

WILLFAR®

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Stock code: 688100



2023

Environmental, Social, and Governance (ESG) Report

Willfar Information Technology Co., Ltd.

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Willfar Information Technology Co., Ltd.

April 2024

Report Description

Enterprises Covered by the Report

This report encompasses Willfar Information Technology Co., Ltd. and its principal subsidiaries

Reporting Period

January 1, 2023 to December 31, 2023

Reporting Frequency

This is an annual report

Data Sources

Data is drawn from Willfar Information Technology Co., Ltd. and its subsidiaries, with some information sourced from third-party institutions

Date of Issuance of the Report

April 26, 2024

Nouns and Pronouns used in the Report

In this report, “Willfar Information”, “the company”, and “we” all refer to Willfar Information Technology Co., Ltd.

Report Accessibility

This report is released in electronic form on the Internet and can be accessed on the website of Shanghai Stock Exchange (www.sse.com.cn) and the official website of Willfar Information Technology Co., Ltd.

Report Basis

This report is prepared in accordance with

Global Reporting Initiative (GRI) Standards for Sustainable Development Reporting

China Corporate Social Responsibility Reporting Guidelines (CASS-ESG 5.0)

The Shanghai Stock Exchange's Self-Regulatory Guidelines No. 14 for Listed Companies – Sustainable Development Report (Trial) (Draft for Public Comment)

Feedback Mechanism

Should you have any comments or suggestions regarding this report, please reach out to us through the following means

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Statement of the Board of Directors

2023 marks the beginning of fully implementing the spirit of the Party's 20th National Congress, a pivotal year in the "14th Five-Year Plan", and an important year for the comprehensive construction of a modern socialist country. High-quality development has become an inevitable choice for listed companies. Against the backdrop of a steadily recovering global economy, energy transformation has opened up new market spaces, and the digital economy has sparked new demands for urban digital construction. China's "Dual Carbon" strategy, the building of a digital China, the development of the digital economy, the advancement of the "Belt and Road" initiative, and the accelerated construction of new energy systems continue to activate the momentum of national economic development. Faced with opportunities and challenges, Willfar will continue to adhere to its development strategy of "Connecting the World with IoT, Connecting the Future with Core Technologies", constantly strive forward, create and contribute value, achieving sustainable corporate growth.

Throughout the year, the company has adhered to compliance and efficiency, propelling its high-quality growth. Prudent operation and high-quality development constitute our guiding principles for business expansion. We have consistently upheld the corporate tenet of "Sincerity to Perfection, Harmony of Duty and Profit," seamlessly integrating ESG principles into our corporate strategy, major decision-making, and daily operations. The "Board Strategic Committee" has been renamed the "Board Strategic & ESG Committee," tasked with researching and proposing recommendations on the company's sustainable development, environmental, social, and governance (ESG) policies. This committee also oversees the supervision and management of ESG-related matters. Under the "Board Strategic & ESG Committee," a "Sustainable Development ESG Working Group" has been established to lead and manage ESG efforts, coordinating relevant business departments and functional units across the company in executing ESG-related tasks. Our General Meeting of Shareholders, Board of Directors and Supervisory Board operate efficiently and in strict adherence to disclosure regulations. Willfar raised net proceeds of RMB 610 million through its IPO, which was fully allocated to R&D investment and production expansion. Nearly RMB 300 million was spent on share repurchases for long-term incentive programs. Our investment value has garnered industry recognition, earning us the highest disclosure rating (A level) from the Shanghai Stock Exchange, being named an Excellent Board Practice Case by the China Association for Public Companies, and inclusion in the SSE STAR Market 100 Index, among other honors.

This year, Willfar is committed to green empowerment, serving the national "Dual Carbon" strategy. The report of the 20th National Congress of the Communist Party of China pointed out the need to "actively and prudently advance carbon peaking and carbon neutrality actions", based on China's energy resources, and to implement the carbon peaking actions in a planned and step-by-step manner. Leveraging technological innovation and R&D advantages, Willfar focuses on the key demands of the national energy development strategy and the State Grid, mastering core technologies such as big data management, communication chips and edge computing, and promoting low-carbon and zero-carbon development in the industry. Internally, the company pushes for green operations through smart manufacturing and creating low-carbon green parks, adopting plant and equipment upgrades to effectively reduce energy consumption and enhance the utilization of clean energy. Externally, Willfar intensifies technological innovations and product innovations in new electric power systems and smart grids, leads the formulation of industry technical standards, consolidates its leadership in the electric IoT sector, and actively explores new opportunities in energy structure transformation and the digital economy, providing intelligent solutions for cities, enterprises, parks, and more, serving the national "Dual Carbon" goals.

This year, Willfar remains true to its original aspirations, working together to create a better future. President Xi Jinping has repeatedly emphasized that private enterprises should actively participate in philanthropic and charitable activities, remembering their roots and balancing righteousness and profit. Driven by innovation, Willfar promotes compliance and sustainable development in the supply chain, fosters regional economic development through lawful taxation, pays attention to employee rights, and develops jointly with its employees. The company has been honored as a national model for harmonious labor relations, a national model for trustworthy business operations, and has been awarded the A-level credit rating for labor protection for four consecutive years. Willfar actively fulfills the responsibilities and commitments of a national enterprise, forming volunteer teams, participating in social welfare activities, engaging in charitable donations, and visiting and comforting the needy, thereby creating value for society and using technology to aid rural revitalization, promoting mutual benefits between the company and various societal sectors.

In the wave of global digital economic development, under the strategic guidance of Digital China, and amidst the steady advancement of the "Dual Carbon" goals, digitalization and green low-carbon transformation have become inevitable trends in the energy industry. Willfar remains committed to its core business, deeply cultivates the industry, and strategically expands globally. In the development of energy digitalization and green low-carbon transformation, Willfar plays an active role as both an industry promoter and an enabler, continuously creating value for the nation, investors, and customers. Looking ahead, we are poised for action, targeting long-term growth, continuously innovating and advancing, making greater contributions to global low-carbon development, and the prosperity of the digital economy!



Company Profile

Willfar Information Technology Co., Ltd. was established in 2004 and is one of the earliest enterprises specializing in the energy Internet in China. On January 21, 2020, it was successfully listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (Stock Code: 688100.SH). With the development strategy of "Connecting the World with IoT, Connecting the Future with Core Technologies", the company provides comprehensive energy Internet solutions from data perception, communication networking to data management, constructing a digital energy system that is perceptible, observable, measurable, and controllable for customers, supporting efficient energy management in various scenarios such as cities, parks, enterprises, buildings, water services, and fire protection. It is committed to achieving the national "Dual Carbon" goals, serving the construction of digital power grids and digital smart cities, and jointly building new power systems and digital twin cities.

Enterprise Development Strategy: Connecting the World with IoT, Connecting the Future with Core Technologies

Enterprise Mission: Sincerity to Precision, Benefit to Coexistence

Creating Value for Shareholders

The company creates value for shareholders with sustainable competitive advantages and overall profitability.

Creating Value for Users

The company creates value for users by providing more accurate, reliable and intelligent system solutions and services

Creating Value for Employees

The company creates value for employees with fair and decent salaries and benefits and career growth.

Creating Value for Suppliers

The company creates value for suppliers through collaborative cooperation and shared growth.

Creating Value for Society

The company creates value for society through increasing tax contributions and philanthropic activities.

Creating Value for the Industry

The company creates for the industry by continuously promoting the construction of energy Internet and the digitalization of comprehensive urban governance capacity with cutting-edge information technology and strong energy IoT driving power.

Development Milestones

2004 - 2009

The company was established and took the lead in breaking through domestic substitution, establishing a foothold in the IoT industry.



2010 - 2014

The company cemented its leadership position in the power IoT industry through steady technological innovation



2015 - 2019

The company continued to lead in domestic market share while expanding into the international market, deepening and promoting urban IoT solutions.



2020 - 2023

The company became a leading provider of energy IoT solutions, focusing on three major markets.



Future Outlook

The company will continue to benefit every city, community, business, and family with its products, technology, and services.

2023

Key Performance Highlights

2.23 billion yuan
Operating Revenue



42.9%

Percentage of Female Directors,
Supervisors, and Senior Executives

25%

Percentage of Female
Employees

40%

Cash Dividend
Payout Ratio

31.3%

Net Profit Growth Rate

227 million yuan

R&D Investment

15.65%

Compound Annual Growth Rate of Revenue Since
Listing

24.68%

Compound Annual Growth Rate of Net Profit Since
Listing

197 million yuan

Total Annual Tax
Payments



18.9%

Return on Net Assets

50.4%

Percentage of R&D
Personnel

707

Valid Patents Obtained Cumulatively

Annual Honors

The company has won the First Prize of Hunan Provincial Science and Technology Progress Award for two years in a row, garnered the First Prize of Scientific and Technological Progress from the China Electrical Engineering Society, received the Second Prize of Invention Patents in Hunan, and secured the First Prize for Scientific and Technological Progress from State Grid Corporation. Recognized for its strategic development, innovative technological achievements, and robust comprehensive strength derived from years of dedication in the Internet of Things (IoT) domain, the company has been designated a National Specialized, Focused, Innovative, and Novel Enterprise and a National Intellectual Property Advantage Enterprise. Additionally, with its outstanding ESG performance and a combination of both growth characteristics and momentum effect, it has been successfully included in two major indices: the SSE STAR Market ESG Index and the SSE Select STAR Market Growth Momentum 50 Strategy Index.

Honors and Qualifications

- ◆ Inclusion in the SSE STAR Market ESG Index
- ◆ Inclusion in the SSE Select STAR Market Growth Momentum 50 Strategy Index
- ◆ Inclusion in the SSE STAR Market 100 Index
- ◆ Inclusion in SSE Buyback 50 Index
- ◆ Capability Maturity Model Integration (CMMI) Highest Level ML5 Certification
- ◆ National-Level Green Factory
- ◆ National Green Supply Chain Management Enterprise
- ◆ 2023 Power Science and Technology Innovation Award (First Prize) - Measurement and Control System and Control Modules for Distribution Automation Terminals
- ◆ China Instrument and Control Society Science and Technology Progress Award (Second Prize) - High-Precision DC Energy Metering Standard Device and Traceability Techniques, and Industrial Application
- ◆ Machinery Industry Science and Technology Award (Second Prize for Technological Progress) - Full Automation Power IoT Terminal Key Technologies and Large-Scale Applications
- ◆ State Grid Corporation Science and Technology Progress Award (First Prize) - Next-Generation Power Information Collection System Key Technologies and Applications
- ◆ Excellent Cases for Carbon Peaking and Carbon Neutrality
- ◆ 2023 Hunan Province Key Research and Development Plan Project (Intended) - Dual-Mode Communication Chip for Electric Power Internet of Things
- ◆ "PV Grid-Connected Intelligent Low-Voltage Circuit Breaker Project" - Outstanding Innovation Project Award, Hunan Instrumentation Industry
- ◆ 2023 Digital Hunan Top 10 Application Scenario Construction Plan Key Project - IoT Product Smart Manufacturing Workshop Project Based on Industrial Internet
- ◆ Top 10 Innovative Enterprises in the First Hunan Advanced Manufacturing Technology Innovation Competition

Scientific Research Papers

In 2023, the company focused on cutting-edge domains, conducting multiple research endeavors, and achieved notable outcomes. During this reporting period, the company published a total of 6 scientific papers.

- "Study on the Reading Method Based on Power Line Carrier for Line Loss Lean Management in Distribution Transformer Area"
Digital Communication World
- "Application and Practice of Wi-SUN Communication Technology in Advanced Metering Infrastructure (AMI)"
Internet of things technologies
- Ground Fault Section Localization Algorithm for Active Distribution Networks Based on Phase Transient Power Direction
High Voltage Engineering
- Short-term Load Big Data Forecasting Scheme for the Power Industry Based on Heterogeneous Data
Annual Power Industry Informationization Conference
- Study on Synchronized Phasor Measurement Technology for Power Systems Using Edge Computing
China Electrical Equipment Industry
- Channel-Spatial attention convolutional neural networks trained with adaptive learning rates for surface damage detection of wind turbine blades
Measurement

National and Group Standards

As of the end of the reporting period, the company and its R&D personnel had participated in the formulation of a total of 65 national, industry, local, and group standards, comprising 36 national standards, 11 industry standards, one local standard, and 17 group standards.





2. Environment Section

Environmental Protection

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- 2.2 Resource Consumption & Pollution Control
- 2.3 Environmental Issues & Management Overview
- 2.4 Biodiversity Conservation

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Climate Change Mitigation

For a prolonged period, human activities and natural factors have jointly influenced the world, resulting in ongoing climate change characterized prominently by global warming. This warming trend has triggered a multitude of cascading effects, rendering climate crises and extreme weather events as global challenges. In June 2022, seventeen departments including the Ministry of Ecology and Environment, the National Development and Reform Commission, and the Ministry of Science and Technology jointly issued the "National Climate Adaptation Strategy 2035", comprehensively outlining and coordinating adaptation measures to climate change for the period up until 2035.

Willfar Information actively responds to the "Dual Carbon" strategy, implementing actions towards achieving carbon neutrality and addressing climate change. The company systematically identifies and scientifically assesses climate-related risks, evaluating the potential impacts on its own business, communities, and stakeholders. It formulates risk mitigation measures and integrates climate change risk management into the company's overall risk management process. Willfar Information continuously enhances its capacity to guard against climate-related risks and embeds the principles of sustainability throughout all stages, including product design, R&D, production, and operations, steadfastly pursuing green, high-quality development.

Climate Change Risk, Opportunity Identification, and Financial Impact Analysis

Extreme weather events such as heavy rains, floods, and typhoons:

1. Cause damage to various infrastructure facilities within the industrial park, leading to direct economic losses and additional maintenance costs; reduce the functions and services provided by these infrastructures, thereby lowering their anticipated societal and economic benefits;

Strengthen Business Continuity Management (BCM): Referencing international standard ISO22301, continuously improve the company's BCM mechanisms, enhancing resistance to risks. Identify potential threats to critical business operations, including events and environmental factors that may disrupt company operations and facilities, negatively impacting them. Evaluate and analyze potential losses, designing a Business Continuity Plan (BCP) to guide business recovery. Regularly assess drill results and, if necessary, continually refine and update the plan

Countermeasures

2. Disrupt normal production and operations, causing contract delivery delays

Awareness Cultivation and Practical Drills: Develop a business continuity training curriculum to foster awareness and skill development among employees. Regularly organize practical drills to test the operational feasibility and time coordination of the BCP, enhancing emergency response capabilities in the face of disasters

Countermeasures

3. Impact upstream and downstream supply chains and product transportation, causing production delays

In terms of logistical support, formulate comprehensive emergency response plans for severe weather conditions, such as those for heavy rainstorms and flooding. Equip operational sites with emergency power generation facilities. Routinely organize employee drills for relevant emergency scenarios and provide specialized training on emergency rescue procedures to enhance preparedness and response capabilities.

Countermeasures

Chronic climate risks such as persistent drought and sustained high temperatures:

1. Seasonal shortages in the supply and demand of energy sources like electricity and natural gas, potentially leading to energy supply disruptions, which can impact normal production for the company and its upstream and downstream supply chains, thereby compromising the uninterrupted operation of company business

Continuously enhance the level of production process automation, drive the transformation of production processes to become increasingly automated, optimize manufacturing workflows, and adopt automated and digital equipment to minimize the impact of human and natural factors on production efficiency

Countermeasures

2. Prolonged high temperatures lead to increased production costs. The need to regulate workplace temperatures results in higher electricity expenses; persistent heat may decrease worker productivity, raising labor costs; and it affects normal production in the company's upstream supply chain, contributing to increased raw material costs

In response to high temperatures that may lead to reduced efficiency and heatstroke, develop detailed contingency plans and regularly conduct drills. Strengthen education and publicity efforts on heatstroke prevention and first aid for workers, implementing effective preventive measures against heat stress. Conduct regular health checks for employees engaged in high-temperature work, adjusting labor and rest regimes for such tasks as necessary to maintain both work quality and safe production, while ensuring the health and life safety of employees.

Countermeasures

Resource Consumption & Pollution Control

The company is not classified as a key emissions entity and has not been included in the greenhouse gas emissions verification scope by the Hunan Provincial Department of Ecology and Environment. The company attaches importance to the potential impacts of climate change risks on its business operations, and in order to better manage climate-related indicators, it has conducted organizational greenhouse gas verification for Willfar Information in 2023 in accordance with the "Guidelines for Calculation and Reporting of Greenhouse Gas Emissions for Other Industrial Sectors (Trial)" issued by the General Office of the National Development and Reform Commission. Concurrently, following ISO14067:2018 "Greenhouse gases - Carbon footprint of products - Requirements and guidelines for quantification" and PAS2050:2011 "Specification for the assessment of the life cycle greenhouse gas emissions of goods and services," the company carried out greenhouse gas emissions measurement work at its production and operation sites during the reporting period, providing data support for the realization of the company's carbon neutrality pathway. During the reporting period, the company's greenhouse gas emissions were 3,615.16 tons of carbon dioxide equivalents. In the future, the company will continue to strengthen monitoring and data management, actively engaging in the country's dual-carbon mission.

Greenhouse Gas Emission Indicators

Environmental indicators	2023	Unit
Greenhouse gas emissions	3,615.16	tCO ₂
Emissions per unit of revenue	1.62	Per million yuan of annual revenue

Indicators of Resource and Energy Consumption

Category	2023	Unit
Water	176,942.00	t
Electricity	5,503,055.50	KWH
Natural gas	81,264.47	m ³

Pollutant Emission Indicators

Category	2023	Unit
Hazardous waste generation (tin slag)	4.005	t
Hazardous waste recycling & utilization rate	100	%
Total phosphorus concentration in discharged wastewater	1.72	mg/L
COD concentration in discharged wastewater	30	mg/L
Concentration of total suspended particulate matter in discharged wastewater	0.28	mg/m ³
Ammonia nitrogen concentration in discharged wastewater	21.4	mg/L
BOD5 concentration in discharged wastewater	6.3	mg/L
Petroleum concentration in discharged water	0.14	mg/L

Financial Indicators

Category	2023	Unit
Investment in environmental protection	10.83	10,000 yuan
Investment in R&D	22,743.59	10,000 yuan

Environmental Issues & Management Overview



The company is not categorized as a high-energy-consuming or high-emission enterprise; the primary resources and energy consumed during its production and operations are water, electricity, and natural gas. The company exercises responsible water use, relying on a sufficient supply from the municipal water system without any concerns over sourcing. During the reporting period, the company strictly adhered to environmental laws and regulations, proactively promoting clean energy and smart manufacturing to reduce energy consumption. The company effectively utilizes rooftop space for photovoltaic power generation, employs advanced intelligent manufacturing techniques in its production processes, and has already converted workshop lighting to LED technology.

The company's waste primarily stems from the production process, consisting mainly of tin and its compounds, defective and discarded electronic components generated during processing, outer packaging cardboard boxes, and wastes from office activities produced by employees. All wastewater generated by the company is domestic sewage, with no industrial wastewater produced during the manufacturing process. The company also generates a small amount of greenhouse gas emissions from electricity and natural gas consumption, production processes, generator usage, and vehicle operations. Equipment in operation produces minimal noise.

The company places great emphasis on the establishment of green manufacturing and operational systems, having developed comprehensive management procedures to rigorously control energy consumption during production and operations, regulate the disposal of waste generated in the course of business, and ensure compliance with legal requirements, thus minimizing the negative environmental impact of its operations. The company consistently strengthens carbon emission management, gaining a comprehensive understanding of its current greenhouse gas emissions, optimizing its energy consumption structure, and diligently working to reduce greenhouse gas emissions, thereby continuously contributing to the attainment of the "dual carbon" goals.

Biodiversity Protection

Willfar strictly abides by national and local laws and regulations on biodiversity protection, puts the practice of biodiversity protection into all aspects of its business, actively protects the natural ecology and biodiversity, and is committed to building an ecological civilization in which human beings and nature coexist in harmony.

