HKC 惠科

HKC Corporation Limited

Annual ESG Report 2022

Report Overview

Period and Scope of Report

This is the first ESG report issued by HKC Corporation Limited and its manufacturing enterprises, and the information and data in the report cover all environmental, social, and corporate governance-related practices for the period from January 1 to December 31, 2022, and some of the data and information are not limited to 2022 for sake of continuity and comparativeness of the report. Unless otherwise noted, this Report primarily covers subjects including HKC Corporation Limited Headquarters and its eight manufacturing enterprises, and applies to all entities operationally controlled by HKC Corporation Limited. The eight manufacturing enterprises are: Chongqing HKC Optoelectronics Technology Co., Ltd., Chuzhou HKC Optoelectronics Technology Co., Ltd., Mianyang HKC Optoelectronics Technology Co., Ltd., Changsha HKC Optoelectronics Technology Co., Ltd., Chongqing HKC Jinyang Technology Co., Ltd., Yichang HKC Technology Co., Ltd., Hefei HKC Jinyang Technology Co., Ltd., Guangxi HKC Intelligent Display Co., Ltd.

Referenced Standards and Guidelines

This report refers to the requirements of the GRI Sustainability Reporting Standard (GRI Standard) issued by the Global Sustainability Standards Board (GSSB), ISO 26000:2010 Guidelines for Corporate Social Responsibility of the International Organization for Standardization, and GB/T36001-2015 Guidelines for the Preparation of Social Responsibility Reports.

Defining Report Content

During the selection process of the report content, the company followed the principles of criticality, completeness, and responsiveness of the GRI standard, elaborating from three aspects: organizational governance, society, and environment, with a focus on disclosing information about the company's ESG governance, product responsibility, environmental responsibility, employee responsibility, and common development. The collection of data and information for this report is in line with existing workflow of HKC Corporation Limited.

Abbreviations

For ease of presentation and reading, HKC Corporation Limited is referred to as "HKC" or "the Company" or "We" in the report; manufacturing enterprises under HKC Corporation Limited, e.g. Chongqing HKC Optoelectronics Technology Co., Ltd. is referred to as "HKC". HKC reserves the copyright of this report.

Third Party Assurance

To ensure the accuracy of the contents and information in this report, we have contracted an independent third party to perform a reasonable level assurance in line with AA1000 standard and ISAE3000 standard on selected key data for the 2022 report.

Publication

Our reports are published annually, both in print and in electronic file.
The electronic file is available on the Company's website: (http://www.szhk.com.cn/).

CONTENTS

Message from our Chairman

2022 marks a challenging year where the real industry faced unprecedented tests by the volatile international situation and sluggish market environment. However, thanks to the unity and hard work of all our employees and the joint efforts of our value chain partners, we still made outstanding progress in business operation, especially in the growth of our own brand against the trend and ranks among the top in sales at home and abroad. In addition, we continue to drive sustainable development and integrate ESG into the company's daily operations to make excellent progress in our carbon neutrality strategies, green factories, and cleaner production.

Adhering to the corporate philosophy of "Serving the society with advanced technology and a warm heart", HKC boasts strong R & D and production capacity with over 20 years' experience, and technological innovation has become the prime mover of business development. We perform in-depth studies on potential needs of customers, abide by the principle of customer-centered, strive to exceed customer expectation and provide ultimate customer service, continuous R&D investment, to establish a comprehensive quality management system throughout the entire value chain. HKC is recognized as one of the Top 500 Chinese Manufacturing Enterprises, National Green Factory, National Intellectual Property Advantageous Enterprise and China's Top 100 Electronic Information Enterprises ,our products have won the German iF Design Award, Red Dot Design Award and Golden Dot Design Award over and again. HKC products are sold across 100+ countries and regions around the world, and stable collaborative relationships have been fostered with quite a number of Top 500 enterprises.

To achieve a virtuous symbiotic development cycle with the external environment, HKC adopts a systematic environmental management mechanism to improve energy efficiency, save resources and reduce emissions through management innovation. All manufacturing sites under HKC have passed environmental management system certification in accordance with international standards, and we continue to promote carbon neutral strategies, green factories, and cleaner production to reduce dependence on natural resources and enhance waste recycling as stipulated by laws and regulations. The Company has invested RMB 1.447 billion in safety and environmental protection over the past three years, with water reuse rate and waste recycling rate exceeding 90%, contributing to good environmental performance. With more and more global attention to climate change, the Company will continue to promote carbon neutral actions at the operational level and across the entire supply chain, contributing to the "carbon peaking and carbon neutrality" strategy of China.

It is talents that inspire and drive HKC's sustainable development. We always adhere to the "people-orientation", respect engineers, provide a fair development platform for employees despite their nationalities, gender, age and education, and ensure mutual development and common growth of employees and the Company. In terms of health and safety, we pursue the goal of "zero accidents and zero injuries" and strive to create a safe and healthy working environment for all employees and promote the harmonious development of employees and the society. During the period of 2020-2022, the Company recorded no fatal accidents, no major safety accidents or cases of occupational diseases.

We care for all employees, and encourage them to be engaged with community activities. In 2022, our employees actively participated in various charitable activities - fighting against COVID-19, supporting farmers, donating for school funds, and donating blood for public welfare, etc. I am really proud of that. We will continue to promote sustainable procurement. While driving regional economic development, we will also push our suppliers in fulfilling their social responsibilities together with us and creating a clean, fair and responsible value chain across the board.

HKC has its own dreams. We are fighters that never give up or stop striving. Looking ahead, we don't expect a wide and bump-free road towards success. But I firmly believe that we are a responsible Company, and we are equipped with the courage to face up to whatever challenges that might be in the way, and we are destined to steer away from uncertainties sooner or later. Thank you everyone for being with us all along. We will continue to fight difficulties in future and stride towards our mission and objective of "enriching visual enjoyment, and becoming a respectable comprehensive service provider".

Chairman： **Wang Zhiyong**

Mission, Vision and Values

MISSION

Vision: Enrich visual enjoyment

We are specialized in the semiconductor display field; we aspire to change the future of the display industry;

We continue to enrich visual enjoyment by providing integrated quality display services.

VISION

Mission: Become a respectable comprehensive service provider of display solutions

We are customer-centered, continuously meeting customer needs, and never letting them down;

We are committed to the creation of vertical display industry chain, providing customers with richer and more valuable display solutions and comprehensive services;

We respect engineers, and are constantly devoted to R&D efforts, pursuing and ensuring best cost utilization, highest efficiency, and excellent services.

VALUES

Corporate values: Pursuit of truth and reality, honesty and integrity, pioneering and innovation, excellence-oriented

Pursuit of truth and reality: We strive for actual results with cautious, careful, and realistic working style;

honesty and integrity: We are customer-centered, trustworthy, respectable, and influence others with our own actions as promised;

Pioneering and innovation: We focus on technological innovation, stick to self-criticism and learning, keep improving ourselves, and provide excellent services with constant innovation;

Excellence-oriented: We believe that management serves operation. We strive for maximized innovation results, to provide best cost, efficiency, and service for our customers.

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2022 Company ESG Performance

HKC ESG Performance Facts & Figures 2022

Type	Performance Data	2022
Economics	Total assets (in 100 million yuan)	902.07
	Panel production (10,000 large boards)	506.49
	Intelligent display production (10,000 units)	936.61
	Sales revenue (in 100 million yuan)	271.34
	Operation cost (in 100 million yuan)	11.71
	Total tax payments (in 100 million yuan)	10.27
	R&D investment (in 10,000 yuan)	16.19
	Government reward and subsidy (in 10,000 yuan)	28.30
Environment	Investment of safety and environmental protection (RMB 100 million/year)	1.99
	Total amount of consumed water (tons/year)	17,001,528.28
	Wastewater discharge (ton/year)	14,197,811.5
	Intensity of water consumption per RMB 10,000 output value (tons/RMB 10,000)	6.266
	Wastewater treatment compliance rate (%)	100%
	Waste gas emission compliance rate (%)	100%
	Emission of solid wastes (tons/year)	90,745.53
	The amount of waste that can be reused or recycled (tons/year)	87,345.296
	Proportion of waste that can be reused or recycled (%)	96.3%

Type	Performance Data	2022
Environment	Total amount of water reused by panels (tons/year)	350,474,807
	Rate of recycling water reused by panel (%)	95.23%
	Greenhouse gas emissions(TCO$_{2-e}$/year)	6,540,141.06
	GHG emission intensity of RMB 10,000 output value (TCO2-e/RMB 10,000)	2.402
	GHG emission intensity per unit of product (TCO$_{2-e}$/unit)	0.452
	Total amount of electricity consumption (MWh/year)	3,217,286.5
	Natural gas (m³/year)	4,514,130
	Liquefied gas (kg/year)	15,700
	Diesel fuel (kg/year)	38,129.9
Social	Medical examination coverage of corporate employees (%)	100%
	Number of casualties on duty (person/year)	0
	No. of occupational disease break-out (case/year)	0
	Proportion of women administrative personnel at middle management level and above amongst managerial staff (%)	22%
	Average salary of operation staff vs. local minimum wage (%)	274%
	"Five insurances and one pension" coverage for corporate employees (%)	96.85%
	Employee compensation growth rate (%)	7.51%
	Same position compensation, male vs. female	1:1
	Labour contract signature ratio (%)	100%
	Total employee training duration (hours)	112,827
	Number of ESG criteria violations (child and forced labour) identified in supplier behavior (times)	0
	Proportion of total R&D investment in sales revenue (%)	6%
	Authorized patents (number)	5,229
	Authorized patents for inventions (number)	2,802
	Customer complaint handling rate (%)	100%
	Customer satisfaction (%)	94.34%

Approaching HKC

HKC adheres to the corporate philosophy of "Serving the society with advanced technology and a warm heart",strive to enrich visual enjoyment, and become a respected provider of comprehensive services for display solutions.

Company profile

1.1 Company profile

From 2020 to 2022

Awarded the honorary title of "China's Top 100 Electronic Information Enterprises"

Our products have won many industry awards, including German IF Design Award, Red Dot Award, Golden Dot Design Award, etc.

Awarded the title of "China's Top 500 Manufacturing Enterprises"

Founded in 2001, HKC Corporation Limited is a leading Chinese and world-renowned technology company specializing in semiconductor display, with the main business including research, development and manufacture of semiconductor display panels and other core display devices and intelligent display terminals. The Company adheres to its mission of enriching and improving human visual experience to satisfy people's continuous pursuit of information interaction quality and efficiency in various activities such as life, work, business and entertainment through continuous scientific and technological innovation and focus on customer experience. Devoted to the display field for more than twenty years, the Company has formed a series of core technologies matching its business development direction and market demands based on its deep understanding and agile grasp of the market demands for display terminals and through continuous R&D activities and technological innovations. It also deeply integrates the scientific research achievements such as the core technologies with the industry to integrate the industry chain from the semiconductor display panels to the intelligent display terminals, and actively explores the integration with new industries such as Internet of Things.

Always oriented to the market and customers, the Company comprehensively optimizes its production efficiency, manufacturing costs and product quality to rapidly respond and cover market applications and customer needs on the base of its comprehensive technology and product portfolio layout, efficient and fine and elastic process and the continuously improved intelligent manufacturing capabilities and on reliance of its four G8.6 TFT-LCD high-generation production lines with different technical characteristics and four display terminal production bases. After years of steady operation, the Company has built a positive brand image, as well as a relatively broad and high-quality customer base. It has imported many international brands with high influence such as Samsung, LG, HP, Dell, Lenovo, Xiaomi, TPV, TCL Electronics, Haier, Hisense, VESTEL and will continue to deepen the strategic cooperative relationship with high-quality customers.

In the semiconductor display panel business, the Company actively promotes the construction of Oxide TFT, current-type backplane and process platforms and product technology development while laying out its mainstream amorphous silicon a-Si TFT-LCD technology. It takes the lead in China to successfully develop the G8.6 high-generation Oxide RGB OLED backplane and construct the production technology platform and has completed the mass production technology and product validation of Oxide LCD. In addition, supported by its independently developed Oxide backplane technology platform, the Company actively lays out the advanced technology reserves in the field of high-generation OLED display while conducting research and development of innovative Mini LED technology to continuously improve its comprehensive layout with multi-technology routes in the new semiconductor display field. The Company continues to enrich the application scenarios of display panel products, and has achieved mass production and shipment of display panels for various application scenarios such as televisions, monitors, laptops, tablets, mobile phones, automotive, industrial control, etc., and continuously expands new application fields such as electronic paper, medical, and outdoor displays. According to Sigmaintell, the Company was ranked the third in LCD TV panel shipments, the fifth in monitor panel shipments and the sixth in smartphone panel shipments in the world in 2022.

In the intelligent display terminal business, the Company currently has four display terminal production bases in Chongqing Jinyang, Hefei Jinyang, Guangxi Intelligent Display and Yichang HKC, mainly producing TV terminals such as smart TVs and monitors, all-in-one PCs, laptops, tablet PCs, advertising machines, and intelligent fitness mirrors and other IT and intelligent IOT terminals. Relying on the core resources and technology accumulation in the field of semiconductor display panels and display terminals, the Company enters the field of smart IoT display terminals, providing smart IoT display terminal products for various application scenarios such as intelligent manufacturing, smart education, smart office, smart transportation, smart new retail, smart home and smart security. While further enriching the product line, it also effectively promotes the growth of the business and the upgrading of the core competitiveness.

Against the backdrop of favorable development opportunities in the global semiconductor display industry, the Company will continue to uphold the core values of "honesty and integrity, pioneering and innovation, pursuit of truth and reality, and excellence-oriented", intensify R&D and innovation, promote vertical integration of resources across the industry chain, and give full play to its competitive edges in technology research and development, customer resources, and industrial operations, improve efficiency and reduce costs to further build its strong core competitiveness, and provide its customers with high-quality products. Meanwhile, the Company will actively promote the deep integration of display with 5G, AI and IoT, make unremitting efforts to enrich human visual enjoyment.

Company profile

Product and customers

History of our company

Economic performance

Strategy analytics

Honors and Awards

Product and customers

1.2 Product and customers

Technological innovation has always been the critical driving force for the development of HKC. The displays manufactured by the Company cover a wide range of display applications of all sizes, featuring ultra-high-definition, ultra-thin, high color gamut, high refresh rate, etc.; corporate intelligent terminal business provides comprehensive intelligent and interconnected display applications and solutions covering the fields of intelligent manufacturing, intelligent education, intelligent office, intelligent transportation, intelligent new retail, intelligent household and intelligent security. HKC brand was awarded "Famous Trademark of China" by the Trademark Examination Board of the State Administration for Industry and Commerce. Corporate products are available in over 100 countries and regions across five continents, with collaborative relationships fostered with many domestic and foreign famous brands, and HKC-branded monitors rank high in the domestic market.

