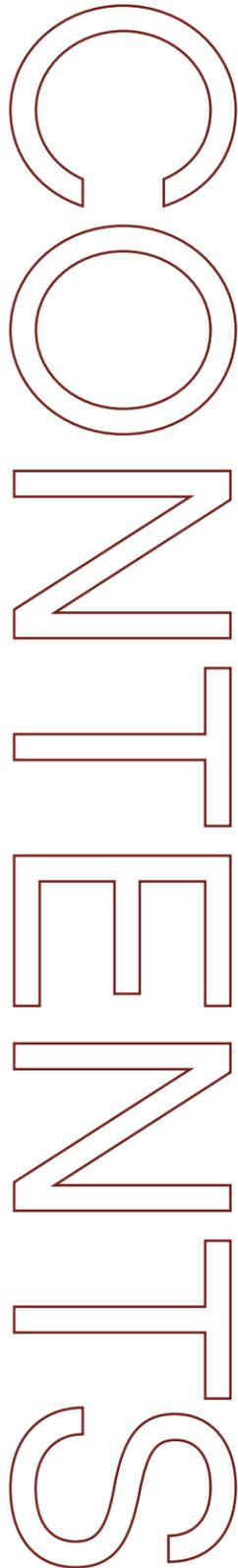


Suofeiya Home Collection Co., Ltd

Environmental, Social, and Governance Report (2023)



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INSTRUCTIONS ON REPORT PREPARATION



Report Overview

This Report is the Environmental, Social, and Governance Report 2023 of Suofeiya Home Collection Co., Ltd. (hereinafter referred to as "the Company" or "Suofeiya"). It is the 7th report issued by the Company, aimed at strengthening communication and connection with various stakeholders.

This Report objectively and truthfully reflects the Company's practices in corporate governance, employee rights, operational development, stakeholder communication, environmental protection, public welfare, and charity in 2023. It discloses the Company's philosophy, actions, and achievements in fulfilling economic, environmental, safety, and social responsibilities.

Compilation Basis

- Chinese national standard – the Guidance on Social Responsibility (GB/T36000–2015)
- Chinese Academy of Social Sciences (CASS) – the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises – Basic Framework (CASS–ESG 5.0)
- Global Sustainability Standards Board – the GRI Sustainability Reporting Standards (GRI Standards)
- The No. 1 Guidelines on Self-Regulation of Listed Companies of Shenzhen Stock Exchange – Standardized Operation of Listed Companies on the Main Board
- The No. 1 Guidelines on Self-Regulation of Listed Companies of Shenzhen Stock Exchange – Business Handling

Time frame

This is an annual report covering the period from January 1, 2023, to December 31, 2023. Some content may appropriately reference previous years.

Data Sources

The financial data in the Report is sourced from Suofeiya's audited annual report for the year 2023. Other data is compiled from its internal statistics. Unless otherwise specified, the currency type and amounts mentioned in the Report are in RMB. The Company assures that the content of this Report does not contain any false records, misleading statements, or significant omissions.

Report Access

This Report is available in both Chinese and English versions, and may be downloaded at the official website of Suofeiya Home Collection Co., Ltd. (www.sfygroup.com) or the China Securities Regulatory Commission's website (www.cninfo.com.cn).

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ESG Governance Framework

Against the backdrop of rapid changes in both the social and business environments, Suofeiya has always believed that establishing and enhancing Environmental, Social, and Governance (ESG) systems is beneficial for driving sustainable development. We have established a sustainable development organizational structure covering the entire Company, and formed the ESG Committee responsible for ESG projects and related performance assessments as well as regular reports to the Board of Directors. Within the Company, various functional departments have set up ESG Execution Teams to ensure coordination and integration of efforts from top to bottom.



The Board of Directors regularly listens to the ESG Committee's annual work reports to ensure the achievement of Suofeiya's sustainable development goals.



The ESG Committee, composed of senior leaders including the general manager and vice general manager, is responsible for managing the Company's sustainable development affairs related to the environment, society, and governance. It also focuses on preventing associated risks. Report regularly to the Board of Directors on the progress of ESG work.



The ESG Execution Teams, comprised of various functional departments within the Company, report to the ESG Committee on the Company's affairs related to the environment, society, and governance. They provide the necessary information for decision-making, offer guidance to the functional departments, and support the execution of sustainable development strategies and decisions.

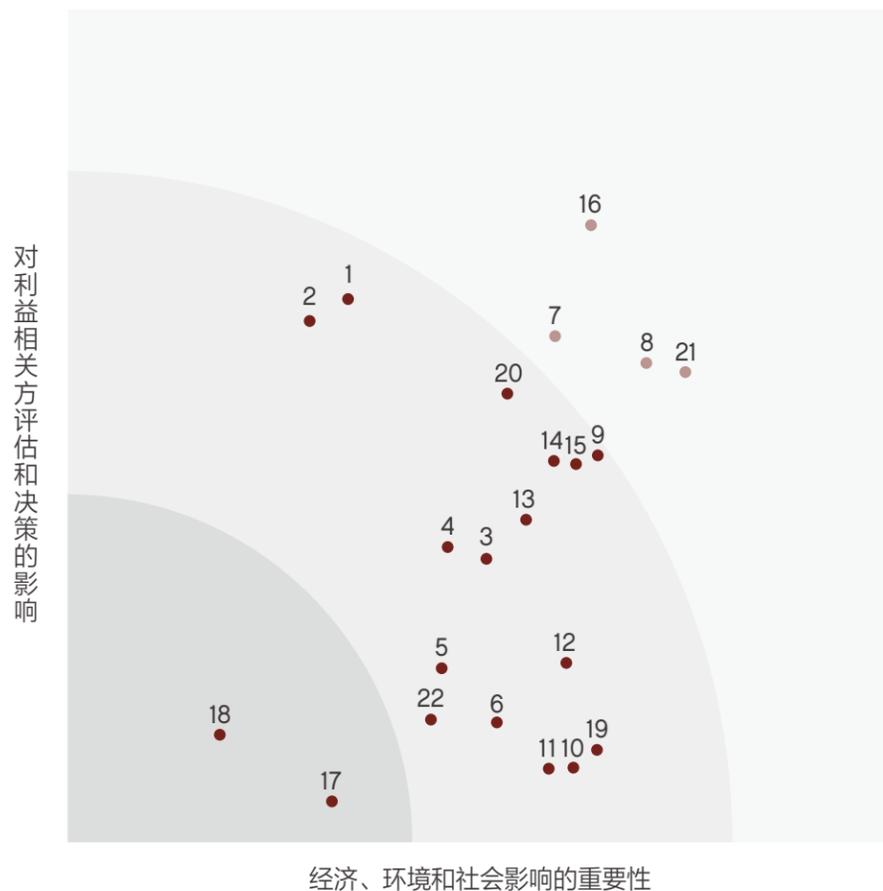
ESG Key Performance

Category	Indicator	Unit	2021	2022	2023
Economic Performance	Operating Revenue	Ten Thousand RMB	1,040,709.49	1,122,254.14	1,166,564.64
	Net Profit	Ten Thousand RMB	12,257.55	106,430.37	126,127.78
	Total Tax Paid	Hundred Million RMB	8.97	8.56	9.29
	Total Cash Dividends (Tax Included)	Ten Thousand RMB	54,448.60	63,523.37	95,170.27
	Cash Dividends per 10 Shares	RMB	6.00	7.00	10.00
Environmental Performance	Compliance Rate of Exhaust Emissions	%	100	100	100
	Compliance Rate of Solid Waste Treatment	%	100	100	100
	Efficiency of Dust Removal + RTO Exhaust Treatment System	%	Above 90	Above 90	Above 90
	Compliance Rate of Noise Emissions	%	100	100	100
	Reduction in Carbon Dioxide Emissions	Tons	9,942	10,231	12,169
社会绩效	Total Number of Employees	People	14,486	14,906	14,400
	Percentage of Female Employees	%	27.38	27.67	27.59
	Employee Training Coverage Rate	%	100	100	100
	Public Welfare Expenditures	RMB	611,400.75	1,088,940.65	1,487,475.85

ESG Key Issues Analysis

To further enhance the effectiveness and scientific nature of ESG management and to more accurately respond to stakeholder demands, the Company has conducted ESG key issues analysis based on the substantive issue analysis method provided by the Global Reporting Initiative (GRI). We carried out this analysis through steps such as sustainable development background analysis, stakeholder identification, issue identification, and research. Through these steps, we identified a total of 23 key ESG issues, including 7 environmental aspects, 11 social aspects, and 5 governance aspects.

Based on the dimensions of "importance of economic, environmental, and social impacts" and "impact on stakeholder assessment and decision-making", we rated the importance of these 23 issues. This process resulted in an ESG Key Issues Matrix, which serves as the main basis for reviewing the Company's ESG performance over the year.



Environmental

- 1 Carbon emissions
- 2 Climate change
- 3 Recycling
- 4 Waste management
- 5 Water resource utilization
- 6 Green operations
- 7 Green products

Society

- 8 Supply chain social responsibility management
- 9 Employee's health and safety
- 10 Employee training and development
- 11 Compensation and benefits
- 12 Diversity and equal opportunities
- 13 Information security and privacy protection
- 14 Technological innovation
- 15 Customer experience
- 16 Product quality and safety
- 17 Intellectual property management
- 18 Industry development promotion

Governance

- 19 Corporate governance
- 20 Business ethics and morals
- 21 Legal compliance
- 22 Shareholders' rights
- 23 Anti-corruption

Stakeholder Communication

The healthy development and achievements of the Company are inseparable from the support of stakeholders such as the government and regulatory agencies, shareholders and investors, employees, customers, suppliers, and communities. The Company adheres to principles of transparency and equality, placing great importance on communication and cooperation with stakeholders. Throughout the reporting period, we continuously improved our stakeholder communication mechanisms and engaged in diverse communication activities to understand and respond to the expectations and demands of stakeholders in a timely manner.

Stakeholders	Focus Areas	Communication Channels
Government and Regulatory Agencies	Compliance Operations	Daily reporting, information submission
	Tax Compliance	Accepting supervision and assessment
	Employment Promotion	Regular reporting, recruitment
Shareholders and Investors	Sustainable Operations	General Meeting of Shareholders
	Compliance Governance	Information disclosure
	Risk Prevention	Investor hotline, interactive platforms, online and offline communication
Employees	Compliance Employment	Staff representative meetings
	Compensation and Benefits	Employee conferences
	Safety in Production	Employee training
	Career Development	Training, enterprise culture activities
Customers	Protection of Customer Rights	Information confidentiality, after-sales service mechanism
	High-Quality Products	Design, quality, and technology iteration
	Professional Services	Satisfaction surveys (CSI/DSI)
Suppliers	Transparent Procurement	Supply chain management system
	Win-Win Cooperation	Cost reduction and efficiency improvement, joint research and development
	Industry Ecology	Supplier conferences
Community and Non-Governmental Organizations	Participation in Community Development	Fulfilling social responsibilities
	Active Engagement in Public Welfare	Participating in public welfare activities

Case 1

China Charity Federation X Suofeiya

Children's Book House

Strong youth will lead to a strong China. Following the Plan for Implementing the National Youth Student Reading Campaign issued by eight national departments, including the Ministry of Education and the Publicity Department of the Communist Party of China in 2023, Suofeiya Children's Book House officially commenced to contribute to the campaign of "promoting national reading and building a nation of avid readers". The initiative saw Suofeiya stepping into various regions across China, including Wuhan in Hubei, Haikou in Hainan, Liuzhou in Guangxi, Liangshan Prefecture in Sichuan, Shangluo in Shaanxi, Jining in Shandong, and Taiyuan in Shanxi. Suofeiya ventured into remote and mountainous areas, towns, and rural areas, bringing a ray of hope to thousands of children – a gift of newly established reading rooms and a plethora of books.



What has the Children's Book House brought to the rural children?

- ✓ **Massive Collection of High-Quality Books**
With a maximum collection of over ten thousand volumes
- ✓ **Environmentally Friendly and Safe Environment**
Kang-Chun grade (ENF) boards for health, Child-friendly design to prevent bumps and injuries
- ✓ **Innocent and Childlike Atmosphere**
Nature-inspired color schemes, Bright and harmonious color palettes
- ✓ **Comfortable Space**
Ample reading seats, Immersive reading spaces



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Currently, over a dozen Children's Book Houses have been established and put into use across various regions nationwide. It is expected to establish over thirty Children's Book Houses in Beijing, Hangzhou, Shanghai, Wuhan, Shenzhen, Changsha, Harbin, Guiyang, Zunyi, Baoding, Huizhou, Chengde, Zhaoqing, Lu'an, Puyang, Yichang, Huangshi, Xinxiang, and more. The program of Suofeiya Children's Book House not only provides children with an environmentally friendly, safe, and comfortable reading environment but also aims to sow the seeds of reading and love in their hearts. In the future, more cities will have Children's Book Houses. By focusing on the future of education in rural areas, contributing to rural revitalization, and continuing to deliver sustainable corporate values to society, Suofeiya remains steadfast in its commitment.



The Company has been well aware of a lack of reading resources among rural children in current China. According to the 2022 Survey Report on Reading Conditions of Rural Primary Schools in China, the average extracurricular reading volume per capita for rural primary school students is 3.27 books, less than one-third of the national average for primary school students. Moreover, it is recognized that reading spaces need to meet requirements for comfortable environments, environmentally friendly materials, natural and harmonious designs, and durable quality.

Suofeiya takes proactive action by mobilizing its nationwide dealer resources and leveraging the "Happy Homes" Village and Community Mutual Aid Project initiated by the China Charity Federation to establish the Children's Book House public welfare initiative. This initiative, jointly launched by Suofeiya Home Collection, the China Charity Federation, and Suofeiya dealers across the country, aims to build public reading rooms in rural schools. It provides high-quality reading resources to help rural children cultivate reading habits, enhance their cultural literacy, and stimulate intrinsic learning motivation.



Case 2

Providing More Reliable Products for Consumers

— Joint Innovation with Suppliers for You and Your Home



As household products serve as items closest to the lives of ordinary people and enter countless households, their environmental friendliness and adaptability must closely follow the changing demands of consumers in different eras. Building trustworthy and user-friendly products for ordinary people tests the utmost in research and development, innovation, and product capabilities. During the reporting period, Suofeiya's product development team deeply simulated consumer life scenarios and innovated and upgraded products through technological empowerment. They released a market-leading innovation targeting five major household life pain points: marks caused by oil-based pens, unintentional scratches on door panels in daily use, fingerprints left by sweat stains, discoloration and aging due to prolonged use, and oil stains commonly encountered on sideboards. Collaborating with EB coating and EB curing equipment suppliers, the Company repeatedly adjusted the EB coating formula ratio, electron beam energy, electron beam intensity, and curing agent dosage to obtain the optimal solution. Compared to traditional baking paint/UV technology, the curing degree reaches 100%, achieving the best levels of coating density, UV blocking, and film hardness. The combination of EB curing technology with existing melamine board products not only retains the rich decorative effects but also upgrades the tactile sensation. Being resistant to graffiti, scratch, fingerprint, yellowing, and oil, this product provides consumers with a higher-quality home experience.



By extending supplier social responsibility management and empowering assistance, the Company has developed new technologies and products to provide the maximum protection for customers and consumer rights. To address the common issue of swelling in panel furniture, the Company made a pioneering attempt in the industry to collaborate with suppliers in developing PUR anti-mold glue, which has been successfully promoted and applied. This anti-mold glue not only possesses all the performance characteristics of ordinary PUR glue but also meets the "Grade 0" standard for mold resistance.