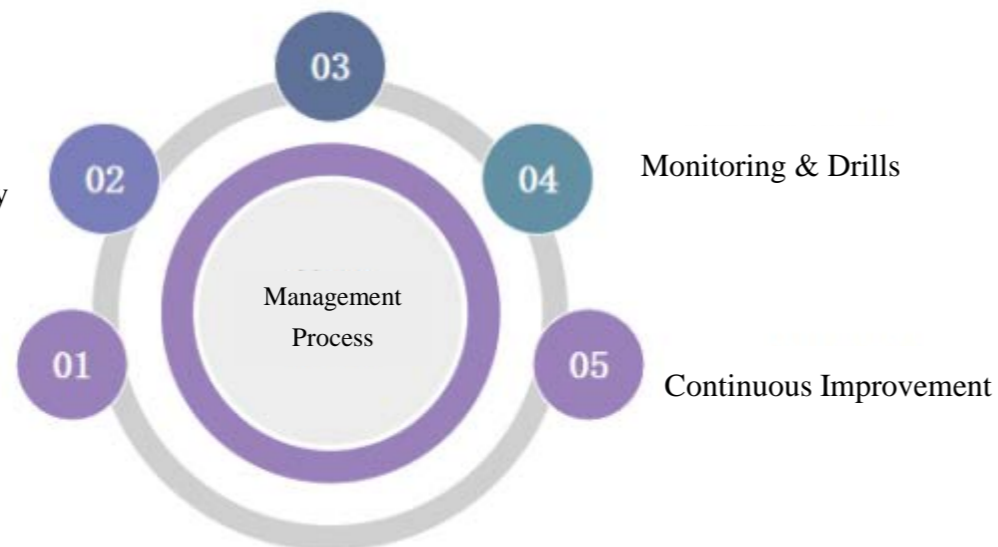
In 2023, the Company had no production or operation sites located in biodiversity-rich areas within, near or outside of nature reserves. None of the Company's production and operational activities, products and services was found to have a significant impact on biodiversity.

Business Continuity Management

Implementation of Business Continuity Plan

Formulation of Business Continuity Plan

Risk Assessment



Waste and Pollutant Emission Management

The company strictly abides by national laws and regulations such as the "Energy Conservation Law of the People's Republic of China," the "Environmental Protection Law of the People's Republic of China," the "Air Pollution Prevention and Control Law of the People's Republic of China," and the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China."

During the production process, the main waste gases generated by the products are tin and its compounds, defective and discarded electronic components produced during processing, solid waste from outer packaging cardboard boxes, noise produced by equipment in operation, wastewater and household waste generated by employee office and living activities. During the reporting period, the sampling test results of the company's three wastes by a third-party inspection agency were all below the standard limit range. No cases of violations of environmental laws and regulations were found during the reporting period.

Green System Establishment

Establishment of the Company's Environmental Management System

The company and its subsidiaries conscientiously implement laws and regulations related to environmental protection, such as the "Environmental Protection Law of the People's Republic of China," the "Water Pollution Prevention and Control Law of the People's Republic of China," the "Air Pollution Prevention and Control Law of the People's Republic of China," the "Environmental Noise Pollution Prevention and Control Law of the People's Republic of China," and the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China," while voluntarily fulfilling their social responsibility for ecological and environmental protection. The company strictly enforces modern enterprise management systems, establishing a system of responsibilities for safe production, documents for environmental management systems, occupational health management systems, financial management systems, daily management systems for employees, and more. To properly handle, utilize, and effectively manage the company's solid waste and wastewater, reducing pollutant emissions and harm, and alleviating pollution to the environment, a waste management system has been established. To prevent and reduce production accidents and equipment wastage due to "leaks, spills, and drips," a regular maintenance system for facilities and equipment has also been put in place.

The company's wastewater is channeled through municipal sewage pipes to a treatment plant for unified discharge. Solid waste is managed categorically, with waste electronic components treated as hazardous waste and entrusted to companies with professional handling qualifications, while general solid waste is handed over to the local environmental protection department for unified treatment. During the reporting period, the company strictly followed relevant laws and regulations regarding environmental protection in obtaining discharge permit documents, with the total quantity of each pollutant emission meeting the requirements for total quantity control.

Establishment of the Company's Energy Management System

The company has established an energy management system and set up an Energy Management Center, incorporating energy consumption management into the dynamic supervision platform of the Willfar Park Data Center at Willfar. This data center enhances park management efficiency, reduces governance costs, and demonstrates governance effectiveness by introducing digital, intelligent, and smart applications.

The company has formulated relatively comprehensive medium- and long-term development plans, fully adopting modern environmental protection measures and advanced production technologies, vigorously promoting the development of a circular economy and energy conservation and emission reduction in the electronic equipment manufacturing industry, providing the highest quality products for the construction of a "resource-saving and environmentally friendly society," and shouldering the most mission-oriented social responsibility. Key tasks and measures include the promotion of clean production, the development of waste utilization projects, the advancement of the circular economy, the elimination of outdated processes and equipment, and the increase in the comprehensive utilization rate of "three wastes," ultimately achieving low-carbon development for the enterprise and harmonious development for the city. Additionally, the company focuses on the layout of the electronic manufacturing industry, actively extending the industrial chain. Upstream, it fosters green suppliers to achieve high-quality procurement of raw and auxiliary materials and green development. Downstream, leveraging the company's advanced R&D technology, it serves key industries such as smart cities, smart parks, smart security, and smart water affairs, creating a city-level smart brain, eventually forming a competitive and distinctive electronic equipment manufacturing industrial park within the region.



Willfar Information Intelligent Manufacturing Workshop

Willfar Information has incorporated green supply chain management into its corporate development strategy, implementing top-level design to promote energy-efficient and low-carbon sustainable development industries. The company fully utilizes modern environmental protection and advanced production technologies, actively driving the development of a circular economy and industry-wide energy conservation and emission reduction.



Eco-friendly Corporate Operations

Simultaneously, the company adheres to green manufacturing and operations. In recent years, it has continuously raised the level of clean production, conscientiously fulfilling its obligations for clean production, carefully formulating clean production work plans, and implementing clean production solutions and measures into daily production and operation management, gradually establishing a long-term mechanism for clean and low-carbon development. The entire process of the company's production, activities, services, and related management activities has passed ISO14001 environmental management system certification. Through the use of intelligent manufacturing technology, the company has increased the coverage of automated production, improving both production efficiency and quality. By implementing green design and selection, green procurement and green supply chain management, green manufacturing and operations, green logistics, green packaging, and green recycling, significant achievements have been made in areas such as energy consumption control, energy conservation and emission reduction, and green manufacturing, with the aim of fostering an environmentally friendly and resource-efficient enterprise that advances economic and environmental progress in tandem.

In transportation, the company internally improves efficiency through intelligent green warehousing and logistics, achieving standardized management and real-time traceability, storage, and shipping management for materials throughout the entire process. Externally, it promotes green logistics by optimizing transportation methods and increasing transport efficiency, giving priority to low-carbon and efficient modes of transport to reduce carbon emissions during product transportation. In packaging, the company strictly follows the design philosophy of "compatibility, recyclability, and lifecycle management," implementing modular and functional standard designs for packaging, integrating packaging for different products, using sustainable materials, reducing the variety of packaging boxes, and enhancing packaging box utilization rates.



The company actively constructs and improves a recycling system for used materials within the product manufacturing and usage process, proactively assuming responsibility for the recovery and resource utilization of discarded products. Collaborating with professional waste product recycling enterprises, the company has achieved the full recycling and reuse of all waste materials in the manufacturing process. Additionally, through partnerships with third-party platforms, the company has established a production system encompassing material circulation, energy circulation, and waste resource recycling, achieving advanced levels in resource and energy utilization efficiency and pollutant emission indicators compared to domestic counterparts.



The company has adopted measures such as improving process design, utilizing clean energy and raw materials, and employing advanced technologies and equipment, thereby effectively curtailing pollution at its source, boosting resource utilization efficiency, and strengthening environmental protection. Several of its products have earned RoHS certification and Product Carbon Footprint certificates, demonstrating the company's active contribution to the pursuit of carbon peaking and carbon neutrality goals.



The company thoroughly implements the important instruction from President Xi Jinping on promoting industrial technological transformation and upgrading with intelligent manufacturing as the main offensive direction, guided by the "14th Five-Year Plan for Intelligent Manufacturing Development." Combining the latest requirements and plans from various provinces and cities, it has built an intelligent manufacturing factory, setting a benchmark for green production in the industry. Willfar Information's intelligent manufacturing projects span market demand, product research and development, process design, logistics, manufacturing, and services across the entire product lifecycle management, significantly enhancing product design, big data operations, production processes, quality control, equipment management, and safety management.

Through various carbon accounting and evaluation analyses, Willfar Information, based on the principle of "correct carbon emissions calculation according to standard specifications," satisfies the fundamental MRV principles of being measurable, reportable, and verifiable. Through numerous energy-saving renovations and the utilization of clean energy, the company effectively achieves carbon reduction, setting an excellent industry benchmark. The park has implemented aging room renovations, workshop lighting energy-saving renovations, meter testing table energy-saving renovations, water supply system energy-saving renovations, and energy-saving technical renovation projects, effectively reducing electricity consumption, water consumption, and energy consumption. The aging room replaces energy-consuming equipment with new energy-saving equipment, installing a temperature monitoring system for real-time monitoring, and turning fans on and off based on temperature; workshop lighting is replaced with energy-saving lamps/LED lamps, consuming only 40% of the energy before renovation and effectively eliminating electrical safety hazards from existing fluorescent lamps; 20 meter testing tables are improved, along with improvements to meter testing software and processes. Under the same output conditions, the improved meter testing process saves an average of 50% energy; through water supply system energy-saving renovations, a water saving rate of no less than 10% is achieved; implementing energy-saving technical renovation projects results in a year-on-year decline in unit product energy consumption, providing management and technical support for the deep recovery and efficient utilization of secondary energy within the enterprise; the company increasingly values renewable resources and clean energy such as photovoltaic power generation, generating 502,352.31 kilowatt-hours of photovoltaic power in 2023; concurrently, achieving a 100% hazardous waste recovery rate, further integrating resource utilization and the circular economy into enterprise development.

Green Office Practices

Taking the synchronous development of economy and environmental protection as the purpose, and focusing on creating an environment-friendly, resource-saving enterprise, the company implements various energy saving and emission reduction initiatives in the office area, and encourages employees to be green and low-carbon office practitioners.



Paper Saving

Willfar advocates paperless office, promotes electronic approvals and electronic document storage, and encourages double-sided printing to reduce paper usage.



Water Saving

The company encourages internal water-saving measures such as posting water-saving slogans, using water cups instead of bottled water, etc.



Energy Saving

The company implements a "Lights off when leaving" policy in office areas, sets air conditioning temperature to 26°C and keeps doors and windows closed in summer, and posts signs advocating walking up and down the stairs below the third floor and turning off the power when no one is around to reduce equipment power consumption and standby energy consumption.



Green Transportation

Shuttle bus services are provided to reduce employee driving; the use of public transport means and new-energy vehicles is encouraged, for which the company has installed charging piles.



Facilitating Low-Carbon Development

The report to the 20th National Congress of the Communist Party of China required to "actively and prudently advance the carbon peaking and carbon neutrality goals. Based on our nation's energy and resource endowment, we will adhere to the principle of establishing first and breaking later, implementing the carbon peaking action plan in a planned and stepwise manner." Achieving the "carbon peak" and "carbon neutrality" objectives will fundamentally reshape China's future production and lifestyle patterns, exerting far-reaching influence on the country's socio-economic development. An electricity-dominated energy approach will underpin the industrial and economic transformation and the steady improvement of people's living standards. Simultaneously, in the context of green and low-carbon trends, deep decarbonization, zero-carbon technologies, efficient electricity consumption technologies, renewable energy generation technologies, and virtual power plant technologies are becoming frontiers of future science and technology, as well as new competitive focal points.

The convergence of the energy revolution and the digital revolution is driving the digital transformation of the power grid. A novel energy ecosystem is witnessing escalating levels of digitization, networking, and intelligence. In response to the pressing demands on the power generation side for large-scale, high-proportion integration and consumption of new energy sources, and on the power consumption side for extensive interactivity and mobility of distributed energy sources and electric vehicles, this acceleration will facilitate the digital transformation of the power grid, promote coordinated interaction between energy sources, grids, loads, and storage, and propel the grid's evolution into a more intelligent energy Internet.



Willfar Information boasts a robust industrial foundation in the realm of digital grids. Leveraging its industry experience as the foundation and innovation as the driving force, aligned with national industrial policy guidance, catering to the supply-side needs of the new power systems under construction by State Grid and China Southern Power Grid, as well as the demand-side requirements for source-grid-load-storage interactions in digital-smart cities, the company masters core self-developed technologies such as big data application management, communication chips, and edge computing. It provides solutions for distribution networks and power consumers, maximizing energy efficiency, enabling energy to be observable, measurable, adjustable, and controllable, contributing to clients' energy security, reliability, and efficiency.

In the context of digital grids, Willfar Information has constructed a comprehensive product portfolio encompassing core chips, key devices, and application systems, offering digital solutions to stakeholders across the energy value chain. Digitalization constitutes the core lever of the energy internet, utilizing digital means to integrate all aspects of source-grid-load-storage. The informatization, intellectualization, and interactivity of distribution and power consumption will emerge as principal development directions for the new power system. Willfar Information will capitalize on its substantial technological and product advantages in the digital grid domain, providing cutting-edge, technologically advanced support for data collection, safety monitoring, and information transmission required by mainstream energy enterprises. The company aims to help users conserve energy, utilize energy safely, efficiently, and conveniently, serving to support a sustainable, harmonious society for both people and the environment, embodying the principles of "peak carbon" and "carbon neutrality." Several new solutions independently developed by Willfar Information align with the demands of constructing a new power system under the "dual carbon" strategy, addressing various market pain points and providing fresh ideas and references for industry product innovation.

In the realm of digital-smart cities, the company addresses the "digital carbon neutrality market" across domains like smart energy, smart firefighting, smart water, and smart electricity consumption. Drawing upon its profound R&D capabilities, Willfar Information tailors advanced holistic solutions for digital-smart city scenarios in water, gas, firefighting, enterprises, and industrial parks, deeply resonating with carbon neutrality management requirements. Currently, in the smart water sector, the company offers a water supply pipeline leakage monitoring solution, tackling issues such as high water loss rates, production-consumption gaps, unclear pipeline conditions, inaccurate leak localization, and high maintenance costs. In the smart park domain, it develops an integrated park management platform to effectively save energy and reduce consumption. In the smart gas sector, it implements heat network construction projects, realizing functions like monitoring and automatic balancing of secondary networks, thereby achieving energy conservation, emission reduction, and cost-effectiveness. Willfar Information is committed to reshaping the management and efficient utilization of electricity, water, gas, heat, firefighting, and municipal services through energy internet solutions, thereby assisting clients in enhancing energy utilization efficiency, curbing waste and consumption of energy, and ultimately reducing overall carbon emissions.



Empowering the New Power System for Sustainable Development

◆ Virtual Power Plants and Source-Grid-Load-Storage Monitoring & Regulation

In Willfar Information's virtual power plant solution, advanced sensing layer smart metering technology captures operational information from distributed "source-grid-load-storage" resources. Proprietary chips, communication modules, and intelligent gateways at the network layer aggregate this information and upload it to the cloud platform. AI computation analysis and load forecasting scheduling modules then issue dispatch instructions. This solution is widely applied to demand-side adjustable resources like photovoltaic-storage power plants, charging and swapping stations, energy consumption monitoring, and flexible interconnection of distribution substations. Utilizing rapid-response coordination control technology, it facilitates the transition from "power following load" to "power-load interaction."

◆ Intelligent Gas Monitoring System Fortifies Gas Safety

Willfar Information's intelligent gas monitoring system solution harnesses real-time gas concentration monitoring data, allowing users to set custom alert thresholds for preemptive warnings before actual alarms occur, thus preventing potential incidents. The platform features intelligent services like annual inspection reminders and detector fault alerts, enabling maintenance personnel to promptly address equipment issues and ensure safe operation.



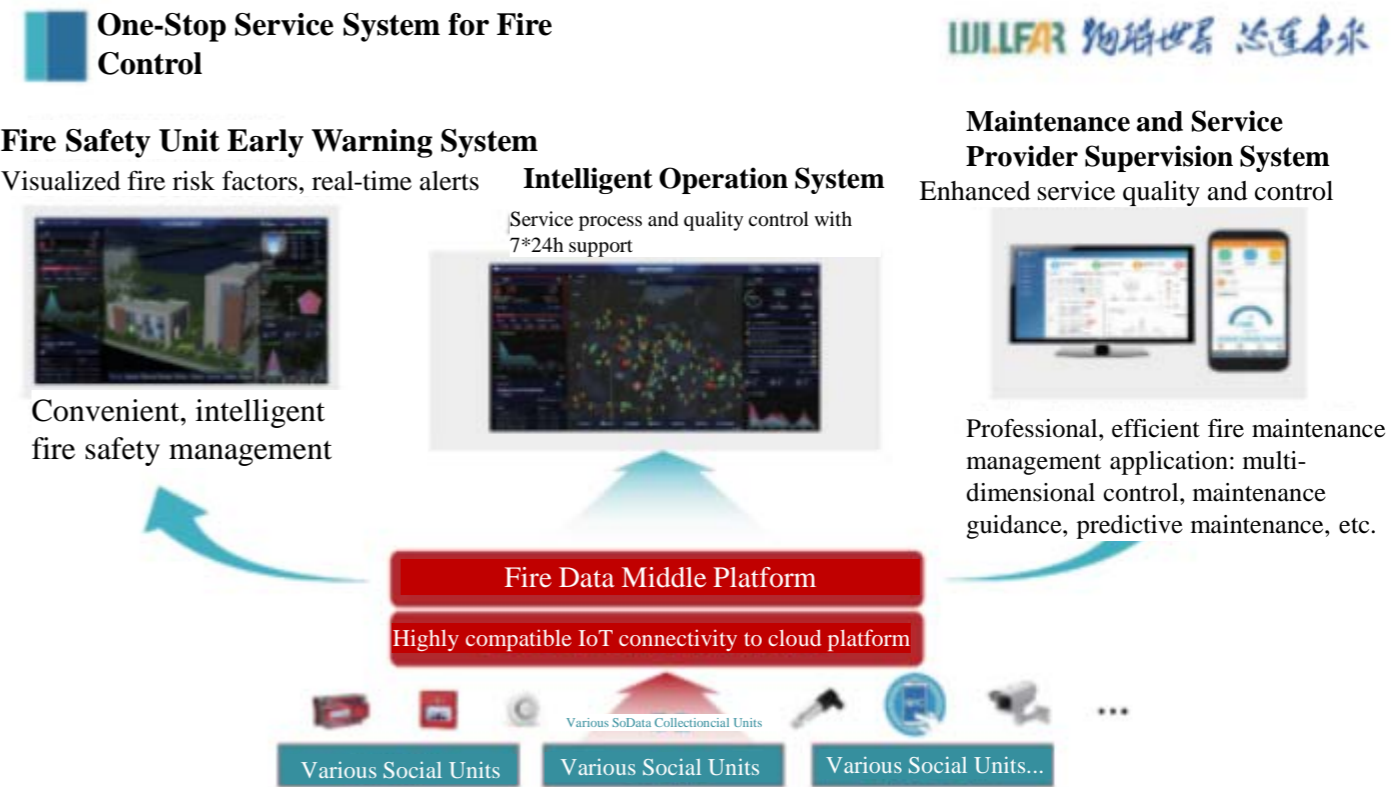
◆ Smart Charging Piles Augment Virtual Power Plants in Smart City Construction

Willfar Information's smart charging piles have been deeply integrated into multiple application scenarios, including projects in Guangxi, Guizhou, the Changsha Bus Group, and the Lugu Valley Construction Group. They exhibit significant advantages in areas such as intelligence, compatibility, feature richness, and energy conservation. Combining the company's traditional strengths in information communication and data platforms, these smart charging piles have become a crucial component of Willfar Information's virtual power plant system solutions. They enhance the response capacity of the system in areas like distributed energy allocation, flexible potential exploitation, load forecasting, and real-time coordination control, enriching the system's regulatory modes.



