptly notify the Board of Directors about critical incidents such as safety accidents, quality issues, major asset losses, legal disputes, and other events that impact overall performance and brand image. The annual compensation of board-appointed professional managers is publicly disclosed in accordance with listed company regulations. Professional managers are required to protect company assets, prevent losses, and refrain from embezzlement or misuse during their tenure.

Executive Compensation Policy

To effectively empower Kaifa's international professional management team and ensure the sustained and healthy development of the company, we have implemented the Measures for Managing Professional Manager Compensation, enhancing our compensation distribution system.

Note: For detailed information on the compensation of directors and executives during the reporting period, please refer to Section Four: Corporate Governance - Compensation of Directors, Supervisors, and Senior Management in the 2024 Kaifa Annual Report.

Management Principles

In a competitive global market, Kaifa's compensation policy emphasizes market orientation, a performance-driven approach, and internal fairness. Compensation levels are determined through negotiations, considering factors like performance benchmarks and market conditions.

Responsibilities and Members of the Tenth Board of Directors' Special Committees

Special Committee	Responsibilities
Strategy and Sustainable Development Committee	Charged with evaluating and advising on the company's long-term strategic development, material investment decisions, sustainability initiatives, and ESG-related matters to inform governance decisions.
Nomination Committee	Responsible for nominating new director candidates, regularly evaluating the performance of current directors, promoting board diversity, developing and overseeing succession plans, and ensuring effective functioning and high-level governance of Kaifa's board.
Audit Committee	Oversees Kaifa's financial reporting process, reviews and approves the annual audit plan, monitors compliance matters, evaluates potential risks related to financial reporting, and ensures transparency, compliance, and effectiveness of Kaifa's financial reporting process and audit procedures. These measures are implemented to maintain investor trust and promote healthy corporate governance.
Remuneration and Assessment Committee	Primarily responsible for establishing performance evaluation criteria for directors and executives, formulating and reviewing compensation policies and plans for directors and executives at Kaifa, and being accountable to the board of directors.

Note: Refer to the 2024 Kaifa Annual Report for information regarding the term of office and employment status.

Board Diversity

Kaifa's Board of Directors comprises a dynamic and diverse collective of experienced professionals, each contributing unique expertise to guide our strategic direction. The board consists of individuals with diverse backgrounds, bringing a wealth of industry experience. This diverse composition ensures comprehensive decision-making capabilities to address the industry's challenges and opportunities.

The current Board consists of nine members, including six directors and three independent directors, representing 33.3% of the Board. The independent directors play a crucial role in providing independent oversight and supervision, without holding any shares in Kaifa. To strengthen the professionalism and independence of the Board's operations, the chairpersons of the Audit, Nomination, and Compensation Committees are all independent directors, representing 66.7%, 66.7%, and 100% of the respective committees.

Board Capacity Building

Following the successful election of the Board of Directors and Supervisory Committee, Kaifa organized specialized training programs for all directors, supervisors, and senior executives. These include the Corporate Governance Training, clarifying roles, responsibilities, and regulatory compliance for listed company executives; the 2024 Regulatory Compliance Sessions, jointly hosted by the Shenzhen Listed Companies Association and CSRC Shenzhen Bureau, focusing on the new 'Nine Guidelines' policy and analysis of industry risks; the SZSE Independent Director Certification, strengthening independent oversight capabilities through systematic learning; the Board

Secretary Collaboration Workshops, enhancing governance expertise across operational processes; the Financial Derivatives Seminars, building risk management awareness in complex financial instruments; the Disclosure Standardization Briefings, ensuring accuracy and compliance in corporate reporting.

A highlight was the comprehensive ESG Training Program taken by the board members, which not only helps them to have a deep understanding of Kaifa's current ESG initiatives and development plans, but also significantly improves their comprehensive understanding of how ESG deeply affects Kaifa's business operations, equipping leadership to drive sustainable growth, thereby laying a more solid decision-making foundation for the company on the path of sustainable development.

Conflict of Interest

Kaifa complies with applicable laws and regulations, implementing a robust Related Party Transaction Management System. Directors, supervisors, and senior executives are strictly prohibited from engaging in related party transactions that could jeopardize the interests of Kaifa and its minority shareholders, ensuring fair transactions. In cases of conflicts of interest involving directors, they are required to disclose such conflicts and abstain from voting, preserving the integrity of their judgment and independence. Kaifa undergoes annual external audits to obtain an internal control audit report, ensuring compliance with regulatory standards and maintaining operational integrity.

Title	Name	Gender	Educational Background; Industry Experience	Skill Matrix					
				1	2	3	4	5	6
Chairman	ZY Han	Male	MBA, Professor Level Senior Political Engineer and Senior Economist	●		●	●		●
Director	Philip Cheng	Male	MBA, Master of Business Economics	●		●	●		●
Director	GS Zhou	Male	Bachelor of Engineering, MBA	●		●	●	●	●
Director	HQ Liu	Male	MBA	●		●	●		●
Director	YB Liu	Male	Bachelor of Mechanical Engineering, specializing in Mechanical Design and Manufacturing, Senior Engineer	●			●		●
Director	DW Dong	Male	Power Electronics and Power Transmission major in the School of Microelectronics, Master of Engineering	●			●	●	●
Independent director	JJ Bai	Male	Microwave Engineering, Management Accounting	●	●		●		●
Independent director	JX Zhou	Male	Master of Economics, Certified Public Accountant in China, Certified Asset Appraiser in China	●	●	●	●		●
Independent directors	HL You	Male	Ph.D. in Microelectronics and Solid-State Electronics	●			●	●	●

1- Business Operations, 2- Financial Accounting, 3- Compliance Legal and Internal Control, 4- Globalization, 5- Technology Research and Development, 6- Risk Management

Note: Refer to the 2024 Kaifa Annual Report for information regarding the term of office and employment status.

Shareholder Rights Protection

Kaifa strictly adheres to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Articles of Association, and other relevant laws and regulations. Based on the company's practical operations, we have established a standardized corporate governance structure. This includes regulated procedures for convening, conducting, and voting at shareholders' meetings. Through lawful and effective methods, such as in-person and online participation, Kaifa ensures broader shareholder engagement, particularly for minority shareholders, guaranteeing their rights to information, participation, and voting on major corporate matters.

Shareholder Engagement Mechanisms

We prioritize ongoing shareholder communication through various mechanisms, including regular in-person and remote shareholder meetings. These meetings allow investors to express views, ask questions, and vote on important matters.

We also maintain open communication channels through our Board of Directors' office, offering a dedicated point of contact for shareholders to seek advice, provide feedback, and address concerns. Our corporate website serves as a comprehensive resource, granting access to financial reports, updates, and governance-related information.



Email: stock@kaifa.cn



Investor Hotline: 0755-83200095

Through these engagement mechanisms, we actively seek shareholder input to better understand their perspectives and priorities, fostering cooperative relationships that contribute to the long-term success of our company.

Practices in Upholding Shareholder Rights

Transparent

We deliver transparent reporting to empower shareholders with key insights for informed decisions.

Communication

We engage investors through briefings and meetings, sharing updates on operations, governance, and market trends.

These efforts strengthen shareholder rights and foster trust-driven partnerships.



Case

2024 Shenzhen Investors' Online Communication

Kaifa's senior executives engaged in online communication with investors through web-based platforms, addressing investor concerns on financial, governance, internal controls, development strategies, performance, dividends, significant matters, and sustainable development. Real-time exchanges were conducted with investors nationwide, achieving a 100% response rate. This exemplified our strong investor interaction, enhancing their comprehensive understanding of Kaifa and fostering alignment with our values and business philosophy, supporting high-quality development.



Strengthening Information Disclosure & Investor Relations

During the reporting period, Kaifa issued 43 numbered announcements through designated disclosure platforms, including China Securities Journal, Securities Times, and CNINFO website, releasing 86 disclosure documents with a total of 732,200 words. Kaifa achieved a Grade A rating in regulatory disclosure assessments. All disclosures strictly adhered to regulatory procedures, with complete supporting documentation, and ensured truthfulness, accuracy, timeliness, and completeness in compliance with the SZSE Listing Rules, SZSE Fair Information Disclosure Guidelines, and SZSE Investor Relations Management Guidelines, and other regulatory provisions. No penalties for disclosure violations were incurred during the reporting period.

To standardize related-party transactions and minimize non-essential dealings, Kaifa has implemented governance frameworks including its Articles of Association, Shareholder Meeting Procedures, Board Meeting Rules, and Related-Party Transaction Management System. These policies define approval processes, disclosure requirements, and recusal mechanisms, expressly prohibiting controlling shareholders, actual controllers, directors, supervisors, and senior executives from exploiting such transactions to harm corporate or minority shareholder interests. This ensures fairness and equity in related-party transaction decisions for all shareholders.

During the reporting period, all reported related-party transactions aligned with operational needs and market principles, featuring fair pricing and full compliance with approval and disclosure protocols. Independent directors and the Supervisory Board verified their arm's-length nature, confirming no detriment to shareholder interests.

During the reporting period, Kaifa organized learning activities to stay updated on policy regulations issued by the China Securities Regulatory Commission. To enhance proactive information disclosure, the company ensured timely and comprehensive disclosure of operational updates, strategic developments, and other critical information to the market, maintaining high-quality transparency.

Kaifa prioritizes investor relations by strengthening communication through various channels. This includes hosting investor visits, conducting surveys, maintaining a company website, and operating an investor relations hotline, email, fax, and interactive platforms. These efforts aim to improve communication, enhance understanding, and safeguard the rights and interests of investors.

Total Released
Announcement
Documents:

86

Total Number of
Investor Hotline
Calls Answered:

417

Completed
Interactive
Easy Q&A:

205



Welcome Research from Institutions,
including Brokerages, Analysts, Funds, and Private Equity

Date	Event	Visitors
Dec. 12, 2024	Public Reception Day	Participate in the 2024 Shenzhen Listed Company Investors Online Collective Reception Day event remotely through the Internet.
Nov. 21, 2024	On-site Research	GUOXIN (Shenzhen) Investment Co., Ltd. CITIC Securities Company Ltd.
Sep. 4, 2024	On-site Research	PICC Asset Management Company Ltd., CITIC Securities Company Ltd., Rabbit Fund, Huaneng Guicheng Trust.
Jul. 18, 2024	On-site Research	CITIC Securities Company Ltd., Yinhua Fund Management Co., Ltd.
Jun. 13, 2024	On-site Research	China Asset Management Co., Ltd. China Post Securities Co., Ltd.
May 6, 2024	Performance Briefings	The 2023 annual virtual earnings conference was conducted via web-based remote conferencing.
Apr. 17 to Apr. 18, 2024	On-site Research	China Securities Co., Ltd., Springs (Beijing) Investment Management Co., LTD, Hunan Yuancheng Investment Management Co., Ltd., Broad Vision Investment, Nanfang Tianchen (Beijing) Investment Management Co., Ltd., Huatai Securities Co., Ltd., Truvalue Asset Management Co., Ltd., Morgan Stanley Investment Management (China) Co. Ltd., Soochow Securities Co., Ltd., Shenzhen Shansi Investment, China Universal Asset Management Co., Ltd., China Galaxy Securities Co. Ltd., Yinhua Fund Management Co., Ltd., CITIC Securities Company Ltd., BC Wealth Management Ltd., SDIC Securities Co., Ltd., Everbright Securities Co. Ltd., E Fund Management Co., Ltd., Rabbit Fund (HK), Invesco Great Wall Fund Management Co. Ltd.



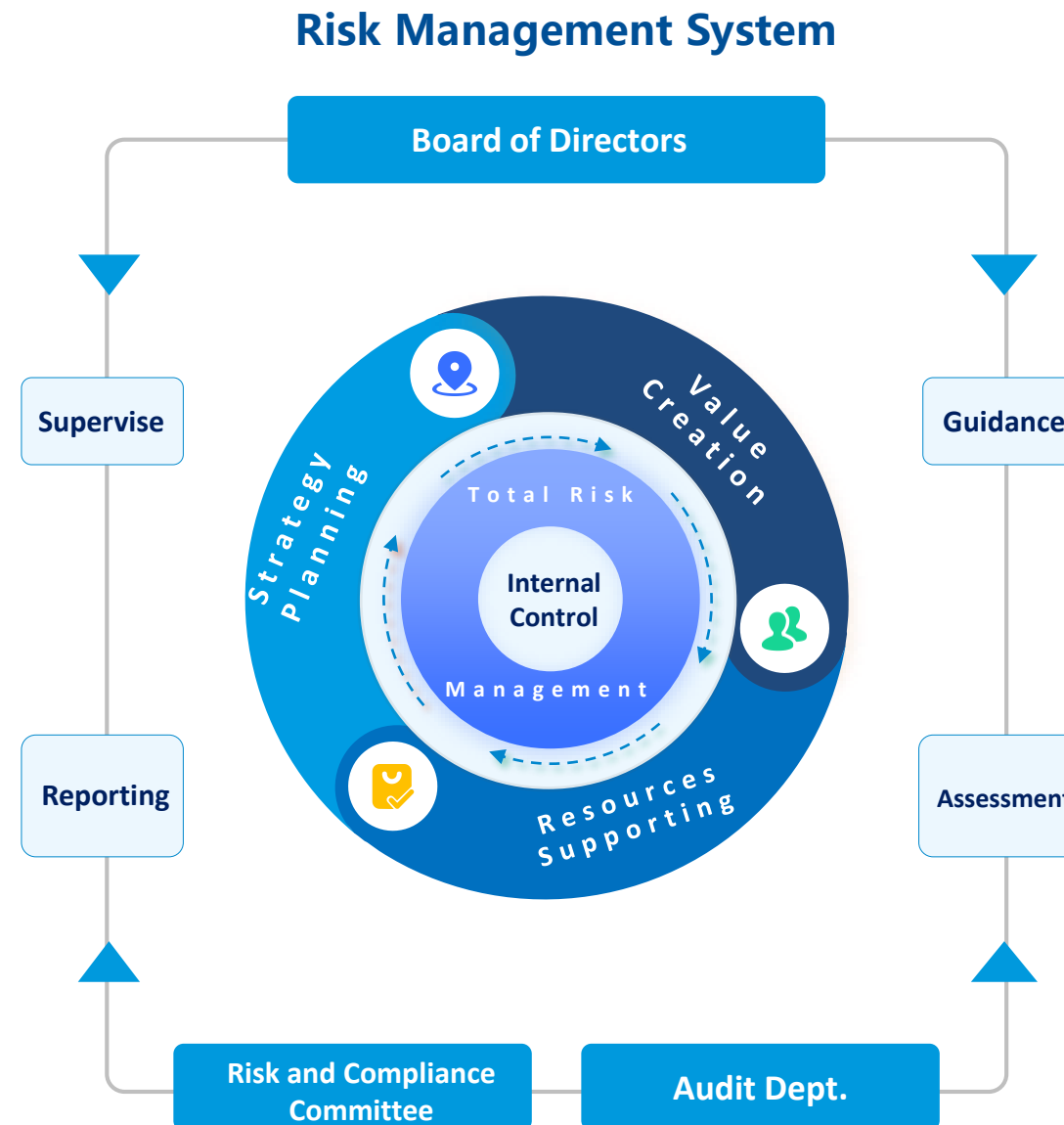
Risk and Internal Control Management

Kaifa complies with relevant laws, such as the Company Law and Securities Law of the People's Republic of China. With its unique business characteristics, Kaifa has established a comprehensive risk management framework that integrates a robust operational culture, strengthened internal control, and compliance risk management. We enhance internal audit supervision and implement a dynamic risk control mechanism that covers prevention, response, and control. This ensures proactive risk prevention, promotes stable operations, and facilitates high-quality development.

Risk Management System

To ensure the effective operation of the risk management system, Kaifa has established sound systems and released key documents, including the Enhancing Risk Management, Internal Control, and Compliance Management Processes and Comprehensive Risk Management Processes. These documents outline risk management processes at various stages, cultivate a risk management culture, and establish a comprehensive risk management system.

Kaifa has a Risk Management, Internal Control, and Compliance Management Committee (Risk and Compliance Committee), led by the President. The committee provides guidance on risk management, internal control, and compliance management, reporting to the Board of Directors. It is supported by the Risk Management, Internal Control, and Compliance Management Office (Risk and Compliance Office), which implements committee decisions. The various functional departments of Kaifa and its subsidiaries are responsible for the daily work of risk and compliance.



Risk Management Structure

Risk and Compliance Committee

Member: Kaifa executives, department heads, subsidiary general managers, business unit general managers

Provide comprehensive guidance on Kaifa's comprehensive risk management, internal control construction, and compliance management.

Risk and Compliance Office

Member: Staff members responsible for risk management, internal control, and internal assessment

Coordinate and implement the decisions of the Risk and Compliance Committee and report to the committee.

All departments, business units, and subsidiaries

Member: All employees

Carry out daily risk control and compliance work in their respective business units, ensure the effective implementation of relevant systems, and cooperate with the Risk and Compliance Office in preparing regular and real-time reports, and other related tasks.

Risk Management Process

Kaifa follows the Comprehensive Risk Management Processes to conduct comprehensive risk management activities. The Risk and Compliance Committee acts as the decision-making body for significant matters, while the Risk and Compliance Office coordinates these efforts. Each department and business unit at Kaifa ensures the implementation of a comprehensive risk management framework. For Kaifa's domestic subsidiary companies that have existing orders and engage in substantial business, comprehensive risk management coverage is maintained at 100%.

The Risk and Compliance Office at Kaifa is responsible for collecting internal and external information pertaining to Kaifa's risks and risk management. This includes strategic, market, financial, legal, and operational categories, with responsibilities divided among various business units. Additionally, the office conducts risk assessments, tracks initial risk management information, and oversees various management processes.

01



Risk Identification

Risk identification at Kaifa is organized by business units and functional departments, employing methods such as surveys and comprehensive discussions. This process aims to identify risks associated with relevant business activities, significant operational activities, and important business processes.

02



Risk Analysis

Business units and functional departments categorize identified risks using a unified risk language known as the five major risk categories: strategic risk, market risk, financial risk, legal risk, and operational risk. Additionally, they provide descriptions of the identified risk issues.

03



Risk Assessment

The impact of each risk on Kaifa's objectives is assessed through methods such as interviews and statistical analysis. Risk levels are determined by analyzing the likelihood and severity of risk occurrence.

04



Risk Control

At Kaifa, proposals for risk management solutions or formulation of corresponding procedural documents are implemented for each identified risk. The execution and improvement of these solutions are supervised, following the Plan-Do-Check-Act (PDCA) cycle, to ensure their effectiveness.

05



Risk Monitoring

Based on the identified significant risks through risk assessment and the specific characteristics of each business unit at Kaifa, key control points are determined. Regular monitoring is conducted, considering aspects such as risk analysis, risk management objectives, control measures, responsibility implementation, and monitoring reports.

Key Focus Projects for 2024

Macroeconomic Fluctuation Risk

The electronic manufacturing industry in which Kaifa operates is closely connected to macroeconomic development, technological advancements, and consumer demand. In 2024, the global economy is showing a trend of recovery, with industries such as computers, consumer electronics, network communication, and medical products showing some improvement. However, the strength of the recovery varies slightly, which also affects the company's customers.



Measures to Address Macroeconomic Fluctuation Risk

Internally, Kaifa will prioritize monitoring financial indicators and establish an early warning mechanism to optimize and adjust operations in a timely manner. Externally, Kaifa will closely monitor market changes, maintain close communication with customers, actively participate in product design with leading customers in the industry, and seek collaboration opportunities to maintain a competitive advantage.

Exchange Rate Risk

Kaifa's export business accounts for a large proportion, and there are many foreign currency assets. Exchange rate fluctuations have a significant impact on the company's profit and loss.



Measures to Address Exchange Rate Risk

Kaifa will actively use financial derivatives to hedge against risks caused by exchange rate fluctuations based on the current situation in the derivatives market.

Supply Chain Restructuring Risk

Kaifa's core business focuses on high-end manufacturing in sectors such as storage semiconductors, medical products, and automotive electronics. These industries are characterized by high market competitiveness and face intense competition from numerous well-known domestic and international manufacturers. At the same time, regional conflicts have led to a clear trend of supply chain regionalization.



Measures to Address Supply Chain Restructuring Risk

Kaifa will leverage its overall strengths, emphasize technological innovation, and focus on forward-looking research and development. Additionally, Kaifa will actively engage in international cooperation, enhance global strategic deployment, accelerate the upgrading of traditional advantageous industries, strategically enter emerging industries, and consistently promote the sustainable and healthy development of its business operations.

Internal Control Construction
and Improvement

Kaifa has established a risk-oriented internal control system, which is anchored in business processes and designed to create a working system that suits our operations. Dedicated staff are responsible for planning, establishing, maintaining, and enhancing our working system. This system aims to align Kaifa's management system with external management frameworks, legal requirements, and internal management standards. It encompasses mechanisms such as management systems, roles, document guidelines, process digitization, and effective communication channels.

During the reporting period, Kaifa actively promoted process reviews across the entire organization. Each department conducted self-assessments to identify and resolve issues, with a focus on continuously improving the applicability and effectiveness of the processes. The on-site audit completion rate and identified improvement rate reached 100%. In alignment with Kaifa's strategic expansion into international operations, existing rules, procedures, and electronic documents were reviewed, translated into English, and verified by overseas employees to ensure their comprehension and compliance with rules and procedures.

Internal Control Assessment

Kaifa has implemented the Internal Control Assessment Process Instruction and conducts annual planned assessments and supervision inspections to ensure comprehensive coverage of internal control management and supervision at our headquarters and subsidiaries. Considering the unique characteristics of Kaifa's business, internal control assessments primarily focus on assessing deficiencies in financial management, procurement, sales, human resources, warehousing, disposal of obsolete assets, significant asset management, and infrastructure project management. Whether conducted by external institutions or Kaifa's audit department, no significant or material deficiencies have been detected in Kaifa's internal control system.

Auditor Independence

Kaifa is committed to upholding regulatory requirements related to auditor independence and tenure. To ensure the objectivity and impartiality of audit results, proactive management measures are implemented to prevent mutual dependence between Kaifa and auditors. Annual audits are conducted by third-party institutions, and their findings and recommendations are comprehensively detailed in Kaifa's independent Internal Control Audit Report.

Maintaining the independence of auditors is a paramount consideration in conducting audit services and a crucial factor in ensuring objective and impartial audit outcomes. To safeguard auditor independence and prevent business dependency, Kaifa regularly invites bids from new accounting firms for annual financial audits. The selection of the previous year's accounting firm was overseen by the group company, while other audit projects were chosen by the group company or Kaifa's supply chain management department. Multiple measures were implemented to ensure a fair and impartial selection process.

During the selection of accounting firms, Kaifa performs comprehensive market research and adheres to a rigorous bidding process to ensure that the chosen firms possess the required expertise, independence, and a solid reputation. Detailed contracts are signed between Kaifa and the accounting firms, clearly outlining the scope of services, responsibilities, and obligations of the engaged firms.



Tenure

In terms of tenure management for accounting firms, audit project partners, and signing registered accountants, Kaifa follows the practice that if they have been actively engaged in Kaifa's audit business for a cumulative period of 5 years, they are prohibited from participating in Kaifa's audit business for the subsequent consecutive 5 years.

Fee

Kaifa recognizes the critical importance of auditor independence and professionalism in audit work and provides full support in terms of funding. The selection of intermediary agencies undergoes a strict bidding process, and the annual audit fees are set at a level not lower than other intermediary service fees.

Tax Governance

Kaifa is committed to fully complying with all tax laws and regulations of the countries in which we operate globally. We adhere to the transfer pricing rules of the respective countries, ensuring that profit allocation aligns with value creation and avoiding profit shifting to low-tax jurisdictions. We uphold the spirit of the law and principles of tax fairness. We believe that fulfilling our social responsibility by paying taxes supports governments in promoting local economic growth and pursuing sustainable long-term business operations.

Kaifa places great importance on tax transparency and adheres to international and local statutory disclosure obligations. We timely file tax returns and fulfill all tax payment obligations, taking responsibility for our tax affairs. Through the establishment of a unified financial management system, we ensure that inter-company transactions within the Kaifa group are conducted on an arm's length basis, aligning tax payments with income generation and refraining from engaging in malicious tax avoidance practices through tax havens.

To strengthen our tax governance, Kaifa has implemented robust internal tax processes and prioritizes tax risk management. Significant operational decisions involving tax matters are reported to the Board of Directors, accompanied by comprehensive tax analysis conducted by our internal tax team. Additionally, we engage external professional firms to provide expert advice when necessary.

The financial and tax responsibilities of Kaifa's management, including our corporate entity, are declared and reflected in the annual audit report, which is publicly disclosed by Kaifa. The report is signed by our corporate entity and the responsible financial management, obtaining confirmation from the auditing firm.

According to our Regulations on the Work of the Audit Committee of the Board of Directors, the Audit Committee is responsible for communication, supervision, and verification of both internal and external audits. It conducts at least one inspection and assessment each year of the establishment, effectiveness, and implementation of the internal control system, including financial and tax processes. The Audit Committee issues special opinions and reports to the Board of Directors, reviewing the annual audit report, including tax policies and implementation data, and providing written opinions





Information Security

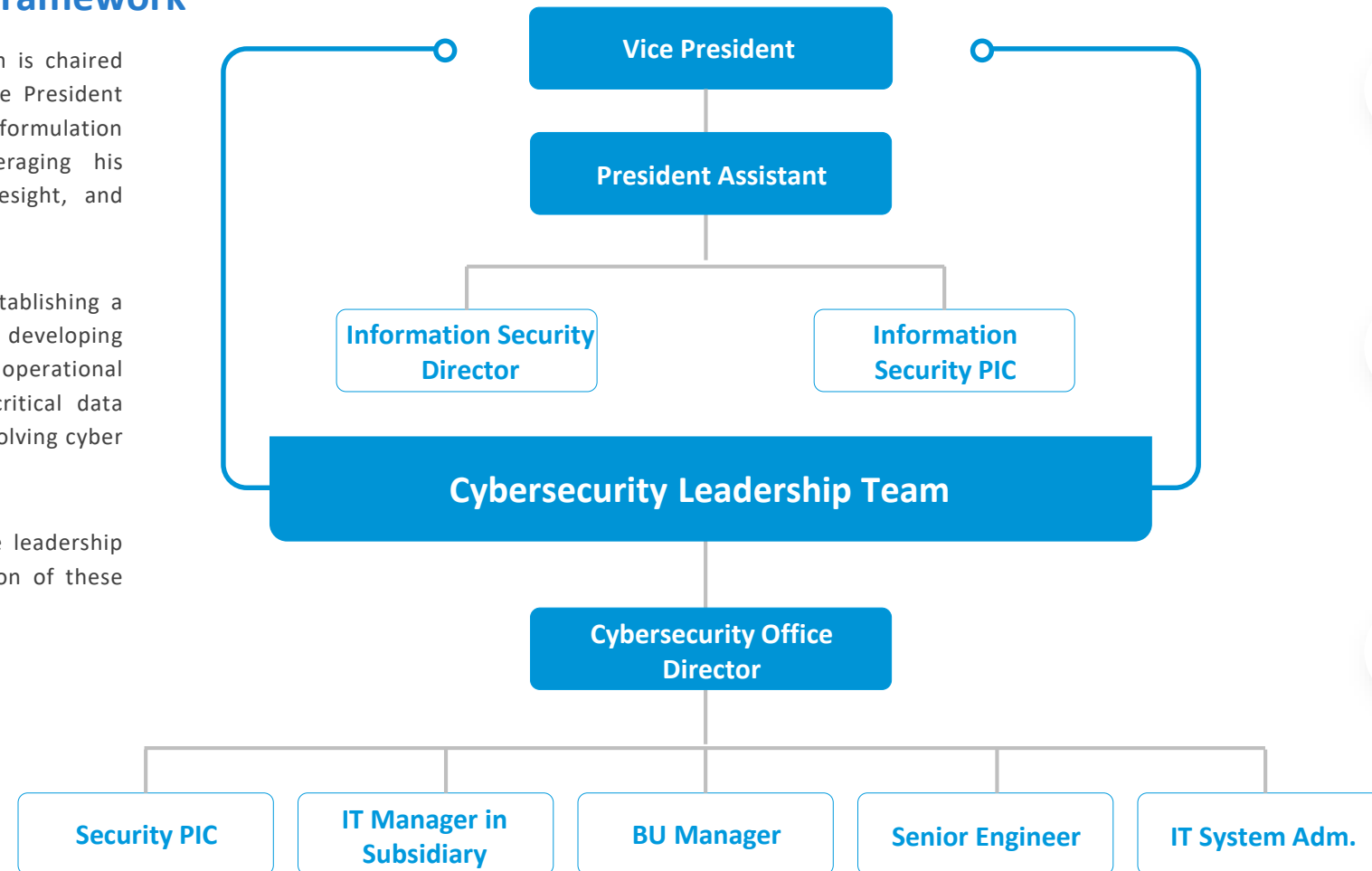
In an era of rapid development in information technology, information security management has become particularly important. Kaifa obtained ISO27001 certification for the first time in 2011 and gradually expanded it to its subsidiaries, covering Kaifa Dongguan, Kaifa Chengdu, Kaifa Malaysia, and others. After more than 10 years of operation and continuous improvement, a top-down information security management organization has been established, along with an information security management system and processes that are adaptable to Kaifa's development, effectively protecting Kaifa's information security, employee and stakeholder personal privacy, and customer product information.

