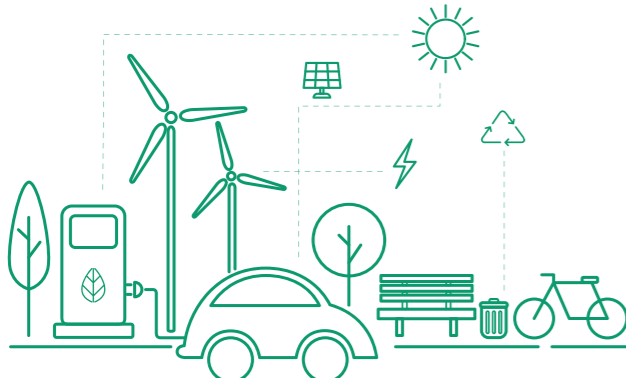


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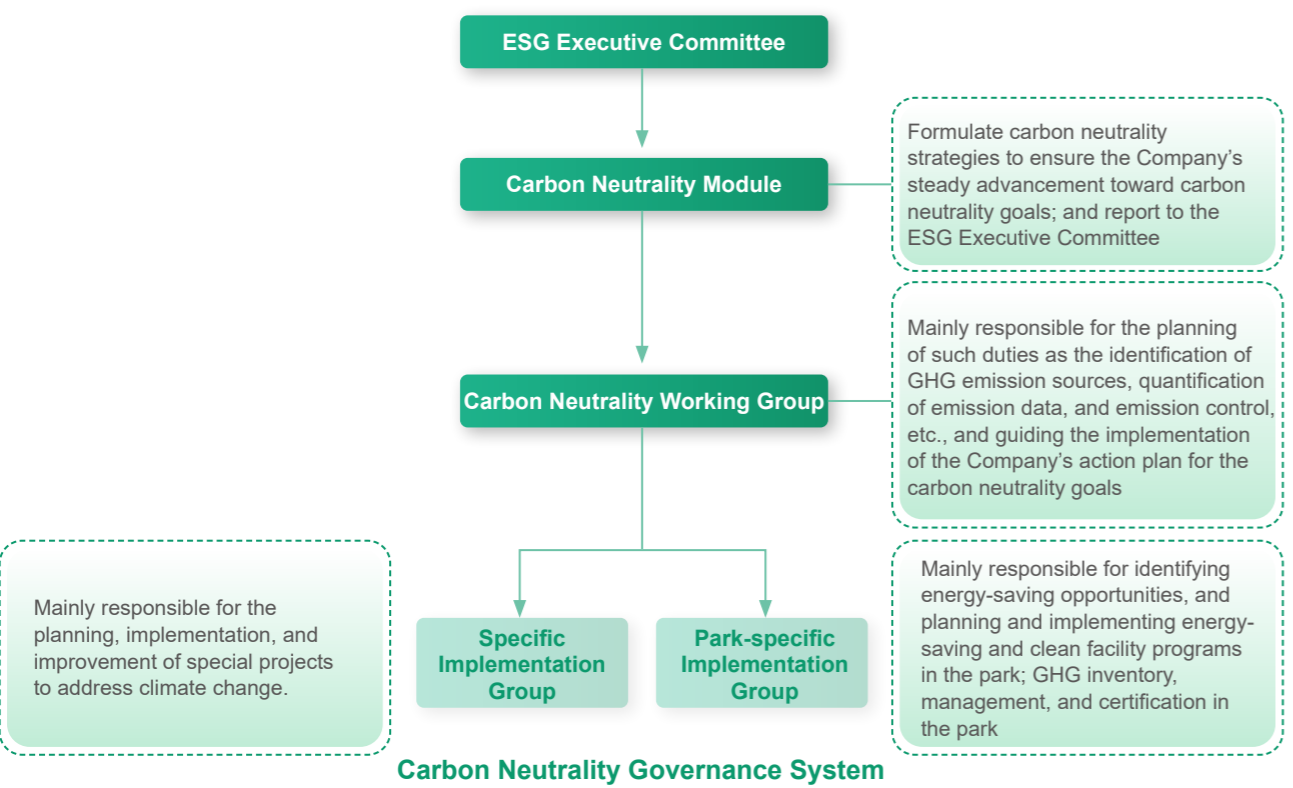
Taking Active Measures in Response to Climate Change - Exploring Opportunities for Green Development