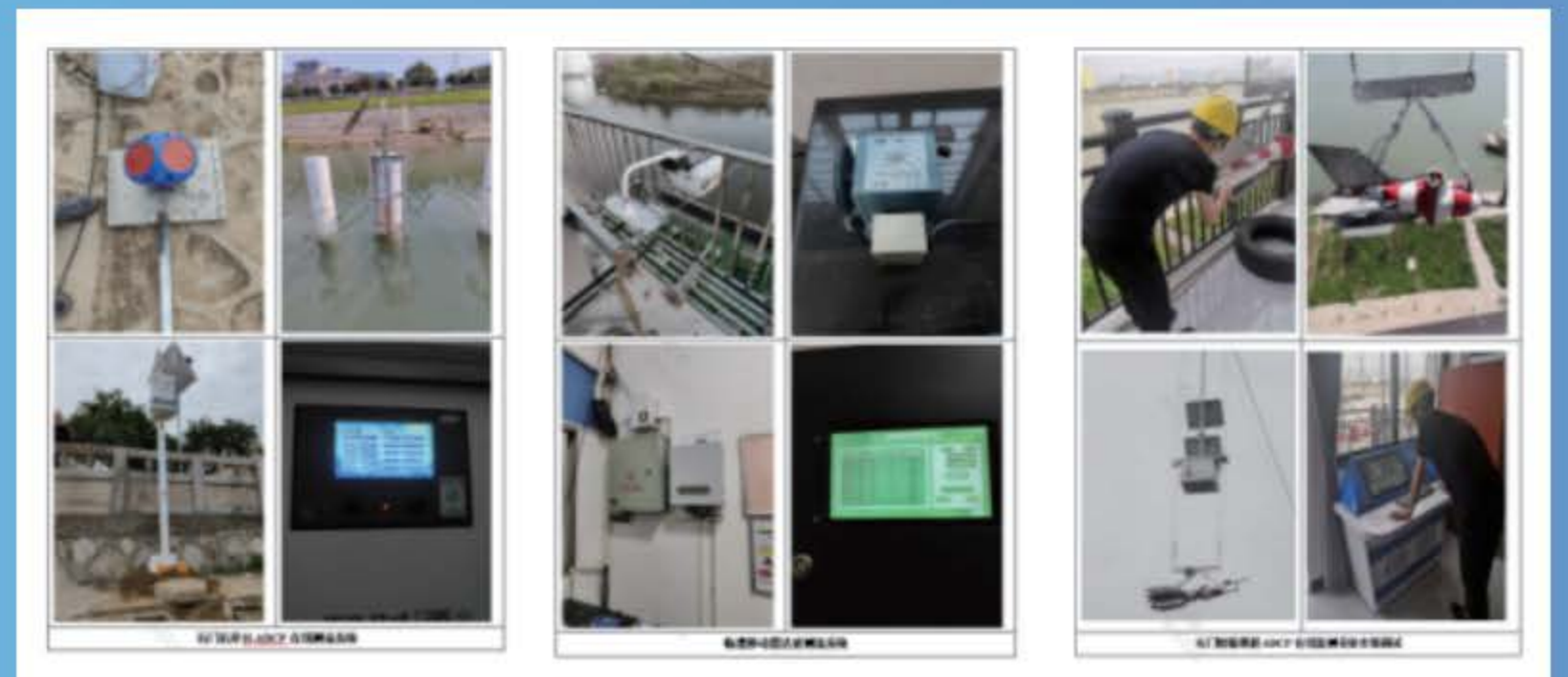
◆ Smart Firefighting System Safeguards Financial Industry Security

Willfar Information's smart firefighting solution integrates smart firefighting with traditional firefighting methods. Leveraging advanced technologies and scenario innovations, it redefines the fire protection architecture for parks, prioritizing human-centric design and centering on AI algorithms, fully integrating computing power and AIOT capabilities to provide the necessary computational data for fire management. Empowered by smart brain algorithms, the solution enables visualized, controllable, and traceable fire safety management, ensuring real-time, precise fire prevention and control, and transparent management. It has already been successfully implemented in institutions such as Agricultural Bank of Hunan, Postal Savings Bank of Heilongjiang, Industrial and Commercial Bank of China, Agricultural Commercial Bank of Xinjiang, and Shanghai Pudong Development Bank, continuously safeguarding the security of the financial industry.



◆ Integrating Smart Water Infrastructure into Industry Ecosystems to Boost Sector Development

The Linli Hydrological Station and Shimen Hydrological Station upgrade projects constructed by Willfar Information have been deemed to meet construction quality standards and possess complete documentation. Approval is granted for the project's completion acceptance under the contract. The hydrological stations employ various flow measurement methods, such as a newly installed fully automatic intelligent cableway system, H-ADCP system, and mobile radar wave automatic flow measurement system, enabling automatic reporting of flows at different water levels. Comprehensive video surveillance and external display screens for promotional purposes fulfill remote monitoring and management requirements. The stations have been praised as the "most beautiful hydrological stations" by relevant leaders.



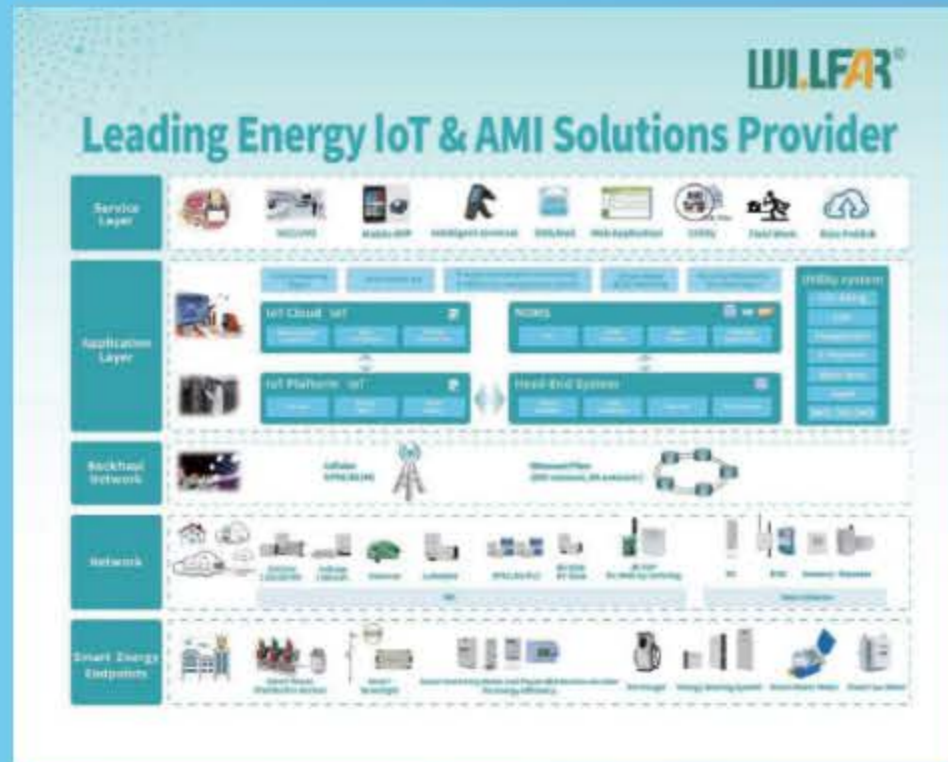
Collaborating on Global Energy Transformation for a Shared Planet

◆ DCU Driving Upgrade and Development of Bangladesh's Power Infrastructure

Willfar Information provides HES, MDMS, CIS, and Billing systems to Electricité du Laos (EDL), the national power company of Laos. This project comprehensively upgrades EDL's existing AMI system, enhancing its intelligent management capabilities, laying the groundwork for the subsequent comprehensive transformation of 1.6 million households, and will also drive the intelligent transformation of other energy management sectors in Laos, such as water utilities.

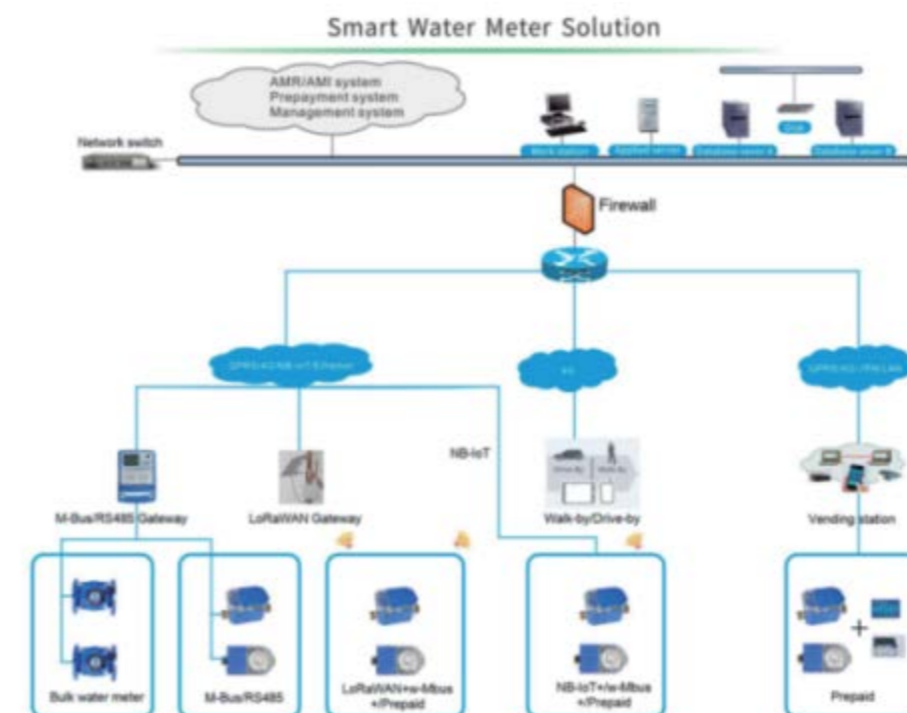
◆ Smart Environmental Protection IoT Sensing System

Willfar Information's smart environmental protection system software, combined with environmental monitoring IoT sensing devices, fully leverages innovative, advanced, feasible, and scalable technologies such as hydrological monitoring, IoT sensing, big data analysis, AI-powered intelligent monitoring, and cloud computing. These technologies are integrated and collaboratively innovated, embracing the principles of comprehensive sensing, automatic transmission, intelligent analysis, and fine-grained management. They establish a multi-layered, three-dimensional environmental perception system for the Yanghu ecosystem, a visual intelligent analysis platform, and an application showcase system, forming a multi-layered, innovative monitoring system. This system supports the comprehensive management campaign for the water environment in Yanghu, substantively enhancing lean management capabilities, optimizing water environmental quality and aesthetics, ultimately striving towards the goal of a "free-flowing lake, clear water, verdant shores, and picturesque scenery."



◆ Ultrasonic Water Meters Drive Digital Transformation and Upgrading of Water Services in a Certain African Country

Willfar Information's new generation of overseas intelligent ultrasonic water meter series, tailored specifically to overseas market demands, represents the company's latest product lineup. This series incorporates patented technologies related to flow rate and pipe segment flow field design, positioning itself at the forefront of the industry in critical technical attributes such as high range ratio, low start-up flow, and low pressure loss. These features provide water utilities with highly accurate and cost-effective metering instruments. Leveraging patented structural design technologies, the meters offer unique functionalities like automatic reporting upon tampering. As the first batch of product suppliers for the country's smart water meter upgrade project, Willfar Information is instrumental in catalyzing the digital transformation and modernization of the country's water services sector.



3. Society Section

Innovation-driven and High-Quality Growth

- 3.1 Innovation as a Driver of Development
- 3.2 New Momentum for High-Quality Growth
- 3.3 Product Quality & Safety
- 3.4 Sustainable Supply Chain Management
- 3.5 Customer Service System
- 3.6 Information & Data Security
- 3.7 Intellectual Property Protection

Caring for Employee Growth

- 3.8 Equal and Legal Employment
- 3.9 Employee Health & Safety
- 3.10 Employee Welfare & Caring Measures
- 3.11 Employee Training
- 3.12 Protection of Employee Rights and Interests
- 3.13 Employee Motivation

Social Contributions

- 3.14 Social Contributions & Philanthropy
- 3.15 Industry Collaboration & Shared Development

Innovation as a Driver of Development

Innovation is Willfar's DNA, and development is its relentless pursuit. As the core driving force of growth, the company delves deeply into the Energy Internet of Things, cultivating the "human capital, science and technology, and big data" triad of new elements to bolster its soft power, steadily consolidating its development foundation, and continually broadening its protective moat for growth. Through technological innovation, the company enhances development quality, shapes new momentum, and establishes new advantages. In 2023, the company's R&D investment amounted to 227,435,900 yuan, accounting for 10.22% of operating revenue, registering a year-on-year increase of 14.57%. The company had 409 R&D personnel, constituting 50.4% of the workforce.

In its pursuit of technological advancement, the company strictly adheres to laws and regulations such as the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. Guided by the national standard GB/T 29490—Enterprise Intellectual Property Management Specification, it manages intellectual property-related matters. In 2023, the company added 64 patents, including 29 invention patents, and 48 software copyrights. Cumulatively, the company holds 707 valid patent authorizations (149 of which are invention patents), 898 software copyrights, and 6 rights to integrated circuit layout designs. Regarding national and group standards, by the end of the reporting period, the company and its R&D staff had participated in the formulation of 65 national, industry, local, and group standards, including 36 national standards, 11 industry standards, 1 local standard, and 17 group standards.

Focusing on Three Key Areas of R&D to Empower Smart Grids and Smart Cities

In 2023, against the backdrop of global digital smart city construction and green development, Willfar Information continues to align with the State Grid's requirement for the continued strengthening of smart, strong digital grids and the Southern Grid's plan for the balanced upgrading of traditional grids alongside the deepening of digital empowerment. It seizes opportunities in global digital smart city development and green strategies, concentrating its R&D efforts on three key areas to expedite the conversion of innovative outcomes.

1

Deepening Chip Strategy: Chips are one of Willfar Information's key R&D directions tailored to current grid communication technology needs. In 2023, the company achieved notable successes in the chip field, including the First Prize of China Electric Power Science and Technology Award. Building upon the launch of a new generation of HPLC+HRF dual-mode communication chip modules and modules in 2023, the company will continue to increase investment in chip and communication module R&D, further focusing on optimizing key technologies and communication modules of Wi-SUN local routing mesh network. This will address the timely and efficient remote collection and analysis of data, enabling bidirectional interaction between energy flows and data streams, aiming to become a leading supplier of AMI (Advanced Metering Infrastructure) solutions in international markets.

2

Innovative Development of IoT Application Layer Software Systems and Platforms: As the driving force behind technological innovation, software represents the company's core technical capability, rapidly evolving towards networked, platform-based, and intelligent directions. In the future, the company will prioritize increased investment in IoT application layer software systems and platforms, targeting the global market and focusing on serving the digital management needs of customers in areas like smart grids, intelligent firefighting, and intelligent water resources management under the dual carbon requirements, helping them achieve cost savings and efficiency enhancements through digitalization.

3

R&D of Emerging Technologies: Willfar Information will focus on strengthening the development of key artificial intelligence (AI) technologies such as big data analytics, edge computing, and topology recognition, deeply integrating them into the business processes of smart grids and smart cities. By updating and upgrading intelligent algorithms for tasks like topology identification, load forecasting, and visual monitoring, the company will contribute to the construction of a new power system.

◆ Deepening Integration of Production, Education, and Research to Facilitate Key Technological Breakthroughs and Support Dual Carbon Goals

In 2023, the company continued to vigorously promote the in-depth integration and development of production, education, and research, pooling high-end intellectual resources, facilitating the sharing of research outputs, and encouraging various innovative elements to converge within the enterprise. This fosters deep integration of production, education, research, and application. Currently, the company has initiated cooperation projects with national-level new-type research institutions and Zhejiang University, geared towards the construction of a new power system. Addressing the demands of intelligent power distribution and utilization scenarios, they are developing dedicated chips and intelligent terminals for power distribution and utilization, supporting the comprehensive, precise perception, on-site information processing, intelligent decision-making, and safe, efficient operation of smart power distribution networks. Concurrently, the company will collaborate with multiple universities on key technological breakthroughs in active distribution network ground fault protection, enhancing the safety of active distribution network operations, ensuring the secure connection and reliable operation of large-scale distributed power sources, thereby contributing to the realization of the national dual carbon strategic targets.

The Company Intellectual Property in 2023

Category	New Additions in 2023	Cumulative Total
Invention Patents	29	149
Utility Model Patents	29	315
Design Patents	6	243
Software Copyrights	48	898
Others	0	6
Total	112	1611



New Momentum for High-Quality Growth

In today's rapidly changing market environment, the company is acutely aware that "improving quality and enhancing efficiency" is not only a survival strategy but also the foundation for growth. This year marks a critical juncture in Willfar Information's Five-Year Plan, as well as a year of deepening its internationalization. Although the world's political and economic landscape and growth dynamics render the coming year uncertain, the trend towards seeking opportunities amidst risks, pursuing development, and fostering peace remains unchanged. Environmental protection and the dual carbon goals remain integral to the shared destiny of humanity. Amidst such a transformative era, the company firmly believes that the key to navigating external uncertainties lies in "strengthening oneself," relying on internal certainty.

◆ Persistent and Active Pursuit of "Improving Quality and Enhancing Efficiency" to Consolidate the Path of High-Quality Development

In terms of operational quality improvement, the company, guided by the theme of "steady progress and innovative development," adheres to the principle of increasing revenue while controlling expenses, implementing the "Three Increases and Three Reductions": increasing contracts, increasing collections, and increasing market share; eliminating waste, bad receivables, and inventory with potential obsolescence risks. Regarding risk prevention and performance enhancement, risk prevention is given top priority, with the aim of consistently improving profit quality and ensuring that every penny of revenue stems from healthy business operations. Additionally, the company seeks efficiency and benefits from management, practicing the "addition, subtraction, multiplication, and division" of operations, focusing on "improving quality and enhancing efficiency," striking a balance, prioritizing key areas, making well-informed decisions, and fully activating new drivers for high-quality development.

In terms of revenue enhancement, first, the company conducts in-depth analyses of domestic and international political-economic situations and market opportunities, capitalizing on existing markets while actively pushing for the exploration of emerging markets. Second, in project execution and delivery, the company ensures all projects are completed on time, with high quality, and efficiency, delivering excellent services. Third, in technological innovation and application, the company continuously invests in research and development, integration innovation, enhancing the competitiveness of its IoT-connected solutions for the future, proactively responding to global green development policies, and contributing the strength of Willfar to the realization of China's new power system, smart cities, and carbon neutrality goals.

◆ Full-Scale Promotion of Internationalization to Activate New Drivers for High-Quality Development

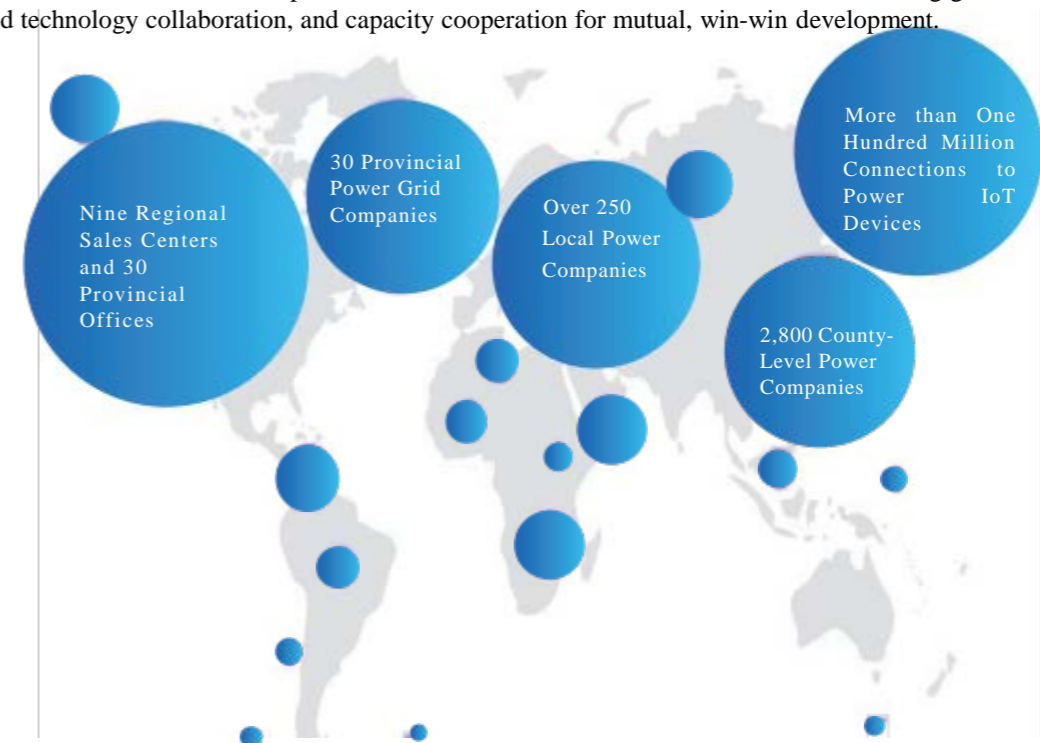
In the context of digitalization and intelligence, the company will closely follow industry trends and keenly understand customer needs, dedicated to providing clients with exceptional system solutions and high-quality services. While continuously deepening its presence in the smart grid domain, it will also expand into smart cities, overseas markets, and the chip sector.

The company is fully and swiftly advancing international "three transformations" – in terms of internationalized market thinking, institutional structures, and management teams – implementing strategic shifts. According to market demands, the company will transform from a pure export model to one featuring localized production and sales overseas, broadening its global market coverage, gaining deeper insights into local market demands, enhancing brand influence in local markets, and nurturing a professional team with international perspectives and cross-cultural communication skills, thereby boosting competitiveness in international markets and activating new drivers for the company's high-quality development.

◆ New-Quality Productivity Output and International Cooperation

Willfar Information boasts a wealth of scientific talent and innovative resources underpinning the development and application of new technologies. Moreover, with a solid foundation in the manufacturing of distribution and utilization equipment and IoT devices, the company possesses a comprehensive production system and supply chain network, enabling it to swiftly respond to market demands and mass-produce high-quality, technologically advanced products.