Cybersecurity Governance Framework

The company's Cybersecurity Leadership Team is chaired by Zhou Gengshen, a Director and Senior Vice President with extensive IT expertise, who oversees the formulation and execution of security strategies, leveraging his profound technical knowledge, strategic foresight, and acute awareness of emerging tech trends.

Under the guidance, the team focuses on: establishing a proactive cybersecurity defense architecture, developing long-term strategic roadmaps, monitoring daily operational safeguards, ensuring top-tier protection of critical data assets and employee privacy, and mitigating evolving cyber threats to strengthen organizational resilience.

The Cybersecurity Office, operating under the leadership team, drives the implementation and execution of these initiatives.



Information Security Key Action and Training in 2024

01

Penetration testing was conducted on 10 internet-facing critical applications.

02

Added two WAFs (Web Application Firewalls) to strengthen internet-facing application security.

03

Deployed QiAnXin NetGod Industrial Host Security System for ICS workstation protection.

04

Participated in cyber attack-defense drills to continuously refine protection strategies.

05

Hosted the 2024 National Cybersecurity Week strengthening employees' awareness of security protocols, legal compliance.

06

Elevate data security and personal privacy protection as strategic priorities for the next phase.

Information Security Technical Measures

Based on risk identification and management systems, Kaifa has developed proactive and layered security strategies and established a comprehensive network security control system that includes monitoring, alarm, defense, and recovery.

Through asset assessment, threat assessment, and vulnerability assessment, we have identified three primary risks based on the likelihood of triggering security incidents and the extent of resulting damage: risks related to complex internal and external security threats, risks of user data leakage and tampering, and compliance risks. To address these risks, we have implemented various measures to mitigate information security risks in accordance with relevant management requirements.

Type of Risks	Risk Item	Risk Rating	Measures Implemented
Tech. Risk	System Bug	Moderate	<ul style="list-style-type: none">Conduct monthly vulnerability scans to identify, assess, and patch flaws.Apply online updates or manual fixes.
	Network Attack	Moderate	<ul style="list-style-type: none">Segmented VLANs with service isolation.Deployed SIP situational awareness system for full-traffic monitoring.Security infrastructure includes firewalls, IDS, WAF, and bastion hosts.
	Malware	Moderate	<ul style="list-style-type: none">Endpoint protection (AsiaInfo, QiAnXin, Norton, Symantec, EDR).UniAccess system enforces authorized software whitelisting.
	Encryption and Security Protocol	Moderate	<ul style="list-style-type: none">Data Loss Prevention (DLP).Symmetric Encryption/Asymmetric Encryption.Security Certificates (HTTPS).
	AI	Low	<ul style="list-style-type: none">AI development and deployment must prevent personal privacy breaches and algorithmic bias. AI-generated outputs require explicit labeling.
Management Risk	Procedure and Implement	Low	<ul style="list-style-type: none">Setup and release Information Security Management Process Instruction.Established information security incident reporting and response process, employees can report suspicious incidents through ITSM, and email.Established information security incident accountability mechanism.
	Authorization	Low	<ul style="list-style-type: none">Adhere to the principle of least privilege (POLP).Conduct access privilege reviews every 180 days.
	Supplier Management	Moderate	<ul style="list-style-type: none">Contractual accountability and internal technical validation.Proactive third-party collaboration.
	Awareness Risk	Moderate	<ul style="list-style-type: none">Conduct information security awareness campaigns.Organize expert-led technical training and encourage professional certification attainment.

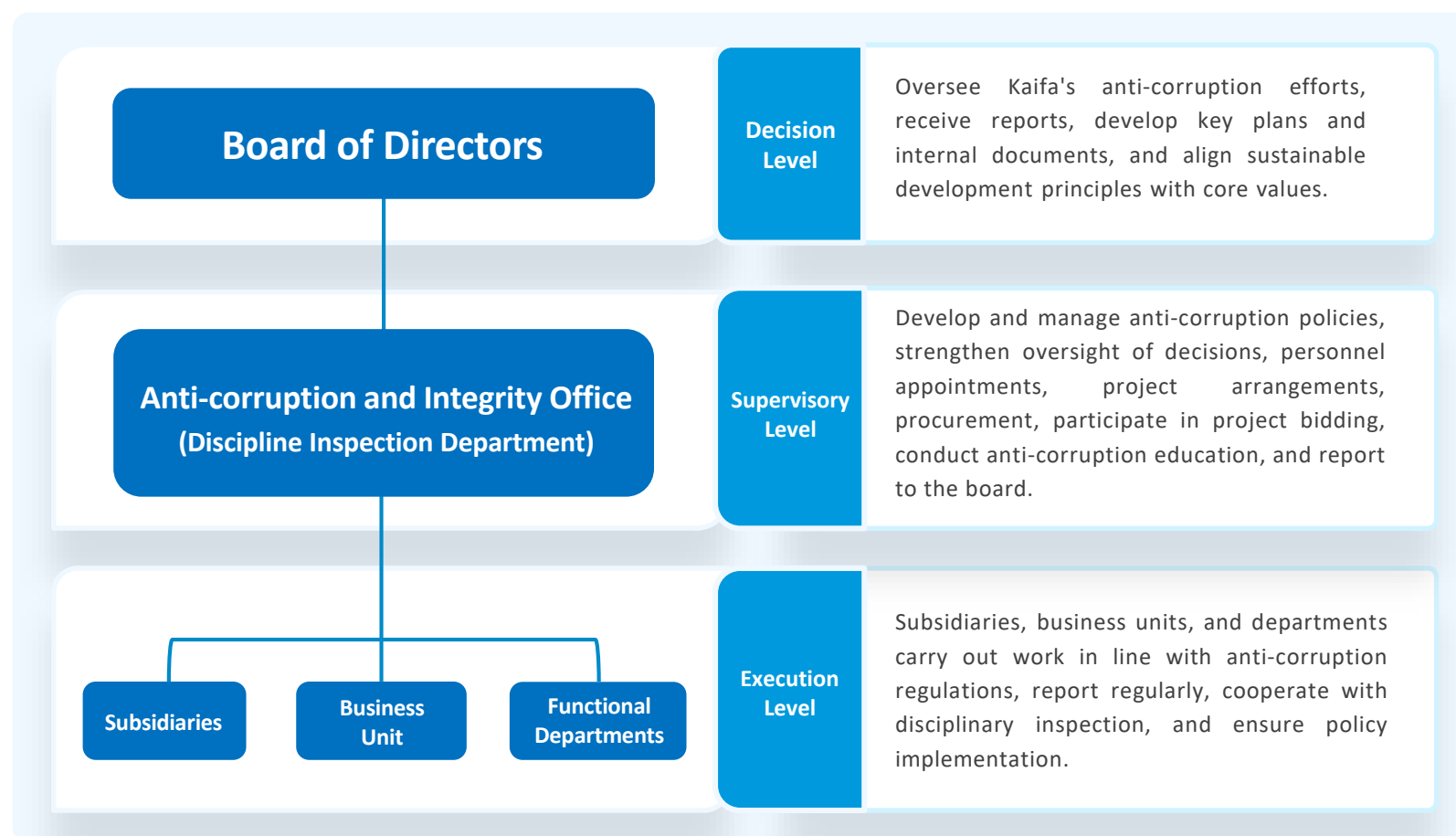
Type of Risks	Risk Item	Risk Rating	Measures Implemented
Operation Risk	Operation	Moderate	<ul style="list-style-type: none">Strengthen change management process enforcement.Enhance system error-proofing mechanisms.
	Process	Low	<ul style="list-style-type: none">Periodic review, continuous improvement.
	Backup and Recover	Moderate	<ul style="list-style-type: none">Data backup.High-availability architecture for mission-critical applications and core infrastructure.Annual business continuity drills targeting critical operations.
	Physical environment	Low	<ul style="list-style-type: none">The IT equipment room is constructed and commissioned in compliance with Chinese National Standards (GB).
Environment Risk	Disaster	Low	<ul style="list-style-type: none">Establish an emergency response plan to address critical incidents.
	Environment	Low	<ul style="list-style-type: none">Environment monitoring, and equipment maintenance.
Compliance Risk	Privacy Protection	Moderate	<ul style="list-style-type: none">Adhere to the data minimization principle (collect only essential information).Implement authorized access controls and encryption protocols.
	Intellectual Property Right	Low	<ul style="list-style-type: none">Only genuine and internally confirmed whitelist software is allowed to be installed.Monitor the installation and operation of pirated software.
	International Compliance	Moderate	<ul style="list-style-type: none">Compliance with local laws and regulations.Compliance with ISO and industrial standards.



Business Ethics

Kaifa is committed to creating a work atmosphere characterized by integrity, frugality, and ethical conduct. Honesty and trustworthiness are the core values of our company. We firmly oppose corrupt practices and maintain a zero-tolerance policy towards any form of commercial bribery. To uphold these principles, we have established clear ethical guidelines and codes of conduct, including the Employee Manual and the Employee Code of Conduct. We continuously improve reporting channels and supervision mechanisms to ensure transparency and accountability. Through effective ethical risk management, we strive to cultivate a trustworthy corporate image.

Governance Structure and Responsibilities for Business Ethics



Integrity in Business Operations

Kaifa adheres to national anti-monopoly and competition laws, along with ethical standards promoting freedom and fair competition. We follow the Responsible Business Alliance (RBA) Code of Conduct and our own ethical guidelines. We gather competitive information legally and avoid improper business activities. Risk identification and assessment, training, and supervision for high-risk positions and key personnel ensure operational integrity.



Leading by Leaders

We prioritize the integrity and self-discipline of leadership management, clarifying the concept of tiered risk control through enhanced institutional construction.



Integrity Commitment

We promote contract spirit and establish long-term anti-corruption and integrity mechanisms through improved systems and integrity commitment letters with middle-level and key personnel.



Integrated Supervision with Inspections

We tailor our supervision and inspection model to fit Kaifa's personnel structure and production characteristics, effectively identifying and rectifying issues to drive high-quality development.



Promotion of Ethical Culture

We establish a strong ethical culture as a corporate brand, systematizing and standardizing the promotion of ethical values. Quarterly, we develop educational materials, conduct on-site presentations in key departments, and utilize real-life examples to educate employees and reinforce their ethical awareness.

Anti-Bribery and Anti-Corruption

Kaifa strictly complies with anti-bribery and anti-corruption laws and regulations, ensuring business operations adhere to prescribed rules. We prohibit corrupt practices, bribery, theft, extortion, embezzlement, and other illegal activities among employees. Suppliers must sign a Supplier Code of Conduct agreement. We oversee procurement rigorously to prevent commercial bribery and foster a professional ethics environment.

Anti-corruption and anti-bribery governance at Kaifa is managed by our Discipline Inspection Department, reporting to the Board of Directors. We maintain high vigilance, continuously strengthen governance measures, and uphold Kaifa's integrity and ethical standards.

Integrity Contracts

We enhance contractual management by signing the Senior Management Integrity Responsibility Letter for leadership and professional managers. This incorporates integrity and ethics requirements into labor or appointment contracts, promoting discipline and ensuring compliance with laws and regulations. Currently, 48 contracts have achieved full coverage of integrity contracts for middle and senior management.

Corruption Risk Management

In comprehensive risk management, we identify corruption supervision risks, including: 1) establishing robust internal systems to enhance the ability to identify corruption risks; 2) further strengthening integrity controls for overseas subsidiaries; and 3) improving personnel qualifications.

Supervision Mechanism

Every year, we conduct specialized supervision called Integrated Inspection to enhance internal control. These inspections cover key areas and critical processes of the headquarters and subsidiaries, focusing on system establishment, process design, and implementation. In 2024, three inspections were conducted, aiming for comprehensive coverage.

Integrity Education and Promotion

To strengthen integrity in our practices, Kaifa implements regular, surprise, and themed programs to promote integrity policies.

100%

Integrity commitment for
leadership and middle
management

100%

Completion rate of
handling petitions and
reports

3

Implementation of
inspection work in 2024



Regular Programs

- Convene a warning education conference on promoting reform through cases, report typical cases that have occurred around us, analyze the integrity risks that the company has faced in recent years, and use recent corruption cases as a reference to guide employees to strengthen their awareness of integrity in their work.

Surprise Programs

- With the theme of 'Talking about Clean Work and Career Growth', we invite middle-level management in key positions to share their work experience and growth insights, inspiring employees to always maintain discipline and rules awareness.
- We conducted on-site awareness campaigns at the grassroots level, with a specific focus on subsidiaries and key departments. In 2024, we organized 10 on-site awareness sessions, attracting 450 participants. Through these engagements, we communicated face-to-face with employees, emphasizing the importance of integrity in professional conduct and compliance with laws and regulations, while clarifying specific requirements. This initiative further reinforced awareness of ethical practices among employees and management personnel.

Themed Programs

- Every quarter, we create materials for integrity promotion and conduct training through disciplinary classes and case studies. These materials and training cover all departments and subsidiaries, with no less than one hour dedicated to promotion. This regular campaign ensures that the concept of integrity becomes deeply ingrained and achieves lasting educational effects.
- The Chairman regularly organizes the company's senior management to carry out disciplinary education and clean practice theory learning and transforms the theoretical learning results into law-abiding behavior practice.

Reporting and Whistleblower Protection System

Kaifa has established a robust reporting system and whistleblower protection framework. The procedures for handling reports and complaints are clearly outlined. The main measures are as follows:

Reporting Channels

We have established clearly defined channels for reporting, including a dedicated hotline and email address. These reporting avenues are prominently displayed on our office system, providing employees with convenient means to report any concerns or incidents.

We have established clear confidentiality principles for whistleblower reporting, ensuring the safety and security of their identity and information. This allows them to report incidents of bribery and corruption with confidence, while minimizing the risk of unnecessary disclosure and negative consequences.

Confidentiality Principle

Investigation Timeline

We have established clear time limits for investigations. Typically, the investigative work will be concluded within three months. If the time limit is exceeded, we will provide a detailed explanation and follow the appropriate approval procedures.

Protection Mechanism

We have clearly stated our prohibition of retaliatory actions against whistleblowers and have established a secure mechanism to protect their identity. This mechanism safeguards whistleblowers from any form of improper treatment or retaliation, thereby fostering an environment that encourages employees and stakeholders to actively report any violations.

In 2024, we received and resolved one report in accordance with the established procedures and within the specified timeframe.

Whistleblower Protection

Kaifa acknowledges the concerns of whistleblowers and prohibits discrimination or retaliation in any form. We guarantee that individuals who report issues in good faith will be protected from retaliation. Any instances or attempts of retaliation must be reported to the highest authority within Kaifa. Kaifa will take disciplinary measures against supervisors, managers, or individuals involved in retaliation or attempted retaliation, including termination of employment.

Reporting Channels

Hotline:

0755-83032168

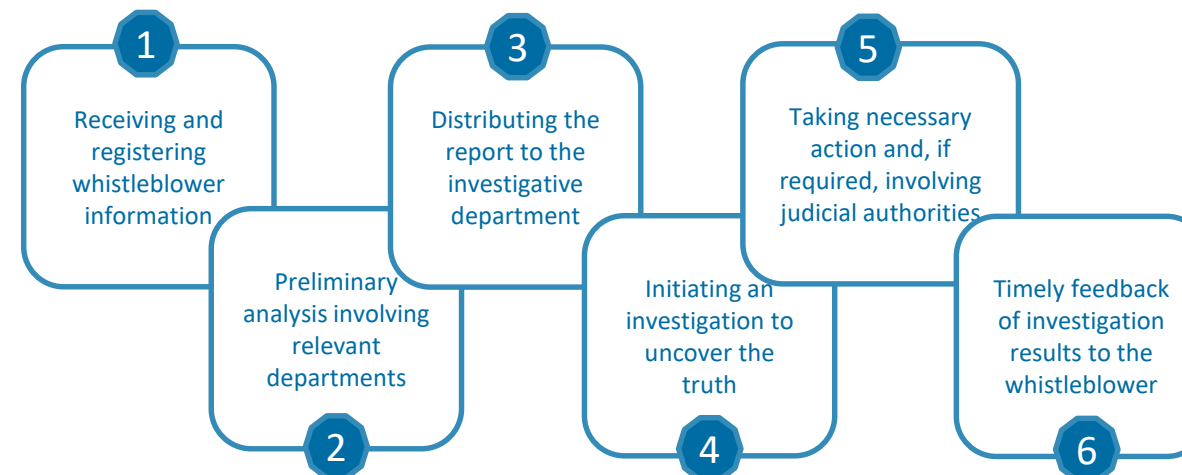
Email:

DI@KAIFA.CN

Written or In-person Reports:

18th floor, Block C, Kaifa Plaza
(Discipline Inspection Dept.)

Whistleblower Handling Process



Compliance Laws and Regulations

Kaifa has a longstanding commitment to operating with integrity. We adhere rigorously to national laws and regulations in corporate governance, finance, taxation, intellectual property, environmental protection and safety, and labor rights. We also prioritize the value and rights of our business partners. In line with our internal Compliance Management Basic System, we have identified 19 compliance areas and assigned responsible departments, with 16 compliance administrators appointed. The current key areas are as follows:

Area	Compliance Focus
Intellectual Property	Adherence to IP regulations ensures legal safeguarding of innovations and trade secrets, prevents infringement, fosters innovation-driven industry sustainable development, and upholds ethical competition through WIPO-aligned frameworks.
Trade Compliance	Strict compliance with trade laws and regulations, following the principles of fair competition, and promoting the healthy development of international trade.
Listing and Securities Regulation	Strict compliance with listing standards and securities regulations, ensuring timely and accurate information disclosure, maintaining a fair and transparent market environment, safeguarding investor rights, and promoting the stability and sustainable development of the capital market.
Labor Protection	Strict compliance with labor and employment laws and regulations, safeguarding employees' labor rights and welfare benefits, and prohibiting forced labor and employment discrimination.
Finance and Taxation Affairs	Strict compliance with financial, tax, and customs regulations, timely tax reporting, and ensuring compliance in import and export business.
Safety Regulations	Full compliance with safety regulations via certified safety management systems (SMS), robust incident prevention/emergency protocols, comprehensive safety training, and PPE provision, with continuous safety optimization a safe production environment, and employee safety.
Green Environmental Protection	Committed to sustainable manufacturing through eco-compliance, pollution/waste reduction, circular production models, eco-friendly technologies, energy efficiency optimization, and rigorous environmental monitoring to establish a sustainable green factory.
Product Quality	Strict compliance with product quality regulations, implementation of certified quality management systems (QMS), and robust inspection protocols ensure standards adherence, consumer protection, and premium after-sales service.

Compliance Training Performance

In 2024, Kaifa conducted advocacy and compliance training activities in various forms, both online and offline, in the fields of trade compliance, ethical business conduct, contract fundamentals, construction engineering, and commercial real estate. We focused on providing targeted compliance training to key employees in critical areas and conducting legal education for all employees.



Number of participants in specialized training:
400



Hours of specialized training:
41 hrs



Number of training sessions:
22



Number of training sessions attended by executives:
10



Coverage rate of new employee training:
100%



Case

Compliance Administrator Special Training

Compliance Liaison Officers (CLOs) serve as the critical bridge extending corporate compliance governance across departments. Mandatory participation in specialized training programs is required, conducted under the guidance of the Corporate Compliance Department. Training covers three core components: corporate

compliance framework orientation; departmental implementation methodologies; Q&A sessions addressing real-world operational challenges. A dedicated communication platform enables real-time updates on regulatory changes, impact assessments, and seamless integration of compliance into daily operations.



Case

Constitutional Awareness Campaign for All Employees

The company prioritizes legal competency development, launching the 2024 'Case-Based Legal Education' initiative. This program delivers blended (online/in-person) workshops analyzing real-world commercial disputes, providing proactive risk mitigation strategies while empowering operational decision-making through practical legal insights.





Sustainable Environmental Management

Kaifa is committed to sustainable environmental management and has demonstrated significant results by optimizing the energy structure, increasing the proportion of renewable energy usage, and effectively reducing greenhouse gas emissions.

Efficient utilization of resources has become the norm, and the circular economy model and lean production strategy have significantly reduced resource consumption and waste output. At the product design level, the application of eco-friendly materials and technologies is becoming increasingly widespread, leading consumers to shift towards a low-carbon lifestyle.



Environmental Investment:

21.78 million



Reduction in Energy Consumption Intensity:

9.83%



Environmental Management

Kaifa prioritizes environmental management as a core element of our sustainable business development. We strictly adhere to relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Solid Waste Pollution Prevention and Control Law of the People's Republic of China. This ensures that our business activities meet the required standards, and we continually track and update regulatory requirements to maintain compliance.

Our environmental management system follows the ISO 14001 standard and includes the establishment of an Environmental and Occupational Health and Safety Management Manual. We are committed to establishing and maintaining a complete environmental management system that minimizes negative environmental impacts sufficiently, improves environmental performance continuously, and promotes resource utilization efficiently.

The Energy Conservation and Environmental Protection Leadership Group is composed of the senior management of the company. As the core decision-making organization for energy conservation and environmental protection work, it is responsible for formulating policies and overall goals for energy conservation, emission reduction, and environmental protection. The Energy Conservation and Environmental Protection Promotion Office, leading by the Energy Conservation and Environmental Protection Leadership Group, is composed of managers and key personnel from various factory departments. It is responsible for promoting the specific implementation and execution of energy conservation, emission reduction, and environmental protection work throughout the company, ensuring that all energy conservation and environmental protection measures are effectively implemented.



Environmental Investment

21.78 million



Environmental Violations and Irregularities

0 times



Leakage Incidents

0 times

Environmental Management Measures

Environmental Protection

Take measures to reduce pollution and energy consumption, optimize resources and environmental protection technologies, and reduce the negative environmental impacts during operation on the environment.

Water Resource Management

Prioritize the protection and utilization of water resources, establish management systems, monitor and control water volume, optimize processes to reduce pollution, and ensure sustainable development.

Energy Management

Reduce energy consumption, optimize utilization, and achieve effective management through energy-saving technologies and renewable energy.

Waste Management

Improve waste management efficiency, reduce waste generation, and ensure safe and compliant disposal, to mitigate environmental impact.

Environmental Risk Assessment and Improvement

Regularly assess risks, identify and control potential issues, monitor performance, and set indicators to measure improvement.

Performance	Year-on-year Comparison with 2023
Water Usage Intensity (ton per million RMB VA) Target: Annual Decrease of 2%, Compared to the 2023 Benchmark	Decreased 8.29%
Energy Intensity (kwh per million RMB VA) Target: Annual Decrease of 2%, Compared to the 2023 Benchmark	Decreased 9.83%
Proportion of Renewable Energy Usage (kwh)	10.16%
Kaifa Dongguan Obtain National Green Factory Certification, Kaifa Chengdu Obtain Provincial Green Factory	100%
Kaifa Headquarters and All Major Factories in Production certified ISO14064-1 third-party verification	100%

Environmental Emergency Management

Kaifa has developed the Emergency Response Plan for Environmental Incidents, Environmental Emergency Response Processes, and Special Emergency Response Plans for Hazardous Chemical Leakage Accidents, and established an emergency team to organize an annual emergency drill to accurately identify risks and hazards, analyze potential accident impacts and response measures, and strengthen prevention and emergency capabilities. In the event of an environmental incident, immediately activate the contingency plan, handle it quickly, report it promptly, and accept supervision. Through these measures, we can quickly and effectively respond to various emergencies, ensure the safety of employees and residents, maintain sustainable development of the ecological environment, and demonstrate our corporate social responsibility.

Environmental Compliance

Kaifa always strictly abides by all environmental regulations and standards and conducts harmless treatment of waste gas, wastewater, and solid waste to ensure compliance with emission standards. In 2024, there were no environmental violations or incidents, no penalties were imposed, and no major leakage accidents occurred. We always uphold a sense of reverence for the environment, commit to continuous improvement, and contribute our efforts to protecting the earth.

Environmental Assessment for New Projects

- Development Phase: Comprehensively evaluate the environmental impact of the project.
- Design Phase: Develop environmental protection strategies based on assessment conclusions.
- Implementation Phase: Strictly supervise the implementation of environmental protection measures, conduct real-time monitoring and assessment, strictly adhere to the Three Simultaneous system, ensure that environmental protection facilities are designed, constructed, and put into operation synchronously with the main project, and minimize ecological impact to the greatest extent possible.
- Acceptance Phase: Summarize and evaluate the environmental effectiveness of the project to ensure compliance and compliance with standards.

Environmental Compliance Measures

- Kaifa attaches great importance to environmental compliance work with the following measures:
- Regularly self-inspect the environmental protection situation, ensure that production and emissions are legal and compliant, and promptly identify and rectify any issues.
 - Timely rectify environmental violations, accept punishment, and cooperate with relevant departments.
 - Strengthen internal management, improve environmental protection systems and processes, prevent problem recurrence, and ensure the sustainable development of the company.

System Establishment and Planning

Kaifa has established long-term sustainable green manufacturing strategic goals, promoted the standardization of environmental and energy-related management systems, and continuously improved its environmental and energy management capabilities. We obtained ISO14001 certification in 1999, and as of 2024, the coverage rate of ISO14001 system certification for domestic factories and major overseas companies is 100%. We actively respond to the global call for low carbon, and since 2007, Kaifa Headquarters, Kaifa Dongguan, and Kaifa Suzhou have gradually implemented third-party carbon verification reports. Since 2021, Kaifa Chengdu has established a greenhouse gas management system in accordance with the ISO14064 standard and obtained a third-party verification. In 2023, Kaifa Dongguan established the ISO14064 system and obtained third-party verification. In 2024, Kaifa established a greenhouse management system among all factories and obtained third-party verification.

To achieve rational energy management, Kaifa has implemented the ISO50001 energy management system. Until 2024, Kaifa Chengdu and Kaifa Dongguan obtained third-party certification. In order to further enhance our comprehensive environmental management capabilities, we launched a green factory certification program in 2024. During the reporting period, Kaifa Dongguan and Kaifa Chengdu obtained green factory certification.

Note:

1. Correct the scope of certified companies to companies with production and operation, and adjust the quantity to 11.



ISO 14001 Certification

Certified Companies	Target ¹ –2030
11	11

ISO 14064 Certification

Certified Companies	Target ¹ –2030
11	11

ISO 14067 Certification

Certified Companies	Target–2030
2	4

ISO 50001 Certification

Certified Companies	Target ¹ –2030
2	11

Environmental Protection Training and Promotion

According to the Wastewater Treatment Operation Instruction and Instruction for Managing Common Chemicals, we provide professional training to relevant employees on wastewater treatment operations and chemical safety management to ensure that the company complies with environmental regulations and reduces its impact on the environment in daily operations. According to the Environmental Training and Construction Process Instruction, we carry out various forms of environmental protection and energy conservation publicity activities. By posting environmental slogans, distributing energy-saving propaganda posters, and conducting the 'Earth Lights Out for 1 Hour' activity, we aim to raise awareness of energy conservation, environmental protection, and ecology among all employees.

Case

Factory Management System Communication Meeting

Kaifa held a Kaifa Factory Management System Communication Meeting and the Energy Conservation and Environmental Protection Office Working Meeting with the theme of 'Deepening Energy Conservation and Emission Reduction, Practicing Green Development'. The conference deeply discussed the progress of the company's ESG strategy implementation, energy management optimization, and green factory certification promotion, aiming to strengthen the construction and standardization management of the factory management system, enhance management of energy conservation and consumption reduction, as well as green development level.



Case

Low Carbon Day Promotion

On May 15th, National Low Carbon Day, Kaifa held an energy-saving promotion event with the theme of 'Green Transformation, Energy Conservation, and Creating Green Factories'. Through signing on the background board, distributing promotional leaflets, rewarding Q&A sessions, and showcasing energy-saving project achievements, employees were encouraged to actively participate in energy conservation and carbon reduction work, helping enterprises accelerate the creation of green factories with characteristics such as land intensification, harmless raw materials, clean production, waste resource utilization, and low-carbon energy, promoting high-quality industrial development. This event not only raised employees' awareness of environmental protection, but also demonstrated the determination of Kaifa to actively fulfill social responsibilities and promote the development of an environmentally friendly society while pursuing economic benefits.