As an important player in society, enterprises have inevitable responsibilities and missions in the face of the severe challenge of global climate change. Huaqin actively implemented the concept of green development by integrating the response to climate change into the Company's strategy and decision-making, identifying and responding to the challenges and opportunities from climate change, and taking multiple measures to reduce GHG emissions and enhance its climate resilience.

Strengthening the Carbon Neutrality Governance System

Huaqin has set up a carbon neutrality module under the ESG Executive Committee, which is responsible for the strategic planning, system development, and information disclosure of carbon neutrality to ensure scientific and effective decision-making. At the execution level, a carbon neutrality working group has been set up, including executive groups in each park and special executive groups, which are responsible for the breakdown of carbon neutrality goals and achievement thereof as planned.



Identifying Climate Risks and Opportunities

With high sensitivity and farsightedness maintained towards climate issues, Huaqin actively identifies climate risks and explores the means to maintain business continuity under various climate scenarios in an attempt to explore the potential opportunities brought by climate change for the Company based on industries, regions, and business models.

In 2023, the Company followed the standards of the Task Force on Climate-related Financial Disclosures (TCFD) in identifying relevant risks and opportunities and formulating detailed response strategies, and incorporated climate change risks into the Company's existing risk management structure, for which a top action project was established on a yearly basis based on the significance and urgency of the risk items.

Identification of Climate Risks and Opportunities

Category	Policies and Regulations			
Topic	Clean energy	GHG	Water resources	Energy management
Risk	Policies and regulations at production sites imposed higher requirements on the proportion of renewable energy in use and the energy efficiency of equipment. In order to comply with the regulations, it is necessary to eliminate and replace old equipment or to purchase and use renewable energy to a certain proportion, which may lead to the risk of a shortage in renewable energy supply on the market and an increase in energy prices in the future.	After the launch of a national carbon market, the manufacturing industry may be included in the scope of carbon market management, which may increase operating costs	Despite the absence of a mandatory limit imposed on the use of water resources at present, wastewater shall be discharged in accordance with regulatory requirements.	Given the possible temporary power shortages and production under electricity constraints, it is necessary to consider the impact of such conditions on business continuity and the increased costs of electricity generation by the Company.
Impact on operation	Increased costs and expenses	Increased expenditures	Increased costs	Increased costs, operation disruptions
Duration	Short	Medium	Long	Medium
Possibility	Medium	Medium	Low	Medium
Degree of impact	High	Medium	Medium	Medium
Risk management measures	1. Take early measures to adjust the energy structure, and sign long-term cooperation agreements in advance with power supply companies on the market to guarantee the supply of renewable energy 2. Make arrangements early by constructing renewable energy development projects	1. Continuously perform the inspection with reference to ISO 14064, pass the certification, and set reasonable carbon management objectives 2. Study the development trend to formulate and implement carbon management solutions	1. Implement water conservation measures, including wastewater recycling, process water conservation measures, etc. 2. Implement advanced management systems, such as CWP, AWS, etc. 3. Monitor water consumption indicators, conduct regular reviews, avoid waste, and continuously improve efficiency in water consumption	1. Carry out energy conservation projects 2. Use advanced energy-efficient equipment 3. Build and use an energy management platform 4. Monitor electricity consumption indicators and continuously improve energy efficiency
Possible opportunities	Participate in renewable energy plans, increase the proportion of renewable energy, respond to the expectations of stakeholders, win customer recognition, and acquire market opportunities	Establish carbon management regulations, control carbon management targets, reduce costs of excessive carbon emissions, and win government support and reward	Improve water resource management performance, strengthen resilience to climate change, improve the efficiency and diversification of water resources, reduce production costs, and ensure business continuity	Improve the Company's electricity consumption efficiency, reduce production costs, and develop energy storage measures to ensure business continuity, win customer recognition, and acquire market shares

