

Suofeiya Home Collection Co., Ltd.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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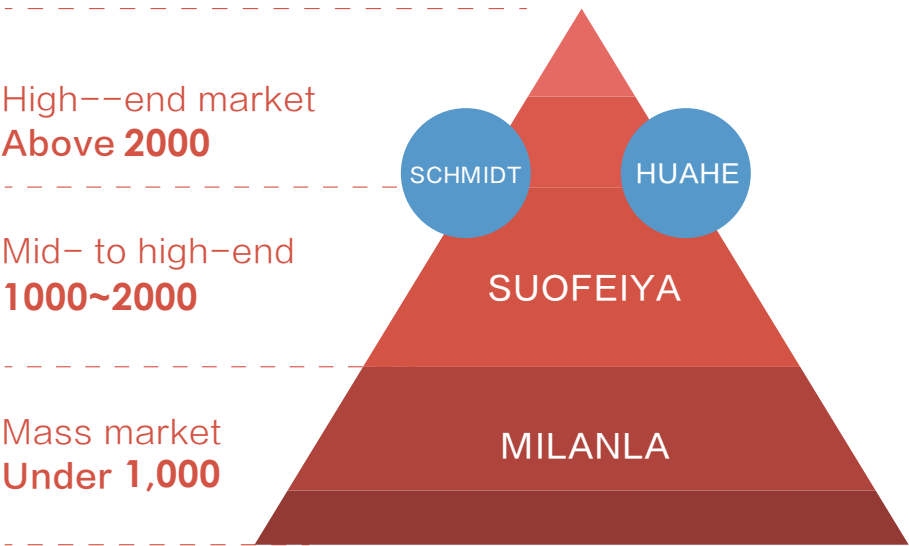
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Company Profile

Suofeiya Home Collection Co., Ltd. (hereinafter referred to as “Suofeiya” or the “Company”) is a company mainly engaged in the R&D, production and sales of customized cabinet furniture such as closets, cupboards, bookcases and TV cabinets. Since the commencement of production and sales of custom-ized 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).

Providing customers with a good experience through personalized design and efficient operation, Suofeiya is committed to becoming a trustworthy world-leading home furnishing company shouldering the development mission of “Decorating Homes Easily with Technology and Creativity, Integrating the Beauty of the World into New Life” . 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 with them. Currently, the Company has established a perfect 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, available in various styles such as wall panel customization, furniture and home furnishings, cover the complete range of cabinet doors. 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.).





Over the past 20 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 levels 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. Nowadays, with its seven manufacturing bases located widely distributed in the southeast, northwest and central parts of China, Suofeiya is well prepared to deliver customers in China with faster, higher quality and more cost-effective products and services.

Production Base Layout



Zengcheng, Guangdong
South China Production Center
customized closets and supporting customized furniture products, customized cabinets, supporting hardware



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, customized wooden doors



Chengdu, Sichuan
West China Production Center
customized closets and supporting customized furniture products, customized wooden doors



Langfang, Hebei
North China Production Center
customized closets and supporting customized furniture products



Lankao, Henan
Henan Suofeiya Home Collection Co., Ltd.
customized closets and supporting customized furniture products



Qiqihar, Heilongjiang
Suofeiya Huahe Door Co., Ltd
customized wood doors



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Adherence To Party Building For A Solid Foundation

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. In 2021, our Party Organization was upgraded into the Party Committee, with 3 Party branches and 128 Party members at present. 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.

Strengthen Organizational Mechanisms and Solidify the Core Leadership of Party Building

The Party Committee of Suofeiya 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.



Establish New Fronts for Party Building and Pool New Organizational Vitality

Suofeiya has fully integrated the existing resources to improve the integrated Party building fronts, optimized related sites (such as the Office of Relationship Between the Party and the Masses and the Learning and Education Base for Party Members); established a number of sites for activities of Party members and workers (such as the Technical Salon for Young Party Members); and established a 60-meter-long thematic education Party Building Cultural Corridor. Furthermore, Suofeiya 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. Suofeiya 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. Suofeiya has reinforced the awareness of social responsibility of Party members and directed them to participate in community services such as publicity of garbage classification, door-to-door publicity for the creation of the Civilized City as well as volunteer traffic stations, so as to exercise the pioneering roles of Party members in community construction.

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 Suofeiya 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, Suofeiya has realized the complementary sharing of resources, mutual assistance and common improvement among the Party branches in different industries.



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

Taking the implementation of the "Three Meetings and One Lesson" System as the entry point, the Party Committee of Suofeiya has launched a series of in-depth thematic education and learning events, held regular meetings of branch committees and Party members, held democratic life meetings, and organized Committee members and Party members to learn the latest regulations and policies through platforms such as Guangdong Party Members Education Network.



Content of Suofeiya's Official WeChat Account on Party Building

Meanwhile, the Party Committee of Suofeiya has opened an official WeChat account, so that the Party members can be kept posted of the latest spirits anytime and anywhere and maintain the advanced nature of the Party members. Furthermore, it has innovated the online education mode by "Party Building + Internet" integration. At present, as epidemic prevention and control has entered the "normalization" stage, the Party Organization of Suofeiya has fully utilized the WeChat platform of Suofeiya to hold online meetings and Party lectures, including Party lectures on the topic of "Celebrate the Anniversary of the Founding of the Communist Party of China, Learn from the Good Deeds in the Epidemic Prevention", "Organizational Life Meeting on the Topic of Learning the History of the Party", etc.



