

Suofeiya Home Collection Co., Ltd.

Environmental, Social and Governance Report (2022)



Table of Contents

Instructions on Report Preparation

Memorabilia of 2022

Making Remarkable Achievements after Years of Development

About Us

Adherence to Party Building for a Solid Foundation and Keep Forging Ahead



13

I .Prudent Corporate Governance

- Social Responsibility
- Governance Structure
- Internal Control
- Topics of Concern
- Compliant Operations

21

II .Protection of Rights and Interests of Shareholders and Creditors

- Protection of Rights and Interests of Shareholders and Creditors
- Information Disclosure
- Investor Relations Management
- Shareholder Returns



25

III .Protection of Rights and Interests of Employees

- Compliant Employment
- Harmonious Employment Relations
- Stable Occupational Safety Environment
- Competitive Incentive System
- Platform to grow with the company
- Care for Employees



33

IV.Rights and Interests of Suppliers, Customers and Consumers

- Protection of Rights and Interests of Customers and Consumers
- Win-win Cooperation and Mutual Development
- Focus on Product Innovation

47

V.Environmental Protection and Sustainable Development

- Adhere to the quality of environmental protection and advocate common progress of the industry
- Build Green Plant System
- Improve Green Management
- Promote Eco-friendly Operation
- Promote Green Office

53

VI.Public Relations and Social Welfare

- Medical institutions and public health undertakings
- Support Public Benefit Activities and Develop Social Welfare
- Provide Assistance in Basic Education Development
- Promote Academic Research and Cultivate the Talents
- Care for Groups in Difficulties and Sincere Contribution to the Society

57

Future Outlook

Instructions on Report Preparation

● Report overview

The Report is the Environment, Social Responsibility and Corporate Governance Report of 2022 of Suofeiya Home Collection Co., Ltd. (hereinafter referred to as “the Company” and “Suofeiya”), which is the sixth report released by the Company and aims to enhance the communication and contact with various stakeholders.

The Report objectively and truly reflects the corporate governance, employees’ rights and interests, operation and development, stakeholder communication, environmental protection, charity and other activities carried out by the Company in 2022 and discloses the ideas, actions and achievements in fulfilling economic, environmental, safety and social responsibilities.

● Preparation basis

Chinese standard Guidance on Social Responsibility (GB/T36000-2015)

Chinese Academy of Social Sciences (CASS)’s Guidelines for Corporate Social Responsibility Report (CASS-ESG 5.0)

Global Sustainability Standards Board’s GRI Sustainable Development Report Standard (GRI Standards)

No. 1 Guidelines on Self-Regulation of Listed Companies of Shenzhen Stock Exchange-Standardized Operation of Listed Companies on the Main Board

No. 1 Guidelines on Self-Regulation of Listed Companies of Shenzhen Stock Exchange-Business Handling

● Time scope

The Report is an annual report, with the reporting period from Jan. 1st, 2022 to Dec. 31st, 2022. Some contents can be properly tracked from previous years.

● Data source

The financial data in the Report come from the audited annual report of the Company in 2022, and other data come from the internal statistics of the Company. Unless otherwise specified, the currency types and amounts involved in the Report are measured in RMB. The Company guarantees that there are no false records, misleading statements or major omissions in the Report.

● Report acquisition

The Chinese version of the Report is available for the readers’ reference. Welcome to visit official website of Suofeiya Home Collection Co., Ltd. (www.sfygroup.com) and www.cninfo.com.cn to download the electronic version of the Report.

● Report feedback and Contact

Contact address: No. 2, Xianning Road, Guocun, Yongning Street, Zengcheng District, Guangzhou, Guangdong

Contact number: (+86)20-87533019

Email: ningji@suofeiya.com.cn

Official website: www.sfygroup.com

// Memorabilia of 2022



Further Improvement of Multi-brand, Full-category and Omni-channel Home Furnishing Strategy



A

Suofeiya cabinet created “city partner” model in thousands of cities and stores
Set off a new revolution wave in the cabinet industry



B

“Schmidt” completed 100% shareholding and fully improved the autonomy and flexibility of brand operation;

C

Completed construction of Zhejiang Jinhua Production Bases and put it into production;
Eight major production bases laid out the industry-leading production capacity network

D

“Milanla” developed quickly, focused on the mass consumers and consolidated the positioning of “Internet light fashion” brand;



E

Held the national first strategic summit in door and window industry;
Officially launched “Suofeiya Doors and Windows” brand



G

“Suofeiya” entered the field of “whole home customization” and realized full-category coverage of “closets, cabinets, doors, wall-board, floor and electric appliance” ;

H

Occupied the market of “wall-wall-board and floor integration” ;
Expanded the flow contact in segmented market



Making Remarkable Achievements after Years of Development



Great reputation and unique brand influence in the market

- National consumption influence brand of 2022 recognized by people.cn
- List of Key Trademark Protection in Guangdong Province
- Top 100 Brand Enterprises of the Year in the customized furniture industry in China
- Furniture Brand of the Year Trusted by People
- Leading brand in China's home collection champion list of 2022



Being highly recognized by the capital market under stable development

- Tianma Award for Investor Relation of Listed Companies in China-Best Investor Relation Award
- Top 100 ESG Listed Companies in China
- Best Practice Award of Board Office of Listed Companies in 2022
- Ranking 24th in the sincere return list of A-share listed companies of China Association of Listed Companies
- Most socially responsible listed companies of 2022 in the reputation list of listed companies in China
- Gold Award for Investor Relation-Outstanding IR Enterprise



Being recognized by authorities Ministry of Industry and Information Technology and the municipal government

- Pilot Demonstration Project of Big Data Industry Development of Ministry of Industry and Information Technology
- New Information Consumption Demonstration Project of Ministry of Industry and Information Technology of 2022
- Title of "National Green Plant" granted by Ministry of Industry and Information Technology



Leading industrial development via 4.0 Intelligent Manufacturing

- Pioneer of digital intelligent manufacturing
- Digital transformation and innovation practice of enterprises
- Top 100 light industry science and technology enterprises in China
- Excellent cases of digital transformation of listed companies
- Excellent application product cases on the digital intelligence transformation of listed companies
- First prize of Guangdong Mechanical Engineering Industry Science and Technology Award



High-quality product creates good brand

- Children safety product certification
- Leading high-quality brand in whole home customized furniture industry
- National qualified products with stable quality
- National leading enterprise with high-quality product in whole house customized furniture industry



Internationally acclaimed and charming home collection design in the world

Germany iF INDUSTRIE FORUM DESIGN

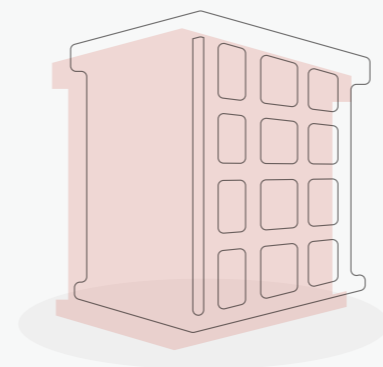
- TOP 5 among global ten major home collection design companies granted by iF INDUSTRIE FORUM DESIGN
- iF INDUSTRIE FORUM DESIGN (Bella New Product Series, Slow Time Concept Series and Xixi's Apartment)

France NOVUM DESIGN AWARD

- DA Product Designer of the Year
- Gold Medal of E Series Miller
- Gold Medal of Platinum Series
- Gold Medal of Suofeiya Kang-Chun-Ban BB Bed
- Gold Medal of Xixi's Apartment-Touching Home
- Gold Medal of Star Partition
- Silver Award of Boundless Series



“About Us”



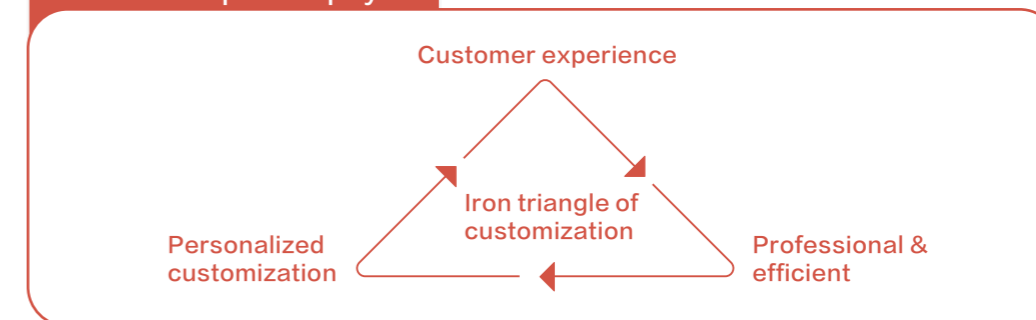
Company Profile

Suofeiya Home Collection Co., Ltd is a company mainly engaged in the R&D, production and sales of customized closets, cabinets, wooden doors, wall boards-floor integrated, supporting hardware, furniture, home supplies and customized whole-sale business. Since the commencement of production and sales of customized closets under the brand of Suofeiya in 2003, the Company, relying on the brand-new product concept of integrating tailor-made customized closets with closet doors, has successfully introduced customized closets to the market and acquired the recognition of Chinese consumers. Suofeiya was listed on Shenzhen Stock Exchange in 2011, becoming the first IPO company in the customized furniture industry (Stock Code: 002572).

Corporate culture



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, the Company has established a brand matrix covering the entire market, including “Suofeiya” targeting the mid- and high-end market, “Schmidt” and “Huahe” targeting the niche market, and “Milanla” targeting the mass 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, retail to skeleton house decoration companies and B2B business (B2B business refer to whole sales to the clients such as real-estate developers, hotel and etc.), thus achieving all-round development of the channels.



Over the past 21 years deeply rooted in the Chinese market, especially since becoming the first A-share listed company in the industry in 2011, Suofeiya has grown by leaps and bounds in its national layout of informatization and industrialization layout with the support of sufficient capital. In terms of innovation and improvement of intelligent manufacturing technology of customized furniture, the Company has independently developed a great number of core technology patents in the fields of IT, electronics, machinery, etc., promoting the intelligent manufacturing level of Suofeiya being way ahead in the global custom furniture industry.

Production base layout

The Company owns eight production bases in China and takes the head in completing the national industrial layout. The perfect production base layout greatly improves efficiency and production capacity, shortens delivery cycle, saves logistics cost, breaks the industry bottleneck, i.e. production capacity bottleneck, which is commonly faced by customization industry and provides a stable supply chain guarantee for customer service.



Zengcheng, Guangdong

South China Production Center

customized closets and supporting customized furniture products, customized cabinets, wooden floors, supporting hardware, bulk Businesses



Huanggang, Hubei

Central China Production Center

customized closets and supporting customized furniture products, customized cabinets



Jiashan, Zhejiang

East China Production Center

customized closets and supporting customized furniture products



Chengdu, Sichuan

West China Production Center

customized closets and supporting customized furniture products



Langfang, Hebei

North China Production Center

customized closets and supporting customized furniture product



Lankao, Henan

Henan Suofeiyi Home Collection Co., Ltd.

customized closets and supporting customized furniture products, bulk Businesses



Qiqihar, Heilongjiang

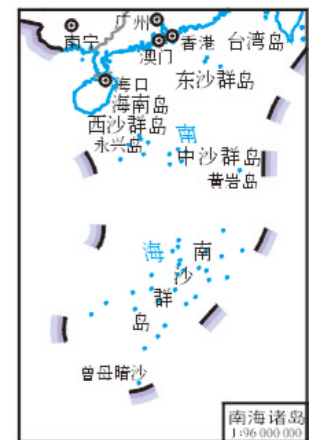
Suofeiyi Huahe Door Co., Ltd

customized wood doors



Jinhua, Zhejiang

Zhejiang Jinhua Production Base



审图号: GS (2019) 1823号

// Adherence to Party Building for a Solid Foundation and Keeping Forging Ahead //

Suofeiya's Party Organization (the organization of Communist Party of China, hereinafter referred to as the "Party") was officially established in 2014, and with the rapid development of the Company, the number of Party members has been growing. The Company has gradually established Party Organizations in the branches. At present, seven branches have established Party branches, among which Zengcheng Head Office and Huanggang Branch are upgraded into Party Committee, with a total number of 242 Party members. Since its establishment, the Party Committee of Suofeiya has been adhering to the objective of "Powerful Party Building, Prosperous Enterprise Development" and striving for the objective of "Bidirectional Integration" of Party building and enterprise development, so as to transform the political advantages of the Party into the development advantages of the enterprise. Furthermore, Suofeiya has further expanded the influence and popularity of the brand of Party Building and realized the healthy, orderly and stable development of the enterprise under the exemplary leadership of the Party Committee.

A Strengthen Organizational Mechanism and Solidify the Core Leadership of Party Building

The Company's Party Committee has comprehensively implemented the responsibility system of Party building efforts, intensified the efforts of Party building, secured the "Admission Check", attached importance to the cultivation of Party members and Party workers, and performed precise and customized trainings for Party members, Party workers and Party organization leaders in a hierarchical and classified manner. A total of six rounds of trainings are organized for cadres and Party Members to fully improve the quality of the new Party Members.