Prize Winning Q&A Session



Exhibition of Energy-saving Project Achievements



On-site Background Board Signature



Distribute Energy-saving Promotional Leaflets

Environmental Innovation

In exploring the path of sustainable development, Kaifa has always regarded environmental innovation technology as an important driving force for promoting green transformation. We deeply understand that only continuous innovation can help us protect the environment and achieve long-term development. In order to achieve breakthroughs in innovative methods of environmental protection technology, we continuously increase our research and development investment, and actively explore and practice various new environmental protection technologies. One highlight in the exploration and practice process is the construction of an efficient refrigeration room.

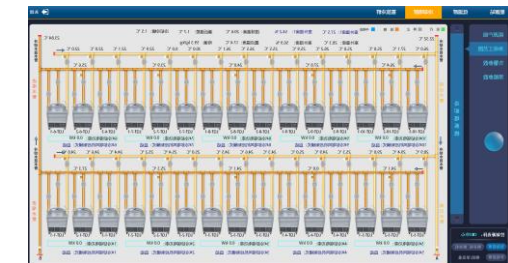
Case

Construction of Efficient Refrigeration Room

Kaifa Dongguan has developed the 'Electronic Factory Cooling Tower Automatic Control Software V1.0.0' for the construction of an efficient refrigeration room project and has successfully applied for software copyright and obtained a registration certificate. This software achieves efficient operation of the cooling tower through intelligent control, further improving the overall energy efficiency of the refrigeration system.



Patent Certificate



Cooling Tower Control System



Energy and Resource Management

Kaifa attaches great importance to energy management and regards it as one of the core elements for sustainable business development. We strictly adhere to relevant laws and regulations, including the Energy Conservation Law and Promotion of Clean Production Law of the People's Republic of China, to ensure compliance with required standards. We actively monitor updates of regulations to maintain ongoing compliance. Kaifa has established an 'Energy Management Manual' and is dedicated to developing and maintaining a comprehensive energy management system. Our objective is to minimize energy consumption, reduce negative environmental impact, and promote efficient energy utilization. Our energy management efforts encompass the following aspects:

Energy Efficiency

Taking all necessary measures to improve energy utilization efficiency and reduce energy waste and losses. By optimizing production processes, promoting energy-saving technologies and equipment, we aim to minimize our energy consumption and carbon emissions.

Renewable Energy

Actively promoting the use of renewable energy sources, including solar and hydro energy. Through investment and procurement of renewable energy facilities, we aim to reduce reliance on traditional energy sources and improve the sustainable development of our energy supply.

Energy Management System

Establishing an ISO 50001-based energy management system. Collecting and analyzing energy data to address abnormal consumption and waste. Setting energy goals, developing energy-saving measures, and monitoring implementation for continuous performance improvement.

Monitoring and Reporting

Regularly monitoring and measuring energy consumption. Conducting energy performance evaluations and developing key indicators to measure effectiveness. Kaifa discloses energy management results and improvement measures to stakeholders, ensuring transparency and communication.

Employee Engagement

Encouraging employee participation in energy-saving actions, raising awareness of energy consumption, and strengthening their understanding and implementation of energy-saving measures through training and education.

Energy Conservation Measures

Kaifa has developed the Energy Statistics Management Operation Instruction to effectively manage key energy-saving projects that affect energy consumption and efficiency. The main types of energy consumed in the company's production and operation activities include electricity, natural gas, diesel, and gasoline. In order to reduce overall energy consumption, we have taken a series of effective energy-saving measures, including but not limited to: building a sound energy management system and regularly monitoring the company's energy usage, selecting high-efficiency production electrical equipment, and recycling the waste heat generated by industrial equipment for heating systems, etc.



Kaifa Chengdu

Participate in direct green electricity purchases every year every year, reduce electricity price by 0.04 yuan/kWh, and support the achievement of carbon neutrality in the company's operations by 2030, saving 492,500 yuan in costs.

Kaifa Payton

Expand and increase the capacity of the water-saving reuse system, deeply treat the process wastewater and reuse it for production, improve the reuse rate, reduce the use of tap water, and accumulate 196,525 tons of recycled water, saving 1.13 million yuan in tap water costs.

Kaifa Shiyan

Improve the utilization rate of wastewater recycling, optimize and control the inflow and outflow of the recycling system, ensure continuous and efficient operation of the system, reduce energy and water consumption caused by frequent start-up due to low production, and save costs of 800,000 yuan per year.

Kaifa Hefei

Purchase green electricity to optimize the energy structure by 2024. Green electricity accounts for 20% of electricity usage, and it is expected to save 1.97 million yuan in electricity bills annually.

Energy Conservation & Environmental Project: 92 Projects

Management Project

5

Energy Conservation Project

24

Environmental Project

40

O&M Project

23

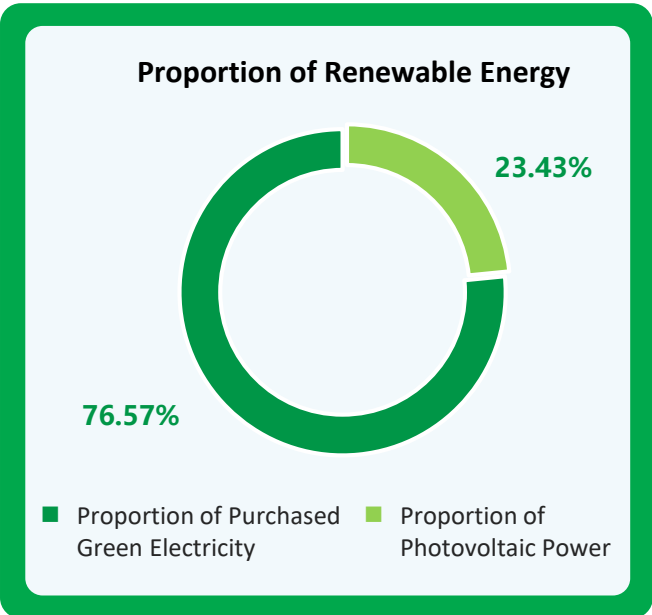
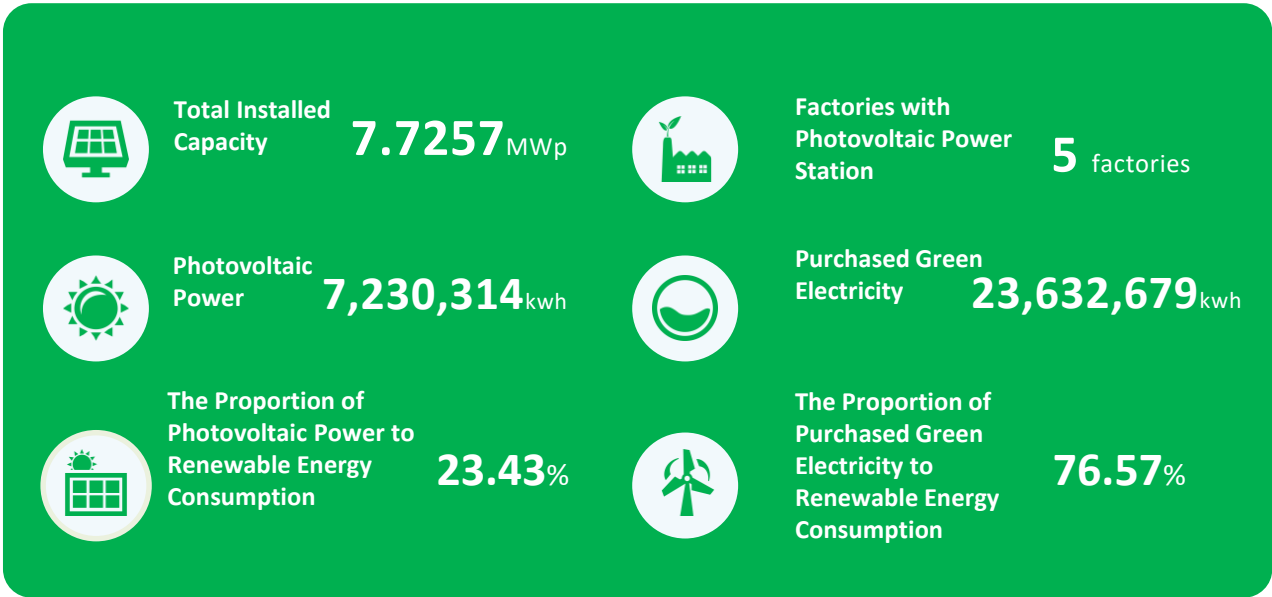
Utilization of Renewable Energy

With the trend of global energy transition, the importance of renewable energy is increasingly prominent, becoming a key factor in addressing climate change, ensuring energy security, and promoting sustainable economic development. Kaifa actively responds to this trend, not only clearly stipulating in the Energy Management Process Instruction that renewable energy facilities and equipment should be prioritized when selecting new equipment, but also setting a specific goal of increasing the proportion of renewable energy use by 2% annually. Through measures such as increasing green power procurement, purchasing green certificates, and building photovoltaic power stations, Kaifa gradually reduces its dependence on fossil fuels, promotes a circular economy, establishes a green supply chain, and practices sustainable development commitments with practical actions, contributing to the earth's environment.

In May 2024, the photovoltaic power generation project of Kaifa Chongqing was officially put into use.

Green Office

Kaifa adheres to the concept of green office, relies on online office platforms, promotes paperless operations, encourages paper reuse, and posts energy-saving propaganda in the office area. It also clarifies the management regulations for air conditioning, lighting, office facilities, and electrical equipment in the Energy Conservation and Environmental Protection Management Measures for the Kaifa headquarters office area, implements green procurement strategies, selects environmentally friendly equipment, fully adopts LED energy-saving lamps, and carries out green office publicity activities to create a green and energy-saving office environment.



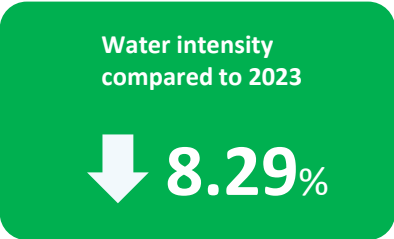
Water Resource Management

Office Electricity Consumption in 2024
7.18 M kwh

Office Water Consumption in 2024
41,159.92 tons

Kaifa has specifically formulated the Water Supply and Drainage Management Process Instruction and Wastewater Treatment Operation Instruction, established standardized daily water resource management processes, organized relevant employees to participate in professional training, enhanced compliance awareness and sustainable development capabilities, and set a goal of reducing water intensity by 2% by 2024.

Our factories regularly conduct water balance tests and secondary water supply quality inspections by third-party organizations, to ensure the efficient utilization of water resources, meet regulatory requirements, accurately grasp the consumption status of water resources, timely identify and deal with potential risks, and effectively curb water waste. In the maintenance and upgrading project of water supply and drainage facilities, Kaifa fully integrates energy-saving management elements, promotes the recycling and reuse mechanism of sewage and wastewater, and establishes a rainwater recycling system to ensure efficient utilization of water resources while promoting sustainable and healthy development of the environment.





Pollution and Waste Management

In the process of promoting sustainable development and environmentally friendly production, Kaifa conducts the management of three wastes, including wastewater, exhaust gas, and waste, constituting an important component of the green production system. We recognize that scientifically and effectively managing the three wastes is a key link for enterprises to fulfill their social responsibilities, promote industrial upgrading, and improve environmental quality. Kaifa conducts internal audits on the three wastes, sets quantitative goals, identifies opportunities for performance improvement, and develops action plans to minimize waste generation to the greatest extent possible.

Faced with the severe challenges of environmental protection, we actively respond to environmental policies and regard the management of three wastes as the core task of environmental management work. By adopting advanced treatment technologies, implementing strict emission standards, optimizing production processes, and strengthening employee environmental training, we strive to reduce the generation of pollutants at the source while improving the efficiency of pollutant treatment and resource recycling. These measures not only help reduce operating costs, but also set an example of green production in the industry, providing strong support for the construction of ecological civilization and the achievement of sustainability goals.

Wastewater Management

We fully comply with national and local regulations, including the Integrated Wastewater Discharge Standard (GB8978-1996) and the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), and have formulated the Wastewater Treatment Operation Instruction. The main sources of wastewater are industrial wastewater and wastewater from employees' offices and living areas. It was emitted into the pure water preparation system or the municipal pipeline network after being treated by professional wastewater treatment facilities such as wastewater treatment stations, reclaimed water reuse systems, and rainwater recovery systems, and all indicators meet the standards during discharge. We also regularly invite qualified third-party organizations to conduct sewage discharge testing and issue detailed reports to ensure compliance and safety of discharge.

Case

Kaifa Shiyan Intelligent Monitoring System

Kaifa Shiyan has invested in the construction of an intelligent monitoring system, which integrates electricity and water monitoring into the system to achieve real-time report generation and over-limit alarm functions. This establishes an intelligent data network architecture, enhances data collection, analysis, and exception-handling capabilities, and provides possibilities for other systems to digitize and upgrade intelligently.



To reduce the environmental burden, we have taken the following measures:

Optimize Process

Optimize production processes and equipment configuration to reduce wastewater discharge.

Recycling

Promote wastewater treatment and recycling projects to improve treatment efficiency and recycling utilization.

Monitoring Management

Introduce an online monitoring system to monitor wastewater discharge in real-time and ensure compliance with regulatory requirements.

Exhaust Gas Management

Kaifa's factories adhere to the laws and regulations, including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Regulation on the Administration of Ozone Depleting Substances, and the Emission Standards for Volatile Organic Compounds (VOCs). We have developed the Exhaust Gas Treatment Operation Instruction and installed online monitoring equipment for exhaust gas. We regularly engage qualified third-party organizations to provide exhaust gas testing reports. In our production and operational activities, the main pollutants emitted in exhaust gas are nitrogen oxides (NOx), volatile organic compounds (VOCs), and particulate matter (PM). We do not emit sulfur oxides (SOx).

To reduce the environmental impacts, we have taken the following measures to reduce exhaust emissions:

01

Introduction of advanced production processes and equipment to minimize exhaust gas emissions.

02

Implementation of exhaust gas treatment and recycling projects, such as activated carbon adsorption towers, acid mist spray towers, and alkaline spray towers, to improve treatment efficiency and recovery rates.

03

Real-time online monitoring and management of exhaust gas emissions to ensure compliance with relevant regulations.

04

Use of renewable energy and low-emission fuels to reduce the generation and emission of exhaust gases.

Waste Management

Kaifa places high importance on waste management and has developed the Waste Management Process Instruction based on laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Guidelines for the Development of Hazardous Waste Generator Management Plans. These guidelines outline the proper handling methods and emission control standards for various types of waste to ensure compliant waste disposal. It is required that all factories strictly adhere to national and local regulations for waste management.

In order to minimize the environmental impact of waste emissions, we have implemented the following waste emission management measures:



Identify the types of waste, establish a waste inventory, and provide training to employees on reducing waste.

Entrust qualified third-parties to handle waste or implement a bidding process for general waste recycling and reuse. Ensure the safe disposal of hazardous waste in accordance with applicable regulations and standards. As a result, we can enhance resource utilization and reduce the consumption of natural resources.



Construct solid waste and hazardous waste storage facilities for proper waste classification, collection, transportation, and disposal. Maintain accurate records and registers.

Conduct external audits to periodically inspect the implementation of the waste management system.



Case

Characteristics Identification of Packaging Wastewater Sludge

Kaifa Hefei conducted a compliance assessment through an authorized third party to analyze the sludge composition from packaging process wastewater. The results confirmed that the sludge does not exhibit hazardous characteristics and is not classified as hazardous waste. By implementing hazardous waste reduction treatment, we have effectively lowered the environmental risks.



Classification Collection

Each department will collect the general waste and hazardous waste generated in different containers separately.

General Waste

General non-recyclable waste and general recyclable waste

Hazardous Waste

Dangerous non-recyclable waste and dangerous recyclable waste

Designated Storage

General waste is stored in designated locations and hazardous waste is stored in the hazardous waste warehouse.

Entrusting Third Parties

Entrust qualified third parties to handle or recycle waste.

Incineration without Energy Recovery

Incineration with Energy Recovery

Harmless Treatment

Recycling and Reusing

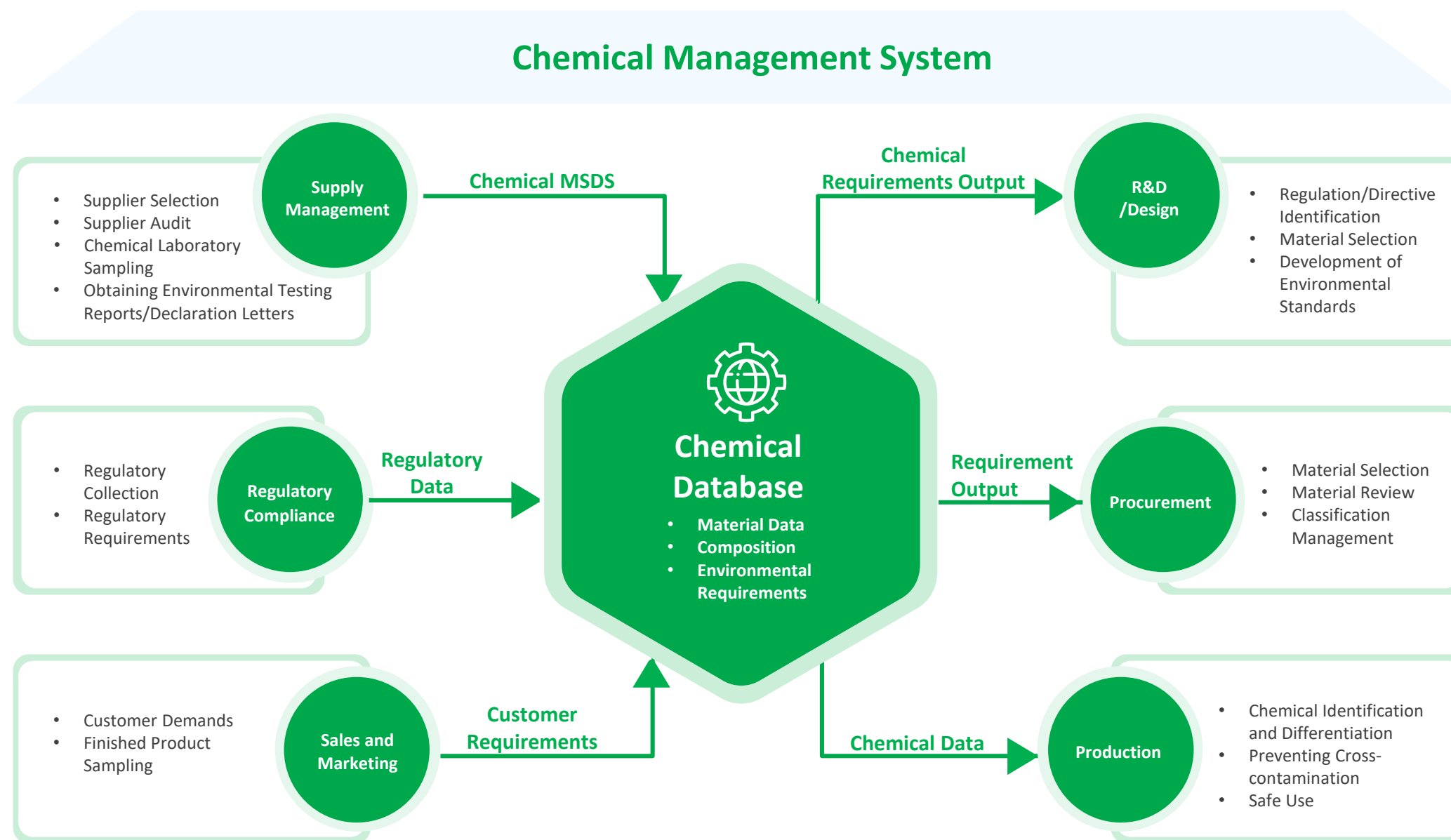


Chemical Management

Kaifa integrates environmental protection and safety-related specifications for chemicals into every stage of the product life cycle, including research and development, procurement, production, and shipment, in accordance with regulatory requirements and customer standards. This ensures the compliance of chemicals used throughout the product supply chain.

To minimize environmental pollution and prioritize the health and safety of personnel, Kaifa strictly controls chemicals according to the regulations, directives, and requirements of China, the European Union, and other relevant jurisdictions. We have implemented the General Chemical Management Process Instruction and the Chemical Safety Operating Instruction to regulate the handling of chemicals. Regular sampling inspections are conducted to ensure that all chemicals meet legal requirements. Additionally, we provide annual training on chemical safety, protection, first aid, and emergency response, focusing on areas such as chemical storage, usage, disposal, and emergency procedures, to enhance employees' awareness of chemical safety.

Kaifa has developed a comprehensive and efficient system for chemical management, encompassing product research, design, material supply, procurement, production, and sales. By implementing this process-oriented system, we ensure compliance and prioritize safety in the use of chemicals.



Chemical Management Measures

Kaifa categorizes chemical substances into prohibited, restricted, and disclosed types based on our business model and product characteristics, aligning with IEC 62474 guidelines. We implement specific control measures for different toxic and hazardous substances.

01

Our internal laboratories enable us to test incoming materials for prohibited substances such as RoHS and HF.

02

We conduct planned environmental certifications for finished products to guarantee compliance with diverse environmental regulations and directives, emphasizing our commitment to sustainable development.

03

For restricted substances like REACH SVHC, we request regular test reports or declaration letters from suppliers for thorough review and confirmation.

Testing Capability for Toxic and Hazardous Substances in Chemicals

Kaifa's Material Science Laboratory is equipped with advanced analysis capabilities for detecting toxic and hazardous substances in chemicals, including RoHS, HF, BPA, PAHs, and hazardous heavy metals, and is equipped with a complete set of equipment for detecting toxic and harmful substances. We implement differentiated management based on the risk levels of these substances, conducting sampling and testing at high, medium, and low frequencies.

Our RoHS 2.0 testing for the ten hazardous substances is accredited by CNAS, and the results are recognized by global accreditation bodies. Through these measures, we ensure that our products comply with environmental regulations and directives, demonstrating our commitment to product safety and environmental responsibility.

Sampling of Hazardous Substances in Chemicals

	2023	2024
Number of Batches	231	827
Quantity	4,845	12,919
Qualification Rate	99.8%	99.9%



Material Science
Laboratory



Chemical Testing
Laboratory # 1

A Professional Engineering Experimental Platform

Kaifa's Technical Research and Central Laboratory (Analysis & Testing Center) was established in 1992, consisting of the Material Science Laboratory, Reliability Laboratory, Advanced SMT Laboratory, Advanced Mechanical Laboratory, ESD Laboratory, Calibration Laboratory, and a Research and Development team.

The Reliability Laboratory and Material Science Laboratory obtained the certification of China National Accreditation Service for Conformity Assessment (CNAS) in 2003 and 2007, respectively.

- The Reliability Laboratory (CNAS Certified)
- The Material Science Laboratory (CNAS Certified)

- Advanced SMT Laboratory
- Advanced Mechanical Laboratory
- ESD Laboratory
- Calibration Laboratory
- A Research and Development team



Chemical Management Standards and Processes

Kaifa optimizes its supplier requirements by requesting technical data sheets (TDS)/material safety data sheets (MSDS) and other relevant documentation for chemicals based on specific product requirements. We conduct regular audits of supplier processes and establish partnerships through the Certificate of Non-Use of Hazardous Substances to ensure compliance with mandatory environmental regulations and directives. In addition to meeting mandatory requirements, Kaifa proactively responds to non-mandatory directives, such as halogen-free requirements, aligning with environmental initiatives and demonstrating our commitment to social responsibility. We have successfully achieved halogen-free status for the majority of our chemicals.

Kaifa collects and researches environmental regulations and standards from multiple countries and regions based on the attributes of product sales and usage locations. In addition to China, the European Union, and the United States, we added the collection and interpretation of environmental regulations from Japan, South Korea, Australia, Saudi Arabia, India, Singapore, Malaysia, Canada, and other countries in 2024. We continuously supplement and consolidate the chemical database, forming internal documents to safeguard the company's chemical environmental compliance.

Chemical Database

Regulations or Directives	Company Products
EU/China RoHS	Compliance
REACH Regulations	Compliance
CP65 Act	Compliance (Products entering California)
Halogen-free Requirements	Compliance (Specific product based on customer requirements)
POPs, PAHs	Compliance (Products entering the European Union)
Packaging Directive	Compliance
Battery Directive	Compliance
TACA	Compliance (Products entering the United States)

Chemical Database (Continuously Updating)

Country	Products	Regulations	Scope of Control	Chemicals	Usage Permission
Japan	Consumer electronics	J-Moss (JIS C 0950: 2021) Act on the Promotion of Effective Utilization of Resources	7 types of products including personal computers, air conditioners, televisions, refrigerators, washing machines, microwaves, dryers, etc.	Pb/Hg/Cd/Cr ⁶⁺ /PBB/PBDE	Cd: 0.01%; Others: 0.1%
	Battery	No. 42/2015: Act on Preventing Mercury Pollution of the Environment	Battery (excluding) a) Zinc silver-oxide button battery b) Zinc-air battery	Hg	Prohibited
Korea	Consumer electronics	The Act for Resource Recycling of Electrical/Electronic Products and Automobiles (Act No.17848)	49 categories of electronic products and automobiles	49 categories of electronic products: Pb/Hg/Cd/Cr ⁶⁺ /PBB/PBDE/DEHP/DBP/BBP/DIBP Vehicles: Pb/Hg/Cd/Cr ⁶⁺	Cd: 0.01%; Others: 0.1%
Singapore	Consumer electronics	The Environmental Protection and Management Act (S263/2016)	Six major categories of products include mobile phones, portable computers, refrigerators, air conditioners, flat-screen TVs, washing machines, etc.	Pb/Hg/Cd/Cr ⁶⁺ /PBB/PBDE	Cd: 0.01%; Others: 0.1%
India	Consumer electronics	Guidelines on implementation of E-Waste (Management) Rules	Information technology and communication equipment, consumer electronics, and electrical equipment, except for batteries and radioactive waste	Pb/Hg/Cd/Cr ⁶⁺ /PBB/PBDE	Cd: 0.01%; Others: 0.1%
Saudi Arabia	Consumer electronics	Saudi RoHS Requirements for Electrical and Electronic Equipment (SASO RoHS)	Household appliances, information technology and telecommunications equipment, lighting equipment, power tools, toys, sports equipment, and monitoring and control equipment	Pb/Hg/Cd/Cr ⁶⁺ /PBB/PBDE	Cd: 0.01%; Others: 0.1%



Ecological Conservation

Ecological security is essential for human survival, development, and economic stability. Unfortunately, human activities have led to significant environmental degradation, underscoring the urgent need to address ecological concerns. At our company, we actively promote clean production, afforestation, eco-friendly products, pollution reduction, and ecological protection while striving to improve resource efficiency. We also promote the participation of suppliers and partners in biodiversity and forest conservation and prioritize environmental education to foster a sense of responsibility.

Our commitment to ecological security encompasses various initiatives, including enhancing resource efficiency, promoting environmental protection, and fostering global collaborations. Our ultimate goal is to achieve sustainable and harmonious coexistence with nature.

Before establishing new industrial parks, Kaifa diligently complies with relevant laws and regulations, such as those pertaining to nature reserves, forests, and biosafety. We conduct comprehensive environmental impact assessments and implement measures to minimize adverse effects. Moreover, to safeguard sensitive areas, Kaifa subsidiaries are strategically located away from such regions. Our operations strictly adhere to emission standards to ensure compliance and protect the local environment.

Kaifa is Committed to Reducing Biodiversity Loss and Deforestation

Protecting Biodiversity

Biodiversity, as the living fabric of our planet, is crucial for maintaining the balance of natural ecosystems and underpinning human well-being in the present and in the future. Kaifa deeply recognizes the significant importance of biodiversity to the survival and development of nature and humanity, understanding that ecological security is closely related to life safety, economic prosperity, and social stability. Therefore, Kaifa has incorporated biodiversity protection in its sustainable development core topic, willing to create a better ecological environment for humanity through our efforts, and achieving harmonious coexistence between humans and nature.

Risk Assessment

Kaifa works closely with stakeholders to conduct a comprehensive assessment of potential biodiversity and deforestation risks in accordance with international standards and domestic regulations. In order to effectively manage risks, we will conduct an in-depth analysis of dependencies and impacts, consider local operational and ecological characteristics, identify priority areas of work and develop action plans with clear and measurable indicators.

Impact Mitigation

Kaifa uses the mitigation hierarchy and is committed to reducing the discharge of waste, wastewater, and air pollutants, increasing waste recycling, improving resource and water utilization efficiency, actively promoting clean production technology, strengthening ecological environment protection and restoration, and other positive protection measures and innovative solutions to reduce the impact on biodiversity and ecosystems, and prevent deforestation. Kaifa actively engages with stakeholders, promotes commitments across the value chain not to conduct operational activities near locations containing globally or nationally significant biodiversity, strengthens environmental awareness and education, enhances employees' environmental consciousness and sense of responsibility, and actively participates in international cooperation to jointly address global ecological protection issues.



