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# 2024

stock code: 300130

**XGD INC.**  
Environmental, Social, and  
Governance (ESG) Report



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# Preface

## About This Report

### Introduction

As the 2024 Environmental, Social, and Governance (ESG) Report released by XGD INC., this report, based on the "Objective, Standardized, Transparent and All-around" principle, discloses in detail the ESG practices and achievements of XGD INC. and its subsidiaries/branches during 2024.



### Report Scope

**Time Scope:** This report ranges from January 1, 2024 to December 31, 2024 (hereinafter referred to as the "Reporting Period"). To enhance the report comparability and completeness, some contents include retrospective descriptions of previous years or forward-looking statements.

**Organizational Scope:** This report focuses mainly on XGD INC. and covers its subsidiaries and branches. Unless otherwise specified, the scope of this report aligns with the scope of the Company's annual report.

### Publication Cycle

This report is an annual report which is published once a year and aligned with the fiscal year.

### Preparation Criteria

- Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange-Sustainability Report (For Trial Implementation)
- Self-Regulatory Guidelines No. 2 for Companies Listed on Shenzhen Stock Exchange- Standardized Operation of Listed Companies on the Growth Enterprise Market
- General Framework of the Guidelines for Chinese Corporate Sustainability Reporting (CASS - Sustainability 6.0)
- United Nations Sustainable Development Goals (SDGs)
- Global Sustainability Standards Board (GSSB) Sustainability Reporting Standards (GRI Standards)

### Data Sources

The data cited in this report are sourced from XGD INC.'s internal data, corporate documents, audited statements, and other materials. Some financial data are extracted from the Company's 2024 annual report. Unless otherwise specified, all monetary amounts in this report are denominated in Chinese Yuan (CNY).

### Notes on Appellation

For the convenience of expression and reading, "XGD", "the Company", "the Group", and "we" all refer to XGD INC. Please see the "Interpretations" section for appellations of subsidiaries/affiliates.

Short Name	Interpretations (Full name)
NEXGO	Shenzhen Xinguodu Technology Co.,Ltd.
JL PAY	JL PAY Co., Ltd.
Changsha Fadu	Changsha Fadu Internet Technology Co., Ltd.
XGD Energy	Shenzhen Xinguodu Energy Technology Co.,Ltd.

### Report Access and Feedback

This report can be viewed and downloaded on the website of the Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)). For any questions or suggestions regarding the report, please send an email to [xgd-zqb@xgd.com](mailto:xgd-zqb@xgd.com) for feedback.

# Chairman's Message

In 2024, amid the backdrop that the global economy and technology continued to surge, new challenges and opportunities coexisted. As a pacesetter in China's E-payment technology, XGD has always dedicated itself to fulfilling the mission of "Creating a Better Life Together". While pursuing commercial value, the Company integrates environmental, social, and governance goals into every aspect of its development.

## Insisting on Standardized Governance to Shore up the Foundation for Development.

XGD keeps improving its governance structure, rigorously stresses the bottom line of compliant operation, deepens the construction of risk management systems and anti - corruption mechanisms, and firmly resists commercial bribery and unfair competition. For investors, the Company actively expands communication channels, improves the information disclosure mechanism, and leverages multiple channels to communicate with investors, in response to their expectations.

## Practicing Resource Conservation to Safeguard the Future of Ecology.

XGD actively responds to the "Carbon Peaking, Carbon Neutrality" strategy, and deeply integrates the low-carbon concept into the entire product R&D and operation chain. Focusing on the R&D and application of intelligent payment terminals, the Company is committed to providing convenient, stable, and low-carbon payment solutions for various scenarios. Besides that, XGD actively organizes the environmental management system authentication for the Company and its subsidiaries, insists on green operation, and takes down-to-earth actions to protect the green mountains and clear waters, helping to achieve the harmonious coexistence of human and nature.

## Exploiting Digital Innovation to Activate the Innovation Ecosystem.

Driven by both R&D innovation and intellectual property protection, XGD keeps enhancing its competitiveness in core technologies. Also, the Company strictly complies with the product safety and quality management processes, and builds a quality defense line for each payment terminal with high standards. The Company has established a trust network for payment security and privacy protection. It gives priority to payment security protection and provides customers with comprehensive and secure E-payment solutions.

## Putting People First to Strengthen Fulfillment of Responsibilities.

XGD attaches great importance to employee care and rights protection. It has built a platform for democratic communication with employees, and established a diversified growth network for them. In addition, the Company sets store by employees' physical and mental health, so that it vows to create a favorable working environment for employees and maintain the backbone force for its development. The Company actively fulfills social responsibilities, and conveys the power of "Business for Good" through every little action, be it in public welfare promotion or in empowering small and micro-enterprises.

## Great truths are simple, and practical action is what matters.

In the future, XGD will take more resolute measures to promote the further integration of technological innovation and sustainable development, do its bit for creating a better future where mankind and nature coexist in harmony, and work together with all partners to march toward a promising future of sustainable development.

Chairman of XGD INC.

Liu Xiang

# 01

## ■ Overview of XGD INC.

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# About Us

## Company Profile

XGD INC. (Stock Code: 300130) was founded in 2001 and listed on the Shenzhen Stock Exchange in October 2010. Thanks to 20-odd years of development, XGD has become a global leading company in digital payment technology. Specializing in the design, R&D, production, sales, and service of payment terminal devices, the Company is capable of providing integrated E-payment technical services. Amid the economic globalization and digitalization, XGD keeps deepening its strategic upgrading and transformation & reform, in order to develop into a multipurpose group centering on mobile payment terminals, mobile payment platforms, and artificial intelligence.

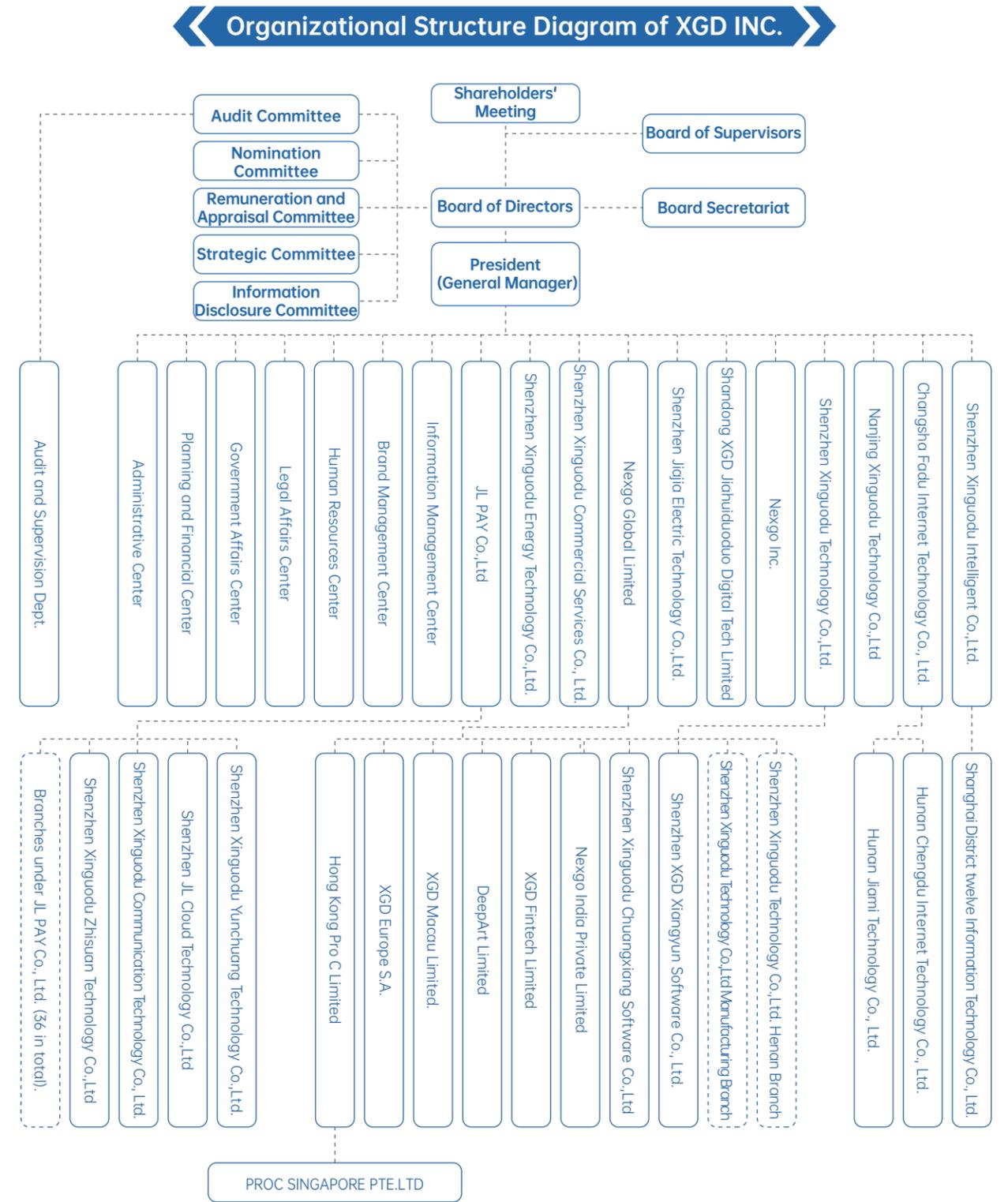
All along, XGD takes "Creating a Better Life Together" as its mission "Sustainable Operation" as its vision to gain a foothold in China and expand globally. By virtue of its competitive industries, the Company seeks innovation opportunities, and works with stakeholders to jointly build a harmonious and win-win international industrial ecosystem in the digital economy era.

## Corporate Culture

Based on the Company's core values "Customer-Centered, Entrepreneurial, Collaborative and High-efficiency, Self-Criticism", XGD people will insist on the behavioral principle "Good Conduct, Continuous Learning, Progressive Advancement, Synergistic Collaboration" and the behavioral standard "Long-Term Vision, Positive Mindset, Rational Action, Self-Reflection" to achieve the vision of "A Sustainable XGD" while following the corporate mission "Creating a Better Life Together".



## Organizational Structure



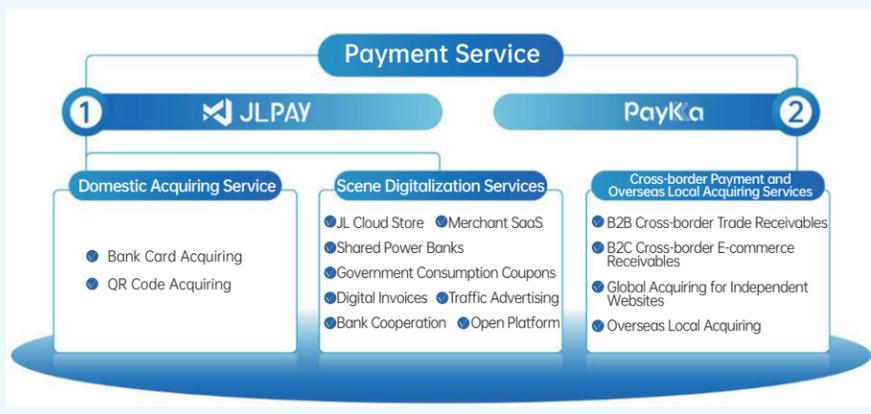
## Business Layout

Amid the further implementation of the Company's international business strategies and plans, XGD has perfected its marketing and service network worldwide, amassed a large number of high-quality customer resources, and successfully procured multiple important overseas payment licenses. As of the end of the reporting period, the Company's marketing and service network covered 300-odd cities across the country (including Hong Kong, Macao, and Taiwan) and multiple overseas regions, enabling it to quickly respond to customers' demands for E-payment acceptance terminal devices and E-payment services. Based on its extensive service network and high-efficiency service management platform, the Company is capable of providing global partners, merchants, and consumers with premium E-payment products/services and all-around digital economy industry solutions. In the meantime, the Company keeps tempering its competitiveness in the international market. XGD is continuously improving its overseas license planning, and so far, it has already procured the Luxembourg PI license, the Hong Kong MSO license, and the US MSB license, laying a strong foundation for the Company's expansion in global cross-border payment services.

### Payment Services

JL PAY, a wholly-owned subsidiary of the Company, is a third-party payment agency with a national bank card acquiring business license. JL PAY specializes in providing convenient payment and settlement services for clients in different industries and of different scales. Moreover, through the "Payment + Operation" service system, JL PAY fully integrates into merchants' business scenarios with payment as the entry point. Based on the characteristics of different industries, JL PAY leverages SaaS mode to provide clients with one-stop services such as value-added services (including membership management, store management, marketing management, and report form management) and industry solutions, empowering small, medium, and micro merchants to operate efficiently and facilitating their digital transformation.

The Company has established a cross-border Business Division, which is responsible for the development of overseas local acquiring service and cross-border payment service. Up until now, the Company has procured the Luxembourg PI license, the Hong Kong MSO license, and the US MSB license, making it meet the licensing requirements for concurrent development of overseas local acquiring service and cross-border payment service. Besides, the Company has rolled out the cross-border payment brand PayKka, which has already been deployed to develop relevant services such as B2B cross-border trade collection, B2C cross-border e-commerce collection, and overseas local acquiring. In addition, the Company is actively planning to launch a global acquiring product for independent websites. For overseas local acquiring, the Company can provide acquiring services for merchants in multiple industries such as catering, retail, and tourism in the European Union region. For cross-border payment, the Company can provide one-stop cross-border payment solutions for Chinese enterprises that go global, resolving clients' problems regarding the fund collection, payment, settlement, foreign exchange, and management.



### E-payment Devices

NEXGO, a wholly-owned subsidiary of the Company, specializes in the production, research and development, as well as sales of software and hardware for E-payment acceptance terminal devices, with financial POS devices at the core. Moreover, it is committed to providing customers with all-around solutions based on E-payment. The E-payment acceptance terminal serves as the fundamental physical platform for facilitating E-payment, and it is the terminal medium for exchange of funds and information among consumers, merchants, and payment institutions.

The Company's E-payment devices mainly refer to POS devices (namely, intelligent POS terminal, QR code POS terminal, facial payment terminal, intelligent cloud speaker, and new-type payment terminals), password keyboards, and external devices, with their application domains covering catering, hotel, retail, transportation, logistics, banking, and medical care. Based on the characteristics of different industries, the Company's E-payment devices can be further developed into specialized and innovative product devices that are more in line with the requirements of various sectors.



### Artificial Intelligence

The Company has been constantly keeping an eye on the evolutionary direction and commercialization paths of artificial intelligence technology. By virtue of internal incubation and external investment, the Company has established business fulcrums in the fields of general-purpose AI applications and generative AI. Shanghai District twelve Information Technology Co., Ltd., a controlled subsidiary under the Company, is committed to the research and application of General-Purpose AI Agent technology. Its AI "Digital Employee" product offers solutions for enterprises and merchants to achieve high-efficiency operation and cost reduction while enhancing efficiency. Duality Intelligence Limited, a company in which the Company has a stake, focuses on the R&D and operation of AIGC applications. It has already launched multiple applications in overseas markets, covering areas such as AI content generation, image and video processing.