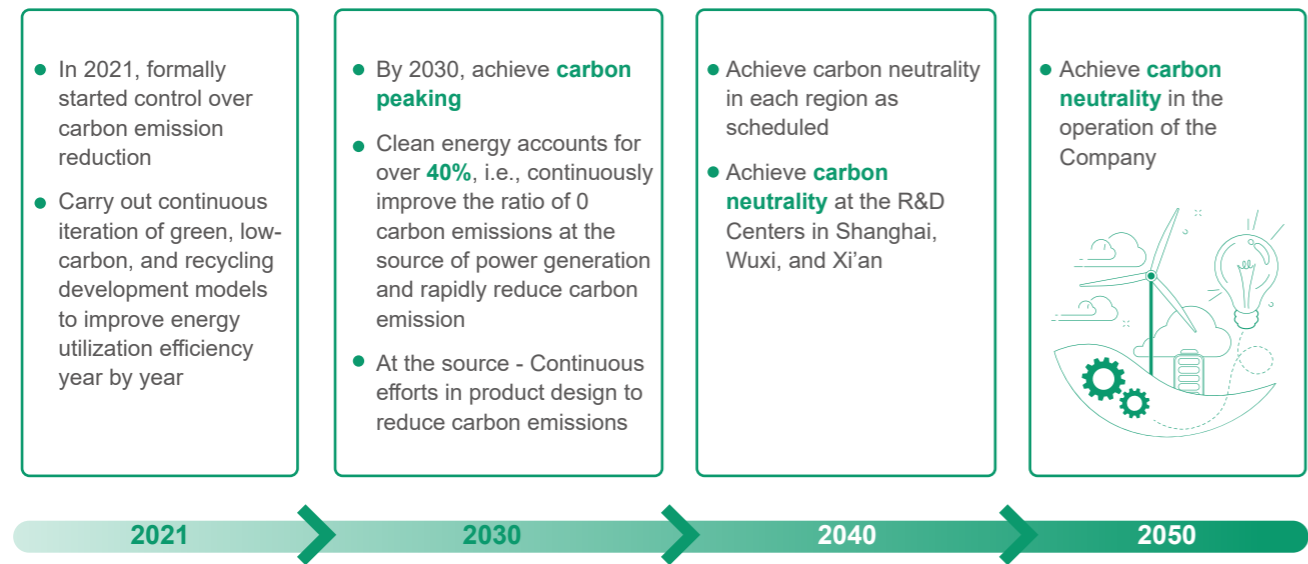
Category	Market			
Topic	Upstream - Disruption in raw material supply	Upstream - Increase in raw material costs	Downstream - Low-carbon products	Investment ESG Rating
Risk	Shipment of raw materials and downstream production are delayed due to an increase in raw material prices and suspended transportation under the impact of a shortage of upstream chemical raw materials caused by extreme weather, market supply, and demands, etc.	The sales prices of products in the upstream supply chain increase due to the response to climate change by additional investments in energy conservation and carbon reduction, which increased the operating costs of the supply chain. Major mineral countries tighten regulations on mineral extraction and export in response to climate change, which may lead to cost increases.	Given the increasingly stringent environmental regulations, customers strive to meet scope 3 carbon neutrality, hence raising more and more specific requirements on the proportion of clean energy used in the production of the Company	At present, investment institutions around the world are paying more and more attention to the ESG performance of companies and consider ESG performance in their investment criteria. Failure to continuously improve ESG performance may affect the Company's ability to attract overseas institutions.
Impact on operation	Increased costs, operation disruptions	Increased costs and reduced revenues	Increased costs and reduced revenues	Financing costs
Duration	Long	Medium	Short	Short
Possibility	High	High	High	High
Degree of impact	Low	Medium	Medium	Low
Risk management measures	1. Establish secondary resources to avoid the risk of supply from a single supplier, ensure smooth supply, and improve bargaining and service capabilities 2. Monitor the trend of current prices and the impact of material price increases		1. Evaluate new or changed laws and regulations, and make prompt improvements for non-compliant 2. Manage and control hazardous substances strictly, and eliminate hazardous substances 3. Improve the Company's capabilities of hazardous substance inspection 4. Acquire green manufacturing technologies and use recycled materials 5. Develop low-carbon green products	1. Enhance ESG performance 2. Improve the quality of reporting content 3. Enhance channels for external disclosure
Possible opportunities	Establish diversified sources of raw materials to minimize the risk of material shortage		Reduce hazardous substances in products to comply with the environmental protection regulations of most countries. Develop low-carbon green products to improve market competitiveness and establish long-term cooperation with customers	Investors (or prospective investors) may decide whether or how much to invest in the Company based on the Company's ESG performance to stabilize the source of funding and share price