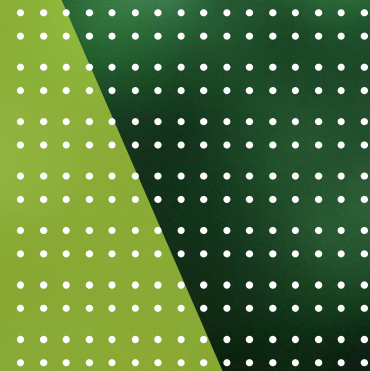
Case

The Sponge City Design of Kaifa Plaza

Due to the low rainwater utilization rate caused by direct discharge into the ocean, there is an urgent need to regulate, store, and reuse rainwater resources. Through the construction of sponge cities and the comprehensive adoption of measures such as infiltration, retention, storage, purification, utilization, and discharge, the impact of urban development and construction on the ecological environment can be minimized to the greatest extent possible. The sponge city design of Kaifa Plaza utilizes three sponge facilities: rain gardens, green roofs, and rainwater storage tanks. The targeted annual runoff control rate is 75.61%, and the pollutant reduction rate reaches 63.86%.



Kaifa Plaza Green Roof



Innovation Concepts and Technologies

Innovative ideas and technologies are the key forces driving the flourishing development of the green industry. Kaifa organically integrates economic benefits with sustainable development, striving to achieve a synergistic win-win situation of economic, environmental, and social benefits.

Kaifa relies on the integration of the IoT, big data, and artificial intelligence to accurately perceive and allocate resources, minimize energy consumption, strictly control pollutant emissions, ensure green and environmentally friendly industrial chains, and establish a comprehensive eco-friendly enterprise.



Number of Patent Applications: 55



Customer Satisfaction: 4.51 points



Industrial Value

Addressing global environmental change, high-quality development and green manufacturing upgrades are core issues related to sustainable development of human beings. Technological innovation provides new development momentum for the value of the green industry.

Kaifa continues to improve mechanisms for innovation investment, incentives, and ethical protection and promotes the formation and development of green industry value through the development of efficient energy-saving technologies, renewable energy technologies, waste resource utilization technologies, etc.

Kaifa integrates the green ecological concept into product design, production processes, and resource recycling, which not only helps to enhance the sustainable manufacturing concept of products, but also promotes the continuous upgrading and development of green manufacturing capabilities.

Industrial Chain

Faced with the fluctuations in the global raw material market, Kaifa has established long-term strategic partnerships with suppliers through diversified procurement channels to ensure the green and safe stability of the industrial chain and raw materials supply.

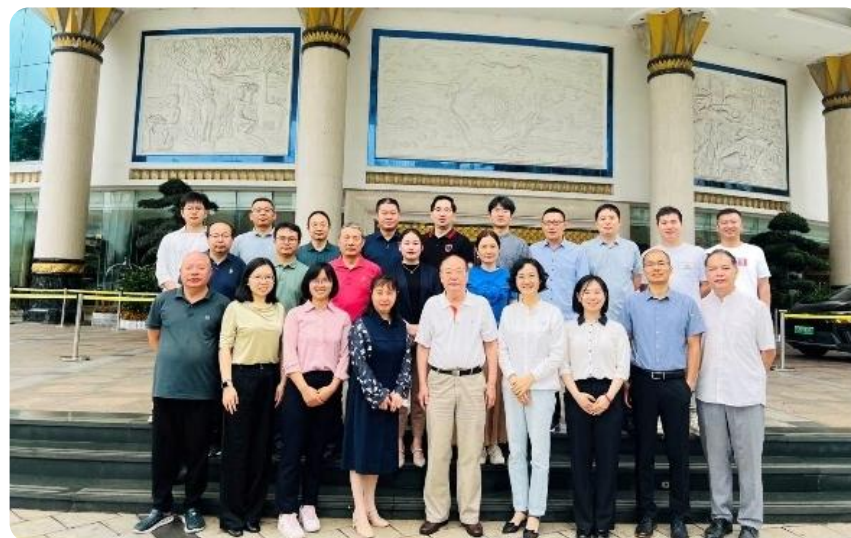
And Kaifa empowers supply chain management with digitalization, establishes an intelligent warning system, monitors key nodes of logistics, production progress, and inventory in real-time, predicts risks in advance, adjusts strategies in a timely manner, calmly responds to emergencies, and lays a solid foundation for the sustainable and stable development of the green industry.



Case

Participate in the formulation of industry standards

Kaifa is deeply engaged in electronic product manufacturing services, and consolidated in a high-end manufacturing environment and process control technology. In the field of ESD control, our technology has gradually been recognized by the domestic ESD, and we have actively strengthened technical exchanges and interactions within the industry. Kaifa has participated in the preparation of multiple national and industry ESD standards in conjunction with the China Electronics Standardization Research Institute and the China Electronic Instrument Industry Association, including three IEC 61340-5 series ESD international standards converted to national standards, one industry standard update, and one independent new national standard. As a manufacturing supplier of core components for hard drives, Kaifa participates in the formulation of domestic hard drive standards, expands into JDM product development services, and actively participates in and supports the activities of industry associations and societies.



ESD Industry Expert Technical Communication Activity



Vice Chairman Unit of
Shenzhen Mechanical Engineering Society

Technological Innovation and Incentives

Kaifa focuses on scientific research and innovation, encourages external communication and collaboration, cultivates excellent scientific research talents, and carries out various forms of technical exchange and cooperation. We motivate R&D employees to enhance the competitiveness, foresight, and market-oriented capabilities of the company's key technologies to generate more valuable scientific research achievements. Kaifa also includes intellectual property rewards in the R&D reward system.

Facing the constantly changing new technological fields, Kaifa has established a technical expert group to organize and guide relevant employees to carry out technological innovation activities, plan the company's technological strategic direction, and explore forward-looking new technological fields.

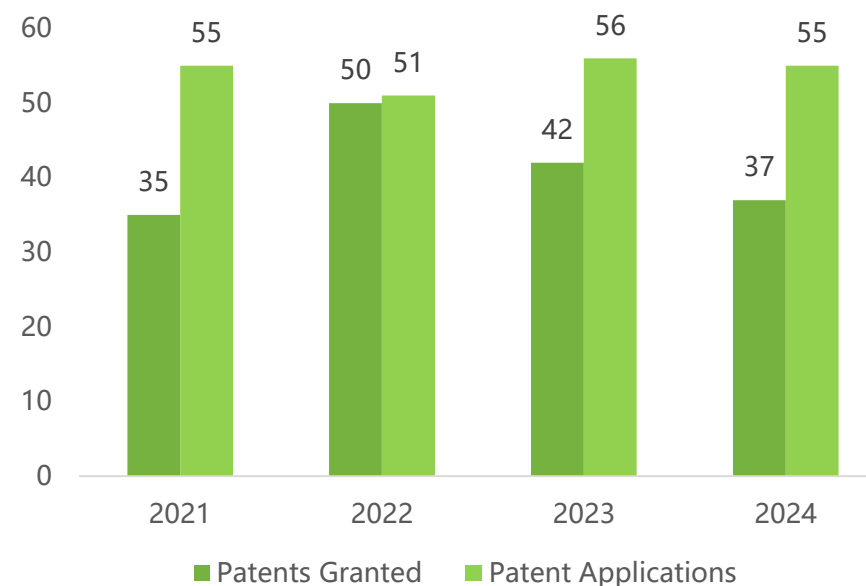
Kaifa actively organizes and participates in forums and technology innovation evaluations organized by the China Electronics Industry Association. We have received multiple awards from the China Electronics Society for innovation in management, technology, and quality over the years, and have invited the technical experts to provide guidance on innovative technological achievements, explore and exchange academic ideas on innovative technology solutions and field development.

Innovative Achievements and Intellectual Property

Intellectual property is one of the important intangible assets, and the company pays attention to and reasonably regulates its patent layout in the fields of intelligent manufacturing, high-end process equipment, technology, including industrial product design. Over the years, a total of 713 patents have been applied for, with a cumulative authorization of 538. In the past 4 years, 217 patents have been applied for and 164 have been authorized.

While incentivizing innovation, Kaifa also protects technological innovation achievements in a timely manner and strictly adheres to the Kaifa Intellectual Property Management Measures. We conduct technical research on new technologies and processes, analyze the intellectual property information involved, and take measures to protect the confidentiality of patents and works.

Number of Patent Applications and Grants



Application of Digital Manufacturing System

Carry out technological research that helps improve intelligent manufacturing, develop flexible machine manufacturing technology, and innovate design applications that enhance resource utilization.

Establish a Digital Simulation Platform

Using computer simulation to simulate manufacturing processes, intelligent equipment operation systems, production logistics systems, and other related aspects. Reduce the cost of process validation trial and error, minimize resource waste and material waste.

Build an Automated Logistics System

Utilizing IoT technology to build an automated logistics system that can achieve intelligent production scheduling and human-machine collaborative control, lean management of automated warehousing, high-quality management and information traceability, and digital information management. Kaifa is willing to move towards the green concept and goal of the black light factory.

Integrate AI to Develop High-precision and High-quality Detection Tools

Kaifa develops detection cameras based on independently developed sensing chips, and combines with ultra high-speed adaptive imaging technology and multi-form feature adaptive AI learning, to achieve high-quality supervision while reducing the risk of visual fatigue for detection personnel.



Product Ecological Design

Kaifa focuses on the JDM product design business, considers the environmental impact during the product lifecycle in product design, and places ecological design requirements, commercial costs, and revenue targets in equal consideration.

In order to reduce environmental pollution and improve the reusability of energy and materials, we fully consider the recyclability and upgrade functions of the product from product structure design, software design, hardware design, and manufacturing process, prioritize the selection of recyclable materials, and incorporate product reliability design requirements into the design specifications.

New Technology Support Eco-design

Conduct technical research that helps improve product ecological design and carry out innovative design applications that meet ecological needs.



- Research on low-power hardware design technology and apply it to company products to reduce the operating power of electronic products.



- Research and technological application of new interconnected (welding and adhesive) materials to improve the ecological matching of process technology.



- Research on device-integrated packaging module technology to improve the reliability and universality of electronic products, and reduce device repetitive design and losses.



- Research on IoT technology, and development and application of system products, carry out product ecological diagnosis and evaluation work in cooperation with clients, provide accurate and complete information data, and provide technical support for the implementation of a complete environmental and carbon footprint system for products.

Ecological Design Policy

Kaifa has established management requirements for product ecological design, applying a lifecycle thinking approach to consider the environmental impact factors of products, and reducing the adverse effects of products on the environment from the source.

Product Design

Comply with the ecological design requirements for reuse and treatment of WEEE, local regulations, and certifications, with priority given to design specifications that comply with green ecology and sustainable development.

Product Evaluation

To evaluate the negative environmental impacts transferring from one lifecycle to another during product use, and strive to reduce harmful substance emissions during use.

Raw Material Purchasing

Conveys the concept of ecological design to suppliers and requires them to provide environmentally friendly materials, and thus, alleviating the pressure and burden on the environment.

Transportation

Priority should be given to using clean transportation to reduce energy and resource consumption as well as exhaust emissions.

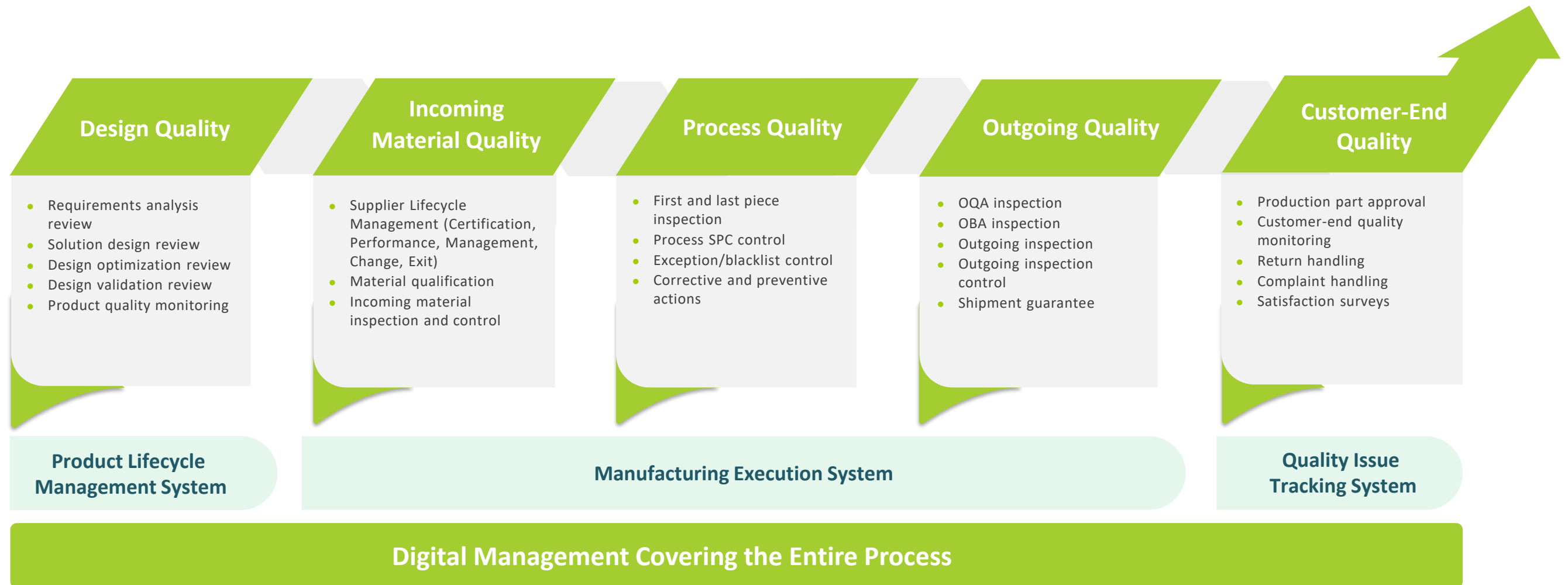
End-of-Life

At the end of the product's lifecycle, recycling and disposal are carried out in accordance with the WEEE directive.



Quality Management

Kaifa is committed to the pursuit of excellent quality and has established a quality management system that covers all aspects from product development to customer service and addresses critical aspects of the entire customer satisfaction process, from initial requirements to final delivery. Continuously adopting advanced management methods and tools, Kaifa actively seeks industry certifications, having already obtained comprehensive certifications such as ISO 9001, ISO 13485, IATF 16949, and QC 080000.



1. OQA: Outgoing Quality Assurance

2. OBA: Out of Box Audit

Customer Service

At Kaifa, we prioritize customer needs and embrace a customer-centric approach as our management philosophy. We have implemented a customer service system that identifies implicit customer requirements and promotes resource sharing. Our commitment lies in consistently delivering value-added services to our global customers, creating value for them, and establishing strategic partnerships. These efforts play a crucial role in supporting Kaifa's pursuit of high-quality development.



Technical Support

We analyze customer needs and business patterns to ensure that requirements are met. By staying up-to-date with market trends, we make strategic investments based on customer needs.

Our primary focus is on intelligence and digital management, enabling us to deliver efficient, high-quality services and solutions to customers worldwide. We prioritize independent innovation and possess expertise in reliability, material analysis, and advanced machinery. These strengths give us a competitive edge in providing professional technical services.



Continuous Innovation

We explore innovative management models and implement initiatives such as lean production, quality management, and lean manufacturing 2.0. Our goals include reducing manufacturing costs, improving product quality, enhancing production efficiency, and increasing profitability. By providing customers with the benefits of lean practices, we actively contribute to the high-quality development of intelligent manufacturing.

To obtain objective evaluations of our products and services and improve customer satisfaction, Kaifa regularly conducts customer satisfaction surveys using questionnaires. These surveys use a 5-point rating scale, and we closely monitor the annual comprehensive ratings. For items rated ≤ 3 points, we develop improvement plans and assess the timeliness and feasibility of corrective measures through quality tracking systems. We continuously track the progress of improvements to ensure timely and effective resolution of issues.

Coverage of
Customer
Satisfaction
Survey

100%

Coverage of
Key Customer

100%



Kaifa has established a comprehensive customer complaint management process and used an electronic quality issue tracking system to track customer complaint handling. During the reporting period, the customer complaint resolution rate was 100%, and no violations of regulations and/or voluntary codes assessed as important product and service categories that require improvement in health and safety impact were found.



Sustainable Supply Chain Management

Kaifa, in collaboration with its suppliers, is dedicated to promoting the sustainable development of the entire value chain. We have established comprehensive processes for supplier lifecycle management and supply chain risk management. We especially strengthen our management of conflict minerals and social responsibility by imposing rigorous requirements and providing communication and training. Through these efforts, we collectively enhance the sustainable development of the supply chain.



Key Supplier Code of Conduct Signing Rate:

100%



CMRT/EMRT Compliance Rate:

100%



Supplier Annual Evaluation Pass Rate:

99.3%



Anti-corruption Training for Procurement Personnel:

1080 participants





Supply Chain Management

The environmental and social risks within the supply chain have gained widespread attention. A secure, stable, and sustainable supply chain is now the core competitive advantage for Kaifa's development and the key to the sustainable growth of the industrial chain. Kaifa promises to conserve resources, optimize processes, foster product innovation, reduce costs, and enhance efficiency by improving its supply chain's environmental management capabilities, thereby increasing the company's value. Enhancing supply chain competitiveness brings significant benefits in terms of ensuring supply, reducing costs, improving efficiency, and managing risks. This drives innovation and transformation in Kaifa's management and industry development and fosters a green supply ecosystem throughout the industry chain.

Environmental Protection

Following the Environmental and Occupational Health and Safety Management Manual, and using a lifecycle perspective, Kaifa establishes a sound sustainable supply chain management system from raw material acquisition, design, production, transportation, delivery, end-of-life treatment, and final disposal. To achieve sustainability goals, we also consider the interests and balance of society, environment, ethics, and governance when promoting economic benefits.

Restricted Substances and Responsible Mineral Procurement Management

We identify, control, monitor, and report chemical substances controlled by relevant regulations in supply chain management, promote green supplier management capabilities in the supply chain, and reduce the use of harmful chemicals in products. We do not accept conflict minerals from the Democratic Republic of the Congo and surrounding regions as well as other disputed minerals affected by conflicts, and establish conflict free supply chains. We strictly prohibit suppliers from violating human rights and ensure the health and safety of the workplace.

Water Use and Biodiversity

Kaifa focuses on the efficient use of water and biodiversity conservation. None of our office or production areas are not located within national nature reserves; Adhere to the policy of sustainable development, reduce the discharge of waste, wastewater, and air pollutants, and seek opportunities to recycle waste, reduce water consumption intensity, and improve water efficiency, while minimizing the adverse impact of business operations on biodiversity and ecosystems.

Non-discrimination and Freedom of Association, Collective Bargaining

Suppliers should comply with the conventions of the International Labour Organization, provide workers with a workplace free from harassment and illegal discrimination, offer reasonable places for religious activities, and not force workers or potential workers to undergo medical examinations or checkups that may have discriminatory purposes; According to local laws, suppliers should respect the right of all workers to voluntarily form and join unions, and the right of engage in or refuse collective bargaining and peaceful assembly. Workers or their representatives should be able to openly communicate and express their opinions and concerns with management regarding working conditions and management practices, without fear of discrimination, retaliation, threats, and harassment.

Pollution Prevention and Resource Reduction

Utilize environmental management systems, occupational health and safety management systems, and social responsibility management systems to encourage suppliers to comply with the Supplier Code of Conduct and reduce or eliminate pollutant emissions, releases, and waste generation from the source. Measures should be taken to use natural resources in moderation, reduce transportation frequency, and prioritize renewable energy sources while meeting demand, and prioritize renewable and reusable raw materials.

Child Labor Management and forced labor Management

Require suppliers to comply with the requirements of the Supplier Code of Conduct and not to use child labor at any stage. The working hours of workers shall not exceed the maximum hours stipulated by the local laws, all overtime must be voluntary, and ensuring that workers have weekly rest time.

Energy utilization and greenhouse gas management

Promote suppliers to set greenhouse gas emission reduction targets in accordance with the Supplier Code of Conduct, track, record, and publicly report energy consumption and all related Scope 1 and Scope 2 greenhouse gas emissions. And promote suppliers to explore and develop cost-effective methods to improve energy efficiency and minimize energy consumption and greenhouse gas emissions as much as possible.

Wages and Benefits

The Supplier Code of Conduct stipulates that suppliers shall pay wages to workers in accordance with all applicable wage laws, including those related to minimum wage, overtime hours, and statutory benefits. According to local laws, overtime pay should be paid to workers at a rate higher than the normal hourly wage. It is prohibited to use salary deduction as a disciplinary measure. The use of temporary workers, dispatched workers, and outsourced workers must comply with local legal.

Supply Chain Risk Management

Supply chain involves various risk factors such as natural disasters, political stability, and legal changes, which can lead to negative outcomes such as supply delays, quality issues, and price fluctuations. To identify, assess, and manage potential risks in the supply chain, Kaifa has developed the Purchasing Risk Identification and Countermeasures Management Process Instruction and collects factors that may affect the supply from the market situation. Analysis reports are compiled to formulate response measures, ensuring the sustainable development and efficiency of the supply chain.

In the supplier lifecycle management process, Kaifa identifies, assesses, and controls supplier risks in stages and implements corresponding management measures to mitigate risks.



Supplier Risk Assessment

Supplier risk assessment is based on business risk level, quality risk level, and whether it is key raw material supplier. The comprehensive risk level of the supplier is determined by high risk, medium risk, and low risk.

Dimension of Supplier Business Risk Assessment

Registered Capital

Payment Terms

Establishment Year

Agreement Signing Status

Proportion of Related
Industry Business Volume

Supplier Substitutability

Operational Status

Supplier business risks are identified from the seven dimensions mentioned above, evaluated according to different classification criteria, and ultimately identified as high or low-risk suppliers based on the results of the classification evaluation

Dimension of Supplier Quality Risk Assessment

Incoming Batch Acceptance Rate

Number of Reports on Improvement of Raw
Material Defects

Number of Customer Complaints about Raw
Material Defects

Root Cause Analysis of Quality Issues and
Effectiveness of Improvement Actions

Supplier quality risks are identified from the above four dimensions, evaluated according to different classification criteria, and ultimately identified as high, medium, and low supplier quality risks based on the results of the classification evaluation.



Supplier Management

Supplier management is an important part of deepening ESG work for enterprises. Through selection of excellence, promotion of improvement, and common growth, a supplier resource pool with good environmental performance, social responsibility, and corporate governance is built to reduce supply chain risks and enhance overall sustainable development and competitiveness.

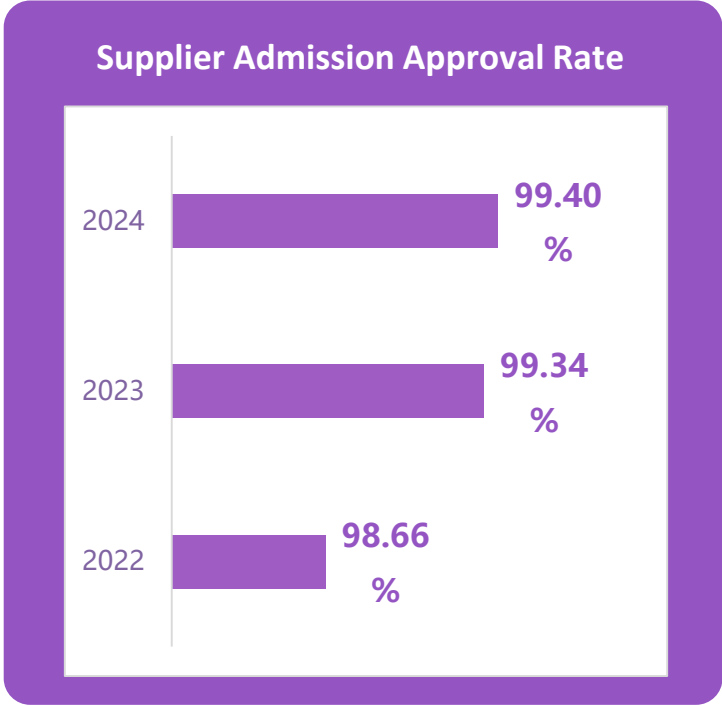


Supplier Development and Certification

During the supplier onboarding process, Kaifa communicates its management standards, product quality and environmental standards, and responsible business alliance behavior standards to suppliers. Suppliers are required to sign agreements, such as the Purchasing Agreement, Product Quality Assurance Agreement, Supplier Code of Conduct, Confidentiality and Non-Disclosure Agreement, and Safety Responsibility Agreement. These agreements ensure understanding and compliance with Kaifa's requirements, including risks related to competition, intellectual property, environmental compliance, information protection, labor compliance (such as child labor, forced labor, and discrimination), business bribery, and the corresponding responsibilities in the event of risk occurrence. These measures safeguard the rights and interests of both Kaifa and its suppliers.

Kaifa performs certification assessments of suppliers in various areas, including business, quality (which encompasses evaluation of environmental practices, occupational health and safety, social responsibility, and business continuity in addition to quality systems), and engineering. These assessments utilize documents such as the Supplier Audit Business Evaluation Checklist, Manufacturer Quality System Audit Checklist, and Supplier Audit Technical Evaluation Checklist. Evaluations of suppliers' environmental and social responsibility aspects are conducted through the Vendor Questionnaire Form. Suppliers are included in Kaifa's supplier system only after successfully completing the comprehensive assessment process.

Kaifa has adopted a strategy combining a circulation of domestic and international supply chains to ensure stability and efficiency. In terms of implementing effective supplier management, the company focuses on long-term cooperative suppliers in recent years. In 2024, there are a total of 109 primary (Tier 1) suppliers of raw materials, accounting for approximately 70% of the total procurement amount.



Optimization of Supplier Code of Conduct

In order to further implement the ESG concept, Kaifa has comprehensively upgraded its supplier code of conduct in 2024, significantly enhancing ESG related management norms and requirements.

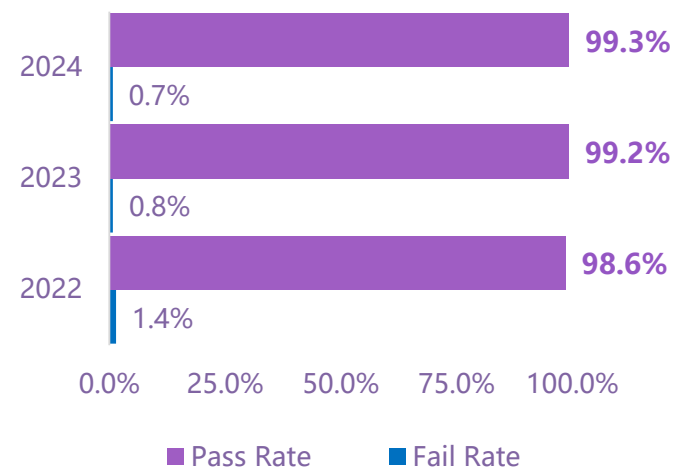
Contract Content		Optimization Content
Supplier Code of Conduct	Labor and Human Rights	Optimize labor and human rights content, including: prohibition of forced labor, protection of underage and child labor, requirements for working hours, wages and benefits, freedom of association and collective bargaining, non discrimination, etc.
		Increase the requirement for employees to receive equal pay for equal work and work of equal value.
	Occupational Safety	Increase the measure for gender equality.
		Increase the requirement of emergency plans, response procedures, and emergency drills for emergency preparedness.
		Increase requirements for occupational health monitoring.
	Environmental	1. Optimize management requirements for pollution prevention, resource, and waste conservation. 2. Increase management requirements for water resources. 3. Increase management requirements for using methods to improve energy efficiency, and reduce greenhouse gas emissions and energy consumption. 4. Increase requirements for addressing climate change and reducing carbon footprint. 5. Increase requirements for biodiversity, non-deforestation, and land conservation.
	Management System	1. Increase requirements for commitments and policy statements. 2. Increase risk assessment and risk management for security, labor practices, and moral. 3. Improve the performance of participants. 4. Increase management and employee training programs. 5. Increase two-way communication processes, covering feedback on business practices and conditions. 6. Optimizing Anti-Corruption and Anti Unfair Advantages.

Supplier Performance Management

Suppliers are evaluated based on transaction volume, quality, business performance, engineering capabilities, trade security, social responsibility, critical material supply, and financial risks. Performance evaluations are conducted quarterly for production material suppliers and annually for non-production material suppliers. The Supplier Performance Management Process Instruction is adhered to when evaluating suppliers on the supplier management platform. The evaluation results are published and made available for suppliers to access online.