## Development History

**2001** • Established in 2001, the Company officially made inroads into China's E-payment sector.

**2009** • In 2008, the Company's principal operating revenue exceeded 100 million yuan.

• Ranked among the Futian District Top 100 Private Enterprises of Shenzhen City in terms of tax payment.

**2019** • Ranked among the Top 10 Contributors to Economic Growth.

**2020** • Became one of the first enterprises to launch a facial payment product with UnionPay security certification

• Won the "Outstanding Award of the Mobile Payment Demonstration Project".

• The N86/F900 was displayed at the CCTV live broadcast studio, and was selected as an innovation paradigm for the 40th anniversary celebration of Shenzhen.

**2022** • Officially approved to procure the Luxembourg EU payment license.

• Won the "Golden Pine Award" for the best achievements in the fintech industry.

• The KD58 ranked first in terms of market shares in India.

• Conferred upon the honorary title "National Key Little Giant Enterprise".

• Signed an IoT strategic cooperation agreement with China Unicom Group.

**2024** • Shanghai Shierqu released the first AI "Digital Employee" product.

• PayKKa procured the MSO license issued by the Hong Kong Customs.

**2010** • Successfully listed and traded on the Growth Enterprise Market of the Shenzhen Stock Exchange.

**2018** • Established Xinlian Credit Information, and acquired JL PAY, Zhejiang Zhongzheng Intelligent Technology, and Changsha Fadu. In 2018, the Company's operating revenue exceeded 2 billion yuan.

**2021** • Recorded as a major project by the National Development and Reform Commission.

• Signed a strategic cooperation agreement with China Telecom in Shenzhen.

• The MR980 was recognized by the National Healthcare Security Administration of the People's Republic of China and testing agencies.

• Passed the first-class design authentication by China Security & Protection Industry Association.

**2023** • XGD's cross-border payment brand "Paykka" was officially debuted.

• The "City Service Provider Quick Recharging Project" came into operation, and now has covered 92 cities.

• Signed an "Open Harmony" ecological enabling cooperation agreement with Huawei Group.

## Milestones of 2024

**January**

**March**

**April**

**May**

**June**

**July**

**September**

**October**

**December**

• XGD procured the world's first MPoC Software product authentication certificate issued by PCI. The Company's success in passing this authentication indicates that XGD's NEXGO has received high recognition from international authoritative institutions.

• Both JL PAY and NEXGO were honored "Shenzhen Well-known Brand".

• Shanghai District twelve Information Technology Co., Ltd. officially released its first AI "Digital Employee" (AI Agent) product.

• JL PAY's Smart Cloud Store SaaS product made an appearance at the 24th CHINASHOP.

• JL PAY assisted in the organization of the "Happy Lhasa, Enjoy Life" special event on March 15th, the World Consumer Rights Day.

• The "2023 Guangdong-Hong Kong-Macao Greater Bay Area Corporate Innovation Power" was grandly released, and NEXGO was ranked in the "Innovation Achievement List".

• PayKKa, a brand under XGD, successfully procured the MSO (Money Service Operator) license issued by the Hong Kong Customs.

• NEXGO signed a major sci-tech project contract with the Science, Technology and Innovation Commission of Shenzhen.

• NEXGO received funding from the 2024 Shenzhen Industrial Design Development Support Program of Industry and Information Technology Bureau of Shenzhen Municipality.

• NexgoShop, the international version of Smart Cloud Store, made an appearance at the Macao Catering Industry Intelligent Upgrading Solution Exhibition.

• JL PAY reached an ecological strategic cooperation with WeBank to jointly popularize digital services among small, medium, and micro enterprises.

• As one of the first service providers for Alipay's "Touch & Pay" service, JL PAY, together with Alipay, brings a brand-new payment experience for merchants and users.

• The multi-language function was launched on JL Cloud Store, helping domestic catering merchants shatter the language communication barriers.

• JL PAY joined hands with Alipay to launch a brand-new "Touch & Pay" QR code cash register device.

• Jialian Invoice 2.0 was newly released, bringing a convenient and efficient experience for digital electronic invoices and supporting invoice issuance upon payment.

## Honors and Awards



The Most Valuable Listed Company at the 9th Golden Tangerine Awards of Time Finance



Top 50 Listed Companies on the Growth Enterprise Market at the 18th China Listed Company Value Selection



The "Tianma Award for Management Innovation Practices" at the 10th Forum on the Relationship between China's Listed Companies and Investors



Excellent Practice Case of the BOD Office for Listed Companies of 2024 by the China Association of Public Companies



Shenzhen Top 500 Enterprises of 2024



JL PAY is conferred upon "Excellent Partner Award in Merchant Acquiring Service" of 2023 by Visa.



JL PAY is conferred upon the "2023 Outstanding Contribution Partner Award in Acquiring Service" by American Express (Hangzhou) Technology Service Co., Ltd.



JL PAY is conferred upon the "2023 Outstanding Partner Award" by Mastercard.



Enterprise Credit Evaluation: Rated as a Level-AAA Credit Enterprise

## Performance Highlights in 2024

### Operating Performance

Operating revenue **3.148** billion yuan  
 Net profit attributable to shareholders of the listed company **234** million yuan

Net assets attributable to shareholders of the listed company **4.197** billion yuan

Total cash dividends (including tax) **488** million yuan (including dividends for 2023 and interim dividends for 2024)

### Environmental Performance

Number of environmental penalties and rule-breaking incidents **0**

Compliant disposal rate of waste **100** %

Environmental protection investment **18,600** yuan

### Governance Performance

Number of law training held **12** times  
 Number of participants in law training **633** persons  
 XGD's integrity perception index **95.91** points  
 Number of employees participating in anti-commercial bribery and anti-corruption training **172** persons

Total duration of anti-commercial bribery and anti-corruption training **1,548** hours  
 Number of anti-monopoly and fair competition training activities **2** times  
 Number of participants in anti-monopoly and fair competition training **200** persons

### Social Performance

R&D investment **277** million yuan  
 Cumulative number of national invention patents registered by the end of the period **92** items  
 Cumulative number of software copyrights registered by the end of the period **507** items

Customer satisfaction rate **92** %  
 Number of ESG training for suppliers **15** times  
 Cumulative duration of ESG training for suppliers **22** hours  
 Proportion of female executives **25** %  
 Proportion of female employees **47.04** %

Number of ethnic minority employees **99** persons  
 Number of employee training sessions **237** sessions  
 Coverage rate of work-related injury insurance for employees **100** %  
 Total investment in safety education and training **20,000** yuan  
 Number of participants in safety education and training Approximately **500** person-times

### As of December 31, 2024

Cumulative scale of fee reduction in the independent fee reduction project Nearly **90** million yuan  
 Cumulative amount of fee reduction and profit concession under policies Nearly **2.3** million yuan  
 Cumulative number of small and micro enterprises and individual industrial & commercial households benefited Over **620,000** households

# 02

## ■ ESG Management

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## ESG Governance Structure

XGD attaches great importance to the construction and improvement of the ESG governance system and working mechanism. It has always regarded the ESG concept as a core component of the Company's long-term development strategy and has been actively committed to promoting its in-depth integration with all levels of corporate operations. By integrating sustainable development into the overall governance structure, the Company has formulated the "ESG Management Rules", and established a sustainable development management architecture consisting of the Board of Directors (BOD) - Strategic Committee - ESG Working Group. The responsibilities of each level are clearly defined, and ESG-related impacts, risks, and opportunities are taken into full consideration in the process of strategy implementation, risk management, and major decision-making.

Level	Governance Body	Responsibilities
Decision-making Layer	Board of Directors	Responsible for making decisions on major matters related to the Company's sustainable development, including ESG development strategies and goals, major issues, management structures, and management rules. Also responsible for deliberating the Company's annual sustainable development report.
Management Layer	Strategic Committee	Responsible for researching and formulating the Company's ESG development strategies and goals, major issues, and management rules, and identifying controlling risks related to everyday ESG management. For outbound publicity, the Strategic Committee is responsible for controlling the quality and continuity of disclosed information.
Execution Layer	ESG Working Group	Responsible for fulfilling the work responsibilities related to sustainable development, and providing guarantees and professional supports.



## ESG Goals

The Company integrates the ESG concept into its long-term development strategy, and promotes the tight combination of corporate development and the UN Sustainable Development Goals (SDGs). It actively explores a new path for green circular economy, keeps improving the level in sustainable development management, achieves the coordinated development and sustainable growth of the Company's economic, social, and environmental benefits, and contributes to the fulfillment of the UN Sustainable Development Goals (SDGs).

SDGs	SDGs Content	XGD's Actions
	Eliminate all forms of poverty everywhere in the world	Participate in social welfare and assist in community development
	Ensure healthy lifestyles and promote the well-being of people of all ages	Implement work safety and safeguard occupational health
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Streamline career development channels and improve the employee training mechanism
	Achieve gender equality and empower all women and girls	Oppose gender discrimination and care for female employees
	Ensure access to safe drinking water and basic sanitation for all	Stress water conservation and ensure compliant wastewater treatment
	Ensure that everyone has access to affordable, reliable, and sustainable modern energy	Carry out energy conservation and emission reduction campaign, use clean energy
	Promote sustained, inclusive, and sustainable economic growth, achieve full and productive employment, and ensure decent work for all.	Insist on equal employment, safeguard employees' rights and interests
	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Encourage R&D innovation, protect intellectual property rights
	Ensure sustainable consumption and production framework	Emphasize product quality management, safeguard customers' rights and interests
	Take urgent action to combat climate change and its impacts	Promote energy conservation and carbon reduction, popularize green office, identify climate risks and opportunities
	Promote peaceful and inclusive society for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	Standardize corporate governance, insist on compliant operation, abide by business ethics
	Strengthen means of implementation and revitalize the global partnership for sustainable development	Build a sustainable supply chain, persist in responsible procurement

## Communication with stakeholders

The Company's business development involves multiple stakeholders. To make the report accurately focused and achieve effective communication, the Company, in response to the stakeholders' demands and expectations, focuses on important stakeholders such as shareholders and investors, customers, employees, suppliers, communities, governments and regulatory authorities, and the media. Through a variety of communication channels, the Company learns about and responds to the expectations and demands of stakeholders in a timely manner.

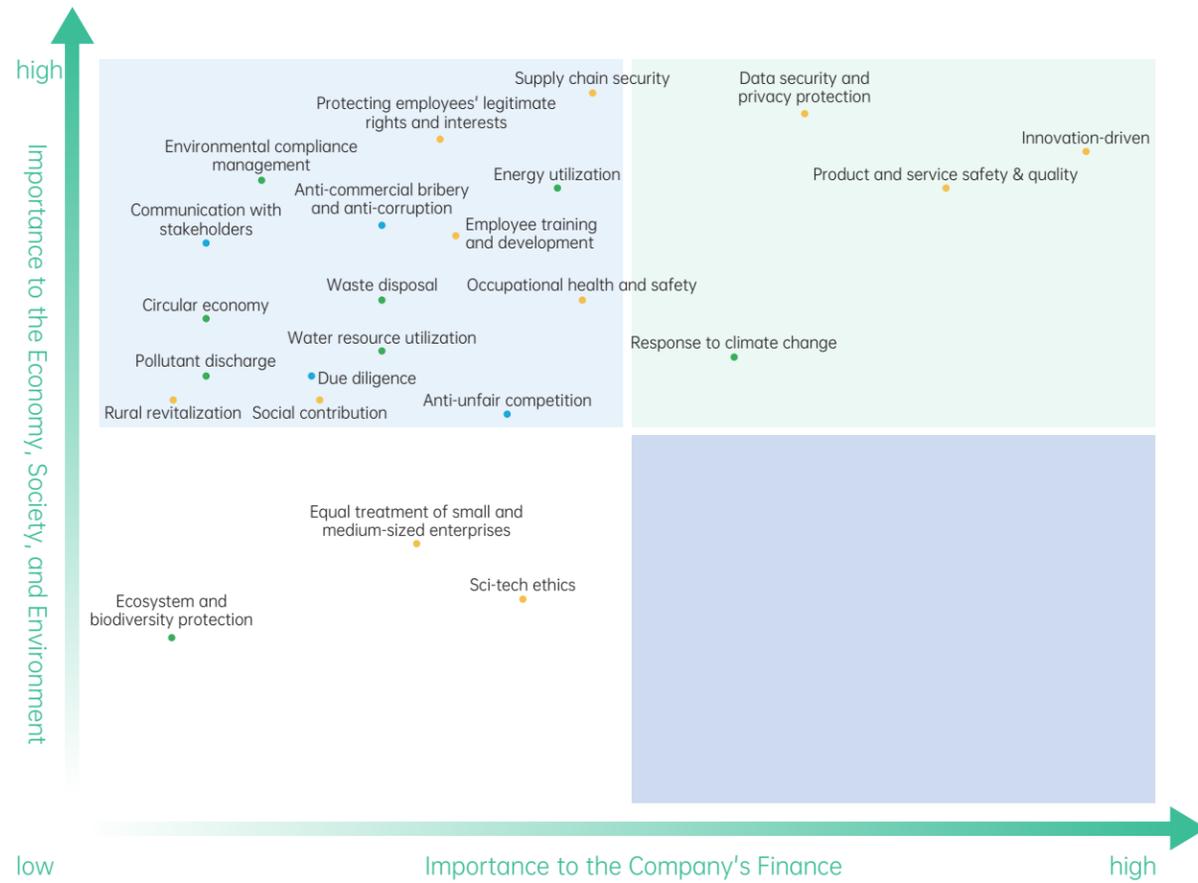
Stakeholders	Expectations and Appeals	Our Responses
Shareholders and Investors	Sustainable and stable returns, transparent and open information disclosure	Continuous and stable operation, strengthening investor communication, transparent information disclosure
Governments and Regulatory Authorities	Lawful and compliant operation, support for local development, environmental protection	Improving corporate governance, accepting regulatory reviews, insisting on environmental protection
Customers	Product quality and safety, optimization of customer service, privacy and information security	Providing high-quality products, offering premium services, responding to customer demands
Employees	Training and development, guarantee of basic rights and interests, health and safety, humanistic care	Organizing employee training, ensuring employees' salary and welfare, strengthening occupational health management, implementing employee care practices
Suppliers	Compliance with business ethics, sincere cooperation	Building a responsible supply chain, abiding by business ethics
Communities	Public welfare and charity, community public welfare, promoting regional development	Carrying out public welfare activities, participating in volunteering services

## Management of Important Issues

When preparing the report, the Company thoroughly studied and referred to the Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange-Sustainability Report (For Trial Implementation) (hereinafter referred to as the "Guidelines"). Also, by referring to relevant requirements of international mainstream standards on sustainable development report, the Company comprehensively assessed its performance in relevant issues to judge whether these issues would have a significant impact on the economy, society, and environment (i.e., impact importance). In the meantime, the Company considered whether each issue would have a relatively large impact on its business model, business operation, development strategy, financial situation, cash flow, financing methods & costs, and value chain (i.e., financial importance). In total, the Company identified 4 issues with financial importance and 20 issues with impact importance, and highlighted the response in the report.