The Company has always adhered to the strategy of "leading through technological innovation", consistently taking the lead in product development, intelligent manufacturing, and digital transformation within the industry. With continued investment in R&D, Suofeiya takes quality optimization and cutting-edge technology research as its core competitive strengths, and always keeps customer needs in mind to deliver innovative solutions that exceed expectations.



ABOUT SUOFEIYA

Corporate Culture

Mission

Decorating Homes Easily with Technology and Creativity, Integrating Beauty of the World into New Life

Vision

Providing Customers with a Good Experience through Personalized Design and Efficient Operation, and Becoming a Trustworthy World-leading Home Furnishing Company

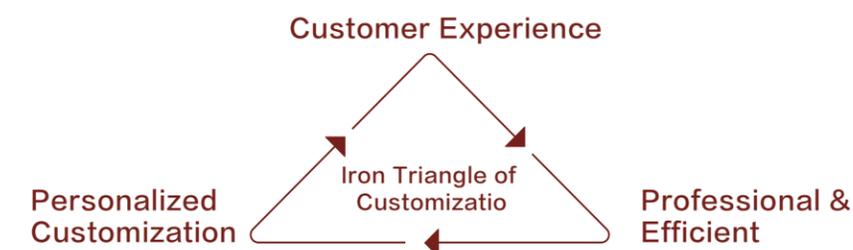
Core Value

Customer Foremost, Innovation and Sharing, Professional and Efficient, Honest and Progressive

Company Overview

Suofeiya Home Collection Co., Ltd. was founded in 2003 and has been deeply involved in the Chinese home furnishing market for over two decades. As one of the pioneers in introducing the concept of "customized closets" in China, Suofeiya successfully brought customized closets to the market and gained recognition from Chinese consumers with its innovative product concept combining tailored customized closets and sliding doors for closets. Suofeiya is committed to providing consumers with comprehensive customized home furnishing solutions, engaging in the design, development, production, and sales of whole-house furniture, including closets, cabinets, doors and windows, wall panels, flooring, household goods, appliances, and sanitary ware. In 2011, Suofeiya was successfully listed on the Shenzhen Stock Exchange, becoming the first A-share listed company in the industry (Stock Code: 002572).

Business Philosophy



Brand Matrix

Since the establishment, the Company has been actively creating and introducing excellent products and brands, to bring better home decoration experience to consumers and customize a better life together. Currently, responding to the demand for whole-house customization, the Company has established a brand matrix covering the entire market, including "Suofeiya" targeting the mid- and high-end market, "Milanla" targeting the mass market, and "Schmidt" and "Huahe" targeting the niche market. The four major brands complement each other, forming a complementary product R&D and supply system, covering the complete range of closets, cabinet and doors, matching various styles such as wall boards, sanitary ware, floor, household supplies and appliances. They can serve customers in all fields including online and offline retail, whole-house installation, engineering projects, and overseas markets, thus achieving all-round development of the channels.



Production Base Layout

The Company owns eight production bases in China and has pioneered the investment and construction of advanced Industry 4.0 work-shops in Asia in the industry. This has significantly shortened the product delivery cycle, with the average delivery cycle from factories to distributors remaining at 7 to 12 days for many years, breaking through the capacity bottlenecks commonly faced in the customization industry. The accuracy and repair rate has achieved industry-leading levels, providing supply chain guarantees for front-end sales while reducing operating costs for both factories and distributors. With globally leading intelligent manufacturing, the average efficiency exceeds that of German intelligent production lines by 125%. The entire process is automated, with no manual handling of the components, and each piece of board has a unique identity card for traceability. The accuracy of robot component sorting is close to 100%.



Zengcheng, Guangdong—South China Production Center

Customized wardrobes and supporting customized furniture products, customized cabinets, wooden flooring, supporting hardware, and bulk business.



Huanggang, Hubei—Central China Production Center

Customized wardrobes and supporting customized furniture products, and customized cabinets.



Jiashan, Zhejiang—East China Production Center

Customized closets and supporting customized furniture products



Chengdu, Sichuan—Western China Production Center

Customized closets and supporting customized furniture products.



Langfang, Hebei—North China Production Center

Customized closets and supporting customized furniture products.



Lankao, Henan—Henan Suofeiya Home Collection Co., Ltd.

Customized closets and supporting customized furniture products, and bulk business.



Qiqihar, Heilongjiang—Suofeiya Huahe Door Co., Ltd.

Customized wooden doors.



Jinhua, Zhejiang—Zhejiang Jinhua Production Base.



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2023 MILESTONES

February

Suofeiya officially announced Ni Ni as its global brand ambassador.



April

The launch ceremony of the "Happy Homes · Suofeiya Children's Book House" project by the China Charity Federation took place at the Xinzhou Primary School in Xinchong Street, Wuhan, Hubei Province.



July

Milanla successfully held the "Upgrade New Generation · 5A Hardcore Home Furnishing Conference", driving the whole home customization industry towards a new future. Suofeiya Whole Home Bathroom Strategy was heavily promoted, officially launching the "Suofeiya Bathroom" brand.



October

The final of the 9th Suofeiya Installation and Delivery Skills Competition was grandly held at the Suofeiya headquarters building, an unparalleled achievement of Suofeiya in terms of whole home delivery service.



March

"All-round Home Furnishing for a New Life" – Suofeiya's Whole Home Customization 3.0 Strategy was heavily promoted.



June

"Peak Discussion on Fusion and Coexistence" – Suofeiya & TOP Custom Home Furnishing Strategic Private Advisory Board was grandly held, marking the industry integration trend, and Suofeiya led the creation of a new industry ecosystem. Huahe Custom Home Furnishing "High-end Full Case for Aesthetic Upgrade" brand strategy conference was successfully held in Guangzhou.



September

The "Boost Consumer Confidence with High-quality Products, Jointly Promote Green Development of Home Collection" symposium, hosted by the China Consumers Association, was held at Suofeiya Home Collection's Guangzhou headquarters. The symposium was attended by relevant persons in charge of provincial and municipal consumer associations across the country. Suofeiya "Kang-Chun Whole Home" environmental upgrade conference was held, marking the industry's entry into the era of whole home environmental protection.



November

Suofeiya deeply participated in the drafting of the Custom Furniture – Specification for Installation Acceptance (GB/T43003-2023), which has been officially released and will be implemented starting from April 1, 2024.



ADHERENCE TO PARTY BUILDING

Since its establishment in 2014, the Company's organization of Communist Party of China (hereinafter referred to as the "Party") has continuously grown its membership. To better leverage the role of the Party organization, the Company has established 7 Party organizations in various factories. Among them, the headquarters in Zengcheng and the Huanggang branch factory have Party committees, while the other 5 factories have Party branches. There is a total of 260 registered Party members.

Since its establishment, the Company's Party organization has consistently focused on the goal of "Powerful Party Building, Prosperous Enterprise Development". It has expanded from achieving the "Bidirectional Integration" of Party building and enterprise development to fulfilling the great mission of integrating social responsibility and development. In the current year, the Company has been honored with awards such as the "Guangzhou City 'Strong Party Organization with Excellent Performance'" and the "Five-Star Party Organization" in the Huanggang High-tech Zone, as well as recognition as an "Outstanding Party Member" in the Development Zone (Huimin Street). Guided by the exemplary leadership of the Party organization, the Company not only achieves healthy and stable development but also makes greater contributions to the society.



1 Enhance the Construction of Party Organization, Deepen the Integration of Party Building and Production

The Company's Party organization comprehensively implements the responsibility system for Party building, and adheres the leadership of the Party in various aspects of corporate governance. By promoting the deep integration of Party building with production and operation, the Party organization and management have achieved the goal of learning together and unifying the ideological essence with the development principles of the Company.

In the year 2023, the Company convened a total of 54 meetings of the Party committee (branch committees) and 16 Party member congresses. Additionally, 36 Party classes and member education training sessions were held, along with 40 themed Party day events, continuously enhancing the ideological qualities of existing Party cadres. Furthermore, the Suofeiya Party organization focuses on the training of Party members and Party workers, implementing customized training tailored to different levels and roles, including Party members, Party workers, and Party organization leaders holding management positions within the group and various centers. These efforts ensure that under the leadership of the Party, all Party members and cadres can grasp the Company's development direction, and provide strong political guarantees and organizational support for the stable development of Party building work and production operation.



The Party committee and the Bureau of Human Resources and Social Security jointly organized themed Party day activities.

The Party branch of Schmidt joins hand with the district market supervision bureau in the "Red Leadership, Joint Construction" Mechanism.

2 Uphold the "Red Leadership, Joint Construction" Mechanism, Deepen the Integration of Party Building and Social Responsibility

The Company's Party committee actively establishes the "Red Leadership, Joint Construction" mechanism with Party organizations from government agencies, state-owned enterprises, schools, non-public enterprises, etc. In the year 2023, a total of 27 co-building activities and Party-building visits and exchanges were conducted. Actively organizing activities for the benefit of the people effectively solved 65 specific issues. Through this mechanism, the organizational advantages are transformed into development advantages, not only promoting the complementary sharing of resources between Party branches in different industries but also contributing to the mutual assistance and mutual prosperity goals. The Company firmly inherits the red gene, deeply implements the mechanism, integrates with social responsibility, jointly promotes the development and progress of enterprises and society, and tirelessly strives to create a better life for humanity.

3 Adhere to the Vanguard Role of Party Members, Deepen the Integration of Party Building and Talent Development

Suofeiya has established mechanisms such as the Party Member Vanguard Posts, Party Member Innovation and Research Groups, and Production Safety Party Member Vanguard Teams, fully harnessing the exemplary role of Party members in their respective positions. The Company's Party organization controls the "talent entry gate", focusing on encouraging young, ambitious, and morally upright business talents to join the Party. In 2023, Suofeiya had a total of 10 new Party members, and 17 active applicants for Party membership, who have played important exemplary roles in key project R&D and integrity promotion, taking on more significant responsibilities in the Company's development. Through such a dual talent selection approach, we effectively integrate Party building with talent development, achieving mutual promotion between Company development and Party organization construction.



Party Vanguards Memorial Commemoration Event

Party Vanguards Visit the Masses with Gifts and Donations.



Nanhu Theme Red Education

"Small Family and Big Family" Party Members Blood Donation

4 Uphold the Integration of Party Building and Corporate Culture with a Sense of Great Love

The Company firmly inherits the red genes of the Party while integrating and practicing the corporate "family culture". By strengthening the role and responsibilities of Party members in the enterprise and society, the individual integrates better into the collective, expanding the happiness of the "enterprise family" to the happiness of the society at large, thereby deepening employees' identification with the corporate culture and the Party's sense of great love.

In 2023, the Company's Party organization conducted a series of thematic learning and propaganda activities on "In-depth Study of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", including organizing thematic organizational life meetings, patriotic base learning, red tourism, and fireside talks, totaling 38 activities. These activities embodied the warmth and sunshine of the corporate "family culture". Meanwhile, the Party's appeal was demonstrated by fulfilling the Party's responsibilities through activities such as fulfilling micro-wishes, providing assistance to those in need, and organizing blood donation events. Approximately 80 Party members and residents were supported, and a total of nearly 35,000 milliliters of blood were donated. This effort allows the happiness of the enterprise to be extended to more people in society, as Suofeiya's Party members strive tirelessly to create a better life for humanity.



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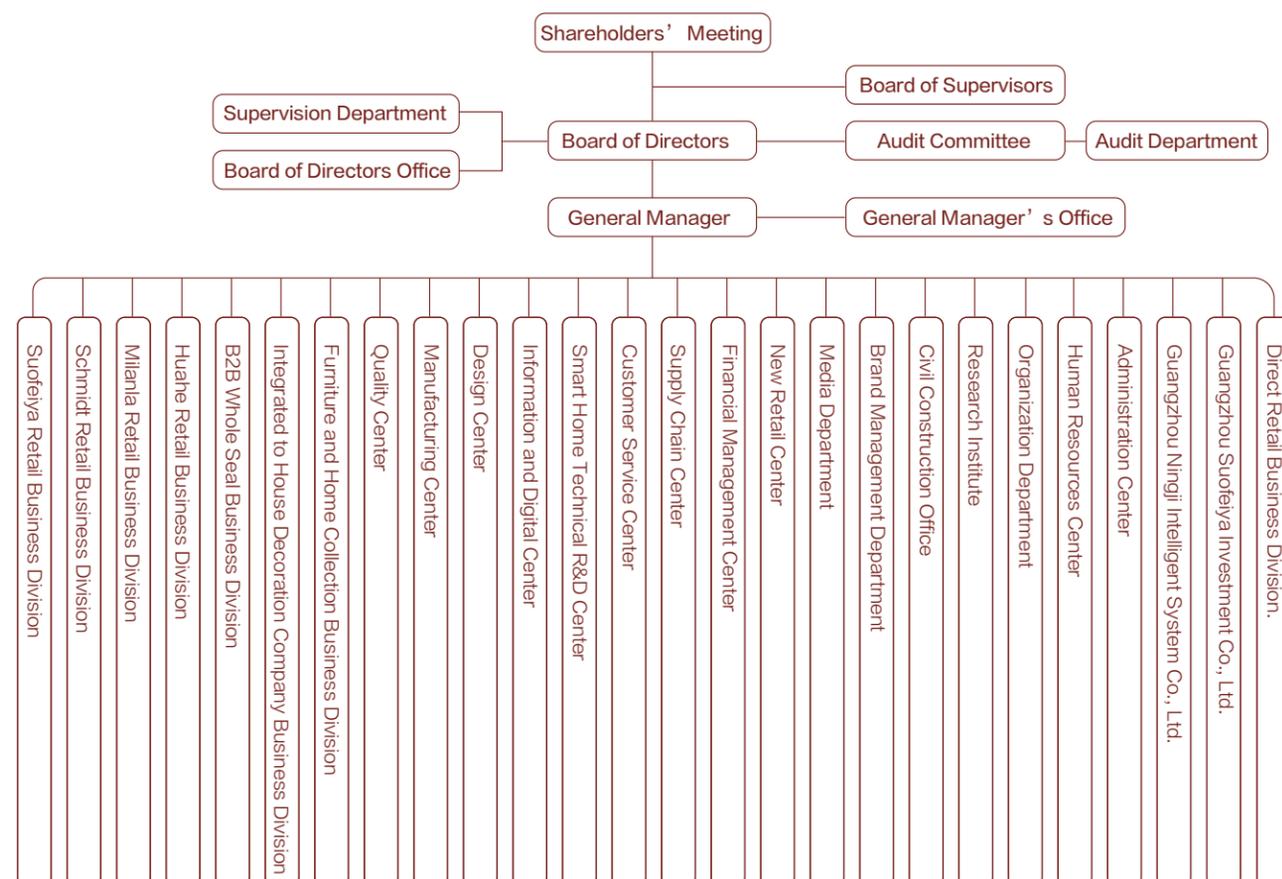
PRUDENT CORPORATE GOVERNANCE

Social Responsibility

An effective corporate governance system is crucial to ensuring the healthy, stable, and sustainable development of an enterprise. Since its listing in 2011, the Company has continuously improved its governance system, standardized its operations, and established a comprehensive, multi-level management system in accordance with the Company's actual situation and regulatory requirements. This has promoted the continuous optimization of the Company's governance structure, effectively safeguarding the rights and interests of the Company and all shareholders.

Governance Structure and Systems

The Company adheres to the construction of a clear division of responsibilities, mutual checks and balances, and efficient operation of the corporate governance system. In accordance with the relevant laws and regulations such as the Company Law, the Securities Law, and the requirements of the China Securities Regulatory Commission, the Company has established a corporate governance structure consisting of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the management. At the institutional level, the group has formulated a series of normative documents such as the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors, the Work Regulations of the Audit Committee, the Work Regulations of the Board Secretary, the Information Disclosure Management System, the Insider Registration System, and the Internal Audit System, continuously improving the Company's governance system.