In 2024, no supplier has been assessed as unqualified due to environmental, social, or governance issues. For some suppliers evaluated as unqualified due to abnormal incoming materials, we have taken specialized follow-up and targeted improvement measures, continuously monitoring their rectification effects until the problem is completely resolved and closed.

2022-2024 Supplier Performance Evaluation



Supplier Audit

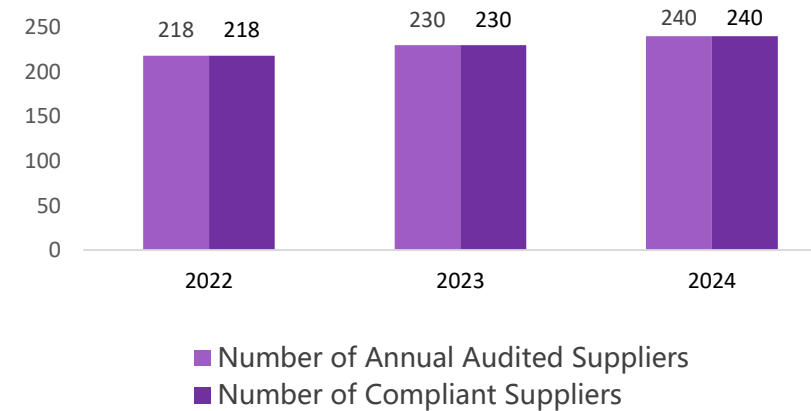
Kaifa conducts annual supplier audits according to the Supplier Audit Process Instruction, which includes audits such as the Supplier Quality System Audit (QSA), Supplier Social and Environmental Management Audit (SER), and Hazardous Substances Free (HSF) Audit. Kaifa continuously reviews suppliers' procurement practices to ensure consistency with the Supplier Code of Conduct and avoid potential conflicts with ESG requirements.

For suppliers who do not meet the audit requirements, proactive measures are implemented to facilitate improvement and closely monitor effectiveness until all issues are fully resolved.

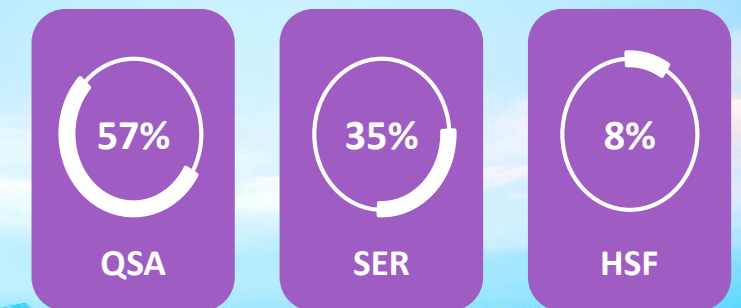
Suppliers who fail to meet the standards within the specified timeframe and do not cooperate with the necessary corrective actions will have their partnership with Kaifa terminated.

There were no suppliers eliminated in 2024 due to violating SER red lines or improving non-compliant requirements.

Number of Annual Audited Suppliers (2021-2024)



Proportions of Various System Audits for Suppliers in 2024





Transparent Procurement

We are dedicated to enhancing transparency across our entire supply chain, encompassing production processes, procurement, delivery, and supplier relationships. Our objective is to establish a procurement environment that is fair and equitable, instilling greater customer trust. Internally, Kaifa's Discipline Inspection Department and Audit Department collaborate to ensure the integrity of our operations. This includes active participation in project procurement and bidding processes, overseeing critical process configurations, and engaging in discussions regarding compliance within various supply chain management processes and electronic documentation.

Kaifa offers a whistleblowing channel through the Supplier Management Platform, allowing for the reporting of corruption and unethical conduct. We also make our Supplier Code of Conduct and Code of Conduct for Procurement Personnel publicly available to regulate the behavior of our suppliers.

Clean Procurement

During major holidays, combined with RPA technology, the system automatically sends a Major Holiday Integrity Promotion Letter to cooperative suppliers to promote integrity.

24,238

Participants of suppliers joining
the 2024 Integrity Training

In 2024, no supplier is permanently blacklisted due to corruption issues.

Supplier Training

Kaifa promotes collaboration with suppliers to jointly build a sustainable supply chain. When communicating with suppliers, they actively provide ESG and Sunshine Procurement training, fully implementing the company's ESG concept to the supplier side.

Internal Anti-Corruption and Integrity Training

Kaifa places great importance on advocating and supervising anti-corruption and integrity efforts from top to bottom, involving company leadership, the Discipline Inspection Department, the Audit Department, supply chain management departments, and procurement personnel across different regions. Regular and periodic integrity advocacy and training activities are organized on various topics and in various formats throughout the year and quarter.

Completion Status of Anti- Corruption and Integrity Training

2022

8 training sessions
503 participants

2023

9 training sessions
760 participants

2024

9 training sessions
1080 participants



Internal Anti-Corruption and Integrity Training



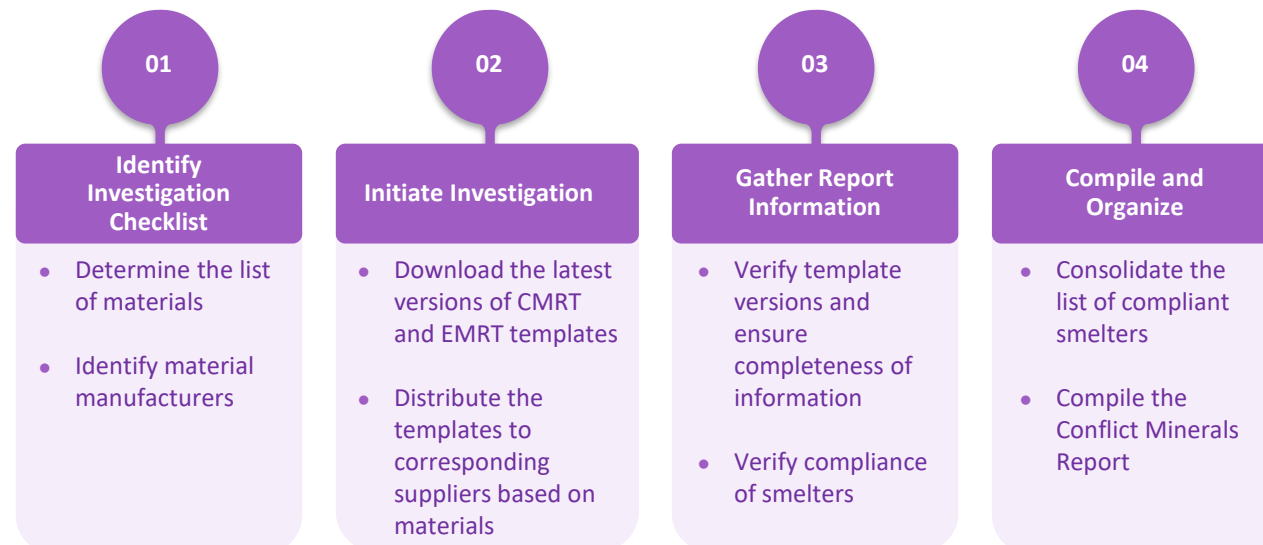
Conflict Minerals Management

In order to meet the management requirements of conflict minerals, mitigate negative impacts such as environmental damage and human rights violations, Kaifa has established cooperative relationships with suppliers. We strictly require suppliers to adhere to labor rights and human rights standards, promote transparency and traceability of mineral sourcing, and ensure that mining activities comply with environmental protection laws and regulations.

Based on the United Nations Conflict Minerals Initiative, the EU Conflict Minerals Regulation, the Responsible Mineral Supply Chain Due Diligence Guidelines for China, and the OECD Guidelines, Kaifa has developed a Social Responsibility Management Manual. This manual mandates that suppliers do not provide parts and products containing conflict minerals.

The Kaifa Conflict Mineral Policy and Procurement Conformity Management Process clarifies the conflict mineral management process and requirements, continuously tracks minerals in the supply chain and identify tungsten, tin, tantalum, gold, cobalt, mica and other minerals from conflict-affected and high-risk regions through due diligence. If non-compliant smelters and refineries are found, suppliers will be required to rectify and update investigation reports. If suppliers refuse to rectify, transactions with suppliers will be immediately suspended.

Conflict Minerals Due Diligence Process



Conflict Minerals Commitment

Kaifa is dedicated to refraining from procuring materials that contain conflict minerals, including tungsten, tin, tantalum, gold, cobalt, mica, and other minerals from conflict-affected and high-risk regions. We conduct thorough due diligence investigations to prevent the exacerbation of environmental damage and human rights violations through mineral trade, thereby making a meaningful contribution to sustainable, equitable, and effective development.

2024 Conflict Minerals Training Coverage Rate **100%**

2024 CMRT Compliance Rate **100%**

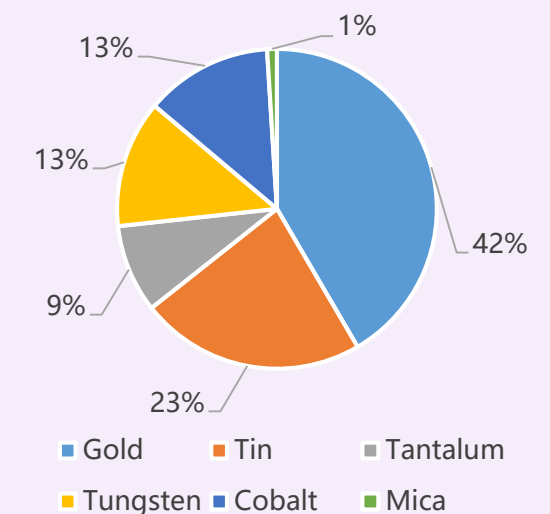
2024 EMRT Compliance Rate **100%**

Conflict Minerals Due Diligence

2022-2024 Number of Conflict Minerals Surveys



Proportions of Surveys in Various Metal Smelters in 2024





Transforming Green Supply Chain

With the growing global environmental consciousness, stricter regulations and limitations on environmental indicators such as carbon emissions and energy consumption are anticipated. Kaifa actively responds to this global trend and is committed to strengthening the company's green supply chain transformation process through a series of process improvements and optimizations. We conduct comprehensive ESG evaluation and admission assessment through Supplier Certification, ensure the daily operation of ESG requirements through Kaifa Project Procurement Management Process Instruction and Inquiry and Quotation Management, continuously monitor ESG performance through Supplier Performance and Supplier Audit, freeze ESG non-compliant suppliers through Supplier Elimination, and incorporate environmental factors into management processes such as design, quality, procurement, and logistics. Through these comprehensive measures, Kaifa is committed to building an environmentally friendly, efficient, and sustainable supply chain system to respond to global environmental challenges and promote the normalization and daily transformation of green supply chains.

Internal Training for Green Supply Chain

In order to deepen the understanding and practice of green supply chain concepts within the company, we regularly conduct ESG training activities, including ESG-themed training, promotion of ESG-related policies, processes, agreements, etc. These trainings aim to continuously enhance employees' awareness and understanding of ESG principles, ensuring effective implementation of the company's commitments in environmental, social, and governance aspects. Through continuous training and educational activities, we are committed to building a team with profound insights into ESG, laying a solid foundation for the company's sustainable development.



Supplier ESG Training

Green Supply Chain Promotion

In order to implement ESG within the company and actively promote the sustainable development of the entire supply chain, Kaifa has adopted the online tool of the Supply Chain Management Platform to effectively communicate ESG standards and the concept of a green supply chain to suppliers. At the same time, we combine offline audits, meetings, and business negotiations to have face-to-face communication with suppliers and jointly explore the specific requirements of the green supply chain. Through this transparent communication and collaboration, we are committed to building a more robust, flexible, and sustainable supply chain ecosystem.



People-Centric Employer

Kaifa adheres to a talent development philosophy of youthfulness, internationalization, and knowledge-based and is dedicated to providing diverse development platforms for employees to realize their self-worth and personal aspirations. We continuously refine our talent strategy, safeguard employees' basic rights, establish competitive compensation, benefits, and profit-sharing mechanisms, provide diverse opportunities for employee training and development, foster a fair, just, open, and inclusive work environment, ignite employees' passion for work and spirit of innovation, and enable employees to integrate their self-worth with Kaifa's values, achieving mutual success for individuals and the company.



Average Training Hours
Per Person in 2024:

35.7 hrs



Percentage of Female
Employees in 2024:

32.4%





Human Rights Protection

Kaifa is committed to strict compliance with international labor conventions and initiatives, as well as relevant laws and regulations applicable to its operations both domestically and internationally. These include the Universal Declaration of Human Rights, International Labor Organization Core Conventions, United Nations Global Compact Ten Principles, Responsible Business Alliance (RBA) Code of Conduct, Social Accountability 8000 (SA8000) Standard, as well as the Labor Law and Labor Contract Law of the People's Republic of China. We prioritize human rights protection and risk management, adhering to a transparent, fair, and equal employment policy that ensures no discrimination based on race, color, religion, gender, nationality, ethnicity, age, disability, or marital status in recruitment, selection, disciplinary actions, employee development, compensation and benefits, and termination of labor contracts.

To further enhance and implement human rights management, Kaifa has established a series of systems to safeguard labor rights, including the Social Responsibility Management Manual, Employee Manual, Provisions on Prohibition of Child Labor, Employee Recruitment Management System, Attendance Management Measures, and Compensation Management Measures. These systems aim to standardize work processes and codes of conduct of due diligence and human rights protection, prevent illegal practices such as forced labor and child labor, and ensure the protection of employee rights. We respect employees' freedom of association and collective bargaining rights while strongly opposing discrimination and harassment. We pay attention to labor rights and protection throughout the entire value chain, conducting corporate social responsibility audits and risk assessments on suppliers to effectively address human rights risks such as forced labor and child labor in the supply chain.

To ensure management regulation implementation, we establish a human rights protection governance structure leading by the Strategy and Sustainable Development Committee, with the Supply Chain Management Department responsible for formulating and supervising the overall supply chain human rights protection guidelines, and the Human Resources Department responsible for protecting the human rights of employees. We also provide training on human rights protection and labor policies, such as the RBA Code of Conduct. We have a triple audit mechanism, including internal, customer, and external third-party audits, ensuring comprehensive coverage of human rights and labor-related areas. We maintain internal feedback channels to address employee concerns promptly, preventing human rights incidents and promoting effective communication and resolution.



In the 2024 reporting period

We found **no incidents** of violations related to freedom of association, collective bargaining rights, forced labor, child labor, underage workers, or discrimination within our operational sites and suppliers.

Risk Prevention Measures for Key Issues in Human Rights Protection

Risk Type	Target	Risk Impact	Risk Mitigation
Prohibition of Child Labor	Newly hired Employees	<ul style="list-style-type: none"> Potential impact on the physical and mental health of child labor. Violation of national laws and regulations. Impact on our company's reputation and decrease in customer trust. 	<ul style="list-style-type: none"> When recruiting personnel, it is necessary to verify the valid identity documents of the recruited personnel and prohibit the employment of child labor. Establishment of management systems to prohibit child labor. Establishment of complaint and feedback mechanisms.
Non-Discrimination and Non-Harassment	All Employees	<ul style="list-style-type: none"> Violation of Responsible Business Alliance (RBA) requirements prohibiting discrimination and harassment. Potential risk of employee attrition. Loss of customer trust and business opportunities. 	<ul style="list-style-type: none"> Establishment of management regulations against discrimination and harassment. No discriminatory and harassing practices in recruitment, job assignments, employee benefits, and promotions. Implementation of a complaint and feedback mechanism.
Prevention of Forced Labor	All Employees	<ul style="list-style-type: none"> Violation of Responsible Business Alliance (RBA) requirements on working hours. Violation of national laws and regulations. Concerns in international trade that can impact business operations. 	<ul style="list-style-type: none"> Establishment of a management system to prevent forced labor. Global factories adhere to local regulations, ensuring freedom and strictly controlling excessive overtime for employees. Implementation of a complaint and feedback mechanism.

Prohibition of Child Labor

Prohibiting child labor is a crucial responsibility for Kaifa in promoting sustainable development. To protect the physical and mental health of minors, promote the implementation of a compulsory education system, and safeguard the legitimate rights and interests of minors, as a responsible company, we are committed to completely eradicating the employment of child labor in our productions, operations, and supply chains. We strictly adhere to relevant laws and regulations, including the Labor Law, Labor Contract Law, Minors Protection Law, and Prohibition of Child Labor Regulations of the People's Republic of China. To prevent incidents of child labor, Kaifa has implemented comprehensive preventive and monitoring measures as outlined in our Regulations on the Prohibition of Employing Child Labor.

In the 2024 reporting period

within our operational sites and suppliers

No incidents

- involving child labor
- of minors engaging in hazardous work

In the 2024 reporting period

Training and Promotion

8,000+

participants

Key Measures to Prohibit Child Labor

- ✓

Process Regulations

According to laws and regulations, establish and improve the company's recruitment process, and explicitly prohibit the use of child labor.
- ✓

Identity Verification

Before employment, the ID cards of the recruited personnel shall be verified. Minors under the age of 16 shall not be employed.
- ✓

Channel Management

Agencies will be permanently blacklisted if they provide employees under the age of 16.
- ✓

Publicity Supervision

Through internal promotion, we raise employees' awareness of child labor issues, ensure that all employees understand the legal risks and ethical responsibilities of employing child labor, establish internal supervision mechanisms, and encourage employees to report illegal employment behavior.

Anti-Discrimination and Anti-Harassment

Kaifa is fully committed to adhering to the principles of anti-discrimination and anti-harassment in all aspects of its business operations. We strive to provide equal employment opportunities, ensuring that every employee is treated fairly and not discriminated against on the basis of race, gender, religion, age, sexual orientation, disability, nationality, or any other characteristic.

In line with relevant laws and regulations such as the Labor Law, Anti-Racial Discrimination Law, Anti-Gender Discrimination Law, and Anti-Disability Discrimination Law of the People's Republic of China, Kaifa has established comprehensive management policies and procedures. These include the Employee Recruitment Management System, Employee Performance Assessment Management Measures, and Employee Promotion Management Measures. These regulations are implemented at all levels of our organization, including our manufacturing factories and supply chain, to proactively prevent incidents of discrimination.

In the 2024 reporting period

within our operational sites and suppliers

0 incidents

of Employee Discrimination

In the 2024 reporting period		
Number of Employees with Disabilities	Percentage of Employees with Disabilities	Percentage of Minority Employees
83	0.41%	14.9%

Key Anti-Discrimination and Anti-Harassment Measures

- ✓

Empowering Persons with Disabilities

Foster an inclusive workplace that provides equal employment opportunities for persons with disabilities. Offer suitable positions and ensure their welfare needs are met, while fulfilling our corporate social responsibilities.
- ✓

Training and Audits

Conduct regular training to enhance employees' understanding of anti-discrimination principles and raise awareness of related issues. Ensure suppliers comply with our Supplier Code of Conduct, including anti-discrimination requirements. Conduct periodic social responsibility audits and, if necessary, third-party audits to prevent discrimination incidents in the supply chain.

Prevention of Forced Labor

Kaifa strictly adheres to relevant laws and regulations in China, such as the Labor Law and Labor Contract Law of the People's Republic of China. We have developed the Supplier Code of Conduct, Attendance Management System, and Employee Resignation Process and Regulations, firmly opposing forced labor. We commit to zero tolerance for any form of forced labor in our supply chain and production processes, actively taking measures to protect the rights of our employees.



Key Measures for Prevention of Forced Labor



Kaifa follows the principle of voluntary employment, prohibits any form of coercion, deception, or employment of individuals who are forced, bound (including debt bondage), or under contract restrictions.



Employees have the right to apply for early leave from Kaifa in accordance with the relevant provisions of their contracts and local labor laws and regulations.



Kaifa strictly implements working hour systems in accordance with local labor laws, providing employees with reasonable and appropriate rest periods within regular working hours. If there is a need for extended working hours due to special circumstances, the consent of the workers must be obtained and approved by the local labor department.



We provide training and publicity on prevention of forced labor for employees and suppliers, encourage employees to express their opinions and suggestions through Employee Union, and protect them from any threats and retaliation.



Kaifa and all entities within the supply chain are prohibited from holding, destroying, concealing, or confiscating employees' identification documents and immigration papers.



We require all suppliers and partners to comply with our Supplier Code of Conduct, explicitly prohibiting the use of forced labor. We conduct supply chain audits and reviews, promote policies and standards against forced labor, and ensure that suppliers and partners meet our requirements.

In the 2024
reporting period

within our operational sites
and suppliers

0 incidents of forced labor reported

Employee Manual Human Rights Protection Policies

Recruitment and Employment

The company's hiring depends entirely on the applicant's abilities, character, and whether they meet the requirements of the position, without considering other factors such as surname, race, fertility status, disability, age, marital status, religious beliefs, political affiliation, membership in a club, protected veteran status, etc. Kaifa prohibits the use of child labor and provides special protection for underage workers.

On-job Training

Kaifa provides on-job training for each new employee to understand the company's profile, company culture, policy regulations, etc., strengthen employees' awareness of human rights protection, and arrange mentors or trainers to help new employees familiarize themselves with the work environment and smoothly carry out their work. We establish a comprehensive curriculum system, develop training plans, organize and implement various trainings, and select key employees to participate in external training. Kaifa also rewards on-job continuing education, educational advancement, and other incentives.

Safety Protection

Kaifa treats every employee equally and does not discriminate against them based on race, belief, age, surname, disability, or nationality. Kaifa respects employees, safeguards their legitimate rights and interests, and avoids any form of harassment, corporal punishment, mental or physical coercion, verbal abuse, and other harsh inhumane behaviors. Kaifa regularly arranges physical examinations for employees, provides labor workplaces and protective equipment that meet national health standards, and protects the safety and health of employees.

Communication Feedback

Kaifa encourages employees to provide opinions and reasonable suggestions to relevant departments or responsible persons. Employees can file complaints and reports to their department or the company's human resources department or employee union regarding issues related to the implementation of company policies, their own interests, and the performance of responsibilities by management personnel at all levels in accordance with relevant regulations. The relevant departments and personnel handling employee appeals have the obligation to protect the appellants and shall not disclose their information.

Disciplinary Action

Kaifa strictly prohibits any form of sexual harassment, including physical contact, verbal abuse, verbal behavior, and using sex as a bribe or threat. Violators will be placed under factory observation, and if the circumstances are serious or cause serious consequences, their labor contracts will be terminated. If the relevant departments and personnel handling employee complaints disclose the applicant's information, violators will be dealt with according to the severity of the situation.

Employee Union

Kaifa's Employee Union fully leverages its role as a link, a carrier, and a platform, adhering to the integrated practice of 'Building Factories, Building Associations, and Building Families'. The union's work revolves around the center and serves the overall situation, puts people first, unites employees, inherits spirit, and promotes culture. With the 'Building Families' work as the starting point, it develops a 'Family Culture' to close to employees, frontline workers, and grassroots workers, and forms a corporate culture and humanistic care system with Kaifa characteristics. It creates a number of well-known and popular brand activities such as skill competitions, Employee Spring Festival Gala, ball games, and heartwarming projects, demonstrating the strong organizational strength, cohesion, and creativity of Kaifa's Employee Union work.

Awarded

National May Day
Labor Award

National Model Workers'
Home

Guangdong Province Model
Workers' Home

Advanced Enterprise in Harmonious
Labor Relations in Guangdong Province

Advanced Enterprise in Harmonious
Labor Relations in Shenzhen

'Most Beautiful Employee Home' of China
Electronics etc.

Case

Integrated Practice of 'Building Factories, Building Associations, and Building Families'

The company's leaders attach great importance to union work, and in combination with the characteristics of labor-intensive enterprises, they always adhere to the construction of new factories while simultaneously establishing union organizations, supporting the construction of fitness centers, badminton, table tennis, and basketball courts, dance studios, photo studios, canteens, and other activity venues in the process of globalization expansion, providing employees with rich and diverse cultural life and learning opportunities.



Give full play to the role of the
Workers' Congress as a link;
Continuously deepen the transparency
of factory affairs;
Safeguard the legitimate rights and
interests of employees;
Solve difficult problems for
employees, provide warmth, and help
with development.



Badminton Court



Football Field



Badminton Court



Basketball Court

Building a Platform and Providing Services to Promote Growth, Building a Home for Learning

Case

Promote the Construction of An Employee Skills Improvement System

Kaifa has a rich business scale and a large capacity for employment, known as the 'employment powerhouse', 'training academy', and 'growth pathway'. In order to enhance this feature, we make efforts to create a career development model for workers, technicians, and managers, putting millions of investments annually into training programs. Layered classification is used to develop training models and courses, further ensuring that employees at different levels receive what they need and learn from each other.

We actively encourage employees to learn outside and utilize external resources to broaden their views and enhance their abilities. Every year, Kaifa organizes frontline team leaders to participate in the teaching activity organized by the Shenzhen Federation of Trade Unions, comprehensively improving their management ability, and effectively reducing the employee turnover rate. Relying on the 'Dream Plan' to encourage employees to continue their education and improve their qualifications, nearly 200 employees have participated in the plan and obtained educational upgrades.



Team Leader Training



Frontline Training

Case

Promote the Construction of Employee Library

We utilize the cultural and educational functions of the 'Employee Library', set up 'Book Corners' and 'Employee Libraries' for employees in subsidiaries in various locations, and set up reading rooms and self-study rooms in employee dormitories to create a good learning environment and a strong learning atmosphere, helping employees grow into high-quality talents who adapt to the company's transformation and development.



Kaifa Suzhou Book Corner



Kaifa Dongguan Reading Activity

Good learning
environment
and atmosphere
in subsidiaries.

Value Creation Promotes Development, Building a Home for Innovation

Case

Promote Worker Spirit and On-job Training

Kaifa carries out labor skills competition for employees that integrates value creation, improvement, and skills competition, and cultivates an industrial workforce that supports the transformation and upgrading of the company. We actively encourage employees to participate in various employee skills competitions, drive skill improvement through competitions, strengthen horizontal communication, and fully stimulate the reform and innovation vitality of the majority of employees. In 2024, the subsidiaries of Kaifa have successively conducted employee labor skills competitions.



Electronic Information Skills
Competition



Labor Skills Competition



Case

Create Employee Innovation Studio, Innovate and Create Efficiency

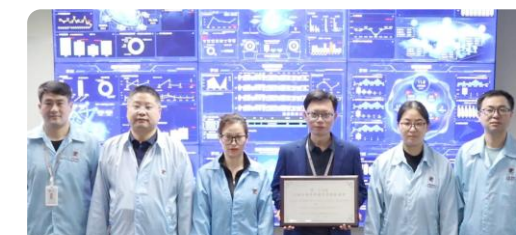
Kaifa establishes 8 employee innovation studios to play a mentoring role. Kaifa encourages employees to focus on national strategic needs, industry development trends, and efficient operation of the company, and to actively participate in the growth and development of the company's businesses. As of now, the studio has absorbed and cultivated 15 talents, carried out 171 projects, obtained 35 patents, and created economic benefits of nearly 50 million yuan. Among them, 3 studios have been awarded the title of Industry-level Model Worker and Craftsman Talent Innovation Studio.



Artificial Intelligence Visual
Innovation Studio



HDD Grinding Technology Innovation Studio



Digitalized Operations Innovation Studio



Energy Management Innovation Studio



Baihai Innovation Studio

Culture Promotes Aggregation, Building a Home for Energy

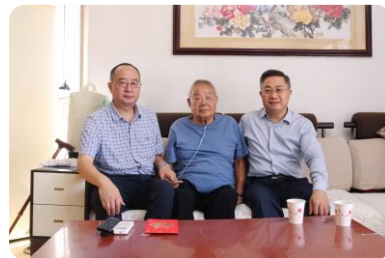
Case

Build a Warm Family with Family Culture

As a multicultural company, Kaifa adheres to harmony and inclusiveness and values employee relations. The union plays a crucial role as a platform for communication and integration among employees both domestically and internationally. With the growth and expansion of the company and overseas business, Kaifa actively creates a family culture, and the role of cultural carriers has become increasingly prominent. We set up 'Mood Smiling Face' signs in the production area, and set up 'Caring Sister' helpers on the production line to timely discover and understand the dynamics of employees through multiple channels. Accurately grasping the situation of employees in difficulties, 269 employees have been helped in the past five years, with a cumulative subsidy amount of nearly 640,000 yuan, allowing employees to truly feel the warmth of the company.



Comfort Employees in Need



Comfort Elder Employees



Comfort Employees in
Difficulties



Comfort Employees during New Year



Case

Satisfy Employees' Spiritual Needs through Regular Interest Activities

Kaifa frequently hires excellent teachers to offer various interest classes, regularly provides various training programs for employees' children, and provides employees with 'family-like' care. On the basis of voluntary participation, employees establish self-managed badminton, table tennis, basketball, football, jogging clubs, and frisbee interest groups, and regularly organize activities.