Issue Assessment Process	Analysis Methods
Step 1: Learning about the Company's Background	Made analysis based on the macro environments(e.g., global mainstream trend and China's industrial development trend), the industry for the Company, and the Company's business model, and identified the Company's stakeholders and the impacts, risks, and opportunities for the Company.
Step 2: Preliminary Screening of Issues	Referred to the issue indicators in the "Guidelines", the Global Reporting Initiative (GRI), the UN Sustainable Development Goals (SDGs), the Sustainability Accounting Standards Board (SASB), and relevant industry issues at home and abroad, and adjusted the Company's issue pool in 2024.
Step 3: Assessment of Issue importance	<p><b>Assessment of Impact importance</b> Examined the potential/real positive or negative impacts of each issue on the external environment, society, and economy; organized research and analysis on stakeholders in the form of questionnaires, recovered 265 questionnaires, identified 20 issues with impact importance according to the questionnaire results and expert opinions.</p> <p><b>Assessment of Financial Importance</b> Through analysis of impact, dependence, and other factors, and according to experts' opinions, identified and evaluated the risks and opportunities under relevant issues, and made assessment in terms of risks and opportunities' likelihood of occurrence, impact degree, and impact time range. After discussion with the Company's management, identified 4 issues with financial importance.</p>
Step 4: Confirmation and Approval of Issues	Formulated a list of issues with impact importance and financial importance, and submitted the list to the Company's management for approval, and ensured that relevant issues are disclosed in the report on a transparent, balanced, and complete basis.

### Matrix of XGD's Important Issues



- Issues with both financial importance and impact importance
- Issues with financial importance but without impact importance
- Issues with impact importance but without financial importance
- Issues with neither financial importance nor impact importance

### Important Issue Identification List

Importance Explanation	Issues		
	Environmental Dimension	Social Dimension	Governance Dimension
Issues with Both Financial and Impact Importance	Response to climate change	Innovation-driven, data security and privacy protection, product and service safety & quality	/
Issues with Impact Importance but Without Financial Importance	Environmental compliance management, energy utilization, circular economy, water resource utilization, pollutant discharge, waste disposal	Protecting employees' legitimate rights and interests, employee training and development, occupational health and safety, supply chain security, social contribution, rural revitalization	Anti-commercial bribery and anti-corruption, anti-unfair competition, due diligence, communication with stakeholders
Issues with Financial Importance but Without Impact Importance	/	/	/
Issues with Neither Financial nor Impact Importance	Ecosystem and biodiversity protection	Sci-tech ethics, equal treatment of small and medium-sized enterprises	/

# 03

## ■ Focus on Responsibilities: Riding the Wave of Cross-Border Business, XGD Empowers the Journey to Go Global

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Driven by the booming global digital economy, cross-border payment has become an important link connecting the global economy. As a pacesetter in China's digital payment domain, XGD, under the guidance of the corporate mission "Creating a Better Life Together", has extended its overseas business to 100-odd countries around the world, successfully bringing China's advanced "Payment + Terminal" business model into the international market. While providing a new engine for growth of its business performance, the Company keeps boosting the high-quality development of the cross-border payment industry through technological innovation, ecological co-construction, and compliant governance.

## Innovation-Driven, Building a Diversified Payment System

### Technology-based Foundation: Seamless Linking of the Global Payment Network

PayKka, as a cross-border payment brand under XGD, is committed to providing enterprises with efficient and safe payment solutions. It has rolled out a series of payment service products such as B2B cross-border trade collection, B2C cross-border e-commerce collection, and overseas local acquiring. While streamlining the cross-border transaction process, products under PayKka significantly bring down payment costs and improve the efficiency of capital flow. For numerous Chinese enterprises vowing to exploit overseas markets, PayKka's services provide an efficient channel for going global.

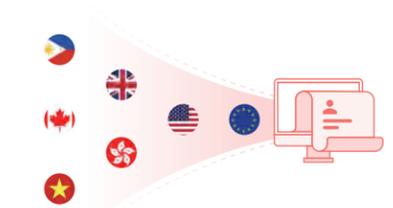
#### Functions and Advantages of PayKka

1. Global Collection: PayKka provides foreign trade merchants with one-stop cross-border payment solution, resolving the problems in foreign trade fund collection, payment, settlement, remittance, and management.
2. Security Guarantee: with 23 years of technological practices in the payment industry as well as full-fledged information security service system; boasting the international high-standard authentication certificates PCI PIN V3.0 and PCI-DSS.
3. Convenient Account Opening: It only takes 1 working day to open an account. There is no need to deal with complicated procedures and wait in a long queue before opening a global collection account.
4. Real-Time Exchange Rate: Real-time access to the exchange rate changes of multiple currencies around the world, helping merchants keep abreast of exchange rate information.
5. Efficient Collection and Payment: It supports local and global accounts, with a total of over 15 currencies for collection.



**Time-Saving**

- ✓ Account opening is completed within 1 working day.
- ✓ For local account collections, funds can arrive in the account on the same day at the earliest.
- ✓ Support instant withdrawal with funds arriving in seconds.



**Effort-Savin**

- ✓ 100% online account opening with minimal documentation.
- ✓ One account supports receiving payments in multiple currencies.
- ✓ Funds can be used immediately for payments to suppliers, no need to withdraw money first



**Cost-Saving**

- ✓ Zero fees for account opening, fund receipt, and management.
- ✓ Transparent exchange rates, with zero foreign exchange losses.
- ✓ Using local accounts, with zero intermediary bank fees.

## Scenario Exploration: Customized Solutions for Unleashing Industrial Momentum

In response to the cross-border business headaches and diverse needs in different scenarios, XGD has been continuously developing customized solutions to promote the improvement and progress of the industrial ecosystem.

### Case: Keep Deepening the Collaboration with Partners in the Ecosystem

To provide Chinese enterprises with strong support in going global and jointly build a more refined global payment network, PayKka has been actively developing bank cooperation projects. In March 2024, PayKka successfully won the bid for a leading bank's cross-border fund collection service project. In the meantime, PayKka has been actively promoting the Corporate-to-Corporate Partnership Model, for example, it has successfully established business cooperation with a company that serves the government's foreign trade platform, in order to jointly provide one-stop payment solutions for cross-border enterprises. Such cooperation model helps PayKka further expand its business channels and win the trust and support from more customers.

In 2024, to better serve customers worldwide, PayKka has been committed to expanding the local collection account network. So far, it has successfully opened local collection accounts in regions such as the USA, Canada, the UK, the European Union, Singapore, Hong Kong, and Southeast Asia. Besides that, it has been continuously refining payment service capabilities in multiple regions, in response to diverse cross-border collection needs from merchants.

To address the cross-border business headaches such as high time cost, PayKka has launched the function of automatic order matching and posting. Under such function, users only need to submit order contract in advance, and the system will automatically complete the precise order-fund matching upon fund arrival without manual intervention, thereby greatly improving the fund posting efficiency and fund management accuracy.

In addition, PayKka has launched a global access function, supporting the registration of mobile phone numbers from more than 190 countries on the PayKka platform and accepting applications for network access by corporate entities with certificates from most countries/regions around the world. Currently, PayKka already supports 10 mainstream collection currencies including the US dollar, euro, pound sterling, Hong Kong dollar, Japanese yen, Canadian dollar, Australian dollar, Singapore dollar, offshore Renminbi, and Philippine peso, providing customers with diverse collection solutions.



## Professional Services, Facilitating Enterprises' Global Expansion

XGD has always regarded professional service capabilities as one of the core pillars for its development, and has been deeply engaged in the field of cross-border payment. By building a worldwide response network, an ever-improving agile service system, and a strong cooperative relationship with financial institutions, the Company has been constantly improving its professional service level. As a result, the Company has won high trust from customers and extensive recognition in the industry for its professional, efficient, and trustworthy services.

To actively build an all-around and multi-level service system, PayKka provides one-on-one exclusive services for merchants, deeply learns about their business models and cross-border payment needs, and follows up on various issues throughout the process to ensure that every request from merchants can be addressed in a timely and effective manner, which truly lives up to precise services and relieves merchants of worries. The Company has set up a 7-day, 12-hour service hotline to ensure that merchants have a quick access to solutions, which greatly raises the communication efficiency, brings down the service waiting time, and guarantees the merchants' normal business operation. Aside from that, the Company has set up international subsidiaries and offices worldwide, with its marketing and service network covering more than 300 cities across the country (including Hong Kong, Macao, and Taiwan) as well as multiple overseas regions, enabling it to reach every region and help enterprises expand their business line globally.



### Case: Active Participation in Cross-Border Technology&Application Exchanges

In 2024, PayKka participated in the "Cross-Border E-commerce Compliance and Transparency Forum Launch Ceremony" sponsored by the Commerce Bureau of Shenzhen Municipality, the Suzhou Tech Finance International Cooperation Development Conference & 3rd Yangtze River Delta Digital Financial Industry International Innovation Week, and the Cross-Border Digital Financial Industry Compliance and Symbiosis Conference. During these activities, PayKka worked with banking, insurance, and digital financing enterprises to initiate the establishment of a cross-border financial services center. This center will bring into play all participants' professionalism and resource advantages, strengthen industrial research, product innovation, and connections between financial institutions and enterprises, and accelerate the construction of a cross-border financial comprehensive service system covering payment&settlement, exchange rate management, investment&financing and other services, providing diversified financial services for enterprises to integrate into the global value chain.



### Exclusive Services

- ✓ Served by a one-on-one dedicated customer manager
- ✓ Countrywide coverage: local service teams, providing rapid response and door-to-door services
- ✓ Multiple-scenario contact with customer service for counselling

## Stressing the Bottom Line, Leading the Standardized Development of the Industry

XGD upholds high standards and strict requirements, focuses on shoring up the foundation of compliance, and dedicates itself to building a trustworthy business ecosystem.

For compliance management, XGD has always maintained a high level of sensitivity and preciseness. To ensure the Company's compliant operation in cross-border business, XGD has specifically established a professional compliance management team to keep abreast of relevant regulatory regulations in major business regions such as Hong Kong, Europe, and the United States, and to meticulously examine and optimize internal policies according to the Company's real business processes. In addition, the Company will also update business guidelines in a timely manner according to market risk trends. Once there is a change in market risk trends, the Company will quickly adjust the business guidelines, clearly define the boundaries and norms for business operations, and provide clear operation instructions for front-line business personnel.

For risk assessment and monitoring, the Company has built an all-process control system. Beforehand, it conducts customer grade management through "Know Your Customer" (KYC) and customer service risk scoring, as a way to control risks in advance. During the process, it conducts real-time list screening and all-around monitoring of transactions to timely detect abnormal transactions and verify and handle them. Afterward, it conducts order retrieval for risky transactions and properly handles relevant incidents. All in all, the Company coordinates all links to effectively bring down risks and assure the safe and stable operation of the businesses.

For quality assurance, PayKka under XGD attaches great importance to technical compliance and security. To ensure the reliability and continuity of the business system, the Company has made significant investments in systematic construction while improving efficiency. By comprehensively monitoring the system, the Company has established a relatively complete production defect handling process, a production failure review system, and standardized maintenance rules for the main process and error-prone operation cases, in order to ensure the quality reliability of the system from all aspects and lay a solid technical foundation for compliant operation.

For channel compliance and collaboration, by implementing the KYC review mechanism for cooperation channels, PayKka exercises strict reviews over cooperation channels, and deeply learns about information such as target customer identities and business background. Also, PayKka synchronizes the channel risk policy guidelines to ensure that both sides maintain consistency in risk awareness and prevention&control standards, thereby promoting compliant and efficient collaboration with cooperation channels and jointly maintaining the healthy and stable development of the business.

For license planning, PayKka is also taking active actions and is committed to becoming a stable and long-term partner for enterprises that go global. By continuously improving the overseas license planning, PayKka has successfully procured the Luxembourg PI license, the Hong Kong MSO license, the US MSB license, etc. These licenses are not only a strong proof of compliant operation, but also provide a solid guarantee for the capital flow of enterprises on a global scale, helping enterprises achieve globalization within the framework of legality and compliance.



### More Reassuring

- ✓ A brand under XGD (a listed company)
- ✓ Local risk control teams across the globe
- ✓ Cutting-edge information security technology arising from 23 years of practices

# 04

## ■ Corporate Governance

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## Responding to SDGs



## Improving the Governance System

### Governance Structure

In compliance with laws and regulations such as the Company Law of the People's Republic of China (hereinafter referred to as the Company Law), the Securities Law of the People's Republic of China (hereinafter referred to as the Securities Law), and the Corporate Governance Standards for Listed Companies, as well as the provisions and guidance requirements of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, XGD has established a governance structure composed of the shareholders' meeting, the board of directors (BOD), the board of supervisors (BOS), and the senior management. The Company's decision-making body, supervisory body, organ of authority, and senior management have clear rights and responsibilities, leading to formation of a sound operating mechanism featuring self-development and self-restraint.

### Governance of the Three Meetings

#### Shareholders' Meeting

The Company has formulated the Rules of Procedure for Shareholders' Meetings to specify the procedures for convening, holding, and voting for the shareholders' meetings. The shareholders' meeting adopts a combination of on-site and online voting to ensure that the procedures and resolutions of the shareholders' meetings comply with laws. The Company treats all shareholders equally and ensures that all shareholders, especially minority shareholders, enjoy the right to know, the right to participate, and the right to vote on major matters of the Company.

During the reporting period, the Company convened a total of **2** shareholders' meetings, and deliberated and approved **13** proposals

#### Board of Directors (BOD)

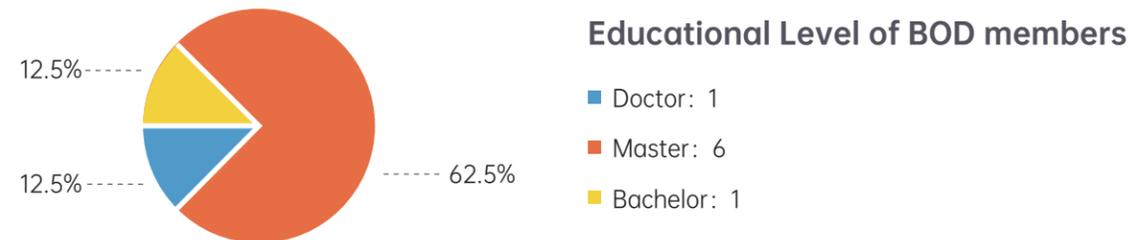
Under the Company's Board of Directors there are Strategic Committee, Nomination Committee, Audit Committee and Remuneration and Appraisal Committee, leading to formation of a governance structure with clear rights&responsibilities and coordinated operation. The subordinate committees assist the BOD in fulfilling its decision-making and monitoring functions and promote the standardized operation and healthy development of the Company. The Company has formulated the Rules of Procedure for BOD Meetings to standardize the discussion & decision-making rules and procedures at the BOD meetings, ensuring that the BOD exercises its powers independently and effectively as per laws and regulations, so as to ensure the BOD's effective operation and scientific decision-making level.