Our products

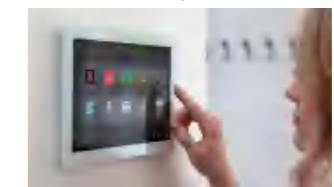Monitor panels for cell phones, tablets, laptops, desktop

Intelligent desks

In-vehicle display panels

Industrial control panels
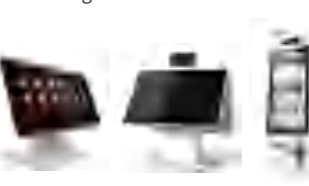
MD panels

Propaganda cloud screens for Party-building

Intelligent transportation

Own-branded monitors, all-in-one PCs

Intelligent new retail

LED

Customers and markets of HKC

Company profile

Product and customers

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Honors and Awards

1.3 History of our company

Display

History of HKC

2001
Company founded
√ Established in Shenzhen
√ Enter IT equipment field
√ Collaborate with Samsung and other international brands

2008
Business growth against the trend
√ The foundation team got ready prior to the financial crisis thanks to rich industrial experience
√ Become the top 50 industrial enterprises in Baoan District and the top 100 enterprises in Shenzhen against industrial trend

2011 ~2016
Strategic transformation into the panel field
√ Hefei and Yichang terminal bases put into operation in turn
√ To ensure the supply of core components and improve core competitiveness, the Company entered the upstream LCD panel industry

2017
Chongqing HKC G8.6 production line put into operation
√ The first G8.6 production line in China and the first high generation production line of HKC

2019
Chuzhou HKC G8.6 production line put into operation
√ The largest individual investment project in Chuzhou
√ A mere 69 days' lapse from arrival to power-on of the first exposure machine

2020
Mianyang HKC G8.6 production line put into operation
√ Major strategic projects for Go West Initiative
√ All-size coverage with efficient nesting technology

2021
Changsha HKC G8.6 production line put into operation
√ "Five 100" Major Industrial Projects of Hunan Province
√ Planning a large-size OLED production line

2020 ~2022
Entering the intelligent Internet of Things (IoT)
√ Introduce well-known investors such as SZVC, Xiaomi Group, BOE, etc.
√ Enter the field of display terminals for intelligent IoT
√ Establish 10+ subsidiaries and offices in the United States, the United Kingdom, Germany, the Netherlands, Latvia, Ghana, Japan, South Korea, Singapore, etc.

Future
Set up a RMB 100 billion flat panel display industry chain
√ 4 high generation production lines in full capacity
√ Deploy R&D of new display technology, optimize product structure, and continue to expand automotive, e-paper, medical, industrial control and other new applications
√ Large-size OLED production line put into operation to break through monopoly of Korean factory technology, claiming more market share of domestic and international high-end markets
√ Deep integration of new technologies such as 5G, AI and IoT

HKC

← Display terminal business development period → ← Expansion period of display panel business → ← Enter smart IOT and expand markets →

Company profile
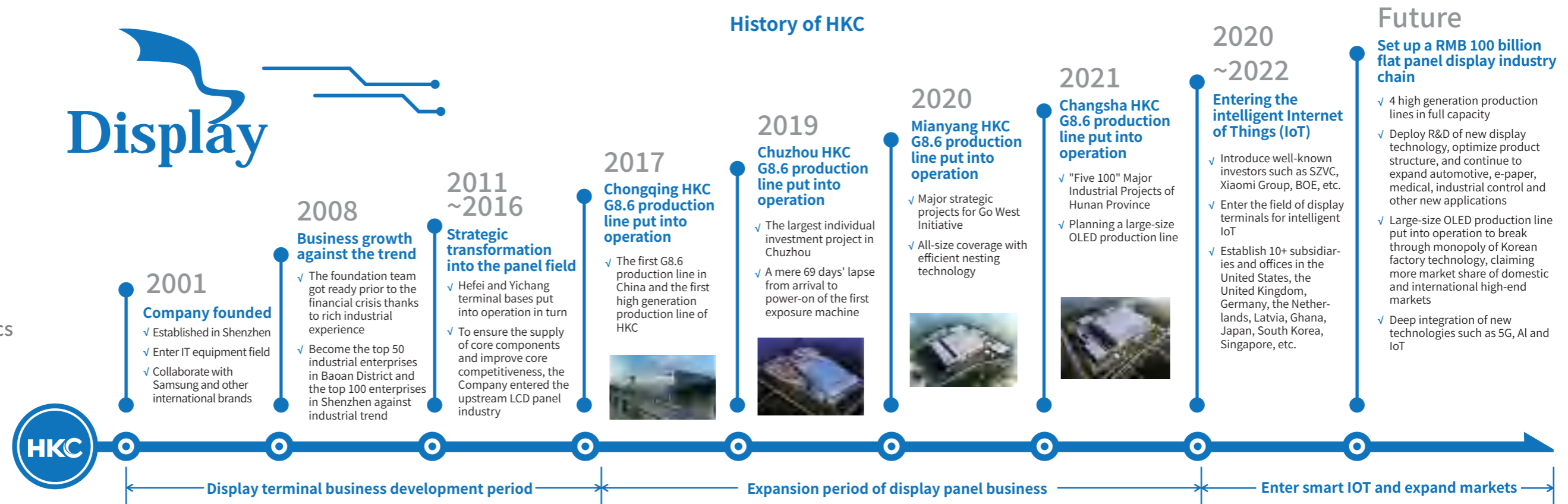
Product and customers

History of our company

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1.4 Economic performance

1 In 2022, 5,064,900 large boards and 9,366,100 units of intelligent displays sold, increased by 16.6% and 12.1% year-on-year.

In 2022, product technology R&D investment at RMB 1.619 billion, increased by 21.7% year-on-year

Various emergencies in 2022 had a great impact on the global economy, affecting sales and development of various industries at home and abroad, with market activities in many industries at all-time low. With the help of hard work and advantages in products, technology and brand of all staff of the Company, we sold 5,064,900 large panels and 9,366,100 units of intelligent displays, anincreased by 16.6% and 12.1% year-on-year, realizing a sales revenue of RMB27.134 billion. In 2022, the Company continued to invest in product R&D and technological innovation, with a total of RMB 1.619 billion in R&D, up by 21.7% year-on-year, accounting for 6% of annual sales revenue, laying a technological foundation for sustainable development in the future.

Key Economic Data for 2020-2022

Items	2020	2021	2022
Total assets (in 100 million yuan)	816.80	1,068.99	902.07
Panel production (10,000 large boards)	245.03	434.36	506.49
Intelligent display production (10,000 units)	930.49	835.79	936.61
Sales revenue (in 100 million yuan)	184.64	357.09	271.34
Operation cost (in 100 million yuan)	7.49	10.49	11.71
Total tax payments (in 100 million yuan)	6.07	23.06	10.27
R&D investment (in 10,000 yuan)	6.64	13.30	16.19
Government reward and subsidy (in 10,000 yuan)	4.24	5.43	28.30
Investment in safety and environmental protection (RMB 100 million)	8.65	3.84	1.99

Panel production (10,000 large boards)
245.03 | 434.36 | 506.49
2020 | 2021 | 2022

Intelligent display production (10,000 units)
930.49 | 835.79 | 936.61
2020 | 2021 | 2022

R&D investment (in 10,000 yuan)
6.64 | 13.30 | 16.19
2020 | 2021 | 2022

Investment in safety and environmental protection (RMB 100 million)
8.65 | 3.84 | 1.99
2020 | 2021 | 2022
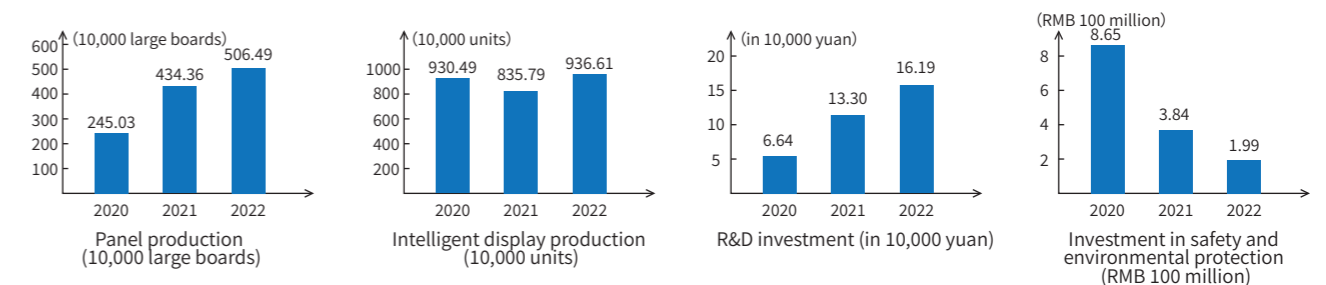
1.5 Strategy analytics

Advantages

1) The Company boasts a mature technology route and comprehensive display terminal manufacturing capacity, with technological innovation advantages；

2) Vertically integrated business model of the industry chain;

3) Rich and differentiated product portfolio;

4) Intelligent manufacturing and flexible production;

5) Global famous brand and customer resources.

Opportunities

1) The upstream and downstream industrial chain of China's display industry is improving with rising competitiveness;

2) Wide application of 5G network drives demand for intelligent terminals in multiple fields;

3) The development of the Internet of Things (IoT) promotes the transformation of flat panel displays into intelligent ports, unfolding new development opportunities.

■ Next step's strategic plan

In face of favorable development opportunities in the global semiconductor display industry, the Company will continue to expand its R&D and innovation efforts, promote vertical integration of resources across the industry chain, give full play to competitive edges of the Company in technology R&D, customer resources, industrial operations, etc., enhance efficiency, reduce costs, further build strong core competitiveness, and provide customers with high-quality products. The Internet of Things (IoT) industry is developing rapidly thanks to new technologies such as 5G, AI and IoT, and the Company will actively promote IoT innovation and launch intelligent IoT display terminal products across arious segments.

Based on the above development strategy, HKC has set specific development targets for different business sectors as follows:

1) The semiconductor display panel business segment plans to actively deploy R&D of new semiconductor display technologies, optimize product structure, and continue to expand wearable devices, household display and other new application areas to increase market share;

2) The intelligent display terminal business segment will continue to deepen its transformation, enrich application scenarios, and continuously improve shipment volume and market ranking.

1.6 Honors and awards

Name of honor/certificate	Awarded by	Date of Award
Model enterprises of China's WLI	Customs General Administration, the People's Republic of China	2014
Famous Trademark of China	Trademark Review and Adjudication Board of the State Administration for Market Regulation	2014.9
China's Top 100 Electronic Information Enterprises for 2015-2020	China Information Technology Industry Federation / Ministry of Industry and Information Technology	2015-2020
China's Top 10 Color TV Exporters for 2017-2019	China Chamber of Commerce for Import and Export of Machinery and Electronic Products	2017-2019
The 20th China Patent Award Excellence Award - Driving method, device and liquid crystal display panel (ZL201611213771.4)	National Intellectual Property Administration	2018.12
The 20th China Patent Award Excellence Award - Liquid Crystal Display Viewing Angle Color Difference Compensation Method, Device and Liquid Crystal Display (ZL201611232570.9)	National Intellectual Property Administration	2018.12
The 22nd China Patent Award Excellence Award - Pixel Circuit and Display Panel (ZL201810669669.8)	National Intellectual Property Administration	2021.6
China's Top 500 Manufacturing Enterprises	China Enterprise Confederation	2019-2020
Golden Dot Design Award--HKC Design Graphic Display T279Q	Taiwan Design Research Institute	2019.12
Red Dot Award ——4K MINI LED Graphics Monitor	Design Zentrum Nordrhein Westfalen	2020.7
IF Award——ANTGAMER - Sci-Fi Gaming Monitor	(iF Industrie Forum Design)	2021

Name of honor/certificate	Awarded by	Date of Award
Red Dot Award——ANTGAMER— Sci-Fi Gaming Monitor	Design Zentrum Nordrhein Westfalen	2021.3
AAA credit enterprise	China Enterprise Confederation and China Entrepreneur Association	2021.12
IF Award——HKC 27E1 Gaming Monitor	(iF Industrie Forum Design)	2022
Red Dot Award——KOORUI 27E1Q Gaming monitor	Design Zentrum Nordrhein Westfalen	2022.3
Industrial Internet Pilot Demonstration for 2021——Changsha HKC Optoelectronics Co., Ltd.	Information and Communications Administration Bureau of Ministry of Industry and Information Technology	2022.1
High-tech Enterprise——Changsha HKC Optoelectronics Co., Ltd.	Office of the National Steering Committee for the Administration of the Recognition of High-Tech Enterprises	2022.11
Technology Innovation Award * Design Award——Changsha HKC Optoelectronics Co., Ltd.	China Video Industry Association	2022.12
National Green Factory——Mianyang HKC Optoelectronics Technology Co., Ltd.	Ministry of Science and Technology	2021.12
National Green Factory——Mianyang HKC Optoelectronics Technology Co., Ltd.	Ministry of Industry and Information Technology	2023.2
Top 100 Electronic Information Competitiveness Enterprises for 2022——Mianyang HKC Optoelectronics Technology Co., Ltd.	China Federation of Electronics and Information Industry	2022.12
China's Top 500 Private Enterprises in Manufacturing Industry——Mianyang HKC Optoelectronics Technology Co., Ltd.	National Federation of Industry & Commerce in China	2022.9
China's Top 500 Private Enterprises in Manufacturing Industry——Chuzhou HKC Optoelectronics Technology Co., Ltd.	National Federation of Industry & Commerce in China	2022.9
High-tech enterprise——Chuzhou HKC Optoelectronics Technology Co., Ltd.	Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial Tax Service	2020.8
National Green Factory——Chongqing HKC Optoelectronics Technology Co., Ltd.	Ministry of Industry and Information Technology	2019.9
National Center for Enterprise Technology——Chongqing HKC Optoelectronics Technology Co., Ltd.	National Development and Reform Commission, Ministry of Science and Technology, Ministry of Finance, General Administration of Customs, State Taxation Administration	2019
National Intellectual Property Advantageous Enterprise——Chongqing HKC Optoelectronics Technology Co., Ltd.	National Intellectual Property Administration	2019.12
Guangxi Leading Industrial Enterprise——Guangxi HKC Intelligent Display Co., Ltd.	Office of Guangxi Three-Year Action Command for Promoting Industrial Revitalization Guangxi Zhuang Autonomous Region Provincial Department of Industry and Information Technology	2021.12
Top 100 Private Enterprises in Chongqing Manufacturing Industry for 2022 - Chongqing HKC Jinyang Technology Co., Ltd.	Chongqing Federation of Industry and Commerce Chongqing Municipal Economic and Information Technology Federation	2022.11
Top 100 Chongqing Manufacturing Enterprises for 2022——Chongqing HKC Jinyang Technology Co., Ltd.	Chongqing Federation of Enterprises (Entrepreneurs Association))	2022.9
Top 100 Private Enterprises for 2022 - Chongqing HKC Jinyang Technology Co., Ltd.	Chongqing Federation of Industry and Commerce Chongqing Municipal Economic and Information Technology Federation Chongqing Science and Technology Bureau	2022.11

HKC was granted the Certificate of Enterprise Credit Grade

HKC was titled as Top 100 Competitive Enterprises in Electronic Information for 2020
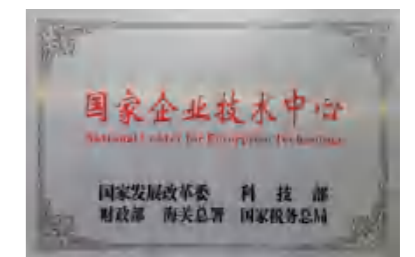
The Company was awarded as National Center for Enterprise Technology

The Company received Samsung SLQE Award in 2022

HKC served as the Vice President Unit of Shenzhen B2B Display System Industry Association

ESG Governance, Stable Development

The Company establishes a code of ethics promoting fairness and integrity, credit management, and compliance with regulations;
Develops and implements ESG strategy and comprehensive risk management for sustainable development of the Company.