C Promote Joint Corporate Development and Resource Sharing with Party Building

By establishing the Joint Red Union Working Mechanism with party committees in public institutions, state-owned enterprises, schools and non-public enterprises, the Party Committee of the Company has fully realized the "Red Leadership, Joint Construction" to solve practical difficulties by mutual cooperation and turn organizational advantages into development advantages. By means of pairing and joint construction, the Company has realized the complementary sharing of resources, mutual assistance and common improvement among the Party branches in different industries.



B Establish New Fronts for Party Building and Pool New Organizational Vitality

The Company has fully integrated the existing resources to improve the integrated Party building fronts and the Party Organization establishes the Service Center for the Party and the Masses to provide comprehensive service for the Party Members and masses; the Company has established a 60-meter-long thematic education Party Building Cultural Corridor. Furthermore, the Company has led a fair, just and honest working environment within the enterprise, and strengthened the senses of gain and happiness among employees, thereby further realizing the "Triple Win" objective for employees, enterprises and communities. The Company has joined hands with the Labor Union in organizing activities such as sports and culture festivals as well as labor knowledge competitions, which have enhanced the sense of belonging and sense of identification with the Party of employees, and strengthened the cohesion of the employees to the Party Organization. In 2022, the Company's Party Organization established a Party Member Volunteer Team to participate in nucleic acid testing and other volunteer services of the Company and surrounding communities, fully demonstrating the strong sense of social responsibility of the Company and its Party Members.



D Comprehensively Initiate Study Enthusiasm and Condense the Ideological Consensus of Party Members

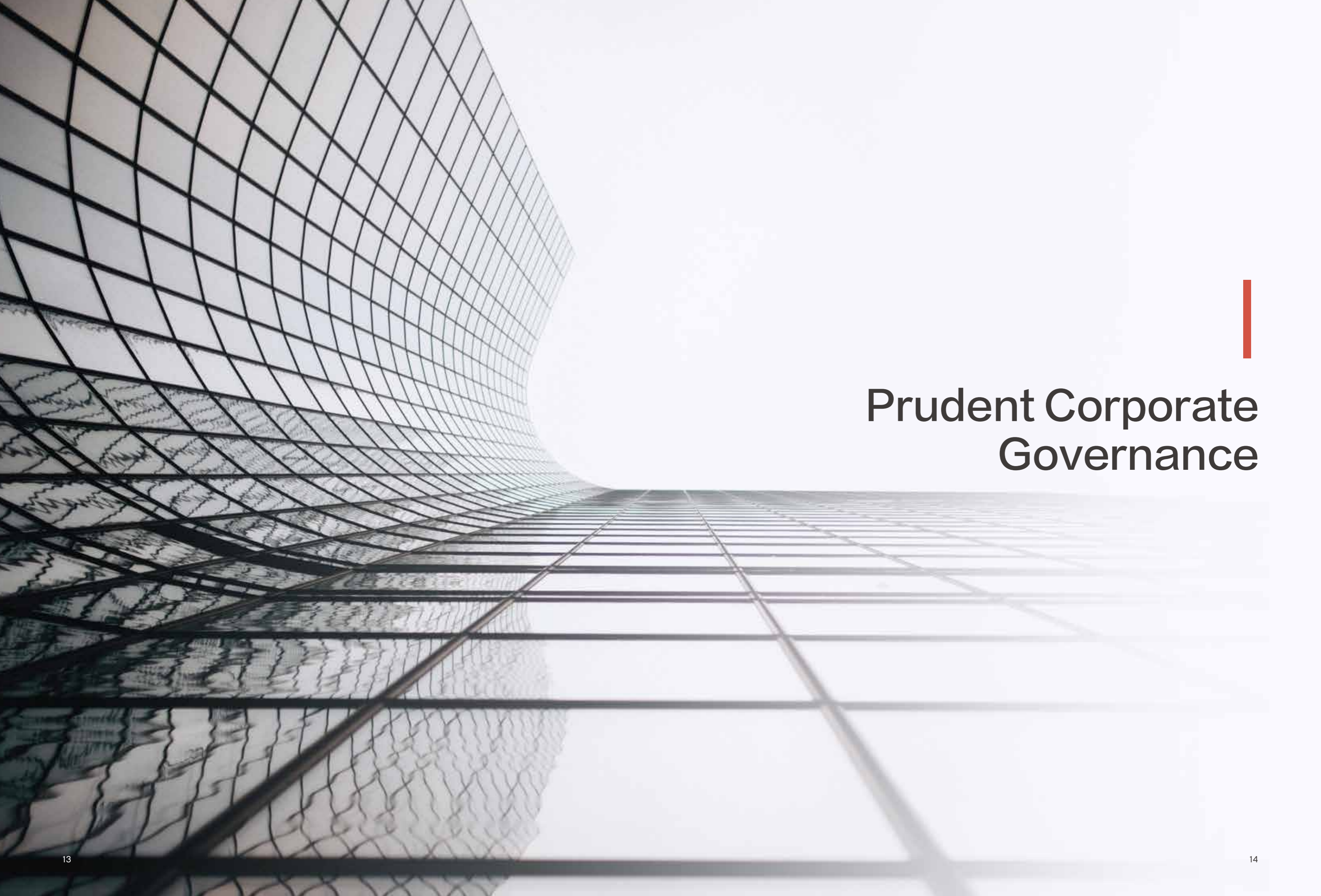
In 2022, the Party Organization of the Company carried out a series of study and publicity activities of "thoroughly implementing and studying the spirit of the 20th National Congress and forging ahead based on the goal of the second century". Themed by the spirit of the 20th National Congress, a special organization life meeting was held, and lecturers were invited to give lectures on patriotism base study, flag-raising ceremony, online and offline party history QA activities. A total of 17 study and training activities were organized to view the meeting held by the 20th National Congress.



E Exert the Role of Bastion of Basic Level Party Organizations

Suofeiya has established Pioneer Service Points of Party Members and Innovative R&D Teams of Party Members to fully play the pioneering and exemplary role of Party Members, so as to organize the production under the leadership of Party Building, play an important demonstration role in key projects R&D and highlight the style and appearance of incorruptibility and self-discipline of Party Members, and to assist Suofeiya in satisfactory production and operation, thereby realizing further upgrading in mutual promotions and mutual benefits for the development of Suofeiya and the Party Organization, and assisting Suofeiya in achieving "Solid Growth" with the "Soft Strength" of Party Building.





Prudent Corporate Governance

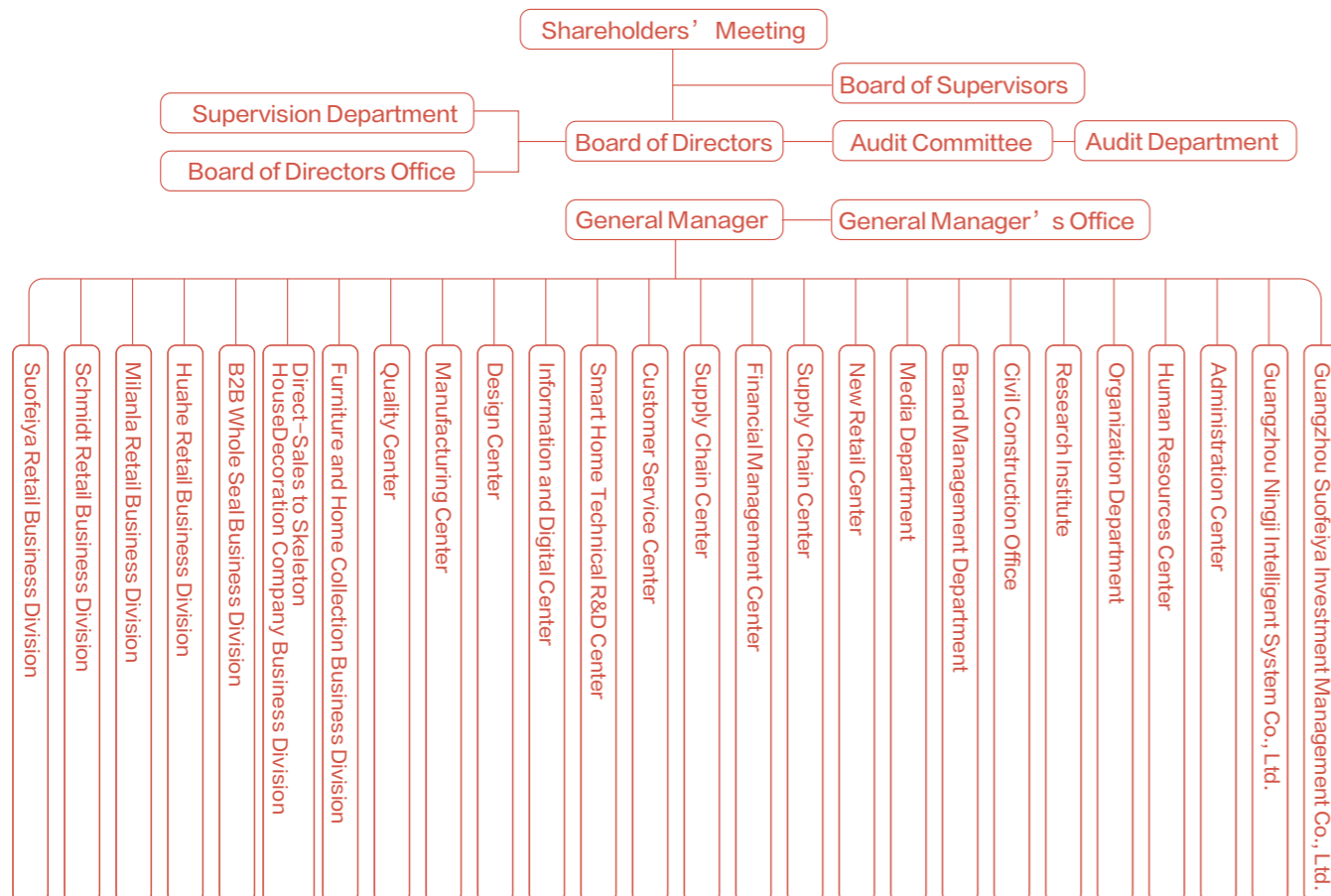
1 Social Responsibilities

Effective corporate governance system is an important foundation to guarantee the healthy, stable and sustainable development of enterprises. Since its listing in 2011, the Company has continuously improved its governance system and standardized its operation. In combination with the actual development situation of the Company and the requirements of the regulatory authorities, the Company has established a comprehensive and multi-level management system to promote the continuous optimization of the corporate governance structure and effectively protect the rights and interests of the Company and all shareholders.



2 Governance Structure

The Company has established a standardized governance structure in accordance with the requirements of the related laws, regulations and normative documents such as the Company Law and the Securities Law, formulated and implemented rules and systems suitable for the development of the Company, and established a corporate governance system featuring clear division of responsibilities, mutual controls and balances as well as efficient operations.



A Shareholders and General Manager of Stockholders

The General Meeting of Stockholders is composed of all shareholders and is the highest authority of the Company, which makes decisions on the major issues of the Company according to laws.

The Company has strictly followed the requirements of the Securities Law, the Company Law, the Articles of Association, the Rules of Procedure for General Meetings and other related laws, regulations and rules to convene and hold General Meetings, combines on-site voting and online voting to provide convenience for shareholders, especially small and medium shareholders, to attend the meeting of shareholders, treats all investors equally and effectively protects the rights and interests of small and medium-sized shareholders.



B Directors and Board of Directors

The Board of Directors serves as the decision-making body of the Company. At present, the Board of Directors of Suofeiya consists of five directors, including three independent directors. The structure of the Board of Directors of Suofeiya is reasonable, with qualifications, selection procedures and composition of directors as required by related laws and regulations. All directors are able to perform their duties in accordance with the rules such as Rules of Procedure of the Board of Directors and the System of Independent Directors, attend the meetings of the Board of Directors on time, and actively participate in the decision-making of major matters and the review of important information disclosure of Suofeiya; in 2022, the directors of Suofeiya have actively participated in related training activities organized by the regulatory authorities, and effectively improved their abilities to perform their duties as directors through further study and familiarization with related laws and regulations. In addition, none of the directors of Suofeiya have been subject to audit, punishment, notification and criticism, public condemnation, etc. by the regulatory authorities.



C Supervisors and Board of Supervisors

The Board of Supervisors of the Company consists of three members, including two representative shareholder supervisors and one representative employee supervisor, and the latter is democratically elected by the employees of the Company. The structure of the members of Supervisor shall Board of Supervisors of Suofeiya is reasonable, with the qualifications, selection procedures and composition of the supervisors as required by related laws and regulations. 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 the business activities of Suofeiya and the performance of duties of the senior management, so as to promote the standardized operations of Suofeiya.



D Management

The daily operation activities of Suofeiya are performed by the senior management. As of the end of 2022, 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 have helped Suofeiya to seize market opportunities in practical operations, and secured the long-term development of Suofeiya.



3 Internal Control

Based on the requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law and the Code of Governance for Listed Companies, the Company has established a number of internal management systems such as the Articles of Association, the Rules of Procedure for the General Shareholders' Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Board, the Information Disclosure Management System and the Internal Audit System.