Themed Online Party Lectures to Celebrate the Anniversary of the Party

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

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

Social Responsibilities

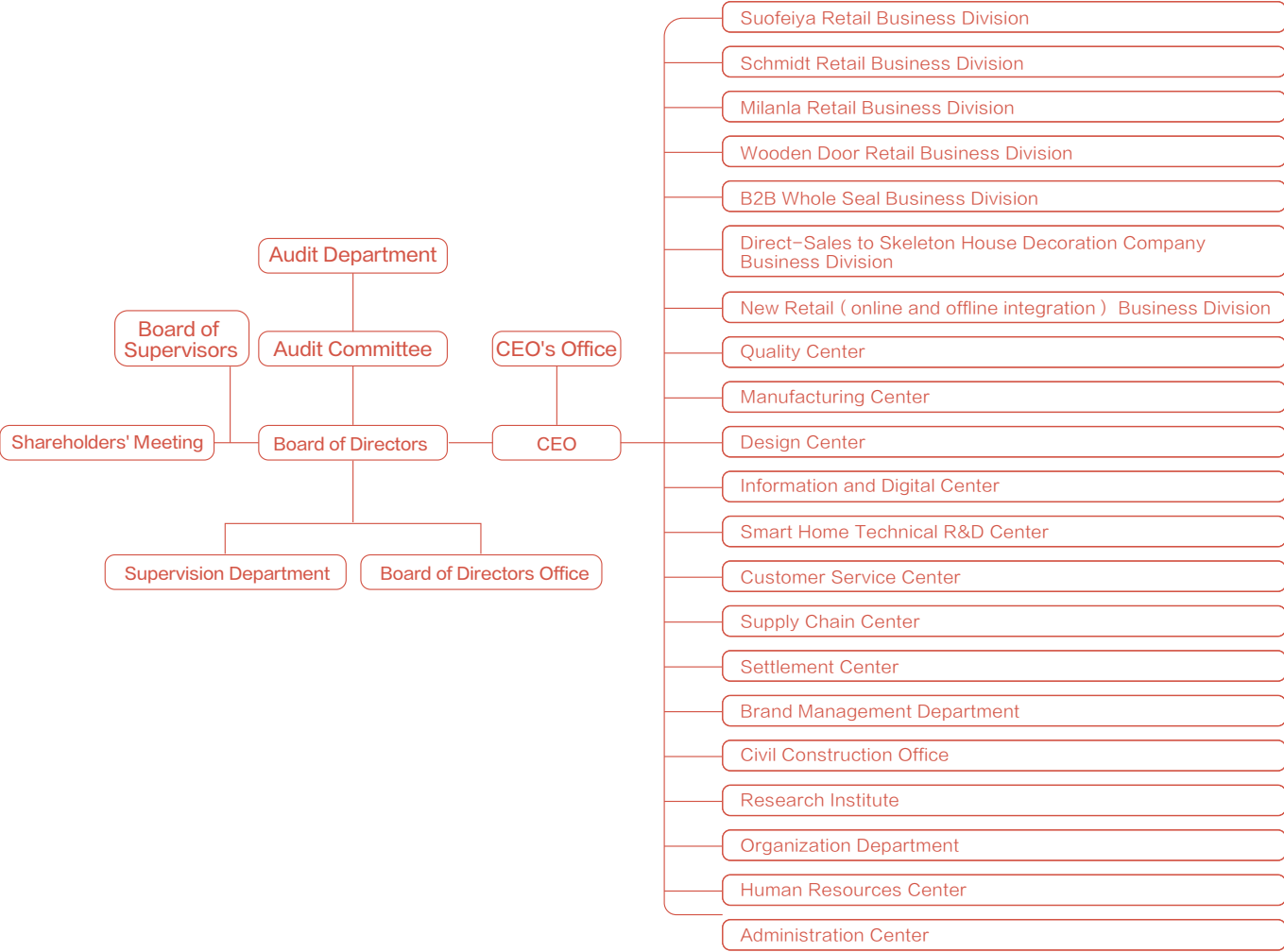
Suofeiya has properly arranged its missions, visions and core values in accordance with the concept of social responsibility management, reviewed its development strategies, business models and business processes, incorporated its responsibilities to stakeholders and the natural environment into its management system, integrated the concept of social responsibilities into its corporate strategies and daily operations, and realized the organic integration of social responsibilities and corporate operations.

Suofeiya adheres to the core values of “Customer Foremost, Innovation and Sharing, Professional and Efficient, Honest and Progressive” and upholds the corporate mission of “Decorating Homes Easily with Technology and Creativity, Integrating the Beauty of the World into New Life” , and is making unremitting efforts to realize the vision of “Provide Customers With a Good Experience Through Personalized Design and Efficient Operation, Committed to Become a Trust-worthy Wold-Leading Home Furnishing Company” .



Governance Structure

Suofeiya 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.



Shareholders and General Meeting of Shareholders

The General Meeting of Shareholders is composed of all shareholders and is the highest authority of Suofeiya. Suofeiya 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 regulate the procedures for convening and holding General Meetings, treated all investors equally and effectively protected the rights and interests of small and medium-sized shareholders.



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 2021, 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.

Meanwhile, to promote standardized operations, Suofeiya has strictly complied with the requirements of related laws and regulations as well as the systems of Suofeiya and ensured independent directors to effectively exercise their powers and responsibilities. In the future, Suofeiya will continuously improve its governance structure, further exercise the independence and professionalism of its independent directors, and continuously enhance the rationality and scientificity of its decision-making.



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.



Management

The daily operation activities of Suofeiya are performed by the senior management. As of the end of 2021, Suofeiya has employed five senior management personnel. The 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.



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.

In 2021, Suofeiya 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. In 2021, the Audit Department has held a total of at least 16 communication and publicity training events with at least 600 participants. The main activities include the organization of internal control self-examination and training, business risk assessment, system interpretation and dissemination, audit communication and sharing, etc. Furthermore, by publishing internal control information (23 issues in total in 2021), the Company has engaged in publicity in terms of the explanation of regulations and documents, analysis of audit findings, the applicable of processes in the collaborative office system, etc. which have enhanced the awareness of compliance and internal control among employees and promoted the sound development of the Group.

Training events

16+

Participants

600+

Standardize Management Systems

In 2021, Suofeiya has continued to conscientiously perform risk assessments and identify significant risks based on the internal and external environment. Meanwhile, Suofeiya has interfaced the risk points of each entity with the business process of the Company, so as to closely interlink the risk management with the daily operations and realize the closed-loop operation of risk management. And the Company has further improved the construction of the management system of the Company and adhered to the business philosophy of law-abiding and compliance. Furthermore, it has organized various departments, branches and subsidiaries within the Group and completed the assessment of over 1,700 rules and regulations; and has optimized OA processes and controlled risks in accordance with the provisions of the Office Automation System (OA) Management System. The Company has comprehensively promoted the establishment and implementation of the internal control system, and enabled the management of the internal control system and processes into an operational mechanism featuring self-examination, self-improvement and continuous improvement. Suofeiya has performed top-down assessment of the effectiveness of the system and processes, promoted the optimization of the internal control system and the rectification of related deficiencies, and effectively improved the implementation capabilities of the internal control system of the Company.