Regarding the international output of new-quality productivity, Willfar Information has planned multiple investments in overseas smart factories and is concurrently negotiating capacity building solution export projects with multiple partners. Leveraging technologies such as automated production systems, cloud services, big data analytics, and AI algorithms, it provides smart factory construction solutions in various equipment manufacturing fields, including water metering devices, energy efficiency management equipment, communication modules and communication devices, and distribution network equipment. By combining Willfar Information's talent resources and supply chain network, these initiatives facilitate digital transformation and innovative development for both self-built and collaborative factories, driving global market expansion, product and technology collaboration, and capacity cooperation for mutual, win-win development.



Product Quality & Safety

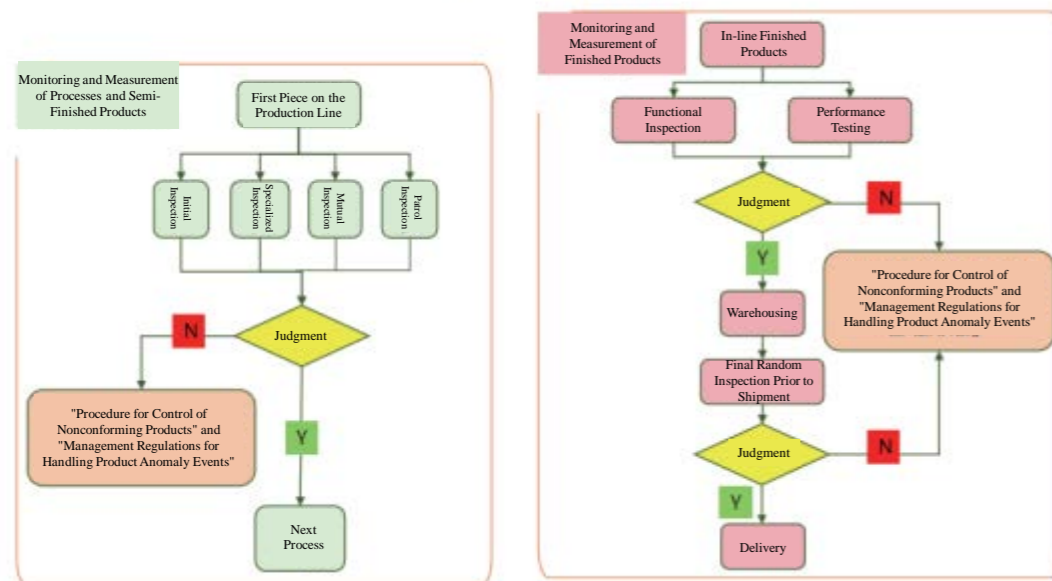
Actively promoting the "Lean Production" model and the optimization of testing processes with a "4-in-1" approach, the company continuously improves energy-saving and emission-reduction measures in the production process. As a leading provider of Energy Internet of Things solutions in China, the company actively contributes to the development of the Global Energy Internet, promoting smart grid and digital-smart city development through clean and green means.

For a long time, the company has thoroughly implemented the guiding principle of "Safety First, Prevention-Oriented, and Preemptive Treatment Integrated," establishing a series of meticulous safety production systems, including the Compliance Obligation Control Procedure, Emergency Preparedness and Response Control Procedure, Compliance Evaluation Control Procedure, and Environmental and Occupational Health Operation Management Control Procedure. Potential safety hazards are identified, subjected to regular inspections and maintenance, and the company requires its directors, supervisors, senior executives, and managers at all levels to lead by example in adhering to safety codes, overseeing each other to rigorously enforce safety practices. The company has established a product traceability system, tracking products throughout the entire process, providing quality assurance to customers. In case of defects or quality issues, a recall can be promptly initiated. The company strictly abides by laws and regulations such as the Production Safety Law of the People's Republic of China, the Product Quality Law of the People's Republic of China, and the Trademark Law of the People's Republic of China. During the reporting period, no product recall was triggered due to safety and health reasons, nor were any cases discovered where the company violated laws and regulations related to product and service quality.

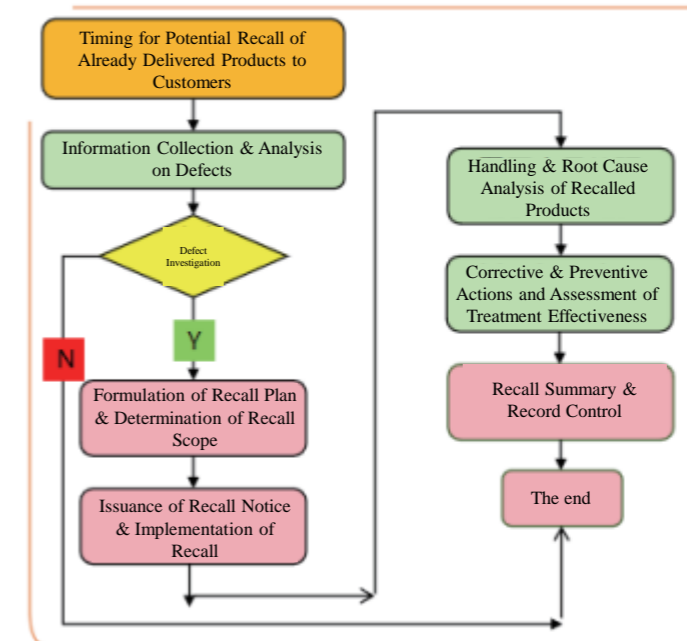
On the path of continuous innovation and capacity building for quality assurance, the company explores and practices, creating the WQM (Willfar Quality Management) digital quality management platform based on the concept of "One Core, Two Wings, and Three Integrations." The core refers to a comprehensive quality management philosophy and IPD research and development system architecture. The two wings consist of an operational production quality management platform built on CRM+ERP+MES and a supplier quality management platform based on SRM. Ultimately, the platform achieves three integrations: seamless quality management from demand to acceptance, fusion of decision-making processes with operational data, and integration of problem retrospection with closed-loop management. Through the implementation of the WQM platform, Willfar Information has achieved a qualitative leap in its quality management level and service capabilities, resulting in substantial enhancements across operating performance, customer satisfaction, and brand benefits.

◆ Product Quality Inspection Process

Flowchart of Product Quality Inspection Process



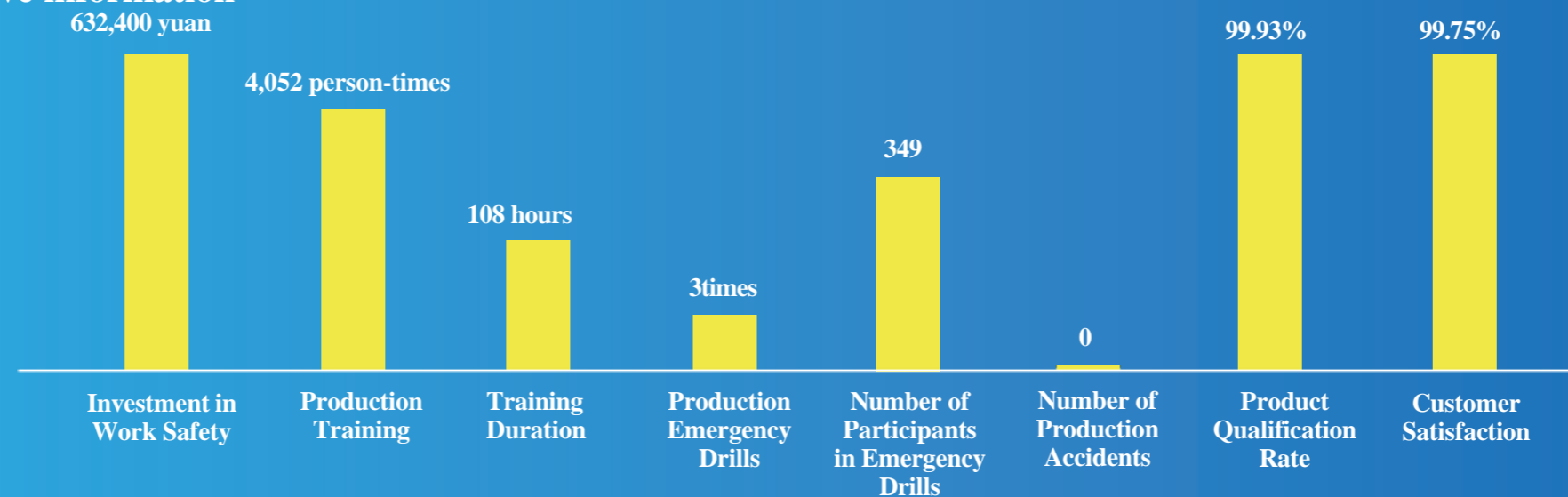
◆ Product Recall Procedure



◆ Product Service Certificate



Product quantitative information



Sustainable Supply Chain Management

The company has established a comprehensive supplier evaluation system. First, based on information from domestic and international sources as well as major manufacturers within the industry, pre-qualification screening is conducted to identify preliminary supplier candidates. Subsequently, a joint assessment is carried out by R&D and quality personnel from respective business divisions, encompassing the supplier's quality management system, technical capabilities, corporate reputation, product quality, indicative pricing, and commercial terms. Following the Supplier Management Regulations and the detailed supplier evaluation criteria, only those suppliers achieving the required composite score may proceed, at which point they are requested to complete a 'Supplier Introduction Application Form', which upon approval by the Management Representative is entered into the system.

Upon establishing a partnership, the company conducts random inspections on each batch of products delivered by suppliers. In the event of quality issues, the Quality Department shall issue a 'Notification of Nonconforming Product' to the supplier, who must promptly respond with corrective measures. The Quality Department then verifies the closure of these improvements. Should serious quality problems arise, a 'Quality Alert Notice' is issued, and depending on the severity, a 'Quality Blacklist' may also be dispatched. In response, the Procurement Department would suspend the supplier's qualifications and cease placing orders based on the blacklist issued by the Quality Department. Moreover, the Procurement Department conducts performance evaluations of suppliers who have delivered five or more batches within a half-year period, with assessment criteria encompassing technical expertise, quality, delivery timeliness, pricing, and service quality. Suppliers achieving an A-grade in the evaluation are given priority consideration for orders, while those receiving a D-grade undergo rectification or potential elimination.

In its dealings with large, medium, and small-scale suppliers and clients alike, the company consistently upholds the principle of equality and fairness. By ensuring there are no instances of overdue payments during the reporting period, it fosters a more sustainable supply chain ecosystem.



Customer Service System

◆ Technical Service Response

Willfar Information places great importance on customer feedback and requirements, establishing a rapid technical service response system with the service policy of "Prioritizing customers' urgency, anticipating their needs, and continuously enhancing service value through professional expertise!" The company remains steadfastly customer-centered, providing prompt, professional, and efficient support and services. Nationwide, it maintains 36 service branches staffed with dedicated technicians on a 24-hour rotation, ensuring comprehensive pre-sales, mid-sales, and post-sales services to meet client demands.

◆ Diversified Service Models

- Offline: Building a global service network to enhance customer experience through localized services, enabling in-depth understanding of customer needs
- Online: Establishing a network technical service center for real-time remote communication and one-stop services, offering scientific solutions to customers
- Integration and Interaction of Online and Offline Channels: Providing efficient and intelligent services

◆ Customer Satisfaction

The company has put in place the 'Management Regulations for Handling & Closing Customer Complaints Regarding Product Quality.' In 2023, customer satisfaction reached 99.75%. After receiving customer feedback, the technical service department takes over, confirming the fault phenomenon. If the fault is verified, departments such as R&D, engineering, and quality conduct root cause analysis, formulating a resolution plan involving product repair or replacement to eliminate the fault. Internally, long-term improvement measures are developed in response to the issue to prevent similar occurrences in the future.

◆ Customer Problem Resolution Process



- Establishment of standardized service management processes and local on-site support through branch offices

◆ Continuous Improvement Mechanism

Service processes are digitally, informatively and dynamically managed, with market information collected and analyzed, customer feedback implemented in a closed-loop manner, and experience compiled into a knowledge base, thereby driving continuous improvement and innovation of the company's products and services.



Information & Data Security

In accordance with ISO/IEC 27001:2022, "Information security, cybersecurity and privacy protection—Information security management systems—Requirements," the company continuously refines and optimizes information security and privacy protection-related management systems. Integrating these management requirements into primary business processes, it has established a comprehensive customer data security management system. Through multiple layers of customer data privacy protection mechanisms, it effectively prevents incidents of data insecurity or leakage of customer privacy.

The company scrupulously adheres to laws and regulations related to personal information and data security, including the 'Personal Information Protection Law of the People's Republic of China,' the 'Cybersecurity Law of the People's Republic of China,' the 'Data Security Law of the People's Republic of China,' and the 'Consumer Rights and Interests Protection Law of the People's Republic of China.' It consistently carries out publicity and educational activities on confidential knowledge, rigorously implementing the signing of confidentiality commitment letters by all employees, strengthening confidentiality awareness, reinforcing confidentiality responsibilities, cultivating confidentiality habits, and enhancing employees' voluntary adherence to confidentiality in their daily work and business activities, ensuring strict observance of legal provisions and compliance systems.

The company significantly invests in construction, enhancing its technological capability to safeguard information security, fortifying technical means to construct a controllable data and network security hardware and software defense system. It employs measures such as data encryption, access control and audit logging, identity authentication, and access control to ensure client information security.

The company strengthens supervision over information security and cybersecurity, ensuring the effective implementation of client information security safeguards. Annually, it undergoes third-party review and, in line with regulatory requirements and internal management guidelines, conducts unscheduled special self-inspections of network and data security. The inspection content primarily includes: access management, data classification and grading, data security, data backup, data destruction, information security, and privacy protection.

During the reporting period, no events involving data security breaches or client privacy leaks occurred.

Intellectual Property Protection

Intellectual property is one of the company's most critical assets. The company strictly abides by relevant laws and regulations, respecting the intellectual property rights of clients and suppliers. It has formulated the 'Regulations on Intellectual Property Management' to regulate its own IP management work, establishing a comprehensive intellectual property secrecy system and associated record management system, clearly defining aspects such as employee confidentiality, non-compete restrictions, confidentiality rewards and penalties, and archival management. The company enters into 'Confidentiality Agreements' with employees, instituting constraints through formal procedures to prevent the leakage or loss of IP information. Furthermore, it conducts IP education and training for employees, engaging in IP awareness-raising campaigns, sharing experiences, and enhancing employees' understanding of IP protection. Concurrently, the company actively promotes IP protection within the industry, striving to foster self-regulatory norms and participating in the formulation of industry standards to reinforce IP protection.

The company adheres to a dual-track approach of "Technology + Mechanisms," erecting an impenetrable firewall for information security, rigorously safeguarding the information security of clients, users, suppliers, and industry chain partners, and eliminating the possibility of information or privacy leaks. On one hand, it has established a system security protection framework for information systems, relying on proprietary technologies to continually drive product, operational system, and management system security upgrades, software updates, and by collaborating with renowned information security companies, continuously enhances the level of information security protection. On the other hand, it continually refines internal management mechanisms, signing 'Information Security Confidentiality Agreements' with relevant personnel, and reinforcing the cultivation of employee responsibility and professional ethics. It implements multiple measures to strengthen oversight, safeguarding information security and preventing the disclosure of client, user, supplier, and industry chain partner information and privacy to third parties. In the event of potential security attacks or internal violations, once detected, they are immediately reported to law enforcement authorities. No information leak incidents were recorded during the reporting period.

Employee Growth and Development

◆ Equal and Legal Employment

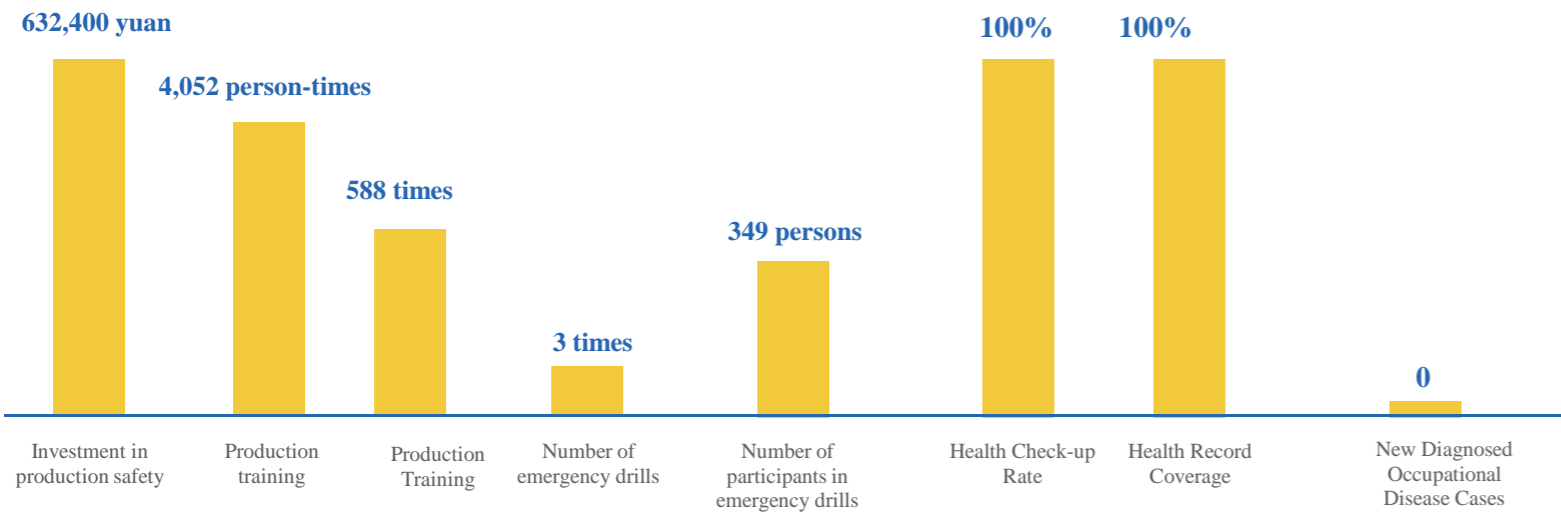
The company adheres to equal and legal employment, protects the legal rights and interests of employees, eliminates discrimination due to religion, gender, age, marital status, disability, sexual orientation and other factors, and strictly protects employees' personal information and privacy. The company introduces a large number of excellent and highly educated talents every year. Our management team and core technology team include members of industry associations and standardization committees, most of whom have been working with the company since its inception, with many years of IoT industry technology and management experience, so that the company's technology R&D and business strategies are in line with the direction of industry development.

◆ Employee Health and Safety

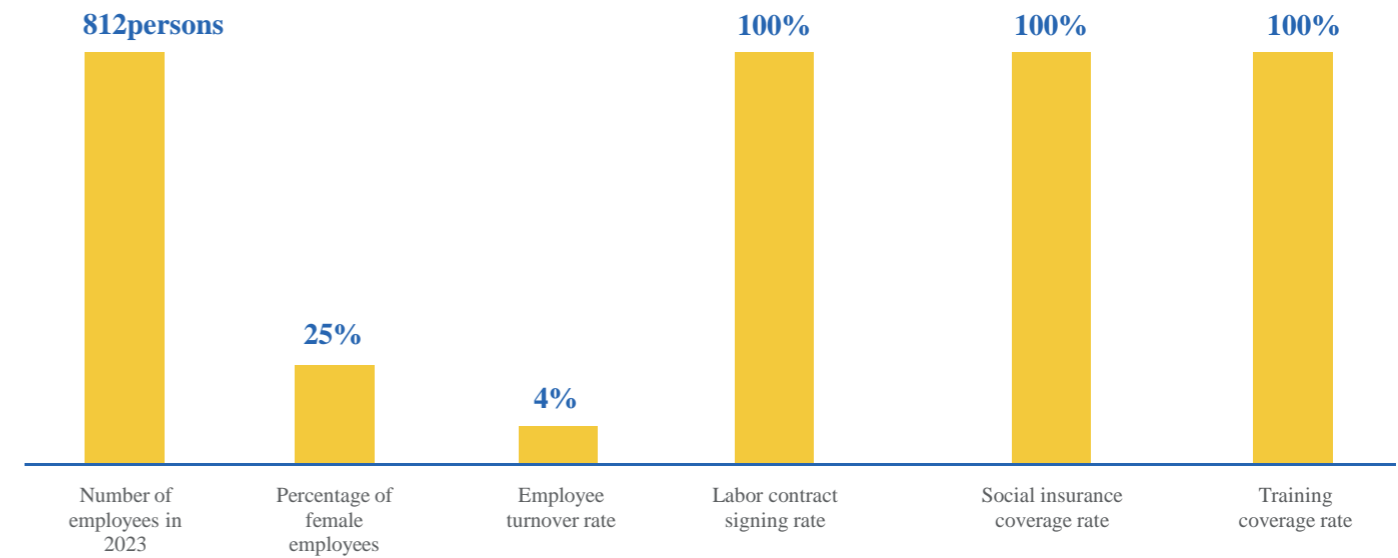
Willfar proactively addresses workplace safety by continuously enhancing safety awareness among its employees, particularly at the grassroots level. The company invests in extensive safety training and skill enhancement to foster an environment where all employees are actively engaged in safety management. This commitment has led to the formation of a model team distinguished by its robust safety consciousness, strong operational skills, and high efficiency. Willfar prioritizes the preemptive management of safety risks, achieving zero work-related fatalities and zero days lost due to workplace injuries over the past three years. Furthermore, no violations of health and safety regulations were recorded during the reporting period.