Category	Entity		
Topic	Extreme high temperatures/drought	Extreme coldness	Strong flood
Risk	Extreme high temperatures may cause heat stroke or food poisoning, equipment faults, and the risk of self-ignition of materials. In addition, sustained high temperatures can lead to drought, which may affect production due to insufficient water for process, life, and fire protection.	May cause personal frostbite or food shortages, equipment faults, and freezing and bursting of fire-fighting and other fuel transportation lines.	Floods affect employee attendance and wastewater treatment systems, and may also cause water and power supply disruptions, logistics and transportation suspension, or supply chain disruptions, resulting in production suspension or reduction and loss of resources
Impact on operation	Increased costs, operation disruptions	Increased costs, operation disruptions	Increased costs, operation disruptions
Duration	Long	Long	Long
Possibility	High	Medium	Medium
Degree of impact	Low	Low	Low
Risk management measures	1. According to the weather forecast of the weather station, promptly notify all departments and supervise them to get prepared for emergencies 2. Decrease the temperature of air conditioners, shorten the duration of high-temperature working, and prepare heatstroke preventive medicines at health stations 3. Equipment departments increase the frequency of equipment and facility inspection and maintenance and properly handle equipment cooling 4. Get ready to respond to drought, check the water storage volume of fire-fighting pools and living pools, properly handle water storage, and enhance efforts of water conservation publicity	1. According to the weather forecast of the weather station, promptly notify all departments and supervise them to get prepared for emergencies 2. Increase the temperature of the air conditioner, shorten the duration of low-temperature working, and prepare antifreeze medicines at health stations 3. Dormitory management departments shall prepare frost-proof bedding to meet the needs of employees who cannot return home 4. Electrical and mechanical departments shall take proper insulation measures for machines, equipment, and pipes	1. Forward the typhoon warning to the city weather station prior to heavy rainfall. The relevant departments shall, upon receiving an announcement of a rainstorm, immediately issue a warning and carry out proper rainstorm protection measures 2. Trigger the response mechanism to prepare drainage pumps for electrical and mechanical equipment, perform comprehensive system inspection, and check water pipes for blockage; the departments shall check drainage outlets for blockage, and request assistance from government authorities when necessary 3. The parks shall construct flood prevention facilities, such as flood drainage stations, flood gates, flood drainage pumps, and other facilities and equipment
Possible opportunities	Strengthen the contingency mechanism to improve the Company's resilience in operation		