The 'Elite Cup' badminton tournament has become an annual brand event that both employees and management compete to participate in and forge ahead, showcasing Kaifa's spirit of bravery and willingness to challenge themselves. The Employee Calligraphy, Painting, and Photography Competition showcases the beautiful moments of employees' lives and work, becoming a platform for employees to discover and showcase beauty.



Elite Cup Badminton Tournament



Employee Table Tennis
Tournament



Culture Promotes Aggregation, Building a Home for Energy

Case

Shape Employees' Spiritual Qualities with Cultural Traditions

The Union made a unified plan to carry out the 'Clean Your Plate Activity' for nine consecutive years. This encourages the unions of subsidiaries to carry out characteristic activities based on regional culture and actual conditions. Focusing on the physical and mental health of employees, we actively collaborate with the Shenzhen Federation of Trade Unions to invite teachers to visit the company and conduct health lectures. We have successively imparted knowledge on healthy living through themes such as makeup, dietary health, sunshine mentality, and family happiness, enhancing employees' sense of achievement and happiness, and continuously satisfying their aspirations for a better life. The 'National Style Wu Yun' activity allows employees to experience the profound cultural heritage of Suzhou during the activities.



'National Style Wu Yun' Activity

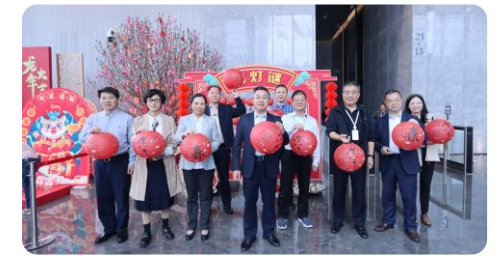
Case

Showcase Employees' Patriotism through Holiday Activities

On traditional festivals, the union organizes various activities to increase the sense of festival ceremony. The annual Spring Festival Gala is a grand stage to showcase the employees' talents, with widespread participation from senior leaders to frontline workers. Employees write, direct, and perform their own shows, with a variety of programs including singing, dancing, poetry recitation, cross-talk, skits, and choral performances, showcasing a wealth of highlights. The Kaifa Spring Festival Gala has become a distinctive highlight of the company culture, letting employees to cheer for their past and future.



Spring Festival Gala



The Lantern Festival Activities



International Working Women's Day



Mid-Autumn Festival Activities

Employee Communication

Kaifa prioritizes effective communication and collaboration with employees. We have established transparent and efficient channels to facilitate employee expression and address their needs, ensuring their rights to participate in democratic management and supervision. We value and actively listen to employees' opinions and suggestions across various aspects of Kaifa, promptly addressing operational and management issues and providing timely feedback to enhance employee satisfaction. Additionally, we utilize a public WeChat account called Employee Home to amplify positive voices and provide a platform for employees to share their thoughts within Kaifa.

We promote social responsibility and employees' code of conduct in new employee training and the Employee Manual, ensuring a clear understanding of rights and responsibilities.

Employee Communication Channels



In the 2024 reporting period



Coverage rate of
departmental employee
representatives

100%



Response rate to
employee representative
opinions

100%

Promoting a Respectful and Supportive Work Environment

We embrace employee diversity and ensure a workplace free from discrimination, retaliation, harassment, and abuse. Behaviors involving humiliation, intimidation, or hostility are strictly prohibited. We prioritize a work environment characterized by mutual respect, positivity, and fairness while firmly standing against prejudice and harassment. In interpersonal interactions, we stand firmly against all forms of harassment and sexual misconduct. If employees experience similar incidents, we encourage them to report through multiple channels, including Human Resource Department and the Employee Union. Prompt and decisive action is taken to address concerns, accompanied by continuous support and assistance for affected employees.



Case

Harmonious Atmosphere



Employees actively participate in various training activities, fully integrate into team work, and contribute their ideas to achieve team goals.

Female Employee Development

In terms of female employee development, we are committed to establishing a gender-equal work mechanism and environment, encouraging female employees to leverage their strengths, and valuing their contributions to team management and technological innovation. We pay attention to the difficulties that female employees may face in the workplace, provide them with the necessary support, establish a salary structure of equal pay for equal work, and strictly implement paid marriage leave, maternity leave, breastfeeding leave, and other holidays. In addition, we provide various benefits for female employees every year, such as providing free gynecological examinations, setting up a caring mother cabin, and regularly holding activities and lectures to alleviate their work pressure and enrich their leisure lives.



Talent Recruitment and Retention

In order to better develop employee capabilities and meet business development needs, Kaifa continues to improve the relevant mechanisms and processes for personnel selection and appointment, adheres to the employment orientation of both morality and talent, and promotes the rotation mechanism for cultivating composite talents. By combining rotation with promotion qualifications and development channels, Kaifa achieves the ability of personnel to move up and down, creates a dynamically managed internal talent pool, and promotes the common progress and development of employees and the company.

Fair Employment

We actively provide fair opportunities for all candidates to apply for employment, based on the principle of 'fair competition and selection based on merit'. We strictly comply with the requirements of laws and regulations such as the Labor Law and Labor Contract Law and adopt diversified recruitment channels and employment methods. Through global campus recruitment, headhunting, online recruitment, internal employee recommendations, enterprise sharing sessions, and on-site recruitment in the talent market, we publicly select talents and use objective evaluation tools that are suitable for professional characteristics to screen, reserve core competitiveness and strategic talents at all levels for the company.

We are committed to providing every employee with equal opportunities. We do not use gender, age, nationality, religious belief, race, language, registered residence, or other personal characteristics unrelated to work as the basis for recruitment. We actively ensure that men and women receive equal pay for equal work, promote the employment of disabled people, and ensure that all candidates compete for positions under fair conditions. Adhering to creating a fair and diversified working environment, the company has established a series of policies such as the Employee Recruitment Management System, Employee Performance Management System, Employee Promotion Management System, and Employee Resignation Management System to ensure fair and legal employment.



In the 2024 reporting period

Number of newly
hired employees **8,087** people

Proportion of newly hired employees from
ethnic minorities **12%**

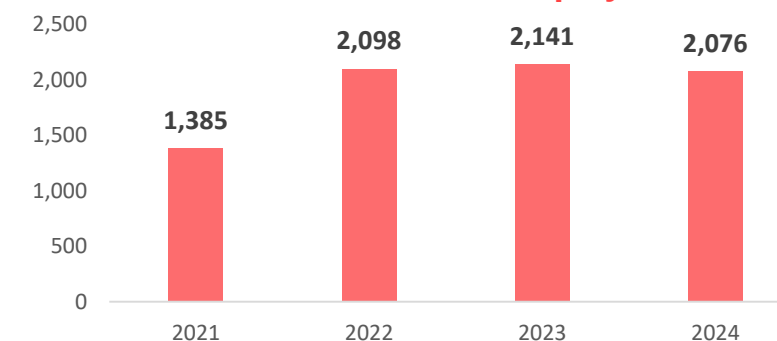
Proportion of non-local employees **10.1%**

Employee Diversity

As a global company, Kaifa values employee diversity and inclusivity and is committed to creating an inclusive and equal-opportunity work environment. We strictly adhere to relevant laws and regulations, including the Labor Law and Labor Contract Law (including policies and regulations of the countries and regions where we operate overseas). We establish personnel regulations and systems through democratic and legal procedures, aiming to create a favorable employment environment and encourage diversification of talent sources, types, abilities, ethnic and cultural diversity, enhance attraction and retention atmosphere, and create an open and inclusive employment environment.

Our Employee Handbook explicitly prohibits discrimination based on gender, race, reproductive status, disability, age, region, religion, or any other factors that hinder employee development within Kaifa. We embrace and encourage individuals from diverse backgrounds to apply for positions at our company. The collaboration among employees with different genders, ages, and educational backgrounds fosters synergies and enables us to fully leverage their talents. We are committed to upholding the principles of gender equality, supporting a diverse and international workforce, and ensuring equal access to job opportunities for all employees. To facilitate comprehension for individuals with various native languages, we provide documents in multiple languages, ensuring comprehensive coverage of process documents in both Chinese and English versions.

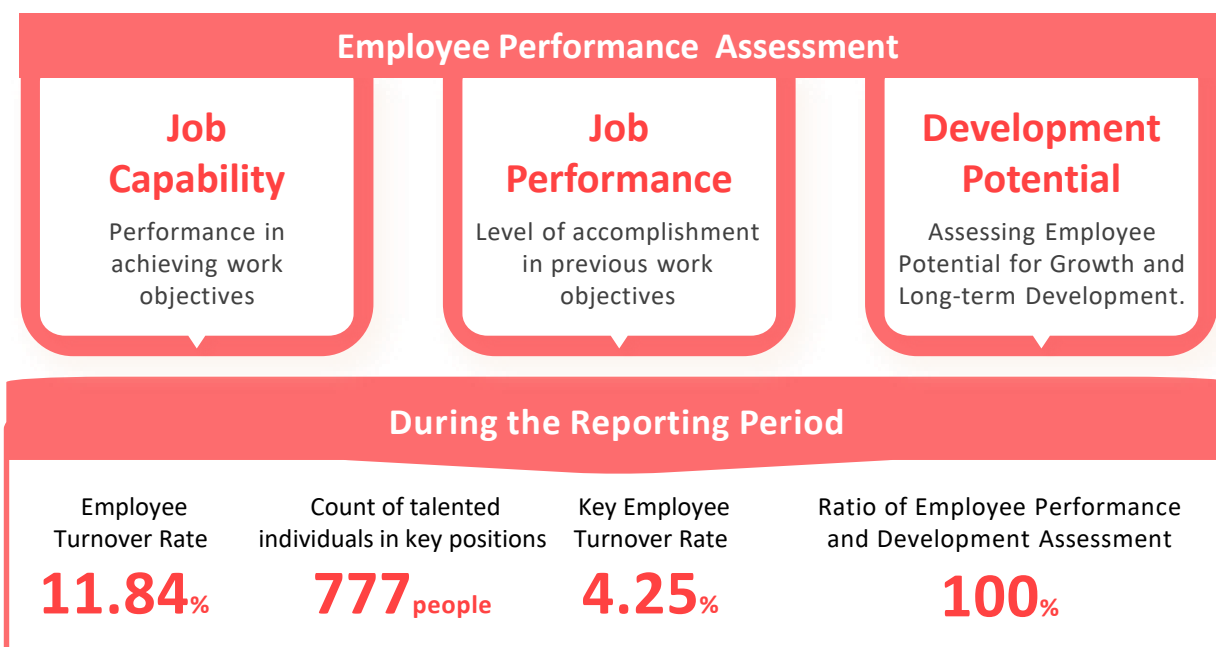
Number of Non-Local Employees



Performance Management

The company is committed to building a talent pool and providing equal career advancement opportunities for all employees. Kaifa has established a performance evaluation system at all levels, from top to bottom, to drive the achievement of individual, organizational, and company strategic goals and fully leverage the company's core competitiveness.

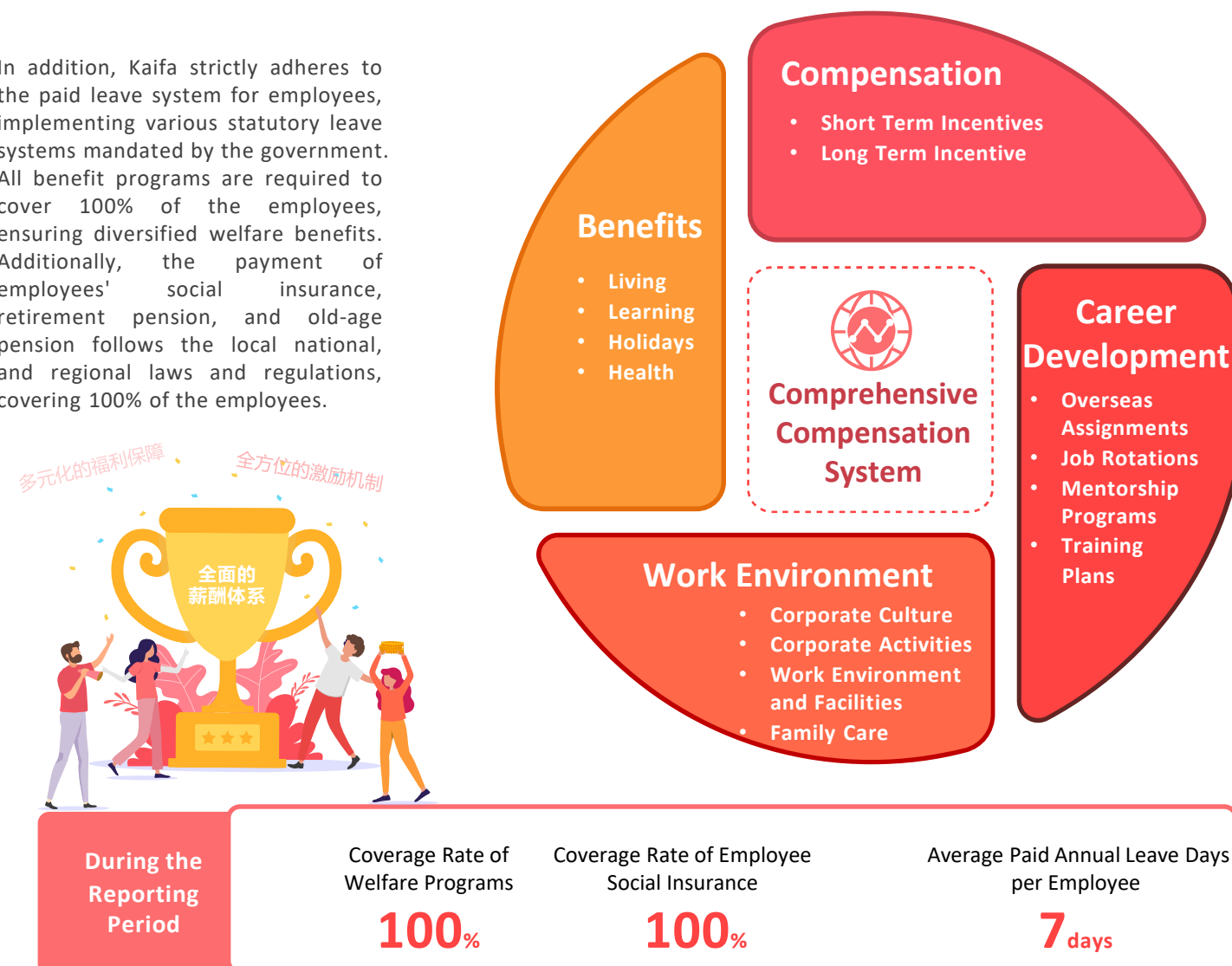
The company guides employees to improve their work enthusiasm, workability, and work performance through the 'Management Measures for Performance Evaluation of Technical and Management Personnel', strengthens the sense of responsibility of managers, improves organizational management performance, creates an environment that motivates employees to strive for excellence and enables the company to achieve sustainable development. Based on the company's strategic goals and organizational performance, we strengthen performance coaching and communication. We conduct comprehensive evaluations and assessments of employees' work abilities, performance, and development potential every six months and at the end of the year. The assessment results are presented in a graded manner, and individuals with excellent performance are given personal development and incentives. Those with poor performance are supplemented by improvement plans to ensure the team's continuous improvement. Assist employees in improving their performance and enhancing their job competence.



Compensation and Benefits

Kaifa has established a comprehensive compensation system, providing employees with all-around incentive mechanisms from multiple dimensions, including salary, benefits, career development, and working environment. These mechanisms aim to stimulate employees' enthusiasm and creativity, thus achieving the organization's business and strategic goals.

In addition, Kaifa strictly adheres to the paid leave system for employees, implementing various statutory leave systems mandated by the government. All benefit programs are required to cover 100% of the employees, ensuring diversified welfare benefits. Additionally, the payment of employees' social insurance, retirement pension, and old-age pension follows the local national, and regional laws and regulations, covering 100% of the employees.



Employee Rewards

Kaifa has established diverse rewards for employees of different levels, positions, and categories, increasing the reward amount, setting reward boundaries, continuously igniting employees' work enthusiasm, setting an example of outstanding employees, and creating an internal culture of striving for excellence and positivity. In the fields of lean intelligent manufacturing, technology sharing, incentive practice, performance benchmarking, reward research and development, knowledge inheritance, etc., corresponding reward schemes are carefully set up.

The company has established a series of reward systems, such as Employee Rewards Measures, Research and Development Incentive Measures, and Best Practices Incentive Measures. The company adopts a dual incentive system of spiritual and material incentives to deeply stimulate and enhance employees' sense of belonging and loyalty, encourage them to build a path of outstanding development together and create a good atmosphere where employees and the company move forward side by side and work together towards a brilliant future.



Employee Equity Incentive Program

Kaifa fully mobilizes the enthusiasm, sense of responsibility, and mission of directors, senior management personnel, core management personnel, and core technical personnel of the company and its controlling subsidiaries, effectively combining shareholder interests, company interests, and personal interests of operators, jointly focusing on the long-term development of the company, and working together to strive for it. According to relevant laws, regulations, and normative documents, such as the Company Law and Securities Law of the People's Republic of China and the Administrative Measures for Equity Incentives of Listed Companies (2018 revised edition) and in combination with the company's current salary system and performance evaluation system, an employee equity incentive plan has been developed and launched.



Equity Incentive Recipients

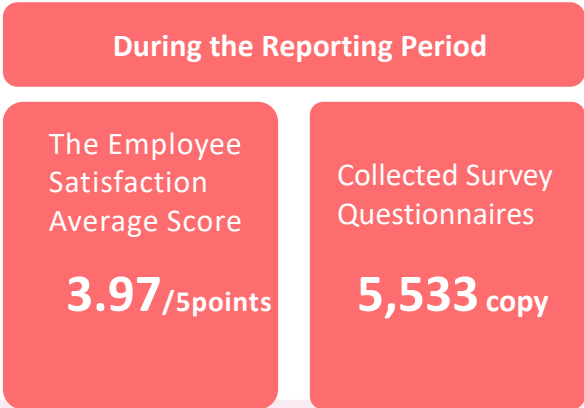
The recipients of Kaifa's equity incentive program include directors and senior executives of Kaifa and its subsidiaries, key middle managers, core technical (business) experts, and other individuals recognized by the board for their special contributions to Kaifa. For specific details, please refer to the Announcement of the Initial Grant of Stock Options under the 2022 Stock Option Incentive Plan, published on the designated website of the China Securities Regulatory Commission.



Number of Equity Grants	46.547 million shares
Percentage of the number of recipients granted	12%

Employee Satisfaction

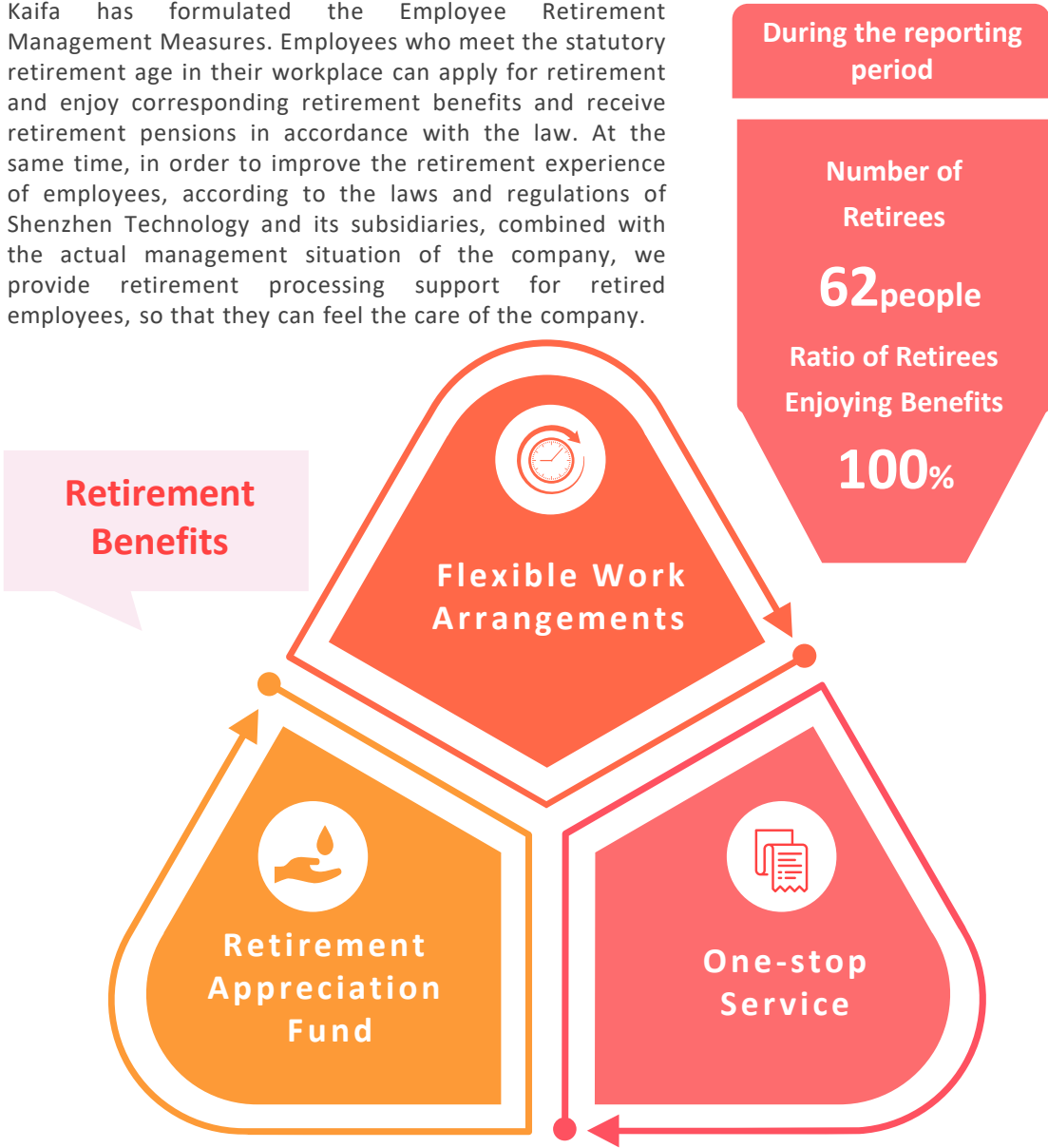
Kaifa is committed to establishing a positive work environment and strives to build an employer brand. In order to understand the opinions, experiences, and concerns of employees, we regularly conduct employee satisfaction surveys. We have developed the Factory Satisfaction Survey Process Guidelines as management requirements to assess employees' satisfaction with the work environment, benefits, and development opportunities. Based on the survey results, we take corresponding measures to improve working conditions. Employee Satisfaction Survey involves employees from both domestic and overseas factories. It collects feedback from employees through anonymous survey questionnaires.



Employee Satisfaction Survey		
Survey Contents	Survey Items	
Business Operations & Production Support Services	<ul style="list-style-type: none"> Factory Energy Supply Stability Plant Maintenance Services Procurement Demand Support Services Import and Export Services Warehousing Services Laboratory Technical Support Services 	<ul style="list-style-type: none"> Product Testing Equipment and Technical Support Services Smart Manufacturing Support Services Incoming Material Inspection Services Recruitment Demand Support Services Quality Management Support Services Licensing and Certification Processing Services
Customer Reception Services	<ul style="list-style-type: none"> Guest and Catering Services Front Desk Reception Services 	<ul style="list-style-type: none"> Conference Reception Services Car Rental Services
Daily Office Support Services	<ul style="list-style-type: none"> Information Systems Services 	<ul style="list-style-type: none"> Travel Services
Employee Support and Training Services	<ul style="list-style-type: none"> Employee Support Services 	<ul style="list-style-type: none"> Employee Training Services
Employee Work & Life Services	<ul style="list-style-type: none"> Maintenance of Employee Dormitory Environment and Facilities Employee Dining Services Environmental Sanitation of Park and Office Areas 	<ul style="list-style-type: none"> Factory Safety Management Services Labor Union Activity Organization Factory Clinic Services (Partial Survey) Shuttle Bus Services

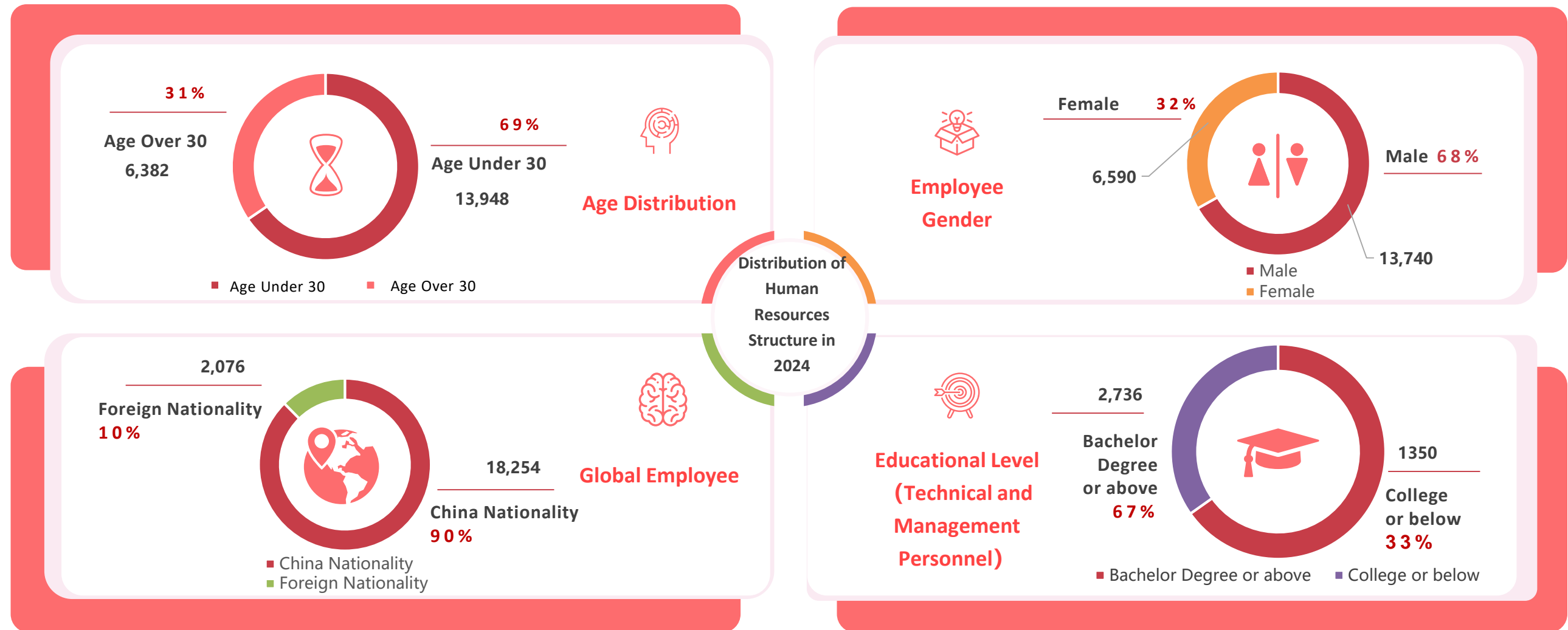
Employee Retirement Plan

Kaifa has formulated the Employee Retirement Management Measures. Employees who meet the statutory retirement age in their workplace can apply for retirement and enjoy corresponding retirement benefits and receive retirement pensions in accordance with the law. At the same time, in order to improve the retirement experience of employees, according to the laws and regulations of Shenzhen Technology and its subsidiaries, combined with the actual management situation of the company, we provide retirement processing support for retired employees, so that they can feel the care of the company.



Human Resources Structure

Kaifa prioritizes talent development at all levels and actively promotes the Three Transformations of youthfulness, internationalization, and knowledge-based talent building. This approach aims to foster innovative thinking among employees and cultivate a group of individuals with international management capabilities and expertise in core technologies. We strongly encourage young individuals to assume key positions, injecting a continuous stream of fresh energy into Kaifa.





Occupational Health and Safety

Kaifa is committed to creating a healthy, safe, and harmonious working environment and cultural atmosphere for its employees, following the safety values of 'People-oriented, Safety First, I Prioritize Safety, Safety for All'. We hope to continuously improve safety management, ensure the health and safety of all employees, and reflect the social value of Kaifa.

The company has established a Safety Management Committee (SMC), with the Chairman assuming the role of the Committee's Director and regularly organizing the safety meetings. Within the SMC, there is a Headquarters Safety Management Office (SMO), which is specifically responsible for management work of safety supervision, regularly reporting and requesting major issues to the SMC, and conducting irregular inspections and supervision of the safety production situation of the subsidiaries. In order to improve the professional level of the company's safety production management team, the company encourages employees to actively obtain the certificates of registered safety engineers and fire engineers.