Willfar has established a staff assistance fund to support employees facing personal hardships and has also created an Innovation and Entrepreneurship Fund to encourage employees to engage in innovative and entrepreneurial activities. Additionally, the company provides complimentary accommodations and access to sports and recreational facilities, including a soccer field, basketball courts, badminton courts, a gym, and a library, all aimed at enhancing physical health and providing relaxation opportunities outside of work. Willfar places a high emphasis on employee health, offering free annual health checks and strengthening health management practices to ensure the well-being and safety of all staff. The company rigorously identifies and addresses potential hazards, conducts emergency drills, and promotes safety training and cultural activities, which have led to its recognition as an outstanding unit for safe production and fire safety in the Changsha High-Tech Zone.

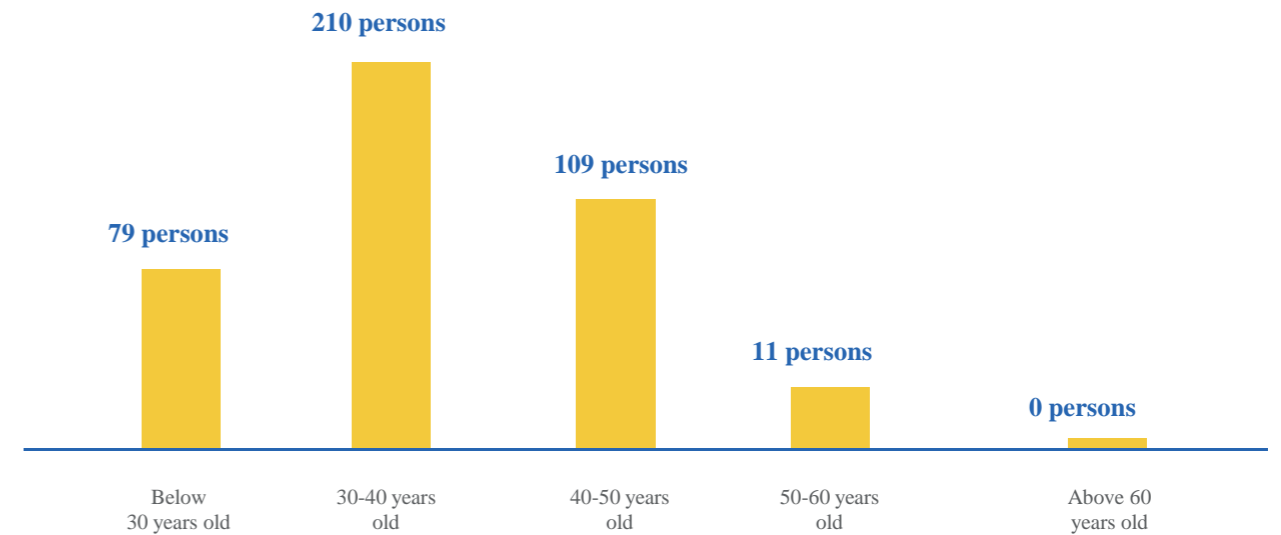
In each of the past three years (including 2023), the number of work-related deaths was zero, the number of working days lost due to work-related injuries was zero, and no violation of laws and regulations relating to workplace health and safety was found during the reporting period.



◆ Employee composition



◆ Age structure of R&D staff



Employee Motivation

The company has established a functional remuneration system that combines job responsibilities with target responsibilities, setting differentiated salary structures based on varying job duties and functions. It has also devised incentive policies for different levels and categories of positions. Upholding the principle of value contribution, the company regards value contribution as the core principle guiding remuneration distribution, ensuring a proper match between employees and their roles, enabling those who contribute more to earn more, thereby guaranteeing fairness, incentives, and competitiveness in the company's compensation. The average income per employee has been steadily increasing year on year.

In accordance with relevant national laws and regulations, and with a view to achieving business objectives, considering market competition levels and incentive effects, the company formulates compensation management and incentive management schemes. Through the pull of remuneration incentives, the company fully mobilizes the enthusiasm of employees at all levels, promoting mutual development between the enterprise and its employees, culminating in a win-win scenario of shared benefits. As of the end of 2023, the company had cumulatively repurchased approximately 12.31 million shares via the Shanghai Stock Exchange trading system through centralized bidding transactions, with a total payment amount of approximately RMB 299 million yuan. These shares are intended for future use in equity incentives, further enhancing the company's long-term incentive mechanism.

◆ Employee Training

The company provides employees with an excellent development platform. To fully harness the talents of research and development personnel, it has specifically established an Engineering Technology Research Center, an Academician Workstation, and a Postdoctoral Research Station, among others, fostering a good environment for growth. Additionally, the company has built a comprehensive training system, utilizing its "Talent Production Line" to focus on both internal cultivation and external recruitment, conducting tiered and categorized training for various employee development and skill enhancement programs, constantly injecting fresh energy into the company's smooth business operations.

Based on the company's culture, long-term strategic planning, annual business management, and actual needs for job-specific and professional skills, an annual training plan is formulated, giving rise to a multi-layered, categorized, diverse, results-oriented, and dynamic training landscape tailored to the company's development and aligned with employees' growth trajectories.

Form of Training	Online + Offline: Simultaneously promoting online training and micro-courses, establishing a Learning Day model to encourage autonomous learning
Combination of internal and external training	Internal Training: Providing robust talent and organizational support for business development through new employee training, high-, middle-, and junior-level management cadre training, specialized training on essential knowledge and skills for new products and services, and regular hosting of 博士 Innovation Business Science Salons. Additionally, the company plans and organizes cross-functional professional skill training on a regular basis and monitors internal professional training within each department.
	External Training: Focusing on Innovation Business Cloud Lectures, Comprehensive Ability Enhancement for International Talent, and Business English Proficiency Improvement Training, encouraging functionally reassigned personnel to undergo external training to adapt to new job requirements. Concurrently, the company actively advances the Learning Day initiative, incentivizing employees to engage in self-directed learning.
Encouraging all Business Divisions/Responsibility Centers to foster an atmosphere of universal learning; Formulating concrete training plans, applying knowledge gained to practice, and comprehensively enhancing the business management and team management abilities, as well as individual capacities, of the company's mid-to-senior-level management cadres.	

◆ Protection of Employee Rights and Interests

The company consistently adheres to fair, just, and open employment policies, rigorously enforcing the 'Labor Contract Law,' strengthening labor contract management, and safeguarding employees' legal rights and interests. While ensuring the company's sustained and steady development, it pays attention to ensuring reasonable income growth for employees and actively provides them with various levels of job training, professional skill training, occupational health training, and safety training, ensuring both the physical and mental well-being of employees and realizing concurrent growth in employee income and corporate profits.

The company emphasizes the protection of female employees' rights, conscientiously implementing laws and regulations such as the 'Law of the People's Republic of China on the Protection of Women's Rights and Interests' and the 'Special Provisions on Labor Protection for Female Employees.' It strictly enforces provisions regarding maternity and breastfeeding leave for female employees, while ensuring equal pay and benefits for both female and male employees, as well as providing equal opportunities for career development.

◆ Employee Welfare & Caring Measures

The company genuinely safeguards employee rights, providing, in addition to the legally mandated "Five Insurances and One Fund," group commercial supplementary medical insurance, accidental injury medical insurance and accidental injury hospital cash allowance insurance, among other protections. It also attends to the daily living needs of employees and their families, distributing gratuity or gifts during festive seasons, offering a rich array of benefits to employees.

Willfar Information has organized the "Happy Summer Vacation" summer camp, guiding employees' children on a journey of joy, knowledge, and friendship during the summer break, allowing them to broaden their horizons, gain knowledge, and hone their willpower through travel.

The company's in-house cafeteria offers free lunches and overtime meals to employees, and it provides fully-equipped staff apartments and shuttle buses covering most of Changsha City, facilitating employees' daily commutes.

The company advocates for reasonable work arrangements, providing employees with various types of paid leave. With increased tenure, the number of days for certain categories of leave will also increase, and it organizes a diverse range of activities to enrich employees' lives.



Willfar Information has been recognized as a 'National Model Enterprise for the Creation of Harmonious Labor Relations.'

Social Contributions & Philanthropy

◆ Social Contribution of Main Business and Key Industry-specific Indicators

In the domain of digital grids, the fusion of energy revolution and digital revolution is propelling grid digital transformation. As new-generation digital technologies such as cloud computing, big data and the Internet of Things deeply integrate and widely apply with energy technologies, the emerging energy ecosystem continually raises its levels of digitization, networking, and intelligence. The large-scale, high-proportion grid connection and consumption of new energy sources on the generation side, coupled with the extensive interconnection of interactive and mobile facilities like distributed energy and electric vehicles on the consumption side, necessitates accelerated grid digital transformation to facilitate coordinated interaction between power sources, grids, loads, and storage, steering the grid towards a more intelligent and ubiquitous energy internet.

Cost-reduction and efficiency-enhancement strategies drive the development of the energy digital economy as the grid accelerates its digital transformation. According to National Grid announcements, while electricity prices in China persistently decline, grid construction is intensifying, with ultra-large grids ranking among the world's best in voltage levels, energy resource allocation capacity, and connected renewable energy scale, placing significant operational pressure on the sector. Internally, to achieve real-time sensing, visualization, and control throughout the entire management process, and externally to meet customers' increasingly diversified, personalized, and interactive demands, reliance on digital technologies to enhance management and service levels is crucial, thereby fostering industrial upgrading and unlocking the energy digital economy.

The Southern Grid 14th Five-Year Plan for Grid Development highlights that Southern Grid has prioritized distribution grid construction in its '14th Five-Year' agenda, earmarking investments totaling 320 billion yuan, accounting for approximately 47.8% of total investment. Key aspects of distribution grid construction include:

- 1) Continuously strengthening urban distribution grid development, ensuring that high-reliability demonstration zones and premium power supply pioneer areas have an annual average outage time not exceeding 5 minutes, reaching an international leading standard, with distribution self-healing achieving 100%;
- 2) Consolidating and upgrading rural grids, enhancing distribution network intelligence. Large-scale renovation and upgrading efforts will be carried out on a county-level basis. By 2025, the annual average outage time for all-network customers will drop to less than 5 hours per household, with downtown areas reducing to 0.5 hours per household, urban areas to 2 hours per household and rural areas to 7.5 hours per household, maintaining a domestic leading position.

According to a State Grid announcement, the State Grid continues to significantly increase investment in distribution grids, building a domestically and internationally leading energy internet enterprise with Chinese characteristics. Amidst persistent growth in electricity load, flexible integration of new energy, distributed power sources, and electric vehicles, along with strengthened demand for diverse electricity usage from consumers, State Grid and Southern Grid are expected to sustainably augment investment in distribution grids. Willfar Information, rooted in the grid industry and deeply engaged in grid digitalization and informatization, revolves around energy flow and data flow. The company utilizes self-developed communication chips and modules for data transmission, followed by self-developed gateway devices for data interaction, delivering a comprehensive energy management solution encompassing both software and hardware. In response to the emphasis in State Grid and Southern Grid's '14th Five-Year' work priorities on reducing outage times and lowering line losses, the company has specifically developed fault location schemes and line loss analysis schemes. These enable real-time monitoring and precise localization of power outages across transformer-station-line-box-consumer levels, as well as multi-level line loss analysis from substation to branch box, branch box to meter box, and meter box to household meter, supporting intelligent anti-theft diagnosis. This effectively facilitates proactive sensing, judgment, and repair, ensuring precise and swift fault repair services and rapid power restoration, alongside rapid validation of comparison analysis results against on-site electrical abnormalities, enabling efficient and precise investigation of user electricity theft behavior. Pilot projects have already been successfully implemented in provinces like Anhui and Guizhou, effectively reducing distribution grid line losses and thereby contributing to carbon emission reductions in these grids.

◆ Types and Contributions of Philanthropic and Charitable Activities

Willfar Information actively assumes the responsibilities and commitments of a national enterprise, fostering the concept of a "Public-Welfare Oriented Willfar." The company has assembled a volunteer team, actively engaging in charitable endeavors such as donations, educational sponsorships, and visitation and consolation activities. They have ventured to Xiluo Town and Guitang Town in Longshan County to participate in rural revitalization efforts, extending condolences to struggling households and students. Demonstrating the high sense of responsibility and contribution of a socially-oriented enterprise, the company strives to create value for society.

The company adheres to leveraging technological and informational means to facilitate rural revitalization. Rural areas serve as the frontlines of this revitalization effort, where average household incomes are relatively low; energy conservation can effectively reduce household expenses, enhancing disposable income levels. As urbanization rates continue to climb, issues such as heavy grid loads and weak rural power infrastructure gradually surface. To address these challenges faced by rural areas, the company has developed and launched a Smart Energy Solution for Rural Households. By monitoring digital information such as electricity load, safety, appliance types and conditions, charging piles, and household distributed photovoltaic systems in new rural households, the solution enables analysis, diagnosis, and control of electrical equipment. It can provide digital value-added services to rural households and entire villages, including energy consumption analysis, energy-saving diagnosis, load regulation, electrical safety, and appliance malfunction warnings, realizing intelligent energy use for rural households and villages, rendering rural household energy observable, measurable, controllable, and adjustable.

The Organization Department of Hunan Xiangjiang New Area led Willfar Information Technology Co., Ltd., among other key enterprises in the area, to Xiluo Town and Guitang Town in Longshan County to carry out rural revitalization work, consoling struggling households and students.

During this event, the Two New Committees under the Organization Department of the New District organized various enterprises to donate funds, adopting a combined approach of "multiple-to-multiple" concentrated assistance and "one-to-one" decentralized assistance, aimed at providing aid and comfort to struggling households and students in Guitang Town and Xiluo Town, maximizing the effectiveness of poverty alleviation and educational support. Leaders from the New District's Organization Department and key enterprises also personally visited four struggling households, presenting them with poverty relief funds and supplies, encouraging them to overcome difficulties and strive for self-reliance and self-improvement.



Children entered Willfar Information's workshop

Witnessing scenes of automation and intelligence

Understanding the essence of intelligent manufacturing

Knowing that science and technology are the first productive forces

In their young hearts, a new dream takes root

In the Willfar Information's exhibition hall

They saw a myriad of chips and water meters

They gained a vague understanding of their parents' work

Got to know more industry knowledge

Marveling at the vibrant growth of technology



Industry Collaboration & Shared Development

National Key Research and Development Project with the Participation of Willfar Information Passes Inspection

The Key National Research & Development Program Project - "Key Technologies for Digital Grids" has smoothly passed inspection organized by China's Ministry of Industry and Information Technology. Led by the Digital Grid Research Institute Co., Ltd. of China Southern Power Grid Company, the project was jointly undertaken by multiple in-grid enterprises and renowned domestic universities. Willfar Information, as the sole industrial entity, deeply participated in the study of critical project topics, successfully completing the development of "Core Chips for Edge Computing" and "Edge Computing Devices Based on Multi-service Coordination" as per project plans. The outcomes of these topics were evaluated by an authoritative expert panel as being internationally advanced.



Shandong Province Higher Education Energy Management Training Conference Successfully Held at Willfar Information

From March 22nd to 25th, the Shandong Province Higher Education Energy Management Training Conference, organized by the Energy Management Branch of the Shandong School Logistics Association and hosted by Willfar Information, took place at the Willfar Science and Technology Park. Over 150 representatives from various universities in Shandong, the Shandong School Logistics Association, government bodies, and enterprises attended the conference. During the event, experts from universities and senior executives from Willfar Information engaged in in-depth dialogues and interactive exchanges through a series of themed lectures, focusing on topics such as green and low-carbon policies and the establishment of university energy systems, significantly enhancing mutual learning and reference in the domains of smart campus construction and educational logistics services.



Hunan Province New Power System Development Joint Research Center Established Willfar Information Supports Key Technology R&D

In early September 2023, the Launch Meeting for the Construction of the New Power System in Hunan Province and the Establishment of the Hunan Province New Power System Development Joint Research Center was held in Changsha. As a member of the joint research center, Willfar Information's President, Li Xianhuai, was invited to attend the meeting. As a participating organization, Willfar Information assigned experts to serve on the Expert Committee, specifically engaging in research tasks within five research sub-centers: clean and efficient coal utilization, smart hydropower, load aggregation (virtual power plants), new energy equipment, and digital energy.



Launch Meeting Held for a CEC Group Standard Mainly Developed by Willfar Information

In early August 2023, the Launch Meeting for the Compilation of 2023 Group Standard, organized by the Electric Integrated Circuit Standardization Technical Committee of the China Electricity Council and hosted by Willfar Information Technology Co., Ltd., with the support of Beijing Zhixin Microelectronics Technology Co., Ltd., was convened at the Willfar Science and Technology Park. This meeting marked the official commencement of the compilation of a group standard led by Willfar Information. 'Technical Requirements for Integrated Modules Used in Low-voltage Semiconductor Circuit Breakers', a group standard spearheaded by Willfar Information, pioneers the standardization process for core functional components in low-voltage semiconductor circuit breakers, indicating new breakthroughs and directions in Willfar Information's R&D efforts in the core module sector of low-voltage semiconductor circuit breakers for the power industry.



Willfar Information Invited to Attend 2023 Council Meeting of Innovative Alliance for New Power Systems

On July 11, the 2023 Council Meeting of the Innovative Alliance for New Power Systems was held in Beijing. The meeting thoroughly implemented the important speeches and instructions of President Xi Jinping. Li Hong, Chairwomen of Willfar Information, attended as a council member of the alliance, gaining an in-depth understanding of the national goals and plans for the construction of a new power system. The company will continue to adhere to innovation-driven development, contributing to the construction of China's digital grid and facilitating the digital transformation of new power systems.



"Empowering Enterprises with Intelligence: Entering Supercomputing" Collaboration Meeting Held Willfar Information Forms Strategic Partnership with Supercomputing Center

In March 2023, the "Empowering Enterprises with Intelligence: Entering Supercomputing" collaboration meeting was held at the National Supercomputing Center in Changsha, attracting over 160 companies from various industries. Li Xianhuai, President of Willfar Information, represented the company in signing a strategic partnership agreement with the supercomputing center on site. This collaboration will leverage Willfar Information's strengths in high-performance computing, big data, information security, and artificial intelligence, providing the necessary computational power support and algorithmic research for the supercomputing center's digital transformation, enterprise smart brain, big data intelligence platform, and digital twin platform construction.



Willfar Information Participates in the 2024 American Transmission & Distribution and Public Utility Exhibition

The 2024 American Transmission & Distribution and Public Utility Exhibition (DISTRIBUTECH International 2024) was grandly held at the Orange County Convention Center in Orlando, USA, from February 27 to 29, attracting nearly 17,000 professional visitors and over 500 globally leading exhibiting companies. At DistribuTECH2024, Willfar Information showcased its solutions for power AMI & energy IoT, intelligent distribution networks, and water & gas AMI, demonstrating the latest achievements and technologies in China's energy IoT industry, as well as the vision and comprehensive strength of Chinese enterprises. The company also sought to establish connections and collaborations with professionals and clients from around the world.



Willfar Information Invited to Attend Sino-Saudi Investment Conference

On December 12, the "Sino-Saudi Investment Conference" was held in Beijing. Vice Minister of Commerce of China, Li Fei, delivered a speech, and Saudi Arabia's Minister of Investment, Khalid Al-Falih, gave a presentation. Li Hong, Chairwomen of Willfar Information, attended the opening ceremony and participated in the conference. Several Arab countries have concurrently formulated long-term development strategies that align with the Belt and Road Initiative, reflecting a shared desire for mutual development between China and Arab nations, which presents numerous opportunities for future economic and investment cooperation between the two sides. In the future, Willfar Information will actively respond to the Belt and Road Initiative, proactively participating in the construction of new energy systems and smart management in Saudi Arabia and the broader Arab region, contributing to the digital and intelligent transformation of cities in the region.



Willfar Information Invited to Attend the 24th European Power & Energy Exhibition

On November 28th local time, the 24th European Power & Energy Exhibition opened grandly in Paris, France. As a leading enterprise in the Energy Internet of Things (IoT), Willfar Information was invited to attend, showcasing its latest technologies and innovative achievements in the digital grid domain comprehensively.



Willfar Information Attends the 31st Shanghai International Electric Power Equipment & Technology Exhibition

On November 15th, themed "Innovation Drives High-Quality Development of the Electric Power Industry," the 31st Shanghai International Electric Power Equipment & Technology Exhibition was held in Shanghai, co-organized by the China Electricity Council and State Grid Corporation of China. Willfar Information was invited to participate, bringing a diversified array of solutions. President Li Xianhuai attended the opening ceremony and presented a keynote speech, sharing the company's experience and case studies in utilizing information technology to facilitate the construction of a new power system.