Build a Culture of Integrity

in 2021, Suofeiya has set up the Supervision Department, established and further improved the construction of the integrity culture of the Company as well as the three-in-one supervision system of prevention, publicity and crackdown. It has organized several large-scale integrity publicity events themed “strictly adhering to the professional bottom line and insisting on the integrity of practice” on four major aspects, namely, the prevailing trend of insisting on the integrity of practice, the causes of corruption and preventive measures, integrity laws and law-related risks, as well as measures to enhance one’s ability to resist corruption and prevent changes, so that the awareness of integrity of practices can be deeply rooted in the heart of every employee. While preventing integrity risks, the Company has also created a clean atmosphere and strengthened collaboration and exchanges of experience in the industry, so as to create a healthy, clean and honest business environment for the industry.



Furthermore, the Company has formulated and improved a series of integrity monitoring systems and regulations, including the Monitoring Management System, the Management Measures for Employee Job Conduct, the Internal Inspection System, the Eight High-Pressure Lines of Suofeiya Group, etc., so as to institutional support for the Company to be a leading home furnishing enterprise that is honest, clean and responsible, further regulate the job behaviors of employees, prevent and combat various violations of disciplines and laws, infringement on the interests of consumers, partners and the Company, ensure the effective implementation and execution of the systems, cultures and decisions of the Company, and safeguard the healthy and green development of the home furnishing industry.

Highlight Anti-Fraud Construction

Suofeiya joined China Enterprise Anti-Fraud Alliance in May 2021, and has maintained a “zero tolerance” attitude towards acts infringing on the interests of consumers, partners and the Company. Furthermore, it has established diversified channels for reporting complaints, including email, telephone, WeChat and on-site reporting. During the reporting period, the Supervision Department has rigorously dealt with violations of disciplines and laws by internal employees, dishonest suppliers and distributors infringing on rights and interests of the consumers, so as to fully safeguard the brand image of the Company and protect the rights and interests of consumers, and to build an open and transparent business atmosphere and a virtuous cycle of business competition.



Protect 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.

As of the end of 2021, the Company had 968 domestically approved registered trademarks; 408 authorized patents, including 34 invention patents, 150 utility model patents and 224 design patents. Up to present, the brand “Suofeiya” has been protected as a well-known trademark for 69 times.

968
Registered
Trademarks

34
Invention
Patents

224
Design Patents

69
Well-known
Trademarks
protection records

150
Utility Model
Patents

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	Compliant Operations Tax Payment According to Law Employment Generation	Daily Reporting, Information Submission Acceptance of Supervision and Assessment Visit and Inspection
Shareholders and Investors	Sustainable Operation Compliance Governance Risk Prevention	Shareholders' Meeting Information Disclosure Investor Hotline Online and Offline Communication Investor Interactive Platform
Employees	Compliant Employment Compensation and Benefits Safety Production Career Development	Congress of Workers and Staff Labor Union for Employees Employee Training Corporate Culture Activities
Customers	Protection of Customer Rights and Interests High-quality Products Professional Services Protection of Rights and Interests	After-sales Service System Satisfaction Survey (CSI/GSI) Quality and Technology Innovation
Supplier	Sunshine Procurement Honest Trading Win-Win Cooperation	Supplier Conference Supply Chain Management System Integrity Culture
Communities and NGOs	Participation in Community Building and Development Active Commitment to Public Welfare	Fulfillment of Social Responsibility Participation in Public Welfare Activities