During the reporting period, the Company organized to convene **9** BOD meetings, and deliberated and approved **51** proposals, with attendance rate of BOD members hitting **100%**.

Meanwhile, the Company convened one Nomination Committee meeting, at which **1** proposal was deliberated and approved, convened **6** Remuneration and Appraisal Committee meetings, at which **8** proposals were deliberated and approved, and convened **7** Audit Committee meetings, at which **20** proposals were deliberated and approved.

### Diversity of the BOD

The Company insists on the policy of diversifying the BOD. For nomination and appointment, the Company takes into account multiple factors, including gender, age, educational background, and expertise etc., in order to meet the needs of various business segments and ensure the diversity and effectiveness of its governance structure. The incumbent members of the Company's BOD have abundant industry experience, and their professional backgrounds cover accounting and economics etc., fully exemplifying the professionalism and duty-performing ability of the BOD, and ensuring the BOD decisions are made in a scientific and precise manner. During the reporting period, the Company had two female senior executives in its management team.



### Independence of the BOD

In light of relevant laws, regulations, regulatory documents and provisions of its Articles of Association, the Company, based on its real conditions, has formulated the Working Rules for Independent Directors to clarify the responsibilities of independent directors and give full play to the role of independent directors. On the Company's BOD there are a total of 8 members, including three independent directors.

BOD Special Committees	Proportion of Independent Directors
BOD Audit Committee	100%
BOD Nomination Committee	66.67%
BOD Remuneration and Appraisal Committee	66.67%

#### Board of Supervisors (BOS)

The Board of Supervisors acts as the Company's supervisory body. The Company has formulated the Rules of Procedure for BOS Meetings, stipulating that supervisors shall be elected in strict accordance with the selection&appointment procedures provided in the Company Law and the Articles of Association, the number and proportion of the BOS members shall comply with the requirements of laws and regulations, and the BOS members shall exercise their supervision rights independently as per laws, in order to safeguard the interests of all shareholders and ensure the sustainable development of the Company. On the Company's BOS there are a total of 3 members, including 2 employee representative supervisors and 1 non-employee representative supervisor.

During the reporting period, the Company convened **8** BOS meetings, at which **41** proposals were deliberated and approved.

## Management of Remuneration for Directors, Supervisors and Senior Management

The Company keeps optimizing and improving the remuneration management system for directors, supervisors and senior management. Under the BOD there is a Remuneration and Appraisal Committee, which is responsible for assessing the performance of the Company's directors and senior management. The Company has formulated and implemented a series of rules such as the Working Rules of the Remuneration and Appraisal Committee and the Allowance Rules for Directors and Supervisors, which effectively mobilizes the working enthusiasm of directors, supervisors and senior management and improving the Company's operating and management efficiency.

For the Company's directors, supervisors and senior management, the remuneration needs to be submitted to the Company's Shareholders' Meeting for deliberation and approval, and the payment amount shall be determined according to the provisions of the Company's relevant rules and based on their operating performance, working ability, and job rank, etc. The allowances for independent directors and supervisors need to be deliberated and approved by the Shareholders' Meeting. The Company shall truthfully disclose the remuneration amount of its directors, supervisors and senior management in the previous year in the annual report, and keep the remuneration of directors, supervisors and senior management highly transparent.

Indicator	UOM	2024
Remuneration of Directors, Supervisors and Senior Management (including the remuneration for the incumbent and the former)	Ten thousand yuan	1,333.97

## Compliance Management

### Internal Control

In accordance with relevant laws, regulations and the provisions of the Articles of Association, the Company clarifies the basic requirements for internal control to promote the standardized operation of the Company and improve the quality of information disclosure. The responsibilities of relevant institutions for internal control in the Company are clear. Under the Audit Committee of the BOD there is Audit and Supervision Department. As an internal audit organ, the Audit and Supervision Department inspects and supervises the establishment and implementation of the Company's internal control rules, the authenticity and integrity of the Company's financial information, etc. For problems found in the process of supervision and inspection, the Audit and Supervision Department timely puts forward control and management suggestions, urging relevant departments to make timely rectifications and ensure the effective implementation of internal control.

The Company has established all-around internal audit system and formulated the Internal Audit Rules. In strict accordance with laws, regulations and internal audit work norms, the Audit and Supervision Department further standardizes the Company's internal audit work and improves audit quality. During the reporting period, there were no major deficiencies in the Company's internal control, and the compliance situation remained stable. Effective internal control was maintained in all major respects.

Indicator	UOM	2024
Number of Law Training Organized	Times	12
Number of Hours of Law Training Organized	Hours	12
Number of Participants in Law Training	Persons	633

## Risk Management

The Company has established and continuously improved the risk management system and effectively implemented risk management work in all aspects of the corporate operations. To standardize and strengthen risk management work, JL PAY has formulated the Risk Management Policy, which clarifies risk classification, the scope of risk management, risk management processes etc., with a view to establishing a comprehensive risk management system.

### Risk Management Team

JL PAY has established a risk management team to organize and coordinate the Risk Control Department, Business Compliance Department and Anti-Money Laundering Department to promote the implementation of relevant work and ensure the safe and stable operation of JL PAY.

### Risk Identification and Assessment

Based on the Company's industry characteristics and operating situation, identify risks existing in the Company's business activities. By source, risks are classified into market risk, operation risk, credit risk, reputation risk, liquidity risk and money laundering risk. Evaluate the severity and frequency of the identified risks to determine risk response measures.

### Risk Response Measures

In case of a sudden major risk event, the personnel who discover the risk report it to the Risk Control Department. Members of the Risk Control Department immediately draw up an emergency treatment plan and submit it to the head of the Risk Control Department and the Company's risk management team for approval. After the emergency treatment plan is approved, relevant personnel immediately handle the risk event. After the risk event is handled, the Risk Control Department will summarize the event occurrence process, the treatment plan and the approval process of the treatment plan into a risk event handling report, and the report will be submitted to the compliance post for recording purpose.

Indicator	UOM	2024
Number of Internal Risk Training	Times	3
Total Number of Person-times of Internal Risk Control Training	Person-times	68
Total Number of Hours of Internal Risk Control Training	Hours	18.5

## Related Party Transaction Management

In accordance with relevant laws and regulations such as the Company Law and the Securities Law and the provisions of the Articles of Association, the Company has formulated the Related Party Transaction Decision-making Rules, clearly stipulating the object, type, pricing principle, decision-making authority, and information disclosure of related party transactions, ensuring that the Company's related party transactions comply with the "Fair, Impartial, and Open" principle as well as the requirements of the regulatory authorities, and safeguarding the legitimate rights and interests of the Company and all shareholders, especially small and medium-sized investors. To achieve objectivity and fairness in decision making, the Company strictly implements the related party transaction abstention voting system. When deliberating related party transaction matters, related shareholders shall abstain from voting and refrain from exercising the voting rights on behalf of other shareholders.

## Protecting Investors' Rights and Interests

### Information Disclosure Management

In accordance with relevant regulations such as the Administrative Measures for the Disclosure of Information of Listed Companies and the Shenzhen Stock Exchange ChiNext Listing Rules, the Company has formulated the Information Disclosure Rules, the Responsibility Investigation Rules for Major Errors in Annual Report Information Disclosure, the Business Management Rules for Information Disclosure Suspension and Exemption and the Internal Reporting and Confidentiality Rules for Major Information, etc., in order to ensure the authenticity, accuracy and completeness of the information disclosed by the Company, make the vast number of investors have an access to the Company's information on an impartial basis, and prevent the occurrence of insider trading. The Company attaches great importance to information disclosure work, and actively organizes directors, supervisors, senior management and relevant personnel to study various norms for corporate information disclosure. On the basis of the "Authenticity, Accuracy and Completeness", the Company ensures that the disclosed information is "Simple, Clear and Easy to Understand".

To strengthen the internal control over information disclosure and improve the quality of information disclosure, the Company has established an Information Disclosure Committee in accordance with relevant laws, regulations, and the Articles of Association, and formulated the Detailed Rules for the Work of the Information Disclosure Committee. As a trans-departmental coordinating organ, the Information Disclosure Committee does not change the Company's original information disclosure system or act for the BOD secretary. It is mainly responsible for building information reporting and supplementation channels, promoting the establishment and improvement of the internal control mechanism for information disclosure, deliberating disclosure matters, supervising the implementation, and providing counseling opinions. In 2024, the Company's Information Disclosure Committee convened a total of 2 meetings.

During the reporting period, the Company disclosed **4** periodical reports and **121** temporary announcements. It had no records of penalty for violations in information disclosure.

### Communication with Investors

The Company attaches great importance to investor relations management. It strictly observes relevant regulations and the provisions of the Rules for Management of Investor Relations to strengthen information communication between the Company and investors as well as prospective investors, and to safeguard investors' legitimate rights and interests such as the right to know and the right to vote. The Company actively communicates with investors through multiple channels, platforms, and methods. Through various channels such as the official website, investor hotline, counselling email, Hudongyi (<https://irm.cninfo.com.cn>), and performance briefing session, the Company keeps abreast of and listens to opinions from the outside world, answers relevant questions, and deepens investors' understanding of the Company.



#### Communication Channels:

- 1.The Company has set up an investor hotline. For feedback, questions, opinions, and suggestions from investors, it gives replies in an ardent, earnest, and patient manner, and makes notes carefully.
- 2.The Company has set up an "Investor Education" column on its official website ([www.xgd.com](http://www.xgd.com)) to upload investor protection work reports and violation cases released by the China Securities Regulatory Commission, etc., as a way to enhance investors' risk awareness.
- 3.The Company organizes online performance briefing session at regular intervals and participates in activities such as annual collective reception day for listed companies. The Company's independent directors and senior management personnel communicate and exchange ideas with investors on issues of concern in the capital market, fully achieving healthy interaction between the Company and shareholders.

During the reporting period, the Company received two on-site investigations by investors of **8** person-times, and answered **15** investors' questions, with a **100%** response rate to investors' questions. It communicated with investors **242** times on the Hudongyi platform, organized two open exchanges with investors through performance briefing session and collective reception day, answered **600**-odd calls from investors, and communicated with investors **28** times through emails/social platforms.

### Protection of Shareholders' Rights and Interests

The Company attaches great importance to investors' returns. It has formulated the Rules for Management of Profit Distribution, clarifying reasonable profit distribution methods, especially the cash dividend policy, and stipulating that the formulation and implementation of the cash dividend policy shall be timely disclosed in the annual report. Focusing on its long-term and sustainable development, the Company, based on its real situation, reasonably distributes profits, rewards investors through cash dividends, and effectively fulfills its social responsibilities.

Indicator	UOM	2024
Total amount of cash dividends implemented (including tax) (dividends for 2023 and interim dividends for 2024)	Ten thousand yuan	11,337.37
Proportion of dividends for 2023 in the net profit attributable to shareholders of the listed company in the consolidated financial statements	%	49.66
TProposed cash dividend per 10 shares for 2024 (to be submitted to the shareholders' meeting of 2024 for deliberation)	Yuan	2

## Business Behaviors

### Anti-Commercial Bribery and Anti-Corruption

The Company actively creates a good atmosphere of integrity, self-discipline, diligence, and dedication. In strict accordance with all national laws and regulations on anti-corruption and anti-bribery, the Company has formulated the Integrity Management Code to enhance all employees' integrity and self-discipline awareness, eliminate bribery and corruption, and safeguard the legitimate rights and interests of the Company and shareholders. The Company keeps optimizing and improving the business ethics management system to build a stronger moral defense line. The Audit and Supervision Department is responsible for implementing daily and continuous integrity supervision within the Company and its subsidiaries, strictly preventing employees from being involved in any bribery activities or behaviors that jeopardize the Company's interests. During the reporting period, no corruption and bribery incidents occurred in the Company.

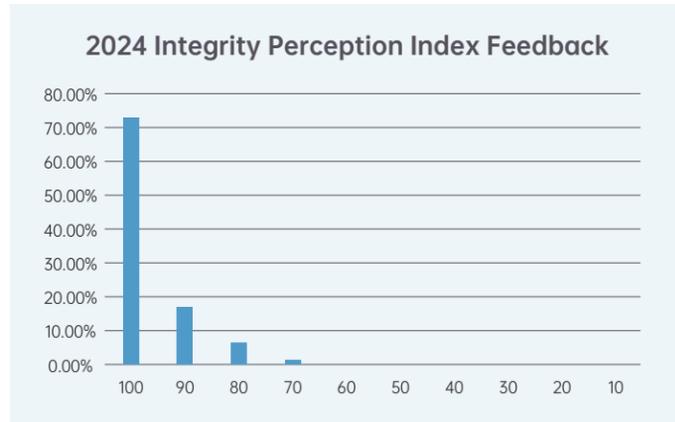
#### Integrity Management over Business Partners

The Company sets store by the integrity performance of its business partners and the entire supply chain. It signs the "Commitment Letter of Partners on Integrity and Good Faith" with suppliers to safeguard the legitimate rights and interests of both sides in business contacts, and to promote a clean-fingered, honest, and win-win cooperation.

#### Integrity Survey

In November 2024, the Audit and Supervision Department of the Company organized the "XGD Integrity Perception Questionnaire Survey" activity, with a total of 337 participants. The questionnaire survey results showed that the XGD Integrity Perception Index in 2024 was 95.91 points, and the proportion of those with a score above 80 points was 97.63%. Overall, the Company's current environment is relatively clean.

Note: the score of 100 points indicates the highest level of integrity; the score of 0 points indicates the highest level of corruption; a score between 80 and 100 indicates relatively high integrity; a score between 50 and 80 indicates slight corruption; a score between 20 and 50 indicates relatively serious corruption; and a score between 0 and 20 indicates extreme corruption.



#### Publicity of Integrity Culture

The Company actively organized activities for publicity of integrity culture, as a way to enhance employees' integrity awareness and anti-fraud awareness in work. In September 2024, the Audit and Supervision Department, in conjunction with the General Party Branch, sponsored the fifth "Integrity Culture Month" event. The event consisted of multiple sections such as "Integrity Good Voice", "Integrity Quiz with Prizes", "Integrity Word Filling", and "Legal Knowledge Publicity", with a total of 350 person-times of participants in the event.



### Whistle-blowing Channels and Whistle-blower Protection

The Company provides internal and external stakeholders with various whistle-blowing channels such as telephone and email. Also, it has established a reward mechanism for whistle-blowers to encourage internal and external personnel to report illegal and rule-breaking matters related to anti-corruption and anti-bribery etc.