01 Shareholders and General Meeting of Shareholders

The General Meeting of Shareholders, composed of all shareholders, is the highest authority of the Company, responsible for making decisions on major issues. The Company convenes and holds the General Meeting of Shareholders in strict compliance with the requirements of relevant laws, regulations, articles of association, and rules of procedure, such as the Securities Law of China, the Company Law of China, the Articles of Association, and the Rules of Procedure for the General Meeting of Shareholders. The Company adopts a combination of on-site voting and online voting to facilitate the participation of shareholders, especially small and medium-sized shareholders, in the General Meeting of Shareholders, treats all investors equally, and effectively safeguards the rights and interests of small and medium-sized shareholders.

The company held **3** general meetings of shareholders

02 Directors and Board of Directors

The Board of Directors serves as the decision-making institution responsible to the General Meeting of Shareholders. Currently, the Board of Directors consists of five directors, including three independent directors, each serving a term of three years. The composition of the Board of Directors is reasonable, and the qualifications, selection procedures, and composition of directors all comply with relevant laws and regulations. The Company attaches importance to the diverse backgrounds and experiences of board members while ensuring that they possess the professional skills, experience, and diverse perspectives necessary for the business. Candidate selection is based on a range of diversity factors, including (but not limited to) age, cultural and educational background, professional experience, skills, and years of service.

The company held a total of **10** board meetings

All directors are able to conduct their work in accordance with the Rules of Procedure for the Board of Directors and the Independent Director System, attending board meetings on time with a 100% attendance rate. They actively participate in the decision-making on major matters of the Company and the review of important information disclosure. In 2023, the Company revised the Independent Director System and conducted dissemination and training sessions. Directors actively participated in relevant training activities organized by regulatory authorities, further enhancing their ability to fulfill their duties as directors. No directors of the Company have been subjected to inspections, penalties, public criticism, or condemnation by regulatory authorities.

03 Supervisors and Board of Supervisors

The Company's Board of Supervisors consists of three members, including one representative employee supervisor and two representative stakeholder supervisors, with a female representation ratio of 1/3. The representative employee supervisor is elected through democratic elections among the Company's employees. The composition of the Board of Supervisors members is reasonable, and their qualifications, selection procedures, and composition comply with relevant laws and regulations.

The Company held a total of **8** supervisory meetings

The Board of Supervisors has been working diligently and conscientiously, with procedures such as convening and voting in compliance with the Rules of Procedure of the Board of Supervisors and other related regulations, and has inspected and supervised Suofeiyu's decision-making process as well as the establishment and implementation of internal control systems to promote the standardized operation of the Company in accordance with the law. The actual attendance rate of the Board of Supervisors is 100%.

04 Management

The daily operation activities of Suofeiya are performed by the senior management. As of the end of 2023, Suofeiya has employed five senior management personnel. Management teams of Suofeiya cover fields of marketing, finance, intelligent manufacturing, etc. and have extensive industry background and professional management experience. These teams participated in establishing the Company's Operations Management Committee to help Suofeiya seize market opportunities in practical operations, and protecting the company's long-term sound development.

Internal Control

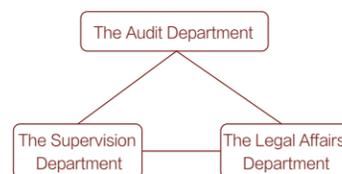
01 Improve efficient internal control system

The Company has established a three-in-one risk control line consisting of the Audit Department, the Supervision Department, and the Legal Affairs Department. In accordance with laws, regulations, and guidelines such as the Company Law, the Securities Law, and the Corporate Governance Code for Listed Companies, the Company has formulated multiple internal management systems including the Articles of Association, the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors, the Information Disclosure Management System, and the Internal Audit System.

During the reporting period, the "three lines of defense" continuously empowered various business units to strengthen the identification, assessment, management, and continuous supervision and improvement of compliance risks, ensuring the effectiveness of internal control and enhancing the Company's level of operation management and risk prevention capabilities.

In 2023, the Company's Audit Department conducted a comprehensive audit covering the Company's financial expenditures and carried out special audits for 11 major business processes, following up on 48 audit rectification issues. The audit covered various subsidiaries and key business control activities, including fund activities, procurement business, asset management, project engineering, and contract management. The internal audit system was improved, optimizing the annual audit plan, routine audits, special audits, and the audit results rectification process, thereby promoting efficiency. The Audit Department participated in 43 OA adjustment projects during the year, achieving a speed increase rate of 95% in individual processes. Efforts were also made to strengthen the rectification of audit issues, achieving a timely rectification rate of 96%. Through system construction, business departments were encouraged to implement audit rectifications by improving systems.

During the reporting period, the Audit Department collaborated with the IT Department to utilize the Company's big data analysis platform (BI) configured with Tableau Server data analysis applications to build a risk assessment model and create visual analysis dashboards. This enabled self-service analysis of global data in the risk assessment and pre-analysis stages and provided real-time preview, filtering, and export of target data, thereby improving quality and efficiency with targeted actions.



During the reporting period, the Audit Department continuously organized self-inspection work for the eight major production bases nationwide, involving 21 regulatory documents and setting up 425 inspection points. A total of 172 suggestions for system improvement were collected, out of which 44 were deemed effective. Over the course of three years of self-inspection work, the factories have developed a certain level of self-inspection capability and risk sensitivity, achieving mutual inspection of systems and execution status, as well as enhancing self-correction capabilities.

At the same time, in each business unit, training was conducted in six aspects including sales business, asset management, project engineering, procurement projects, contract management, and quarterly self-inspection of audit internal controls. Throughout the year, a total of nine special training sessions were held with 347 participants.



02 Build a corporate culture of integrity

In 2023, the Supervision Department regularly organized activities to promote a corporate culture of honesty and integrity, and carried out both online and offline events and training on positive culture for the executives, core members of various business units, employees holding key positions, and new recruits. Throughout the reporting period, six large-scale integrity education training sessions and film viewing events were held under the theme of "Conscious Integrity, Aspiring High", reaching thousands of participants. This initiative continuously strengthens the deterrence against corruption, strengthens the institutional framework against corruption, and enhances the conscious resistance against corruption, organically integrating and interconnecting various measures to address both symptoms and root causes.

Moreover, efforts were made to deepen the propaganda and education on integrity, innovating methods such as conducting integrity lectures, producing integrity-themed microfilms, and disseminating typical case studies to spread the concept of integrity and guide employees in fortifying their ideological defenses.



03 Enhance protection of intellectual property rights

The Company places great emphasis on the protection of intellectual property rights, which has been a longstanding responsibility for us. Protecting our proprietary intellectual property from infringement is crucial. To enhance brand construction and maintenance, the Company rigorously manages intellectual property, such as patents and trademarks, through standardized management practices. We have established comprehensive management systems, including the Intellectual Property Management System and the Intellectual Property Management Measures. Additionally, we continuously carry out actions to safeguard intellectual property rights, ensuring the lawful use of patents and trademarks, effectively mitigating risks, and maintaining our brand image. This fosters a culture of integrity in our operations and creates a favorable environment for protecting intellectual property rights.

During the reporting period, the Company and its affiliates collectively held 1,684 domestically approved registered trademarks. To date, the "Suofeiya" brand has been protected as a well-known trademark 128 times. In terms of rights protection, in 2023, the Company won the judgment in the case of trademark infringement and unfair competition disputes. This successful outcome effectively safeguarded the legitimate rights of consumers and the reputation of Suofeiya as a listed Company. The substantial compensation awarded in the case served as a deterrent to infringers, setting a benchmark for active rights protection in the home furnishing industry and promoting healthy competition within the sector.

Domestically approved registered trademarks

1,684

Protected as a well-known trademark

128

04 Attach importance to business ethics

Following the China Enterprise Anti-Fraud Alliance in order to promote the normalization and long-term governance of corruption prevention, the Company has collaborated with its suppliers to sign the Business Partner Integrity Commitment Agreement. This agreement serves as a set of guidelines for both parties to adhere to in their business dealings and clearly outlines the mechanisms for withdrawal and penalties for violations of the integrity commitment agreement. We have also enhanced various regulations and systems, such as the Reporting Reward Management Measures of Suofeiya Home Collections Co., Ltd., the Whistleblower Protection Policy, and the establishment of integrity accounts. Additionally, we have diversified our channels for reporting complaints, including email, telephone, WeChat, and on-site reporting, while ensuring full protection for whistleblowers.

During the reporting period, the training conducted by the Supervision Department reached thousands of individuals. Serious violators were subject to the punishment of relevant departments. A "zero-tolerance" approach was adopted towards behaviors that harm consumers, partners, or the Company's interests.

05 Privacy and information security

Information security is a comprehensive system engineering effort. The Company's Information and Digital Center (IDC) has adopted a series of network security products and tailored a set of secure and efficient network security solutions. This includes network access mechanisms, anti-virus software, firewalls, dedicated lines, virtual private networks (VPN), Internet behavior management devices, file scanning monitoring, bastion hosts, system backups, etc. We have established a comprehensive information system management, network security mechanism, and permission control management system, strengthening data and information security from individual to overall levels. As the Company continues to grow, and due to the needs of our business, we have established branch offices/branches in different regions, connecting them to form a vast Internet network system, which enhances efficiency and competitiveness.



1300+

Over 1300 group-wide anti-fraud policies were disseminated.



59

59 operational sites underwent evaluations for anti-corruption measures.



Suofeiya places particular emphasis on protecting consumer personal information, strictly adhering to relevant laws and regulations such as the Personal Information Protection Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Cybersecurity Law of the People's Republic of China. We lawfully and compliantly collect and use personal information provided by consumers to the Company. We study and utilize data dynamic desensitization techniques and tools to desensitize customer-related information, effectively preventing the leakage of customer information and avoiding potential losses. Proactively following guidelines such as the Self-Assessment Guidelines for Illegal and Irregular Collection and Use of Personal Information by Apps and the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, we continuously update and improve the Privacy Policy disclosed to consumers on official websites, official apps, and various social platform mini-programs involved in collecting user privacy information, in accordance with national laws and regulations. We have provided clear explanations of the types, rules, and usage methods of the collected information.

During the reporting period, Suofeiya collaborated with multiple departments to assess and rectify the information system's internal control situation, covering dimensions such as system changes and operation and maintenance control, permission control, physical security, and network security control. No major internal control deficiencies were found.

Over the years, Suofeiya has continuously strengthened and improved information security management work, with various tasks and indicators incorporated into the management system. This ensures the smooth operation of the Company's various business and management operations, effectively guaranteeing the Company's rapid development and safe operation, and fulfilling its due value.

External Security Defense

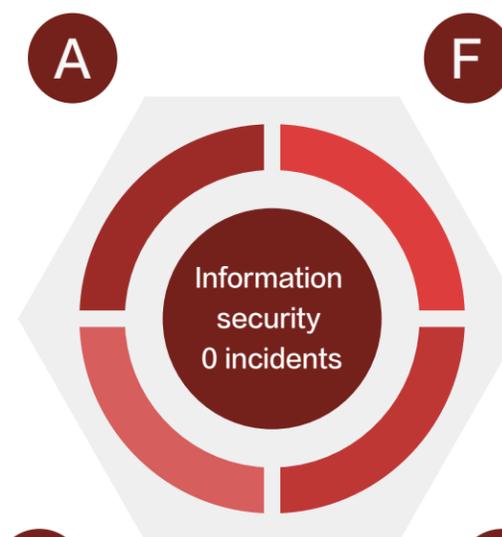
Network access mechanisms, anti-virus software, firewalls, virtual private networks, bastion hosts, vulnerability management.

System Security Construction

Information system management and network security mechanisms, permission control, code encryption protection, system backups, and system stability.

Data Security Management

Data backup and recovery, regular inspections and automated monitoring, sensitive information encryption storage, secure data circulation control, and file security systems.



Security Management Standards and Responsibility System

Emergency plans, security checks and records, security training, security risk identification, and Internet behavior management.

Data Privacy Management

Data classification, dynamic data desensitization, and development of market terminal tools to prevent data loss.

Availability

Network redundancy, network equipment, and backbone line upgrades.



B

PROTECTION OF RIGHTS AND INTERESTS OF SHAREHOLDERS AND CREDITORS

Protection of Rights and Interests of Shareholders and Creditors

Suofeiya places great emphasis on safeguarding the legitimate rights and interests of shareholders, especially small and medium-sized shareholders. In accordance with the Company Law, the Code of Governance on Listed Companies, and the Guidelines for the Articles of Association of Listed Companies, Suofeiya has formulated comprehensive rules and systems related to corporate governance. It continuously promotes and strengthens the construction of internal control management systems, standardizes corporate operation and management, and has established a relatively complete system of internal control management that effectively balances interests. Mechanisms have been established to ensure fairness, transparency, and impartiality for shareholders and creditors, allowing them to fully enjoy the legitimate rights specified by laws, regulations, and institutional rules.



Suofeiya consistently improves the standardized operation of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the management. It places full emphasis on and meticulously prepares for these meetings, ensuring procedural compliance. The Company respects and leverages the role of independent directors and special committees of the Board of Directors to enhance the effectiveness and independence of board operations. By utilizing the corporate governance structure of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the management with mutual separation and balance, each level performs its duties and responsibilities within its scope of authority, ensuring the Company's standardized operation. Through various learning and training initiatives, the Company continuously enhances the performance and self-discipline awareness of directors, supervisors, and senior executives, thereby improving the scientific decision-making level of the Board of Directors and the management.

Information Disclosure

In the year 2023, the Company disclosed a total of 76 announcement documents (each with an announcement number). The Company attaches great importance to information disclosure work and strictly complies with the requirements of the Shenzhen Stock Exchange Information Disclosure Guidelines and other regulations to fulfill its disclosure responsibilities. It ensures that the disclosed information is true, accurate, and complete, without any false records or misleading statements.

The Company designates the following media for information disclosure: Securities Times, China Securities Journal, Securities Daily, Shanghai Securities News, and cninfo website (cninfo.com.cn). The disclosed information includes regular reports and other ad-hoc announcements covering all significant matters of the Company. This enables investors to quickly understand the Company's development status, safeguarding their right to information. During the reporting period, the Company issued a total of 76 announcements (each with an announcement number), including 6 regular reports and 70 ad-hoc announcements.

Throughout the reporting period, the Company's information disclosure was rated as Grade A by the Shenzhen Stock Exchange, marking the tenth consecutive year of receiving this rating. Currently, there are only 43 domestic main board listed companies that have received Grade A evaluations for ten consecutive years. As a listed company, Suofeiya will continue to improve its quality of information disclosure and enhance operational standards to achieve high-quality development.



Image Source: Shenzhen Stock Exchange

Investor Relations Management

The Company consistently prioritizes investor relations management, striving to present itself as a truthful, transparent, and compliant listed Company. It actively establishes effective communication mechanisms with investors, adhering to the Investor Relations Management System, to fully safeguard investors' right to information, understand market trends, and perceive investor needs. The Company provides investors with a rich and convenient communication channel through investor hotlines, email, investor relations interactive platforms, the official website's "Investor Zone", media interviews, performance presentations, offline surveys, and other channels, actively engaging in communication and interaction with investors, fostering a positive relationship.

At the same time, it promptly feeds industry news and capital market concerns back to the management, endeavoring to construct a harmonious and interactive investor relationship.

Daily Communication

Organized and participated in more than 300 sessions such as regular exchange, special reception of investors, online exchange meetings and offline strategy meetings of institutional shareholders.

Regular Communication

Actively conducted annual performance presentations, organized two sessions on exchange with investors promptly following the release of regular report performance, and actively participated in the annual online collective reception day for investors within the jurisdiction.