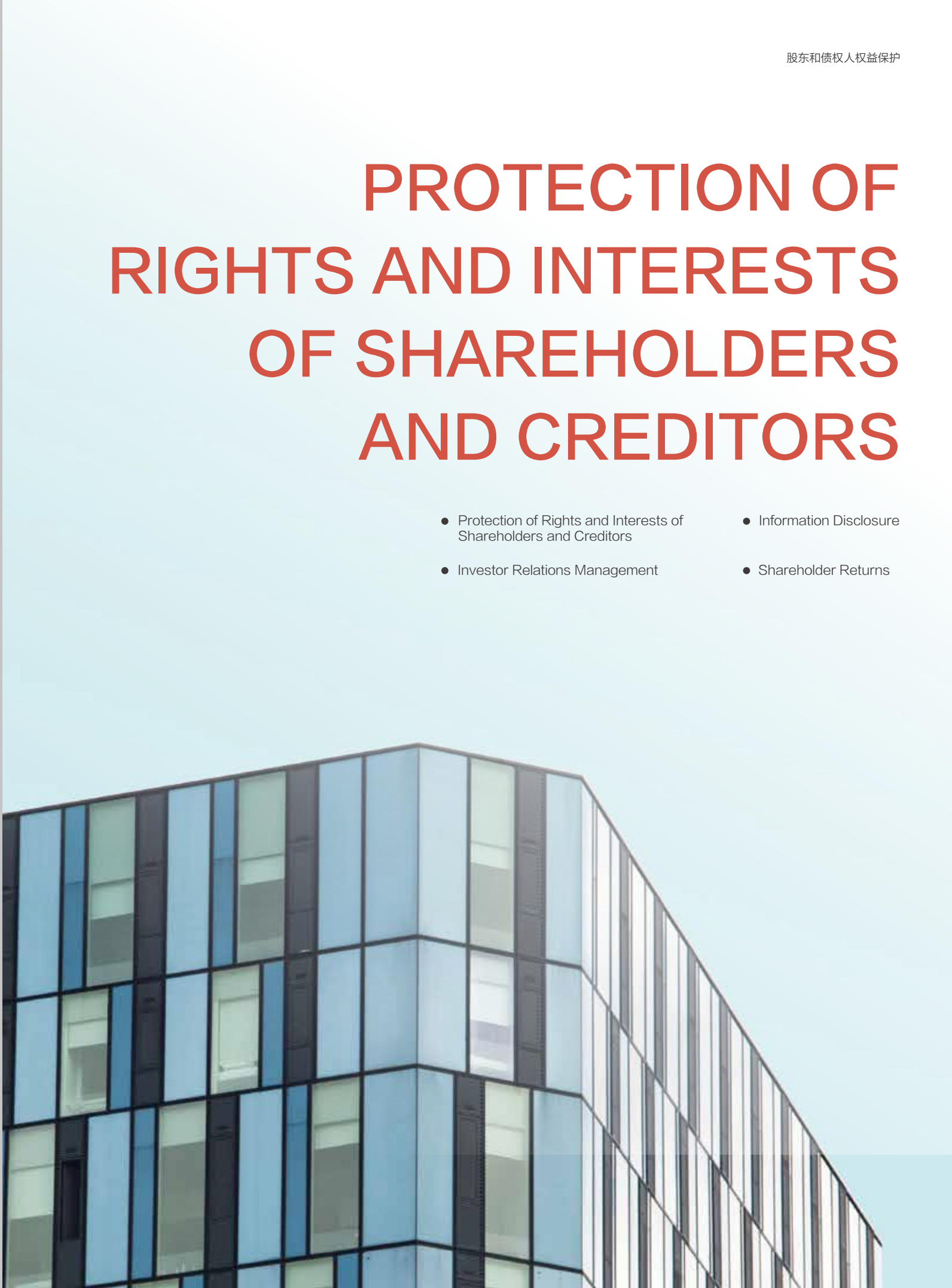
Compliant Operations

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
 - Investor Relations Management
- Information Disclosure
 - Shareholder Returns



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

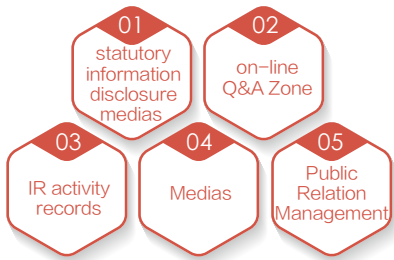
In 2021, the Company has disclosed 148 announcement documents. The Company attaches great importance to information disclosure and fulfills its responsibilities of information disclosure in strict accordance with the regulations such as Guidelines of the Shenzhen Stock Exchange on Information Disclosure, 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 11 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 8 consecutive years. According to statistics, only up to 4% of listed companies in Shenzhen Stock Exchange have been awarded Grade A in the information disclosure assessment for 8 consecutive years.

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.



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, the profits distributed in cash each year is not 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 FY2020, the Company paid a total of RMB 2.903 billion cash dividends (not including share repurchases) to all shareholders, with a dividend-fundraising ratio of 128%, ranking among the top 7% of A-share listed

Case Dividends
29.03 billion yuan

Dividend-fund-raising Ratio
128%

PROTECTION OF RIGHTS AND INTERESTS OF EMPLOYEES

- Compliant Employment
- Competitive Incentive System
- Harmonious Employment Relations
- Joint Growth of Employees and Suofeiya
- Safety Production
- Care for Welfare of Female Employees

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 local laws and regulations, so as to protect the legal rights and interests of employees in accordance with the law.

The Company maintains strict controls over the entry and renewal processes and continuously improves its labor and employment management system. The Company has signed labor contracts for all new and existing employees in a timely manner and established standardized labor relations with them. Meanwhile, 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.

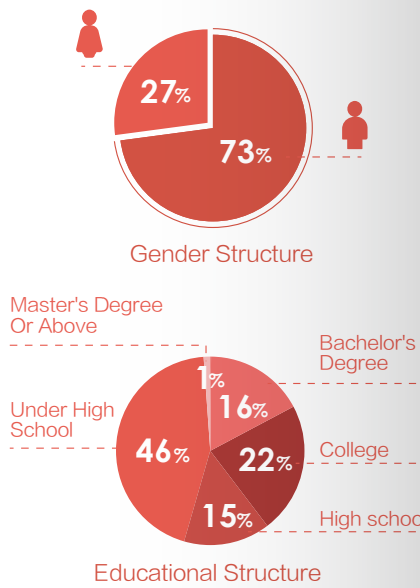
The Company strictly implements the national regulations on social insurance and pays monthly social insurance in full amount such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, so as to ensure that employees can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



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 14,486, with an average age of 32 years and 27% of female employees, and female managers accounted for 24% of overall managers.



Safety Production

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.

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.



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.



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.



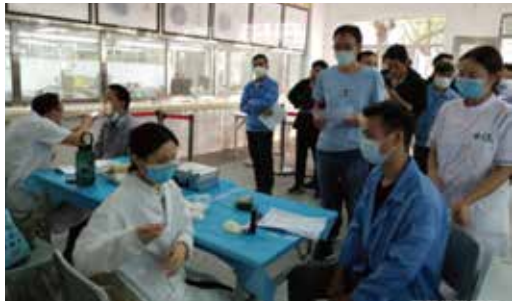
Safety Culture Building

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.



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.



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.



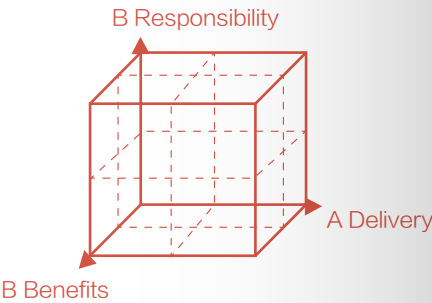
Competitive Incentive System

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.

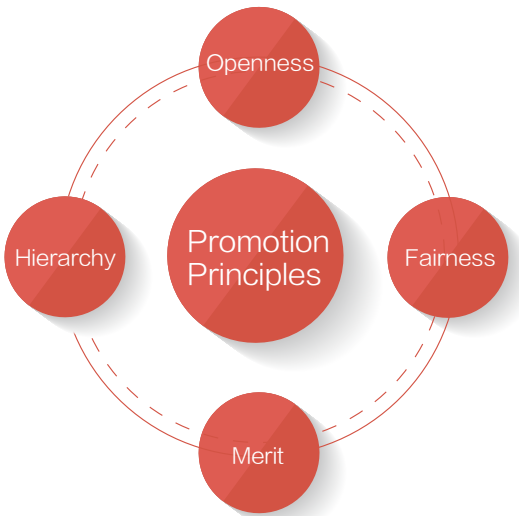
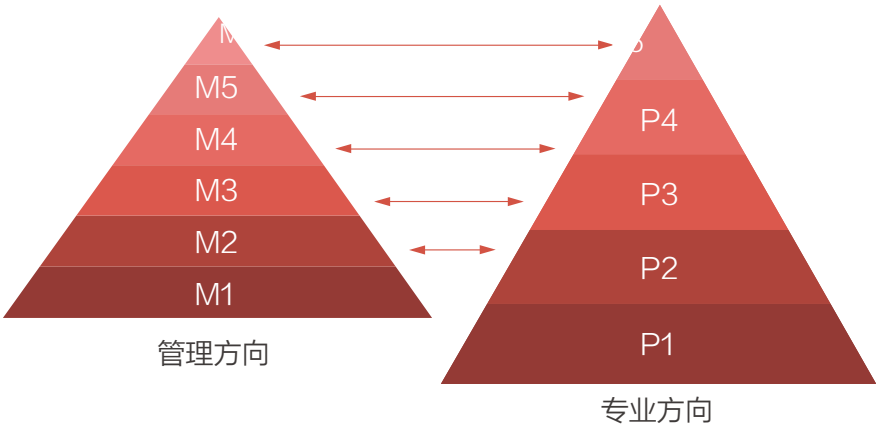