Willfar Information Participates in the 16th Asian Power & Energy Exhibition

From November 14th to 16th, Willfar Information was invited to the 16th Asian Power & Energy Exhibition held in Jakarta, Indonesia. The event attracted over 12,000 professionals from 50 countries worldwide, 70 power companies, and 300 enterprises. By attending the 16th Asian Power & Energy Exhibition, Willfar Information demonstrated the vision and comprehensive strength of a Chinese enterprise, fostering close connections and collaborations with global industry leaders, professionals, and clients to collectively build a brighter future.



WINMETER Energy Invited to Attend the 2nd National Water Saving Industry Innovation & Development Achievements Exhibition

From November 15th to 17th, the 2nd National Water Saving Industry Innovation & Development Conference was held at Shenzhen World Exhibition & Convention Center (New Bao'an Pavilion). Concurrently, the 2nd National Water Saving Industry Innovation & Development Achievements Exhibition took place, with WINMETER Energy, a subsidiary of Willfar Information, participating. WINMETER Energy showcased industry-leading products and water-saving solutions, including intelligent water management solutions, urban-rural integrated water supply solutions, modular water meters, and ultrasonic water meters, demonstrating Willfar Information's continuous dedication and R&D strength in the smart water sector.



Willfar Information Attends the 2023 China Listed Company Entrepreneurs Annual Meeting

With the theme of "Stimulating New-quality Productivity, Leading High-quality Development," the 2023 China Listed Company Entrepreneurs Annual Meeting was held in Shenzhen on November 10th, an event organized by the China Association for Public Companies, guided by the Shenzhen Municipal Government, supported by the Shenzhen Stock Exchange, and co-hosted by the Shenzhen Municipal Bureau of Local Financial Supervision and Administration and the Futian District People's Government. Chairwomen Li Hong of Willfar Information was invited to attend and participated in the "Female Entrepreneurs' Sharing Forum" within the context of innovation, delivering an insightful presentation. Furthermore, due to its persistent efforts and outstanding performance in high-quality development, Willfar Information distinguished itself among over 5,000 A-share listed companies, earning recognition as a "2023 Board of Directors Excellent Practice Case."

WINMETER Energy Invited to Attend the 5th Guangdong-Hong Kong-Macao Greater Bay Area Water Resources Forum

The 5th Guangdong-Hong Kong-Macao Greater Bay Area Water Resources Forum, themed "Gathering Water Wisdom, Creating a Green and Beautiful Bay Area," officially kicked off in Dongguan. WINMETER Energy, a subsidiary of Willfar Information, was invited to participate. Having been invited multiple times to the Greater Bay Area Water Resources Forum, WINMETER Energy received an exclusive interview during the event from the organizer's official media partner, Tencent News. The company aims to further strengthen its ties with various water resource units in the bay area through this gathering, contributing more significantly to the region's smart water infrastructure development.

Willfar Information Attends the 24th APPEA Conference

On October 20th, the 24th East Asia and Western Pacific Power Industry Association Conference was held in Xiamen, Fujian Province, with Vice President Han Zheng attending the opening ceremony and delivering a speech. During the conference, President Li Xianhuai and Vice President Fan Lv of Willfar Information accompanied visitors at the booth, introducing the company's overview and overall solutions in intelligent grids and digital cities, extensively detailing the digitalized distribution and utilization solutions, international energy AMI systems, virtual power plant/micro-grid solutions, and IoT fire monitoring solutions.

WINMETER Energy Invited to the 2023 High-Quality Water Supply Development Forum

The "2023 (8th) High-Quality Water Supply Development Forum," jointly hosted by E20 Environment Platform · Water Supply Service Promotion Alliance and Changsha Water Group, opened in Changsha. WINMETER Energy, a subsidiary of Willfar Information, was invited to attend. Topics at the forum encompassed opportunities and challenges for the water supply industry under the wave of Chinese-style modernization, new measures for water supply security, innovation in fine-tuned corporate operation and management, advanced and value-added water supply services, and more, collectively exploring the future of the industry and interpreting "New Water Supply under Chinese-style Modernization."



Willfar Information Invited to Attend the 2023 Philippines IoT Congress

The 2023 Philippines IoT Congress was grandly held at the World Trade Center in Pasay City, Metro Manila, Philippines, from June 26th to 28th. Willfar Information, as a leading Energy IoT solutions provider, was invited to participate. At the exhibition, Willfar Information showcased the latest achievements and technologies of China's Energy IoT industry, demonstrating the vision and comprehensive strength of Chinese enterprises, establishing connections and collaborations with professionals and clients worldwide, and envisioning a bright future together.



Willfar Information Signs Strategic Memorandum of Understanding with Saudi Investment Ministry on the First Day of China-Arab States Cooperation Forum

On June 11th, the 10th China-Arab States Businessmen Conference and the 8th Investment Seminar were held at the King Abdulaziz International Conference Center in Riyadh, the capital of Saudi Arabia. Chairwomen Li Hong, Vice President Zhang Zhenhua, and Vice President Zhong Xiuyu of Willfar Information attended the opening ceremony and participated in the conference. During the event, Willfar Information signed a strategic memorandum of understanding with the Saudi Investment Ministry (MISA) and the Saudi NTCC Group. Li Hong, Zhang Zhenhua and Zhong Xiuyu also met with the Royal Commission for Jubail and Yanbu.



Willfar Information Participates in the 2023 China International Clean Energy Expo

On March 28th, the "2023 China International Clean Energy Expo," jointly organized by the China Electricity Council, State Energy Investment Group Co., Ltd., China Chamber of Commerce for Import & Export of Machinery and Electronic Products, China Industrial Overseas Development & Planning Association, and China Photovoltaic Industry Association, among others, opened in Beijing. Willfar Information, as a leading Energy IoT solutions provider, made a stunning appearance.



Willfar Information Attends the 2023 Boao New Power System International Forum

On March 22nd and 23rd, the 2023 Boao New Power System International Forum was held in Boao, Hainan. Focused on "Openness, Cooperation, Sharing, Promoting Green and Low-Carbon Energy Development," the forum explored pathways for the development of new power systems. Vice President Fan Lv and Communication & Chip Business Group President Xiao Linsong of Willfar Information were invited to attend the forum.

4. Governance Section

The Company's Sustainable Development Strategy

4.1 Discussion & Analysis on the Company's Future Development

4.2 Party and Mass Organization Building

4.3 Communication with Stakeholders

4.4 Sustainable Development Strategy

4.5 Sustainability Indicators

Corporate Governance & Sustainable Social Value

4.6 Operation of the General Meeting of Shareholders, Board of Directors and Supervisory Board

4.7 Disclosure of Information

4.8 Investor Relations Management

4.9 Business Ethics

4.10 Compliance Training

Enhancing Equality, Efficiency & Returns

4.11 Focusing on Value Creation for Continuous Substantial Returns to Investors

4.12 Harmonizing Interests: Building a Win-Win Relationship between Management & Shareholders



Discussion & Analysis on the Company's Future Development

The "Dual Carbon" Strategy Spurs Accelerated Transformation and Upgrading of the New Power System

The report to the 20th CPC National Congress put forward the notion of "actively yet prudently advancing carbon peaking and carbon neutrality. Based on China's energy and resource endowments, we will adhere to a principle of first establishing before dismantling, implementing carbon peaking actions in a planned and phased manner," and explicitly stated the intention to "accelerate planning and construction of a new energy system" and "strengthen the system for energy production, supply, storage, and marketing, ensuring energy security."

Achieving the goals of "carbon peaking" and "carbon neutrality" will reshape China's future modes of production and living, exerting far-reaching impacts on socioeconomic development. An energy system dominated by electricity will underpin the transformation and upgrading of industrial economies and the steadily improving living standards of the people. Simultaneously, under the trend of green and low-carbon development, new low-carbon technologies, particularly deep de-carbonization, zero-carbon, efficient power usage, renewable energy generation, and virtual power plant technologies, are becoming the forefront of future technology and new competitive focal points.

To accomplish the "dual carbon" objectives, energy is the "main battlefield," and electricity is the "principal force." In the power sector, which accounts for the largest share of carbon emissions, promoting clean energy on the supply side and boosting electrification rates on the demand side are imperative.

The construction of the new power system is accelerating, necessitating the advancement of grid digitalization and intelligent transformation, promotion of Power IoT, Energy IoT, and smart distribution grid construction, enhancement of source-grid-load-storage coordination and interaction capabilities, and continuous improvement of related technological iterations and product demands.

In the future, we will steadfastly drive the digital transformation and intelligent upgrading of the power grid, and promote China's advanced digital grid solutions globally, contributing our strength to the global pursuit of clean and efficient energy utilization.

"Digital Economy" Drives Comprehensive Development of Smart Cities

The 14th Five-Year Plan proposes that the added value of the core industries of the digital economy account for 10% of GDP by 2025. Smart cities provide a continually growing application scenario for the development of the digital economy, with promising prospects in areas such as smart water services, smart gas, smart firefighting, integrated energy for smart parks, and more, ushering in an era of robust smart city construction.

The State Council requires that by 2025, the nationwide public water supply network leakage rate be controlled at 9% or lower. The Outline for the Construction of the National Water Network explicitly calls for promoting the high-quality development of China's water network through means like "accelerating intelligent development." According to forward-looking industry research institutions, the market space for the combination of smart water platforms, intelligent water treatment equipment, and pipeline renovation equipment exceeds 300 billion yuan.

In 2023, China completed investment of nearly 1.2 trillion yuan in water conservancy construction, setting a new historical high with a year-on-year growth of 10.1%. In 2024, the national water network construction will be comprehensively advanced, prioritizing the coordinated development of urban and rural water supply integration, large-scale centralized water supply, and the standardized construction of small-scale water supply projects tailored to local conditions. Efforts will be intensified to construct a digital twin water network, advance the digital transformation of the first batch of key nodes in the national water network, renovate and upgrade more than 1,000 medium and large-scale irrigation districts, and coordinate the construction of main irrigation district facilities with high-standard farmland.

With the nation's continued push for smart city construction, smart firefighting, as an integral part of it, will see sustained growth in market demand. Meanwhile, energy efficiency improvements drive increased demand for comprehensive energy services. According to a forward-looking industry research institution, the Chinese industrial energy efficiency service market is expected to reach nearly 100 billion yuan by 2025, while the firefighting market will approach 120 billion yuan, indicating vast market potential.

Additionally, the markets for smart gas, smart heating, smart manhole covers, and smart streetlights exceed 600 billion yuan. In the realm of integrated energy management, smart parks, comprehensive energy and energy efficiency monitoring, and intelligent charging will generate a market surpassing 400 billion yuan, constituting new sources of growth.

Looking ahead, we will center our efforts on the green dual-carbon mission of smart cities, as well as the intelligent security imperative, serving the global commercial sector's digital transformation and the intelligent management of household energy.

Riding the Wind of the Belt and Road Initiative, Unleashing the Blue Ocean of Energy IoT

According to statistics from relevant institutions, in 2022, the primary Southeast Asian countries (Indonesia, Vietnam, Singapore, Malaysia, and Thailand) saw an electricity consumption growth rate of +5.4%, leading China and the United States by approximately 2 percentage points and significantly exceeding Europe. In the same year, electricity investment growth in developing countries outside China was only 7%, lagging far behind the 14% growth in China and developed economies. Against the backdrop of surging electricity demand and sluggish investment, Southeast Asian nations urgently need to accelerate their pace of new investments to support their rapidly growing power needs. The IEA estimates that the growth rate of power investments (including power generation) must reach 30% to meet their energy transition construction plans. Specifically, average annual grid investments in Southeast Asia are expected to reach \$30 billion between 2026 and 2030, with grid investments increasing threefold over a decade, reflecting robust demand.

Over the past decade, China has signed over 200 cooperation documents on jointly building the Belt and Road Initiative with 152 countries and 32 international organizations, fostering high-quality Belt and Road cooperation that promotes industrial structure upgrading and enhances industrialization, digitalization, and informatization in participating countries. As these countries undergo industrial restructuring and accelerated urbanization, there will be a strong demand for energy IoT.

Currently, the estimated total investment across economies along the Belt and Road stands at approximately USD 575 billion, encompassing 70 countries along the route. Sector-wise, energy and power represent the largest investment area within the Belt and Road strategy, with an estimated investment of around USD 264.5 billion, accounting for 46% of the overall total.

The Belt and Road Initiative spans over 60% of the world's population (exceeding 4 billion) and is characterized by significant infrastructure investment needs and underdeveloped local industries. It serves as the primary focus for China's overseas power investments and water project construction. Asia and Africa are the principal project regions within this context, with Belt and Road projects in these continents accounting for a remarkable 89.2% of the total investment amount across the more than 140 countries where initiatives have been launched globally.

Moving forward, we will continue to advance product internationalization, leveraging our comprehensive solution capabilities in sensing, communication, and system integration, providing comprehensive technical and operational services to the global market.

Party and Mass Organization Building

Willfar Information Technology Co., Ltd. steadfastly adheres to the leadership of the Communist Party of China (CPC) and, under the guidance of the higher-level Party Committee, established the Willfar's Party Committee in 2022. The committee oversees five branches and currently comprises 118 Party members, including 5 probationary members. An impressive 75.69% hold undergraduate degrees or higher, forming a highly-educated, high-caliber, high-standard, and rigorously-disciplined vanguard force. Our Party branches adhere to the core tenet of integrating Party building into business operations, emphasizing the Party's role in guiding the company's high-quality development, and reciprocally reinforcing Party building through this growth. They align Party activities with employee career advancement, establishing distinctive model Party member posts, dedicating themselves to employee support, and taking the lead in social welfare initiatives. In 2022, the Party Committee convened six plenary sessions, organized eight Party-building events, and hosted five visits for Party and mass organization building.



In early July 2023, the Willfar Party Committee held its first general assembly of the year, guiding all Party members in studying Party history, reinforcing faith in Party leadership, enhancing their sense of mission and responsibility, aligning with national strategies, and contributing to societal progress.

On July 25, 2023, the Party Committee organized a themed Party lecture for all Party members, titled "Striving as a New Era Idealist, Dedicated Professional, Exceptional Talent, and Contributor to the Centennial Dream of Willfar."



On August 16, 2023, the Digital Smart City Branch of the Willfar Party Committee conducted a themed Party day event, "Remaining True to Our Original Aspirations: Answering a Hundred Questions, Advancing Resolutely on Mount Lu." The event intertwined intellectual and ideological learning and exchange, further consolidating unity and cohesion among branch Party members.

The Willfar Party Committee

- The Willfar Party Committee encompasses five branches, with a total of 118 Party members, including 89 directly-managed members and 29 floating members.
- Among them 75.69% hold a bachelor's or above, forming a highly-educated, highly-skilled and well-self-disciplined vanguard team.



Communication with Stakeholders

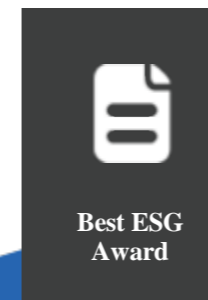
Stakeholders	Stakeholder Concerns	Key Points for Fulfilling CSR in 2023
Shareholders	<ul style="list-style-type: none"> Compliance management Risk management and control Profitability 	<ul style="list-style-type: none"> Compliance training and anti-corruption training plan completion rate 100% Convened 2 shareholder meetings and 10 board meetings Risk management training 2 times The signing rate of "Letter of Integrity and Self-Discipline Commitment" was 100% Net profit attributable to shareholders in 2023 increased by 31.26% year-on-year
Clients	<ul style="list-style-type: none"> Providing quality products and services Protecting consumer rights and interests Compliance and responsible marketing R&D innovation Intellectual property protection 	<ul style="list-style-type: none"> As of December 31, 2023, the company had obtained a total of 707 currently valid patent authorizations (including 149 invention patents), 898 software works, and 6 exclusive rights to integrated circuit layout design Through responsible supply chain management, responsible production and responsible marketing, we continued to improve customer satisfaction and accumulate a good market reputation.
Employees	<ul style="list-style-type: none"> Protecting employee's rights and interests Providing training and development platform for employees Caring for employees' lives 	<ul style="list-style-type: none"> 100% employee labor contract signing rate In terms of democratic management, the Labor Union fully protected the legitimate rights and interests of employees To strengthen Party building, with the approval of the Party Committee of Changsha High-tech Zone, Hunan Province, the Willfar Information Party Branch was officially upgraded to the Party Committee on September 19, 2022 Employee benefits enriched Employee training and promotion mechanism helped employees realize their value Employee health protection strengthened The company paid taxes in accordance with the law throughout the year. In 2023, the company's total tax payment was 197 million yuan. Since its listing, the company has paid a total of 620 million yuan in taxes, with no tax evasion incidents. "Measurement and control system and its measurement and control module for distribution automation terminals" won the 2023 Electric Power Technology Innovation Award
Government	<ul style="list-style-type: none"> Compliance management Paying taxes according to law Leading the healthy development of the industry 	<ul style="list-style-type: none"> "Measurement and control system and its measurement and control module for distribution automation terminals" won the 2023 Electric Power Technology Innovation Award
Partners	<ul style="list-style-type: none"> Exchange and cooperation 	<ul style="list-style-type: none"> Invited to participate in major industry events such as the New Power System Technology Innovation Alliance Council and New Energy Active Support Technology Symposium, the 10th China Electronics Summit Forum with the theme of "Technological Integration · Industrial Ecology", and gained experience The "Intelligent Power Big Data Integrated Analysis Platform Research and Development and Engineering Application Project" jointly created with Guangdong Power Grid, Tsinghua University, etc. won the first prize for scientific and technological progress. Subsidiary Zhuhai Zhonghui was selected into the list of smart manufacturing ecological partners in Guangdong Province
Suppliers	<ul style="list-style-type: none"> Fair play Supply chain sustainability Anti-bribery 	<ul style="list-style-type: none"> Tendering processes was streamlined through an integrated information system to ensure standardized procedures, seamless workflows, utmost transparency of tendering Adopting supplier audit procedures, supplier management regulations, quality agreements negotiated and established with suppliers, and supplier evaluation methods, etc.
Society	<ul style="list-style-type: none"> Information disclosure and transparency News interview Visit and exchange 	<ul style="list-style-type: none"> Company news displayed through official Weibo and official website 112 dynamic articles published to strengthen communication with the public



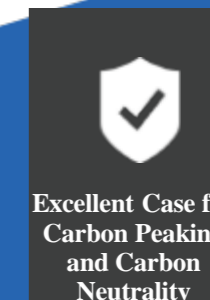
Sustainable Development Strategy

◆ Incorporation of Sustainable Development Principles into Corporate Culture

The company has seamlessly integrated ESG practices into its daily operations, embedding sustainability into the company's top-level design. The company has established a "Board of Directors Strategy & ESG Committee," which is responsible for overseeing and managing the company's sustainability-related matters, as well as environmental, social, and corporate governance (ESG) issues. Under this "Board of Directors Strategy & ESG Committee," a "Sustainable Development ESG Working Group" has been set up to lead and manage ESG-related work, organizing and coordinating ESG-related activities across various business departments and functional divisions within the company. For consecutive years, the company has proactively advanced ESG practices, adhering to the guidance of the national "Dual Carbon" strategy, responding to the country's initiatives on the construction of a new energy system and the Belt and Road Initiative, actively fulfilling its philanthropic responsibilities, and consistently creating value for the market, industry, nation, and society at large. Since the year following its listing, the company has published annual Social Responsibility Reports. In 2023, it garnered accolades including being named a "National Green Factory," an "AAA Credit Unit Evaluated by the China Electricity Council," achieving the highest disclosure rating (A-level) from the Shanghai Stock Exchange, securing a 5A rating in the Secretary to the Board's Performance Evaluation by the China Association for Public Companies, receiving an ESG rating of "A" from Wind Information, recognition for Best Practices in the Board Office, Outstanding Practices in Annual Performance Briefings, the "Excellent Case for Carbon Peaking and Carbon Neutrality" awarded by the Xinhua Credit Jinlan Cup, the "2023 ESG Model Enterprise" distinction at the Boao Enterprise Forum, and the "Best ESG Award" from Cailian Press Group, among other prestigious honors.



Guided by the Shanghai United Media Group and organized by Cailian Press Group, the "4th Elite Secretary to the Board Selection of the 'Luanlu' Series, 2022" invited authorities from association organizations, securities firms' research institutes, investment banking experts, and academic institutions to select eligible listed companies. Willfar Information, with its outstanding performance in social responsibility, corporate governance, and technological innovation, was honored with the "Best ESG Award."



The selection of the "Xinhua Credit Jinlan Cup ESG Excellence Cases" list is organized by Xinhua News Agency's China Economic Information Service. Willfar Information, with its all-encompassing practice of ESG and social value creation, stood out among hundreds of cases, earning the distinction of "Excellent Case for Carbon Peaking and Carbon Neutrality."