Commitment and Objectives of Tackling Climate Change

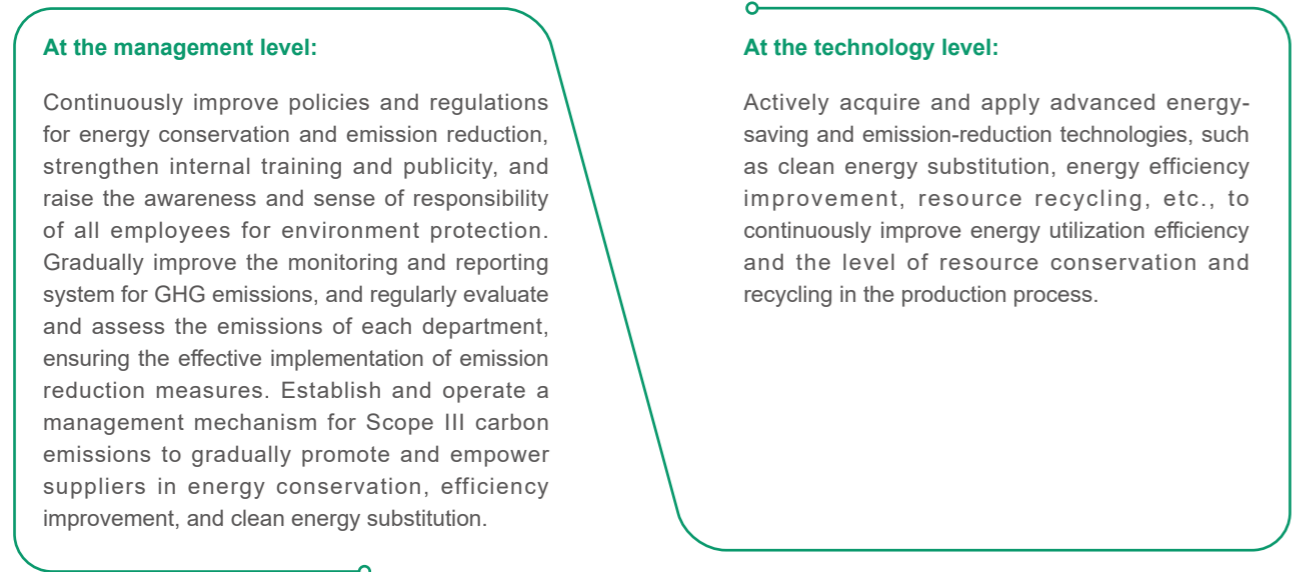
With an in-depth understanding of the urgency of the climate crisis and the necessity of participating in global climate governance, Huaqin updated and released its objectives of "carbon peaking and carbon neutrality" at the end of 2023: to achieve carbon peaking in our operation by 2030 and achieve carbon neutrality in our operation by 2050.

In order to effectively implement the objectives of "carbon peaking and carbon neutrality", the Company has formulated five-year goals and plans: From 2024 to 2028, achieve the clean energy substitution ratio of 40%, save energy by 500 million kWh through energy conservation measures, and cause our supplier to save energy by 150 million kWh.



The Company's Objective of Carbon Neutrality

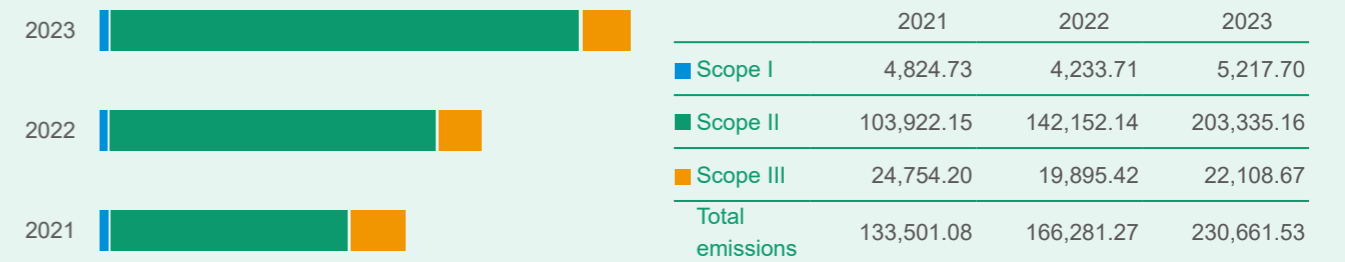
The Company will plan and carry out management and practical activities in pursuit of carbon neutrality at both the management and technical levels. The objectives are broken down based on specific stages, years, and regions into stage-specific and regional implementation objections for continuous implementation, so as to ensure the smooth achievement of objectives.