Within the reporting period, the Company has continued to strengthen the daily management, regular assessment and continuous supervision and improvement of risks, and the Audit Department has continuously supervised the internal control system of each entity, timely identified the deficiencies of internal control and made improvements accordingly, thereby ensuring the effectiveness of internal control and enabling the Company to improve its operation and management level and risk prevention capabilities.

A Improve efficient internal control system

In 2022, the Audit Department of the Company carried out 14 special audit projects, covering all subsidiaries of the Group. During audit, main problems were discovered on the aspects of sales management, procurement management, asset management and contract execution. In addition to finding problems, the Company has strengthened the rectification of audit problems, required business departments to submit rectification plans within the specified period, paid attention to the rectification effect, and promoted the compliance business operation of the Group.

The Audit Department actively promotes the efficiency of office automation system (OA) approval, summarizes time consumption of each OA process through system reports, regularly focuses on the node time consumption changes, and promotes process approval efficiency by modifying approval authority table, optimizing process nodes, and strictly controlling process establishment and access.

In 2022, the Company released 22 issues of internal control news, organized publicity activities from the aspects of explanation of regulatory documents, analysis of problems found in audit and process application in collaborative office system, so as to enhance employees' awareness of compliance and internal control and help the Group develop steadily. Meanwhile, the Audit Department has launched the training program of "Audit Empowerment-Industry Audit Integration" according to the needs of the manufacturing center, to share audit methods, system points and historical audit findings with financial colleagues at the manufacturing end, and promote business development based on audit knowledge.

B Build a corporate culture of integrity

In 2022, the Supervision Department of the Company continued to focus on the central guiding ideology of "building a clean Suofeiya to help enterprises achieve high-quality development" and raised integrity and compliance to the strategic level on the premise of promoting the sound operation of enterprises, and comprehensively established and continuously optimized the integrity and compliance mechanism. Adhering to the guiding principle of "publicity-oriented culture, supplemented by fight against corruption", the Company organized large-scale integrity publicity activities with the theme of "honesty and integrity" through various forms to create a clean and honest atmosphere. Meanwhile, the Company followed up the implementation of major issues, supervised the implementation process, intensified the investigation and punishment of key cases, solved management loopholes, and jointly guaranteed the healthy and sustainable development.



Special Audit Item

14

Internal Control Information

22

C Attach importance to the construction of sustainable partners

In order to standardize the business activities of enterprises, establish a normal and sustainable business partnership, and build an open and transparent business atmosphere and business competition environment with beneficial cycle, the Company and suppliers signed the Business Partner Integrity Commitment Agreement, which served as the code of conduct for business transactions to be followed by both parties and clarified the withdrawal and punishment mechanism for violating the Integrity Commitment Agreement.

The Supervision Department opened communication channels to dealers, listened to their voices, understood their demands, and severely cracked down on all illegal acts of internal employees infringing on the legitimate interests of dealers. Meanwhile, in order to maintain the brand image of the Company and protect the rights and interests of consumers, the Company imposed punishments on the dealers who were dishonest and did harm to the interests of the Company in strict accordance with regulations, so as to maintain the normal and sustainable business partnership between both parties.

D Enhance protection of intellectual property rights

The Company attaches great importance to the protection of intellectual property rights and shoulders the long-term and crucial responsibility to protect its own intellectual property rights against infringements. To strengthen brand building and maintenance, the Company strictly standardizes the management of intellectual property rights, such as patents and trademarks, and has developed an internal review system accordingly. The Company has continuously consolidated the legal use of patents and trademarks, effectively avoided risks, maintained the brand image, and created a positive atmosphere of honest management and protection of intellectual property rights. In addition, the Company organizes corresponding special training to improve employees' awareness of intellectual property protection, and also manage and protects intellectual property rights through platform management. The Company has also set up special engineers for the management and maintenance of intellectual property rights.

As of the end of 2022, the Company had 1,155 domestically approved registered trademarks; the brand "Suofeiya" had been protected as a well-known trademark for 97 times.



The registered trademark approved in China

1,155

Well-known trademark protection records

97

4 Topics of Concern

The healthy development and achievements of the Company are dependent on the supports from stakeholders such as government and regulatory bodies, shareholders and investors, employees, customers, suppliers and communities. The Company upholds the principle of transparency and equality and attaches importance to communication and cooperation with stakeholders. During the reporting period, the Company has continuously improved the stakeholder communication mechanism, organized diversified communication activities and timely understood and responded to the expectations and demands of stakeholders.

Stakeholders	Topics of Concern	Communication Channels
Governments and Regulatory Authorities	<ul style="list-style-type: none"> · Compliant Operations · Tax Payment According to Law · Employment Generation 	<ul style="list-style-type: none"> · Daily Reporting, Information Submission · Acceptance of Supervision and Assessment · Visit and Inspection
Shareholders and Investors	<ul style="list-style-type: none"> · Sustainable Operation · Compliance Governance · Risk Prevention 	<ul style="list-style-type: none"> · Shareholders' Meeting · Information Disclosure · Investor Hotline · Online and Offline Communication · Investor Interactive Platform
Employees	<ul style="list-style-type: none"> · Compliant Employment · Compensation and Benefits · Safety Production · Career Development 	<ul style="list-style-type: none"> · Congress of Workers and Staff · Labor Union for Employees · Employee Training · Corporate Culture Activities
Customers	<ul style="list-style-type: none"> · Protection of Customer Rights and Interests · High-quality Products · Professional Services · Protection of Rights and Interests 	<ul style="list-style-type: none"> · After-sales Service System · Customer Service Index, Dealer Service Index(CSI/DSI) · Quality and Technology Innovation
Supplier	<ul style="list-style-type: none"> · Sunshine Procurement · Honest Trading · Win-Win Cooperation 	<ul style="list-style-type: none"> · Supplier Conference · Supply Chain Management System · Integrity Culture
Communities and NGO	<ul style="list-style-type: none"> · Participation in Community Building and Development · Active Commitment to Public Welfare 	<ul style="list-style-type: none"> · Fulfillment of Social Responsibility · Participation in Public Welfare Activities

5 Compliant Operations

During the reporting period, the Company has continued its compliance management, established a comprehensive risk management system, enforced various business activities and processes to address the risks and challenges encountered in the operations and business development of the Company. It has strictly controlled various potential risks in operations, enhanced the risk management ability, immunity and resilience of the Company, formulated and implemented response plans to support the strategies of the Company, and implemented scientific decisions to realize high-quality sustainable development.





Protection Of Rights And Interests Of Shareholders And Creditors

Protection of Rights and Interests of Shareholders and Creditors

The Company attaches great importance to the protection of the legitimate rights and interests of shareholders, especially the small and medium-sized shareholders, and has established comprehensive rules and regulations on corporate governance in accordance with related laws and regulations such as the Company Law, the Code of Governance on Listed Companies and the Guidelines for the Articles of Association of Listed Companies, and continued to promote and strengthen the construction of the internal control management system of the Company for standardizing the operations and management of the Company. Furthermore, the Company has established a relatively complete system of internal control management system featuring mutual checks, balanced controls and effective operations. From a mechanism perspective, such efforts have ensured that shareholders and creditors are treated fairly, openly and equitably and can fully enjoy all the legal rights and interests stipulated in laws, regulations and rules.

The Company has continuously improved the standardized operation of the “Three Powers and One Management”, including the Shareholders’ Meeting, the Board of Directors, the Board of Supervisors and the Management, attached full importance to and carefully prepared for the three powers with standardized procedures, respected and exercised the functions of independent directors and professional committees of the Board of Directors, and improved the effectiveness and independence of the operations of the Board of Directors; fully utilized the corporate governance structure of the “Three Powers and One Management” featuring mutual separations and mutual checks and balances, so that each level can perform its own duties and functions within the scope of its respective responsibilities and authorities and the standardized operations of the Company can be guaranteed. The Company has continuously improved the capabilities and self-discipline of directors, supervisors and executives by various learning and training activities, and enhanced the scientific decision-making level of the “Three Powers and One Management”.

Information Disclosure

In 2022, the Company has disclosed 99 announcement documents. The Company attaches great importance to information disclosure and fulfills its responsibilities of information disclosure in strict accordance with the regulations such as Guidelines of the Shenzhen Stock Exchange on Information Disclosure, so as to ensure true, accurate and complete information disclosure without any false records and misleading statements. The designated information disclosure media of the Company include Securities Times, China Securities Journal, Securities Daily, Shanghai Securities News and CNINFO (www.cninfo.com.cn). The scope of information disclosure includes regular reports and other temporary announcements, basically covering all the significant matters of the Company, so that investors can quickly understand the development status of the Company and the right to information of the general investors is protected.

During the 12 years of listing, the Company has closely followed the pace of the regulatory authorities in information disclosure and has maintained a high level of quality disclosure for a long period of time, and has been awarded Grade A in the information disclosure assessment for 9 consecutive years. According to statistics, only 53 domestic listed companies have been rated A in the information disclosure assessment of Shenzhen Stock Exchange for 9 consecutive years, accounting for only 1.26%.

rated for 9 consecutive years **A**
 listed companies have been rated A for 9 consecutive years accounting for **1.26%**



Investor Relations Management

The Company has always adhered to the priority of investor relations management, and is committed to maintain a true, transparent and compliant listed company for investors. It has actively established an excellent communication mechanism with investors to fully safeguard their right to information, understand the pace of the market and perceive the demands of investors.

The Company offers extensive and convenient communication channels for investors, and actively communicates with investors by means of investor hotline, e-mail, investor relations interactive platform, the “Investor Zone” on the official website, media interviews, performance presentations, offline research, etc. for positive interactions with investors. Meanwhile, the Company expands the publicity of investor protection efforts by means of emerging network tools such as official WeChat account and WeChat Video Channel, thereby creating relatively efficient and effective investor communication channels and realizing an investor relationship featuring mutual trust and harmony.

Daily communication

Organize and participate 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 hold annual performance briefing, organize investors to make special communication about the regular performance reports in time, and actively participate in the annual online collective reception day for investors within the jurisdiction.

Interaction and reply

update the register of shareholders in time, track and analyze the changes of shareholder structure; timely reply to 98 questions from investors on the interactive platform of Shenzhen Stock Exchange, actively answer the hotline of investors and maintain smooth communication with investors.

Investor relation new media

update the Company’s business situation in time through new media platforms such as WeChat official account and Wechat Channel, share the business changes in the industry, and provide assistance in preparing industry research reports at home and abroad.

Shareholder Returns

To enable shareholders to share the achievements of the development of the Company, in conjunction with the actual demands of business as well as the premise of ensuring stable performance and continuous improvement in profitability, the Company has formulated the Long-term Shareholder Return Plan and implemented a scientific, sustainable and sound profit distribution policy, so as to provide stable and lasting returns to shareholders.

The Company applies two types of dividend distribution in forms of cash or stock. The Company endeavors to implement an active profit distribution policy, especially the policy of cash dividends, so as to ensure the continuity and stability of the profit distribution policy. When Company determines to distribute profits by way of cash dividends, which is no less than 20% of the distributable profits realized that year.

Since the listing of the Company in April 2011, Suofeiya has been practicing a stable cash dividend policy and actively rewarding investors. **From FY2011 to FY2021, the Company paid a total of RMB 3.447 billion cash dividends (including share repurchases) to all shareholders.**

Cash Dividends
34.47 billion yuan



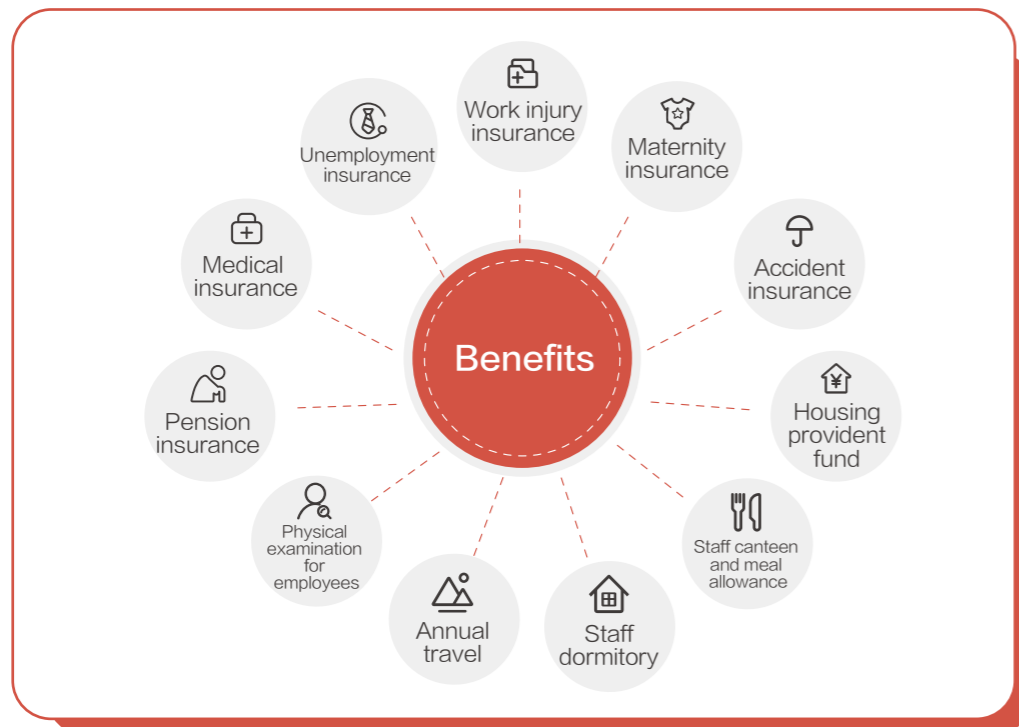
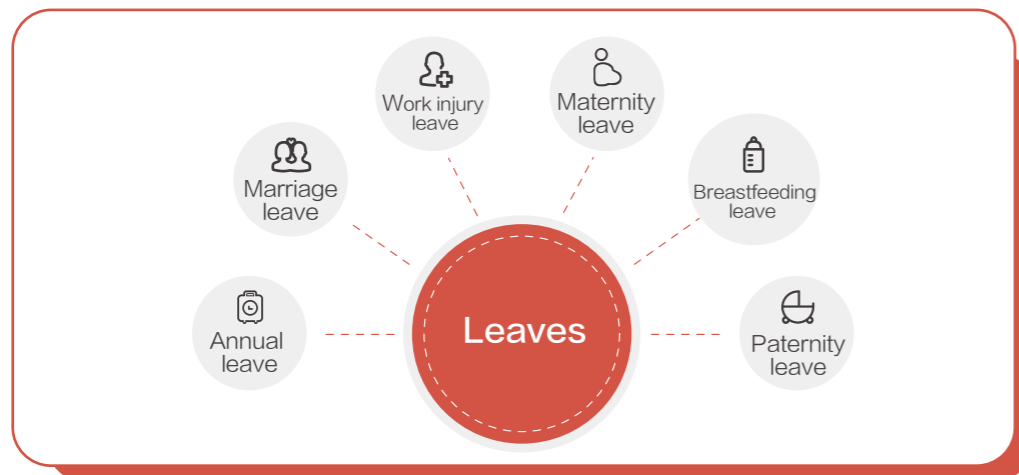
Protection Of Rights And interests Of Employees