Joint Growth of Employees and Suofeiya

Comprehensive Promotion Channels

Suofeiya places the development of its employees at the core of its corporate development, and every employee is offered the opportunity for learning and improvement. The Company has provided guidance for staff promotion and development by establishing an internal ranking system and setting up different positions with corresponding responsibilities and performance assessment based on the business and operation conditions.

The employee career development channels are subdivided into Management Direction (M) and Professional Direction (P), allowing sufficient room for development for employees. The Company adheres to the principles of openness, fairness, hierarchy and merit in the assessment of promotions.



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.



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.



Building of Mobile Learning Platform

In 2021, the Company has introduced a new system provider to expedite mobile teaching and learning. Through brand new 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.



Creation of the Goldsmith Hall

The Goldsmith Hall is the training camp for the internal trainers and mentors of Suofeiyi, with the aim of quickly communicating the corporate culture, work processes, work language and work norms of the Company to the employees and to reaching a consensus within the Company. During the reporting period, the Company has accomplished three phases of the program, trained a total of 72 internal trainers and completed 13 courses, in addition, the online empowerment courses by 16 mentors have been launched.



Care for Welfare of Female Employees

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.



RIGHTS AND INTERESTS OF SUPPLIERS, CUSTOMERS AND CONSUMERS

- Protection of Rights and Interests of Customers and Consumers Protect
- Supply Chain Management
- Scientific and Technological Innovation

Protection of Rights and Interests of Customers and Consumers Protect

01 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 Factory as well as other certifications, and has been engaged in product quality control strictly based on the system requirements.

Quality Product Standards

In terms of product quality requirements, the Company has produced customized home furnishings and supporting products in strict accordance with national standards, such as GB/T 3324-2017 General Technical Conditions for Wooden Furniture and GB 18584-2001 Limits of Harmful Substances in Wooden Furniture for Interior Decoration Materials. In terms of product safety and environmental protection, the Company has stipulated in the corporate standard that the formaldehyde emission limit of artificial board shall be $\leq 0.06\text{mg/m}^3$ for E0 grade and $\leq 0.03\text{mg/m}^3$ for Kang-Chun grade(ENF), which is higher than the national standard GB 18580-2017 Limit of Formaldehyde Emission in Interior Decoration Materials and Related Products ($\leq 0.124\text{mg/m}^3$ for E1 grade). In 2021, 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, as jointly completed by the Institute of Wood Industry, Chinese Academy of Forestry, Suofeiya as well as other institutions and enterprises, were officially released and implemented, and Suofeiya, as an important drafting unit of the two standards, participated in the overall drafting, implementation and declaration of these standards.

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, Electronic Nose, Xenon Aging Instrument, 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.



E0级 $\leq 0.050\text{mg/m}^3$
康纯级 $\leq 0.025\text{mg/m}^3$



实验室CNAS证书 气相色谱质谱仪

Quality Traceability and Process Control

A

The Company has independently developed a set of Raw Material Traceability Management System to realize the overall quality traceability. By requiring upstream suppliers to spray QR code on the artificial board, that is, preparing a specific “ID Card” for each piece of material (artificial board), and then automatically matching 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

B

Intelligent production equipment such as automated flexible production lines and dedicated production lines have been introduced to prevent errors and dullness, so as to reduce employee skills and production errors; the first Industry 4.0 full-process automatic production line in the domestic customized furniture industry has been put into operation to reduce human errors.



Flexible Production Lines

C

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;



Intelligent Board Sorting Robot

D

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

02 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.

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.



2019

In 2019, the service was upgraded to “Suofeiya Super 6+1” to strengthen the bidirectional communication and interaction with customers.

The “Suofeiya Super 6+1” Service of the Company 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.

Sincerity in Sales
Integrity In Sales
Abiding The Words
Depending On The Demands
Transparent Quotation

Concentration in Design
Personalized Design
Fast Output
Safety And Utility
Aesthetic Effects

Consideration in Production
Dedicated Material Selection
Professional Testing
Refined Production
Intelligent Storage

Meticulousness in Delivery
Complete Loading
Careful Protection
Gentle Handling
Neat Arrangement

Craftsmanship in Installation
Standard Operation
Exquisite Workmanship
Careful Commissioning
Delivery And Acceptance

Empathy in After-sales
Transpositional Consideration
Fast Response
Dedicated Follow-up
Lifelong Maintenance

Customer Referrals
Take the Six-virtue Service as the action principle and customer recommendation as the service goal

2009

In 2009, as a leader in the industry, Suofeiya took the lead in launching “Six-virtue Service”, which focuses on six aspects of services to achieve the ultimate performance.



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. Presently, with several iterations of improvement, Suofeiya has established a relatively systematic service structure and standard system – Customer Service Index CSI and Dealer Service Index DSI, so as to measure the service level by objective standards and promote the upgrading of the whole process services.

Suofeiya 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.