2024 Safety Production Summary Meeting



2024 Safety Production Communication Meeting of the SMC

Safety Management Team

Full-time Safety Management Personnel (Certification Rate 50%)	40 _{people}
Part-time Safety Personnel	146 _{people}
Part-time Emergency Rescue Personnel	142 _{people}

Occupational Health and Safety Management System

Kaifa has a comprehensive occupational health and safety system and insists on conducting internal and external audits of ISO45001 every year to continuously evaluate the effectiveness of the system, forming a good safety production system and concept. The system certification rate has reached 100%. Currently, the workers covered by the system include all domestic and foreign employees, labor dispatch workers, interns, and other related parties.



Targets and Improvement

Kaifa has set clear safety production targets and improvement opportunities annually, ensuring priority is given to key tasks and achieving the goal of 'zero accidents in safety production'.

At the same time, in order to improve the standardization level of safety production in the company, we encourage all subsidiaries to actively move towards the second-level standardization level. Currently, four subsidiaries have obtained the second level standardization certificate for safety production, and the rest have obtained the third-level standardization certificate as required.

Implementation of Safety Production Responsibilities

The company has strengthened its awareness of safety production responsibility by clarifying the roles and responsibilities of safety management at three levels and signing responsibility agreements at each level. The signing rate of all employees has reached 100%. With the promotion of the assessment and reward mechanism, the safety responsibility system has been effectively implemented to ensure that responsibilities are assigned to individuals and edges.



Safety Production Responsibility Implementation System

Strengthen and improve the safety production responsibility of decision-makers.

- Strengthen safety decision-making work.
- Improve the main responsibility system for safety production.
- Implement organizational leadership responsibilities.

Establish and optimize the safety production responsibilities of relevant managers.

- Implement the responsibilities of business and technical management personnel.

Implement and refine the safety production responsibilities of implementers.

- Strengthen employees' sense of responsibility for their job positions.
- Implement responsibility for hazard reporting and risk forecasting.

Effective measures to improve the implementation of safety production responsibilities.

- Establish a safety production responsibility assessment mechanism.
- Full coverage of the Safety Production Target Responsibility Agreement.

Necessary safety production investment can create qualified safety production conditions for employees. In order to reduce the risk of enterprise safety production, the company implements the responsibility of enterprise safety investment, strictly uses safety expenses, and ensures that the annual safety investment ratio meets national requirements.

Note:

1. Excluding Initial investment in safety facilities.
2. Excluding safety evaluation of new construction, renovation, and expansion.

**2024 Safety
Production
Investment**

¥ 16,874,100



Safety Production Investment

The company implements full lifecycle management around the United Nations Chemical Management Strategy and Guidelines, formulates relevant documents such as chemical storage and retrieval, storage conditions, emergency response, safety responsibilities, and qualification requirements, and controls potential safety risks such as leakage, fire, and explosion of hazardous chemicals.

1 Replace Toxic and Harmful Chemicals

Using safer water-based cleaning agents to replace toxic and harmful volatile organic solvents, reducing the risk of employee exposure to toxic and harmful substances, and ensuring employee occupational health.

2 Add Hazardous Chemical Control Measures

All newly added hazardous chemicals must be approved by relevant departments of the company to ensure compliance of chemical suppliers and effective control measures for new risks before they can be purchased.

3 Strict On-site Management of Chemicals

Strictly require on-site management of chemicals, classify and store them according to their properties, post safety warning signs, implement fire and explosion prevention, leak prevention, ventilation, and other safety measures, provide PPE protection for personnel, and equip them with complete emergency equipment and facilities.

Case

Dangerous Chemical Storage Facility

The hazardous chemical storage warehouse is equipped with safety equipment and facilities such as fire protection, flammable gas monitoring, alarm, explosion-proof lamps, explosion-proof exhaust fans, leak prevention, temperature and humidity control, etc.



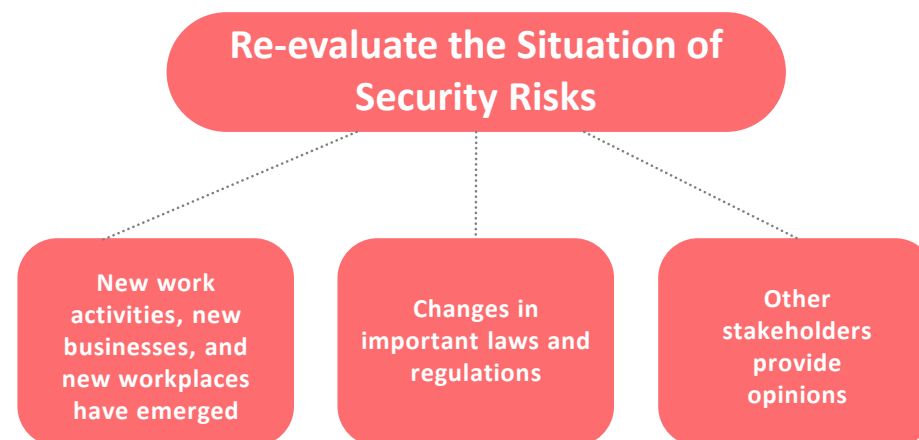
Kaifa Dongguan Dangerous
Chemical Storage Facility



Kaifa Hefei Dangerous Chemical
Storage Facility

Occupational Health and Safety Risk Management

Kaifa has established a dual prevention mechanism for security risk classification control and hidden danger investigation and governance. By regularly organizing risk identification every year and implementing specific control measures, the risk level is effectively controlled within an acceptable range. The key employees mainly involved in safety risk identification and control, including dedicated safety management personnel and ISO45001 system leaders, ensure the effectiveness and accuracy of risk identification and assessment.



Classification of Risk Control Measures

Subdivide risk control measures to prevent inadequate control measures from loss of management.



Informatization of Safety Production Risk Control

In order to integrate safety production information resources, improve safety production management efficiency, efficiently utilize the convenience of network platforms, and carry out risk prevention and control, we launched the construction of a safety production information platform in 2024. Currently, the construction of key modules has been 100% completed, including risk assessment, hidden danger rectification, fire management, emergency management, and accident event management.

Key Control and Planning



Project Overview

For important risk areas and activities such as lithium battery management, electric bicycle and underground electric vehicle parking lots, hazardous chemical storage sites, sewage treatment stations, and hazardous operations, we organize regular safety inspections and patrols every year, as well as safety training, emergency drills, strengthening emergency equipment and facilities, and updating them. We implement relevant safety measures, reduce risk levels, and ensure controllability and control.



Solutions and Methods

The company highlights the key points of fire safety control, and through various methods such as regular safety inspections, patrols, and safety propaganda, opens up the 'life passage' and strictly punishes violations of occupying and blocking fire passages.



Key Achievements and Results

The Safety Management Committee formulates and releases a safety production work plan every year, clarifying the annual safety work priorities. In 2024, the 'Three Year Action Plan for Addressing the Root Causes of Safety Production' was launched in Kaifa to improve the weaknesses and deficiencies in risk control. If there are new security risks or hazards, we evaluate and develop risk management plans and measures.

Occupational Health and Safety Training

In order to deepen employees' understanding of the company's safety production philosophy, culture, basic safety knowledge, and emergency measures, and improve their safety awareness and participation in safety management, the company ensures the effective implementation of training through four stages: developing safety training plans, conducting training, implementing training assessments, and evaluating training effectiveness. All training is provided free of charge to employees during paid working hours.

01

Trainee

- We provide annual safety training programs to employees at different levels, covering roles such as management, supervisors, workers, dispatched labors, and external construction personnel.

02

Diversified Training Content

- Through diversified pre-job and on-job safety training content, the safety knowledge and skills of employees in different positions are enriched. Specialized training includes job safety, hazardous chemical storage and use, workshop safety, occupational health, food safety, warehouse safety, electrical safety, traffic safety, special equipment safety, emergency response training, accident education, fire training, first aid training, etc.

03

Multiple Pathways for Safety Training

- Every year, we comprehensively promote the ways for employees to acquire safety knowledge through a combination of online and offline methods, and regularly update safety training courseware to continuously improve its content.

2024 Safety Training



Workshop Fire Safety Training



Emergency First Response Personnel Training



Accident Warning Education



Anti-fraud Publicity and Training



Occupational Health and Safety Training in 2024



Total number of
training sessions:
449



Total training hours
524,430



Number of
participants in
training:
33,220



Safety training
coverage rate:
100%

Occupational Health and Safety Promotion

Safety cannot be achieved without the efforts of everyone. In order to deeply instill the safety culture and concept of Kaifa, the company has established a safety publicity matrix, effectively expanding the scope and interface of publicity. Using various forms of promotional methods to increase employee engagement.



Diversified Forms of Promotion

Online Promotion

By means of communication software official account, WeChat community, official website, e-mail, network security courseware, etc., we release short videos, graphic information, interactive questions and answers, training, and examinations of security knowledge, attracting employees' attention and participation, and improving the speed and coverage of security knowledge dissemination.

Onsite Promotion

Through on-site interactions, experiences, and demonstrations such as outdoor advertising, television, newspapers, posters, banners, safety lectures, bulletin boards, manuals, exhibitions, and drills, employees can intuitively feel the importance of safety and improve their safety knowledge and emergency response capabilities.

Total Safety
Knowledge
Promotion and
Education
407 times



Case

Safety Promotion Activities

The headquarters and subsidiaries have carefully organized, planned, and vigorously carried out rich and colorful publicity and education activities during the Safety Production Month and Fire Safety Month, innovated safety publicity methods, and expanded publicity efforts.



2024 National Safety Production Month
Promotion Activity



Kaifa Suzhou Safety Flying Chess Competition



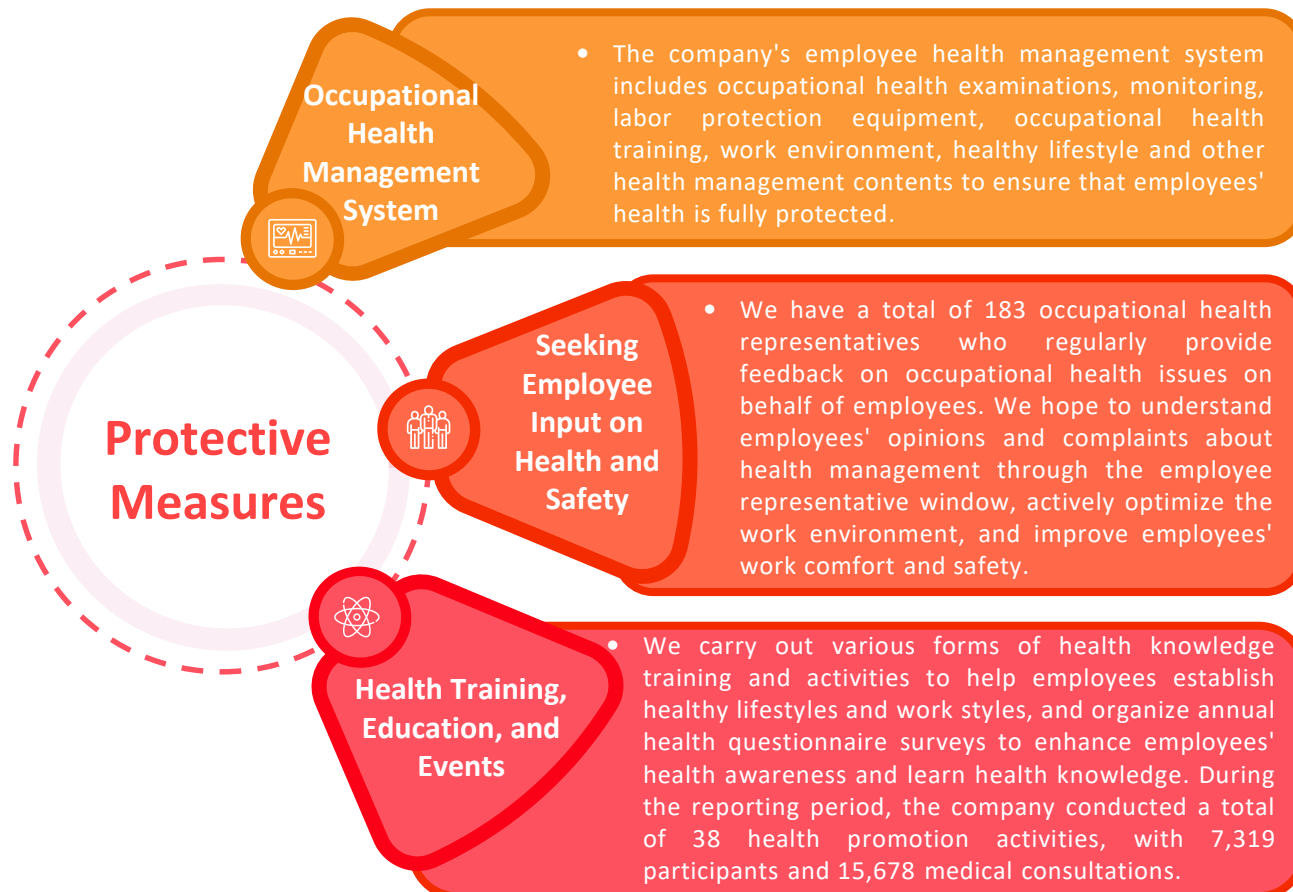
Kaifa Chengdu 'Draw an Escape Map' and Escape Warehouse Experience Activity



Physical and Mental Health and Safe Environment

The physical and mental health of employees is a key concern for the company. We hope to create a friendly, harmonious, and safe production environment to improve the quality of work and life for our employees. The company has established an occupational health system, designated occupational health representatives, and regularly organized health training and activities to continuously improve employees' self-protection and health awareness, paying attention to employees' psychological problems, and reflecting the company's humanistic care.

We regularly conduct occupational hazard factor testing based on toxic and harmful workplaces, strictly implement occupational health monitoring and protective measures, and protect employees from occupational diseases. In 2024, the company has not experienced any occupational diseases.



Case

Safety Environment Improvement Action

Prevent Repetitive Strain Damage

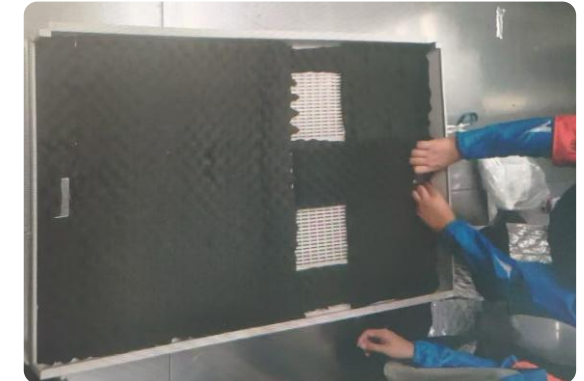
In recent years, we have continuously improved the safety production environment in the workshop, updated equipment and facilities, and changed the operation methods to reduce the harm caused by repetitive operation. We actively promoted mechanization and automation, used robotic arms, adopted handling robots, air automated transportation lines, and other methods to reduce the demand for manual operations, and arranged reasonable rest time for employees, effectively reducing the probability of repetitive labor injuries.



Kaifa Shiyao Air Automated Transportation

Action to Prevent Noise Exposure

In order to reduce workshop noise levels and protect employees' hearing health, Kaifa has added soundproofing cotton to some equipment and provided noise reducing earplugs for employees. Regular occupational health examinations are organized, and occupational health records are established for employees.



Kaifa Payton Installed Sound Insulation Cotton on Its Equipment

Contractor Safety Management

Kaifa regards contractor safety management as a key management issue, continuously emphasizing the approval system for work and the guardianship system, constantly improving and implementing the safety responsibilities of both parties, and strictly fulfilling the company's responsibilities, obligations, and rights.

At present, Kaifa implements unified supervision and management of contractor safety production, incorporates it into the safety production system, and regularly conducts safety qualification reviews and training to ensure that contractors have qualified qualifications and capabilities.

Safety Management of Contractors in the Past Three Years

Contractor and other third-party work-related accidents and accident rates

0 times | 0%

Regularly Hold Safety Meetings

The company regularly holds contractor safety meetings to learn about recent domestic safety production accidents, carries out warning education, and promotes and trains various safety regulations and concepts of Kaifa.



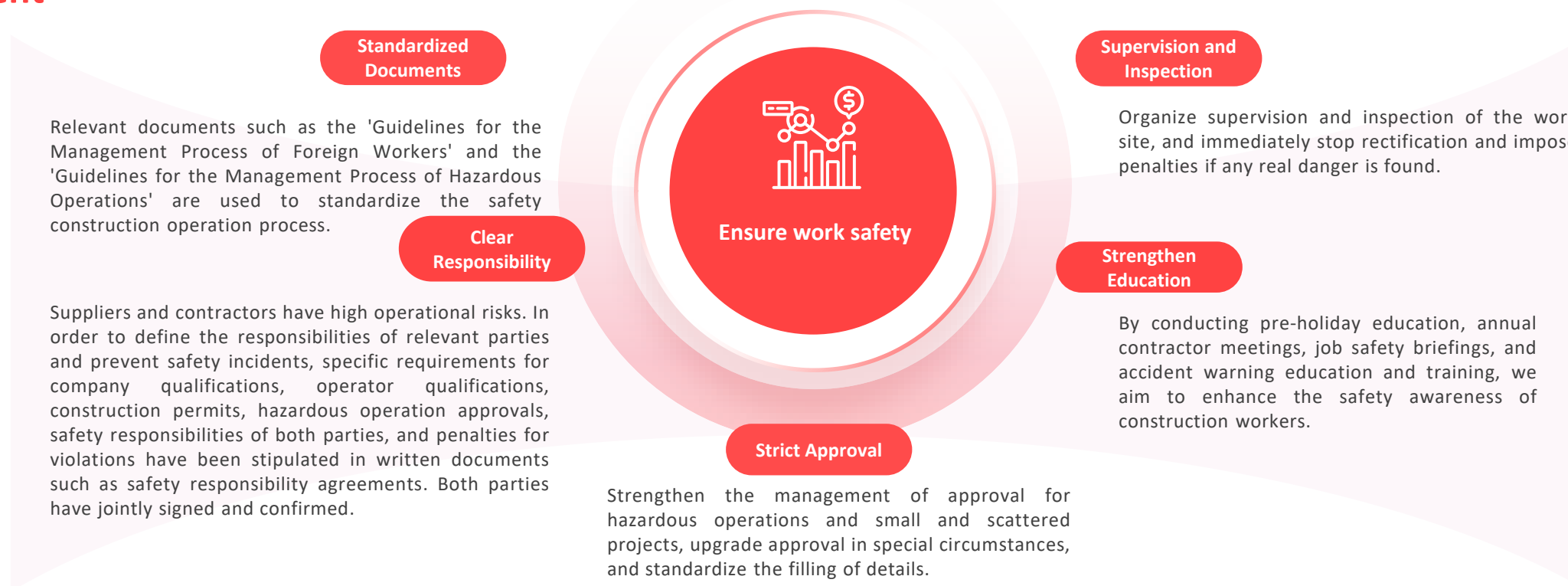
2024 Contractor Safety Conference



2024 Contractor Pre-job Safety Training



2024 Contractor Site Safety Inspection



Emergency Management

Kaifa combines a comprehensive management approach of pre-prevention and post-disposal to better control accidents. Every year, we develop and implement emergency drill plans, timely evaluate the adaptability of emergency plans, inspect the response of emergency equipment and facilities such as fire protection, and ensure timely handling of danger.

Emergency Drill Situation in 2024

Emergency
Drills **127**times

Number of
Participants in
the Exercise **21,190**

Case

2024 Emergency Drills

Kaifa actively organizes various emergency drills, including emergency evacuation drills, firefighting practical exercises, gas leak drills, underground parking electric vehicle fire emergency drills, confined space accident drills, anti-terrorism and riot control drills, flood and typhoon prevention drills, elevator accident drills, etc., effectively enhancing emergency response capabilities.

Develop Emergency Management Procedures

- The company has developed an emergency management process, compiled an emergency management manual consisting of comprehensive emergency plans, special emergency plans, and on-site disposal plans, and conducts regular reviews.
- Strictly implement the emergency duty system.

Emergency Team Construction

- Regularly train emergency team members to improve their professionalism and quickly control the scene in case of an accident.
- In 2024, various companies organized training for ambulance personnel, with a total of 372 people participating and obtaining certificates.

Organize Emergency Drills and Training

- Standardize the frequency of emergency drills and regularly organize drills to improve employees' emergency response capabilities.
- Post emergency response forms at various job positions and provide publicity and education to employees.

Emergency Resource Allocation

- Fully equipped with emergency supplies and equipment facilities.
- Equip 11 AED devices in key locations.



Emergency Evacuation Drill



Flood Control Exercise



Underground Parking Electric
Vehicle Fire Drill



Elevator-Trapped People
Exercise



Anti-terrorism and Riot
Control Exercise



Canteen Gas and Food
Poisoning Exercise

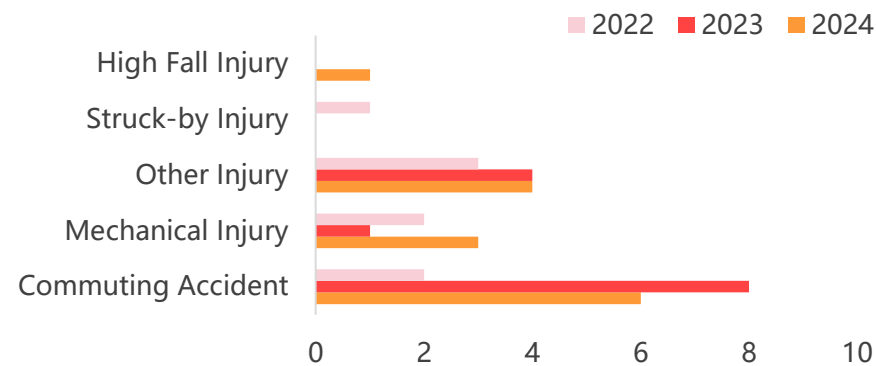
Accident and Incident (Work-related) Management

Kaifa continuously improves the 'Guidelines for the Management Process of Reporting, Investigating, and Handling Production Safety Accidents' to ensure standardization and rationalization of accident reporting, cause investigation, and responsibility handling. It also encourages employees to report safety accidents such as near misses, first aid, and work-related injuries promptly, educate personnel related to responsibility accidents promptly, and ensure the basic rights and interests of injured employees.

Kaifa Security Accidents and Incidents (2022-2024)

Categories of Incidents	2022	2023	2024
Near-miss incidents	14	12	8
First aid incidents	-	30	75
Work-related accidents with time loss	8	13	11
Fatalities	0	0	0
Occupational diseases	0	0	0

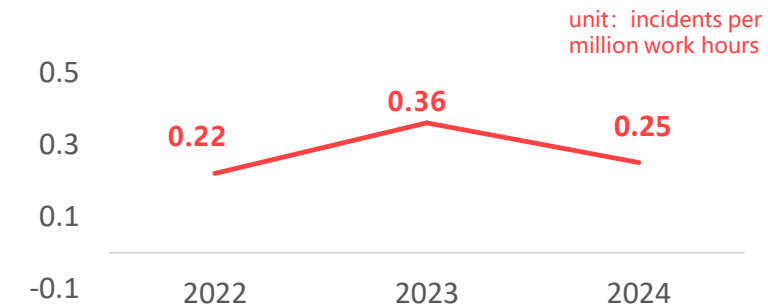
Main Categories of Work-related Injury Accidents (2022-2024)



- Kaifa continues to strengthen the collection and management of emergency incidents and near misses, and effectively monitor and analyze them.
- In the past three years, the main injured areas of the company were fingers, feet, and legs, all of which were minor injuries.

2024- Accident Rate Data

Incidents Rate per Million Work Hours in the Last Three Years (%)



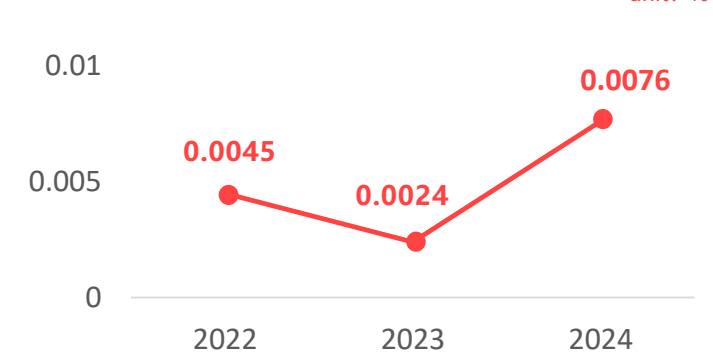
Fatality Rate of Work-related Incidents

0 people/M h

Rate of Work-related Injuries with Severe Consequences

0 times/M h

Lost Work Hours Rate per Million Work Hours in the Last Three Years (%)



Rate of Incidents with Significant Lost Work Hours per Million Work Hours

0 times/M h

06

Creators of Social Value

We consistently pay attention to and actively fulfill our social responsibilities. Centered around the national rural revitalization strategy and themes such as community development, environmental protection, and supporting vulnerable groups, we join hands with our employees to organize diverse philanthropic activities. Through our concrete actions, we give back to society and contribute to Kaifa's strength.



Donation for Vulnerable Groups in 2024 (RMB): **1.5M**



Cumulative Donations for Thalassemia Children in 15 years (RMB): **2.4M**





Promoting Employment

Kaifa consistently promotes the implementation of stable employment policies and leverages industrial growth to generate job opportunities. Through collaborations with educational institutions and targeted job fairs, Kaifa attracts talented individuals from both society and universities to promote Kaifa's high-quality development in the high-end manufacturing field. Moreover, Kaifa prioritizes the recruitment of local employees in its various factory locations, thereby fostering employment opportunities in nearby communities.

Advancing School-Enterprise Collaboration

To enhance its technological R&D capabilities and drive the commercialization of research achievements in relevant fields, Kaifa fosters internship and employment opportunities for university students. Adhering to the principles of shared resources, complementary advantages, shared responsibilities, and mutual benefits, Kaifa collaborates with renowned domestic and international universities on projects involving school-enterprise cooperation, joint training programs, and internship initiatives. Kaifa establishes innovation centers to facilitate technological collaboration and knowledge exchange between Kaifa and universities, and the research has been successively applied to high-end manufacturing and advanced semiconductor packaging businesses, enhancing the technological competitiveness of the products.



Technology Research and Development Projects

For the company's technological innovation projects, the research teams of both parties will jointly carry out technological breakthroughs through technical cooperation and apply them to practical business.



Joint Training Programs

Addressing Kaifa's talent needs, Kaifa establishes agreements with universities for joint graduate training, working together to fulfill student education and teaching tasks.



Internship Programs

In response to Kaifa's management and business requirements, Kaifa establishes agreements with universities for school-enterprise collaboration internship programs, jointly providing students with professional internship opportunities.



Case

School-Enterprise Cooperation

Kaifa has established the Management Measures for School-Enterprise Collaboration Platform, which aims to foster the successful execution of research projects through provisions such as research grants and student internship support. Based on the academic achievements and professional competencies of participating researchers, monthly internship allowances ranging from RMB 5,000 to 10,000 are provided. Moreover, additional benefits including complimentary accommodation, meal subsidies, accident insurance coverage, and overtime compensation are offered. Participants engaged in Kaifa's research and development initiatives may also be eligible for project bonuses based on their contributions. Upon completion of the joint training program, exceptional students who express a genuine interest in long-term career growth at Kaifa can enter into labor contracts aligned with salary levels commensurate with recent graduates.



New Graduates and Interns Officially Join Kaifa



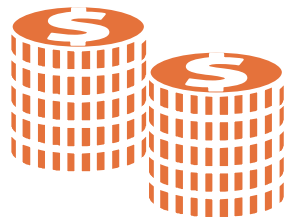
Public Welfare Actions

The growth of a company is inseparable from the support of society. Kaifa has always been proactive in responding to national strategic needs by leveraging its business advantage. It actively engages in and supports initiatives related to rural revitalization, agricultural assistance, environmental protection, community welfare, and volunteer activities. By continuously focusing on and participating in social welfare endeavors, Kaifa upholds its corporate values of serving society.

Empowering Rural Revitalization

Kaifa actively responds to the national strategy of empowering rural revitalization. In accordance with government requirements, Kaifa supports the construction of projects such as 'Five Revitalizations' and 'Rural poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing' in designated assistance areas by donating monetary funds. In addition, by organizing activities of selling agricultural and sideline products, Kaifa aims to promote rural revitalization, fulfill corporate social responsibilities, and promote sustainable development in the assisted areas.

Assistance to Rural Revitalization in 2024



Donated Monetary Funds

1.50M RMB

Supporting Agricultural
and Sideline Products

460,000 RMB



Case

Food Tasting Event to Promote Rural Revitalization

Kaifa actively responded to the call of the Third Agricultural Assistance Week and organized food-tasting activities in Zhen'an, Shanxi Province, and Langzhong, Sichuan Province. Through these activities, we promoted the sales of high-quality agricultural products in designated and targeted support counties. By 2024, a total of approximately 460,000 yuan worth of agricultural and sideline products are purchased in the form of consumer assistance, promoting economic development in the assisted areas.