1 Compliant Employment

Suofeiya strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Implementation Regulations of the Labor Contract Law of the People's Republic of China, the Social Security Law of the People's Republic of China as well as related laws and regulations, so as to protect the legal rights and interests of employees in accordance with the law.

Suofeiya standardizes the labor contract system, and signs labor contracts with employees according to the law, with a labor contract signing rate of 100%; establishes standards and specifications for labor contract conclusion and renewal process. The Company strictly follows the requirements of the labor security department, so as to regulate the order of labor employment and safeguard the legitimate rights and interests of employees and the Company.

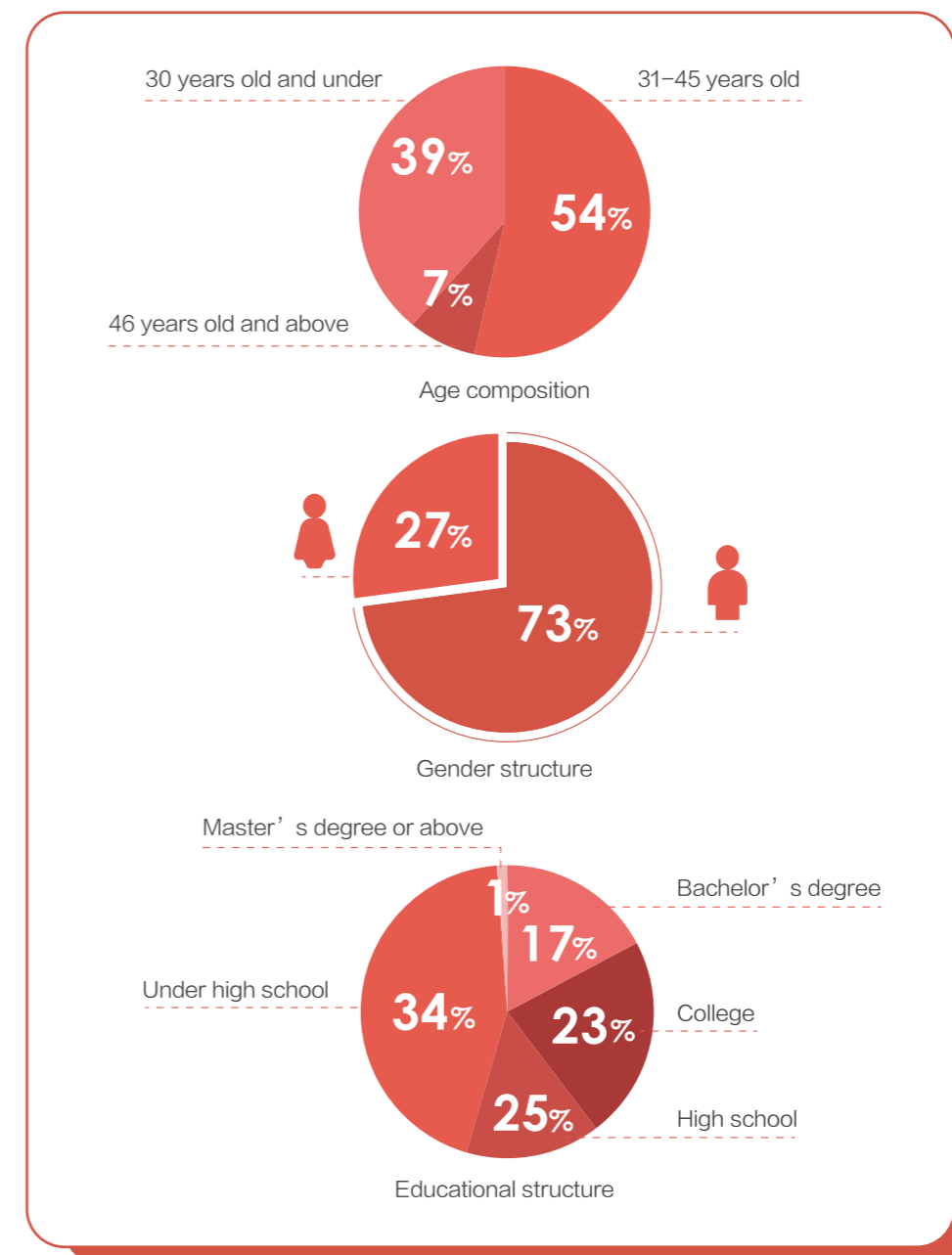
The Company strictly implements the national regulations on social insurance and pays monthly social insurance in full amount and housing provident fund, so as to ensure that employees can enjoy the related benefits in a timely manner.



2 Harmonious Employment Relations

Suofeiya has established a standardized and flexible organizational structure as well as a diversified talent structure, with employees including comprehensive management talents growing up from the production lines, as well as professional talents with cutting-edge management concepts. The Company is committed to building a healthy, harmonious and equal employee employment system based on the demands of satisfying the continuous and rapid development of the Company. The Company resolutely opposes discrimination on the basis of gender, region and religious beliefs, strictly inhibits the employment of child labor and forced labor, promotes equal pay for equal work between men and women as well as humane employment policies, creates a working environment of mutual respect, tolerance and close friendship, and continuously promotes the happiness and satisfaction of employees.

During the reporting period, the total number of employees was **14,906**;



3 Stable Occupational Safety Environment

The Company has always targeted to be leading in the industry for safety management, strengthened the understanding of the extreme importance of safety production, and implemented it into management decisions and production and operation activities, insisted on the goal of pursuing “Zero Accident”, reinforced investigation and treatment on hidden dangers at all levels by standardization and upgrading of safety production and construction of Double Prevention System, strictly focused on safety management of related parties, strengthened the construction of emergency response capabilities, implemented safety training for personnel at all levels, innovated the construction of safety culture, and made every effort to ensure a stable and favorable Employee Health and Safety environment within Suofeiya.

A Strengthen the implementation of the production safety responsibility system

The Company adheres to the principles of “Those Who Are in Charge Shall Be Accountable” and “Balanced and Simultaneous Management of Business and Safety, Production and Safety as well as Operation and Safety”, so as to implement the responsibility system of production safety at all levels. The Company has gradually improved the performance assessment on safety production, thereby effectively promoting the practices of safety production by means of the performance assessment with both rewards and penalties.



B Perform all-round inspection and management of hidden hazards

The Company has mobilized the enthusiasm of employees, promoted full participation and all-round inspection and management mechanism of hidden dangers, performed a three-level (workshop level, team level and position level) inspection and management of hidden dangers, improved the level of inspection and management of hidden dangers, and conducted no less than four special safety inspections on a monthly basis according to the characteristics of seasons and production, as well as safety inspections prior to holidays, etc. to investigate and manage hidden dangers. Furthermore, the Company has implemented a dual mechanism for establishing and improving risk grading and control as well as hidden danger inspection and management, and fully utilized scientific safety risk assessment, risk grading, risk prevention tools and methods for the purpose of risk control.



C Reinforce safety awareness and skills of employees

The Company has formulated a perfect safety training plan at the beginning of the year and organized the implementations thereof. It has launched trainings for new employees at “three levels”, before resumption of work after the holidays, in case of “Four News”, transfer of positions, reassignment, and for special operators, occupational health, fire control (duty) room personnel, volunteer firefighters, on environmental protection knowledge, chemical safety management, safety for high-risk operations, traffic safety knowledge, etc. The rate of employees receiving the trainings and passing the exams has reached 100%. The Company strictly adheres to the trainings and examinations of special equipment operators and special operators, with 100% of the employees qualified for taking up the work.



D Safety culture building

The Company has fully utilized the official WeChat account, display windows, bulletin boards, trainings, themed competitions, etc. to promote the construction of safety culture of the Company, and created a strong atmosphere of safety production by a series of safety culture activities such as the Safety Production Month, “Mid-Autumn and National Day” Safety Activities, “119 Fire Safety Month” Activities, Occupational Disease Prevention and Control Law Awareness Week, Traffic Day, etc., so as to continuously raise the safety awareness and legal consciousness of employees.



E Occupational health management

The Company has entrusted qualified occupational health technical service institutions to perform workplace occupational disease hazard factor testing in accordance with the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, the Regulations on Supervision and Administration of Occupational Health in the Workplace, the Measures for Supervision and Administration of Occupational Health Monitoring by Employers, the Code of Practice for Periodic Testing of Occupational Disease Hazards in Employers, as well as other legal and regulatory requirements, and publishes them at prominent locations in the workshop and disclose related information at striking positions of the workshop. Furthermore, the Company has carried out pre-employment, on-the-job, off-the-job and emergency occupational health examinations; evaluated the suitability, comfort and reasonableness of individual protective equipment for employees, updated the individual protective equipment configuration standards for the employees in a timely manner, and established individual occupational health monitoring files for employees.



F Emergency management

During the reporting period, Suofeiya has upheld the emergency response concept of “prevention-oriented and constant preparedness” and issued timely emergency response measures for extreme weather such as typhoons, heavy rainfall and fog. All branches and subsidiaries are required to perform two emergency drills every six months to test the effectiveness of the emergency plan, improve the emergency linkage and disposal capabilities, optimize and revise the emergency plan and on-site emergency disposal plan according to the drill performance, and equip corresponding emergency resources. The Company has formed a regular non-scheduled fire drill routine to ensure that employees master the ability to escape in case of emergency and that emergency rescue is quickly responded to and properly handled, so as to ensure the safety of lives of employees and the security of properties of the Company.



During the reporting period, the Company has successfully achieved all the production safety targets without any major production safety accidents, and the production safety operation has been safe, stable and healthy.

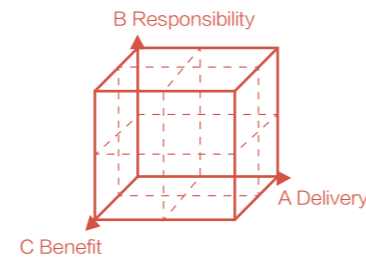
4 Competitive Incentive System

Suofeiya has formulated the Administrative Measures for Remuneration for employees, established a competitive remuneration standard and a reasonable remuneration incentive mechanism, and fully mobilized the enthusiasm of employees while protecting their rights and interests.

The remuneration system has been established to achieve the talent strategy objectives of the Group, to inspire the potential of the employees, to maintain the inherent motivation for the sustainable development of the organization, to clarify the value distribution orientation of the Company, to effectively combine personal development and corporate development, to establish a competitive remuneration system, and to attract, motivate and retain talents.

The Company has established and further improved a comprehensive assessment and incentive mechanism based on the changes in the wage level of the enterprise location as well as the salary standards in the industry. Each department of the Company has set the salary standards according to the job responsibilities based on the value principle, market principle, performance principle and diversity principle, as well as the nature of the job and in conjunction with the three factors of delivery, responsibility and benefit.

The Company has established quantitative and qualitative indicators that are quantifiable and assessable in terms of quantity, quality, efficiency and economic value of the work, reflecting the principle of “distribution according to work and more pay for more work” and motivating employees to improve their performance and attain a win-win situation for both the Company and the employees.



5 Platform to grow with the company

A Multi-level Talent Management System

The Company has been adhering to the basic principle to train its employees by integrating the strategic objectives of the Company and the growth of the employees, so as to realize the joint improvement of the abilities of both the organization and the employees, as well as the mutual achievement and growth of the employees and the Company.