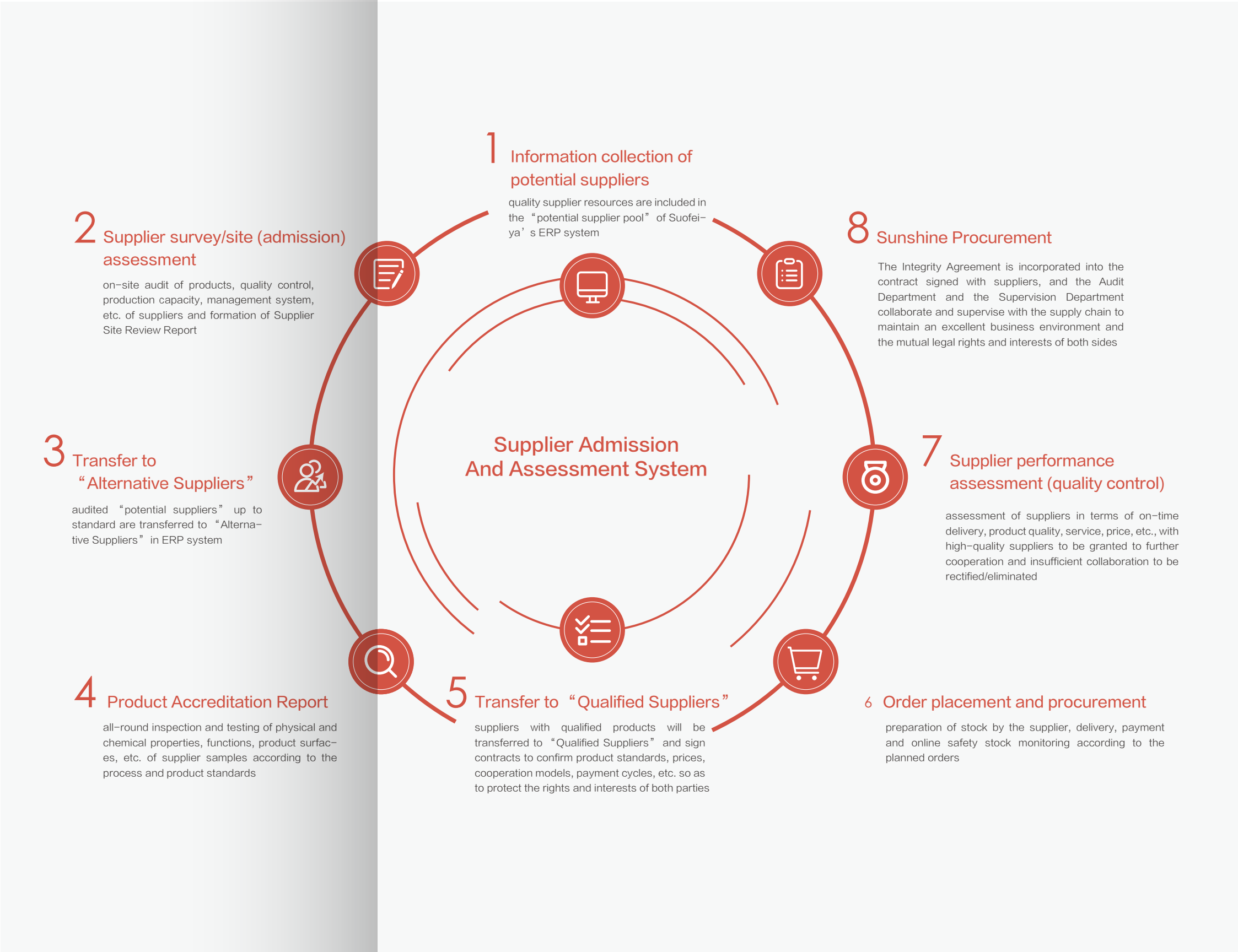


Supply Chain Management

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.

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, fully integrated the concept of corporate social responsibility of Suofeiya into all aspects of supply chain management, 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.



Empowerment and Efficiency Enhancement to Create a Supply Chain Featuring “Fast Response & Effective Iteration”

To improve the on-time product delivery rate of customers and the efficiency of internal and external operations, the Company has established the Supplier Management Department, Planning Department and Logistics Department under the Supply Chain Center to efficiently collaborate with internal and external resources with regard to supplier development and management, material planning and production planning, group logistics management and optimization, etc. In 2021, with the concerted efforts of all departments, the supply chain has witnessed significant improvements in terms of new product development achievement rate, inventory turnover rate, logistics optimization and integration, etc.

Empowering Distributors with Integrated Logistics Services of “Trunk – Warehouse – Distribution”

To empower and reduce the burden of back-end management for dealers, enable dealers to focus on front-end operations, improve the terminal service experience, and establish and enhance the regional service competitiveness of the complete decoration dealers, Suofeiya has made efforts in its supply chain to promote the “Trunk – Warehouse – Distribution” integration program, which provides integrated home collection logistics services for dealers in logistics management and product distribution, and a number of provinces have completed the construction and opening of the “Trunk – Warehouse – Distribution” program in 2021.

Scientific and Technological Innovation

01 The First Specialized Scientific Research Institution in the Closet Industry–Suofeiya Research Institute

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 Suofeiya's development, as well as an important guarantee for Suofeiya 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.

02 Multiple Technological Achievements Rated as International Leading Level and Leading Industry Technology Progress

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. Currently, a total of 12 scientific and technological achievements have been identified by experts to reach the international advanced level. In 2021, a total of 8 scientific and technological achievements passed the appraisal or assessment of experts to reach the international advanced or international leading level.

In recent years, Suofeiya 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 2021, as organized by the Chinese Society of Forestry and Guangdong Mechanical Engineering Society, 13 experts led by academicians from the Chinese Academy of Engineering assessed the outcomes of the project “R&D and Application of Intelligent Manufacturing Key Technology for Large-scale Personalized Customized Wooden Home Products” by Suofeiya. The experts unanimously agreed that the technological aspect of the project as a whole was at an international advanced level, among which intelligent manufacturing technologies such as 3D design cloud platform for customized home products and dynamic balance of customized home production line were at an international leading level.



Certificate of Registration of Selected Achievements

Suofeiya has been continuously making efforts in the field of environmental protection and quality, and has been granted three scientific and technological awards in 2021: the First Prize of Scientific and Technological Progress Award of Guangdong Light Industry Federation, the First Prize of Invention and Innovation Award of China Invention Association, and the Second Prize of Liangxi Forestry Science and Technology Progress Award of the National Forestry and Grassland Administration.



Certificates of Scientific and Technological Awards

03 Construct Perfect R&D Management 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. The headquarters company has been recognized as a high-tech enterprise since 2009. Furthermore, it was granted as a municipal-level enterprise technology center in 2011 and passed the provincial-level enterprise technology center recognition in 2014.



04 Continuous Output of Excellent Scientific and Technological Achievements

Suofeiya has continued to intensify innovation and actively promote the achievement of innovative technologies. A number of achievements are falling within the innovation outcomes of venturing into “No Man's Land”, which have served as a leader at home and abroad. The Company features extremely strong R&D and masters 10 core technologies for customized closets. The Company has 121 computer software copyrights and has acquired the core technology of informationization in the industry; a total of 12 scientific research achievements have attained international advanced level, among which 5 achievements have been identified to have reached international leading level by authoritative experts.