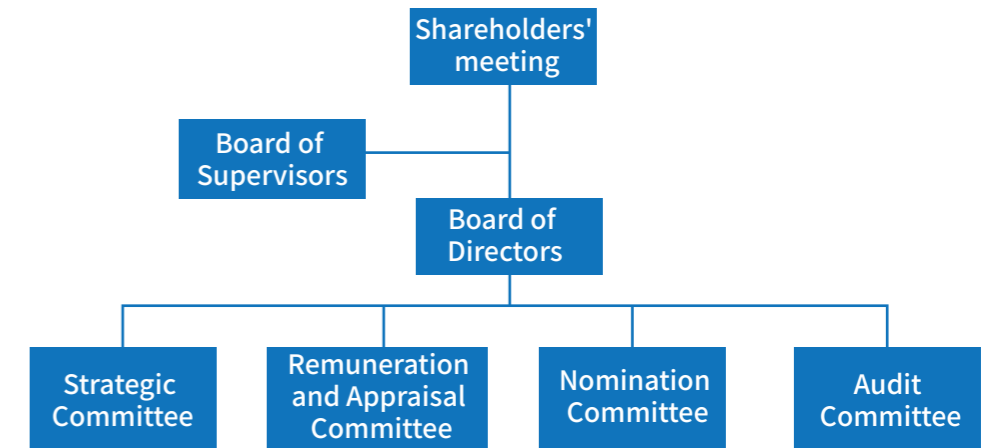**Governance of ESG in HKC**

Code of business ethics

Conflict Minerals Control

Risk Management & Internal Control

ESG material topics

2.1 Governance of ESG in HKC

HKC continues to optimize its governance structure, improve its internal management system and enhance its corporate governance. Strictly abiding by the Company Law, the Articles of Association and other relevant requirements, we have established a governance system centered on the Shareholders' Meeting, the Board of Directors and the Board of Supervisors with clearly divided responsibilities and authorities to form a legal person governance structure with "clearly defined powers and responsibilities, each in its respective areas of responsibility, effective check and balance and coordinated operation", to jointly promote the healthy and sustainable development of the Company.

Shareholders' meeting

Board of Supervisors

Board of Directors

Strategic Committee

Remuneration and Appraisal Committee

Nomination Committee

Audit Committee

▶ Board of Directors

The Company convenes regular general meetings of directors and shareholders to elect or replace directors in accordance with the Articles of Association. There are currently nine directors, three of whom are independent. All members of the Board of Directors fully exert their professional functions, exercise their powers as directors in a standardized manner, conscientiously implement the resolutions of the shareholders' meeting, and provide scientific decision-making for the company's development. In order to further standardize the corporate governance structure and improve the standardized operation and scientific decision-making of the Board of Directors, the Company has formulated the Rules and Procedures of the Board of Directors in accordance with the Company Law and other relevant laws and regulations as well as the Articles of Association of the Company. The Board of Directors, as the daily decision-making body of the Company, is responsible to the Shareholders' Meeting, and deliberates on major matters in the Company's business activities and makes decisions or submits them to the Shareholders' Meeting for consideration.

▶ Shareholders' meeting

In order to ensure the scientific and democratic decision-making, the Company convenes and holds the Shareholders' Meeting in accordance with relevant regulations and requirements. In order to ensure that shareholders exercise their rights and functions in accordance with the law and participate equally and effectively in the governance of the Company, the Company has formulated the Rules of Procedure for the Shareholders' Meeting in accordance with the Company Law and other relevant laws and regulations, as well as the Articles of Association of the Company.

▶ Specialized committees of the Board of Directors

The Board of Directors of the Company establishes 4 specialized committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Commission. Specialized committees are responsible to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The specialized committees are all composed of directors, with independent directors constituting a majority and serving as convenors of the Audit Committee, the Nomination Committee, and the Remuneration and Assessment Commission. The Company has formulated the Rules of Procedure of the Strategy Committee, the Rules of Procedure of the Audit Committee, the Rules of Procedure of the Nomination Committee and the Rules of Procedure of the Remuneration and Assessment Commission in accordance with the Company Law and other relevant laws and regulations, and the Articles of Association of the Company.

▶ Board of Supervisors

The Company has set up a Board of Supervisors with 5 current supervisors and 2 employee representative supervisors, who are elected by the Workers' Congress. In order to further standardize the deliberations and voting procedures of the Board of Supervisors and improve the corporate governance structure of the Company, the Rules of Procedure of the Board of Supervisors have been formulated in accordance with the Company Law and other relevant laws and regulations as well as the Articles of Association of the Company.

Governance of ESG in HKC

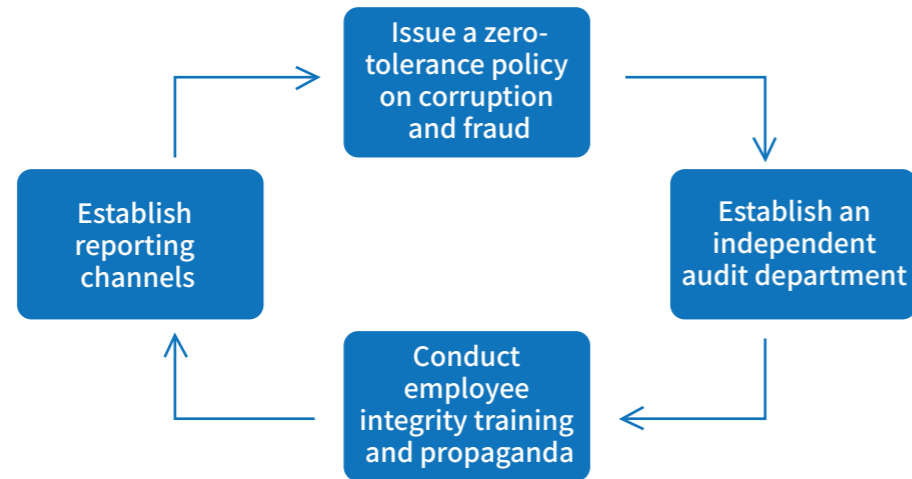**Code of business ethics**

Conflict Minerals Control

Risk Management & Internal Control

ESG material topics

2.2 Code of ethics

In 2022, No substantial incidents of corruption or related reporting
In 2022, No complaints or lawsuits resulting from corruption or bribery issues

HKC always adheres to the code of business ethics, including fairness, integrity, honesty and legitimate actions, and is committed to creating a clean and righteous workplace against corruption, and building integrity in joint efforts. To create a fair, just and open business environment, HKC regards honesty and integrity as one of the core values of the Company, retains zero tolerance for corruption or fraud, and takes systematic control measures to manage fraud and integrity risks.

Issue a zero-tolerance policy on corruption and fraud

Establish an independent audit department

Conduct employee integrity training and propaganda

Establish reporting channels

Integrity and anti-corruption management mechanism of HKC

1) Integrity is the cornerstone for corporate sustainable development and the basic code of conduct for all practitioners. The Company has taken integrity as a mandatory course in staff education and training, promoted a corporate culture of integrity, self-discipline and honesty, conducted regular propaganda and training on auditing, clearly stipulated the code of business conduct for employees, and improved their anti-corruption awareness and preventive capabilities.

2) The Company has set up an Audit Office reporting directly to the President's Office, and all factories and subsidiaries have set up audit structures or full-time or part-time auditors for a unified platform of mutual supervision and internal cross-audit; we also encourage self-inspection and self-correction to identify problems in time for resolution and optimization.

3) The Company adheres to the mindset of "zero tolerance for all fraud and corruption", resolutely fights against all kinds of fraud and corruption practices, and performs in-depth verification and monitoring of the weakest links of key fraud prevention and control.

4) The Company has set up a chairman's mailbox to encourage real name or anonymous reports and suggestions from internal employees and external partners or third-party staff. Upon receipt of the information, the inspection department will protect the whistle-blower with proper measures while investigate reported information, and follow up with appropriate measures according to the investigation results. In the future, the Company will work together with business partners including suppliers, for integrity and anti-corruption initiatives.

The Company organized "Anti-Corruption and Fraud" propaganda and training activities

QR code of corporate email for report:

Chairman's mailbox

QR code of WeChat for direct complaint:

The chairman's email for report: chairman @ szhk.com.cn
jubao @ szhk.com.cn

Phone number for report or complaint：0755- 36905666

No substantial incidents of corruption and related matters were reported in 2022;
no complaints or lawsuits occurred due to corruption or bribery related issues.

Governance of ESG in HKC

Code of business ethics

Conflict Minerals Control

Risk Management & Internal Control

ESG material topics

2.3 Conflict minerals management and control

No cases of suppliers using conflict minerals by the end of 2022

The Company is committed to not supporting or using conflict metals from conflict minerals regions; and requires all suppliers to comply with conflict-free minerals regulations by all means.

The mining of rare metals such as tin (Sn), tungsten (W), tantalum (Ta) and gold (Au) in Congo and its surrounding countries and regions has caused serious human rights and environmental problems. Many mining activities in these areas are linked to (financed by) armed groups in conflict, leading to chronic instability in the area, which is why the four metals produced in the area, i.e. tin (Sn), tungsten (W), tantalum (Ta) and gold (Au), are considered "conflict minerals".

HKC is committed to corporate social responsibility and firmly rejects armed violence, child labor, or violation of human rights.

1) In terms of raw materials, the Company refuses to use materials containing conflict minerals, and has made a public commitment statement on its official website, formulated Management Procedures for the Control and Management of Investigating Conflict Minerals, and the Company requires its suppliers to sign off Guarantee of Not Using Conflict Minerals accordingly.

2) The Company conducts risk assessments and investigations of suppliers whose products contain conflict metals and confirms their sources. Suppliers are required to complete the Conflict-Free Metals Reporting Template, and Quality Department shall determine whether the material in use meets the requirements.

3) If conflict minerals are identified in the material, the supplier is required to provide a written explanation and immediately cease the procurement and use of such conflict minerals, and a new source of minerals shall be selected with valid evidence that the new minerals are free of conflict metal.

HKC initiates annual conflict minerals investigations with suppliers to confirm compliance of raw material sources. According to supplier investigation results, by the end of 2022, none of the suppliers had been using conflict mineral materials.

Conflict-free minerals commitment

Conflict minerals risk investigation and management & control procedures

Conflict-free mineral commitments/control measures for all suppliers

2.4 Risk management & mitigation mechanism

In actual operation, the Company needs to manage a variety of ESG risks, such as: product quality risk, environmental and safety risk, information security risk, social responsibility risk, etc. HKC escorts corporate sustainable development by incorporating the risk management mechanism into the company's integrated management system certifications based on international and national standards, including ISO9001/IATF 16949 quality management certification for prevention and control of product quality risks, ISO14001/ISO45001 environmental & safety management system certification for prevention and control of environmental and safety risks, RBA Code of Conduct of Responsible Business Alliance VAP certification for prevention and control of social responsibility risks, GB/T23006&ISO/IEC27001 information security management system (ISMS)certification for prevention and control of information security risks, etc.

Governance of ESG in HKC

Code of business ethics

Conflict Minerals Control

Risk Management & Internal Control

ESG material topics

ISO9001/IATF 16949 Quality Management System

ISO 14001/ ISO 45001 Environmental and safety management system

ANSI/ESD S20.20:2014 ESD Protection Management System Certification

AEO Advanced Customs Certification / ISTA International Security Operations Association Certification

ISO/IEC 17025 Laboratory Competency Certification

Informationization and Industrialization Integration Management System;ISO/IEC27001 Information Security Management System (ISMS)

RBA Code of Conduct of Responsible Business Alliance VAP certification

QC080000 Hazardous Substance Management System

System Management

HKC ensures its strong and stable operation with a risk management mechanism by integration of multiple certification systems

■ Internal audits for compliance

To ensure corporate operation in a compliant, legal and sound manner, the Company has formulated a series of internal control systems to regulate its business activities.

Internal control process: The Company has established and incorporated a complete set of internal control process, including financial control system, procurement management system, sales management system, etc. into the OA system, to ensure all business activities are performed in a normalized, standardized and process-oriented manner.

Evaluation criteria for internal control: Internal audit department regularly scores and evaluates internal control of each unit, imposes rectification requests of units with internal control deficiencies within a certain period of time, and credits the general manager with an annual appraisal based on the scoring results.

In 2022, Audit Department conducted special audits and routine internal audits, and took timely corrective actions to address the deficiencies identified within the deadlines. The internal compliance control and audit mechanism serves as a strong guarantee for corporate sustainable development and stable operation.

2.5 ESG material topics
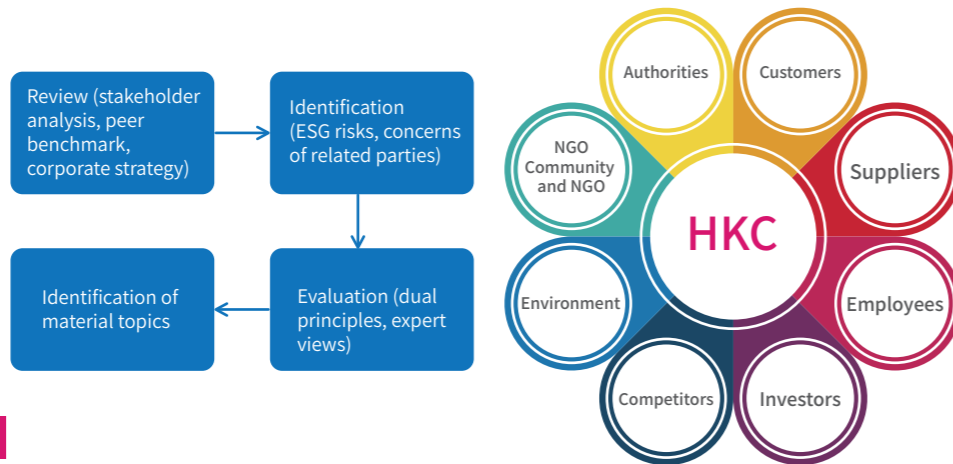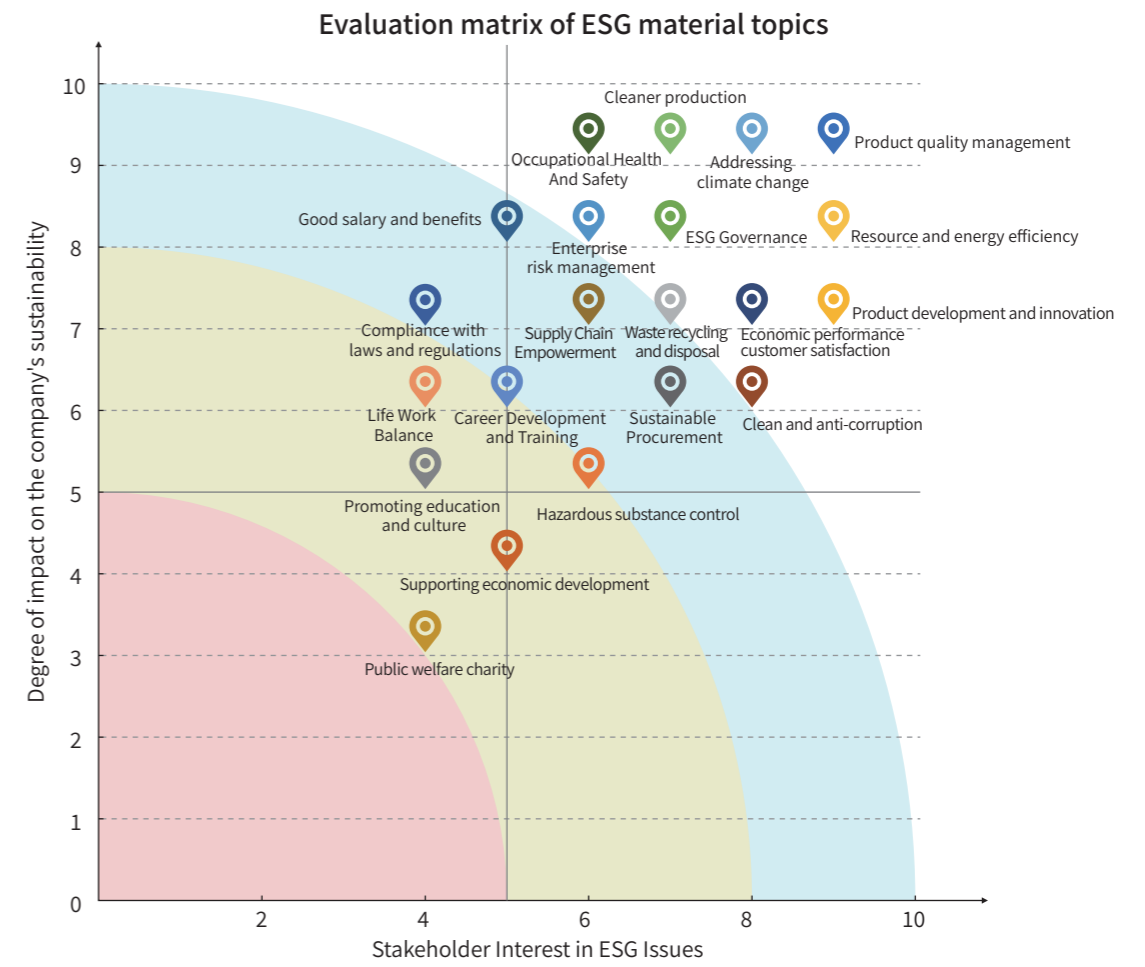
To understand and respond to the needs of stakeholders in a timely manner, the Company, in accordance with the ISO26000: 2010 Corporate Social Responsibility Guidelines, GRI Standards, and requirements of EU Sustainable Development Directive (CSRD), communicated with stakeholders through multiple channels and methods, identified and sorted out their requirements and expectations, ESG topics, and adopted matrix evaluation method to evaluate ESG material topics from two dimensions, i.e. extent of impact on corporate sustainability and extent of interest of stakeholders on ESG topics, and disclosed material topics in the report, effectively improving the pertinence and responsiveness of the report.