Suofeiya has established a sound training management system and formulated the Administrative Measures for Employee Trainings and the Administrative Measures for Internal Trainers, so as to ensure the effective implementation and operation of the four aspects of training demands, formulation of training plans, implementation of training and assessment of training effects.



In addition to regular trainings, the Company strongly supports the examination and evaluation of professional qualifications of employees, and organizes job title assessment and evaluation at various levels among employees on an annual basis.

B Trainings Applicable to Employees at All Levels

The Company has set up corresponding training courses for team leaders for first-line management, mid-level managers and senior managers, so as to match the competency demands of the stages they are at in their careers.

C Building Mobile Learning Platform

In 2021, the Company has introduced a new system provider to expedite mobile teaching and learning. In 2022, the Company has constantly enriched the learning platform courses. Through online learning platforms, the efficiency of learning and the tracking of training data in the background of the trainees have been improved. The mobile learning platforms have enabled employees to fully leverage their fragmented time to enrich themselves at any time.

D Creation of the Goldsmith Hall

The Goldsmith Hall is the training camp for the internal trainers and mentors of Suofeiya, with the aim of quickly communicating the corporate culture, work processes, work language and work norms of the Company to the employees and to reach a consensus within the Company. During the reporting period, the Company has accomplished three phases of the program, trained a total of 130 internal trainers and completed 24 courses.



6 Care for Employees

The Company adheres to the people-oriented principle and constantly combines the cultural and sports activities with spiritual and cultural needs of the employees and improves the quality of employees' leisure cultural life.

A The Company cares for female employees

Protects the rights and interests of female employees such as maternity leave and breastfeeding leave, and arranges baby care rooms within the office areas. In addition, it organizes various recreational and sports activities for female employees to enrich their spare time. The local branches and subsidiaries of the Company have also organized “Women’s Day” activities and lectures on health care for female employees.

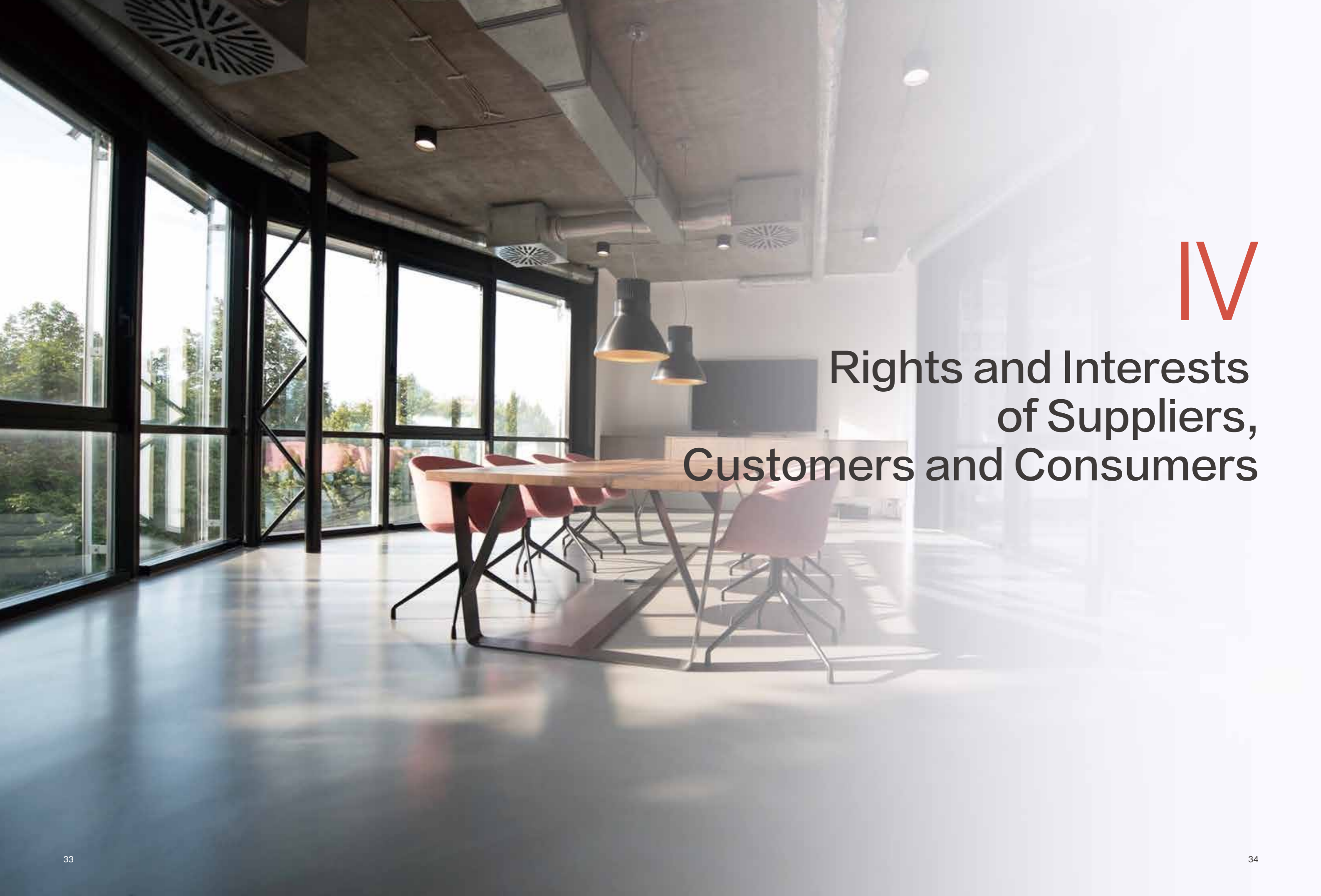
B The Company pays attention to the health of employees

The employees' sense of security is continuously increased through regular physical examination, occupational health examination, health lectures and other activities, so as to build health protection walls for employees.

C The Company enriches the cultural and sports activities

Organizes sports culture festivals, Chinese Valentine’s Day activities, reading activities and other activities to activate the cultural life of employees and meet the growing spiritual and cultural needs of employees.





IV

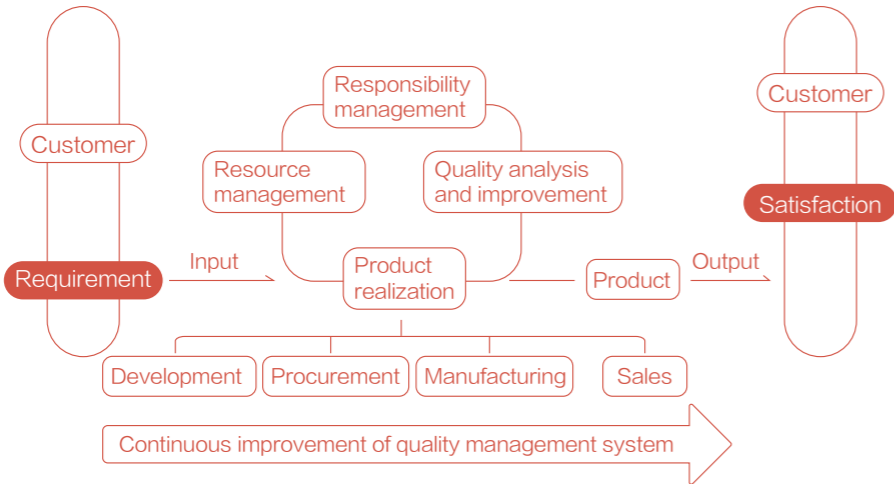
Rights and Interests of Suppliers, Customers and Consumers

1 Protection of Rights and Interests of Customers and Consumers

A Comprehensive Quality Management

/Quality Assurance System/

To ensure the effective control of product quality, the Company has established and passed ISO9001 Quality Management System, ISO10012 Measurement Management System, China Environmental Labeling Product Certification System, Certification of Aldehyde-Free Man-Made Board and Related Products, Child Safety Grade Products, National Green Plant as well as other certifications, and has been engaged in product quality control strictly based on the system requirements. The Company has issued Group Quality Management Manual and Quality Management Measures to carry out resource management, responsibility management, measurement analysis and improvement and product realization for the development, procurement, manufacturing and sales processes, so as to ensure that the final output products can meet customer satisfaction.



/Quality Product Standards/

In terms of product quality requirements, the Company has produced products in strict accordance with national standards. In terms of product safety and environmental protection, the Company has upgraded the product's environmental protection grade; in 2014, the Company fully improved E1 grade to E0 grade of corporate standard; in 2016, the Company launched Kang-Chun grade (ENF) board with aldehyde-free substrate; and deeply participated in the drafting, implementation and declaration of GB/T 39600-2021 Classification of Formaldehyde Emission from Manufactured Boards and Related Products and GB/T 39598-2021 Guidelines for Indoor Loading Limits of Manufactured Boards Based on Limit Formaldehyde Amount, thus promoting the environmental protection level of China's artificial board industry and promoting the high-quality development of the industry.

/Quality Inspection Methods/

To guarantee that the materials used and products produced satisfy the high standard requirements, the Central Laboratory of Suofeiya has passed the CNAS accreditation in 2012, and the Laboratory is equipped with testing equipment such as Gas Chromatography Mass Spectrometer (GC-MS), Atomic Absorption Spectrophotometer, Ultraviolet Spectrophotometer, Formaldehyde Climate Chamber and VOC Climate Chamber for strict control of the performance of materials and products. Meanwhile, the Central Laboratory has also been awarded the title of Customized Wardrobe Professional Laboratory by the National Wood and Bamboo Industry Alliance.



/Quality Traceability and Process Control/

The Company has independently developed a set of Raw Material Traceability Management System to realize the overall quality traceability so that each material has its own "ID card" and automatically match it with customer orders through the information system of the Company. Tracking is available on the supply batch, production process and production time of the board through the QR codes.



Board Fitting QR Code Board Fitting QR Code Reading Device

01

02

Intelligent production equipment is introduced, upgrade automatic flexible production lines and special line production and reduce production errors;



Flexible Production Lines

03

CCD (charge-coupled device image sensor) technologies are applied for real-time online inspection of product dimensions and robotic arm testing of product/hardware durability to enhance product testing accuracy;



04

Through logistics integration, the Company has successively introduced intelligent three-dimensional warehouses featuring automatic entry and exit of goods, WMS warehouse management system and TMS transportation management system of intelligent logistics chain and realized order in-transit tracking, vehicle dispatching and signing and payment, improving the accuracy of product shipment and solving the problems of falsification and missing shipment in the logistics chain.



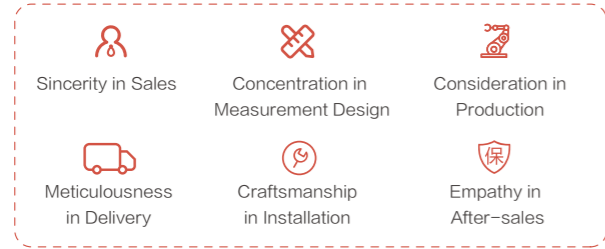
Intelligent 3D Warehouse

B Professional Six-Virtue Services

Adhering to the core values of “Customer First, Innovative Sharing, Professional and Efficient, Honest and Enterprising”, Suofeiya has continuously launched products with high reliability, excellent performance and strong competitiveness, continuously improved the customer service system, and has constantly regarded hearing the voices of customers and consumers as an important measure to promote the development of the Company, safeguarded the rights and interests of customers and consumers, continuously improved the quality of service, enhanced customer satisfaction, and finally realized mutual benefits and win-win situations with customers.

2009

In 2009, as the leading company in the industry, the Company launched Six Virtue Services to focus on six links of the services.



2019

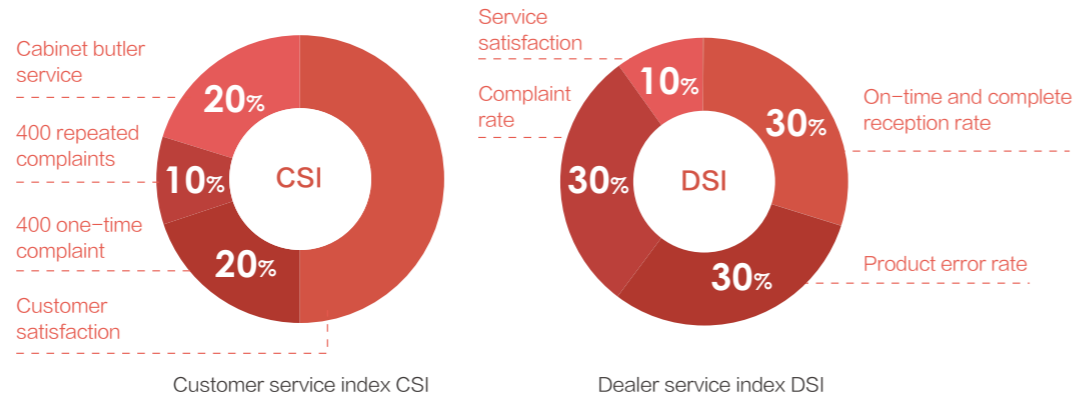
In 2019, the service was upgraded to “Suofeiya Super 6+1 Service” to strengthen the bidirectional communication and interaction with customers. “Super 6+1” Service is based on the guidelines of “Six-Virtue Services”, so as to ensure great customer satisfaction through the ultimate services of each process and acquire active recommendation from customers.