Interaction and Reply

Timely updated the stockholder register, tracked and analyzed changes in stockholder structure, responded promptly to 53 inquiries on the interactive platform of Shenzhen Stock Exchange, actively answered investor hotline calls, and kept investors informed about the Company's operations through new media platforms such as WeChat public accounts and video platforms, ensuring smooth communication.

Two-Way Communication

The Company's executive office regularly compiles industry news and capital market dynamics feedback, sharing domestic and international industry operating changes and investor concerns with the management. This feedback loop ensures both investor advisory and informational rights are fully protected, facilitating a better integration of capital empowerment and substantive business operations.

Stockholder Returns

Since its listing in 2011, Suofeiya has consistently prioritized stockholder returns to safeguard investor interests. It has established a continuous and stable dividend policy and repurchase policy, including the "Long-Term Stockholder Return Plan", ensuring the sustainability and stability of profit distribution policies, allowing shareholders to share in the Company's development achievements. When distributing profits by way of cash dividends, the Company ensures no less than 20% of the distributable profits realized that year. From 2011 to 2022, the Company has cumulatively distributed cash dividends (including share repurchases) totaling 4.082 billion yuan to all shareholders.

While maintaining stable dividend payouts, Suofeiya has also implemented a series of share repurchase programs. Since 2013, the Company has launched three phases of share repurchase plans, continuously used for implementing the Company's equity incentive plans and employee shareholding plans, aiming to maintain stable market value and protect the interests of all shareholders. Since its listing, the Company has introduced one restricted stock incentive plan, three employee shareholding plans, and two dealer shareholding plans. This has established not only a stockholder structure that aligns the interests of the management, core staff, and all shareholders, but also an incentive mechanism that strikes a balance between short-term and long-term incentives and constraints.

Cash Dividends 2011-2022

40.82 million RMB

A large white letter 'C' logo is positioned on the left side of the image. The background is a dark, moody photograph of chess pieces on a board, with a warm, golden light source from the right creating a soft glow and long shadows. The pieces are slightly out of focus, emphasizing the text.

C

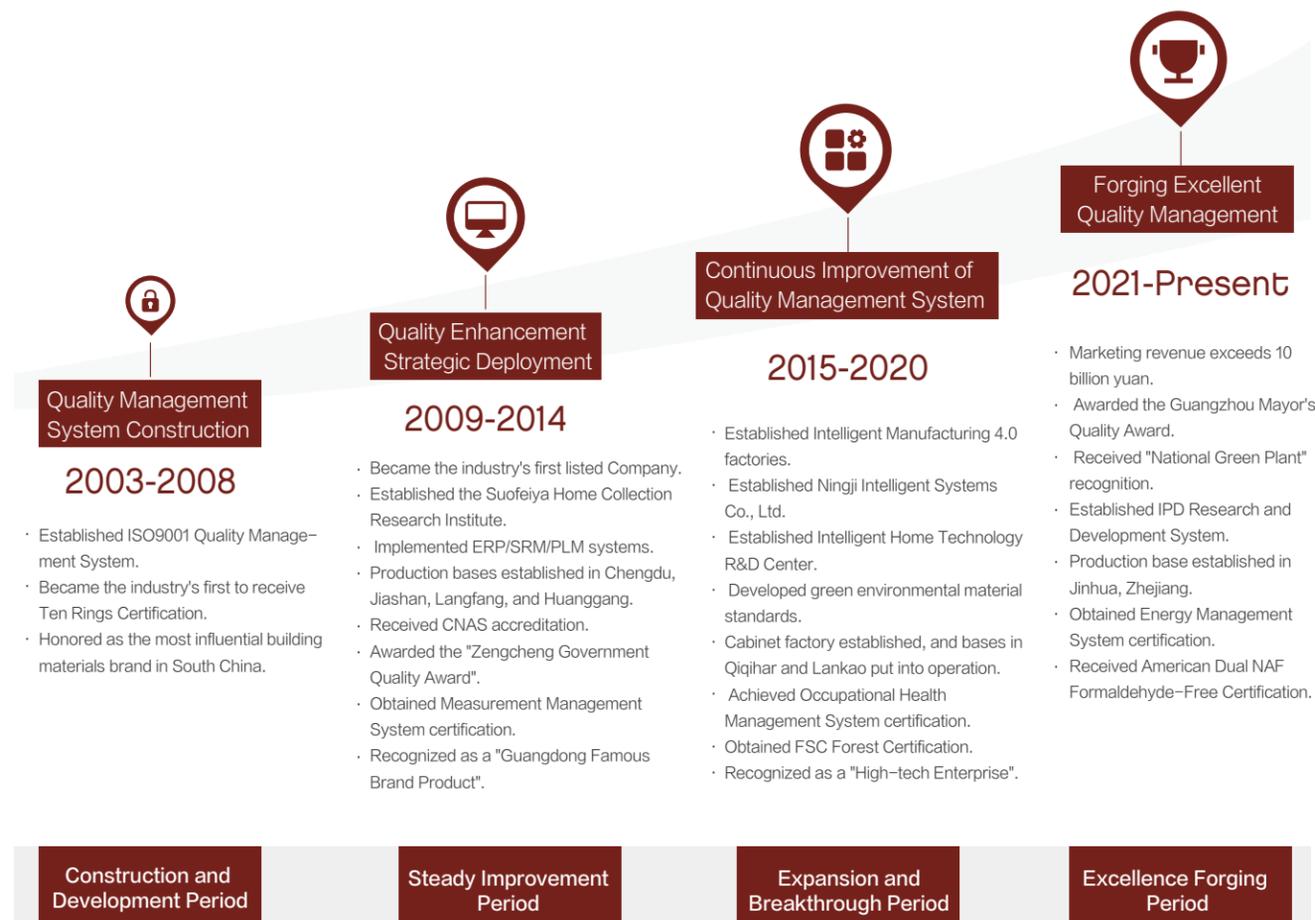
**COMMITMENT TO HIGH
QUALITY AND BETTER SERVICE**

1 | Enhanced Product Quality

Product quality and R&D are the lifelines of an enterprise, serving as the fundamental guarantee for customer and consumer rights. In response to the national call for high-quality development, Suofeiya, based on its overall strategy and corporate culture, has clarified its quality objectives, quality strategy, and quality policy, taking into account the changing demands of the times and the internal and external environment. Through intelligent manufacturing initiatives, Suofeiya aims to ensure quality and safety across all scenarios, meeting the needs of users for a better life.

Clarification of quality management strategy and development stage

Currently, the Company's quality management is in the stage of forging excellent quality management, continuing to implement the quality strategy—focusing on the entire value chain process and promoting digitization—to refine and improve, aiming to deliver more reliable and trustworthy products and services to users.



Upgrade quality management mode

The Company places great emphasis on the environmental protection, quality, and service of its products, adhering to the red line of product quality and strictly implementing the "quality veto" system. To assist in advancing the Company's quality management to an excellent level, the Company has established the "QDS" Green Integrated Customized Quality Management Mode.



Full Value Chain Quality Management ("End-to-End" Quality Management Mechanism)

Research and Development Quality Management

Establishing the Company's product development bridge through the adoption of an Integrated Product Development (IPD) management model, creating end-to-end product development teams, and establishing processes for planning, product development, product launch preparation, and product release phases to improve development accuracy and shorten development cycles.

Manufacturing Quality Management

Combining the implementation of projects such as Industry 4.0, Total Quality Management (TQM), Total Productive Maintenance (TPM), Voice of Process (VOP), 5S methodology, Manufacturing Execution Systems (MES), Lean Production, and Advanced Planning and Scheduling (APS) to form a management model aimed at ensuring quality control and consistency throughout the product manufacturing process.

Supply Chain Quality Management

Quality management of procurement, logistics, and supplier modules, establishing the Supplier Assessment Management System, implementing centralized procurement bidding, multimodal transportation logistics models, logistics integration, and joint development of new materials and processes with suppliers to tackle industry challenges.

Market Quality Management

Encompassing front-end marketing and back-end service quality management. Expanding brand influence in front-end marketing while improving service quality in the back-end, conducting regular measurements of DSI (Dealer Satisfaction Index) and CSI (Customer Satisfaction Index), and quarterly assessments to continuously enhance market quality management.

D Digitalization of Systems

Digital R&D

The Product Lifecycle Management (PLM) system stores digitized technical, process, and basic data generated during the research and development process, achieving centralized and unified product databases. The DIY Home system utilizes parametric modeling technology, automatic splitting, and other technologies to integrate with production systems, combining multiple systems such as management systems, order systems, and ERP systems to simplify the design process.

Digital Supply Chains

The ERP system manages supplier information input and management, procurement information input and management (including materials and prices), purchase order input and management, material reception, and distribution. The Supplier Relationship Management (SRM) system manages supplier information, order issuance and receipt, and business communication. The Transportation Management System (TMS) realizes the informatization and visualization of dealer ordering, factory production, and product delivery.

Digital Manufacturing

The Advanced Planning and Scheduling (APS) is adopted for effective forecasting and scheduling based on order requirements, production capacity, and resources to automatically generate optimal production plans. The Warehouse Management System (WMS) is developed to enhance warehouse management and optimize warehouse management processes.

Digital Quality Assurance

Applications such as machine vision and sensor technology are used to automatically collect process quality and laboratory inspection data. Automatic detection and collection functions are developed in the Manufacturing Execution System (MES) to provide reliable quality data for production processes and after-sales quality. In the MES quality digitalization module, quality data is statistically analyzed from different dimensions to identify the root causes and trends of quality problems. It also tracks and records product quality information, achieving full lifecycle traceability of products.

Increase in Pass Rate

The Company establishes clear quality standards and requirements for supplier management, including supplier admission, product categories, key materials, key processes, sample testing and certification, and incoming material inspection, ensuring clear and smooth communication of quality information among various organizations and achieving quality synergy. In supplier management, timely business communication with suppliers reduces lead times and ensures production readiness. The development of process quality inspection and laboratory inspection systems provides quality data assurance for manufacturing and after-sales quality. Quality inspection and automated testing equipment reduce the generation of defective products and waste, lowering the operating costs of manual inspection. Automated inspection equipment continuously and accurately detects abnormal boards, helping to improve production efficiency and ensure product pass rate.

2 | Enhanced Product Innovation

Uphold product R&D

Suofeiya's years of dedication and leadership have transformed the industry from standardized product styles to diversified styles, and from independent product displays to experiential showcases, continually setting the industry standard for innovation and design.

- 2001** In 2001, Suofeiya introduced customized closets into China, creating the era of China's customized closets.
- 2003** In 2003, it first launched the iconic louvered door.
- 2011** In 2011, Suofeiya taken the lead in launching the Haina Baichuan storage system .
- 2012** In 2012, the "Future Closet" from Suofeiya marked the beginning of intelligent customization in the Chinese furniture industry.
- 2019** In 2019, Suofeiya proposed the concept of light luxury with the "Star" proposition, guiding industry design trends and development by focusing on various dimensions such as style, material, craftsmanship, and fashion elements in customized furniture.
- 2022** In 2022, Suofeiya launched new products such as the Carlo series, Unbounded series, Les series, and Bella series, with the development of a staggering 2,345 new items.
- 2023** In 2023, Suofeiya introduced EB technology, applied to create the high-value and high-quality Azure series. The Flow series products incorporated micron-level powder coating technology, achieving visual integration and a finish comparable to baked paint products.



S Service System Construction

Dealer Service System (DSI)

The DSI establishes a positive dealer relationship management for the Company through comparative ranking, incentive measures, assessments, and features such as point-based management.

Consumer Service System (CSI)

The CSI provides consumers with customized home solutions and enhances their purchasing experience through initiatives like the "X Plan" and a 400 call system.

Effectiveness of quality control

Improvement in Production Efficiency

Through the construction of digital systems, including Industry 4.0, EMS, TPM, 5S, VOP, etc, production processes are optimized, production costs are reduced, and production efficiency is enhanced. The Company has linked the entire production process digitally, from WMS, WCS, MES, ERP systems to PLC execution systems, achieving a digital factory where boards are processed without touching the ground. Continuous upgrades to equipment in the cutting and edge sealing sections on the foundation of the 4.0A intelligent factory have increased production efficiency. The Company has also developed the industry's first domestically produced CNC equipment to improve accuracy and pass rates.

Enhancement in R&D Efficiency

To improve R&D efficiency, the Company intervenes in quality control during the R&D phase to avoid delays and redundant work, reducing development cycles. The use of PLM systems manages the product development process, documents, and data, reducing the time and cost of physical prototype production and testing. Early identification and resolution of issues improve R&D efficiency and quality, shortening product development cycles and accelerating time to market. Over the past three years, the Company's R&D efficiency has increased by nearly 20% due to the construction of digital systems.

Establish R&D system

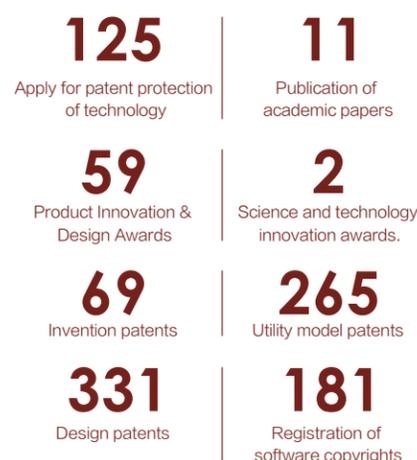
Talent is the primary driving force of development. As of December 2023, the company's R&D staff totaled 1,380, accounting for 9.58% of the company's total headcount. Innovation in research and development is a key driver of sustainable development. Suofeiya has consistently adhered to the "Development Led by Technology Innovation" strategy, with R&D expenditure accounting for over 3% of revenue in recent years.

To meet consumers' diversified demands for customized home products, the Company has established a product development process that aligns with its corporate culture of "professionalism and efficiency". During the reporting period, the Company introduced the IPD product integrated development project, improving the product development process. It conducted multi-functional concurrent development, early intervention, and cross-departmental team matrix operations to shorten the product development cycle. Additionally, by establishing quality planning, expert reviews, and project technical review mechanisms, the Company enhanced product quality, reduced customer complaints resulting from R&D, ultimately improving the efficiency, quality, and consumer experience of product development.

Transformation of R&D achievements

Under the guidance of the "Development Led by Technology Innovation" strategy and in response to consumers' pursuit of a better home living experience, the Company continues to conduct innovative research and development, implementing the transformation of scientific and technological achievements and breaking through industry technical bottlenecks. During the reporting period, the Company carried out researches on over a hundred new products and new technology projects, applied for patent protection for 125 technologies, participated in the formulation of 8 standards, published 11 academic papers, and received 59 product innovation design awards and 2 science and technology innovation awards.

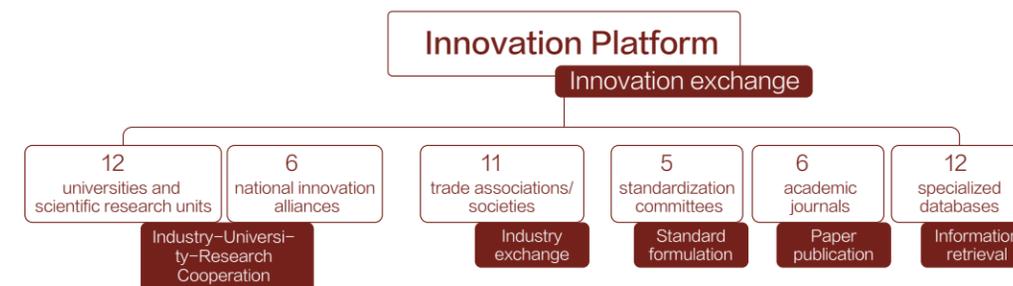
As of December 2023, the Company has obtained 665 valid patents, including 69 invention patents, 265 utility model patents, and 331 design patents. It has been granted 700 authorized patents, registered 181 software copyrights, published 106 papers, and participated in the formulation of 64 national, industry, and group standards. It has accumulated 15 international leading or advanced technology identification achievements, along with over 300 honors including product innovation design awards and science and technology innovation awards, recognized by authorities from various sectors.