**Whistle-blowing Channels:**  
 Whistle-blowing Email: sjjc@xgd.com      President's Email: zc@xgd.com  
 Whistle-blowing Telephone: 0755-83286546

#### Whistle-blowing Handling Process

The Company has established and improved the whistle-blowing mechanism, and clarified the methods for handling of reports, whistle-blower protection, rewards & punishments etc. in the Integrity Management Regulations, fully safeguarding the personal information and other legitimate rights and interests of the whistle-blowers. After receiving reports, the Company's Audit and Supervision Department will strictly review and evaluate the reported information. Once the authenticity of the reported information is confirmed, an investigation will be launched swiftly. During the investigation process, the Company will strictly keep the information of whistle-blowers confidential, and strictly prohibits anyone from retaliating against whistle-blowers in any form. For those responsible for violating the confidentiality principle and engaging in retaliatory acts, the Company will punish them severely. Those who violate the law will be handled as per laws and regulations.

Indicator	UOM	2024
Number of Employees Participating in Anti-Commercial Bribery and Anti-Corruption Training	Persons	172
Proportion of Employees Participating in Anti-Commercial Bribery and Anti-Corruption Training	%	11
Total Duration of Employees' Anti-Commercial Bribery and Anti-Corruption Training	Hours	1,548
Average Duration of Employees' Anti-Commercial Bribery and Anti-Corruption Training per Person	Hours/person	9

### Anti-Unfair Competition

Upholding the principle of fair competition, the Company strictly complies with laws and regulations on anti-monopoly and anti-unfair competition such as the Anti-Unfair Competition Law of the People's Republic of China and the Anti-Monopoly Law of the People's Republic of China, actively safeguards a legitimate and fair market competition environment, and promotes the healthy development of the economy. During the reporting period, no malicious competition events occurred in the Company.

Indicator	UOM	2024
Number of Training Activities on Anti-Monopoly and Fair Competition	Times	2
Number of Participants in Anti-Monopoly and Fair Competition Training	Persons	200
Total Duration of Anti-Monopoly and Fair Competition Training	Hours	1

## Persisting in the Guidance by Party Building

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, XGD has continuously strengthened the "Four Consciousnesses" (namely, to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment with the central Party leadership), firmly stressed the "Four-Sphere Confidence" (namely, confidence in the path, theory, system, and culture of socialism with Chinese characteristics), resolutely lived up to the "Two Upholds" (upholding General Secretary Xi Jinping's core position in the CPC Central Committee and the whole Party, and upholding the authority of the CPC Central Committee and its centralized, unified leadership), and steadfastly supported the "Two Establishments" (the establishment of Comrade Xi Jinping's core position in the CPC Central Committee and the whole Party, and the establishment of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guiding ideology). The Company has comprehensively implemented the spirit of the 20th National Congress of the CPC and the spirit of the Central Economic Work Conference, earnestly fulfilled various decision-making arrangements of the superiors, and actively promoted the in-depth integration of Party building and production and operation. Under the General Party Branch of XGD there is the First Party Branch and the Second Party Branch, with a total of 65 CPC members. During the reporting period, a total of 12 party committee meetings were held.



## Party Building Activities

The General Party Branch of XGD actively organized various forms of Party building education and other activities to enhance the learning enthusiasm of CPC members, laying a solid foundation for building a learning-oriented party organization. The party organization carried out "With Your Contribution, Learning Rewarded" campaign throughout the year and gave prizes to outstanding CPC members with excellent performance points in 2024. On July 1, 2024, the Founding Day of the CPC, the General Party Branch organized a film screening activity for CPC members.



# 05

## Environment

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### Responding to SDGs



## Responding to Climate Change

Green operation is deeply rooted in XGD's business philosophy, and it runs through all stages of the Company's development. Against the backdrop of achieving carbon neutrality by 2060, XGD has made forward-looking arrangements. On the product side, it has actively carried out R&D and innovation of low energy consumption technologies, conducted clean production audits, and comprehensively managed the environmental impacts brought by the Company's operations to ensure green and low-carbon operation.

### Governance

The Company has integrated functions related to climate change into its governance structure, clarified the responsibilities of the BOD and management, and established a top-down management system. The BOD supervises the management and progress of climate change issues. The Strategic Committee of the BOD, as the management agency for ESG work, leads the Carbon Peaking&Carbon Neutrality Working Group to take charge of the research on relevant strategies and action plans, the formulation of relevant rules and regulations, and the supervision & management work. By studying international greenhouse gas accounting standards, the Working Group explores energy-saving and emission reduction paths suitable for the Company, focuses on providing low-carbon solutions and scenarios for the industry in business development, and makes efforts to promote its operation and urge upstream and downstream of the industrial chain to jointly explore and support low-carbon development.

Climate Change Governance Body	Role	Responsibilities
BOD	Decision-making Layer	Review and confirm the systems and mechanisms for responding to climate change, examine the effectiveness of the climate change risk management and internal control system; review the ESG strategies and plans including climate change, the annual KPI and the achievement of goals, and approve the budget related to climate change response.
Board of Directors Strategy Committee	Management Layer	Guide the design and implementation of strategies, goals and measures related to climate change issues; evaluate and manage risks and opportunities related to climate change; communicate with stakeholders on climate change matters and carry out publicity and capacity building activities; report to the BOD at regular intervals to facilitate the BOD's supervision.
Carbon Peak and Carbon Neutrality Working Group	Execution Layer	Collaborate with all departments, organizations and subsidiaries of the Company to fully implement the management work of climate change issues, examine and summarize the progress and achievements of relevant work at regular intervals, and report to the Strategic Committee.



## Strategy

Against the backdrop of global climate governance, energy conservation & emission reduction and carbon emission reduction have become the inevitable trend. XGD takes the initiative to respond to climate change, actively takes actions to respond to international and domestic requirements, and greets the low-carbon development trend of the industry with a positive and open attitude. With a view to building a green environmental protection management system for the entire industrial chain, the Company takes the initiative to become a practitioner, an impeller and a contributor to green development, and promote the achievement of sustainable development. To accurately identify the impact of climate change on the corporate business, XGD analyzes the risks related to climate change, and identifies the risks brought by climate change to the Company and the impacts on the Company from the perspective of physical risks and transition risks, in addition to actively taking countermeasures.

Risk/ Opportunity Type	Risk/ Opportunity Description	Financial Impact	Impact Period <sup>1</sup>	Countermeasures	
Physical Risk	Acute Physical Risk	The frequency and intensity of extreme weather such as typhoons, floods, rainstorms, heatwaves and cold waves increase.	Increasing cost for facility repair, operation interruption, alternative supply chain; loss of income due to production or service interruption.	Short and Medium-term	Formulate the Typhoon and Rainstorm Emergency Plan and implement the disaster emergency plan to ensure rapid resumption of operation.
	Chronic Physical Risk	Continuous rise of the sea level, rise of the average temperature, and extreme changes in precipitation patterns and weather patterns.	Rise of operating cost; the decrease in sales/output leading to a decline in income.	Medium and Long-term	Formulate the high temperature emergency plan and monitor the temperature and humidity in real time.
Transition Risk	Technical Risk	Front-end fee for the transition to low-emission technologies	Decreasing demands for products and services; front-end R&D expenditures for new and alternative technologies	Medium and Long-term	Research new technologies to meet higher environmental protection requirements and improve the Company's ability in environmental protection technology research.
	Reputation Risk	The corporate reputation is affected due to non-compliance with climate risk management standards or poor performance.	A decline in operating income.	Medium and Long-term	Proactively release the ESG report, disclose environmental protection-related information, and increase the use of clean energy.
Opportunity	Resource Efficiency	Adopt more efficient transportation methods; use recycling technologies.	Reduction of operating costs; increase of production capacity and income.	Short, Medium and Long-term	Improve production efficiency, increase the recycling and utilization of resources, and vigorously develop the circular economy.
	Product and Service	Develop new products or services through R&D and innovation.	Increase of the operating income.	Short, Medium and Long-term	Unremitting efforts in R&D and innovation for development of green and low-carbon products.

Note1: Definition of the impact cycle: short term: within one year; medium term: 1-5 years; long term: above 5 years.

## Management of Impacts, Risks and Opportunities

XGD has incorporated climate change risks into the Company's risk assessment and control system. It has formulated standardized process for climate risk identification, assessment, and management, in order to systematically identify and analyze the climate risks and opportunities for the Company's business and operation. The Company also formulates forward-looking policies and measures to seize opportunities for value creation.

Climate-Related Risk Identification, Assessment, and Management Process		
Step 1	Confirm Management Boundaries and Identify the Climate Risk List	Make comprehensive analysis on the current trends of the natural and social environment, identify risks under different scenarios, and prepare a list of the Company's potential climate risks based on industry research reports, relevant policies issued by regulatory agencies, peer benchmarks, and stakeholder surveys.
Step 2	Climate Risk Assessment and Ranking	Based on the climate risk list, make analysis and assessment on each climate risk and opportunity, and rank the importance of the risks.
Step 3	Formulate Response Measures	According to the climate risk assessment results, each department shall carry out targeted risk management&response work, formulate risk treatment plan. Relevant business departments shall be responsible for the implementation.
Step 4	Monitoring and Management	Relevant business departments shall report the implementation of response measures to the management at regular intervals, and adjust actions in a timely manner according to the real situation. The Carbon Peaking&Carbon Neutrality Working Group shall monitor key risk indicators at regular intervals, and report important climate-related risks to the BOD every year.

## Indicators and Goals

The Company has been continuously improving its climate change management system, and setting the goal of bringing down carbon dioxide emissions per 10,000 yuan of revenue year by year. It has formulated a series of energy-saving and consumption-reducing measures and implemented them in the operation process.

Indicator	Goal	Achievement
Carbon Dioxide Emissions per 10,000 Yuan of Revenue	Decrease year by year	In progress
Indicator	UOM	2024
Total Greenhouse Gas Emissions <sup>2</sup>	Tons of carbon dioxide equivalent (CDE)	1,254.08
Direct Emissions (Scope 1)	Tons of carbon dioxide equivalent(CDE)	/
Indirect Emissions (Scope 2)	Tons of carbon dioxide equivalent (CDE)	1,254.08

Note2: The statistical caliber of greenhouse gas emissions data is the electricity consumption of the company's office buildings and factories.

## Low-Carbon Payment

The Company and its subsidiaries are engaged in the payment-related industry. NEXGO and JL PAY, the two major subsidiaries under XGD, specialize in payment service, scenario digitalization service, and E-payment devices. As a technology-oriented enterprise, the Company not only gives attention to the impact of its own operation and supply chain on the environment, but also explores and supports the development of low-carbon technologies to provide users with more low-carbon living options and offer the industry more solutions for digital low-carbon transformation.

The E-payment and scenario digitalization service helps bring down the use of paper currencies and paper bills. It also facilitates merchants' online membership management and marketing management, and reduces the paper and resource consumption. The development and application of smart payment terminals and digital RMB terminals have provided convenient and stable low-carbon payment methods for relevant usage scenarios.



## Resource Management

### Energy Utilization

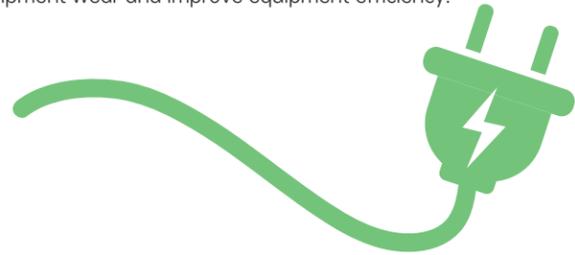
Energy management is the kernel of corporate carbon reduction in operation and a foothold for achieving green development. To make reasonable and efficient use of energy and minimize energy waste, the Company has been actively embarking on the construction of its energy management system, establishing and implementing management rules for identifying, measuring, monitoring, recording, and reporting energy purchase, consumption, storage, treatment, and recovery, with a view to raising energy utilization ratio.

In 2024, the electricity consumption of the Company's leased office buildings hit **1,432,634** kilowatt-hours, and that of the leased factories hit **904,445.7** kilowatt-hours, implying a total electricity consumption of **2,337,079.7** kilowatt-hours, equivalent to energy consumption of **287.23** tons of standard coal in total.

During its production and operation process, the Company implements the concept of sustainable development, and dedicates itself to reducing energy consumption and environmental cost and improving energy utilization. It actively responds to various environmental protection directives issued by the environmental protection authority, assists in all kinds of work assigned by the environmental protection authority, and organizes training and publicity at regular intervals to enhance employees' awareness of environmental protection and energy conservation.

### Electricity Saving

- ▶ Set the air conditioner at 25 °C, make it turned off automatically once every hour.
- ▶ Turn off the equipment power and lighting in a timely manner when production operations stop and employees leave work.
- ▶ Do not turn on or turn on fewer lighting devices when the lighting meets the production requirements, and reduce the number of centralized switches.
- ▶ It is advisable to use fluorescent lamps for lighting within the Company.
- ▶ Clean the air conditioner filter every six months to ensure its cooling efficiency.
- ▶ Improve the maintenance of instruments and equipment to reduce equipment wear and improve equipment efficiency.



▲ Electricity Saving Publicity

## Water Resource Utilization

In strict accordance with relevant laws and regulations such as the Water Law of the People's Republic of China, XGD keeps promoting the all-round management and control over water resources. It inspects various equipment and facilities at regular intervals, repairs equipment and facilities with leaking, overflowing, dripping, and seeping problems on a timely basis, in order to strictly prevent water resource waste. The Company's main water source comes from municipal water supply. During the reporting period, the Company kept strengthening the all-process water-saving management over water intake and water use, and achieved the recycling of water resources.

### Water Saving

- ▶ Turn off the faucet tightly when no in use to prevent dripping and leaking.
- ▶ Report for repair in a timely manner when finding leaks in the water supply system such as faucet and water pipe.
- ▶ Upgrade the toilet flushing valve to reduce repeated flushing and water waste.
- ▶ Make secondary use of domestic water.

In 2024, the total water consumption of the Company's office buildings hit **5,492 tons**, and that of the factories hit **7,650 tons**, implying a total water consumption of **13,142 tons**.

## Circular Economy

### Green Packaging

XGD upholds the maximized use of green packaging materials that are harmless to the ecological environment and human health and have recyclable & renewable properties. By innovating in packaging process, the Company makes its packaging products comply with the requirements for ecological environment protection in the life cycle ranging from raw material purchase, product manufacturing to use and disposal. All packaging materials used by the Company have passed environmental protection tests by third-party testing agencies. The Company extensively adopts recyclable packaging cartons and reusable turnover boxes, as a way to bring down the consumption of packaging materials.