2018

In 2018, in order to better serve customers and coordinate the resources of the Company and dealers, the Company set up a service center, and proposed to make service become the core competitiveness from a strategic perspective. The Company took the lead in building a complete service system in the whole customized home collection industry and used two major indicators, customer service index (CSI) and dealer service index (DSI), to drive the whole chain of the Group to provide good service.

CSI is composed of customer satisfaction, one-time complaint rate, repeated complaint rate, counter housekeeper score rate and special deduction items.
DSI is composed of on-time delivery rate, product error rate, complaint rate and service satisfaction. Two indexes are promoted continuously through dealer grouping and PK form of each branch factory.



2022

In 2022, the Company provided 22 operation trainings, 149 design trainings and 68 installation trainings, with more than 80,000 trainees, covering over 1,000 + areas and fully empowering dealers. Meanwhile, the Company has held installation skills competitions for 8 consecutive years to improve service levels; in 2022, the Company held four installation skills competitions, with 166 participating areas and 390 participants. The Company also organized trainings and competitions in the form of “1+1” to build a national service benchmark and better provide installation and delivery services.

The Company has been extending its online services, focusing on customer experience and feedback, and giving top priority to customer after-sales services. The Company aims to improve customer experience by upgrading on a repeated and comprehensive basis, operating a 400 national service hotline, a dedicated complaint mailbox, building an Internet service platform, developing a service platform applet as well as other network channels to respond to customer demands in a timely manner and effectively improve the timeliness and convenience of the service of the Company. Meanwhile, the Company has promoted the improvement of stratified and personalized services, continuously expanded the exclusive rights and benefits of customers, formulated standardized processes and strict service indicators, offered customers more practical, efficient, high-quality and all-round convenient services, and boosted customer satisfaction and trust.



2020

In 2020, the Company launched a brand-new service IP “French Cabinet Butler”, which covers the pre-sales, sale and after-sales aspects to provide more intimate and more focused services for the personalized demands of consumers.

The Company has also started the Suofeiya Academy with five campuses: South China Campus, North China Campus, Central China Campus, Southwest China Campus and East China Campus, mainly focusing on the three major sections of operation, design and installation to launch systematic course trainings and assist the regions to improve their service levels and efficiency.



2 Win-win Cooperation and Mutual Development

With the intensified competition in the home furnishing industry and demands of consumers for a better life, drastic changes have taken in home furnishing enterprises. Suofeiya upholds the concept of “Win-win Cooperation and Mutual Development” in the supply chain, and continues to develop and iterate with its upstream and downstream partners in terms of “Product Innovation, Efficient Operation and On-time Delivery” to ensure the delivery of high-quality products while safeguarding and protecting the rights and interests of its suppliers and partners, so as to create a supply chain system featuring efficient upstream and downstream collaboration and win-win cooperation in response to the new challenges brought about by market changes.

The Company’s supply chain operation and management goal is to build an efficient and cost-effective supply chain and provide customers with high-value products and services. After years of development and iteration, the Company’s supply chain has achieved remarkable results in the timely delivery of customer orders, raw material supply guarantee, joint development of new products, efficient operation of the supply chain, thus laying a solid foundation for the Company’s sustained growth and high-quality development.

A Advantages of National Industrial Layout and Supply Chain Layout

In order to ensure the efficient delivery of customer orders, the Company has established a perfect national industrial layout and owns eight manufacturing bases now, including Guangzhou, Langfang, Jiashan, Chengdu, Huanggang, Lankao, Qiqihar and Jinhua manufacturing bases. The Company actively takes the advantages of national industrial layout, and coordinates the production capacity of the manufacturing bases to meet national customer orders. Raw material suppliers of various manufacturing bases have worked together with the Company to pursue mutual development and close cooperation, which can effectively guarantee the timely delivery of customer orders and service quality.

B Joint Product Innovation

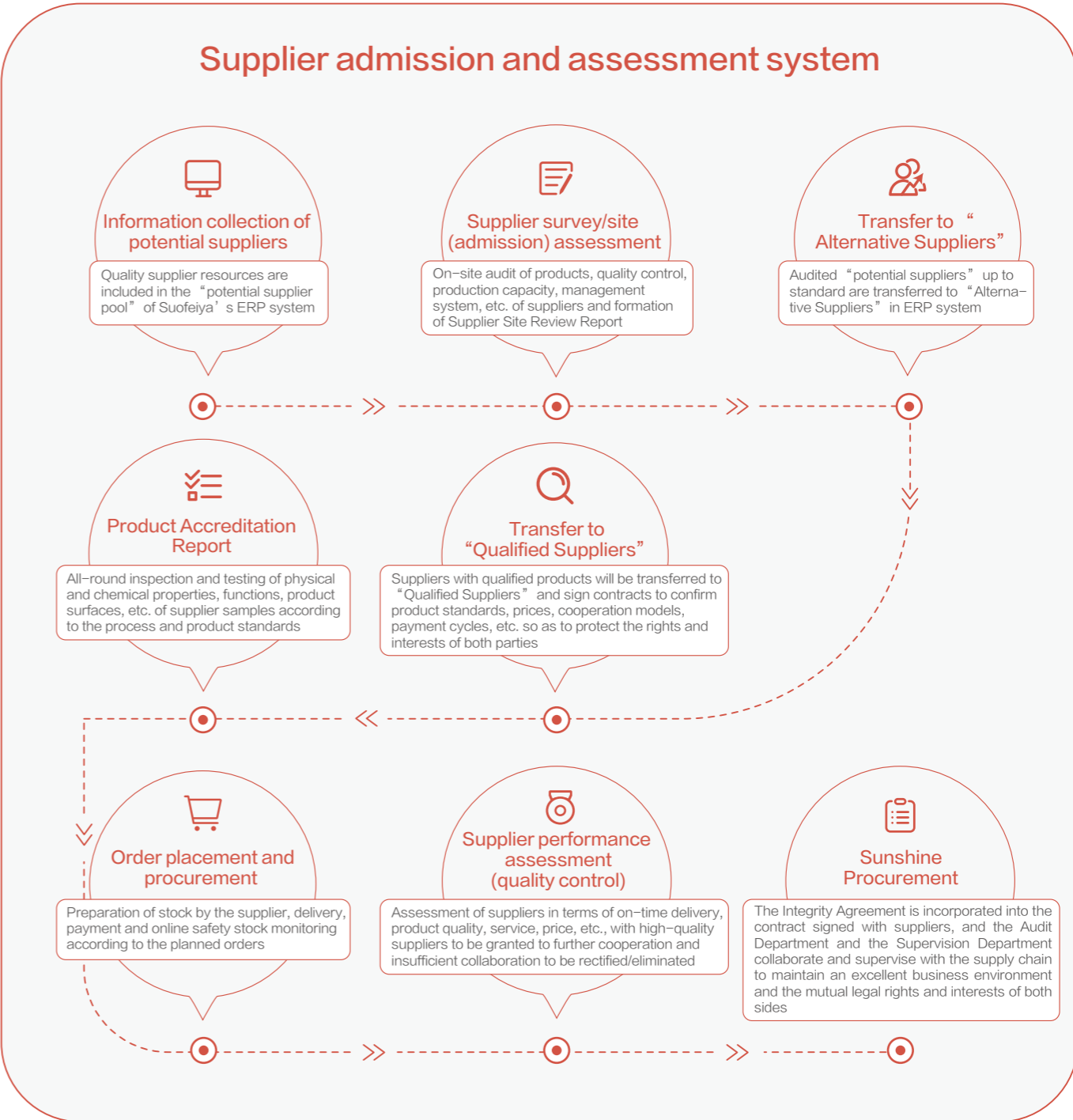
Based on “efficient delivery”, the Company gives full play to the role of value chain introduction, actively investigates and reserves new materials, new processes and new products on the supply side, forms a “knowledge base/report of industry research on the supply side”, shares industry information with business departments in time, and jointly develops new products according to market customer needs and technology on the supply side. “Kang-Chun-Ban”, developed by Suofeiya and upstream board enterprises, is the artificial veneer with the highest environmental protection level at present and is at the leading level in the world. A series of innovative products, such as aluminum frame cabinet doors for customized wardrobe, UVcabinet doors and cabinet intelligent lighting systems, have been launched in the market, which have been recognized and favored by consumers, thus injecting new elements and great experiences into customers’ home life. Product innovation has become an important driving force for the performance growth of the Company.

C Efficient Operation and Cost Optimization

Efficient operation can not only reflect the competitiveness of the Company but also guarantee that customers are provided with cost-effective products and services. When ensuring efficient delivery of customers, the Company attaches importance to improving the efficiency of supply chain operations. With the help of IT systems such as ERP, BI and MES and big data management tools, the operational indicators such as raw material delivery rate and inventory turnover rate have improved significantly. The operation efficiency in target setting and project promotion optimization has been greatly improved, thus promoting the efficient and continuous iteration of operation indicators. The Company’s supply chain and lean manufacturing department have actively explored the improvement of plate utilization rate. In combination with the big data on cabinet product size customization, the Company jointly developed the most suitable veneer size for customized home collection industry with upstream suppliers, so as to improve the veneer utilization rate of the Company, reduce the loss of unnecessary raw materials through technology, scientifically promote the optimization of manufacturing costs and better provide customers with cost-effective products.

D Supplier Selection and Management

To guarantee the quality of raw materials and service efficiency of high-quality products of the enterprise, Suofeiya has strictly formulated the supplier access and assessment system, performed comprehensive assessment from various aspects such as product, quality control, service and management system, followed the rules of fair competition, optimized entry rules for alternative suppliers, established supplier assessment and management system, continuously reinforced the awareness of the suppliers on social responsibilities, and improved the self-management ability and industrial chain iteration level of the supply chain.



3 Focus on Product Innovation

A Insist on product research and development

- 2001** ○ Suofeiya invented the sliding door wardrobe in 2001;
- 2003** ○ launched the classic louver door in 2003;
- 2011** ○ took the lead in launching the Haina Baichuan storage system in 2011;
- 2012** ○ In 2012, “Future Wardrobe” witnessed the intelligentization of China’s customized furniture industry;
- 2019** ○ In 2019, Suofeiya put forward the idea of “entry luxury design”, and led the design fashion and development trend of the industry from the perspectives of customized furniture style, material, craft and fashion elements.
- 2022** ○ In 2022, new products such as Kale Series, Boundless Series, Lace Series and Bella Series will be launched, with the number of newly developed products being 2,345.

Over years of development and guidance, Suofeiya constantly sets a weather vane for the industry from product stylization to style diversification, from independent display of terminal products to scenario-based experience & display!

As the first listed company in the customized home furnishing industry, Suofeiya has created a new pattern of large-scale personalized customization of wooden household products in China. In 2011, the Company took the lead in carrying out intelligent manufacturing research, and built the first intelligent manufacturing factory in industry in 2018, which expanded the market size of China’s customized home industry from 87.8 billion yuan in 2012 to more than 400 billion yuan in 2021, making the home furnishing process of consumers more convenient and meeting the people’s demand on beautiful home products.

Construct R&D System

As time goes by, on the way towards the future, with innovation as the engine, Suofeiya has been standing based on the overall layout of the industry, constantly acting as the industry leader, being the “reference benchmark” of the customized home furnishing industry, and being the model of Chinese manufacturing enterprises.

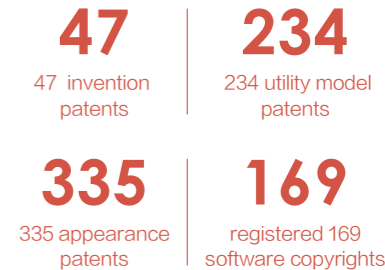
Presently, the Company has established a comprehensive R&D management system, and is promoting greater standardization and process of innovation and development by formulating and implementing a series of systems and measures, such as measures for product design and development management, product quality evaluation norms for furniture household products, measures for laboratory testing management, management measures for rewarding scientific and technological achievements, as well as rules for operating innovation and improvement proposals.



Flowchart of Product Design and Development

Output R&D Achievements

As the first listed company and leading enterprise in the industry, Suofeiya has always attached great importance to scientific and technological innovation and technology leadership. The Company has one national accredited laboratory; three provincial R&D platforms support product R&D and innovation; 616 authorized patents (including 47 invention patents, 234 utility model patents and 335 appearance patents); has registered 169 software copyrights, published 65 papers, participated in the formulation of 13 national standards, 10 industry standards and 43 group standards and won 300 + honors from all walks of life.



List of Some Patent Certificates



In recent years, the Company has witnessed rapid progress in the application of information technology and industrialization layout, and has independently developed a number of core technologies. With the innovation and improvement in the level of intelligent manufacturing technology for custom home furnishings, Suofeiya takes the leading position in the global customized home furnishing industry. In June 2022, experts organized by China Forest Products Industry Association in Beijing used online and offline meetings to appraise the new product of Ultra-matte Skin Ultraviolet Curing Wood Coatings. The appraisal committee agreed that the product was highly innovative and had reached the international advanced level.