Governance of ESG in HKC

Code of business ethics

Conflict Minerals Control

Risk Management & Internal Control

ESG material topics

Evaluation matrix of ESG material topics

Identification and evaluation results of Key ESG topics

No.	Stakeholders	Material topics	Communication methods	Disclosure section	Location
1	Customers	Product quality management	Customer Satisfaction Survey	Chapter 3	9*9
		Hazardous substance control	Client communication meetings	Chapter 4	6*5
		Customer Satisfaction Survey		Chapter 3	8*7
		Product R&D and innovation		Chapter 3	9*7
2	Investor	Enterprise risk management	Release of finance report	Chapter 2	6*8
		ESG governance	Shareholder communication meeting	Chapter 2	7*8
		Economic performance		Chapter 1	8*7
3	Suppliers	integrity and anti-corruption	Supplier meetings/on-site audits	Chapter 2	8*6
		Sustainable procurement		Chapter 6	7*6
		Supply chain empowerment		Chapter 6	6*7
4	Employees	Good compensation package	Employee satisfaction survey		5*8
		Occupational Health & Safety	Security management system	Chapter 5	6*9
		Career development and training	Internal meetings		5*6
		Life-work balance			4*6
5	Environment	Waste recycling and disposal	Monitoring for contaminants		7*7
		Resource and energy efficiency	ESG report	Chapter 4	9*8
		Addressing climate change	Product promotions		8*9
		Clean production			7*9
6	Authorities	Legal compliance	Government conference and seminar	Chapter 2	4*7
		Support economic development	On-site visit and communication	Chapter 4	5*4
7	Community and NGO	Promote education and culture	Visit	Chapter 6	4*5
		Public charity		Chapter 6	4*3

■ Sustainable development goals (SDGs)

We support the United Nations Sustainable Development Goals ("SDGs") and will continue to contribute through our actions to Goal 1 No Poverty, Goal 3 Good Health and Well-Being, Goal 4 Quality Education, Goal 5 Gender Equality, Goal 7 Affordable and Clean Energy, Goal 8 Decent Work and Economic Growth, Goal 10 Reduced Inequalities, Goal 11 Sustainable Cities and Communities, Goal 12 Responsible Consumption and Production, Goal 13 Climate Action, Goal 15 Life on Land, Goal 17 Partnerships for the Goals, Goal 11 Sustainable Cities and Communities, Goal 12 Responsible Consumption and Production, Goal 13 Climate Action, Goal 15 Terrestrial Organisms and Goal 17 Partnerships for Goal Achievement, Response to SDGs and corresponding relationships are reported in different chapters.

Technological Innovation, Product First

With the vision of "enriching visual enjoyment", HKC adheres to the quality policy of "excellent quality and customer satisfaction, pioneering innovation and continuous improvement", continues to increase R&D investment for new products, constructs the ecological model of comprehensive quality management of Digital Intelligence, and is committed to becoming a respected comprehensive service provider of display solutions.

3.1 Product R&D and innovation

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

■ R&D investments

Total R&D investment of HKC for 2020-2022 was RMB 3.613 billion

The Company had been granted 5,229 patents up to 2022

The Company had been granted 2,802 patents for inventions up to 2022

R&D and innovation is key to corporate sustainable development, laying a solid basis for continuous innovation of the Company, and serving as an important means for high-quality corporate development and market competitiveness. HKC has established R&D management and R&D incentive mechanisms to better promote motivation and creativity of employees to continuously improve R&D and innovation capabilities.

The Company enhances its market position in the industry by attracting talents, increasing R&D investment, and improving product performance. According to statistics, the Company had invested a total of RMB 3.613 billion in R&D during 2020-2022, of which RMB 1.619 billion was invested in 2022, accounting for 6% of sales revenue, which is above industry average. The Company equips each production base with R&D and testing equipment, and 738 sets of technical R&D instruments and equipment are deployed at Panel BG with the value of RMB 349 million, including Cell Ion Measuring Instrument and Color Film Microscopic Spectrophotometric Luminance Meter imported from South Korea, and Automatic Optical Photographing Machine and Optical Microscope imported from Japan, and other advanced R&D equipment both at home and abroad. Continuous R&D investment, gradual improvement and optimization of R&D hardware and software conditions offer strong support and guarantee of smooth implementation of scientific research projects.

New product of the Company (100" 16:9 screen)

The scale of HKC corporate R&D personnel has been expanding year by year, and as of the end of 2022, the Company had employed 2266 professionals and technical experts in various R&D technologies, and a total of 5,229 patents (including 2,802 invention patents) had been granted, of which 4,270 patents are domestic and 959 patents lie overseas. Continuous resource investment and talent reserve provide strong and powerful technical support for high-quality corporate development.

Product development performance highlights

Items	2020	2021	2022
R&D investment funds (in 10000 yuan)	6.64	13.30	16.19
Proportion of total R&D investment in operating revenue (%)	3.6%	3.7%	6%
R&D staff (number)	1,349	2,109	2,366
Patents granted	3,008	4,161	5,229
Invention patents granted	1,104	2,031	2,802

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

Through independent R&D and innovation efforts, the Company has developed a number of independent core technologies in the field of semiconductor display, satisfying corporate operational and development needs and closely linked to key processes in the industry, which are widely applied in panel products of the Company. In addition, the Company has been working closely with research institutes in technical cooperation, and joined hands with Novatek, Himax, Hisilicon, MTK and other well-known TCON manufacturers in the semiconductor industry, to integrate wide-viewing angle and low-color deviation drive display technology into the newly developed TCON chips.

Fig. ELED high-end customized products (65X3)

The upcoming MB27N1Q of HKC consumes less energy, with an energy efficiency index of 2.22, 11% higher than the national level 1 index in the current national standard GB21520-2015 Computer Monitor Limit Values and Energy Efficiency Levels, whereby the shutdown power is 0.207W, 58% reduction of the national standard, and the sleep power is 0.229W, 54% reduction of the national standard.

■ **R&D management mechanism**

PLAN ▸ Design ▸ DVT ▸ PVT

1) The Company has established New Product Development Control Procedures to ensure the quality of R&D projects based on a systematic process. At the product marketing stage, customer and market demand are analyzed, and target product specifications are formulated; at the design stage, trial report is produced with the verification method for review; at the small batch trial stage, product functionality and reliability verification test are conducted, while at the medium batch trial stage, mass-production verification are performed and production process is confirmed.

2) To standardize the quality control of R&D process, the Company has developed key process operation procedures, including Safety EMC testing and certification process, sales prototype production process, parts test casting operation process, new software testing process, material signing sample recognition process, artwork data review and production process, and new DQE verification process, etc.

3) To stimulate enthusiasm of R&D personnel and encourage rapid growth of outstanding talents, the Company has established a product development incentive mechanism. The incentive mechanism consists of patent reward and project reward mechanisms. The patent reward mechanism encourages R&D technicians to actively declare patents, and figure out new technologies, materials and processes. The project reward mechanism links staff income with corporate efficiency, whereby project incentive bonus is available for grab, spurring R&D personnel to complete in new product development both efficiently and with high quality.

Laboratory personnel testing products

■ **R&D performance & achievements**

Many of our products have won Red Dot Award and IF Design Award

High Color Gamut and Low Energy Consumption Ultra-thin Display Terminal won Second Prize of Shenzhen Scientific and Technological Advancement Award

Fission cell technology won Gold Award for Application Innovation at DIC Shanghai 2022

Engaged in and assisted to formulate GB21520-2023 Display Energy Efficiency Limit Value and Energy Efficiency Grade standard in 2022

HKC has mastered independent core technologies related to key processes in the industry by means of independent R&D and innovation, which have been widely applied to corporate products for continuous enriching visual enjoyment. By the end of 2022, the Company had been granted 5,229 patents.

1) Panel BG of the Company develops new products (NPD) from TV/MNT/IOT commercial display/electronic paper/functional machine and other dimensions, and a number of products have won the Red Dot Award and the IF Design Award from Design Zentrum Nordrhein Westfalen, and iF Industrie Forum Design.

Certificate of Red Dot Winner for our Products   IF Design Award for our products

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

2) The Company has optimized product and process design, with panel transmittance 20% higher than that of the market specification, effectively reducing the cost of backlight. Our high color gamut and low energy consumption ultra-thin display terminal won the second prize of Shenzhen Scientific and Technological Advancement Award.

Fig. Our high color gamut and low energy consumption ultra-thin display terminal won the second prize of Shenzhen Scientific and Technological Advancement Award

3) In terms of curved panel design, the Company has fully optimized the process from selecting upstream materials, panel design to factory process, with the curvature of the product reaching 1000R which is global leading, offering a more immersive experience for users.

3 27" Mini LED Curved Display (600R)

31.5" Mini LED Curved Display (600R)

4) To improve the color and contrast of display products, the Company has developed Fission cell technology on the existing TFT display technology, with the contrast ratio of the module reaching the million level, and DCI-P3 reaching about 100%. This technology won the Gold Award for Application Innovation at DIC Shanghai 2022.

Our Mini-LED+Fission cell won the Gold Award in DIC Shanghai 2022

With years of efforts and technological development, HKC has lead industrial development, and even become one of the formulator of industry norms. As a member of CODA, CVIA, Chongqing Ultra HD Industry Technology Alliance, etc., the Company actively participated in the development of a number of national and industry technical standards, and jointly discussed and formulated GB21520-2023 Energy Efficiency Limit Values and Energy Efficiency Ratings for Displays with National Standardization Administration Committee in 2022.

Consolidated list of engagement in national and industry norms of the Company (selected examples)

No.	Standard name	Standard level
1	GB21520-2023 Energy Efficiency Limit Values and Energy Efficiency Ratings for Displays	GB (National standard)
2	Technical Code for Evaluation of Green Design Products - Liquid Crystal Display Devices (T/CESA 1110-2020)	Group standard
3	《Characterization of Quantum Dot Nanomaterials and Fluorescence Spectroscopy》	Company standard
4	《Display Performance and Blue Light and Noise Testing of Quantum Dot Liquid Crystal Televisions》	Company standard
5	《General Specification for T-CONLESS Interfaces》	Industry standard
6	Technical Code for Interactive Flat Panel Lamination Process（T/SUCA007-2021)	Group standard
7	Liquid Crystal Display for Computers（T/SPEMF 0010-2020)	Group standard
8	"Leader" Standard Evaluation Requirements - Display（T/CECA -G 0061-2020)	Group standard
9	Technical Code for Certification of HDR Characteristics of Liquid Crystal Display Terminals（TIRT-GK-JS-34-2016(D/1))	Technical Certification Code
10	Technical Code for Certification of HDR Characteristics of OLED Display Terminals（TIRT-GK-JS-38-2016(D/1)	Technical Certification Code
11	Technical Code for Certification of Computer Monitors with High Display Performance（TIRT-GK-JS-41-2016(D/1))	Technical Certification Code
12	Technical Code for Display Performance and Visual Health Certification of Display Devices Part 1: Ultra HD flat screen TV（TIRT-GK-JS-46-2018)	Technical Certification Code
13	Technical Code for Display Performance and Visual Health Certification of Display Devices Part 2: Computer Display（TIRT-GK-JS-47-2018)	Technical Certification Code

HKC actively involved in the development of group standards

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

3.2 Product quality management

All HKC production bases have received ISO9001 quality management system certification

HKC products have been certified on various strict international and domestic standards such as ETL, CB, CE, CCC and etc.

HKC was honored with DELL & Wistro Best Advancement Award in Quality & Best Gold Award in 2022

Honored with Samsung SLQE Award in 2022

■ Quality policy

Excellence quality, customer satisfaction, pioneering and innovation, continuous improvement.

Excellence quality: Strictly control every process to ensure that the control of product quality and hazardous substance meets customer requirements, offering excellent quality with zero defect;

Customer satisfaction: Provide high-quality and eco-friendly products that meet customer requirements and comply with the environmental laws and regulations, along with considerate service, to enhance customer satisfaction;

Pioneering and innovation: Face up to challenges and embrace innovation through continuous R&D and green designs to meet the market and customer requirements for the control of product quality and hazardous substance.

Continuous improvement: Implement all-around advancement and lean production to achieve sustainable development.

■ Total quality management

HKC adheres to the quality policy of "excellent quality, customer satisfaction, expansion and innovation, and constant improvement", rolls out "total quality management" across the organization, focuses on customer concerns, and builds a Digital Intelligence ecological model based on 1 vision, 2 platforms, 3 dimensions, 5 capabilities and 6 processes, providing customers and consumers with products of excellent quality, safety and stability.
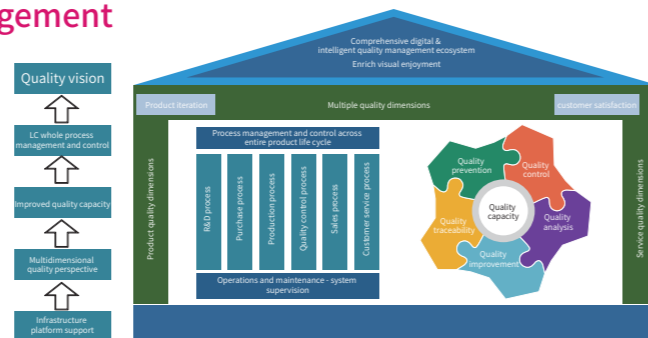
Eco-model diagram of the company's total quality management

1) With customers as the starting point and quality products as the guarantee, HKC insists on organically combining customers' needs, expectations and product quality, taking every detail as an opportunity to actively expand and boldly innovate in the pursuit of excellence from product quality, service quality and multiple quality;

Product Quality - HKC is committed to ensuring that products meet customer expectations in all aspects of design, manufacturing, and delivery. Significant resources are invested in ensuring that our products meet high quality standards in terms of performance, functionality and reliability and satisfy our customers' needs.