10 Core Technologies	121 Computer Software Copyrights
12 International Level Achievements	5 International Leading Level Achievements

05 Undertake Industry-Academia-Research Cooperation and Professional Exchanges

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, such as cooperation with the Institute of Timber Industry of the Chinese Academy of Forestry in formulating the national standard GB/T 39600-2021 Classification of Formaldehyde Emission of Man-made Boards and Related Products, etc. Furthermore, it has cooperated with China National Forest Products Industry Association in formulating T/CN-FPIA 3016-2021 Quality Requirements for Sealing of Man-made Board Customized Home Furnishings, etc.; and cooperated with National Center for Quality Supervision & Inspection of Furniture Products in formulating the national standard Specifications for Installation and Acceptance of Customized Furniture, etc.

06 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. Such an interconnected enterprise network has brought more security issues while increasing efficiency and competitiveness for the Company. On this basis, not only the security of the local network is required, balanced considerations should also be made 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.

The Information and Digital Center of the Company 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. Information security is a system project requiring integrated arrangements from hardware to software, from rules and regulations to daily training and supervision.

01/

In 2021, 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;

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.;

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;

04/

The Company has strengthened its external security defense capability. In 2021, to address the shortcomings of individual borders, it has 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, with the specific strategies under active preparation.

05/

The Company has strengthened the core code and data security management by introducing a quarantine model, 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;

06/

The Company has established and continuously improved the network access mechanism, strictly controlled the devices that access the network of the Company, where only the network devices certified by the Company are allowed access the network, and the areas accessible to visitors are strictly controlled to eliminate the possibility of their access to the internal systems of the Company;

07/

The Company has established and continuously improved the network redundancy mechanism. With the continuous deepening of intelligent production, the 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;

08/

The Company has planned to gradually establish a sound data security management and system process, and to perform regular audits on all users of the Company so as to strictly control the loopholes;

09/

The Company has released Procedures for Information Security Management and Specifications for Data Security Management, 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.

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;

11/

The Company has developed and applied enterprise WeChat tools at the market terminal, so that customer information assets will not become lost with the change of sales staff and all customer information will be retained within the scope of prevention and control of the Company;

12/

The Company has planned the construction of 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.

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.

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.

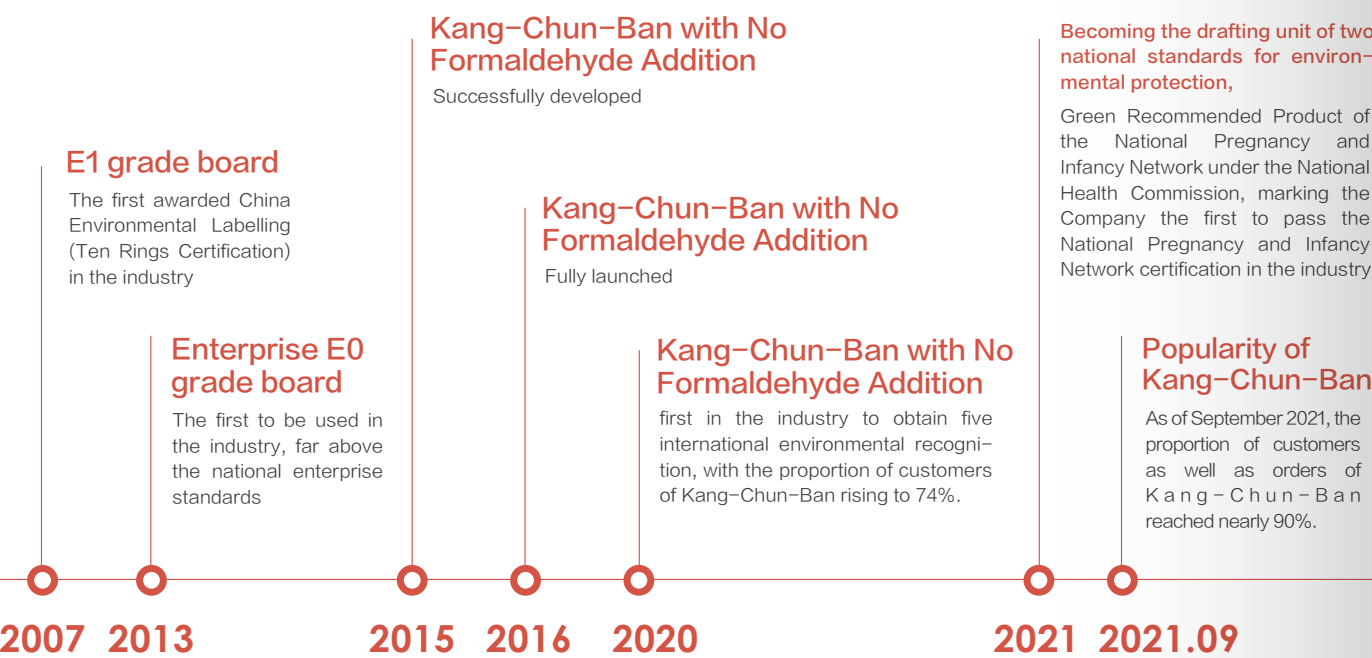
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42

ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

- Manufacture of Green and Eco-friendly Home Products
- Build Green Factory System
- Improve Green Management
- Promote Eco-friendly Operation
- Promote Green Office

Manufacture of Green and Eco-friendly Home Products



Since 2014, Suofeiya has comprehensively transformed into the use of enterprise E0 grade panel standards, and in 2016, it launched Kang-Chun-Ban featuring no formaldehyde addition. The Kang-Chun-Ban adopts formaldehyde-free ecological adhesives that contain no formaldehyde and emits no formaldehyde by decomposition, conforming to the requirements of ENF grade $\leq 0.025\text{mg}/\text{m}^3$. Currently, the proportion of the use of Kang-Chun-Ban in the products of the Company has reached more than 90%. The environmental protection materials used by the Company have also passed a series of related certifications at home and abroad, including: the U.S. Environmental Protection Agency's EPA-NAF Formaldehyde Free Exemption Certification; CARB-NAF Formaldehyde Free Exemption Certification issued by the California Air Resources Board; F☆☆☆☆ Certification of Japan; the Formaldehyde Free Man-Made Board and Product Group Standard Certification of the CNFIA; FSC Forest Certification, etc.