The Company has been continuously making efforts in the field of environmental protection and quality, with 15 scientific research achievements winning provincial and municipal science and technology awards. **In 2022, the Company won two science and technology awards: the Second Prize of Science and Technology Award of China Association for the Promotion of Science and Technology Industrialization and the First Prize of South Guangdong Forestry Science and Technology Award.**



Summary of Suofeiya Scientific and Technological Achievement



Summary of Suofeiya Scientific and Technological Achievement Awards



Build innovation team

Established in June 2011, Suofeiya Research Institute is the first specialized scientific research institute in the closet industry, it is also an innovation center of Suofeiya responsible for product research and development, process research and development, quality control, participation in industry standardization, product inspection and material performance testing, as well as external technical cooperation and exchange, technical personnel training, etc. The Center serves as an integral part of the strategic planning of the Company’s development, as well as an important guarantee for the Company to continue to lead the industry.

The Institute has established six laboratories across the country and completed a testing matrix featuring “strong technical strength, comprehensive testing services” with a large number of modern testing instruments, equipment and professional staff. The South China Laboratory of Suofeiya in Guangzhou has been accredited by CNAS, marking it the first national accredited testing institute in the industry. The Institute has empowered Suofeiya to innovate at all levels of new product development and design, raw material quality and production process control, and to perform independent product quality testing at an international level in accordance with CNAS requirements, so as to ensure that the products purchased by consumers satisfy the latest safety and performance quality standards.

Moreover, Guangzhou headquarters of the Company was recognized as a high-tech enterprise for the first time in 2009 and such title is still maintained so far. The Company was awarded the municipal enterprise technology center in 2011 and passed the certification of provincial enterprise technology center in 2014.



Latest CNAS Accreditation Certificate of South China Laboratory of Suofeiya



The headquarters won the certificate of high-tech enterprise certification for the first time

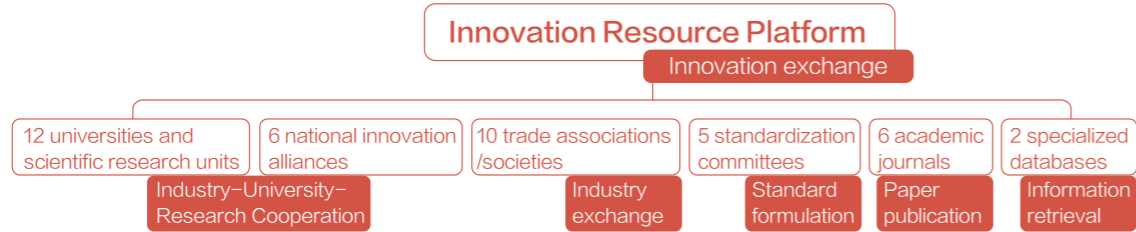


the headquarters passed the certification of provincial enterprise technology center

B Improve Innovation Ability

Create an innovation platform

The Company attaches great importance to the development of talent construction and training, builds an external innovation resource platform with universities and scientific research units. For instance, the Company has built a “teaching practice base” with South China Agricultural University, opened a “Suofeiya Class” and jointly established “Customized Home R&D Center” with the Institute of Wood Industry, Chinese Academy of Forestry, so as to build a collaborative education mechanism between production and education, and effectively realize the precise linkage between discipline chain, innovation chain and industrial chain. See the following figure for details.



Suofeiya Innovation Resource Platform Establishment

In terms of cooperation and innovation, Suofeiya has cooperated with five institutions, including the Wood Industry Research Institute of Chinese Academy of Forestry Sciences and Northeast Forestry University, to undertake the “Energy Saving and Consumption Reduction and Safe Production Control Technology in Wood Industry”, a key topic research under the 13th National Five-Year Plan. The Company has cooperated with South China Agricultural University and Nanjing Forestry University to undertake research on furniture odor detection and control technology; cooperated with members of the Technology Innovation Alliance of Wood/Bamboo Industry of China, National Innovation Alliance of Customized Home Furnishing, National Innovation Alliance of Veneer Industry and other alliances to undertake research on new materials and processes; cooperated with scientific research institutes and industry organizations to develop a number of national industry group standards.



As of the end of December 2022, the total number of R&D personnel in the Company reached 1,369, and the annual R&D investment accounted for more than 3% of the total investment, which laid a good foundation for new product development, quality optimization and cutting-edge technology research.



C Information Security

Along with continuous development, Suofeiya has also expanded its network. To satisfy the internal business demands, Suofeiya has established subsidiaries or branches in different regions, and extensive local networks have been interconnected with remote networks across the country into an even larger network which can increase efficiency and competitiveness for the Company. Meanwhile, the Company shall ensure the network security and make balanced consideration on the security of transfer of confidential information between headquarters and branches and among branches, data reliability assurance, the capture, analysis and disposal of abnormal traffic, management of equipment of the Group, etc.

Information security is a system project and the Company's Information and Digital Center (IDC) has tailored a set of secure and efficient network security solutions for Suofeiya based on a series of network security products. The solutions include but not limited to network access mechanism, antivirus software, firewall, virtual private network (VPN), Internet behavior management equipment, file scanning and monitoring, bastion host, system backup, etc. The Company has established information systems such as information system management and network security mechanism and authority control to strengthen the security management of data and information from individual to overall.

The information security management of the Company has been strengthened and improved over the years, and the efforts and indicators have been incorporated into the right track of management, so as to safeguard the information operation of all aspects of the operations and management of the Company, and effectively ensure the high-speed development and safe operation of the Company with due values.

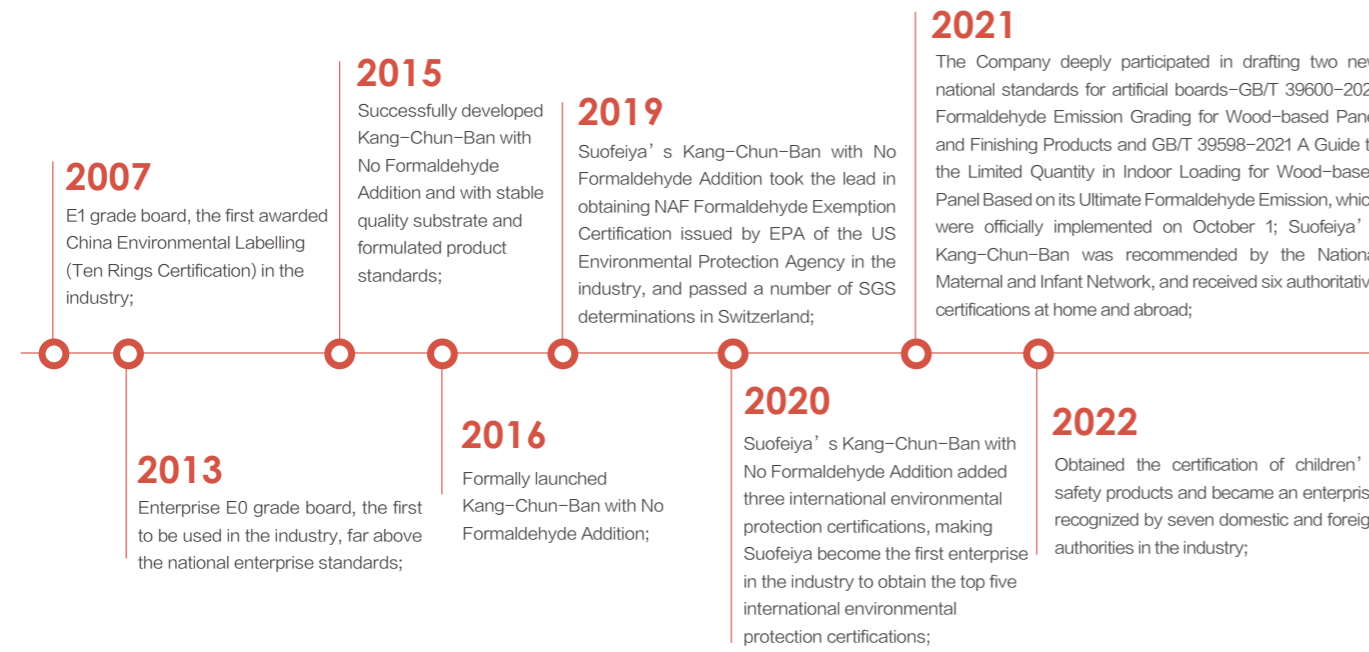


<p>01/ In 2022, the Company has continued to plan and invest huge funds and manpower to build and optimize the maintenance of information security application systems, facilities and equipment, providing necessary technical conditions, equipment and facilities for information security;</p> <p>02/ The Company has continuously established and improved information security management norms and responsibility systems, established emergency plans, enforced security inspections and documentation, strengthened security training, identified security risks, and increased security investment, etc.;</p>	<p>03/ The Company has established a regular data backup and security management mechanism, strengthened the security control of data flow by systematic regular inspections and automated monitoring methods and means, as well as encrypted storage of sensitive information to avoid data security incidents;</p>	<p>04/ In 2022, the Company has strengthened its external security defense capability and upgraded the firewall systems of some branches, strengthened the security defense capability of the Internet borders of the Company, so as to better identify malicious programs/malicious behaviors/unknown threats and better avoid damages to the systems. Meanwhile, the Company has also upgraded data backup measures, so as to provide offline backup for high-level data based on the level of data importance, effectively avoid viruses or other malicious damages due to online activities, and further enhance the security and reliability of data;</p>	<p>05/ The Company has strengthened the core code and data security management and introduced a quarantine model under original authentication management mode, where developers are required to develop software in a supervised and restricted environment to prevent data leakage from instant messaging, web forums, USB peripherals, etc. that could transfer data outside the network boundaries of the Company;</p>	<p>06/ The Company has established and continuously improved the network access mechanism, strictly controlled the devices that access the network of the Company, and the areas accessible to visitors are strictly controlled to eliminate the possibility of their access to the internal systems of the Company;</p>	<p>07/ The Company has established and continuously improved the network redundancy mechanism. With the continuous deepening of intelligent production, the new and old production workshop is increasingly relying on the network, and the availability of the workshop network can be better guaranteed by establishing dual-line redundancy for workshop network equipment and backbone lines;</p> <p>08/ The Company has gradually improved data security management and system process, and to perform regular audits on all users of the Company so as to strictly control the loopholes;</p>
<p>09/ The Company has implemented classification and grading management and risk-avoidance measures for business information and data, customer information data, etc., so as to effectively safeguard customer information and data assets; the Company has also established the Code of Conduct for Data Security in accordance with this system and pursued related economic and legal responsibilities for violators;</p>	<p>10/ The Company has researched and applied dynamic data desensitization techniques and tools to desensitize customer-related information, effectively preventing the leakage of customer information and avoiding possible losses arising therefrom;</p>	<p>11/ The Company has developed and applied enterprise WeChat tools at the market terminal, and all customer information will be retained within the scope of prevention and control of the Company;</p>	<p>12/ The Company has constructed a vulnerability management platform to implement the discovery of vulnerabilities, disposal recommendations, and repair methods to individuals, so as to establish a closed-loop management of vulnerabilities and enhancing the robustness of business systems. The information security management of the Company will be continuously strengthened and improved on a continuous and step-by-step basis, so as to safeguard the information operation of all aspects of the operations and management of the Company, effectively ensure the high-speed development and safe operation of the Company and exerted the due values.</p>	<p>13/ The Company has continuously performed the assessment of data management capabilities and achievements based on the data management capability maturity assessment model DCMM, which covers all stages of data lifecycle management. Furthermore, the Company has established a special data management organizational structure called Data Governance Committee to comprehensively plan and guide the development of data management, created a data strategy formulation process, established data model specifications, realized data integration and sharing with various application systems of the Company, promoted the formation and consistency of data standards, and formulated management methods to control data security.</p>	



Environmental Protection and Sustainable Development

1 Adhere to the quality of environmental protection and advocate common progress of the industry



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
- Child Safety Product Certification.

With the popularity of Kang-Chun-Ban, as of September 2021, the number of clients and orders of Kang-Chun-Ban accounted for nearly 90% of the total number in the market.

The Company attaches great importance to the environmental protection quality of products and strives to provide healthy and environmental protection home living environment and high-quality products for every consumer. Since the Company obtained the EPA NAF formaldehyde-free exemption certification for the first time in the United States in 2019, Suofeiya has been continuously recognized by many authorities in the world. The Company won the "Children's Safety Product Certification" in 2022 and has received seven authoritative environmental protection certifications up to now.

During daily procurement and manufacturing process, the Company also adheres to strict standards, and carries out inspections on plates, namely initial inspection, bulk sampling inspection and routine sampling inspection, in laboratories recognized by CNAS, with 12 inspection processes implemented and takes rigorous attitude to guarantee the environmental protection quality.

In addition, the Company insists on sending samples to third-party authoritative testing institutions for inspection every month and publicizing the inspection results, so that the customers can rest assured, which plays a positive demonstration role in the industry.