Award Certificates of Suofeiya

Build innovation platform

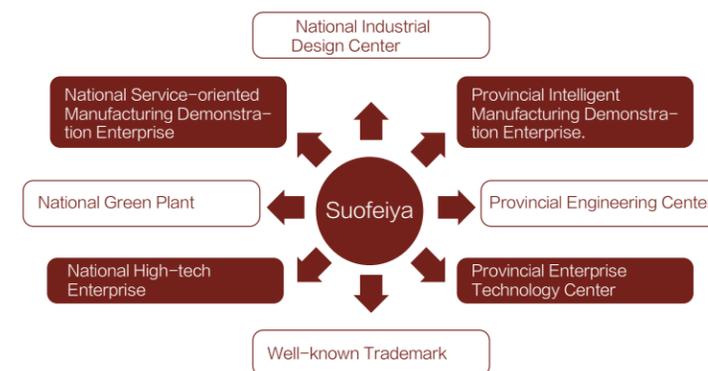
The Company places great importance on the development of talent and training. It has established external innovation resource platforms with major universities and research institutions. It has jointly established the National Engineering Research Center of Low-Carbon Processing and Utilization of Forest Biomass with the Chinese Academy of Forestry. Additionally, partnerships with Nanjing Forestry University have established the Smart Manufacturing Industry College, while collaborations with Central South University of Forestry and Technology have established the Modern Bamboo Industry College. These initiatives aim to build a cooperative mechanism between industry and academia to effectively align disciplinary, innovation, and industrial chains.



In terms of collaborative innovation, the Company has successively partnered with units such as the Wood Industry Research Institute of the Chinese Academy of Forestry, Nanjing Forestry University, South China Agricultural University, and Central South University of Forestry and Technology. Around areas including process technology, quality improvement, material research, and advanced manufacturing, they have undertaken 36 industry-university-research cooperative innovation projects and achieved fruitful results. In 2023, as the lead unit, Suofeiya, in collaboration with 10 other institutions, successfully applied for and was approved to undertake the National Key R&D Plan for the 14th Five Year Plan (2023YFD2201500) titled "Key Technologies for Intelligent Manufacturing of Wood Products Based on Digital Collaboration". This project focuses on in-depth research on key technologies for intelligent manufacturing related to wooden furniture, wooden doors, wooden flooring, engineered wood products, and plywood.

Establish innovation team

In June 2011, the Company established the Research Institute, the first specialized research institution in the wardrobe industry nationwide. It has set up four branches in production bases across the country, shouldering responsibilities such as product R&D, process development, quality control, participation in industry standardization, product testing, material performance testing, as well as external technical cooperation, exchange, and talent training. It is an integral part of the Company's development strategy and a vital guarantee for continuously leading the industry. Currently, the Research Institute has established six major laboratories, forming a testing matrix characterized by "strong technical strength, comprehensive testing services, and professional testing personnel". The South China Laboratory of Suofeiya in Guangzhou has obtained national CNAS accreditation, becoming the industry's first nationally accredited testing institution. The Company continuously innovates in various aspects, such as new product development and design, raw material quality, and production process control, ensuring that its products comply with the latest national safety and performance standards. Additionally, the Company actively promotes the construction of various innovation platforms. Since its headquarters in Guangzhou passed the national high-tech enterprise certification in 2009, currently, five subsidiary companies have obtained high-tech enterprise certification. In 2023, Suofeiya was recognized as a "National Industrial Design Center" by the Ministry of Industry and Information Technology.



3 | More Attentive Service

Sustainable development strategy with service as the core competitiveness

Adhering to the core value of "Customer Foremost, Innovation and Sharing, Professional and Efficient, Honest and Progressive", the Company has proposed a development strategy with service as the core competitive advantage. Placing customers at the center, the Company prioritizes customer service, upholds customer and consumer rights, continuously improves service quality, enhances customer satisfaction, and ultimately achieves mutual benefit and win-win outcomes with customers.

During the reporting period, the Company, in collaboration with the China Consumer Journal, held a symposium titled "Boost Consumer Confidence with High-quality Products, Jointly Promote Green Development of Home Collection" at its headquarters in Guangzhou in 2023. Representatives from consumer associations in Beijing, Shanghai, Tianjin, Guangdong, Guangzhou, Sichuan, Hebei, Hunan and other provinces and cities, as well as experts from the China National Forest Products Industry Association and the Wood Research Institute of the Chinese Academy of Forestry, along with representatives from the home furnishing industry, participated in the symposium. Addressing various concerns of consumers such as product quality, after-sales service, green and low-carbon initiatives, health and safety, and product traceability, Suofeiya insists on customer-centricity. Through a series of measures, Suofeiya ensures the quality of products and services.

For example, in August, Suofeiya introduced a traceability technology by embedding NFC chips in each plate. Consumers only need to use their smartphones to scan and view detailed information about factory shipments, thus preventing suppliers from substituting shoddy products for superior ones. In addition to NFC chip traceability technology, the Company has a comprehensive control system for the entire service process. It categorizes dealers across the country into numerous groups, and customers evaluate sales, design, delivery, installation, and products. Evaluation data are entered into the headquarters' system, prompting dealers to proactively address customers' reasonable concerns.

2009

As an industry leader, Suofeiya pioneered the "Six-Virtue Services", focusing on six aspects of service to the utmost.



2019

The service standards were upgraded to "Suofeiya Super 6+1 Service", enhancing two-way communication and interaction with customers. Centered around the "Six-Virtue Services" guidelines, the Company ensured extreme satisfaction through outstanding service, winning proactive recommendations from customers.



2022

To empower dealers comprehensively, the Company provided over 200 service-related training sessions, covering more than 1,000 regions and attracting over 80,000 participants. The installation skills competition has been held continuously for eight years to enhance service levels. Continuous improvement in online services (Internet service platforms, service platform mini-programs, etc.) and the promotion of tiered and personalized services were initiated, with standardized processes and strict service indicators established to enhance customer satisfaction and trust.



2018

Establishing the Service Center to mark the industry's first complete service system. Using the Customer Service Index (CSI) and Dealer Service Index (DSI) as two major indicators, Suofeiya leveraged its entire chain to provide excellent service.



2020

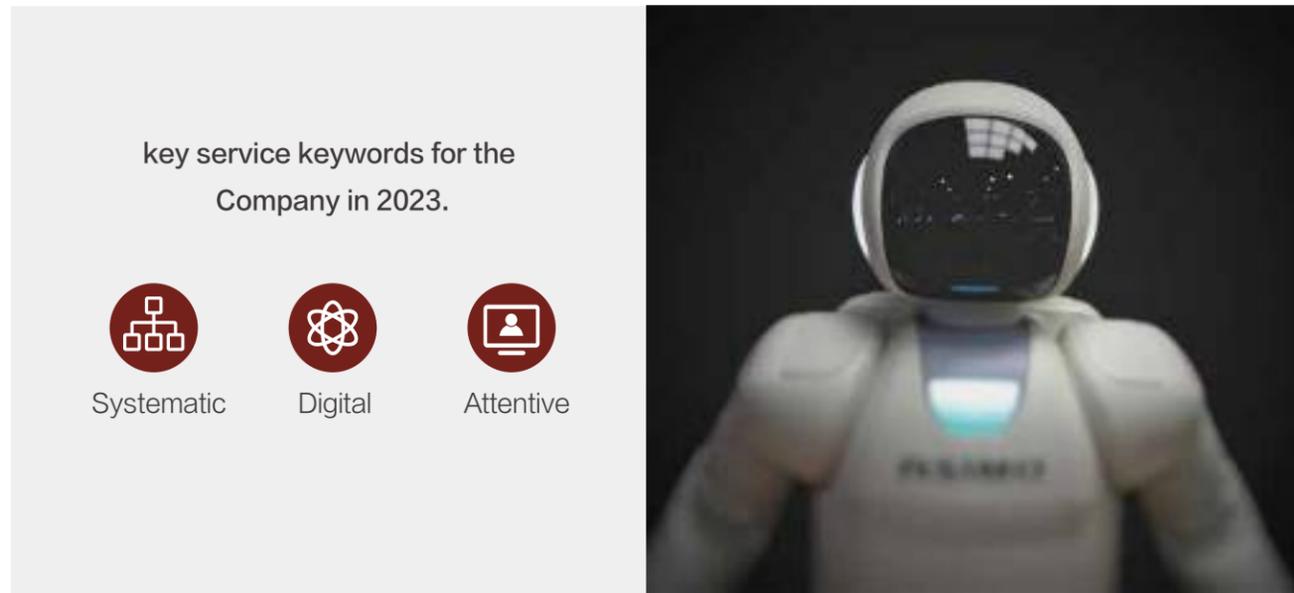
Suofeiya launched a new service IP "French Cabinet Butler", which integrates services throughout the pre-sale, during-sale, and after-sale phases, providing more considerate and personalized services to meet consumer needs. Suofeiya Academy was established with five campuses to conduct systematic training courses, boost service levels and efficiency in various regions.

2023

Responding to customers' demand for "one-stop whole-home service", the Company upgraded its service to "full-chain delivery". Through IPD integrated development, digital systems and competitive education, its service efficiency was comprehensively improved. The ninth National Installation Delivery Skills Competition was held with a total of 18 events and 1,374 participants, cultivating a "craftsman culture" among installation professionals. Six "Delivery Operation Workshops: Creating Service Operation Officers in 3 days and 2 nights" and nine training sessions on "Conquering the Market with Sales, Establishing Dominion with Service" were organized for regional whole-home delivery, covering over 500 regions and involving over 3,000 participants. The aim is to make service become Suofeiya's core competitiveness and provide professional, caring, and warm services to consumers.



Enhance systematic, digital, and attentive services as the core competitiveness



Digital

Leveraging the databases accumulated from CSI and DSI, the Company has constructed a digital matrix service system called the "X Plan + Service Procedure + Installation Procedure + One Customer One Group". This system encompasses the entire process from "entering customer information, placing orders, delivery, installation, to after-sales service", and collects feedback from end-users (customers, distributors). Through the digitized system, the entire process is monitored, ensuring the authenticity and effectiveness of the data while facilitating deposit, self-correction, and iteration.



Systematic

The Company's service system consists of three main dimensions – metric measurement, digital supervision system construction, and business driving. Ensuring the authenticity and effectiveness of data, the efficient operation of the entire service system is promoted by setting standards, advocacy, supervision, and execution. These three dimensions are like the bicycle's wheels and crossbar, ensuring the integrity and stability of the system.



Attentive

From the user's perspective, Suofeiya continuously improves its service processes, striving to provide customers and distributors with a better service experience. This entails achieving a more transparent service process, greater penetration of services upfront, and a smoother service experience. The Company has transformed intangible services into tangible, actionable service standards. For instance, it has established service standards such as the 21 Installation Service Standards, the 36 Closet Installation Acceptance Standards, and the 36 Cabinet Installation Delivery Standards, making services more systematic. Implementing the IPD integrated development strategy, the Company anticipates service requirements in the product development phase, absorbing customers' pain points such as transportation, packaging, and installation early in the product development process, thus integrating services throughout the product development lifecycle. Through specific operational training, it bridges critical nodes across the service chain, significantly enhancing regional operational service capabilities. The "Inspection Tour in Hundred Cities" covers 16 provinces and 82 regions, driving on-site learning in surrounding areas, and enhancing the overall service capabilities of terminal stores.



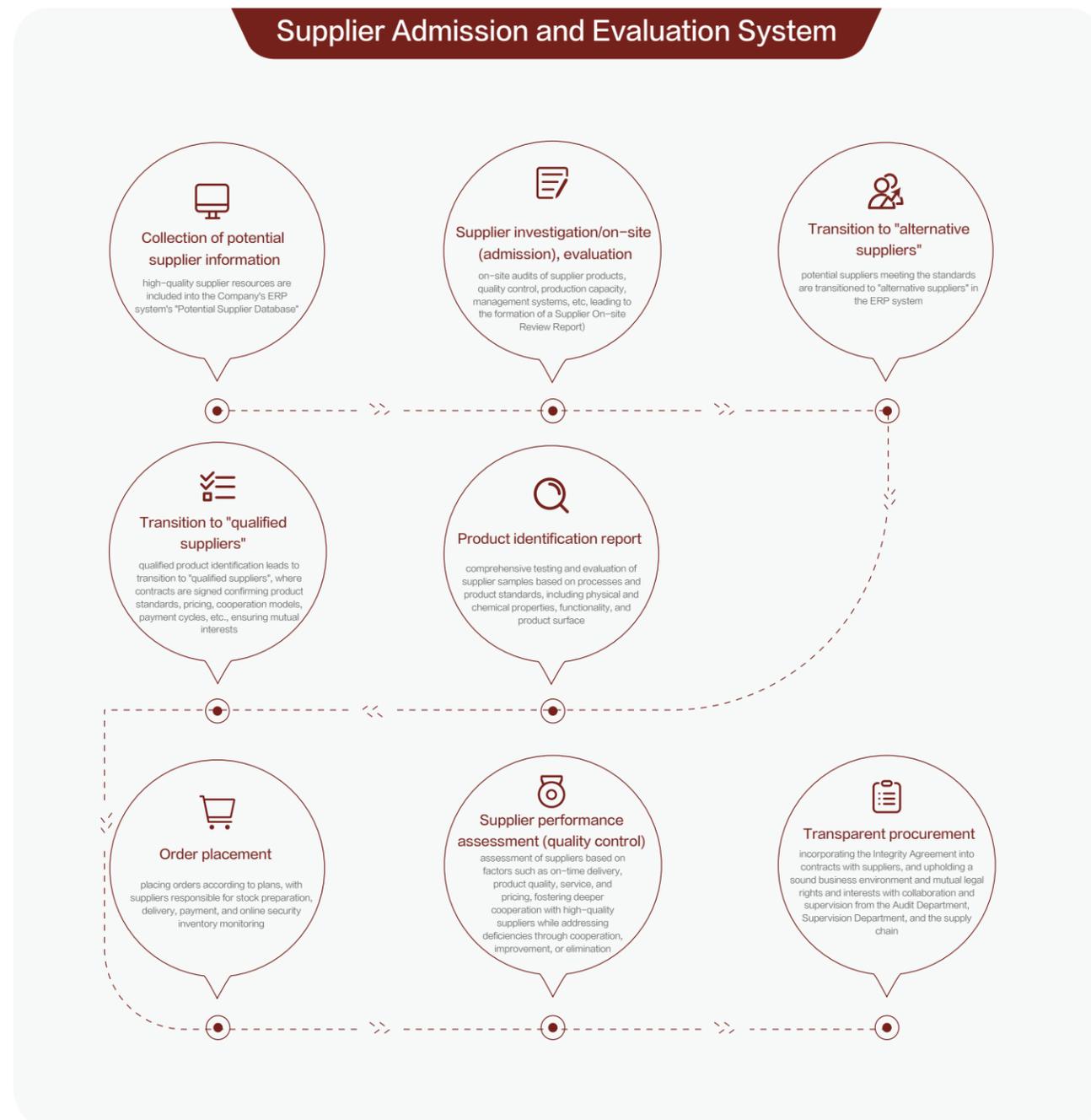


D

WIN-WIN COOPERATION AND COMMON DEVELOPMENT

Supplier Selection and Management

To ensure the quality of raw materials and the efficiency of services, Suofeiya rigorously establishes supplier admission and evaluation systems. Comprehensive assessments are conducted from various aspects including products, quality control, services, and management systems, adhering to the principles of fair competition. We optimize the criteria for selecting alternative suppliers and establish a supplier assessment and management system. Continuously enhancing supplier social responsibility awareness, we aim to elevate the management capabilities of the supply chain and the iteration level of the industrial chain.