### Case

To cater for its business development needs, the Company relocated its headquarters office in July 2024. During the relocation process, the Company stressed environmental protection, so that it reused 1,545 second-hand cartons from the factory, and adopted reusable recycling boxes for unified packaging and relocation, which alleviated the waste during the packaging process. The Company used a total of more than 1,500 packaging cartons and more than 50 packaging plastic boxes, with the recycling and disposal rate of packaging materials hitting 100%.



## Green Office

The Company has formulated the Guidelines for Saving Water, Electricity, and Paper to standardize the management over resource&energy conservation and loss reduction. The Administrative Center is responsible for publicizing water, electricity, and paper conservation to all employees and calling on employees to put used batteries, damaged mice, keyboards, and other office consumables into the recycling bins of the Administrative Center. The heads of each department are responsible for calling on and urging their employees to save water, electricity, and paper. The Administrative Center and the Factory Administrative Department are responsible for registering the monthly water/electricity/paper consumption of the Company and the factory, and calculating the monthly water/electricity/paper consumption. The Quality Center will continuously compare the monthly statistical data of each year with the electricity/water consumption control targets provided in the Company's environmental management plan. For those that fail to meet the standards, timely countermeasures will be taken.

**Paper Saving**

- ▶ Control the quantity of office paper used for printing and photocopying, and advocate paperless office work.
- ▶ Inspect and maintain photocopiers at regular intervals to prevent malfunctions that may lead to waste of copy paper.
- ▶ Confirm the correctness of documents before printing to avoid incorrect printing.
- ▶ Encourage the transmission of information through electronic media, as a way to reduce paper usage.



**Energy Conservation and Emission Reduction**

The Company calls on employees to put used batteries, damaged mice, keyboards and other office consumables into the recycling bins of the Administrative Center to alleviate environmental pollution.

## Environmental Management

### Environmental Compliance Management

In strict accordance with laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Environmental Impact Assessment, XGD has attached great importance to its environmental management work. Upholding green development, XGD continuously and efficiently operates the environmental management system, keeps improving the management rules, actively carries out environmental protection practices, and achieves the dual benefits of corporate value and ecological value.

### Environmental Management System

The Company strictly implements national environmental protection policies and regulations. In light of the requirements of ISO 9001, ISO 14001, OHSAS 18001, etc., the Company has formulated environmental management rules such as the Quality, Environment and Safety Management Manual and the Environmental Safety Management Regulations, implemented and maintained the quality, environment and safety management systems, and continuously improved their effectiveness. During the reporting period, the Company did not have any environmental penalties or violation of rules. In 2024, the Company's investment in environmental protection investment totaled 18,600 yuan.

During the manufacturing process of its E-payment device products, the Company abides by "Environment-friendly" principle. It exercises strict control over toxic and harmful chemical substances in products and consumables, and takes the initiative to adopt new materials, new processes and other technical means to ensure that the products do not contain highly hazardous chemical elements during the production process. The Company minimizes or prevents the use of hazardous chemicals, ensuring that the products and services are within the safe-level range in all processes and links of the production. Besides that, the Company maintains clean production throughout the process. All products produced by the Company have passed the RoHS testing requirements.

**Environmental Policy:**

Safeguard the Earth Resources, Protect the Living Environment.

At the Company's headquarters there are dedicated positions for promoting the operation and maintenance of management systems such as quality, environment, and occupational health and safety, in order to ensure the effective implementation of each management system. The Administrative Center organizes the identification and evaluation of environmental factors and hazard sources to determine major environmental factors and hazard sources, thus providing a basis for formulation of environmental and safety management goals & indicators as well as operation control.

As of the end of the reporting period, XGD, XGD Energy, NEXGO, and JL PAY all passed the ISO 14001:2015 environmental management system authentication.



▲ XGD - Environmental Management System Authentication Certificate



▲ XGD Energy - Environmental Management System Authentication Certificate



▲ NEXGO - Environmental Management System Authentication Certificate



▲ JL PAY - Environmental Management System Authentication Certificate

To clarify the steps and management methods for determining environmental and safety goals, indicators and management plans, the Company has formulated the Procedure for Management of Environmental/Safety Goals, Indicators and Plans. The Administrative Center is responsible for organizing relevant personnel to formulate, review and implement the Company's environmental and safety goals, indicators and management plans; the functional departments and R&D departments at the headquarters are responsible for the implementation of environmental and safety plans; the factory is responsible for the implementation of factory environmental and safety plans; other departments are responsible for working with the Administrative Center to implement the environmental and safety goals, indicators and management plans of their own departments.

● Environmental Risk Management ●

XGD attaches great importance to environmental risk management and has formulated the Procedure for the Control of Environmental Factors and Hazard Sources and the Procedure for the Control of Environmental and Safety Monitoring and Measurement to monitor and measure the operation of the Company's environmental and safety management systems, which ensures timely assessment and continuous improvement to the Company's environmental and safety status. The Company controls activities, products and services related to the generation of pollutants such as wastewater, waste gas, noise and solid waste. By means of regular internal inspection to environmental protection and authorized testing by third-party agencies, the Company identifies and evaluates its environmental factors, and controls the identified important environmental factors so as to timely rectify unfavorable hidden troubles related to environment. In 2024, the Company's pollutant monitoring pass rate was 100%, with synchronous operation rate of environmental protection facilities hitting 100%.



▲ NEXGO - Exhaust Gas, Industrial Enterprise Factory Boundary Environmental Noise Testing Report  
▲ NEXGO - Domestic Sewage Testing Report

To prevent and reduce the occurrence of various major accidents, establish a rapid and effective mechanism for organizing accident rescue and emergency response in case of emergencies, protect the safety of employees' lives and property, and mitigate the impacts and losses of accidents, the Company has formulated the Procedure for the Control of Emergency Preparedness and Response, and its branches have formulated the Manufacturing Branch Emergency Plan, according to which, the president of the Company organizes heads of first-level departments to establish a company-level emergency command group for decision-making and deployment. Besides, the Company has enacted rules and emergency plans such as the Hazardous Chemicals Management Rules, the Emergency Plan for Leakage of Hazardous Chemicals and the Emergency Plan for Typhoons and Rainstorms, in addition to organizing emergency drills at regular intervals, in order that environmental accidents will be handled in a timely and effective manner in case of occurrence.



▲ Emergency Drill for Leakage of Hazardous Chemicals

█ Pollutant Discharge

In strict accordance with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, XGD has formulated relevant internal management rules for wastewater, waste gas, and other wastes generated during the production and operation process, and appointed third-party professional institutions to test wastewater and waste gas at regular intervals, in order to ensure the normal operation of environmental protection facilities and the compliant discharge & disposal of wastewater and waste gas. During the reporting period, the Company and its subsidiaries were not classified as key pollutant discharge organizations by the environmental protection authority, and the Company had no penalties or violation of rules in pollutant discharge.

To enhance employees' awareness of compliant pollutant discharge and waste disposal, the Company organizes special education and training on wastewater, waste gas and waste management at regular intervals. By giving systematic lectures, the Company deeply explains the knowledge on waste classification and treatment, as a way to improve employees' professionalism and execution ability in waste management.



▲ Wastewater, Waste Gas, Waste Training

█ Waste Management

To guard against random disposal of waste, prevent environmental pollution, standardize the corporate waste management process and disposal methods, clarify the responsibilities of waste producer, user, and handler, and reduce environmental risks, the Company has formulated the waste management rules such as the Waste Management Specifications in accordance with laws, regulations and standard documents such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Technical Guidelines for Solid Waste Treatment and Disposal. The Administrative Department is responsible for publicizing the requirements for waste storage among all employees.

Waste Disposal Methods

**General Waste:**The cleaning staff of the factory's administrative department are responsible for daily cleaning within the scope of their duties, and storing the wastes at designated location. Then, the Administrative Cleaner transports the wastes to the garbage recycling station. In 2024, the Company produced 3 tons of general wastes.

**Hazardous Waste:**Each department collects the hazardous wastes and hands them over to the factory's administrative department. The administrative department then transports them to the Company's hazardous waste storage site. Each year, hazardous wastes are handed over to qualified third-party agencies for treatment at regular or irregular intervals, and Hazardous Waste Transfer Sheet will be kept. The factory's administrative department is responsible for reviewing the valid qualifications of the third-party waste treatment agencies to ensure that they can carry out waste classification and disposal according to the Company's requirements. Moreover, it signs hazardous waste treatment agreements with the third-party agencies on time every year. In 2024, the Company disposed of 0.0205 tons of hazardous wastes.

Waste Classification and Disposal List

Category	Waste Name	Disposal Method	Removal Cycle	Storage Location	Competent Department
Hazardous Waste	Recyclable Waste metals (e.g., waste machine parts), waste engine oil, waste solder wires, waste welding slags, waste toner cartridges, empty acid & alkali bottles, waste alcohol barrels, empty acetone bottles, waste ink cartridges, ink cartridges for inkjet printers, cleaning fluid cartridges	Transferred from the Administrative Center to the Factory Administrative Department, and then to qualified suppliers or third parties with hazardous waste disposal qualifications	Approximately once every four months according to the realities	Recyclable Hazardous Waste Bins	Administrative Center, Intelligent Manufacturing Management Center, Centralized Procurement Center
	Non-recyclable Waste mercury lamps, oil-soaked rags, waste fluorescent tubes, waste oil drums, waste paintbrushes, waste paint drums, waste pigment bottles, waste pigments, chemical raw material drums, waste storage batteries, waste batteries, correction fluid, whiteboard markers, waste ballpoint pen refills, expired chemicals, waste glue, waste electronic components (waste IC, waste resistor, capacitor, PCB)	Transferred from the Administrative Center to the Factory Administrative Department, and then to third parties with hazardous waste disposal qualifications	Approximately once every four months according to the realities	Non-recyclable Hazardous Waste Bins	Administrative Center, Intelligent Manufacturing Management Center
General Waste	Recyclable Fabric scraps, waste plastics, plastic cups, waste paper, waste cardboard/sheets, newspapers, waste wooden boards, wooden boxes, waste rubber, waste plastic pipes, boards and scraps, waste finger cots, waste masks, head covers, shoe covers	Transferred from the Administrative Center to the Factory Administrative Department, and then to renewable resource companies for recycling	Classified and handled according to the realities	Waste Recycling Station	Administrative Center, Intelligent Manufacturing Management Center
	Non-recyclable Waste tap water filters, waste cleaning tools, waste sacks, dust, calculators, disks, CDs, cigarette butts, metal chips from machining, waste friction lint, waste tea leaves, waste mess tins, sanitary waste paper	Transferred from the Administrative Center to the Factory Administrative Department, and then to third parties with disposal qualifications	Classified and handed according to the realities	Non-recyclable General Waste Bins	Administrative Center, Intelligent Manufacturing Management Center

Disposal of Scrap POS Devices

The Company will generate scrap POS devices due to its business and operation characteristics. To standardize the recycling and destruction of scrap POS devices and protect the information security of terminal customers, the Company has formulated the Scrap POS Machine Recycling and Destruction Specifications to standardize the management over recycling and destruction of all recycled scrap POS devices.

Each business department is responsible for contacting customers on the recycling of scrap POS devices and arranging the transportation of scrap POS devices; the Operation Center is responsible for affixing a seal on the POS Machine Destruction Commitment Letter; the Manufacturing Branch is responsible for clearing the business data and service software of scrap POS devices, and disassembling and pulverizing the scrap POS devices for destruction.

- ▶ **Recycling of Scrap POS Devices:**The business department communicates with customers to recycle the required scrap machines to the Shenzhen Manufacturing Branch by either having the Company's logistics staff pick them up at the door or having the customers send them back on their own. In the meantime, the business personnel notify the PMC department personnel of the Shenzhen Manufacturing Branch through the OA process or emails to go on with the follow-up work such as tracking and receiving.
- ▶ **Disassembling and Pulverizing Scrap POS Devices:** The Manufacturing Branch handles and clears the sensitive information of the POS devices within 2 working days after receiving the recycled ones, and then disassembles the POS devices and conducts smashing treatment or structural damage on all disassembled parts within the next 2 working days.
- ▶ **Signing and Issuing the POS Machine Destruction Commitment Letter:** After the devices are collected and counted at the Shenzhen Manufacturing Branch, the business department affixes the corporate seal on the Scrap POS Machine Recycling Form and the POS Device Destruction Commitment Letter. The Operation Center approves the authenticity of the stamped documents and stamps them again before sending them back to the customers.

Green Buildings

In July 2024, the Company's headquarters office was relocated to the JL PAY Building in Nanshan District, Shenzhen. The JL PAY Building has passed the LEED certification (Platinum-level) and green three-star operation certification (the supreme certification for green buildings in China). In addition, the JL PAY Building has been conferred upon the "Shenzhen Green Building Innovation Award", the "Shenzhen High-Quality Structural Engineering Award", the "Third Prize of the Shenzhen Water System Engineering Award", and the "Best BIM Architectural Design Award for the Work Safety and Civilized Construction of Shenzhen Construction Projects". It's worth pointing out that the JL PAY Building has formulated operating procedures for energy conservation, water conservation, material conservation, and reforestation, as well as emergency response plans and other rules to ensure that the project maintains low energy consumption, low water consumption, and low carbon emissions during the operation process. That effectively reduces the negative impact on the environment while ensuring indoor comfort, creates an environment-friendly and comfortable office environment for employees, and effectively practices the concept of green development.

Ecosystem and Biodiversity Protection

XGD strictly observes relevant laws and regulations on environmental protection, stipulating that its business activities shall not directly affect ecosystems, biological species and their habitats, or biological genetic resources, and will not cause damage to ecosystems and biodiversity. For the Company's office buildings and factories, they shall not be located in nature reserves, key ecological function areas, or other areas with important biodiversity values, and the locations shall bring no harm to local water sources and ecosystems.

# 06

## Industrial Values

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## Responding to SDGs



# Innovation-driven

## Governance

The Company implements the innovation-driven development strategy. It adopts multiple R&D models such as independent research and cooperative R&D to improve the internal R&D system, stimulates the vitality of technological innovation, and expedites the commercialization of sci-tech achievements. The Company has formulated and implemented a series of rules and regulations such as the Application Project Management Process and the Measures for the Management of Product R&D Center Technical Experts, in order to keep optimizing the R&D organizational structure, and standardize the R&D process. Under the Company's three major business segments (namely payment service, payment hardware, and cross-border payment) there are three technical centers, which perform their respective functions with clear responsibilities.

**Functions:**

Technical Center of the Payment Service Business Division: Mainly responsible for the technical R&D of acquiring products and risk control systems.

Technical Center of the Payment Hardware Business Division: Mainly responsible for the R&D of POS-related software and hardware technologies.

Technical Center of the Cross-Border Business Division: Mainly responsible for the R&D of technologies related to cross-border payment business.