Agricultural Assistance Week

Engaging in Community Welfare

We actively participate in community activities, consistently linking the development of our company with the flourishing of the community. We are committed to maintaining long-term and close connections with various social groups and fostering collaboration. Voluntary blood donation is an important guarantee for the blood source required for medical treatment. It is a continuation of hope, a transmission of love, and a relay of life. Kaifa has been continuously carrying out blood donation activities for many years. As Kaifa continues to grow, we actively contribute to community development through tangible actions, promoting harmonious progress within the community.



Case

Blood Donation Activities

Kaifa Dongguan Blood Donation Activities

Kaifa Dongguan has been carrying out blood donation activities for 8 consecutive years. During the reporting period, Kaifa Dongguan jointly organized a voluntary blood donation activity with the local community, donating a total of 20,600ml of blood.



Kaifa Chongqing Blood Donation Activities

During the reporting period, Kaifa Chongqing collaborated with Yufengshan Town Convenience Service Center in Yubei District to carry out a voluntary blood donation activity, donating a total of 4,000ml of blood.



Caring for Vulnerable Groups

We uphold the belief that we must pay extra attention, care, and concern to marginalized populations for a long time. We consistently focus on the well-being and development of vulnerable groups and support them through a diverse range of organized activities. We give back to society and convey genuine compassion through a sense of responsibility with love.



Case

Visit Rotary Clubs and Disabled Children's Welfare Centers

Kaifa Malaysia has been continuously supporting social charity organizations for many years and has donated a total of 99,200 Malaysian Ringgit (approximately 160,000 RMB) in funds and materials since 2018. During the reporting period, Kaifa Malaysia donated funds to the Rotary Club and Disabled Children's Welfare Center for the daily dialysis of kidney disease patients and the daily living expenses of disabled children.



Donated to the Disabled Children's Welfare Center

Case

Charity Project for Thalassemia Children

Kaifa joined the 'Fuel Action' project under the Shenzhen Care Action brand in 2010 and has been unwavering in its support since then. Over the past 15 years, our total donations to the cause have reached RMB 2.4 million Yuan, and the funds are mainly used to provide 'fuel card' support and bone marrow transplantation surgery for more than 80 impoverished children in areas such as Baise and Hechi, Guangxi province, and Heyuan, Guangdong province.



2024 Charity Project for Thalassemia Children



2024 'Caring Star' Awarding Ceremony

Advocating Environmental Protection

We are committed to green development and the continuous promotion of ecological civilization. In 2024, Kaifa actively organized diverse environmental protection initiatives including tree planting activities, weeding activities, and plant-protecting activities, aligning with the fundamental national policies and principles of environmental protection. We aim to instill in all employees a sense of awareness and action towards environmental protection, as well as promoting green production and operations. By enhancing employees' environmental consciousness, we encourage everyone to start with small actions in their daily lives, collectively safeguarding the environment and making contributions to preserving a healthy ecological environment.



Case

Establishing a Green Awareness and Jointly Building Beautiful Factories

Kaifa's employees have taken practical actions to participate in environmental protection activities, contributing their efforts to make the factories green and environmentally friendly, jointly building a beautiful home.



Kaifa Hefei Planting Trees Activity



Kaifa Dongguan Planting Trees Activity

ESG Performance Table

Responsible Governance

Scope of Data During the Reporting Period
The scope of ESG performance data is consistent with the scope of the 2024 Kaifa Annual Report.

Change in Scope of Data
None

Economic Performance¹

Indicator	Unit	2023	2024
Economic Performance			
Revenue	billion RMB	14.27	14.83
Net Profit	billion RMB	0.82	1.09

Indirect Economic Performance

Indicator	Unit	2023	2024
Social Value			
Research and Development Investment	million RMB	362. 02	423.24
Total Cumulative Number of Patents	count	504	538
Donation and Rural Revitalization	million RMB	1.80	2.17

Note:
1. For economic performance data, please refer to the 2024 Kaifa Annual Report
2. .The "/" in the ESG performance table represents data that has not been collected or segmented for 2023.

Business Ethics²

Indicator	Unit	2023	2024
Anti-Corruption			
Percentage of Operations Taken Anti-Corruption Risk Assessment	%	100	100
Communication and Training about Anti-corruption (Governance Body)			
Percentage of Accepted Governance Body	%	/	100
Total Number of Accepted Governance Body	people	/	11
Communication and Training about Anti-corruption (Employees)			
Percentage of Accepted Key Employees	%	/	100
Total Number of Accepted Purchasers	Participant	/	1,080
Communication and Training about Anti-corruption (Suppliers)			
Total Number of Accepted Suppliers	participant	/	24,238

Sustainable Environmental Management^{1,2}

Scope of Data During the Reporting Period

The scope of ESG performance data is consistent with the scope of the 2024 Kaifa Annual Report.

Change in Scope of Data

In 2024, greenhouse gas verification was conducted in accordance with the ISO14064-1 standard, and the scope of other indirect (Scope 3) greenhouse gas emissions was expanded.

Emissions

Indicator	Unit	2023	2024
Exhaust Gas Emission			
NO _x	kg	109.08	90.13
VOC	Kg	15,145.55	8,791.01
PM	kg	374.79	1,774.87
Greenhouse Gas (GHG) ³			
Direct GHG Emissions (Scope 1)	tCO ₂ e	22,118.38	16,524.90
Location Based Indirect GHG Emissions (Scope 2) ⁴	tCO ₂ e	194,977.35	155,840.19
Other Indirect GHG Emissions (Scope 3) ⁵	tCO ₂ e	4,717,157.52	3,297,299.55
Direct GHG Emissions Intensity (Scope 1) ⁶	tCO ₂ e/M RMB	4.39	3.00
Location Based Indirect GHG Emissions Intensity (Scope 2)	tCO ₂ e/M RMB	38.71	28.30
Other Indirect GHG Emissions (Scope 3)	tCO ₂ e/M RMB	936.48	598.90

Note:

1. Unless otherwise specified, the scope of environmental performance data includes all subsidiaries of Kaifa that have production.

2. When calculating the intensity of environmental performance data, the value per million yuan (/M RMB) is the value added per million yuan (VA), and the VA is the VA value for the current year.

3. Greenhouse gas inventory data, in compliance with ISO14064-1:2018 standard, including greenhouse gas emissions for all categories 1-6. And we use the GHG Protocol standard method for verification at the same time.

Water

Indicator	Unit	2023	2024
Water Withdrawal			
Water Withdrawal Intensity ⁶	ton/M RMB	540.44	495.70
Total Water Withdrawal ⁶	ton	2,722,255.00	2,729,943.56
Third-Party Provided ⁶	ton	2,722,255.00	2,729,943.56
Wastewater Discharge			
Wastewater Discharge after Treatment	ton	475,101.68	658,463.30
Water Saving			
Water Savings ⁶	ton	-41,086.00	-7,688.56
Recycled Water Volume	ton	8,665,624.93	14,250,397.00
Water Reuse Rate ⁶	%	76.10	83.92

4. Due to the adjustment of electricity consumption data by Kaifa Payton, the indirect (Scope 2) greenhouse gas emissions data based on location will increase in 2023.

5. Due to the greenhouse gas verification statement obtained by Kaifa Chengdu and Kaifa Dongguan after the 2023 ESG report was released, there will be an increase in other indirect (Scope 3) greenhouse gas emissions data in 2023.

6. Due to the adjustments in the total water withdrawal data, the 2023 data in the content of water will increase.

7. Due to the adjustments in wastewater discharge data after treatment, the 2023 data will increase.

Energy

Indicator	Unit	2023	2024
Energy ^{1,2}			
Total Energy Consumption ³	megajoules	1,201,435,457.00	1,184,698,027.49
Non-renewable Energy Usage ³	megajoules	91,751,889.50	90,530,577.61
Gasoline ³	megajoules	3,590,135.34	3,879,186.90
Diesel ³	megajoules	8,320,990.41	6,162,913.01
Natural Gas ³	megajoules	79,840,763.66	80,488,477.70
Renewable Energy Usage ³	megajoules	49,242,160.53	111,168,193.89
Photovoltaic Power Generation (for internal use) ³	megajoules	20,958,877.60	26,043,519.01
Purchased Green Electricity ³	megajoules	28,283,282.93	85,124,674.87
Purchased Municipal Electricity ³	megajoules	1,060,441,406.74	982,999,256.00
Energy Intensity			
Energy Consumption Intensity ⁴	tons standard coal / M RMB	8.14	7.34
Power Consumption Intensity ⁴	tons standard coal / M RMB	7.52	6.78
Reduce Energy Consumption			
Annual Energy Saving	megajoules	/	16,737,429.28
Annual Power Saving ³	megajoules	/	15,516,117.40

Note:

1. The main sources of energy consumption for Kaifa are natural gas, gasoline, diesel, photovoltaic power generation, purchased electricity, and purchased clean energy.

2. The energy consumption data is calculated based on the consumption of electricity and fuel, using the relevant conversion factors provided by the General Guidelines for Comprehensive Energy Consumption Calculation (GB/T 2589-2020).

3. Due to incorrect use of megajoules, we hereby correct the energy data for 2023.

4. Due to adjustments in energy data, there will be an increase in the energy consumption intensity and power consumption intensity data for 2023.

Waste

Indicator	Unit	2023	2024
Waste			
Total Weight of Waste	ton	4,231.83	4,942.71
Directed to Disposal	ton	2,311.94	2,595.49
Diverted from Disposal	ton	1,919.89	2,347.23
General Waste			
Total Weight of General Waste	ton	2,311.94	2,595.49
Diverted from Disposal	ton	2,311.94	2,595.49
General Waste Intensity	ton/M RMB	0.46	0.47
Hazardous Waste			
Total Weight of Hazardous Waste	ton	1,919.89	2,347.23
Directed to Disposal	ton	1,919.89	2,347.23
Hazardous Waste Intensity	ton/M RMB	0.38	0.43

People-Centric Employer

Scope of Data During the Reporting Period

The scope of ESG performance data is consistent with the scope of the 2024 Kaifa Annual Report.

Change in Scope of Data

None

Talent Recruitment

Indicator	Unit	2023	2024
Employees			
Total Employees	people	17,242	20,330
Key Employees	people	716	777
Total Employees Divided by Gender			
Male	%	66.9	67.6
Female	%	33.1	32.4
Total Employees Divided by Nationality			
China Mainland	%	87.6	89.8
Others	%	12.4	10.2
Total Employees Divided by Age			
Below 30	%	65.5	68.6
30-50	%	34.5	29.5
Above 50	%		1.9
Technical and Management Personnel Divided by Educational Level			
College and Below	%	34.8	33.0
Bachelor Degree	%	58.1	58.8
Master Degree and Above	%	7.1	8.2

Indicator	Unit	2023	2024
Employment			
Collective Bargaining Agreements Signing Rate (Mainland China)	%	100	100
New Employees			
Total New Employees	people	8,482	8,087
Total New Employees Divided by Gender			
Male	%	/	71.0
Female	%	/	29.0
Total New Employees Divided by Nationality			
China Mainland	%	88.6	89.9
Others	%	12.4	10.1
Employee Turnover			
Total Employee Turnover Rate	%	12.9	11.8
Total Key Employee Turnover Rate	%	7.96	4.2
Total Employee Turnover Rate Divided by Gender			
Male	%	/	67.5
Female	%	/	32.5
Total Employee Turnover Rate Divided by Nationality			
China Mainland	%	/	77.8
Others	%	/	11.2

Anti-Discrimination

Indicator	Unit	2023	2024
Anti-Discrimination			
Total Anti-Discrimination Incidents	times	0	0

Training and Development

Indicator	Unit	2023	2024
Employee Training and Development¹			
Coverage Rate of Employee Regular Performance Assessment and Career Development Assessment	%	100	100
Coverage Rate of Employee Training	%	87	90
Total Employee Training Hours	hour	133,372	146,842
Average Employee Training Hours	hour	34.1	35.7
Average Employee Training Hours Divided by Gender			
Male	hour	34.2	35.6
Female	hour	33.7	37.0
Occupational Health and Safety (OHS) Training²			
Coverage Rate of OHS Training	%	100	100
Total OHS Training	hour	481,380	524,430
Average OHS Training Hours	hour	27.92	25.79

Diversity and Equal Opportunities

Indicator	Unit	2023	2024
Diversity and Equal Opportunities			
Minority Employees	people	/	3,029
Disabled Employees	people	107	83

Occupational Health and Safety

Indicator	Unit	2023	2024
Occupational Health and Safety			
Number of Death caused by Work-Related Injuries Death	people	0	0
Death caused by Work-related Injuries per Million Work Hours	%	0	0
Number of Serious Work-related Injuries (excluding deaths)	people	0	0
Work-related Injuries with Severe Consequences (excluding deaths) per Million Work Hours	%	0	0
Recorded Work-related Injuries	people	13	11
Incidents Rate per Million Work Hours	%	0.36	0.25
Lost Work Hours Rate per Million Work Hours	%	0.0024	0.0076
Deaths Caused by Work-related Health Issues	people	0	0

Note:

1. The data only includes technical and management personnel.

2. The data includes all employees.

Benchmarking Index

Ten Principles of the United Nations Global Compact Content Index

Ten Principles of the United Nations Global Compact		Location	Page(s)
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Human Rights Protection	PP. 77-80
	Principle 2: make sure that they are not complicit in human rights abuses	Human Rights Protection	PP. 77-80
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Human Rights Protection	PP. 77-80
	Principle 4: the elimination of all forms of forced and compulsory labor	Human Rights Protection	PP. 77-80
	Principle 5: the effective abolition of child labor	Human Rights Protection	PP. 77-80
	Principle 6: the elimination of discrimination in respect of employment and occupation	Human Rights Protection	PP. 77-80
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	Addressing Climate Change Environmental Management	PP. 21-25 PP. 50-52
	Principle 8: undertake initiatives to promote greater environmental responsibility	Addressing Climate Change Environmental Management	PP. 21-25 PP. 50-52
	Principle 9: encourage the development and diffusion of environmentally friendly technologies	Energy and Resource Management Pollution and Waste Management Product Ecological Design	PP. 53-54 PP. 55-56 P. 64
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Business Ethics	PP. 45-48

Guidelines for Social Responsibility of Listed Companies of the Shenzhen Stock Exchange

Articles		Location	Page(s)
Chapter 1 General Provisions	Article 3	Sustainability Management	PP. 10-15
	Article 4	Corporate Governance Business Ethics Customer Service	PP. 32-37 PP. 45-48 P. 66
	Article 5	About This Report Benchmarking Index	P. 3 PP. 111-117
	Article 6	About Kaifa	P. 6
Chapter 2 Protection of Shareholders' and Creditors' Rights and Interests	Article 7	Corporate Governance	PP. 32-37
	Article 8	Corporate Governance	PP. 32-37
	Article 9	Corporate Governance	PP. 32-37
	Article 10	Corporate Governance	PP. 32-37
	Article 11	Corporate Governance Tax Governance ESG Performance Table	PP. 32-37 P. 42 PP. 106-110
	Article 12	Corporate Governance ESG Performance Table	PP. 32-37 PP. 106-110
Chapter 3 Protection of Employee Rights and Interests	Article 13	Talent Recruitment and Retention	PP. 86-90
	Article 14	Human Rights Protection Employee Union Talent Recruitment and Retention	PP. 70-79 PP. 80-85 PP. 86-90
	Article 15	Occupational Health and Safety	PP. 91-99
	Article 16	Human Rights Protection Talent Recruitment and Retention	PP. 70-79 PP. 86-90
	Article 17	Human Rights Protection	PP. 70-79
	Article 18	Employee Training and Development	PP. 26-30
	Article 19	Corporate Governance Employee Union	PP. 32-37 PP. 80-85

Articles		Location	Page(s)
Chapter 4 Protection of Suppliers, Clients and Customers Rights and Interests	Article 20	Corporate Governance Customer Service	PP. 32-37 P. 66
	Article 21	Customer Service	P. 66
	Article 22	Customer Service	P. 66
	Article 23	Supply Chain Management Supplier Management	PP. 68-69 PP. 70-72
	Article 24	Transparent Procurement	P. 73
	Article 25	Information Security	PP. 45-48
	Article 26	Customer Service	P. 66
Chapter 5 Environmental Protection and Sustainable Development	Article 27	Environmental Management	PP. 50-52
	Article 28	Addressing Climate Change Environmental Management Energy and Resource Management Pollution and Waste Management Product Ecological Design	PP. 21-25 PP. 50-52 PP. 53-54 PP. 55-56 P. 64
	Article 29	Energy and Resource Management Pollution and Waste Management	PP. 53-54 PP. 55-56
	Article 30	Environmental Management Pollution and Waste Management	PP. 50-52 PP. 55-56
	Article 31	Environmental Management	PP. 50-52
	Article 32	Promoting Employment	P. 101
Chapter 6 Public Relations and Social Welfare	Article 33	Public Welfare Actions	PP. 102-105
	Article 34	Stakeholder Engagement	P. 15
Chapter 7 Institutional Construction and Information Disclosure	Article 35	Sustainability Management	PP. 10-15
	Article 36	About This Report ESG Performance Table	P. 3 PP. 106-115

GRI Benchmarking Index

Statement of Use	Kaifa has reported in accordance with GRI Standards for the period of 2024/1/1 to 2024/12/31
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not Applicable

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
General Disclosures					
GRI 2: General Disclosures 2021					
2-1*	Organizational details	About Kaifa	*Not Applicable		
2-2*	Entities included in the organization’s sustainability reporting	About This Report			
2-3*	Reporting period, frequency and contact point	About This Report			
2-4*	Restatements of information	ESG Performance Table			
2-5*	External assurance	About This Report			
2-6	Activities, value chain and other business relationships	About This Report About Kaifa Industrial Value Customer Service Supply Chain Management Supplier Management			
2-7	Employees	Talent Recruitment and Retention ESG Performance Table			
2-8	Workers who are not employees	Occupational Health and Safety			

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
2-9	Governance structure and composition	Sustainability Management Corporate Governance			
2-10	Nomination and selection of the highest governance body	Corporate Governance			
2-11	Chair of the highest governance body	Corporate Governance			
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management Corporate Governance			
2-13	Delegation of responsibility for managing impacts	Sustainability Management Corporate Governance			
2-14	Role of the highest governance body in sustainability reporting	About This Report Sustainability Management Corporate Governance			
2-15	Conflicts of interest	Corporate Governance			
2-16	Communication of critical concerns	Sustainability Management Corporate Governance			
2-17	Collective knowledge of the highest governance body	Sustainability Management Corporate Governance			
2-18	Evaluation of the performance of the highest governance body	Corporate Governance	2-18 a-c	Confidential	Note 1
2-19	Remuneration policies	Sustainability Management Corporate Governance			
2-20	Process to determine remuneration	Corporate Governance			
2-21	Annual total compensation ratio	Omitted	2-21 a-c	Confidential	Note 1
2-22	Statement on sustainable development strategy	A Message from the Chairman Sustainability Management			

Note 1: Information classified as confidential and will not be disclosed.

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
2-23	Policy commitments	Business Ethics Supply Chain Management Human Rights Protection			
2-24	Embedding policy commitments				
2-25	Processes to remediate negative impacts	Corporate Governance Business Ethics			
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Management Corporate Governance Business Ethics			
2-27	Compliance with laws and regulations	See details in sections of the Report			
2-28	Membership associations	Honors and Achievements Industrial Value			
2-29	Approach to stakeholder engagement	Sustainability Management			
2-30	Collective bargaining agreements	Human Rights Protection			
Material Topics					
GRI 3: Material Topics 2021					
3-1*	Process to determine material topics	Sustainability Management	*Not Applicable		
3-2*	List of material topics	Sustainability Management			
GRI 201: Economic Performance 2016					
3-3	3-3 Management of material topics	Sustainability Management Addressing Climate Change Talent Recruitment and Retention ESG Performance Table			
201-1	Direct economic value generated and distributed	ESG Performance Table			

Note 2: Accurate disclosure is not possible due to the lack of complete.

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
201-2	Financial implications and other risks and opportunities due to climate change	Addressing Climate Change	201-2 a-iii 201-2 a-v	Information Incomplete	Note 2
201-3	Defined benefit plan obligations and other retirement plans	Talent Recruitment and Retention	201-3 a-d	Information Incomplete	Note 2
201-4	Financial assistance received from government	Refer to Kaifa 2024 Annual Report			
GRI 203: Indirect Economic Impacts 2016					
3-3	Management of material topics	Sustainability Management Public Welfare Actions			
203-1	Ratios of standard entry level wage by gender compared to local minimum wage	Public Welfare Actions			
203-2	Proportion of senior management hired from the local community	Public Welfare Actions			
GRI 205: Anti-corruption 2016					
3-3	Management of material topics	Sustainability Management Business Ethics Transparent Procurement			
205-1	Operations assessed for risks related to corruption	Business Ethics			
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics Transparent Procurement			
205-3	Confirmed incidents of corruption and actions taken				
GRI 206: Anti-competitive Behavior 2016					
3-3	Management of material topics	Sustainability Management Business Ethics			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Ethics			
GRI 207: Tax 2019					
3-3	Management of material topics	Sustainability Management Tax Governance			

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
207-1	Approach to tax	Tax Governance			
207-2	Tax governance, control, and risk management	Refer to Kaifa 2024 Annual Report			
207-3	Stakeholder engagement and management of concerns related to tax				
207-4	Country-by-country reporting				
GRI 302: Energy 2016					
3-3	Management of material topics	Sustainability Management Energy and Resource Management ESG Performance Table			
302-1	Energy consumption within the organization	Energy and Resource Management ESG Performance Table			
302-2	Energy consumption outside of the organization	Omitted	302-2 a-c	Information Incomplete	Note 2
302-3	Energy intensity	Energy and Resource Management ESG Performance Table			
302-4	Reduction of energy consumption				
302-5	Reductions in energy requirements of products and services	Omitted	302-5 a-c	Information Incomplete	Note 2
GRI 303: Water and Effluents 2018					
3-3	Management of material topics	Sustainability Management Energy and Resource Management Pollution and Waste Management ESG Performance Table			
303-1	Interactions with water as a shared resource	Energy and Resource Management			
303-2	Management of water discharge-related impacts	Pollution and Waste Management			
303-3	Water withdrawal	Energy and Resource Management			
303-4	Water discharge	Pollution and Waste Management			

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
303-5	Water consumption	Omitted	303-5 a-d	Information Incomplete	Note 2
GRI 305: Emissions 2016					
3-3	Management of material topics	Sustainability Management Addressing Climate Change Pollution and Waste Management ESG Performance Table			
305-1	Direct (Scope 1) GHG emissions	Addressing Climate Change ESG Performance Table			
305-2	Energy indirect (Scope 2) GHG emissions				
305-3	Other indirect (Scope 3) GHG emissions				
305-4	GHG emissions intensity				
305-5	Reduction of GHG emissions				
305-6	Emissions of ozone-depleting substances (ODS)	Omitted	302-2 a-d	Information Incomplete	Note 2
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Pollution and Waste Management			
GRI 306: Waste 2020					
3-3	Management of material topics	Sustainability Management Pollution and Waste Management ESG Performance Table			
306-1	Waste generation and significant waste-related impacts	Pollution and Waste Management			
306-2	Management of significant waste-related impacts				
306-3	Waste generated	Pollution and Waste Management ESG Performance Table			
306-4	Waste diverted from disposal				
306-5	Waste directed to disposal				

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
GRI 308: Supplier Environmental Assessment 2016					
3-3	Management of material topics	Sustainability Management Supplier Management			
308-1	New suppliers that were screened using environmental criteria	Supplier Management			
308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Management			
GRI 401: Employment 2016					
3-3	Management of material topics	Sustainability Management Talent Recruitment and Retention ESG Performance Table			
401-1	New employee hires and employee turnover	Talent Recruitment and Retention ESG Performance Table			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees				
401-3	Parental leave	Omitted	401-3 a-e	Information Incomplete	Note 2
GRI 403: Occupational Health and Safety 2018					
3-3	Management of material topics	Sustainability Management Occupational Health and Safety ESG Performance Table			
403-1	Occupational health and safety management system	Occupational Health and Safety			
403-2	Hazard identification, risk assessment, and incident investigation				
403-3	Occupational health services				
403-4	Worker participation, consultation, and communication on occupational health and safety				

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
403-5	Worker training on occupational health and safety	Occupational Health and Safety ESG Performance Table			
403-6	Promotion of worker health				
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships				
403-8	Workers covered by an occupational health and safety management system				
403-9	Work-related injuries				
403-10	Work-related ill health				
GRI 404: Training and Education 2016					
3-3	Management of material topics	Sustainability Management Employee Training and Development ESG Performance Table			
404-1	Average hours of training per year per employee	Employee Training and Development ESG Performance Table			
404-2	Programs for upgrading employee skills and transition assistance programs				
404-3	Percentage of employees receiving regular performance and career development reviews				
GRI 405: Diversity and Equal Opportunity 2016					
3-3	Management of material topics	Sustainability Management Talent Recruitment and Retention ESG Performance Table			
405-1	Diversity of governance bodies and employees	Talent Recruitment and Retention ESG Performance Table			
405-2	Ratio of basic salary and remuneration of women to men	Omitted	405-2 a-b	Confidential	Note 1

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
GRI 406: Non-discrimination 2016					
3-3	Management of material topics	Sustainability Management Human Rights Protection			
406-1	Incidents of discrimination and corrective actions taken	Human Rights Protection			
GRI 408: Child Labor 2016					
3-3	3-3 Management of material topics	Sustainability Management Human Rights Protection Supply Chain Management			
408-1	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights Protection Supply Chain Management			
GRI 409: Forced or Compulsory Labor 2016					
3-3	3-3 Management of material topics	Sustainability Management Human Rights Protection Supply Chain Management			
409-1	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights Protection Supply Chain Management			
GRI 413: Local Communities 2016					
3-3	3-3 Management of material topics	Sustainability Management Environmental Management Public Welfare Actions			
413-1	413-1 Operations with local community engagement, impact assessments, and development programs	Environmental Management Public Welfare Actions			
413-2	413-2 Operations with significant actual and potential negative impacts on local communities	Omitted	413-2 a	Not Applicable	Non-existent

GRI Standard	Disclosure	Location	Omission		
			Requirement (s) Omitted	Reason	Explanation
GRI 414: Supplier Social Assessment 2016					
3-3	3-3 Management of material topics	Sustainability Management Supplier Management			
414-1	414-1 New suppliers that were screened using social criteria	Supplier Management			
414-2	414-2 Negative social impacts in the supply chain and actions taken	Supplier Management			
GRI 416: Customer Health and Safety 2016					
3-3	3-3 Management of material topics	Sustainability Management Quality Management Customer Service			
416-1	416-1 Assessment of the health and safety impacts of product and service categories	Quality Management Customer Service			
416-2	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Service			
GRI 418: Customer Privacy 2016					
3-3	3-3 Management of material topics	Sustainability Management Information Security Customer Service			
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security Customer Service			

Appendix – Greenhouse Gas Verification Statements (Kaifa Headquarters and Subsidiaries)



Kaifa (Headquarters)



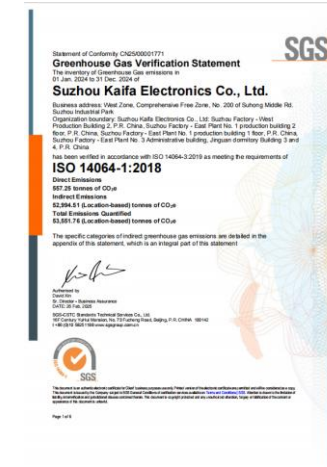
Kaifa Chongqing



Kaifa Shiyan



Kaifa Dongguan



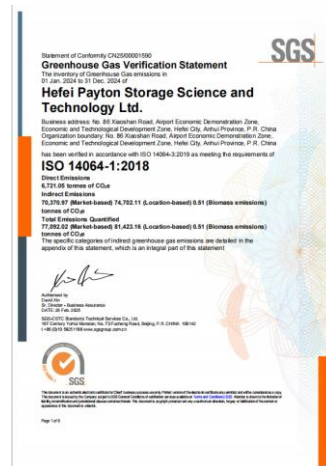
Kaifa Suzhou Electronics



Kaifa Suzhou



Kaifa Payton



Kaifa Hefei



Kaifa Malaysia – Penang



Kaifa Malaysia – Johor



Kaifa Chengdu



Sustainability Vision

To be a Reliable and Respectable Enterprise, Strive for a Sustainable and Better Future.

Report Retrieval

You can access and retrieve this report by referring to the designated information disclosure media for Kaifa, such as the cninfo.com.cn website or the Kaifa website (www.kaifa.cn)