Service Quality - HKC not only focuses on the product itself, but also emphasizes on providing excellent pre-sales and after-sales services. The Company responds quickly to customer needs, provides a full range of professional services and enhances customer satisfaction and loyalty with an orientation to customer experience.

Multiple qualities - HKC recognizes that quality is not only about the quality of products and services, but also covers aspects such as cooperation with customers and communication effectiveness. We always maintain high quality standards and make all-round quality improvement through deep integration, strategic cooperation, transparent communication and co-innovation with customers.

HKC culture encourages everyone to set customer expectations as their goal, closely integrating customer needs, expectations, and product quality. Through perseverance in different dimensions, HKC continuously exceeds customer expectations and creates greater value and success for customers. It also integrates in depth its own development with customer expectations, maintains a healthy profitability on the top of providing high-quality products and services, realizes the greatest balance with customer interests, and achieves the ultimate goal of total quality management.

HKC's eight production sites all have established top quality management systems in accordance with ISO9001 and other international quality management system standards, and have been certified by third party certification institution.

2) The Company performs an entire life cycle management of Plan→Design→DVT→PVT→MP→EOLfor its products. Quantitative performance appraisal indicators have been set for product quality, which are used to monitor product quality and safety conditions, and timely improvement measures are taken based on monitoring results.

3) The Company has established a centralized document management system for standardization, an audit management system for continuous improvement, QMS and a quality key index monitoring system for material quality and finished product quality inspection, as well as customer management system for customer-related after-sales services. The Company performs comprehensive and systematic supervision of the whole process of product specifications, supplier/raw material recognition requirements, raw material procurement/inspection, key production processes, customer feedback handling supervision, after-sales maintenance/return of goods.

Samsung SLQE Award in 2022
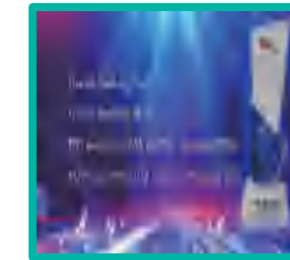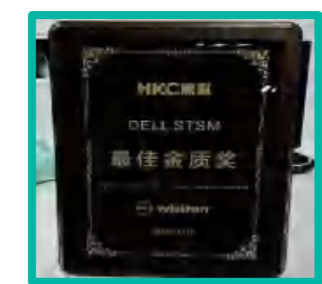
Best Improvement Award of TPV for 2022

Dell AQP Award

Best Service Team Award of Kunshan Compal for 2022

Qisda DMAIC Project won Gold Award

Quality Best Progress Award & Best Gold Award of DELL&Wistro for 2022

4) Strict quality control system greatly improves HKC product quality. In 2022, panel BG of the Company won Samsung SLQE Award, Best Improvement Award of TPV, and Quality Best Progress Award & Best Gold Award of DELL&Wistro. In addition, HKC products have successfully been certified to various international standards, such as ETL certification, CB international certification, CE European Union certification, China CCC certification, etc. Our product quality, safety and performance have been recognized to satisfy our customers and third-party certification bodies.

The Company has successfully received various product certifications by third-party certification bodies:

ETL certification

CB International Certification

CE European Union Certification

FCC U.S. Electromagnetic Compatibility Certification

PSE certification

cTUVus certification

CQC CCC Certification

BSMI Certification of Taiwan, China

HKC products have been certified by various third-party international certification bodies

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

■ **Quality improvement measures**

Supplier quality management：The Company has established Supplier Management Procedures to strictly enforce supplier access process, and has been equipped with excellent QA product testing equipment for testing needs of various material types.

Six Sigma improvement activities：Chongqing Jinyu has introduced Six Sigma improvement activities since 2021, turning ideas into action via DMAIC and achieved breakthroughs in product quality via PDCA.

Introduction to the rules of the responding session	Message from the referee's representative	Lot drawing ceremony
Report of the respondent	Comments from referee	Group photo of the entire staff

QCC/QIT improvement activities of Mianyang HKC：Inn 2022, Mianyag HKC rolled out a plant-wide training and improvement activity, providing training for 68 quality internal trainers and uncovering 25 quality-improving programs for 15 divisions of the plant.

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

3.3 Product reliability test

To respond to the testing needs of product design, validation, and production process, the Company has set up a product monitoring laboratory to continuously improve the inspection program and provide customers with a full range of services, including quality, performance testing and failure analysis. With reference to international, national, and industry standards, as well as customer needs, the Company has formulated testing programs such as environmental testing, mechanical testing, safety testing, etc., covering all product reliability testing indexes, so that the Company is able to perform all-round and full-cycle quality testing and assessment of the whole machine, panel, materials, and accessories.
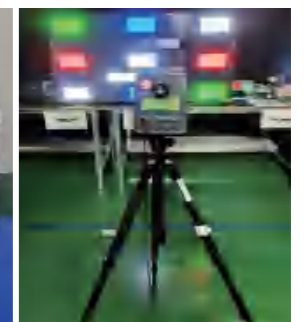

Walk-in constant temperature and humidity chamber	RoHS 2.0 Testing equipment

X-RAY Testing instrument	High-end Oscilloscopes	BM-7AS Energy efficiency testing instrument

HKC product reliability tests are conducted in terms of picture quality, optical, electrical, environmental and mechanical aspects. The laboratory is capable of simulating testing items such as climate, transportation, lightning, static electricity, comprehensive safety regulations, power supply performance, high-temperature accelerated life, optical performance and energy efficiency, corrosive environments, fire-resistant performance, noise and hazardous substance detection. By simulating real-life customer scenarios, the laboratory can timely identify potential problems, take improvement measures, ensure adequate testing and verification, for product stability, reliability and high quality.

Product R&D and innovation

Product quality management

Product reliability test

Customer Service & Satisfaction

3.4 Customer service satisfaction

100% customer complaint handling rate in 2022

94.34% customer satisfaction rate in 2022

No major customer loss or major market sampling quality incidents

No data breach of customer information or hazard of customer health and safety

■ Overseas and domestic customer services

We firmly believe that only through professional, rigorous, high-level quality management and customer service can we gain recognition and trust of customers on a constant basis. HKC adheres to the service policy "customer orientation and pursuit of excellence", continues to innovate service methods, improves customer service system, broadens communication channels, and fosters good customer relationships. Meanwhile, we regard customer rights and interests as our top priority, and try by all means to protect customer information security, while strictly ensuring customer health and safety. No significant customer loss or significant market sampling quality events occurred in 2022.

To provide customers with convenient services, we have adopted the general principle of "early to know, early to respond, early to deal with, early to solve", and set up 4 maintenance service sites and 5 Buffer warehouses in Taiwan of China, North America, Europe and India markets; as well as 47 major maintenance sites set up in Mainland China for maintenance and after-sales service of domestic customers.

The Company monitors and manages after-sales product quality through intelligent big data center system to identify potential problems and consequent matters, avoid repeated mistakes, refine quality management via the platform, to ensure highly efficient product quality management, repurchase rate, and customer loyalty.

Fig. Overseas customer service network

47 cooperating maintenance sites in total (including 2 self-built stations in Nanjing/Guiyang)

Door-to-door service for HKC and Ant Game products as of June **32** outlets in total

Covering 29 provincial capitals except Hong Kong, Macao, Taiwan, Qinghai and Tibet,of which Liaoning, Guangdong and Jiangsu cover two cities

● Door-to-door services not covered

★ Door-to-door service covers two cities

Fig. Domestic Customer-Service Network

■ Listen to customers

To enhance customer satisfaction and effectively handle consumer complaints, HKC continues to optimize various systems, including Customer Complaint Handling Control Procedures and Customer Satisfaction Survey Control Procedures, and clarifies complaint handling and recording & re-visit processes to ensure customer queries are effectively resolved and continuously followed up.

Statistics on Customer Satisfaction Monitoring Indicators of HKC for 2020-2022

Indicator	2020	2021	2022
Customer complaint handing rate (%)	100	100	100
Customer satisfaction（%）	92	88	94.34

We get to know customers expectations and demands through daily WeChat, emails, phone calls, on-site visits, customer quality meetings, and customer satisfaction survey, in terms of product features, stability, price, appearance, service attitude, service professionalism, and maintenance quality, and ensure timely improvements according to satisfaction survey results for best service quality and experience for customers. According to HKC customer satisfaction survey, the average customer satisfaction rate in 2022 was 94.34%, which continued to increase year-on-year as compared to 2021, and the customer complaint handling rate reached 100% in all cases.

■ Customer information security

HKC integrates legitimate rights and interests of customers into corporate governance, culture and business development. We protect customer health and safety with strict product quality inspection, clearly mark ingredient source and supplier name in product and service information, and indicate whether the product contains hazardous substances according to Requirements for the Limitation of Toxic and Hazardous Substances in Electronic Information Products (SJ/T 11363-2016) standard, and abide by requirements for labeling under the RoHS regulations in China.

Customer information security is critical to continuous operations and good governance of HKC. We comply with Cybersecurity Law of the People's Republic of China, EU General Data Protection Regulation (GDPR) and other relevant laws and regulations, and have established an information security management system (ISMS) in accordance with GB/T 22080-2016/ISO/IEC 27001:2013 international standards, constructed a hierarchical, coordinated and parallel system of overall information security system, management methods and management rules, strengthened the construction of dynamic and deep technical defense system, improved capacity for customer data security, and improved the information security management and protection mechanism to fundamentally safeguard the privacy and security of our customers. No incidents of leaking customer information or jeopardizing customer health and safety have been reported in recent years.

Clean and Reduce Carbon Emissions, Using Green as the Source

Addressing climate change is a global challenge. HKC actively practices green and low-carbon development philosophy, contributing to a beautiful home for mankind through clean production and carbon-neutrality strategies.

As a leading Company in the field of LCD panels and terminal displays, HKC fully recognizes the importance and necessity of protecting the environment and prioritizing life, safety and compliance with the law. The Company has established an environmental and energy management system to control hazardous substances in its products, and has integrated cleaner production, energy control, and carbon-neutral strategies across corporate operations and production processes for environmental management throughout product life cycle and operational processes.

Hazardous substance control

Environmental management system

Clean production management

Addressing climate change

Environmental protection-related charity activities

4.1 Hazardous substance control

6 manufacturing sites of HKC have passed IECQ/QC 080000 Hazardous Substance Process Management System Certification.

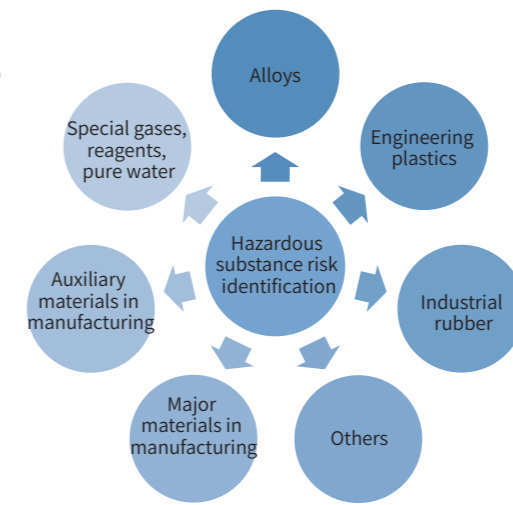**No incidents of exceedance of hazardous substances occurred during 2020-2022**

HKC has initiated hazardous substance management since 2017, identifying hazardous substance pollution risks, and compiling the Hazardous Substance Management Standard according to domestic and international regulations and customer requirements, including RoHS, HF, PPW, RAECH, POPs, VOCs, PFAS. We conduct hierarchical control of hazardous substances to ensure compliance with hazardous substance requirements in terms of suppliers, materials, finished products, and processes. Currently, 6 subsidiaries of HKC have been certified on IECQ/QC080000 Hazardous Substance Process Management System.

Hazardous substance risk identification

Alloys

Engineering plastics

Special gases, reagents, pure water

Hazardous substance risk identification

Industrial rubber

Auxiliary materials in manufacturing

Major materials in manufacturing

Others

The Company has been certified to IECQ/QC080000 Hazardous Substances Process Management System Requirements

■ Hazardous substance control measures

1) The Company has formulated principles and processes for green suppliers audit, requiring the signing of an Environmental Commitment Letter at the initial stage of supplier qualification for clarification of management requirements of hazardous substances.

2) Hazardous substance management is required in the initial and annual supplier audits. If a supplier fails in hazardous substance management audit, it is not allowed to be introduced or will be disqualified; if a supplier is added into the supplier list, it will be subject to regular evaluation of hazardous substance control.

3) Hazardous substance verification is required for supplier materials at the new material development stage. The Company has deployed RoHS 1.0 and RoHS 2.0 monitoring equipment to ensure that all raw materials applied in production comply with specified requirements.

4) In terms of manufacturing process, HKC regularly conducts risk assessments of hazardous substances on manufacturing tools, tools, equipment, auxiliary materials, and transmission piping of the plant, evaluates the possibility and consequences of hazardous substance contamination, and continually monitors and develops countermeasures for high-risk areas to avoid cross-contamination of products. According to 2022 assessment, processes at all HKC sites are in compliance with hazardous substance control requirements.

Table for Hazardous Substance Classification and Control Measures

Management level	Description
Prohibited grade A	The use of this substance is prohibited and a test report on the substance is required.
Prohibited grade B	Other prohibited, restricted and limited substances. Self-declaration shall be available by means of a letter of guarantee or statement. Test reports from third-party testing organizations shall be issued for substance information disclosure if necessary.
REACH Substances of Very High Concern (SVHC)	Substances of Very High Concern (SVHC) as defined in the Candidate List of EU REACH Regulation (EC1907/2006). Third-party test reports shall be provided and substance information shall be disclosed if necessary.
CMRs substances	Carcinogenic, mutagenic and reproductive toxicant substances as stipulated in the European Union Regulation (EC) No 1272/2008. Third-party test reports shall be provided and substance information shall be disclosed if necessary.
VOC	China restricts the use of volatile organic compounds (VOCs) and sets limits for VOCs produced in and imported into China and applied to parts and products in China. HKC VOC Control Declaration and HKC VOC Control Questionnaire are provided as request.

5) HKC ensures final compliance of hazardous substances in finished products. Every new product will undergo the testing of hazardous substances to verify compliance before final shipment; regular sampling of mass production is conducted to ensure that finished products continue to comply with the hazardous substances.

According to statistics, no accidents involving exceedance of hazardous substances occurred for 2020-2022.

4.2 Environmental management system

Hazardous substance control

8 manufacturing bases of HKC have all passed ISO14001 environmental system certification

Corporate investment in environmental protection and safety amounted to RMB 1.447 billion for 2020-2022

Environmental management system

100% compliance of wastewater and air pollutants emissions for 2020-2022

95%+ water recycling rate of Panel BG in 2022

96.3% of waste reusable or recyclable in 2022

Clean production management

Compliance with laws and regulations, environmental protection, energy conservation and consumption reduction, continuous improvement

Compliance with laws and regulations, proactively comply with environmental protection laws and regulations, actively cooperate with competent authorities, and raise environmental protection awareness at all times;

Addressing climate change

Environmental protection, apply advanced production processes, adopt energy conserving and emission reducing production methods, utilize new environmental technologies, take satisfying sewage treatment methods to ensure environmental protection with zero pollution and build a green environmental friendly industry;

Energy conservation and consumption reduction, optimize production processes, adopt energy-saving and environmental friendly materials, require all staff to abide by the principle of conservation, and maximize resource and energy conservation efforts;

Environmental protection-related charity activities

Continuous improvement, strengthen and optimize the environmental management system, continuously improve and upgrade environmental performance for ultimate perfection.