The Company has a professional laboratory equipped with advanced and complete experimental equipment and facilities, which plays a crucial role in the Company's technology R&D, product innovation, and quality control and other business systems. From the exploratory R&D of new-type payment technologies to the performance testing and optimization & improvement of various payment products and related software/hardware in different application scenarios, the laboratory can provide accurate, reliable, and forward-looking data support and technical guarantees for the Company's technology & product upgrading in accordance with rigorous scientific standards and standardized processes. That vigorously assists XGD in maintaining its technological leading position and continuously enhancing its core competitiveness in the industry.



▲ R&D Test Lab in JL Building

The Company's innovation ability has received recognition from a string of state-level authorities. In terms of technology R&D and industrial influence, the Company has made dual breakthroughs. NEXGO, a subsidiary of the Company, was selected as one of the third batch of "National Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprises", exemplifying the Company's outstanding performance in the fields of technology R&D and innovation. For industrial influence, the Company, relying on its unremitting efforts in the payment domain, was conferred upon the Fin-Tech Brand Influence Prize of the 9th "Golden Pine Award" by mpaypass.com.cn. Aside from that, the Company was rated as the "Vice-president Unit of the Shenzhen Strategic Emerging Industry Development and Promotion Association" and the "2022 Leading Enterprise in the Strategic Emerging Industries of the Guangdong-Hong Kong-Macao Greater Bay Area", highlighting its all-rounded competitiveness ranging from technological innovation to the construction of the industrial ecosystem.

## Strategy

Risk/ Opportunity Type	Risk/ Opportunity Description	Financial Impact	Impact Period	Countermeasures	
Risk	Technical Risk	Businesses related to E-payment are complex, and the industry sees rapid changes with each passing day, leading to ever-increasing cost of trial and error. Moreover, these businesses are undergoing innovation in business models, and the scene-customized development trend is clear.	Increase in cost	Medium and long-term	The Company adopts a strategy of actively bringing in high-end talents, especially excellent talents with industry and successful case experience. With a keen insight to the industry's development trend, the Company increases its R&D investment in emerging technology fields, and surveys the market demands.
	Technological and Market Leadership	After years of development, the Company has fostered some advantages and competitive barriers in brand awareness, national channel network, talents, technologies & products, and system operation capabilities.	Improvement in competitiveness	Short, medium and long-term	Increase R&D investment, expedite technological innovation, and maintain the leading position in the industry.
Opportunity	Industrial Upgrading and Transformation	Previously, the Company specialized in the R&D, production, and sales of E-payment terminals. Through endogenous incubation and exogenous M&A in recent years, the Company has expanded upstream and downstream of the industrial chain and reserved emerging technologies.	Improvement in competitiveness, industry's development towards high end and intelligence	Long-term	In accordance with the adjustment of its strategic planning and business priorities, the Company embarks on the transformation and reshaping of the management structure, and actively amasses relevant talents and technologies under the new economy and new model, in addition to reserving funds and resources.

## Management of Impacts, Risks and Opportunities

<b>Risk Identification</b>	The Company determines the priorities for identifying innovation risks, and collects and analyzes industry policies, customer needs, competitive enterprises, and regulatory requirements to identify major innovation risks, including technical risks, market risks, policy and law-related risks, etc.
<b>Risk Assessment</b>	The Company conducts dynamic risk assessment to each stage of the R&D projects to determine the specific values and ranges of risks, including the probability of risk occurrence and the impact magnitude. Then, it formulates a risk level matrix to rank risks according to the impact magnitude and the possibility of occurrence.
<b>Risk Monitoring</b>	The Company conducts early warning, analysis, and monitoring of risks by leveraging risk monitoring tools, establishing a real-time monitoring system, and convening risk review meetings at regular intervals.
<b>Risk Management</b>	The Company improves the initiation and tracking mechanism for R&D projects, keeps a close eye on the progress of project R&D, and controls the risk of failure in the R&D of new products on a timely and effective basis. It stresses the management over the entire R&D process, standardizes R&D behaviors, and keeps enhancing the Company's independent innovation ability.

## Indicators and Goals

### Indicators

In 2024, the Company's R&D investment totaled **277** million yuan, accounting for **8.79%** of its operating revenue.

R&D Team		
Key Indicator	UOM	2024
Total Number of R&D Team Members	Persons	563
Year-on-year Change in the Number of R&D Personnel	%	1.08
By Educational Background		
Below Bachelor's Degree	Persons	63
Bachelor's Degree	Persons	462
Master's Degree	Persons	37
Doctor's Degree	Persons	1
By Age		
Under 30 Years Old (Excluding 30 Years Old)	Persons	192
30-40 Years Old (Including 30 Years Old, Excluding 40 Years Old)	Persons	297
40-50 Years Old (Including 40 Years Old, Excluding 50 Years Old)	Persons	71
50-60 Years Old (Including 50 Years Old, Excluding 60 Years Old)	Persons	3
Innovation Achievements		
Key Indicator	UOM	2024
Cumulative Number of Authorized Patents	Items	193
By Patent Type		
Cumulative Number of Authorized Invention Patents	Items	92
Cumulative Number of Authorized Utility Model Patents	Items	32
Cumulative Number of Authorized Design Patents	Items	69
Number of Valid Patents per Million Revenue	Pieces	0.061
Other Intellectual Property		
Cumulative Number of Software Copyrights	Items	507
Cumulative Number of Trademarks	Items	495
Number of Software Copyrights per Million Revenue	Items	0.161
Corporate Innovation Capacity Authentication		
National Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprises	Units	1
National High-tech Enterprises	Units	4

• Goals •

Goal Content	Achievement
optimizing the R&D and innovation system, increase R&D investment; actively develop business in emerging technology fields, accelerate the transformation and application of new technologies, and inject innovation vitality into products and services.	Steadily in progress

## Intellectual Property Protection

In strict accordance with laws and regulations such as the Patent Law of the People's Republic of China and the Copyright Law of the People's Republic of China, the Company, based on the principle "Respecting the Counterparts' Intellectual Property Rights, Protecting Self-owned Intellectual Property Rights", has set up specialized intellectual property management positions, formulated and implemented intellectual property management system documents such as the Intellectual Property Management Measures, exercised full-process standardized management over the creation, management, application, and protection of the Company's intellectual property rights, and further improved the Company's management over project intellectual property rights and the life-cycle management over patent applications. During the reporting period, the company was conferred upon the title "Guangdong Intellectual Property Demonstration Enterprise in 2024".



The Company attaches great importance to intellectual property management work. When developing cooperation with its partners, the Company clearly delimits the ownership, usage authority, maintenance responsibilities, and risk response measures in intellectual property rights through rigorous and clear provisions, thereby building a solid and reliable R&D achievement sharing mechanism, and promoting collaborative innovation and resource sharing between the cooperative parties within a legal and compliant framework. When signing supplier contracts, the Company, with a prudent attitude, meticulously sets intellectual property protection clauses, formulating all-around regulations from the preliminary delimitation of intellectual property ownership to the subsequent usage norms and the preparation of prevention and control plans for potential risks. This helps effectively reduce the risk of intellectual property disputes that may arise in the supply chain.

The Company has always been proactive in intellectual property rights (IPR) protection. For products and behaviors that maliciously infringe on its patents, the Company has established an efficient early warning system to timely detect and capture potential infringement threats. In face of malicious infringement incidents, the Company's patent department conducts relevant investigation and evidence collection work in accordance with legal and compliant procedures. After the evidence is fully confirmed, the Company issues a solemn warning in a timely manner. If the infringement is severe, the Company will file a lawsuit as a way to firmly safeguard its legitimate rights and interests in the field of intellectual property rights.

During the reporting period, to enhance employees' awareness on intellectual property protection, the Company organized the "3rd XGD April 26th World Intellectual Property Day Prize Quiz" and held special training activities such as Patent Basics and Writing, which covered more than 200 people. The Company's Legal Affairs Center compiled and pushed a total of 6 issues of "Intellectual Property Mini-Class" to all employees, sharing information and cases related to intellectual property rights and answering questions that arouse concerns from employees.

## R&D and Innovation Practices

### Encouraging R&D and Innovation

The Company actively cultivates an atmosphere conducive to innovation, and has established an open and supportive innovation environment. It has set up an incentive mechanism to encourage employees to bring forth innovation suggestions and put them into practice. The Company gives prize to successful innovation projects, with a view to stimulating employees' enthusiasm for innovation. Inside, the Company sets up the annual President's Innovation Award. Each department and project team may apply for the award, then the Company reviews the applications and gives prizes. Innovation forms for the award comprise technological innovation, product innovation, market innovation, business model innovation, management innovation, etc. All in all, the award aims to inspire teams with outstanding performance and remarkable innovation in the past year.

### Building Innovation Platform

After establishing the XGD Digital Currency Application Laboratory in Suzhou, the Company will focus on research in such fields as the manufacturing of digital currency (DC) terminal devices and the upgrading of related systems, expedite the improvement of the ecological development of the digital RMB acceptance environment, and strive to become a leader for the implementation of domestic digital currency applications. So far, the company has embarked on the design of the full-scenario solution for the digital RMB innovation demonstration park, thus achieving the large-scale trial implementation and application of digital RMB at the park level and helping to popularize the digital RMB.

### Cooperative R&D Mechanism

Cooperation with Enterprises	<ol style="list-style-type: none"> <li>XGD signed a strategic cooperation agreement with China Unicom. The two sides will explore for intelligent and digital Fin-tech and jointly promote the high-quality development of the digital economy industry.</li> <li>NEXGO signed the "Open Harmony" ecological enabling cooperation agreement with Huawei to jointly promote the prosperity and development of the Fin-tech industry in terms of localization.</li> </ol>
Cooperation with Higher-learning Schools	<ol style="list-style-type: none"> <li>The Company and Southeast University had in-depth exchanges and discussions on such issues as further school-enterprise cooperation, talent cultivation, and sci-tech innovation. Based on their consensus, the two sides will develop cooperation in industry-education integration, talent cultivation, and discipline co-construction, with a view to jointly boosting the commercialization of sci-tech achievements and promoting science and technology to better serve social development and the transformation and upgrading of the economic structure.</li> <li>The Company's subsidiary and the Shenzhen Research Institute of Beijing University of Posts and Telecommunications have reached the consensus of complementary advantages and resource sharing between enterprises and universities. In response to their strategic demands, both sides will strongly carry out cooperative research, and jointly conduct research, development, and counseling on some forward-looking new technologies, new models, and new applications.</li> </ol>

• Formulating Industry Standards •

XGD Energy actively participated in the drafting and compilation of the corporate standard Technical Specification for Integrated Liquid Cooling Equipment for Energy Storage Batteries (corporate standard number: T/DCB 012-2024) under the jurisdiction of the China Battery Industry Association. The Technical Specification for Integrated Liquid Cooling Equipment for Energy Storage Batteries stipulates the technical requirements and inspection methods for integrated liquid cooling equipment used for electrochemical energy storage batteries or similar thermal management purposes, and puts forward technical specifications for liquid cooling equipment applicable to electrochemical energy storage batteries or similar thermal management purposes. As an energy enterprise deeply involved in the compilation of this specification, XGD Energy, relying on its profound knowledge in technology R&D, industry understanding, and practical experience, has contributed vital wisdom to the improvement of the technical specification for integrated liquid cooling equipment of energy storage batteries. With its down-to-earth actions, XGD has set a leading and forward-looking benchmark in the entire energy industry, and promoted the industry to develop towards standardization.

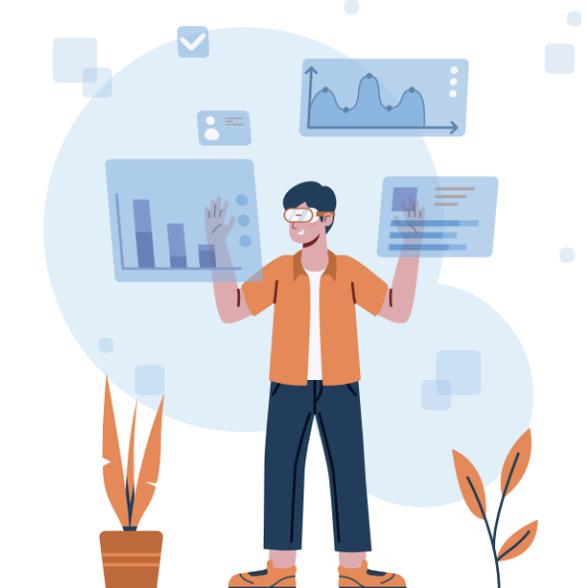
R&D Achievements

R&D Project Name	Project Progress	Intended Goals	Expected Impact on the Company's Future Development
High-End Intelligent POS	Certification completed and notice of mass production issued	Enrich product functions, improve product performance and user experience, and meet the needs of more users	Enrich the Company's intelligent product line, shore up product competitiveness, help the Company maintain its original product share while developing new customers.
Intelligent Integrated ECR	Product functions under development	Slim, trendsetting, and highly expandable. The product supports relatively simple merchant and commodity management SaaS apps, integrates payment and checkout, and meets the needs of multiple scenarios such as desktop and mobile use	Gain a foothold in payment to gradually exploit the merchant service domain. Light cashier products are a good opportunity for the Company to embark on development of premium merchants and merchant services.
Highly Expandable Intelligent mini-POS	Certification completed and notice of mass production issued	Highly cost-effective and expandable, improve product adaptability, and adapt to more payment application scenarios	Diversify the Company's product line, meet the needs of more niche markets, and enhance the Company's market competitiveness and market share

R&D Project Name	Project Progress	Intended Goals	Expected Impact on the Company's Future Development
Cloud Speaker	Relevant certifications passed, and mass production status reached	Diversify the Company's product line, adapt to multiple low-cost small payment scenarios of small, medium, and micro merchants	Enrich the cloud speaker product line and help the Company expand the segmented customer group of small&micro merchants in the acquiring business
Handheld Intelligent Mobile POS with Keyboard	Relevant certifications passed, and mass production status reached	Diversify the Company's product line, meet users' individualized needs, and improve customers' user experience	Diversify the Company's product line, meet the needs of more niche markets, and enhance the Company's market competitiveness and market share
Fixed Desktop Intelligent POS	Relevant certifications passed, and mass production status reached	Diversify the Company's product line, and make inroads into local bank and high-end customer channels in various regions around the world	Diversify the Company's product line, meet the needs of more niche markets, and enhance the Company's market competitiveness and market share

Science and Technology Ethics

Science and technology ethics refers to the value concepts and behavioral norms that need to be observed in scientific research, technological development, and other sci-tech activities. It is an important guarantee for promoting the healthy development of the science and technology. In its daily business activities, XGD does not engage in work related to science and technology ethics. All technologies and activities of the Company comply with existing laws, regulations, and industry standards, and there are no potential risks arising from violation of science and technology ethics.