Efficient Operations and Cost Optimization

Efficient operations not only reflect Suofeiya's competitiveness but also ensure the provision of high-value products and services to customers. The Company's supply chain, while ensuring efficient delivery to customers, places significant emphasis on improving operational efficiency. Leveraging IT systems such as ERP, BI, MES, and big data management tools, operational metrics such as raw material readiness and inventory turnover have been notably improved. Efficiency in goal setting and project optimization has significantly increased, driving the continuous and efficient iteration of operational metrics.

The Company's supply chain and lean manufacturing departments actively explore the enhancement of sheet utilization rates. Combining big data on the dimensions of the Company's cabinet products, collaborative research and development with upstream suppliers focus on creating the most suitable customized surface panel sizes for the home furnishing industry. This initiative aims to increase the Company's surface panel utilization, reduce unnecessary raw material wastage through process optimization, and scientifically promote manufacturing cost optimization. Ultimately, this enables the provision of high-value products to customers more effectively.

Advantages of Nationwide Supply Chain Layout

To ensure the efficient delivery of customer orders, Suofeiya has established a comprehensive industrial layout nationwide. Currently, there are eight major manufacturing bases located in Guangzhou, Langfang, Jiashan, Chengdu, Huanggang, Lankao, Qiqihar, and Jinhua. Leveraging the advantages of this nationwide industrial layout, the Company coordinates customer orders across the country and matches them with the production capacity of each manufacturing base.

Over the years, the Company's manufacturing bases have collaborated closely with raw material suppliers, progressing hand in hand and fostering mutual development. This collaboration has effectively ensured the timely and complete delivery of customer orders and maintained service quality.

Sustainable Development of the Supply Chain

In the procurement and supply chain management processes, the Company adheres to principles of sustainable development and responsibility. Priority is given to selecting suppliers with a proven track record of environmental protection and social responsibility. Attention is focused on the environmental performance of products and the traceability of raw materials.

At the same time, efforts are made to optimize transportation and storage methods during the material procurement process to reduce carbon emissions and resource consumption during transportation. Suofeiya also implements a green procurement policy, encouraging suppliers to provide environmentally friendly and sustainable products and services.

In order to uphold responsible procurement practices and achieve the goal of sustainable development in the supply chain, the Company has undertaken various standardized and effective initiatives:

01

Priority is given to selecting suppliers with a strong environmental and social responsibility track record.

Beyond considering product quality and price, their social responsibility performance and practices are also crucial factors. Suppliers are required to provide traceability information for raw materials to ensure compliance and environmental friendliness in sourcing.

Example

Sheet material is one of the Company's main raw materials. In September 2020, the Company obtained Forest Stewardship Council (FSC) certification from SGS (a Swiss multinational Company), ensuring that all purchased wood comes from forests managed with high quality and sustainable development practices. Additionally, efforts are made to encourage suppliers to strive for low-carbon, environmentally friendly, and sustainable development goals. Major sheet material suppliers are partners certified by the FSC for forest management.



02

Suofeiya focuses on the environmental performance of products and the traceability of raw materials.

It continuously collaborates with suppliers to develop environmentally friendly products, such as water-based paint coatings with low volatile organic compound (VOC) emissions and water-based edge-sealing cleaners.

Example

During the reporting period, the Company collaborated with suppliers to upgrade technology and established two furniture product powder coating surface treatment production lines. These lines replaced 50% of the traditional painted door panels with powder coating surface treatment, resulting in a production process with zero VOC emissions and over a 50% reduction in carbon emissions.

03

Collaborating with supply chain partners, Suofeiya explores energy-saving and emission-reducing initiatives in supplier manufacturing zones, aiming for low-carbon development.

Through deep cooperation with core photovoltaic product suppliers, the Company has spearheaded the establishment of "low-carbon industrial parks" domestically. These parks integrate innovative technologies such as "green building", "smart energy", "industrial ecology", and "carbon asset management", forming a comprehensive management model for low-carbon industrial parks throughout their lifecycle. The ultimate vision is to achieve "zero impact on climate and zero fossil energy consumption".

In the future, Suofeiya will leverage the experiences gained from these parks to encourage more supplier partners to join in sustainable initiatives together and continue to explore and promote low-carbon production methods in manufacturing zones and processes, striving collectively to improve the human living environment.



04

Suofeiya actively implements a green procurement policy

With over 90% of packaging materials being recyclable, reusable, or biodegradable. By establishing and enforcing environmentally friendly packaging standards, suppliers are encouraged to prioritize the use of eco-friendly packaging materials and reduce the use of disposable plastic packaging materials. This initiative aims to reduce consumption of natural resources, environmental pollution, and energy consumption during the recycling and disposal processes.

Example

In early 2023, the Company collaborated with suppliers to pioneer the removal of wooden packaging for cabinet countertops, replacing it with packaging-free or reusable and recyclable turnover steel frames. This initiative saves approximately 500m³ of wood consumption annually. In the future, the Company will continue to focus on using recyclable packaging materials and methods for more materials.

05

Collaborating with suppliers to innovate products and reduce resource consumption

Suofeiya has initiated joint R&D with major suppliers to produce high-strength, lightweight particleboard since 2022. This particleboard, with lower density and better resistance to deformation, eliminates the need for the traditional aluminum straighteners commonly used in high-end doors. Thanks to the widespread adoption of this innovative product, between 2022 and 2023, the Company has cumulatively reduced consumption by approximately 15,000m³ of wood resources, about 1,000 tons of aluminum alloy materials, and approximately 1,000 tons of iron-zinc alloy materials.



E

**GROWING TOGETHER
WITH SUOFEIYA**

01 Compliance in Employment

Suofeiyi strictly adheres to relevant laws and regulations in the People's Republic of China, such as the Labor Law, the Labor Contract Law, the Regulations on the Implementation of the Labor Contract Law, and the Social Security Law, to legally safeguard the rights and interests of employees. It standardizes the labor contract system, ensuring that labor contracts are signed with employees in accordance with the law, achieving a 100% signing rate. The procedures for signing and renewing labor contracts are standardized.

The employment of child labor is strictly prohibited, and the Company continuously improves its labor employment management system. It adheres strictly to the requirements of the labor security authority to regulate the order of labor employment and safeguard the legal rights and interests of both workers and the Company. Suofeiyi rigorously complies with national regulations on social insurance, making full monthly contributions to social insurance and housing provident fund to ensure that employees receive relevant benefits promptly.

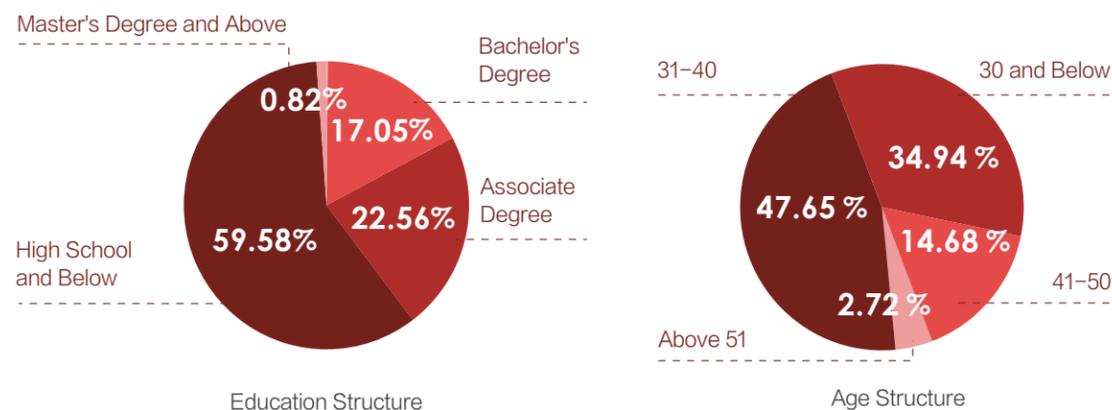


02 Harmonious and Equal Employment Relationships and Occupational Health Protection

Suofeiyi has established a standardized yet flexible organizational structure and a diverse talent pool. Its employees include comprehensive management talents who have grown from the production line, as well as professional talents with advanced management concepts. The Company is committed to building a healthy, harmonious, and equal employment system to meet the continuous high-speed development needs.

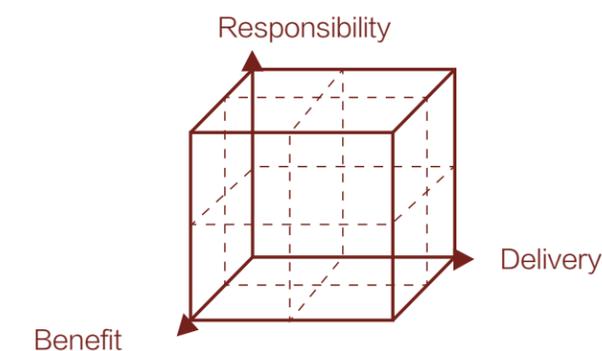
Suofeiyi firmly opposes discrimination based on gender, region, or religious belief. It strictly prohibits the employment of child labor and forced labor. It implements policies such as equal pay for equal work between men and women and humane employment practices, continuously enhancing employees' sense of happiness and satisfaction. Additionally, in accordance with laws and regulations such as the Occupational Disease Prevention and Control Law of the People's Republic of China and the Regulations on Occupational Health Supervision and Management in the Workplace, Suofeiyi entrusts qualified occupational health technical service organizations to identify workplace occupational hazards. It also updates the standard for providing personal protective equipment to employees in a timely manner, and establishes individual occupational health monitoring files for employees.

During the reporting period, the total number of employees was 14,400.



03 Competitive Incentive System

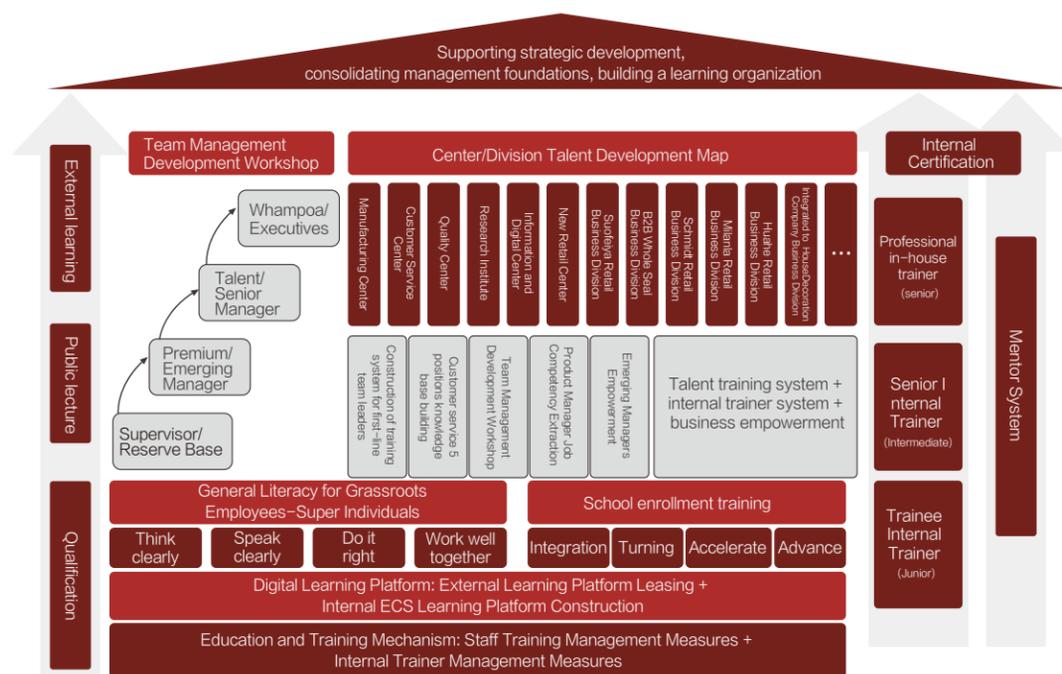
Suofeiyi has formulated a Salary Management Method for employees, establishing competitive salary standards and reasonable incentive mechanisms. While safeguarding employee rights, it fully mobilizes their enthusiasm and unleashes their potential, further achieving talent strategic objectives and maintaining the intrinsic drive for sustained organizational development. The Company clearly defines the direction of value distribution, effectively combining individual development with enterprise development, and adheres to principles of value, market, performance, and diversity.



04 Sustainable Talent Supply Chain

Suofeiya is committed to building a "sustainable talent supply chain" around its strategic and business development. As the organization-structure continues to expand and evolve, the demands of employees at different ages and stages of development become more diverse. To better support strategic development, the construction of a learning organization becomes increasingly important.

The Company continuously establishes sound training management systems and formulates the Employee Training Management Measures and the Internal Trainer Management Measures. Training is implemented based on the needs of personnel at various levels, forming a matrix of "talent development system + internal trainer system + business empowerment talent chain". During the reporting period, the Company's training system has evolved from the past decentralized training V1.0 and V2.0 to V3.0 which focusing on employees' continuous development. In the future, Suofeiya will continue to optimize its training system.



05 Employee Care

Suofeiya adheres to a people-oriented approach and continuously carries out cultural and sports activities to satisfy the spiritual and cultural needs of its employees to improve their quality of life.



Regular employee health check-ups are conducted, with hospitals and medical institutions invited to provide free medical consultations on-site. Expert professors are hired to provide employees with lectures on traditional Chinese medicine health care, common first aid knowledge, stress relief techniques, and other health-related topics to enhance their health knowledge and awareness. Collaboration with local social service stations provides employees with psychological counseling services, focusing on promoting employees' mental well-being and ensuring their physical and mental health.



Every year, Suofeiya holds various events to celebrate festivals such as the Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, as well as birthday parties for employees, spring and autumn outings. Additionally, sports and cultural festivals, union cultural and sports club activities, Qixi (Chinese Valentine's Day) social events, outdoor hiking activities, and book reading events are also organized. These activities aim to enrich the cultural lives of employees and meet their growing spiritual and cultural needs.



Suofeiya ensures the rights of its female employees with maternity leave, breastfeeding breaks, etc, and sets up lactation rooms in the workplace. Various recreational and sports activities are organized specifically for female employees to enrich their leisure time. Branch offices across different locations organize activities such as Women's Day celebrations and health knowledge lectures for female employees.



Suofeiya places great importance on family culture. To assist employees and their families in coping with sudden major illnesses, the Company's founder established a charity fund which continuously contributed from corporate executives to provide assistance to employees in need. Through hospitalization care and condolences, secondary medical insurance subsidies, significant life events and other means, the Company offers care and support to its employees.



F

COMMITMENT TO PUBLIC WELFARE
FOR A HARMONIOUS SOCIETY



Support Public Benefit Activities and Develop Social Welfare

Suofeiya actively promotes public welfare activities such as voluntary blood donation, serving as a backbone for saving lives and spreading love and positive energy to society. Through practical actions, the Company organizes voluntary blood donation events, encouraging employees to contribute actively. The cumulative amount of blood donated by employees is close to 35,000 milliliters.



Furthermore, Suofeiya collaborates with itree – a public welfare and environmental protection team – to hold regular "Tree Planting and Loving Trees" events each year. These events involve organizing a series of tree planting and afforestation activities, tree planting knowledge competitions, and botanical treasure hunts for Suofeiya employees and their families. Through these initiatives, Suofeiya demonstrates its commitment to supporting public interests and enhancing social welfare.