HKC co-ordinates resources and continues to increase environmental protection investment. During 2020-2022, the Company invested a total of RMB 1.447 billion in environmental protection and safety, and actively rolled out environmental management system in each subsidiary according to ISO14001: 2015 environmental management system standard.

1) We organize all the staff for their involvement to identify environmental factors and hazardous sources, and formulate special control measures for major hazardous sources/key environmental factors to reduce environmental safety risks;

2) We set up environmental quantitative targets and indicators, and perform quarterly target achievement and abnormality reviews to promote high-quality operation;

3) We formulate 60 operation instructions on environmental safety and sanitation on the basis of actual situation of the Company and relevant regulation requirements, covering environmental safety and sanitation training, emergency drills, pollutant control, safety and health management, and safety management of contractors.

4) We provide environmental management training for different positions via online and offline methods, arrange regular training and assessment in terms of water pollution, prevention and control of atmospheric pollution and waste disposal, to improve the environmental awareness and ability of all employees.

5) We cultivate young and passionate internal auditors, perform regular screening audits, identify and rectify problems in a timely manner, to formulate a self-improvement management mechanism.

The Company hosts environmental protection awareness seminars

By the end of 2022, all 8 production sites of HKC had established ISO14001:2015 environmental management systems and received third-party certification. All production bases conform to environmental regulations, with 100% wastewater and exhaust gas discharged in compliance with relevant standards, water recycling reuse rate of Panel BG exceeding 95%, and recycling rate of industrial waste increased from 59.5% in 2020 to 96.3% in 2022, significantly reducing the impact of production operations on the surrounding environment.

Environmental Data Statistics for HKC's 8 Manufacturing Sites

Performance indicator	2020	2021	2022
Investment in safety and environmental protection (RMB 100 million)	8.65	3.84	1.99
Total amount of consumed water (tons/year)	9,343,932.55	13,032,072.3	17,001,528.28
Wastewater discharge (ton/year)	5,219,117.5	10,507,517.7	14,197,811.5
Intensity of water consumption per RMB 10,000 output value (tons/RMB 10,000)	5.061	3.650	6.266
Wastewater treatment compliance rate (%)	100%	100%	100%
Waste gas emission compliance rate (%)	100%	100%	100%
Emission of solid wastes (tons/year)	52,317.09	87,479.45	90,745.53
Amount of reusable or recyclable waste (tons/year)	31,138.268	70,666.603	87,345.296
Proportion of reusable or recyclable waste (%)	59.5%	80.78%	96.3%
Total reused water volume by panel (tons/year)	264,691,988	314,918,090	350,474,807
Rate of recycling water reused by panel (%)	96.55%	96.05%	95.23%

4.3 Clean production management

HKC is committed to clean production, supporting its subsidiaries in clean production audit and assessment, and strengthening financial security to promote and implement improvement projects based on audit results. By the end of 2022, Chongqing Jinyu had completed clean production audit and acceptance, while Chuzhou HKC had received the clean production assessment report and is in the process of implementing improvement measures.

■ Wastewater pollutant control

During the production process, the Company discharges industrial waste water, organic waste water, acid and alkali waste water, domestic sewage, etc. According to the characteristics of the pollutants and the National Integrated Wastewater Discharge Standard, each HKC subsidiary has set up effluent plant and waste water treatment facilities and formulated waste water treatment operation procedures to monitor effluent discharge on a regular basis. According to statistics, in 2022, the 8 HKC production bases discharged a total of 141,978,811.5 tons of wastewater/year, and the waste water treatment facilities managed to achieve 100% compliance with discharge standards.

In-line pumping station at the main outfall of the effluent plant

The Company takes various water conservation measures to reduce water consumption:

1) Advanced process and production equipment is applied, so that most of the high purity water is reused in the cleaning process, reducing water consumption;

2) The cooling water of the equipment required by the freezer is recycled; part of the RO concentrated water is recycled for toilet flushing and cooling tower make-up water; efficient sanitary water-saving appliances are adopted to reduce water consumption;

3) Air conditioning reduces water consumption, and the cooling water required for process, refrigeration, and air pressure equipment is supplied in a recirculating manner;

4) Rainwater harvesting systems are installed at plants wherever possible, for example: The average annual precipitation of Chuzhou HKC reaches 1,035.5 mm. A rainwater recycling system is in place on the roof of the main plant, and the collected rainwater can be used for green watering, road washing and other purposes. According to statistics, the water recycling and reuse rate of Panel BG in 2022 was 95.23%, contributing to significant water conservation.

■ Exhaust pollutant control

During the production process, the Company generates various production waste gases, including acidic waste gases, alkaline waste gases, treatment system, CVD waste gases, stripping waste gases, organic waste gases, boiler flue gases, stripping station waste gases, waste water station waste gases, etc. The waste gas generated in the production process are sealed at the source under negative pressure, delivered into different waste gas treatment systems for collection and treatment according to various types of waste gas, and then discharged after meeting relevant standards. According to statistics, during the period of 2020-2022, the compliance rate of corporate waste gas emissions was 100%, the emission of all pollutants was far below the requirements of the emission standards, and the total amount of emissions satisfied the total amount of control requirements of the environmental protection department.

To further reduce the fugitive emission of exhaust gas, Panel BG invested RMB 10 million to add 17 sets of LC-VOCs equipment to further collect, adsorb and concentrate the exhaust gas in the workshop into the organic exhaust gas treatment system for further treatment. For organic volatile gases containing PGMEA, PGME, IPA, cyclohexanone and other major organic volatile gases, the Company has increased the VOC exhaust gas treatment facilities, i.e., 40 sets of zeolite rotors and ancillary piping facilities, to collect from the process machines and key areas for VOCs generated in the production line, collect from 40 sets of zeolite wheels for concentration, treat in zeolite wheels+RTO incineration, and finally discharge after meeting relevant standards.

VOCs waste gas treatment facilities

■ Industrial waste management and control

According to the national environmental protection regulations and the requirements of ISO14001 environmental management system, HKC strictly classifies and collects the waste in the plant and entrusts various processors to dispose of the waste according to its nature. General solid wastes are regularly handed over to the material recycling department for recycling, and hazardous wastes are regularly handed over to qualified units for disposal. In terms of waste disposal, priority is given to recycling, and at present we have managed to ensure full recycling of packaging materials, full recycling of production wastewater sludge and waste glass, and the majority of waste liquids are handed over to recycling manufacturers for final disposal. According to statistics, increase in the proportion of reusable or recyclable waste from 59.5% in 2020 to 96.3% in 2022, enabling significant environmental performance improvement.

Environmental action: Panel BG sludge reduction and retrofit project

■ Sludge reduction project

To reduce the amount of solid waste generated, the Company introduced sludge deep dewatering and drying treatment - first of all, the organic sludge is imported into the high-pressure belt dewatering machine, the water content is about 87% to 90% after the organic sludge goes through the stacked-screw machine for pre-dewatering, and then modifiers and backbone agents are added to fully release the capillary water and interstitial water in the sludge, so that more water flow out of the machine through the filter cloth. Subsequently, it enters the press roll dewatering to reduce the sludge water content to less than 70%, so that sludge reduction reaches 52.3%.

Sludge press roll equipment

■ Copper sludge drying process

To reduce the emission of copper-containing sludge, the copper-containing sludge is imported into the sludge low-temperature drying system, and the wet sludge enters the drying chamber after being cut into strips; the wet and hot air coming out of the drying chamber enters the closed air inlet and return air treatment unit, and is re-heated and dried and then enters the drying chamber accordingly. The water content of copper-containing sludge can be reduced from 87%-90% to <35% through sludge low-temperature drying equipment, thus reducing copper sludge by 38.5%.

Panel BG copper sludge drying equipment

Hazardous substance control

Environmental management system

Clean production management

Addressing climate change

Environmental protection-related charity activities

4.4 Addressing climate change

Addressing climate change is the biggest challenge across the globe. In September 2020, China announced that it would ensure carbon peaking by 2030 and carbon neutrality by 2060. HKC actively responds to the national "carbon peaking and carbon neutrality" strategy by formulating carbon neutrality strategies and plans, receiving the verification on greenhouse gas reduction, and establishing energy management system for energy conservation and GHG emission reduction for the gradual realization of carbon neutrality at the operation level and across the entire value chain.

Corporate fossil energy GHG emissions was 1.844 million tons of CO_{2-e}/year in 2022

Carbon emission intensity per unit of product in 2022 was 0.452 tons CO_{2-e}/unit

■ **Energy management policies**

Energy efficiency and legal compliance, Full participation, Technology innovations, Continuous improvement

Energy efficiency and legal compliance: We consciously abide by the requirements of environmental protection and safety laws and regulations, roll out environmental management in accordance with effective laws, actively cooperate with competent authorities, optimize production process, adopt energy-saving and environmentally friendly materials, to ensure all staff strictly follow the principle of conservation to maximize resources and energy conservation;

Full participation: We provide education on energy conservation to enhance energy-saving consciousness and social responsibility of all staff, and improve energy-saving and environmental protection awareness;

Technology innovations: We optimize energy design, empower green procurement, implement energy-saving and emission reduction measures, to ensure economic operation of key operational processes and equipment;

Continuous improvement: We continuously promote energy performance improvement, contributing to the construction of energy-saving and environmentally friendly enterprise with prominent energy feature, and promoting sustainable development of the industry.
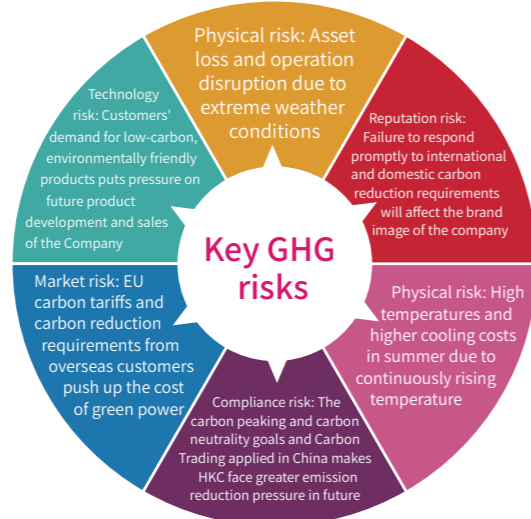
The Company identifies climate change risks in accordance with TCFD Guidelines for Disclosure of Climate Change Related Financial Information. Climate-related risks consist of transformational and physical risks, including: Policy and regulatory risk, technology iteration, reputation risk, market risk, acute physical risk and chronic physical risk. The Company is committed to identifying climate risks and corresponding impacts during its future operations in the short, medium and long term, and evaluates and grades the risks with risk matrix evaluation (likelihood*impact level) methodology.

Most greenhouse gas emissions come from fossil energy consumption. HKC consumes a relatively large amount of electricity in its manufacturing process, and with expanding product production scale, its carbon footprint is more significant as well. According to statistics, GHG Emissions of HKC reached 6,540,141.06 tons of CO_{2-e}/year in 2022, and GHG Emissions intensity per unit of product was 0.452 T CO_{2-e}/unit. In the future, HKC will gradually increase the proportion of green electricity consumption and consider energy-saving and emission reduction measures to reduce the carbon emission during the production process.

HKC Energy and GHG Emissions Statistics for 2020-2022

Performance indicator	2020	2021	2022
Greenhouse gas emissions(T CO_{2-e}/year)	/	/	6,540,141.06
GHG emission intensity of RMB 10,000 output value (T CO_{2-e}/RMB 10,000)	/	/	2.402
GHG emission intensity per unit of product (T CO_{2-e}/unit)	/	/	0.452
Total amount of electricity consumption (MWh)	1,769,595.3	2,757,457.5	3,217,286.5
Natural gas (m³/year)	2,589,693	4,262,672	4,514,130
Liquefied gas (kg/year)	22,310	28,390	15,700
Diesel fuel (kg/year)	41,208.2	36,080.1	38,129.9

Note: Annual greenhouse gas emissions are calculated based on annual energy consumption data, with the calorific value of fuels calculated as calorific value data in the General Rules for Comprehensive Energy Consumption Calculation (GB/T 2589-2020).

■ **Product carbon footprint verification**

In order to understand the carbon emissions during the product lifecycle and to find opportunity for improvement constantly, the Company selected 43-inch LCD panels and 85-inch LCD panels for carbon footprint verification within the product life cycle based on ISO14067: 2018 Norms and Guidelines for Quantitative Greenhouse Gas Assessment within Product LifeCycle and Services Period.
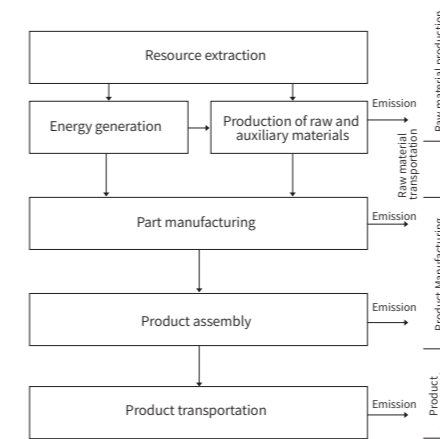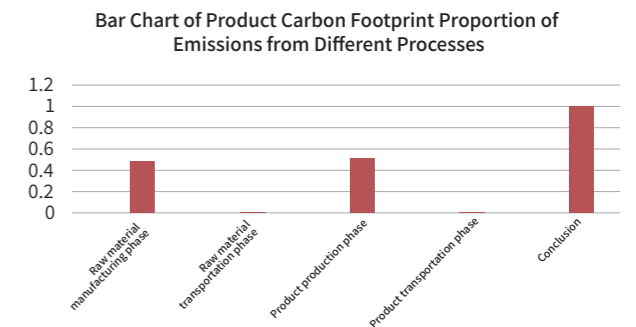

Fig. The Company has Selected LCD Panel Products for carbon footprint verification

Bar Chart of Product Carbon Footprint Proportion of Emissions from Different Processes

Carbon Emission Scale Chart for Product LCA at Different Phases

Seen from the assessment of product carbon footprint, from the acquisition of raw materials to the product transportation process, the raw material production stage and the product production stage account for the largest proportion of carbon emissions, so the selection of low-carbon suppliers and the reduction of carbon emissions in the production process shall be prioritized for product carbon footprint and emission reduction.

■ GHG emission reduction measures

In recent years, in response to the carbon peaking and carbon neutrality strategy of the government, improving PUE and reducing energy consumption are key measures for HKC in carbon reduction. The Company has taken action in several aspects, such as optimizing processes, upgrading production equipment, and adopting clean energy, to reduce carbon emissions from corporate production and operations.

1) The Company has prepared an Energy Review Control Procedure to analyze energy consumption data, production data, etc. from energy audits to determine corporate energy performance and identify opportunity for improvement.

2) We adopt advanced processes and production equipment, including: Advanced G8.6 production line to improve the efficiency of production equipment and auxiliary power and reduce energy consumption per unit product;

3) Advanced thermal insulation materials for air conditioning ducts, chilled water pipes, and hot water pipes; electric adjustment valve for air conditioning chilled water pipe; reasonable use of the secondary return air for purified air conditioning system so as to reduce the cooling and heating load of the system.