Carbon Emission Reduction Tasks in 2023

GHG Identification and Inventory

Huaqin has formulated and implemented the GHG Control and Management Regulations, in which tools such as the Summary Identification Form of GHG Emission Sources are used to identify over 20 emission sources within the scope of operation and record in detail the name, location, and emission amount of each source, hence completing the GHG emission inventory of the Company in 2023. During the reporting period, the Company made GHG emissions of 230,661.53 tons of CO₂ equivalent.

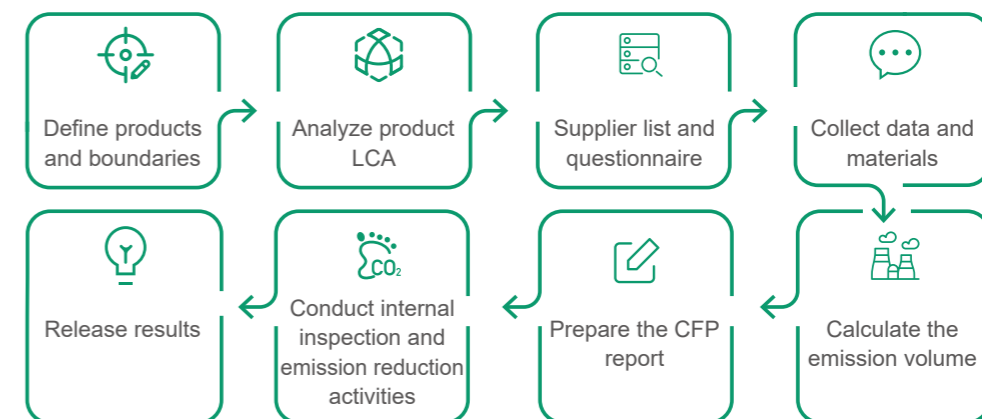


Greenhouse gas emissions statistics (tons CO₂ equivalent)

Calculation basis:

- The Company's direct GHG emissions (Scope 1) were calculated on the basis of the values specified in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and General Rules for Calculation of the Comprehensive Energy Consumption (GB/T2589-2020).
- The Company's indirect GHG emissions (Scope 2) were calculated using the emission factors specified in the Notice on the Management of GHG Emission Reporting by Enterprises in the Power Generation Industry for the Period of 2023-2025 issued by the Ministry of Ecology and Environment.
- The Company's other indirect GHG emissions (Scope 3) were mainly identified and inventoried under category 1 outsourced services, category 5 waste generated from operations, category 6 business travel, and category 9 downstream transportation and distribution under the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the China Products Carbon Footprint Factors Database (2022).
- In 2023, compared to 2022, the Company's boundary for GHG emissions data inventory further included Dongguan Huayu Precision Technology Co., Ltd. and Guangdong Xiqin Precision Mold Co., Ltd., which led to an increase in the emission data.

The Company conducted a comprehensive survey and preparation of the product-level carbon footprint inventory workflow based on ISO 14067:2018 Greenhouse Gases - Carbon Footprint of Products - Requirements and Guidelines for Quantification, so as to identify the emission sources and activity levels of the processes including purchase of raw materials, production and manufacturing, transportation and logistics, sales and use, and disposal and treatment, establish a complete procedure and list of carbon footprint inventory of key materials, hence laying a solid foundation for promoting the transformation toward clean products.



Process of Product Carbon Footprint Accounting