Support Medical Institutions and Public Health Undertakings

In 2023, Suofeiya contributed to the advancement of public health by donating to medical institutions. It collaborated with Fudan University's affiliated Pediatric Hospital to enhance the medical environment. Tailored products were provided for the play areas, outpatient clinics, and maternity rooms in the Nephrology and Rheumatology departments. These products were crafted using environmentally friendly ENF-grade materials and designed with rounded edges for safety, aiming to create an environmentally friendly, healthy, and safe environment for patients.

Moreover, the Company partnered with regional distributors to support medical facility construction projects in various institutions, including the Jiangsu Maternal and Child Health Hospital, the Shenzhen Maternal and Child Health Hospital, the Xiangyang Central Hospital in Hubei Province, the Pediatric Hematology Department of Wuhan Union Hospital, the Nanjing Children's Hospital, and elderly care facilities. This commitment underscores Suofeiya's dedication to advancing public health initiatives.



Assist Qinghai Disaster Area in Times of Difficulty

At 23:59 on December 18, 2023, a 6.2 magnitude earthquake struck Jishishan County, Gansu Province, with ripple effects felt in Qinghai, Xinjiang, and other regions, stirring the hearts of people across the nation. Occurring during the harsh winter season and in high-altitude areas, the affected regions faced the dual threat of disaster and severe cold.

Responding promptly, Suofeiya initiated emergency response measures, and donated cold protection clothing to the affected areas through the China Charity Federation, contributing to frontline earthquake relief efforts.



Provide Assistance in Basic Education Development

As the proverb say, "It takes ten years to grow trees, but a hundred years to cultivate people." Suofeiya has long been committed to supporting education at all stages, from kindergarten to high school. Through charitable donations or support waivers, the Company has provided assistance to numerous schools, including prestigious institutions like Pazhou Experimental School of Guangzhou Zhixin High School, Licheng No.2 Middle School in Jinan, as well as schools in remote areas of Guangxi and Yunnan provinces. This support has contributed to the construction of campus facilities, ensuring a conducive learning environment for countless students.

In 2022, Suofeiya initiated the Children's Book House charity project in collaboration with the China Charity Federation and national distributors. This project aimed to create a conducive reading environment for children in underdeveloped areas, helping them enhance their learning and critical thinking skills while broadening their horizons. Tailored solutions were designed to be visually appealing, child-friendly, and user-friendly, catering to the age groups and habits of the children.

Build Harmonious and Loving Communities Together

Suofeiya places great importance on the development of the national elderly care cause and actively assumes corporate social responsibility. During important festivals such as the Mid-Autumn Festival and Chinese New Year, Suofeiya pays special attention to the living conditions of retired employees and the elderly in surrounding communities who may be facing difficulties or loneliness. Suofeiya carefully prepare gifts and take action to show its respect and care for the elderly.

Sparing no effort in community service activities, Suofeiya encourages and actively organizes employees to participate in community service. Through various forms of volunteer activities and initiatives such as full wishes for those in need, Suofeiya contributes the development of the community and the well-being of its residents.



ENVIRONMENTAL PROTECTION AND LOW-CARBON MANAGEMENT

On June 29, 2023, the State Council executive meeting reviewed and approved the Several Measures to Promote Home Consumption, deploying relevant measures to boost household consumption. The home industry is an essential livelihood industry that satisfies the people's need for a better life. In recent years, the quality and efficiency of the home industry have steadily improved, showing a trend of green, intelligent, and integrated development.

To boost consumer confidence and pursue high-quality green development, the home industry requires not only environmentally friendly and intelligent product offerings but also adaptable and diverse services to meet various scenarios. This will further stimulate and unleash consumption potential.

Lead the Industry Development With Environmentally Friendly Products

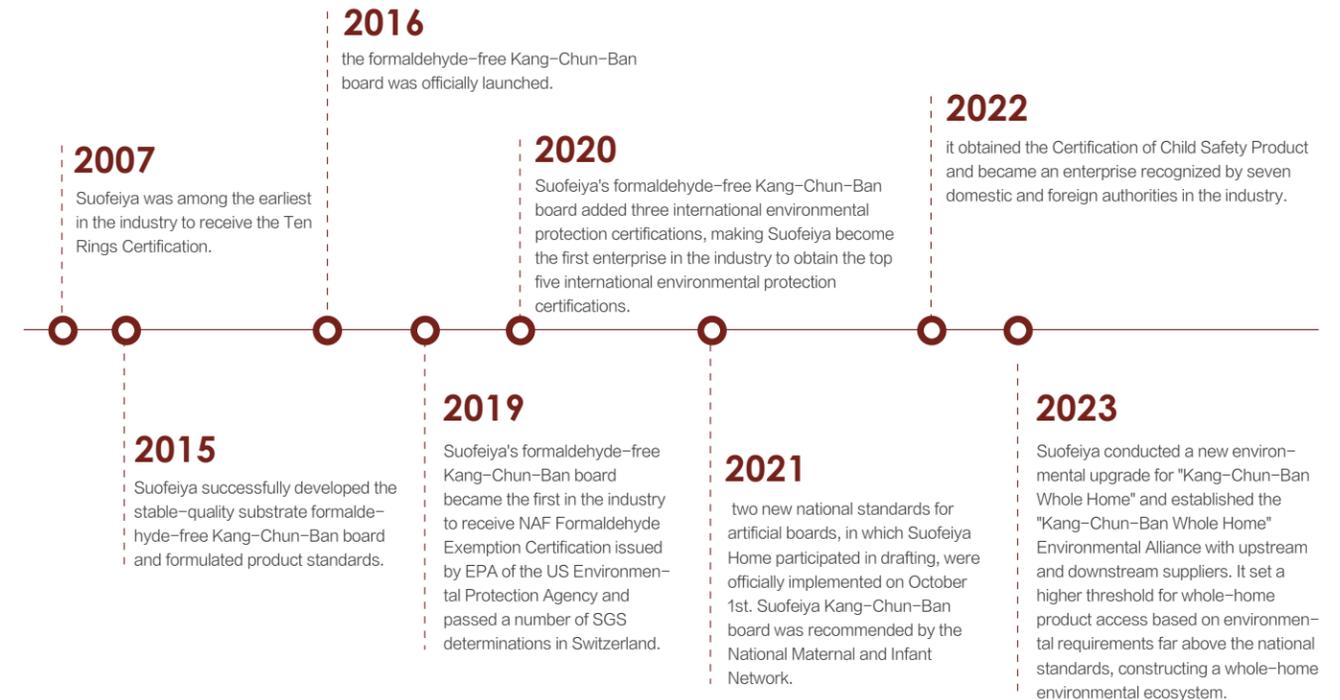
Suofeiya prioritizes the environmental quality of its products, striving to provide every consumer with a healthy and eco-friendly home living environment. Since obtaining the first-ever US EPA NAF formaldehyde-free certification in the industry in 2019, the Company has continuously refined its efforts and has successively obtained multiple authoritative recognitions worldwide. In 2022, Suofeiya Home Collection obtained the "Children's Product Certificate", and to date, it has acquired as many as seven authoritative environmental certifications.



Suofeiya has been recognized by seven domestic and foreign authorities

- EPA NAF Formaldehyde-free Exemption Certification in the United States
- CARB NAF Formaldehyde-free Exemption Certification in the United States
- F☆☆☆☆ Certification in Japan
- SGS Determination in Switzerland
- FSC Forest Certification
- Recommended Products by the Green Channel for the Maternal and Infant Products in National Maternal and Infant Network
- Certification of Child Safety Product

In the daily procurement and production processes, the Company also adheres to stringent standards. Within laboratories accredited by the National CNAS, the Company conducts inspections on the boards in three major stages: initial inspection, bulk sampling inspection, and routine sampling inspection. Each stage involves 12 testing processes, ensuring environmental quality with a rigorous attitude. Additionally, the Company insists on monthly submissions to third-party authoritative testing institutions and publicly discloses the test results, providing consumers with peace of mind and setting a positive example in the industry.

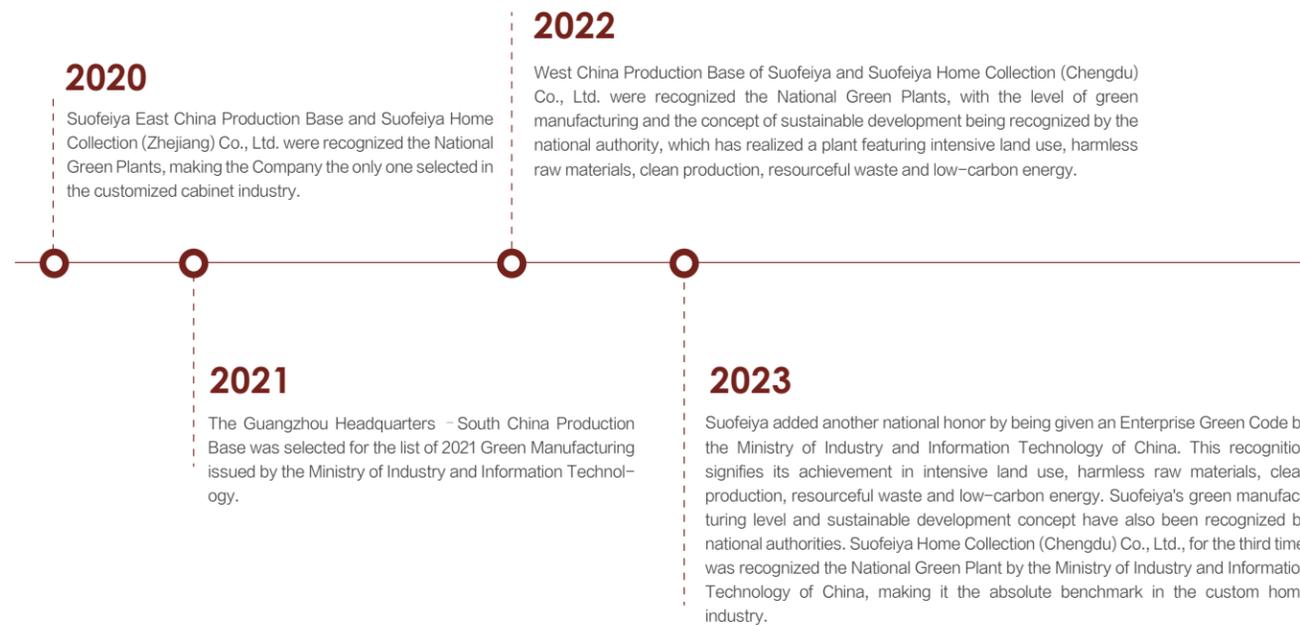


Up to now, Suofeiya has been adhering to rigorous environmental standards, and providing products and services to numerous institutions with stringent environmental quality requirements, including Shanghai Children's Medical Center, Fudan Affiliated Children's Hospital, Jiangsu Maternal and Child Health Hospital, Xiyun Postpartum Care Center, Babysky Postpartum Care Center, Anru Xingyue Postpartum Care Center, AMFA Baby Center, Weierkang Care Center, Tianjin Nankai District First Kindergarten, Changde Fuji Primary School Liuye Lake School, Wuyunduo Experimental Kindergarten, Sino-Finnish Forest Kindergarten, Guangzhou Yingzhou Primary School, Kunshan High-tech Zone Elderly Care Service Center, among others.



Build Green Plant System

Suofeiya has been adhering to the production concept of “Manufacturing Green and Eco-friendly Home Products using Green and Eco-friendly Production Methods”, and is committed to addressing the green and environmental issues of general concerns in society. As a leading enterprise in the custom home industry, the Company has been recognized eight times by the Ministry of Industry and Information Technology of China. Additionally, the Company has increased its investment in AI technology research and development, advancing projects such as digital factories, intelligent design, and smart stores. This has enhanced efficiency and quality in product design, production management, and customer service, providing customers with modern, green, and intelligent one-stop home solutions.



Improve Green Management

EHS Vision

Creating an exemplary operational system for Environment, Health, and Safety (EHS), fostering a work environment and corporate culture that are safe, healthy, green, and sustainable.

EHS Objectives

Zero major safety accidents, zero major fire accidents, and zero instances of regulatory non-compliance.

Continuous optimization of environmental safety management system

In the fiscal year 2023, Suofeiya and its Environmental Safety Department continuously optimized and implemented a series of environmental management systems, such as the Group EHS Responsibility System, the Administrative Measures for Environmental Protection, and the Administrative Measures for Environmental Protection Information Reporting. Each plant increased the establishment of independent environmental protection positions, ensuring unified responsibilities and independent assessments of environmental safety. All factories firmly adhered to various environmental management systems and rigorously implemented the promotion of environmental management systems.

Regular environmental monitoring of wastewater, exhaust gases, noise, and solid waste was conducted, along with self-monitoring of soil and groundwater, with monitoring data actively disclosed to the public. Since its listing, the Company has successively obtained various environmental protection-related certificates and titles, such as the "Model Enterprise of Guangzhou City of Customization", "China Environmental Labelling Certificate and National Green Plant", "Guangzhou Clean Production Enterprise", and "National Green Plant". During the reporting period, the Company did not experience any environmental pollution incidents and did not receive any administrative penalties due to environmental issues. A total of 25.28 million yuan was invested in environmental protection and energy conservation during the reporting period.



Security management system and environmental emergency management

All Suofeiya's plants have adopted interlocking and interlinking fire Security control systems for Security management, which have fully improved the monitoring network system and further secured the manufacturing processes. All companies in the Group have strictly complied with a series of emergency management systems, clarified emergency management principles, emergency management institutions, operation mechanisms, emergency security, emergency plan management, etc., and organized at least seven comprehensive emergency plan drills and special emergency plan drills on an annual basis, so as to enhance the emergency response capabilities of employees in handling emergencies. During the reporting period, creative initiatives such as "Environmental Day" were introduced to enhance employees' awareness of safety management through activities focused on the theme of Environmental Day, including family-oriented events.

The Company from time to time revises the Emergency Plan for Environmental Emergencies - Air Pollution, the Emergency Plan for Environmental Emergencies - Fire Accident, the Emergency Response Plan for Sudden Environmental Incidents - Dust Explosion Pollution, and the Emergency Plan for Hazardous Waste Leakage; and regularly conducts drills, summaries, and reviews of various emergency response plans.



Enhanced Energy Management

Suofeiya places great emphasis on the construction and operation of its energy management system, implementing diverse energy-saving measures. It has introduced green environmental protection technologies such as water resource and wastewater treatment, as well as waste recycling and utilization. There's a comprehensive strengthening of energy management, water resource and wastewater management, and waste management to promote the green and healthy development of the supply chain.

Energy efficiency management

In response to the national call for energy conservation and emission reduction, Suofeiya is actively developing itself into an energy-saving and environmentally friendly enterprise. It strengthens energy conservation education and training for all employees, actively conducts research and utilization of new technologies and processes for electricity conservation, adjusts and optimizes production processes. Special focus is given to improving technology in high-energy-consuming sections. The adoption of CNC digital control systems facilitates quicker processing of production data, enabling production forecasts and enhancing wood utilization efficiency, thus effectively reducing waste of timber resources.

With advanced industrial technology and intelligent equipment as its foundation, the Company is developing new production processes while phasing out outdated and high-energy-consuming technologies, processes, and equipment. It promotes green procurement and the reduction of packaging materials through design, aiming to enhance the efficiency of resource recycling. The Company is advancing clean production and energy conservation efforts, continuously promoting the comprehensive utilization of clean energy sources such as photovoltaic power and natural gas. It is also systematically replacing fossil energy sources with alternatives like fuel cell forklifts, contributing to global greenhouse gas reduction efforts.