4) Low-voltage electrostatic capacitor reactive power automatic compensation device to ensure the power factor of the whole plant exceeds 0.90, reactive power loss is reduced and power loss of transformer is minimized;

5) Photovoltaic power generation units with a capacity of 19MWp installed on the roofs of four workshops with an area of 193,700 square meters at HKC Optoelectronics to reduce carbon emissions from electricity consumption by consuming photovoltaic green electricity.

6) PLC system to centralize the control of decentralized air compressors and optimize the operation of air compressors; and the central air-conditioning energy-saving control system to ensure power-saving rate of the system can exceed 8%.

7) The new technology FSA UVM ECO lamp introduced to change the overall structure of the machine's light source, with ECO lamp utilized as an alternative light source to reduce energy consumption.

Chongqing HKC Third Party Verification Statement

Hazardous substance control

Environmental management system

Clean production management

Addressing climate change

Environmental protection-related charity activities

4.5 Environmental protection-related charity activities

We have integrated the philosophy of respecting and protecting nature as part of HKC environmental protection concept and behavioral norms. We are active in undertaking our own responsibilities with joint efforts in building a beautiful home for mankind, to practice green development in daily work.

■ Afforestation

"Turn trees into forests, make accumulated knowledge shine". The Company is actively involved in public welfare for social environmental protection events, organizes staff to plant trees on March 12 every year, enhances the greenery around the plant, and improves environmental protection and green awareness of all employees.

"Turn trees into forests, make accumulated knowledge shine" - planting trees for environmental protection and public welfare

■ Support mountain fire-fighting activities

On August 21, 2022, a fire broke out in a mountain forest under the jurisdiction of Xinyu Village, Jieshi Town, Banan District, Chongqing. After receiving the notice of fire-fighting support, HKC Jinyu took immediate actions by organizing employees in forming the first and second "fire-fighting volunteer teams" for on-site support. The Company helped to prevent fire in the forest, fight against the drought, rescue those in need, and donated relief materials thereof. In March 2023, the Company organized its employees to plant trees in the mountain fire containment area of Nanhuan Lijiao Mountain, Jieshi Town, to restore the vegetation destroyed by the previous mountain fire.

Value Sharing, People-oriented

HKC adheres to the core value of "people-foremost" and regards the needs of "people" as the core of corporate development.

The Company provides a healthy and safe working environment and a fair development platform for common growth with employees.

Diversified workforce

Protection of employee rights and interests

Occupational health and safety

Training and Career Development

Employee care activities

5.1 Diversified workforce

■ Human resources policy

HKC adheres to the principles of fair and candor, providing employees with employment opportunities, compensation, education, performance evaluation and promotion platforms, and avoiding occupational discrimination to the extent possible. We are committed to creating a fair and harmonious working environment:

Human rights:HKC is committed to protecting and promoting human rights wherever we operate. Our human rights policy is based on the core values of safety and health, environmental stewardship, ethical behavior and respect for people.

Equal opportunity:HKC provides equal opportunities for employees. Our policy requires us not to discriminate against any employee or applicant who applies for employment due to age, race, religion, color, sex, disability, or marital status. Harassment in any form is not tolerated.

Respect is the recognition of value: Respect for others is one of our core values. The Company encourages engagement, ensures fairness and dignity, and fosters an atmosphere of openness, engagement, active listening and trust. The Company embraces and appreciates people with unique backgrounds, mindset, experiences, knowledge, skills, needs and abilities.

Vocational training and development:HKC is committed to formulating and deploying innovative talent management systems to meet strategic needs of employees so as to unleash their potential. We provide employees with a diverse range of training, education and informal and formal development opportunities.

Our employees

Our people are the most valuable asset of HKC. By unleashing and enhancing the value of our employees, we can ensure overall corporate growth and performance. We are committed to becoming a fair, attractive, and preference employer of our employees, attracting, developing and retaining talents in the long run. With continuous expansion of corporate production scale, by the end of 2022, the Company had 15,644 employees, with 32.2% bachelor's degree or above, 180 non-Mainland employees, and 22% female managers - an excellent workforce ensures sustainable development of the Company.

HR statistics table of HKC

Human resource management	Performance data for 2022
Total employees	15, 644
Proportion of male and female employees	68.2% : 31.8%
Employee age ratio (below 30 / 30-50 / above 50)	51.5% : 47.7% : 0.8%
Number of minority employees	596
Number of physically challenged employees	28
the proportion of staff education background (bachelor and above / senior high school and above / junior high school and below)	32.2% : 57.5% : 10.3%
Proportion of women administrative personnel at middle management level and above amongst managerial staff (%)	22%
Number of non-Mainland employees	180

Diversified workforce

Protection of employee rights and interests

Occupational health and safety

Training and Career Development

Employee care activities

5.2 Protection of employee rights and interests

HKC strictly abides by national labor laws and regulations, safeguards the legitimate rights and interests of employees, prohibits child labor and protects underage workers. HKC conscientiously protects the legitimate rights and interests of employees according to Labor Contract Law, and promotes common development of employees and the Company. The Company continuously improves its remuneration system in line with the needs of corporate development and local and industry remuneration standards, and promotes harmonious and stable labor-management relationship. The Company signs and strictly fulfills labor contracts with all employees in accordance with the law, and ensures full coverage of the five basic types of employee insurance, namely, pension, unemployment, medical care, work injury and maternity.

The Company implements a "people-foremost" management culture and strives to build harmonious, win-win labor relationships. The Company has formulated and published the Management System for Religious Beliefs, the Management System for the Prohibition of Forced and Compulsory Labor, the Management System for the Operation of Employee Freedom of Association and the Right to Collective Negotiation, and the Management System for Anti-Discrimination and Humane Treatment for protection the freedom of beliefs and the human rights of employees.

1) The Company respects employees' rights to freedom of association and collective negotiation, and has issued the Management System for Peaceful Assembly, whereby workers are allowed to freely form trade unions or join trade union organizations at their own discretion.

2) Trade union employee representatives can negotiate with the management team on issues of concern to employees, such as working hours, wages, human rights, benefits, working environment, health and safety, and sign wage-specific contracts, contracts for the protection of the rights and interests of female workers, and trade union collective contracts, etc.

3) The Company has set up party committee mailboxes and labor union mailboxes, and collects and adopts employees' suggestions via various channels, including employee workshops, questionnaires and surveys, staff seminars, exit talk, and probationary period interviews, etc., for continuous improvement and optimization.

4) The Company has set up a dedicated complaint phone line and an employee suggestion box, which are designated for complaints, grievances and suggestions from employees in all aspects at any time, and employees can also submit complaints through the trade union or other agents as deemed appropriate.

Employee participation in congress of workers and staff

■ **Compensation incentives**

96.85% coverage of the five insurances and one fund policy for all employees

The average wage of frontline employees was 274% of the local minimum wage in 2022

100% labour contract signature ratio for 2020-2022

The Company implements "people-foremost" policy in production and operation, staff training, labor protection, salary and welfare, five insurances and one fund payment, etc. The Company applies both cultural guidance and relevant system for all-round, multi-angle care for the work, life and career development of all staff. We have established a remuneration incentive system entailing fixed and variable remuneration, statutory and corporate benefits, as well as promotion and development incentives for outstanding talents. We grant staff remuneration according to their contributions to ensure market competitiveness in this regard. The Company respects and cherishes employees by means of scientific and reasonable compensation package, and also cares for their daily work and life by organizing community activities, arrange employee care, annual festival benefits, etc. upon access to the Company until retirement.

According to statistics, the Company's employee compensation increased by 7.51% year-on-year in 2022, the ratio of the average salary of frontline employees to the local minimum wage was 274%, and the coverage rate of "Five Social Insurances and Housing Fund" for employees reached 96.85%.

Statistics Table of Compensation and Benefits for 2020-2022

Data of human resource indicators	2020	2021	2022
Average salary of operation staff vs. local minimum wage (%)	259%	275%	274%
"Five insurances and one pension" coverage for corporate employees (%)	92.65%	95.20%	96.85%
Employee compensation growth rate (%)	8.47%	11.42%	7.51%
Same position compensation, male vs. female	1:1	1:1	1:1
Labour contract signature ratio (%)	100%	100%	100%

Diversified workforce

Protection of employee rights and interests

Occupational health and safety

Training and Career Development

Employee care activities

5.3 Occupational health and safety

No cases of work-related deaths or occupational diseases were reported for 2020-2022

■ **Occupational health and safety policy**

Safety first, prevention first, compliance with laws and regulations, full engagement, continuous improvement

Safety first: Safety is the prerequisite of production, and we always prioritize safety, especially worker safety, and abide by the principle of "safety first", while ensuring the safety of equipment, products and transportation.

Prevention first: We respect science, explore underlying logic, take effective preemptive control measures during production process, and prevent accidents by all means, so as to prevent potential risks and nip them in the bud if so happens.

Be good: We consciously comply with the requirements of occupational health laws and regulations, ensure occupational health management in accordance with the law, and actively cooperate with the competent authorities in supervision.

Full participation: We organize publicity and education on occupational health across the Company, enhance legal awareness of occupational health and sense of social responsibility of all staff, to equip workers with self-protection mindset at all times.

Continuous improvement: We strengthen and improve occupational health and safety management system, constantly ensure self-improvement, optimization, excellence, to enhance occupational health and safety management for zero accidents and zero disasters.

■ Safety management system

Occupational Health and Safety performance statistics for 2020-2022

Occupational health and safety data	2020	2021	2022
Medical examination coverage of corporate employees (%)	100%	100%	100%
Number of casualties on duty (person/year)	0	0	0
No. of occupational disease break-out (case/year)	0	0	0

5 production bases of HKC have established a comprehensive occupational health and safety management system in accordance with the ISO45001 international standard. The Company continues to build up safety infrastructure, strengthen "red line awareness and bottom line mindset", and continue to ensure "inspection, removal, and protection", effectively fulfilling main body responsibility of safety production and the "five implementation and five in place" safety management regulations. The Company has delivered good safety performance with zero line-of-duty fatalities or occupational diseases reported for 2020-2022.

1) Establishment of safety management committee: Each HKC subsidiary has set up an Environmental Safety and Health Management Committee to coordinate corporate safety and health affairs. We hold monthly meetings organized by safety management committee to summarize safe work status and review the unit of authority and responsibility for unusual events.

■ Photo of Cl2 leakage drill:

Emergency assembly ERT   ERT rescue team dress code   ERT on-site treatment   Instructor directs staff evacuation   Evacuate Staff to the assembly point

Ensure right number of staff at the assembly point   All departments involved finalize inventory check and report   Array Blue Plant summarizes the drill   Head of environment and safety comments on the drill

Emergency drill for Cl$_2$ leakage

2) Work safety accountability system: The company signs documents such as the Environmental Safety and Health Production Commitment Letter and the All Staff Safety Production Responsibility Letter with all employees every year, clarifying the safety production responsibilities of each department, supervisor at all levels, and employee at each position, formulating safety operation regulations, and employees operating according to regulations to prevent and reduce production safety accidents.

3) Safety inspections eliminate potential hazards: The Company conducts inspections and checks for the purpose of "eliminating potential hazards, preventing accidents and ensuring safety", including: Supervisors' shift inspection, ESH's daily audit, pre-holiday safety inspection, etc., help to identify problems and potential hazards, whereby rectification measures shall be taken in accordance with the requirements of the "five implementation" for closed-loop management.

4) Establishment of a long-term mechanism for emergency response: The Company has set up an emergency response center, established an emergency rescue team, equipped with rescue facilities and equipment, and regularly organizes full evacuation emergency drills, chemical leakage disposal drills, fire disposal drills, special gas leakage disposal drills, etc., to improve emergency response capability and awareness of all employees.

Highlights of Safety Month moments

Collections of Safety Month activities

5) Nurturing safety culture: The Company provides various safety education and training, including safety training for new recruits, current employees, special positions, firefighting and emergency response. In addition, the Company organizes safety activities such as Safety Month and Firefighting Month every year so as to nurture safety culture.

6) Management of major hazardous sources: The Company identifies major sources of danger according to the national standards and organizes emergency rescue drills in this regard on an annual basis. In terms of management of toxic substances, the Company has formulated comprehensive management systems and operating procedures in accordance with regulations and regulatory requirements of the government to ensure that major sources of danger and toxic substances are safe and under control.

7) Contractor safety management: The Company has built a "safety co-construction" management model and strictly implemented Management Regulations for Suppliers and Contractors, including: signing safety management agreements, strict examination of qualifications of operators, pre-construction safety education, training and assessment, and safety monitoring of the construction process.

Diversified workforce

Protection of employee rights and interests

Occupational health and safety

Training and Career Development

Employee care activities

5.4 Training and Career Development

Total employee training duration reached 112,827 hours in 2022

The Company is committed to common growth with employees, has developed a complete training plan and continues to optimize the training management system, deepens the construction of the staff training system, increases investment in training security and training resources allocation year on year, so as to help employees improve professional, technical and management capabilities at the same time, featuring an internal and external training system covering induction training, pre-work training, on-the-job training, etc. throughout the entire career development.

The training courses range from employee safety and environmental protection to on-the-job skills enhancement such as Six Sigma, leadership training for team leaders and shift leaders, etc. In addition, the Company has developed E-learning courses, to integrate online and offline resources to better meet the needs of staff training and learning. The Company adheres to independent training and has built an excellent team of internal instructors, including marketing instructors, technical instructors, management instructors, operational instructors, etc. Currently, we have over 295 internal instructors.

Statistics of Corporate Training Performance for 2020-2022

Indicator data	2020	2021	2022
Total employee training duration (hours/year)	67,794	93,755	112,827

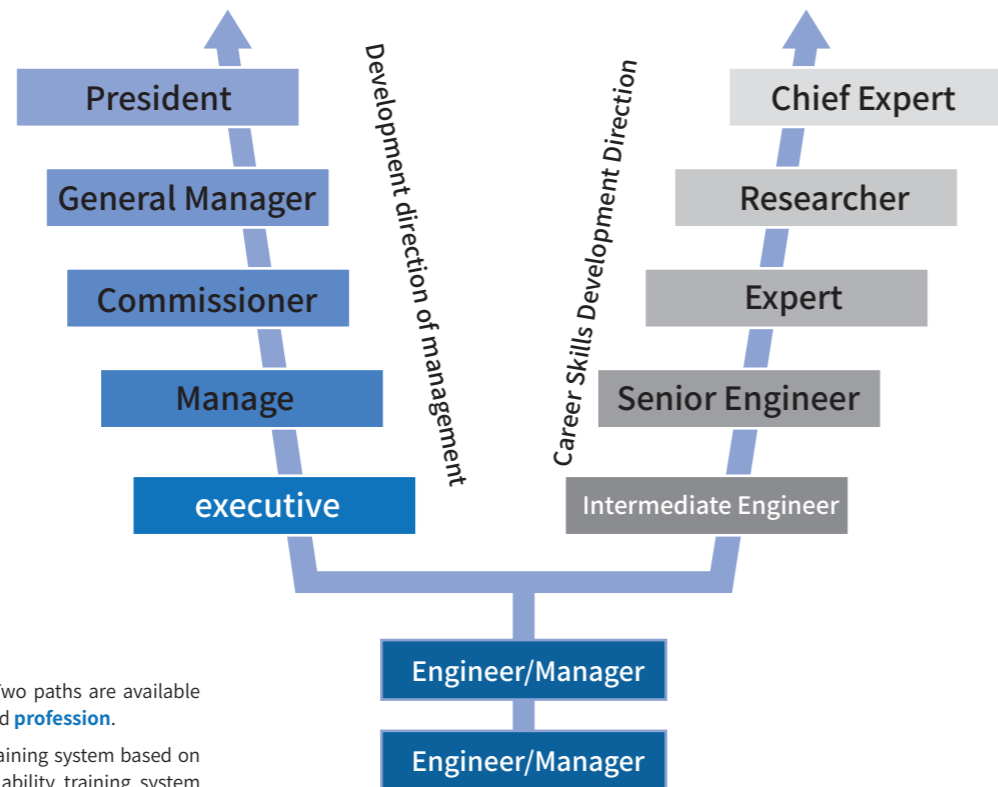### Employees participating in team building

The Company organizes the training of Management and Motivation Techniques for Team Leaders and Shift Leaders

The Company organizes training for middle and senior management

The Company attracts all kinds of professional talents via a variety of channels such as open recruitment, fair competition and selection of the best candidates; meanwhile, the Company also introduces external talents and nurtures internal talents through the mechanism of "selection, education, employment and retention", actively broadening growth and development horizons, continuously optimizing and smoothing promotion channels, building up a platform of horizontal and vertical development for all employees. In this way, the Company has established the talent development channels of management, technology, marketing and artisans to ensure common growth of the Company and employees.