As one of the earliest domestic enterprises dedicated to the field of Energy Internet, Willfar Information places great importance on ESG work, consistently upholding the business tenet of "Sincerity, Precision, and Harmonious Benefit-sharing" and integrating ESG principles into major strategic decisions and daily operations of the company.



Willfar Information Included the SSE STAR Market ESG Index, SSE Select STAR Market Growth Momentum 50 Strategy Index, SSE STAR Market 100 Index, and SSE Buyback 50 Index

The Shanghai Stock Exchange (SSE) and China Securities Index Co., Ltd. recently announced that they will officially launch the SSE STAR Market ESG Index on March 21st and the SSE Select STAR Market Growth Momentum 50 Strategy Index and SSE SmartChoice STAR Market Leader Strategy Index on March 4th. These indices aim to promptly reflect the performance of listed securities on the STAR Market and further enrich the STAR Market index system. In the initial list, Willfar Information, with its exceptional ESG performance and a combination of growth characteristics and momentum effects, has been selected for the SSE STAR Market ESG Index, SSE Select STAR Market Growth Momentum 50 Strategy Index, SSE STAR Market 100 Index, and SSE Buyback 50 Index.



SSE STAR Market ESG Index

This index reflects the overall performance of listed securities from STAR Market companies with better ESG performance, considering factors such as market capitalization coverage, investment capacity, and ESG evaluations. The latest sample for this index includes 29 securities from the STAR 50 Index sample and 21 securities from the STAR 100 Index sample, with all samples having an ESG rating of A or higher.



SSE Select STAR Market Growth Momentum 50 Strategy Index (Code: 950260)

selects the top 50 listed securities from STAR Market companies based on comprehensive performance in revenue growth rate and momentum over the past year, reflecting the overall performance of STAR Market companies with both growth characteristics and momentum effects.



SSE STAR Market 100 Index (Code: 588190)

The STAR 100 Index selects 100 mid-cap securities with good liquidity from the STAR Market, differentiating itself from the STAR 50 Index, which focuses on large-cap securities, thus further enriching the size-based index system of the STAR Market.



SSE Buyback 50 Index

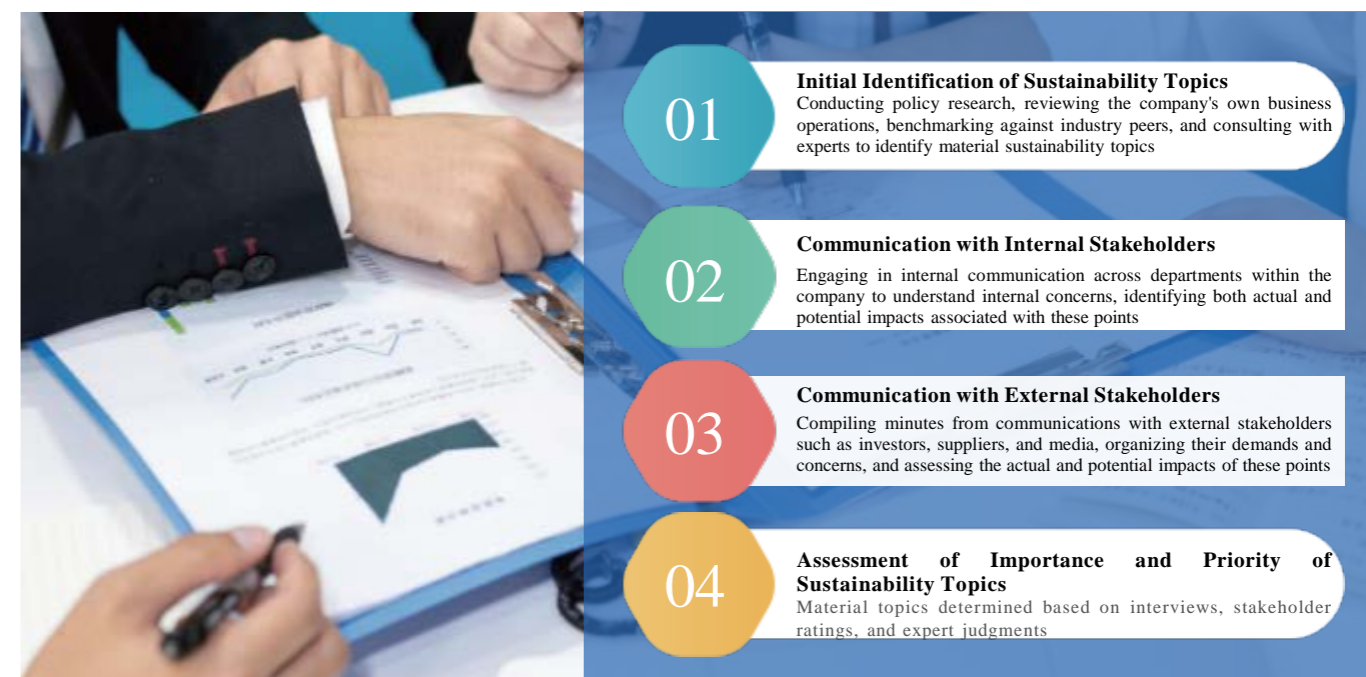
This index selects the top 50 listed securities with high buyback ratios as its sample, reflecting the overall performance of companies with high buyback ratios.

Willfar Information's inclusion in the SSE STAR Market ESG Index and SSE Select STAR Market Growth Momentum 50 Strategy Index represents another high recognition of the company's ESG performance, growth characteristics, and momentum effects. Since its listing, the company has achieved dual growth in annual revenues and net profits every year, with a compound annual growth rate of 15.65% for revenues and 24.68% for net profits.

The company adheres to value creation as its core while placing significant emphasis on investor returns. After successfully listing on the STAR Market on January 21, 2020, raising net proceeds of 610 million yuan, the company has invested all funds into R&D innovation and capacity enhancement, resulting in steady and robust growth in operating performance. Since its listing, the company has cumulatively distributed cash dividends of 490 million yuan, and in 2023, it plans to distribute a cash dividend of 4.3 yuan per 10 shares (inclusive of tax), with an estimated total distribution of 210 million yuan. By then, the company is expected to have cumulatively distributed cash dividends of 700 million yuan, exceeding the amount raised through its IPO. The company plans to implement a dividend payout ratio of 40% for FY 2024, substantively rewarding investors through action.

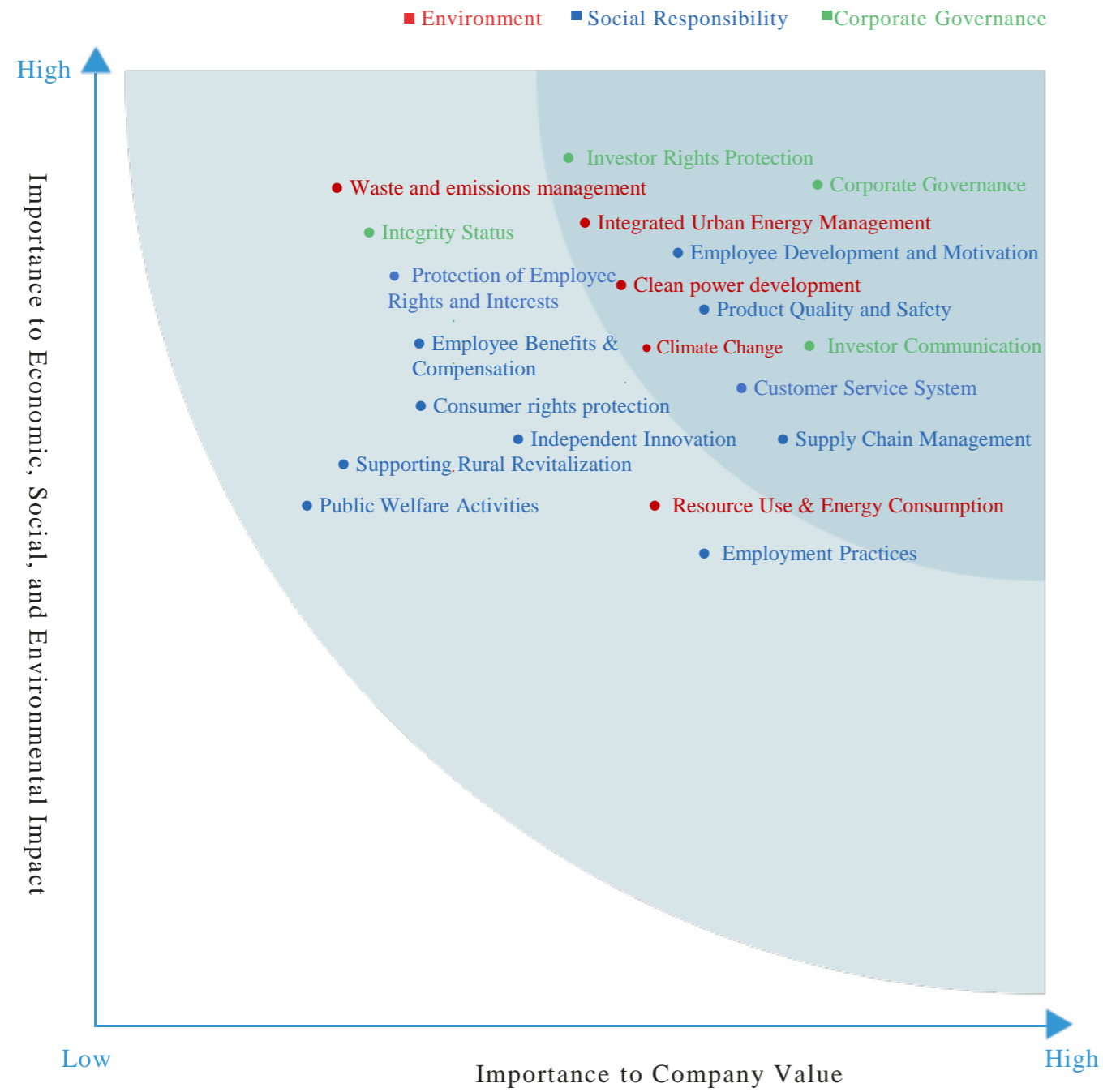
Moving forward, Willfar Information will continue to be guided by the "Dual Carbon" strategy, actively contributing to the global digitalization of cities and green, low-carbon development, creating value for investors, and promoting the healthy, stable, and orderly development of the STAR Market.

Analysis of Sustainability Topics



Sustainability Topics	Management of Topics
Clean power development	Green empowerment helps the construction of new power systems with new energy as the main body
Integrated urban energy management	Provide diversified solutions to assist the construction of digital smart cities
Independent innovation	Adhere to innovation-driven, innovative talent training, and industry innovation cooperation
Climate change	Promote energy conservation and emission reduction and advocate green environmental protection
Resource use and energy consumption management	Practice green operations and green offices, promote energy conservation and emission reduction, and continue to track and manage key data
Waste and emissions management	Green production and strict compliance with waste and emission management systems
Corporate governance	A wide range of products and solutions contribute to the construction of advanced power systems
Investor rights protection	Protect investors' rights and interests
Investor communication	Protect investors' rights and interests
Consumer rights protection	Protect customer privacy and continuously improve customer satisfaction
Employee benefits and compensation	Competitive salary, rich benefits
Protection of employee rights and interests	Smooth promotion channels, ensure occupational safety, and ensure employee rights and interests
Employee development and motivation	Diversity training and launch of employee equity incentives
Product quality	Ensure product quality remains industry leading
Customer service system	Global sales system, extensively serving global customers
Integrity status	Clean government construction
Employment status	Equal employment and elimination of child labor and discrimination
Supply chain management	Establish and continue to improve the supply chain management system and optimize supply chain management
Supporting rural revitalization	Continue to support rural revitalization
Public welfare activities	Actively carry out public welfare activities

◆ Matrix of Sustainability Topics



Sustainability Indicators

Name	Target value	2023	Unit
Greenhouse gas emissions	/	3,615.16	tCO ₂
Greenhouse gas emissions per unit of revenue	2.8	1.62	Per million yuan of annual revenue
Water consumption	/	176,942	Ton
Discharge per unit of water consumption	100.00	79.5	tons /million yuan of annual revenue
Electric energy	/	5,503,055.5	KWH
Emissions per unit of electrical energy	3,228	2,473	kWh /million yuan of annual revenue
Environmental protection investment	/	10.83	10,000 yuan
Total tax paid	/	1.97	100 million yuan
Compliance and anti-corruption training completion rate	100	100	%
"Letter of Integrity and Self-Discipline Commitment" signing rate	100	100	%
Investment in work safety	/	63.24	10,000 yuan
Number of production accidents	0	0	

Operation of the General Meeting of Shareholders, Board of Directors and Supervisory Board

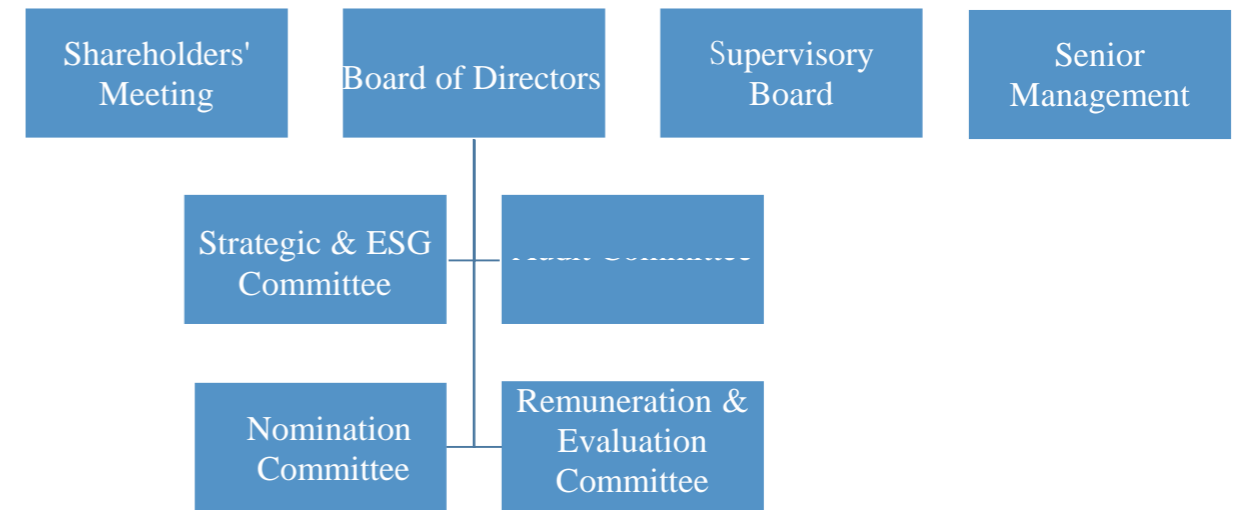
◆ Governance Structure

The company has established and perfected its governance structure. Shareholders' meetings, the board of directors, the supervisory board, and senior management coordinate and check and balance each other, with the board secretary and independent directors diligently fulfilling their duties, effectively enhancing the impartiality and scientific nature of decision-making, ensuring the company's lawful management and standardized operations. The company's board of directors has formed a Strategic & ESG Committee, Audit Committee, Nomination Committee, and Remuneration & Evaluation Committee, with members confirmed through rigorous procedures, playing a significant role in the company's operations and management. Additionally, corresponding rules such as the 'Strategic & ESG Committee Working Rules', 'Audit Committee Working Rules', 'Nomination Committee Working Rules', and 'Remuneration & Evaluation Committee Working Rules' have been formulated.

To better conduct the company's ESG work and optimize the top-level design of ESG management, the 'Board of Directors Strategic Committee' has been renamed the 'Board of Directors Strategic & ESG Committee', responsible for overseeing and managing the company's sustainable development and related environmental, social, and corporate governance (ESG) matters. Under the 'Board of Directors Strategic & ESG Committee', a 'Sustainable Development ESG Working Group' has been established to lead and manage ESG work, coordinating relevant business departments and functional departments within the company to carry out ESG-related tasks.

Independent directors are the promoters of optimization in the company's governance structure, supervisors of the company's standardized operations, and protectors of the interests of minority shareholders. The board of directors conscientiously performs its functions, strictly abiding by relevant laws and regulations such as the 'Company Law' and the provisions of the 'Articles of Association' and 'Board Meeting Rules'. A system of independent directors has been established. In 2023, the company's independent directors, in accordance with national laws and regulations and the provisions of the 'Articles of Association' and 'Independent Director Work System', diligently fulfilled their duties, expressing opinions on matters requiring independent director opinions, proposing relevant opinions and suggestions on the company's operational management affairs, playing an active role in improving the company's governance structure and standardizing its operations. The company's board of directors consists of 9 directors, holding 2 shareholders' meetings, 10 board meetings, and 9 supervisory board meetings throughout the year.

◆ Organizational Structure



◆ Composition of Personnel

Category	Board of Directors	Supervisory board	Senior management	Total
Total number of people	9	3	2	14
Among them: women	2	2	2	6
Proportion of women	22.22%	66.67%	100%	42.86%

Digitization is the most important trend in various industries in the 21st century. With continuous advancements in energy technology and productivity, and the country's firm commitment to the "Dual Carbon" strategy, a profound energy revolution is underway, presenting numerous opportunities and challenges for the energy industry. The company has formulated multiple strategies to better seize these opportunities, while also addressing risks, particularly financial risks. Although the debtors of the company's accounts receivable are primarily creditworthy and financially strong power and water companies, with good recovery guarantees for accounts receivable and a relatively low risk of bad debt losses, the company has already established a prudent bad debt provision policy in line with accounting standards. However, if the company's accounts receivable continue to rise significantly, clients experience deteriorating financial conditions or are unable to make payments on time, or the company faces tighter external funding conditions, it could face considerable operating capital pressure, negatively impacting the company's production and operations and financial situation. To address this, the company has imposed higher requirements on aspects such as strategic planning, organizational structure, internal control, operational management, and financial management, striving to mitigate the impact of these risks.





Internal Control & Management Mechanism

During the reporting period, the company established an internal control system tailored to its operational and developmental needs in accordance with relevant national requirements and guidelines, streamlining and optimizing related management systems and processes to enhance the company's risk prevention capabilities and standardize its operations.

During the reporting period, the company strictly adhered to the provisions of the Articles of Association, the Insider Information Registrant Management System, and other relevant regulations, diligently carrying out confidentiality measures before information disclosure and the registration of insider information.



Empowering Key Roles to Enhance Governance Capabilities

"Key minorities" play a vital role in corporate governance. The company will: 1) promptly provide feedback and communicate legally mandated training organized by capital market regulators; 2) fully leverage resources from regulatory platforms such as the CSRC, SSE, Pujiang Lecture Hall, China Association for Public Companies, and Capital Markets College, organizing online and offline training for "key minorities" and the company's management team, ensuring they stay informed about the latest laws and regulations, enhancing their professional skills and compliance knowledge reserves, and driving an overall improvement in the company's governance level.



Risk Control & Management

In recent years, the company has consistently upheld sound governance, promptly updating and revising relevant systems, continually improving its internal management mechanisms to ensure compliance and optimized governance, safeguarding the rights and interests of small and medium-sized investors. In accordance with the Independent Director Management Measures, Supervision Guideline No. 3 for Listed Companies - Cash Dividends of Listed Companies, Guidelines for the Articles of Association of Listed Companies, and other relevant laws and regulations, the company updated and revised 12 internal systems including the Articles of Association, Rules of Procedure for Shareholders' Meetings, Rules of Procedure for Supervisors' Meetings, Independent Director Work System, External Guarantee Management System, Information Disclosure Management System, among others, strengthening the rights, responsibilities, and obligations of independent directors, further standardizing the corporate governance structure, actively fulfilling social responsibilities, and protecting the legitimate rights and interests of investors. Concurrently, the company conducted a comprehensive examination and upgrade of its governance structure, establishing a more efficient management system and more market-oriented mechanisms, conducting 2 risk management trainings annually.



Integrating Regulatory Dynamics to Strengthen Foundations for Development

To maintain close alignment with regulatory policies, the company establishes a continuous tracking and feedback mechanism for regulatory dynamics, collecting, analyzing, and timely transmitting the latest regulatory information. It compiles and interprets the newest regulatory policies, market rules, and relevant legal and regulatory information on a quarterly basis, compiling them into a booklet for the company's "key minority" personnel. Simultaneously, it disseminates the changes in regulatory policies and their impact on the company's business to the management team, familiarizing them with their responsibilities in information disclosure, reporting of significant events, and insider information management, fostering a compliance mindset throughout the organization, guiding the company towards steady development on a foundation of compliance.