Build Green Factory 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, in the List of Demonstrations for the Construction of the Fourth Batch of Green Manufacturing System announced by the Ministry of Industry and Information Technology, 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 Plant was also selected for the list of 2021 Green Manufacturing issued by the Ministry of Industry and Information Technology, which has realized a plant featuring intensive land use, harmless raw materials, clean production, resourceful waste and low-carbon energy, which belongs to the core support unit of the green manufacturing system and is an important means to realize the transformation and upgrading of manufacturing industry in China. 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.



Improve Green Management

01 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 2021, 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.

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

02 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.

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.



Exhaust Emission Compliance Rate
100%



Wastewater
Zero Discharge



Solid Waste Compliance Disposal Rate
100%

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 11.68 million kWh of green electricity to the Company and State Grid, convertible to a reduction of 37,075 tons of carbon dioxide and 4,426.72 tons of sulfur dioxide, equivalent to saving 3,696.2 tons of standard coal. In the future, the Company will continue to promote solar photovoltaic power generation projects.

Dust+ RTO exhaust gas treatment efficiency reach

90%+



Solar photovoltaic power generation projects

Provide Green electricity

1168 million KWH

Carbon dioxide reduction reach

37075 tons

Sulfur dioxide reduction reach

4426.72 tons

Saving standard coal

3696.2 tons

Water Resource 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, such as reusing water from the workshop production wastewater treatment facilities for cleaning equipment. Meanwhile, to energy conservation and emission reduction, the Group 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.

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.

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.



PUBLIC RELATIONS AND SOCIAL WELFARES

- Public Welfare Activities
- Tax Payment According to Law

Public Welfare Activities

Environmentally Friendly School Construction

The cause of education is of great benefits to the present generation and the future generations. As an industrial leader, Suofeiya has always been concerned about the development of education and environmental protection campus construction, and has contributed a warm power from the enterprise to assist in improvement of the teaching environment of schools and safeguard the learning and growth of students.

In 2021, with the aim of giving back to the society and promoting the development of education, Suofeiya has delivered customized cabinets with Suofeiya Kang-Chun-Ban boards to a number of schools. Schools, as places where teachers and students stay for a long time, are regarded as their second homes. It has been the sincere hope of Suofeiya to create a more environmentally friendly and comfortable environment for teachers and students with quality products for teaching activities.

Meanwhile upholding its social responsibility, Suofeiya has also been motivating its dealers across the country to join the public welfare activities.



Yunnan Shangri-La No.1 Middle School

Suofeiya has joined hands with dealers in Kunming, Yunnan Province to donate 2,000 sets of desks and chairs and 15 sets of customized Suofeiya bookcases to Yunnan Shangri-La No.1 Middle School through Yunnan Diqing Red Cross Society. The new desks and chairs arrived just in time with the start of the new fall semester, bringing a pleasant surprise to the students and teachers, which became the most beautiful start of the new semester.

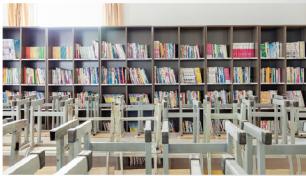
2000 sets of desks and chairs
15 sets of Suofeiya brand bookcases

Jinan Licheng No. 2 Middle School and Jiaxuan School in Shandong Province

Suofeiya has joined hands with agents in Jinan, Shandong Province to donate a batch of classroom lockers for a total of 157 classrooms in Jinan Licheng No. 2 Middle School and Jiaxuan School in Shandong Province for storing clothes, books, sports equipment such as balls, mops and other sanitary equipment for teachers and students.

157 classrooms

Suofeiya is well aware that the fulfillment of corporate social responsibility is a long journey to cover, and efforts should be made to care for people in need from more dimensions and create a better life together with them, which is a more sustainable and penetrating good deed. This is also the determined practice of Suofeiya's commitment to become a trustworthy and globally leading home furnishing company.



In the process of development and growth, Suofeiya has never forgotten its social responsibility as a company and has been repaying and serving the communities. Time goes on, and Suofeiya, as a responsible and caring company, never stops on the path of public welfare...

2020

At the beginning of 2020, as a leading enterprise in the custom home furnishing industry, Suofeiya donated funds and materials to the epidemic area in Huanggang, Hubei Province, with a total value of RMB 2 million; and jointly launched a fundraising campaign with the Amity Foundation, with a total amount of nearly RMB 1.3 million raised. The Company provided assistance to over 30 medical units and institutions with urgently needed supplies in the epidemic areas of seven cities in Hubei, including Wuhan, Huanggang, Huangshi, Ezhou, Yichang, Xiaogan and Xiangyang.

Meanwhile, the Company has taken active measures to maintain the stability of the retail channel business system, including but not limited to the provision of special assistance in the form of credit lines of RMB 300 million and discount concessions to high-quality distributors in the epidemic areas. During the epidemic, the entire distributor network remained stable and the cash flow position was satisfactory.



2019

In May 2019, Suofeiya joined hands with the public welfare organization Xihan Action to launch the “Embroidery for Excellence” public welfare campaign, calling attention to the inheritance of the intangible cultural heritage of Qiang Embroidery, and held a public welfare conference on September 6, which enabled consumers to experience the aesthetics of the intangible cultural heritage of Qiang Embroidery in a more direct manner, while providing tangible help to the female embroiderers in the earthquake stricken area in Wenchuan.



2018

In 2018, Suofeiya joined hands with “Design with Love” and Jack Ma Foundation, a well-known public welfare foundation in China, to cooperate with the Rural Children's Palace Project, providing children with healthy and environmentally friendly products as well as targeted space solutions, so as to help improve the extracurricular life experience of rural children and provide them with a healthier and happier learning environment for their childhood growth.



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 2021, the tax paid by the Company in accordance with the law amounted to

RMB **8.97** million

FUTURE OUTLOOK

In future operations, Suofeiya will continue to reinforce its corporate governance, adhere to environmental protection and sustainable development, and attach importance to organizational management and talent training internally; and externally, it will actively assume its social responsibility as a listed company, support social welfare undertakings, closely integrate the fulfillment of corporate social responsibility with corporate development, and create more values and returns for shareholders and communities.