Development direction of management

President

General Manager

Commissioner

Manage

executive

Career Skills Development Direction

Chief Expert

Researcher

Expert

Senior Engineer

Intermediate Engineer

Engineer/Manager

Engineer/Manager

A well-developed career path: Two paths are available for promotion: **management** and **profession**.

There is a supporting general training system based on leadership, and a professional ability training system based on work tasks.

Online and offline combined training to meet employee training needs.

Fig. Career development channels for employees

Diversified workforce

Protection of employee rights and interests

Occupational health and safety

Training and Career Development

Employee care activities

5.5 Employee care activities

■ Employee comfort and assistance

The Labor Union Committee of the Company has established a long-term effective mechanism for the Employee Care Project, whereby the Management Measures for Employee Comfort have been introduced, and Accounts for Supporting Staff in Difficulties have been formulated to organize Employee Care activities every year for the benefit of all corporate employees. Each grass-roots trade union regularly visits and comforts employees suffering from illnesses and difficulties, and provides assistance and relief according to actual needs. From 2021 to now, Mianyang HKC has delivered condolences to over 350 employees, totaling RMB 310,000 in monetary value; Chongqing Jinyu has assisted 35 employees in difficulties, distributing a support fund of RMB 75,800; provincial financial funds and the Sichuan Federation of Trade Unions jointly visited front-line staff in 2022, distributing a relief fund totaling RMB 185,000 in monetary values.

Sichuan Federation of Trade Unions delivering warmth and comfort

During the period of 2021-2022, Chongqing Jinyu helped 35 employees in difficulties and distributed RMB 75,800 of relief funds

■ Cultural and recreational activities

HKC continues to care for employee's lives and increase investment in hardware, whereby rich cultural and recreational activities are organized for better satisfaction of employees both at work and at leisure. For example: Staff birthday parties, various kinds of clubs and fellowship activities, etc. are organized to facilitate emotional release and social networking of all employees. In addition, the Company regularly organizes festive cultural activities, open family days, anniversary celebrations, and sports and athletic events to ensure a rich, relaxing, and enjoyable life for all employees after a stressful workday.

HKC Annual Basketball League Event

Ice Cream Mooncake DIY Activity at Mid-Autumn Festival

Mid-Autumn Festival Gala

Festival and Cultural Events

Open Family Day

We believe that an excellent team is in unity and collaboration. Colorful cultural and sports activities not only help to strengthen communication and collaboration amongst departments, enhance team cohesion and centripetal force, but also lay a solid foundation for sustainable development of the Company.

Cooperate for Mutual Benefit and Contribute to Society
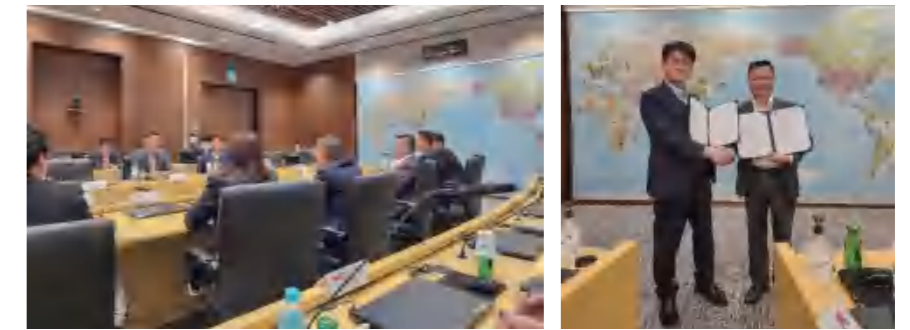
Cooperation and win-win

Sustainable procurement

Charity and public welfare

The Company adheres to the business philosophy of "win-win collaboration", ensures responsible procurement to build a sustainable industrial chain;

We are actively engaged in charity and public welfare to contribute to the community in good faith, and ensure a win-win situation for the benefit of the society in general.

6.1 Cooperation and win-win

As a group Company integrating R&D, production and sales functions, HKC is committed to building a robust and mutually beneficial industry ecology at all times. HKC adheres to the principle of "win-win collaboration", actively involves itself in strategic partnerships with many famous brands in the industry for in-depth technical and commercial collaboration for the ultimate goal of sustainable development across the industry chain. At present, HKC has signed strategic cooperation agreements with Samsung, Hisense, Changhong and other famous domestic and international brands, laying a strong basis for multi-level in-depth cooperation in the future.

2On October 27, 2022, Samsung and HKC signed a 23-year LTA contract, whereby Vice President of Samsung Electronics, Chairman of HKC, and other executives on both sides presented themselves at the signing ceremony. As strategic partners, HKC and Samsung will be engaged in a full range of medium- and long-term business cooperation activities in the future, strengthening the construction of a comprehensive cooperation system from DX Mobile to the Home Appliances Division, and constructing a "blueprint for medium- and long-term development in the next 24 years".

In November 2022, Hisense and HKC signed a 2023 memorandum of strategic cooperation, whereby the two parties will further strengthen complementary advantages and expand cooperation in the display field combining technology, product R&D and innovation, better utilizing supply chain synergy and other advantages of both sides. As one of the large-size LCD panel giants in China specializing in the research and development of video consumer electronics products in the display field, HKC will become an important strategic supplier of Hisense Group.

In January 2023, Changhong and HKC signed a Memorandum of Understanding for 2023 cooperation, where the Vice President of Changhong Group met with the Executive Vice President of HKC Group for future development and establish a long-term strategic partnership.

6.2 Sustainable procurement

Zero cases of child or forced labour from suppliers in 2022
Local procurement ratio reached 78% in 2022

As one of the giants in the LCD panel and display terminal industry with a sizeable supply chain system, HKC is increasingly exposed to social responsibility risks across the supply chain, which has become a key component of corporate social responsibility, and been recognized by the global business community as one of the most challenging aspects of its operations due to its complexity, lack of transparency and unpredictability.

■ Supplier code of conduct

To mitigate supply chain risks and protect corporate brand and reputation, HKC has prepared documents such as HKC Supplier Code of Conduct, Supplier Sustainable Procurement Management Policies and Mechanisms, and HKC Responsible Mineral Policy Statement, etc., and standardized sustainable procurement process by means of regular publicity, etc. We are committed to building a high-quality Supply Chain System on the basis of diversified introduction, open mindset, rigorous access audits, and ensuring access effectiveness.

HKC evaluates supplier performance from five aspects, i.e. quality, delivery, service, cooperation and corporate social responsibility, in a multi-dimensional way across the entire life cycle, to build a high-quality procurement ecosystem, ensure the quality of procured materials, minimize environmental pollution, and work with suppliers to maintain an honest, incorruptible, fair and just supply chain.

HKC hosts supplier conference

■ Supply chain management and control on ESG

HKC has always been committed to the implementation of honest and clean code of business conduct across the supply chain, resolutely resisting the behavior of restricting or excluding market competition by improper means, and creating a fair and healthy industrial ecological chain. The supplier signed the "Commitment to Sunshine Behaviors" in accordance with the standards at the beginning of the onboarding.

In order to improve the Supplier's awareness of social responsibility and management performance, we have introduced the RBA Social Responsibility Management System since 2021 to screen suppliers with the RBA standards of the electronics industry and promote sustainable procurement management.

To mitigate the corporate social risk of our suppliers, HKC not only requires key suppliers to sign RBA Statement of Social Responsibility, but also organizes a multi-departmental audit team composed of professionals to conduct on-site audits based on corporate Supplier On-site Audit Checklist, issues audit reports after the audit, and requires the supplier to take corrective actions and closure measures in a timely manner. By the end of 2022, no cases of RBA criteria violations (child or forced labour) on the supplier's side had been identified.

Statistics Table of Sustainable Procurement Performance Indicators

Indicators of responsible procurement performance	2020	2021	2022
Proportion of local procurement (%)	77%	73%	78%
Number of ESG criteria violations (child and forced labour) identified in supplier behavior (times)	0	0	0

6.3 Charity and public welfare

HKC insists on benefiting the society with practical actions, and its production bases are actively involved in social welfare and charitable donations, fighting against epidemic outbreak, assisting farmers in poverty alleviation, donating money to schools, and donating blood, etc., so as to dedicate to the society, pass on warmth, and serve as a corporate responsible citizen in good faith.

■ Fight against COVID-19

Guangxi Zhixian donated epidemic prevention supplies worth RMB 600,000 to the Beihai Municipal Bureau of Education against COVID-19 in May 2020

HKC Jinyu donated RMB 100,000 to Banan District Charity Association for the purpose of fighting against COVID-19 in February 2020

Material donation to the Municipal Approval Bureau

The Company donated materials to Beihai Approval Bureau to help combat the coronavirus

HKC 惠科

Cooperation
and win-win

Sustainable
procurement

**Charity and
public welfare**

6.4 Charity and public welfare

■ Support farmers in poverty alleviation

In September 2022, Guangxi HKC and Beihai Municipal Bureau of Commerce hosted Mid-Autumn Festival activities to support farmers in poverty and for the sake of rural revitalization

In August 2019, the Company was actively engaged in "Enterprise-Village" one-to-one support with Tang'er Village, and donated RMB 100,000 in cash.

■ Donation for education

In October 2019, Mianyang HKC sponsored poor students in Zhaojue County, donating materials and living expenses to help relieve students from the burden of school tuition.

In March 2022, Mianyang HKC visited Mianyang City Special School, focusing on the education of special children and contributing to social harmony

■ Nonprofit blood donation activities

In March 2022, Chuzhou HKC was actively engaged in blood donation for public welfare, spreading positive social philosophy of "all for one and one for all"

In August 2022, Changsha HKC hosted a blood donation activity for public welfare. HKC employees contributed their love to the society in real practice and pass on hope and warmth across the region!

Reader's Feedback

Reader's feedback

Distinguished reader,

Thank you for reading the ESG Report of HKC Corporation Limited for 2022. If you have any comments and suggestions concerning this report, please fill in the feedback table below and return it to us via online feedback or e-mail. We are very much grateful of your invaluable comments!

Name: _____   **Tel:** _____   **Email:** _____

1. Which chapters as listed below provide you with critical information?

☐ About HKC   ☐ EESG strategy and governance for robust development

☐ Technology innovation and product focus   ☐ Energy-saving and Carbon-reduction with green sourcing

☐ Shared value and people-foremost   ☐ Win-win collaboration and contribution to society

2. How do you evaluate this report?

Integrity	☐Good	☐Not so good	☐Poor
Balance	☐Good	☐Not so good	☐Poor
Responsiveness	☐Good	☐Not so good	☐Poor
Legibility	☐Good	☐Not so good	☐Poor
Overall impression	☐Good	☐Not so good	☐Poor

3. Any suggestions for our next annual report?

_____

_____

_____

4. Contact us：

Email：ESG-HKC@szhk.com.cn

Scan QR code to fill in

GRI Standards Index

Annex: GRI index

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102-6	Markets served	8
102-7	Scale of the organization	8
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战　略		
102-14	Statement from senior decision-maker	/
102-15	Key impacts, risks and opportunities	11
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Report Verification Statement

BUREAU VERITAS
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Our Conclusions

On the basis of our methodology and the activities described above, it is our opinion that:
The revised information included in the report are objective, reliable and free from material mistake or misstatement;

Objectivity

The information and data presented in the report is objective and reliable. HKC uses information system to collect and sort operation, HR, safety and environmental data. Through site verification, the evidence provided by HKC is reliable and traceable.

Completeness

The Report covered HKC and its wholly owned and holding subsidiaries. It focus on "ESG Governance, Stable Development", "Technological Innovation, Product First", "Clean and Reduce Carbon Emissions, Using Green as the Source", "Value Sharing, People-oriented", "Cooperate for Mutual Benefit and Contribute to Society" and also disclosure corporate social responsibility management, economic responsibility, and community responsibility which stakeholders concerned issues.

Materiality

Based on the GRI Sustainability Reporting Standards (GRI Standards), NASDAQ's ESG Reporting Guidelines 2.0 and the Stock Exchange of Hong Kong's Environmental, Social and Governance Reporting Guidelines, as well as recommendations issued by the Climate-Related Financial Disclosure Task Force (TCFD), The key ESG issues and related information involved in the display panel industry are identified and disclosed.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health,Safety, Society responsibility and Environmental management with over 190 years history in providing independent assurance services. No member of the assurance team has a business relationship with HKC. We have conducted this verification independently, and there has been no conflict of interest.

Fanny Zou
General manager, Certification, I&F China
Bureau Veritas I&F China
2023-8-31

Jack Hu
Assurance Team Leader
Bureau Veritas I&F China
2023-8-26

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INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work

BUREAU VERITAS has been engaged by HKC CO.,LTD（hereafter referred to as "HKC"）to conduct an independent assurance to 2022 annual ESG Report (hereafter referred to as "the Report") of CFL. This Assurance Statement applies to the related information included within the scope of work described below. This information and its presentation in the report are the sole responsibility of the management of HKC. Our sole responsibility was to provide independent verification statements according to the objectivity and reliability of the disclosure of information on the basis of the collection, analysis and management process of the report .

Scope of work

- Data and information included in the report for the report period from 2022.1.1 to 2022.12.31;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyse and review the information reported;
- The assessment team site visited HKC CO.,LTD (Floor 1 to Floor 3, Floor 5 to Floor 7, Building 1, HKC Industrial Park, No. 1, Second Industrial Road, Shilong Community, Shiyan Street, Baoan District, Shenzhen (Headquarters); Assemble Factory: No. 2388 Dongcheng Avenue, Jieshi Town, Banan District, Chongqing;   Panel Factory: No.1 Shijing Road, Jieshi Town, Banan District, Chongqing; Panel Factory: No. 101, Suchu Avenue, Chuzhou Economic and Technological Development Zone, Anhui Province (sub-site).), BV did not visit other site and its stakeholders.
- Excluded from the scope of our work is any assurance of information relating to:
  Activities outside the defined assurance period;
  Positional statements (statements of beliefs, goals, future intention and future commitment);
  Much of the operating financial data in this Report is taken from HKC Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:
- Interviews with relevant personnel of HKC;
- Review of documentary evidence produced by HKC;
- Audit of sampled CSR performance data;
- Assessment of data and information systems for collection, aggregation, analysis and review. Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance.

For this assignment, we have used the verification rules and instructions IASE3000, AA1000 and GRI . The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

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