2 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. By the end of 2020, Suofeiya East China Production Base and Suofeiya Home Collection (Zhejiang) Co., Ltd. were recognized the National Green Plants, making the Company the only one selected in the customized cabinet industry; in 2021, the Guangzhou Headquarters - South China Production Base was also selected for the list of 2021 Green Manufacturing issued by the Ministry of Industry and Information Technology; in 2022, South China Production Base of Suofeiya and Suofeiya Home Collection (Chengdu) Co., Ltd. were recognized the National Green Plants, with the level of green manufacturing and the concept of sustainable development being recognized by the national authority, which has realized a plant featuring intensive land use, harmless raw materials, clean production, resourceful waste and low-carbon energy. The assessment was a certification granted by the national Ministry of Industry and Information Technology for enterprises complying with the "Green Development" initiative upon recommendation by the local industry and information department, on-site evaluation by third-party evaluation agencies, assessment and confirmation by provincial industry and information technology authorities, as well as validation by experts and public announcement. The election reflects the full affirmation of the national regulatory authorities on the green manufacturing of Suofeiya.

3 Improve Green Management

EHS Vision

Creating an excellent EHS operation system, creating a safe, healthy, green and sustainable working environment and corporate culture

EHS Objective

zero major safety accidents; zero regulatory non-compliance

A Continuous Optimization of Environmental Safety Management System

With the continuous development and growth of the Company, the Company has established an effective, rigorous and scientific environmental management system and passed the certification of the three major systems. Since 2020, the Company and its Environmental Safety Department have been optimizing a series of environmental management systems such as Administrative Measures for Environmental Protection and Administrative Measures for Environmental Protection Information Reporting and strictly implemented these systems. Each plant has firmly complied with all environmental management systems and strictly implemented environmental management system; meanwhile, each plant has performed regular environmental monitoring of waste water, exhaust gas, noise and solid waste, as well as self-monitoring of soil and groundwater, and taken the initiative to disclose the monitoring data. Since the listing, the Company has been awarded a number of certificates and titles related to environmental protection and energy saving and consumption reduction, such as Model Enterprise of Guangzhou City of Customization, China Environmental Labelling Certificate and National Green Plant.



Suofeiya has been upholding an EHS vision of "Creating an excellent EHS operation system, creating a safe, healthy, green and sustainable working environment and corporate culture", with an emphasis that everyone should establish safety awareness, master safety skills and prevent problems prior to occurrence. In 2022, the Company has optimized a series of safety and occupational health management systems such as Group EHS Responsibility System, Administrative Measures for Safety Accidents and Administrative Measures for Regular EHS Meetings, and improved the environmental safety management system of the Group, so that the systems of environmental protection, safety and occupational health are more consistent with the current EHS management practices.

B Safety Management System and Environmental Emergency Management

All Suofeiya's plants have adopted interlocking and interlinking fire safety control systems for safety 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 two 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 and to ensure that emergencies are within control.

To prevent emergencies from affecting the surrounding environment, the Company and its subsidiaries have formulated Emergency Response Plan for Environmental Emergencies and Environmental Risk Assessment Report to predict possible environmental protection problems, developed emergency preparedness and response control procedures for environmental emergencies, determined the formation of personnel responsible for commanding and organizing emergency response, and configured rescue equipment for emergencies.

The Company has also prepared special emergency plans such as Emergency Plan for Environmental Emergencies – Air Pollution and Emergency Plan for Environmental Emergencies – Fire Accident for failures of waste gas treatment facilities; and Emergency Plan for Hazardous Waste Leakage in the process of hazardous waste transportation; and regularly rehearses, summarizes and reviews these special emergency plans.

4 Promote Eco-friendly Operation

Suofeiya has attached great importance to the construction and operation of energy management system, adopted diversified energy saving and emission reduction measures, introduced green environmental protection technologies of water resource and waste water treatment, waste recycling, etc., and comprehensively strengthened energy management, water resource and waste water management and waste management, so as to promote the green and healthy development of the supply chains.

A Energy Efficiency Management

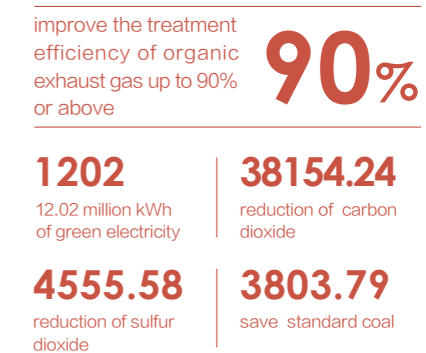
The Company actively responds to the proposals of energy conservation and emission reduction in the country, spares no efforts to build an energy-saving and environment-friendly enterprise, strengthens education and training for all employees on energy conservation and consumption reduction, actively launches the research and use of new technologies and new techniques to save electricity, adjusts and optimizes the production processes, and focuses on the technical improvement of high energy-consuming sections. The plants have adopted CNC digital control systems, which can process production process data more quickly and make production forecasts, improve the utilization rate of boards and effectively reduce the waste of wood resources.

Based on advanced industrial technology and intelligent equipment, the Company is dedicated to researching and developing new production processes, eliminating outdated processes, technologies and equipment with high energy consumption, promoting green procurement and the design of reduced packaging materials, and improving the efficiency of resource recycling. Furthermore, the Company is actively promoting clean production, energy conservation and emission reduction, continuously promotes the comprehensive use of clean energy such as photovoltaic power generation and natural gas, and eliminates the use of fossil energy so as to contribute to the reduction of global greenhouse gas emissions.

To better reduce factory emissions, the plants of the Group have responded to the national control of heavy pollution weather and ozone in summers by upgrading the exhaust gas treatment facilities of the plants of the Group, or technically modifying the exhaust gas collection system, controlling the unorganized emissions of exhaust gas to organized emissions, upgrading the exhaust gas treatment process and upgrading the level of exhaust gas treatment. For example, the new exhaust gas units are processed by dust removal + RTO exhaust gas treatment system, which adopts the method of combustion to improve the treatment efficiency of organic exhaust gas up to 90% or above.



Since 2017, the Company has been vigorously promoting solar photovoltaic power generation projects on roofs of plant buildings, fully utilizing local solar resources and building grid-connected distributed photovoltaic power generation systems to save limited coal and oil resources, with a certain degree of thermal insulation simultaneously. During the reporting period, the solar photovoltaic power generation project has supplied about 12.02 million kWh of green electricity to the Company and State Grid, convertible to a reduction of 38,154.24 tons of carbon dioxide and 4,555.58 tons of sulfur dioxide, equivalent to saving 3,803.79 tons of standard coal. From 2017 to 2022, the Company has provided about 56.51 million kWh of green electricity for the Company and the State Grid. In the future, the Company will continue to promote solar photovoltaic power generation projects.



B Water resources and wastewater management

Water resource management is also an important part of the social responsibility practiced by Suofeiya. All the plants of Suofeiya have insisted on process control and adjustment from the source and taken a series of water-saving measures. The Company has invested in the construction of a production wastewater reuse system, which reprocesses the wastewater from the terminal sewage treatment station to the standard of reuse water, and then finally reuses it for plant equipment cleaning, toilet flushing and other purposes, thereby reducing wastewater discharge.

To effectively achieve the objective of emission reduction, the newly built plants are designed with more energy-saving and consumption-reducing equipment and facilities in the pre-design stage, that is, design and construction of the overall process for energy saving and emission reduction. The existing plants have been upgraded with wastewater treatment systems to improve the treatment capacity of wastewater, constantly monitor the discharge of wastewater, and reduce the production of solid waste and sludge. In the future, Suofeiya will focus more on the stable operation of wastewater treatment facilities, project technology improvement, water recycling, etc., so as to highlight the corporate social responsibility of Suofeiya.

C Waste Management

In the overall process of waste generation, Suofeiya supervises and controls the overall process to reduce the generation or discharge of solid waste from source control and finally dispose in a compliant manner. In addition, it has established a standardized waste standard management system to ensure legal compliance in the process of generation, storage, transfer and disposal, and standardize the classification of source control of each process, make comprehensive use of the waste with potential use value, and realize the recycling and harmless disposal of the waste.

Through process optimization and continuous exploration, the Company has comprehensively utilized some of the raw materials, and reduced the solid waste generation by improving the packaging method of raw materials. In the future, Suofeiya will focus more on the management of solid waste, as well as the saving and resource utilization of solid waste throughout the life cycle, from raw materials to products.



5 Promote Green Office

Based on the concept of green development, the Company actively practices the culture of green office, encourages employees to strengthen their sense of responsibility and environmental protection, adopts LED energy-saving lamps and lanterns in the office area, highlights energy-saving lighting, electricity and water conservation, garbage classification, promotes paperless office, cultivates low-carbon behavioral habits, strengthens internal energy conservation and environmental protection publicity, creates a good atmosphere of green office, and educates employees on green office and life styles.



VI

Public Relations and Social Welfare

1 Support medical institutions and public health undertakings

In 2022, the Company “tailored” a series of high-quality environmentally-friendly products for the nursing room, children’s book library and medical care space in the outpatient and emergency area of Shanghai Children’s Medical Center, creating a good medical atmosphere for children and their families, promoting the development of medical care projects such as “tear-free hospital” and “moving medical care”, and supporting the construction of projects that aim to improve the medical conditions in the country.

As of the end of 2022, the Company worked together with dealers in various regions and provided medical environment construction support for many medical institutions and elderly service institutions such as Jiangsu Women and Children Health Hospital, Shenzhen Maternity & Child Healthcare Hospital, Hubei Xiangyang Central Hospital, Wuhan Union Hospital Pediatric Hematology Department, Nanjing Children’s Hospital, Shandong Pingyi County People’s Hospital and Hubei Guangshui Women and Children Health Hospital. In the future, the Company will continue to promote and support the public health undertakings.



2 Support Public Benefit Activities and Develop Social Welfare

The Company actively advocates voluntary blood donation public welfare activities, takes practical actions and provides solid backing for saving lives, and transmits love and positive energy to the society. In 2022, Suofeiya in Hubei Province held a voluntary blood donation activity for the third consecutive year. With the concept of charity and love, employees actively signed up and participated in the activity, during which the total blood donation exceeded 20,000 ml.

The Company cooperates with the public welfare and environmental protection team of Loving Trees, and regularly holds the activities themed by “Tree Planting and Loving Trees” every year, and organizes employees and their families to carry out a series of activities such as tree planting and afforestation, tree planting knowledge contest and treasure hunt.

3 Provide Assistance in Basic Education Development

It takes ten years to grow a tree and a hundred years to bring up a generation of good men. Over years of development, the Company has continuously provided support for kindergarten, primary school, junior high school and senior high school education. The Company has supported the construction of dozens of schools, including famous schools such as Pazhou Experimental School of Guangzhou Zhixin Middle School, Licheng No.2 Middle School of Jinan City as well as the schools in remote areas in Guangxi and Yunnan through charitable donations or tax reduction, thus providing a good learning environment for a large number of students.

In 2022, the Company launched the “Children’s Bookstore” public welfare project, and worked together with China Charity Federation and five regional dealers of Suofeiya to create a good reading environment for children in underdeveloped areas, help children improve their learning and thinking abilities and broaden their horizons. According to students’ age groups and usage habits, the Company designed a final beautiful, childlike and easy-to-use scheme.



In the first year after project startup, the Company has worked together with charitable partners to construct six “Children’s Bookstores” in Chongzuo City of Guangxi, Liuzhou City of Guangxi, Shangluo City of Shaanxi, Wuhan City of Hubei, Haikou City of Hainan and Liangshan Prefecture of Sichuan. In the future, the project will be steadily promoted and gradually developed, in order to create better reading conditions for more schools and students in need.



4 Promote Academic Research and cultivates the talents

In August 2022, the awarding ceremony of the doctoral innovation and entrepreneurship practice base of China Information Economics Association was held in Suofeiya, which attracted twelve doctors to enter the enterprise to carry out research. As the leading customized enterprise in China, the pioneer of customized wardrobe in China and the pioneer of digital intelligence & upgrading in the industry under the context of global digitalization and intelligence, the Company took the equality and open communication attitude towards the 12 doctors who joined in the research, provided research support, and promoted the training of senior academic talents.



5 Care for Groups in Difficulties and Sincere Contribution to the Society

In 2022, the Company made donations to the charity fund of Guangzhou Chamber of Commerce for charitable projects in the Guangdong Poverty Alleviation Day and a series of charitable activities carried out by Guangzhou Federation of Industry and Commerce. In addition, the Company have cared for poor families and people in surrounding areas for many years, and expressed sympathy to low-income households, extremely poor households and children in difficulties in surrounding villages and delivered food, daily necessities and holiday blessings to them during traditional festivals such as Mid-Autumn Festival and Spring Festival.

The Company has established eight production bases in China. The Company always adheres to the concept of “developing with enterprise and achieving win-win development with society” during base site selection and construction and always cares for the surrounding residents. In the future, the Company will continue to deeply develop social welfare undertakings and create more value and returns for the society.

6 Tax Payment According to Law

Since its establishment, the Company has always adhered to compliant operation, strictly implemented related national laws, regulations and rules on finance and taxation, practically fulfilled its tax obligations, and made its due contributions to the national and regional economic development.

In FY 2022, the tax paid by the Company in accordance with the law amounted to RMB

8.56 million

Future Outlook

In the future, the Company will adhere to the core values of “Customer Foremost, Innovation and Sharing, Professional and Efficient, Honest and Progressive” and make continuous contributions on environmental protection, employee safety protection, consumer protection, corporate governance and social welfare undertakings, give full play to corporate social responsibility and contribute to the society with practical actions.