To further reduce factory exhaust emissions, each production base of the Company responds to national regulations on controlling air pollution during heavy pollution weather and summer ozone levels. They have upgraded exhaust treatment facilities or technologically renovated exhaust collection systems to improve the level of exhaust gas control. This includes the installation of new exhaust treatment systems using dust removal combined with RTO (Regenerative Thermal Oxidizer) systems, achieving an organic exhaust treatment efficiency of over 90%. Additionally, low-nitrogen emission reduction work for boilers has been carried out, with existing natural gas boilers being retrofitted. Nitrogen oxide emissions have decreased from 71 mg/m³ in 2022 to 21 mg/m³ in 2023, representing a reduction of over 70%.

Since 2017, the Company has vigorously promoted rooftop solar photovoltaic power generation projects in factory buildings, which have been fully utilized in five major production bases. Suofeiya has constructed grid-connected distributed photovoltaic power generation systems covering an area of approximately 337,000 square meters, with an installed capacity of about 32.22 megawatts-peak (Mwp). During the reporting period, solar photovoltaic power generation projects have provided approximately 14.29 million kilowatt-hours of green electricity to the Company and the national grid, resulting in a reduction of approximately 12,169 tons of carbon dioxide emissions, equivalent to saving 4,575 tons of standard coal. From 2017 to 2023, the cumulative green electricity provided to the Company and the national grid has reached approximately 70.8 million kilowatt-hours. Going forward, Suofeiya will continue to promote solar photovoltaic power generation projects.



Efficiency of Dust Removal + RTO Exhaust Treatment System

90% 以上

Providing green electricity	Reduction of carbon dioxide emissions
1,429 million kWh	12,169 tons
Standard coal savings	Cumulative provision of green electricity, 2017-2023
4,575 tons	7,080 kWh



At the same time, the Company is systematically advancing the "oil-to-electricity" conversion project, and has been gradually replacing fuel-powered forklifts with electric ones since 2017 to reduce the use of fossil fuels and emission of atmospheric pollutants. During the reporting period, the substitution rate of electric forklifts reached 99.61%.

Water resources and wastewater management

Water resource management is also an important aspect of fulfilling corporate social responsibility. The Company adheres to the principles of reduction, recycling, and harmless treatment to implement the recycling and reuse of water resources. Investments have been made in constructing systems for reusing production wastewater, where wastewater from the terminal sewage treatment station is treated again. After meeting reuse water standards, it is reused for purposes such as equipment cleaning in the factory, reducing wastewater discharge. From 2021 to 2023, a total of 26,700 tons of tap water were saved.

Suofeiya has innovatively adopted the UASB (Upflow Anaerobic Sludge Blanket) treatment process. In this process, "biological treatment" utilizes a combination of anaerobic and aerobic processes, while "deep treatment" employs a sand filtration process. This approach reduces the Chemical Oxygen Demand (COD) of wastewater and improves its renewability. After further removal of various pollutants through aerobic ponds, the usage of tap water is reduced. During the reporting period, 8,283 tons of production wastewater were reused.



Total tap water savings in 2023

26,700 tons

Wastewater reuse

8,283 tons

Waste management

Suofeiya exercises comprehensive supervision and controls throughout the production process, minimizing solid waste generation or emission from the source, and ensuring final compliant disposal. It establishes standardized waste management systems to ensure legality and compliance in processes such as generation, storage, transfer, and disposal. Standardized control and classification are implemented for various process steps to facilitate the comprehensive utilization of waste with reuse value, achieving the recycling and harmless disposal of waste.

During the reporting period, for the edge sealing process in the cabinet workshop, the Company required the adhesive supplier to change the packaging by lining the inner wall of the packaging iron barrel with a layer of tin film, separating the solid resin hot melt adhesive from the iron barrel, thereby reducing the generation of hazardous waste. The iron barrels can be recycled by waste recyclers, reducing the generation of hazardous waste in the cabinet workshop by over 90% annually.

Noise management

In accordance with the requirements of the Industrial Enterprise Boundary Environmental Noise Emission Standards, the Company thoroughly identifies the sources of noise and transmission paths, studies various noise reduction solutions, and implements sound insulation and shock absorption measures to block the transmission path of sound to reduce the impact of noise on human health and the surrounding environment during the production process.

By introducing permanent magnet variable frequency energy-saving vacuum pump systems and intelligently regulating energy consumption to stabilize negative pressure, Suofeiya has resolved the adverse effects of negative pressure fluctuations and flow attenuation of old-fashioned vacuum pumps on production processes. In December 2023, the technology was first used in the 4.0E production line of the Jiashan production base in Zhejiang. After data testing, compared with the old-fashioned rotary vane pump under the same power, the flow rate increased by 1.8 times, energy consumption decreased by 17.8%, and the noise level decreased from 90dB to below 80dB. The Company plans to complete comprehensive promotion in the first half of 2024, further contributing to green management and environmental protection.



Promote green office

Based on the concept of sustainable development, Suofeiyi actively promotes a culture of green office practices, and encourages its employees to enhance their sense of responsibility and environmental awareness. LED energy-saving lights are used in office areas to promote energy-efficient lighting, power saving, water conservation, and waste sorting. Paperless office practices are encouraged to cultivate habits of low-carbon behavior among employees. Internal promotion of energy conservation and environmental protection is intensified to create a favorable environment for green office practices and foster habits of green office and living among employees.

Green Manufacturing

Driven by digitalization, Suofeiyi implements green and efficient production practices. With green energy factories as the foundation, the Company utilizes intelligent technologies such as smart production lines, equipment, and data-driven systems to construct efficient, precise, large-scale, and rapidly responsive C2M intelligent factories. This initiative aims to achieve the Company's operational goals of resource, management, logistics, and process refinement, as well as scientific management.

Since 2017, the Company has been continuously innovating in the field of Industry 4.0 production lines, integrating goals of green environmental protection and cost reduction. During the reporting period, Suofeiyi developed the first 5th generation "national production" equipment, a 4.0 digital production line for panel furniture that is fully automated. This line is capable of simultaneously producing panels of various sizes and utilizes linked milling equipment to further improve the utilization rate of materials. The investment and coverage of 4.0 production lines have expanded, resulting in better cost reduction and efficiency enhancement compared to traditional manual lines. This includes reduced manual handling and a significant increase in efficiency compared to traditional manual lines due to the decreased need for manual replenishment.



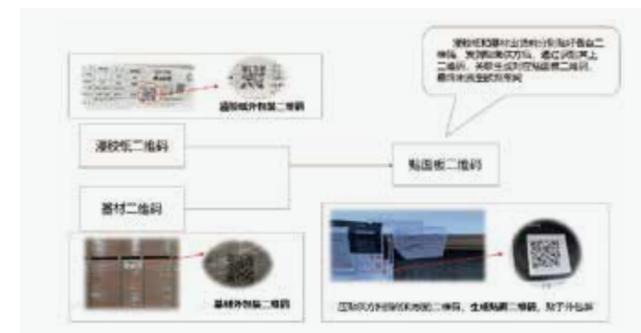
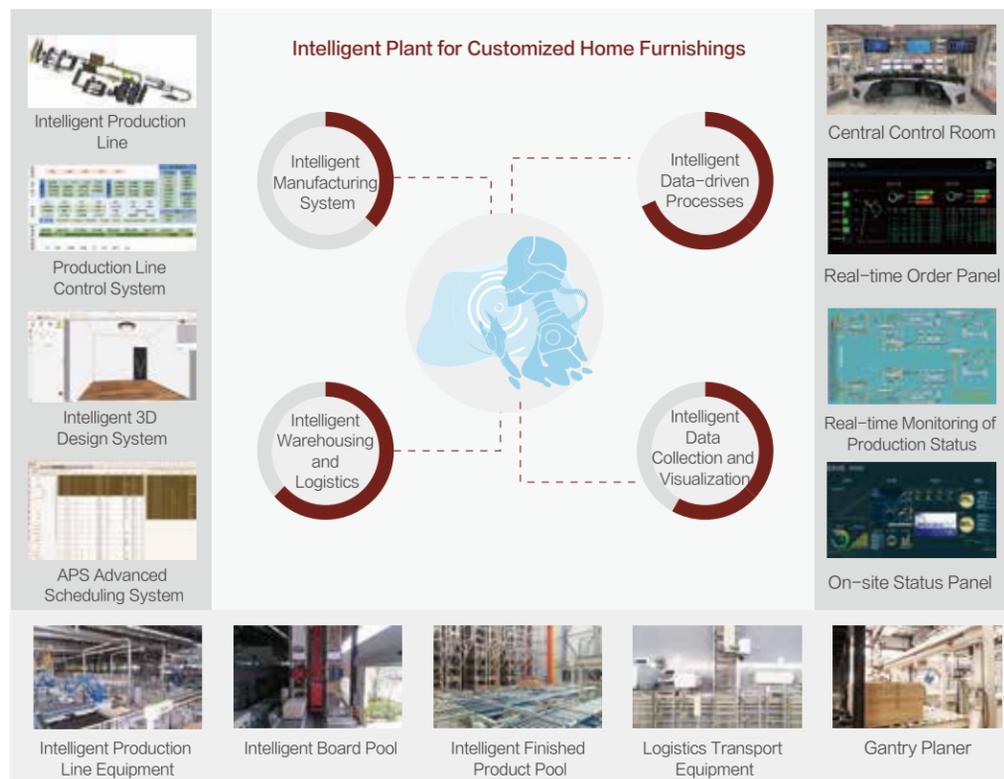
Green manufacturing also crucially relies on maintaining high-quality standards. The Company invests significant resources in Voice of Process (VOP) management and has developed the Suofeiyi VOP methodology, which is based on process quality fundamentals such as on-site inspections and real-time data. It connects factors like equipment, personnel, and materials, and employs a 4H meeting mechanism for rapid response and resolution. Furthermore, after meetings, extensive data analysis and resolution are conducted on-site. Since its comprehensive implementation in 2023, the VOP methodology has achieved significant effectiveness.



VOP Process Management



Market Services Cockpit



Traceability of raw materials



Real-time process quality signage

Green Logistics

In the process of promoting the construction of a new development pattern and ensuring the security and stability of the global supply chain, achieving green development and the "dual carbon" goals are significant tasks for the economic and social development of China. Traditional logistics methods in the custom home furnishing industry often involve long-distance transportation, multiple transfers, inefficient loading, and the use of high-energy vehicles, which can have adverse environmental effects if not properly managed. In response to the national call for energy conservation and emission reduction, Suofeiyi has focused on green logistics, continuously optimized logistics networks, innovated logistics modes, promoted the use of energy-efficient vehicles, and selected out high-quality partners. These efforts aim to reduce carbon emissions, save energy, lower operating costs, enhance customer satisfaction and brand recognition, and positively impact society and the environment.

Mainline integration and optimization of logistics networks and route planning

By leveraging the Company's nationwide transportation resources and collaborating with upstream departments in the supply chain, fixed shipping dates and routes have been established for different distributors within the same region. Distributors can share logistics resources and transportation networks to achieve batch transportation of goods, thereby improving transportation efficiency and reducing logistics costs. Additionally, intelligent algorithm programs are utilized to optimize transportation routes, considering factors such as distance, cargo demand, and traffic conditions. This ensures that goods reach their destination in the shortest time possible while minimizing carbon emissions and resource consumption.



Integrated Road



Logistics mode optimization and integrated dry warehouse distribution

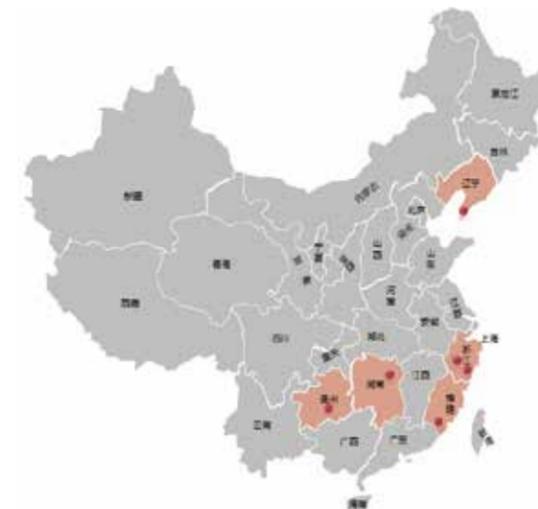
Integrated dry warehouse distribution is a model that tightly integrates logistics and warehousing. Through this model, goods from distributors in the same region are transported from the supplier to the Regional Distribution Center (RDC) for centralized distribution, thus improving logistics efficiency.



浙江干仓配推广

In 2023, Suofeiyi prioritized the promotion of integrated dry warehouse distribution. Leveraging existing warehouse networks and logistics resources, the Company completed the layout of "six warehouses in five provinces" for integrated dry warehouse distribution. Some warehouse facilities used environmentally friendly building materials and water-saving and energy-saving appliances, strictly carried out dust and waste management, and installed new energy charging and swapping facilities in the surrounding areas.

The integrated dry warehouse distribution model saved warehouse space and labor costs, achieving rapid collection, distribution, and sorting of goods. With the aid of advanced logistics technology and equipment such as information-based warehousing and intelligent information sorting systems, the efficiency and accuracy of warehouse operations and distribution were enhanced, contributing to the sustainable development of green logistics.



Six Dry Warehouses Distributed in Five Provinces



湖南长沙干仓配仓库



浙江温州干仓配仓库

Optimization of Urban Distribution Vehicles

Suofeiyi is actively promoting the use of new energy vehicles for urban distribution through the adoption of the integrated warehouse distribution model and close collaboration with distributors. Currently, some distributors in provinces like Hunan and Beijing have begun utilizing new energy vehicles for urban delivery.

By closely collaborating with logistics companies, the Company aims to increase the proportion of new energy vehicles used, thereby reducing emissions of tailpipe pollutants and carbon during the transportation stage. This collaborative effort contributes to the advancement of green logistics.

In the future, Suofeiyi will prioritize cooperation with logistics providers that align with green logistics goals to reduce the adverse environmental impact of transportation and minimize carbon emissions. Additionally, ongoing collaboration with other companies in the industry for sharing logistics resources will further promote the development and innovation of green logistics.



Urban Distribution Vehicles in Hunan Dry Warehouse



Urban Distribution Vehicles in Beijing

HONORS of 2023

Brand Innovation

- 2023 Influential Brand Award – Suofeiya
- 2023 Most Popular Product Award
- 2023 China's Top 100 Customized Home Furnishing Brands
- Excellent Innovative Brand Award for Infants and Children
- 2023 Consumer Favorite Custom Home Furnishing Brand



Public Welfare

- Certificate of Appreciation from the China Charity Federation for Children's Book House
- 2023 Listed Company ESG Innovative Practice Case (Children's Book House)
- Chinese Business View Charity Brand 2023



Society

- High-tech Enterprise Certificate (Suofeiya Home Collection Chengdu)
- National Industrial Design Center (issued by the Ministry of Industry and Information Technology)
- One of the main units formulating the General Assessment Principle for Sound Integral Customized Housing Product



Governance

- Continuous "A" Grade Evaluation for Information Disclosure by Shenzhen Stock Exchange for Ten Consecutive Years
- Investor Relations Gold Award – Outstanding IR Team
- Investor Relations Gold Award – Best Interaction with Small and Medium Investors
- Best Practice Case Award for Board Office of Listed Companies in 2023
- China Listed Companies Investor Relations Pegasus Award



Design

- German iF INDUSTRIE FORUM DESIGN (Mountain Star, S-Series Moor)
- 2023 A Design Award (Schmidt S-Series Triumph – Silver Award, Center Wood Veneer UV – Silver Award)
- 2023 MUSE DESIGN AWARDS (S-Series Triumph – Platinum Award, S-Series Moor – Platinum Award, Extension – Platinum Award)