Keeping Pace with Policy Developments to Ensure Compliance and Efficiency

Updating and reinforcing the implementation of new systems: At the 9th meeting of the 3rd Board of Directors, the company approved revisions to the Articles of Association, Independent Director Work System, External Guarantee Management System, Intercompany Transaction Implementation Rules, and 5 other governance systems in light of the listed company governance rules issued by the CSRC and SSE in 2023. The company will strengthen internal training, communication, and process execution checks for the revised systems, enhancing their effective implementation.

The company will also establish a mechanism for regular monitoring of new regulatory requirements, ensuring a swift response to regulatory developments. Following the promulgation of new regulations in the capital markets, the company will timely revise and approve relevant internal systems in accordance with requirements.



Explanation of Governance-Related Matters

During the reporting period, the company strictly adhered to the requirements of laws and regulations such as the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Guidelines for the Governance of Listed Companies", the "Listing Rules for Sci-Tech Innovation Board Stocks of the Shanghai Stock Exchange", the "Self-Regulatory Guidelines No. 1 for Sci-Tech Innovation Board Listed Companies – Standardized Operation" and other normative documents, as well as the "Articles of Association of Willfar Information Technology Co., Ltd." (hereinafter referred to as the "Articles of Association"), continuously improving its corporate governance structure, establishing and perfecting its internal control system, further promoting the company's standardized operation, and enhancing its governance level. During the reporting period, the company operated in a highly regulated manner with strong independence, compliant information disclosure, and its actual governance situation met the requirements of the normative documents governing listed company governance. Specific details are as follows:

Regarding Shareholders and Shareholders' Meetings:

During the reporting period, the company strictly complied with relevant laws and regulations and the requirements of the "Articles of Association" and the "Rules of Procedure for Shareholders' Meetings of Willfar Information Technology Co., Ltd.", convening and holding shareholders' meetings in a standardized manner, conducting proper voting on matters under consideration by the shareholders' meeting, ensuring all shareholders fully exercise their legal rights. During the reporting period, the company held a total of 2 shareholders' meetings, convened by the board of directors.

Regarding Controlling Shareholders and Listed Companies:

During the reporting period, the controlling shareholder of the company strictly adhered to relevant laws and regulations, regulating their behavior, exercising shareholder rights lawfully through shareholders' meetings, without directly or indirectly interfering with the company's decision-making and operational activities beyond the scope of the shareholders' meeting. The company did not provide guarantees, financial assistance, or non-operational fund occupation for the controlling shareholder or other related parties, nor did it engage in any actions detrimental to the interests of the company or other shareholders.

Regarding Directors and the Board of Directors:

During the reporting period, the company's board of directors consisted of 9 directors, including 3 independent directors, with the number and composition of the board meeting the requirements of laws, regulations, and the "Articles of Association". All directors diligently attended board meetings and participated in shareholders' meetings, continuously deepening their understanding of relevant laws and regulations, fulfilling their respective responsibilities with integrity, diligence, and dedication. The board of directors strictly followed the "Articles of Association", the "Rules of Procedure for Board Meetings of Willfar Information Technology Co., Ltd.", and other relevant regulations in convening and holding board meetings, executing shareholders' meeting resolutions, and exercising their powers according to the law. The board of directors has established subordinate committees including the Audit Committee, the Strategic & ESG Committee, the Nomination Committee, and the Remuneration & Evaluation Committee, which are of great significance in enhancing the company's management and operational capabilities and ensuring the scientific nature of investment decisions. During the reporting period, the board of directors held 10 meetings, examining and approving matters such as the annual report.

In June 2023, the company completed the board of directors' re-election, forming an international board with diverse professional backgrounds and complementary skill sets. Each board member possesses extensive experience in areas such as enterprise management, business operations, technical expertise, risk compliance, finance, and audit & internal control. Considering the company's need for international development and the characteristics of the energy IoT industry, the company not only recruited a professional independent director candidate from the accounting field but also appointed a scholar from the field of electrical engineering as an independent director, along with a Singaporean economist and financial expert as an independent director.

Regarding Supervisors and the Supervisory Board:

During the reporting period, the company's supervisory board consisted of 3 supervisors, with the number and composition of the board in line with the requirements of laws, regulations, and the "Articles of Association". The company strictly followed the "Company Law", the "Rules of Procedure for Supervisors' Meetings of Willfar Information Technology Co., Ltd.", and other relevant regulations, standardizing the convening, holding, and voting procedures of the supervisory board, diligently fulfilling its duties and attending company board meetings and shareholders' meetings. The company's supervisory board can independently and effectively supervise the legality and compliance of the company's financials and the duties performed by the company's directors and senior management, safeguarding the legitimate rights and interests of the company and its shareholders.



Risk Analysis

Risk of Unprofitability or Significant Decline in Performance

From the company's financial situation, the company has maintained a continuous profit-making status for several years, with steady year-on-year growth. In 2023, the company's operating revenue was 222,524.9 million yuan, and the net profit attributable to shareholders was 52,525.99 million yuan. In 2023, the net profit attributable to shareholders increased by 31.26% year-on-year, and the net cash flow generated from operating activities increased by 62.21% year-on-year.

Core Competitiveness Risk

The IoT industry benefits from the rapid iteration of IoT technologies, leading to rapid development of new products, technologies, and application markets. As downstream application scenarios continue to diversify, many large enterprises and startups are actively entering the fields of smart cities and energy internet, intensifying market competition. If the company cannot continuously innovate and conduct R&D on new technologies in response to market changes, continuously strengthening its core competitiveness, it may place the company at a disadvantage in the increasingly fierce market competition, potentially having a certain adverse impact on the company's operating performance.

Operating Risks

In recent years, driven by a series of domestic and international policies and the development of new technologies, the IoT industry in which the company operates has continued to grow, with the company's overall operating scale further expanding. This places higher demands on the company in aspects such as strategic planning, organizational structure, internal control, operational management, and financial management. If the company's management cannot effectively enhance management capabilities and optimize management systems, it may result in the company's management system being unable to fully adapt to the rapid expansion of its business scale, causing adverse effects on the company's future operations and sustained profitability.

Industry Risks

The industry authorities relevant to the IoT industry in which the company operates mainly include the National Development and Reform Commission, Ministry of Industry and Information Technology, State Administration for Market Regulation, Ministry of Housing and Urban-Rural Development, and specific application industry authorities, involving numerous laws and regulations. Currently, the company strictly conducts production and operations in accordance with industry laws, regulations, and industry standards. If industry development falls short of expectations or market demand declines, it will lead to a slowdown in the growth of the company's sub-sector, thus affecting the company's rapid growth.

Financial Risks

Although the debtors of the company's accounts receivable are primarily creditworthy and financially strong power and water companies, with good recovery guarantees for accounts receivable and a relatively low risk of bad debt losses, the company has already established a prudent bad debt provision policy in line with accounting standards. However, if the company's accounts receivable continue to rise significantly, clients experience deteriorating financial conditions or are unable to make payments on time, or the company faces tighter external funding conditions, it could face considerable operating capital pressure, negatively impacting the company's production and operations and financial situation.

Most overseas projects signed by the company use foreign currencies as settlement currencies. With the expansion of the company's overseas business, fluctuations in the RMB exchange rate will have a certain impact on the company's operating results.

Macro-environmental Risks

The company's industry is closely linked to national macroeconomic policies and industrial policies. Cyclical fluctuations in the national economy, changes in policy direction regarding industry development, etc., may affect the company's production and operations.



Management of Other Risks

1. Risks of Policy/Legal/Regulatory Adjustments: Under the constraints of carbon peaking and carbon neutrality goals, changes in relevant laws and regulations concerning industrial circular economy, green product design, pollution control in production, and the use of clean energy may increase the company's compliance costs.

Countermeasures: Continuous Monitoring of Policies and Regulations: Continuously track relevant laws and regulations related to carbon neutrality, conduct training to understand the content of regulations, regularly organize compliance reviews, and implement green and low-carbon strategies.

2. Risk of Technological Iteration and Innovation: Research on energy conservation and environmental protection technologies and energy-saving technological transformations may increase the company's R&D cost. Technological changes and innovations in green product design may leave the company vulnerable to setbacks in its core competitiveness.

Countermeasures: Increased Investment in Technological Innovation: Strengthen research on green technologies and the establishment of green standards, enhancing the company's capacity for innovation in green products and green manufacturing processes; deepen the integration of industry, academia, and research, continuously improving the innovation incentive mechanism, building core technological breakthroughs and leading capabilities.

3. Market Volatility Risk: With the growing emphasis on sustainability, consumer markets are increasingly aware of and demanding green products. Failure to grasp this shift in direction could result in the loss of market share.

Countermeasures: Positioning in Green and Low-Carbon Technologies: Strengthen investments in green sustainability strategies, advancing research on green products and green technology standards, catering to the growing green consumption demands of markets and modern consumer groups

4. Reputation Risk: Stakeholders' awareness of climate risks and opportunities is increasing. Should the company adopt a wait-and-see attitude toward climate change or fail to respond to stakeholders' concerns, it could impact the company's reputation.

Countermeasures: Enhancing Transparency in Information Disclosure: Establish a diversified disclosure mechanism, treating climate change as a central issue, communicating through various channels and platforms with stakeholders; strengthen compliance construction, ensuring the compliance of information disclosure



Information Disclosure

The company strictly complies with the "Listing Rules for Sci-Tech Innovation Board Stocks of the Shanghai Stock Exchange", the "Self-Regulatory Guidelines No. 1 for Sci-Tech Innovation Board Listed Companies – Standardized Operation", the "Articles of Association", and other relevant regulations, fulfilling its legal obligation to disclose information. During the reporting period, the company timely disclosed periodic reports and interim announcements. The company ensures that information is disclosed truthfully, accurately, completely, and promptly, guaranteeing timely public access. It has also established and improved its ESG information disclosure system, actively promoting annual ESG disclosures.

Visualization of Information Disclosure

While releasing periodic reports, the company employs visual formats such as performance briefings, graphic summaries, and short videos to interpret both periodic reports and interim announcements. These engaging, intuitive methods help investors better understand the company's operating results, financial condition, and development strategies.

Simplification of Technical Terminology

When drafting announcements, the company endeavors to avoid overly technical terms, using easily understandable language to convey information, reducing the reading difficulty for investors.

Auxiliary Explanations in Graphical Format

Periodic reports will incorporate additional graphical aids such as charts and data comparisons, making information clearer and easier to comprehend.

Internationalization of Information Disclosure

Internationalization of information disclosure is a part of the company's commitment to internationalization in the capital market. The company releases bilingual (Chinese and English) versions of one-page summaries of periodic reports, environmental, social, and governance (ESG) social responsibility reports, and action plans for enhancing efficiency and returns. These publications showcase the company's financial status and business operations to global investors, facilitating stronger connections with international investors and demonstrating the company's commitment and efforts in sustainable development and social responsibility.

Regarding Fundraising Management

The company operates major fundraising projects in a standardized manner, strictly abiding by relevant laws and regulations in fulfilling disclosure obligations for such projects. The company has formulated the "Fundraising Proceeds Management System of Willfar Information Technology Co., Ltd.", specifying detailed provisions on the storage, usage, and management of fundraising proceeds. The company manages fundraising proceeds in accordance with these regulations, utilizing temporarily idle proceeds in a rational manner for cash management, with a focus on protecting small and medium-sized investors. In August 2023, the company's fundraising project reached completion, with the company organizing the collection and review of relevant materials, successfully completing project acceptance and disclosure work.

Registration & Management of Persons Familiar with Insider Information

During the reporting period, the company scrupulously observed the provisions of its Articles of Association, the Registration & Management System for Persons Familiar with Insider Information, and related regulations, diligently ensuring confidentiality prior to information disclosure and diligently conducting the registration of such persons.

Investor Relations Management

The company has established systems related to investor protection and investor relations management, further refining the two-way communication mechanism between the company and investors. While listening to investors' suggestions, the company promptly conveys these recommendations to the board of directors and management, contributing to the improvement of business strategies and maintaining a relationship of mutual trust and aligned interests with investors, continuously enhancing investor relations management capabilities.

Establishing multiple effective communication channels with investors, the company holds annual performance briefing sessions for periodic reports, with the chairman and president leading board members and technical professionals in conducting online exchanges with a broad range of investors. The contents of SSE e Interactive, investor calls, and emails are managed and recorded daily by dedicated personnel, with prompt responses provided. The company also pays attention to investor communication platforms frequented by small and medium-sized investors, such as East Money Stock Bar, Snowball, and Flush, responding promptly to investors' requests.

Actively aligning with international practices and raising the "internationalization" level of investor relations, the company strengthens communication with overseas investors, implementing the "go global" strategy. On March 13, 2023, the company was officially included in the list of SSE Connect targets, better establishing investment channels for overseas investors, further refining the company's investor structure, and enhancing its international profile.

Compliance Training

To implement the "Opinions of the State Council on Further Improving the Quality of Listed Companies" and continuously enhance the company's operational standardization and improve the quality of information disclosure, the company organized multiple compliance training sessions in 2023 for directors, supervisors, and management, attended by the CSRC, exchanges, and the listed company association. Internal learning materials were distributed to reinforce the compliance awareness of directors, supervisors, and management, enhancing management capabilities, improving governance levels, comprehensively promoting the company's sustained, stable, and healthy development, upholding market fairness, and protecting investor interests. Through these efforts, the management team further refined the company's internal control system, optimized the governance structure, strengthened supervisory responsibilities, and continuously improved their fulfillment of duties.

In 2023, the completion rate for compliance training and anti-corruption training programs was 100%, with a 100% signing rate for the "Letter of Integrity and Self-Discipline Commitment".



Business Ethics

Tax Compliance

The company upholds the business philosophy of operating legally and paying taxes in accordance with the law, strictly observing tax laws and regulations, diligently fulfilling the responsibilities and obligations of corporate citizens to pay taxes lawfully, while actively promoting employment and driving economic development. In 2023, the company's total tax payment was 197 million yuan, with a cumulative tax payment of 620 million yuan since its listing.

There were no incidents of tax evasion or tax fraud during this period.

Anti-Monopoly

Based on the relevant rules and regulations of China's Anti-Monopoly Law, the company has made clear stipulations and implemented governance in the area of anti-monopoly, aiming to promote the standardized, healthy, and sustainable development of the company's economy and to oppose monopolies, fostering a fair competitive environment. During the reporting period, the company did not encounter any cases of violations of laws and regulations related to anti-monopoly and anti-unfair competition, nor were there any concluded lawsuits against the company alleging unfair competition practices.

Fair Competition

The company has established supplier management procedures and an annual quality review system for suppliers, adopting principles of fair bidding, tender procurement, and quality prioritization in dealing with suppliers. To further standardize supplier management and enhance supply chain quality, the company employs supplier audit guidelines, supplier management regulations, quality agreements negotiated with suppliers, and supplier evaluation methods to scientifically assess suppliers' qualifications, production sites, technical proficiency, and quality assurance systems. During the reporting period, the company did not discover any cases of violations of laws and regulations related to bribery and corruption, nor were there any concluded corruption lawsuits against the company or its employees. Additionally, the company has put in place relevant reporting mechanisms and whistleblower protection policies, making the prevention of commercial bribery and unfair competition more comprehensive.

Creating Value as the Foundation for Consistently Delivering Substantial Returns to Investors

Willfar Information focuses on value creation in its business management and attaches great importance to investor returns.

On January 21, 2020, the company successfully listed on the Sci-Tech Innovation Board, raising net proceeds of 610 million yuan, all of which were invested in research and innovation and capacity enhancement, resulting in sustained, steady growth in operating performance.

Since its listing, the company's annual revenues and net profits have consistently grown, with a compound annual growth rate of 15.65% in revenues and 24.68% in net profits. The company has cumulatively distributed cash dividends amounting to 490 million yuan and completed a share repurchase equivalent to 2.46% of the total share capital, with a repurchase amount of 299 million yuan. In terms of earnings quality, the company's return on equity has also shown continuous growth.



30% Increase in Per-Share Dividend Payout for 2023

On March 21, 2024, the company held its annual general meeting to deliberate on the dividend payout plan for 2023. It proposed to distribute a cash dividend of 4.3 yuan per 10 shares (inclusive of tax) to all shareholders, representing a 30% year-on-year increase in per-share cash dividend payouts, with a total distribution of 210 million yuan in cash dividends. Thus far, the company has cumulatively distributed 700 million yuan in cash dividends since its listing, exceeding the amount raised through the initial public offering, demonstrating tangible returns to investors through actions.



40% Cash Dividend Payout Ratio Proposed for 2024

In 2024, the company will focus on long-term, sustainable development, taking into account the company's actual situation, strategic development plans, and industry trends, to establish a scientific, continuous, and stable return plan and mechanism for investors, ensuring the continuity and stability of the profit distribution policy. It is planned to set a cash dividend payout ratio of 40% for 2024 profits.



Introduction of the Company's First Employee Share Ownership Plan

The company has launched its first employee share ownership plan with a total of 4 million shares. The plan includes a lock-up period, with the shares being released in three stages upon reaching 12, 24, and 36 months respectively from the date the target shares are transferred to the employee share ownership plan. The proportion of shares unlocked in each stage is 40%, 30%, and 30% respectively. The employee share ownership plan also incorporates individual performance assessment metrics. Based on the employee's evaluation score and comprehensive evaluation results, a performance grade is determined. While providing ample incentives to plan participants, this also generates corresponding constraints, encouraging long-term shareholding and focusing on the company's long-term value, effectively aligning the interests of holders with those of the company and its shareholders.



Shared Responsibility and Benefits: Plans for Long-Term Equity Incentive Schemes over the Next Two Years

In the future, to continuously strengthen the shared responsibility and benefits constraint between management and shareholders, the company intends to utilize all repurchased shares for long-term equity incentives. It plans to implement 4 million shares in 2025 and 4.3148 million shares in 2026. This will ensure a long-term incentive and constraint mechanism for the company's management team and core business team, promoting alignment of interests and shared benefits between management and all shareholders, ultimately enhancing the overall value of the company.

Enhancing Equality,
Efficiency & Returns

Appendix: Key Performance Table

Performance Indicators		Value in 2023	Unit	Indicator index
Financial Performance	Total assets	425,755.94	10,000 yuan	05~06, 11~12
	Net profit attributable to shareholders	52,525.99	10,000 yuan	
	Operating income	222,524.90	10,000 yuan	
	Net profit	52,634.68	10,000 yuan	
	R&D investment	22,743.59	10,000 yuan	
Regulatory performance	Number of directors on the board of directors	9		63~64, 69~70
	General meeting of shareholders	2	Times	
	Board meeting	10	Times	
	Supervisory board	9	Times	
Party building performance	Number of Party members in the company	118		61~62
	Number of probationary Party members in the company	5		
	Number of Party committee meetings held throughout the year	6	Times	
	Number of Party building activities	8	Times	
	Number of visits received for Party building and mass organization building	5	Times	
Compliance management performance	Compliance and anti-corruption training completion rate	100	%	67~68
	"Letter of Integrity and Self-Discipline Commitment" signing rate	100	%	
Risk management performance	Risk management training	2	Times	63~64
Energy & resource consumption performance	Electric energy	5,503,055.50	KWH	11~12, 17~18
	PV power generation	502,352.31	KWH	
	Water consumption	176,942	Ton	
	Natural gas	81,264.47	Cubic meter	
Pollutant treatment performance	COD concentration in discharged wastewater	30	mg/L	11~12
	BOD5 concentration in discharged wastewater	6.3	mg/L	
	Helium nitrogen concentration in discharged wastewater	21.4	mg/L	
	Total phosphorus concentration in discharged wastewater	1.72	mg/L	
	Petroleum concentration in discharged wastewater	0.14	mg/L	
	Total suspended particulate matter concentration in discharged exhaust gas	0.28	mg/m ³	
	Hazardous waste generation (tin slag)	4.005	Ton	
	Hazardous waste recycling rate	100	%	
	Environmental protection investment	10.83	10,000 yuan	

Performance indicators		Value in 2023	Unit	Indicator index
Greenhouse gas emissions performance	Greenhouse gas emissions	3,615.16	tCO ₂	11~12
	Emissions per unit of income	1.62	Per million yuan of annual revenue	
Employee responsibility performance	Total number of employees in 2023	812		39~40
	Number of male employees	612		
	Number of female employees	200		
	Ratio of female employees	25	%	
	Turnover rate	4	%	
	Labor contract signing rate	100	%	
Occupational health performance	Social insurance coverage	100	%	39~42
	Training sessions	588	Times	
	Employee training coverage	100	%	
	Employee occupational health examination rate	100	%	
	Occupational health record coverage	100	%	
Safety management performance	Newly diagnosed cases of occupational diseases	0		33~34
	Investment in work safety	63.24	10,000 yuan	
	Number of people trained in work safety	4,052		
	Work safety training duration	108	Hour	
	Number of work safety emergency drills	3		
	Number of participants in work safety emergency drills	349		
Quality and service performance	Number of production accidents	0		29~30, 33~34
	Number of newly authorized patents in the year	64		
	Rate of qualified products	99.93	%	
	Customer satisfaction	99.75	%	