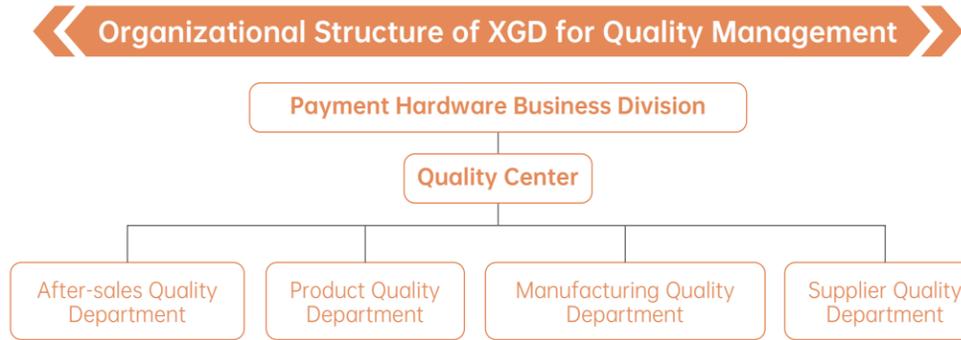


# Product Safety and Quality

## Governance

Product quality is the cornerstone for an enterprise's survival and development. XGD strictly complies with national laws and regulations such as the Product Quality Law of the People's Republic of China, and upholds the guiding ideology of all-rounded quality management. By gaining a foothold in R&D quality, supplier quality, production quality, and after-sales quality, the Company controls product safety and quality in an all-round and all-process manner, and keeps improving and optimizing its products, in order to achieve continuous improvement of product quality.

Centering on product R&D and production, the Company has formulated all-process quality control rules, including internal rules such as the Procedure for the Control of Design and Development, the Procedure for the Control of Project Management, the Procedure for the Control of Incoming Material Inspection, the Procedure for the Control of Process, and the Procedure for the Management and Control of Finished Product Inspection", which standardize all key links ranging from the initial product design to final delivery. Under the Company's Payment Hardware Business Division there is a Quality Center, which exercises strict quality control processes and inspection standards in accordance with relevant national laws, regulations, and industry standards. The Quality Center coordinates and manages the After-sales Quality Department, the Product Quality Department, the Manufacturing Quality Department, and the Supplier Quality Department. Each department has clear responsibilities and performs its duties to ensure that products meet the expectations and requirements of customers.



The Company has continuously improved its quality management system. As of the end of the reporting period, XGD and NEXGO passed the ISO 9001:2015 quality management system certification. Moreover, NEXGO passed the qualification review for Fin-tech product certification, with review content including security assurance testing, R&D environment, quality assurance ability, product consistency, and equipment security management, marking that the Company's products meet the financial industry's strict requirements for development and supervision.



▲ XGD's Quality Management System Authentication Certificate



▲ JL PAY's Quality Management System Authentication Certificate

## Strategy

Risk/ Opportunity Type	Risk/ Opportunity Description	Financial Impact	Impact Period	Countermeasures
Risk	Market Risk Quality problems or customer complaints on product that occur in the after-sales stage, especially mass returns, will seriously affect the Company's brand reputation and customer loyalty.	Increase in cost	Short term	Establish a strict quality control system: Strengthen quality control during the product design and production to ensure that products meet the specified standards and customer expectations; Strengthen customer communication and feedback: Establish a customer feedback mechanism and organize customer satisfaction survey at regular intervals.
Opportunity	Digital Payment Development Industry participants are striving to build an ecosystem of "Intelligent Hardware + Digital Services", providing value-added services such as payment clearing, data analysis, and operation management through the intelligent POS system platform, and creating a business growth pole with software and hardware coordination.	Increase in income	Medium and long term	Strengthening quality control, R&D and innovation: have a keen insight of customer demands, increase investment in the R&D of digital payment software and hardware, keep improving product performance and quality, and bring in an advanced quality management system to ensure that every link from raw material procurement to finished product delivery meets high standards; Optimizing customer service: Improve the customer service, establish a rapid response mechanism, and resolve problems reported by consumers on a timely basis.

## Management of Impacts, Risks and Opportunities

<b>Risk Identification</b>	In accordance with corporate rules such as the Procedure for the Control of Incoming Material Inspection, Procedure for the Control of Process, and the Procedure for the Management of Nonconforming Products, the Company thoroughly identifies risks and opportunities in all links of product manufacturing, in addition to conducting quality audit simultaneously. In 2024, the Company conducted one annual internal quality audit, and invited a third-party agency to conduct one random inspection.
<b>Risk Assessment</b>	In accordance with the relevant requirements for quality risk management, the Company has formulated quality risk management rules. During the risk assessment, the Quality Center organizes an expert team to make use of analysis tools to classify the identified quality risks of products and services, implement hierarchical management based on the assessment results, and work out countermeasures.
<b>Risk Management</b>	The Company strictly requires production employees to implement post operation specifications, and keeps improving the quality management rules through annual internal audits and external audits, as a way to ensure the adequacy and effectiveness of the operation of the Company's quality management system.

## Indicators and Goals

### Indicators

Quality Training		
Key Indicators	UOM	2024
Number of Participants in Quality Training	Person-times	47
Total Duration of Quality Training	Hours	53
Number of Quality Training	Times	51

### Goals

Quality Goal	UOM	Achievement
Product Qualification Rate > 99%	%	Achieved
No Product Recall Events	Times	Achieved

## Product Safety and Quality Management

### Product Safety Emergency Management

The Company has formulated the Emergency Handling Process for Product Safety Incident to standardize the handling process for safety incidents that occur or are triggered on the market side after the Company's products are launched onto the market, in order to alleviate the impact of incidents, provide proper solutions for customers, and reduce customers' losses.



#### Product Safety Emergency Management Handling Process:

**Acceptance:** after receiving complaints about safety incidents, representative offices or local sales staff appease customers, learn about the details, and then give feedback to the After-sales Support Department. After confirming the information, the After-sales Support Department accepts the case.

**Evidence Collection:** The After-sales Support Department consolidates the information, makes evaluation, establishes an emergency response team, and makes public the incidents. The Procurement Department issues the "Safety Accident Notification Letter" to suppliers. The After-sales Support Department requires relevant personnel to assist in collecting evidence, learning about customers' demands, and handling the incident via negotiation.

**Formulation of Scheme:**the handling shall be centered on customers and based on facts. In case that customers have no obvious faults, a compensation scheme shall be first formulated. If the incident is caused for customer's reasons, the Company assumes no responsibilities in principle, but explanations shall be made to customers, and evidence shall be kept.

**Implementation of Scheme:** representative offices and regional sales staff communicate with the customer about the compensation scheme. The Quality Center and the Legal Affairs Center provide support. After consensus is reached, a settlement agreement will be signed. Inside, the internal compensation process is activated, and the client-side problem is closed.

### Production Equipment Management

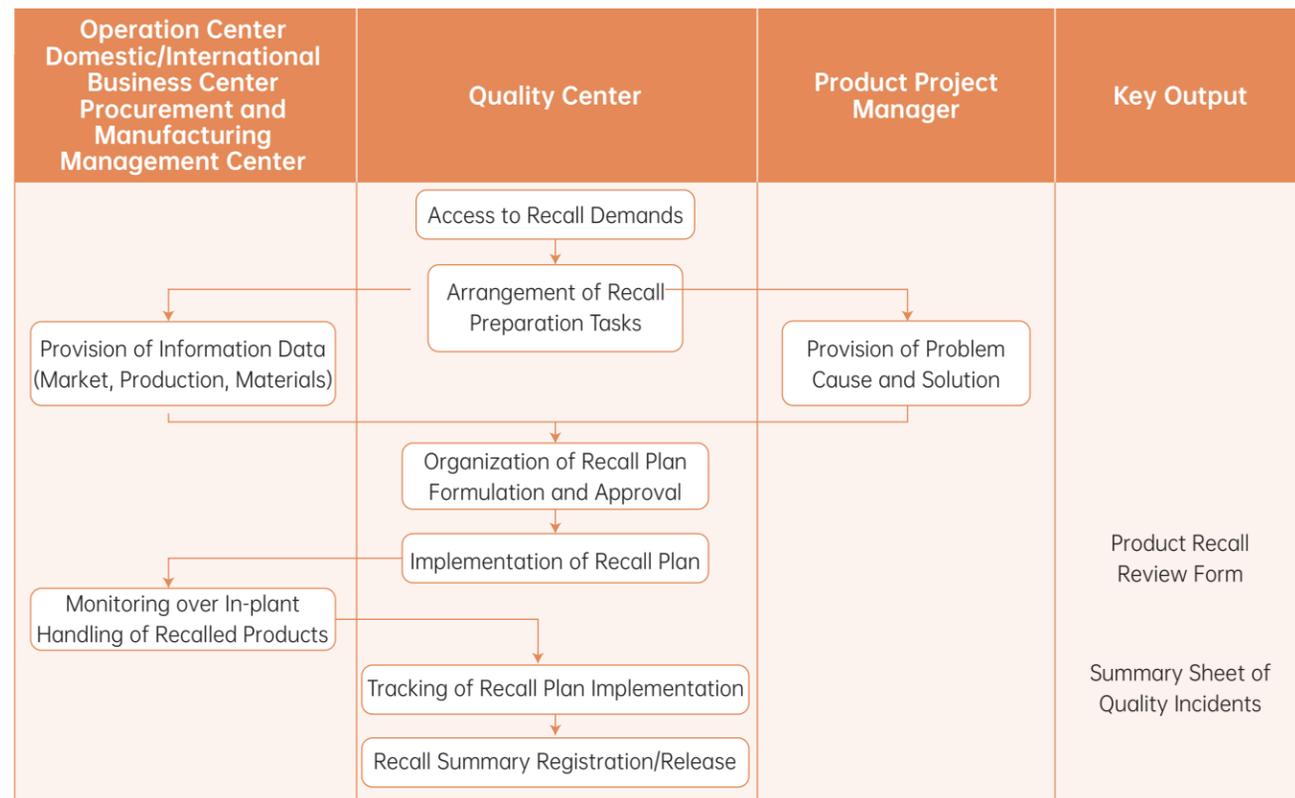
The Company has formulated the Procedure for the Management of Equipment Maintenance to stipulate key points on equipment maintenance, such as the process, method, specific responsibilities, and quality standards, in order to efficiently execute equipment maintenance through standardized operation process. Also, the company implements the Equipment Maintenance Schedule to conduct monthly maintenance on the equipment appearance, screw tightness, structural flexibility, etc., which divides the long-term equipment maintenance into daily assignments, thereby ensuring the production stability and continuity.

• Product Recall •

To protect customers' rights and interests and the public safety, the Company has established and improved a product recall system in accordance with the Product Quality Law of the People's Republic of China. Also, it has formulated the After-sales Support Business Management Specification, established a quality improvement and handling group, and clarified the product recall process, in order to timely recall defective products in batch and reduce the Company and customers' losses caused by defective products. When products of certain batch or specific quantity ( $\geq 100$  units) have an adverse impact on customers due to the Company's reasons, the Company will recall products and assume relevant responsibilities. During the reporting period, no product recall events occurred in the Company.

The Company identifies and confirms defective products through internal quality inspection, consumer feedback, or notification by regulatory agencies. Once product problems are confirmed, the Company will immediately formulate a detailed recall plan, report to relevant regulatory departments, and obtain approval. It will inform consumers and distributors of the recall information through media release, direct notification, and other means, strictly recover defective products as per the plan, and provide consumers with product return, replacement, repair, or other remedial services. During the recall process, the Company will keep supervising the implementation of activities and evaluate the effect to ensure that all affected products are properly handled. After completing the recall plan, the Company will make in-depth analysis on the causes of product defects in subsequent improvement, and take targeted measures to prevent similar problems from recurring.

Product Recall Process



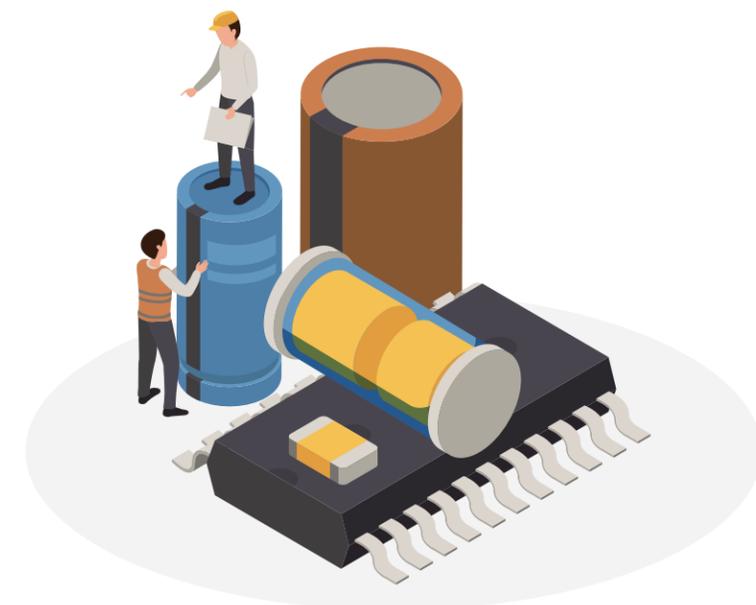
• Product Quality Training •

The Quality Center formulated the 2024 annual capacity improvement training plan, with training content covering multiple segments, such as an introduction to R&D quality management, QM-08 TQM concept training, sharing of related matters regarding process quality abnormalities, and an introduction to quality data query methods. The plan aims to comprehensively improve employees' professional literacy, accurately control product quality checkpoints, and enhance employees' awareness of quality.



Case: Visit Battery Factory for Learning

On April 27, 2024, the Company organized employees to visit a battery factory for learning, with learning contents including the product application range of batteries, the product quality assurance system, and the HSF management process etc. At the factory, the employees visited the battery production line, which deepened their knowledge about the battery basics and the key control points of the production process, thereby improving employees' professional literacy and technical awareness.



# Data Security and Customer Privacy Protection

## Governance

XGD provides consumers with convenient and efficient payment experiences, which cover multiple payment scenarios. The Company has always put payment security protection first. By continuously improving its own security system, upgrading the risk control management framework, and optimizing the business models, the Company dedicates itself to providing customers with safer and more convenient comprehensive E-payment solutions.

To strengthen the security management over payment information during the payment service process, JL PAY, in compliance with laws and regulations such as the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Measures for the Administration of Bank Card Acquiring Business, the Implementation Measures of the People's Bank of China for the Protection of Financial Consumers Rights, and the Technical Specification for the Protection of Personal Financial Information (JR/T 0171-2020), has formulated the Measures for the Management of Payment Information Security, which clarifies the responsibilities and authorities of departments related to payment data, improves the entire payment information management process including information collection, transmission, storage, use, deletion and destruction, security incident management, and supervision&inspection, safeguards the security of the payment information of the Company's cooperative customers, prevents the loss and leakage of information data, and guards against relevant risks and losses. In addition, JL PAY has established an Information Security Leadership Group, which is responsible for assessing the security and compliance of payment information, reviewing and supervising information security management rules of JL PAY, and ensuring the efficiency of the process and the effective implementation of rules.



▲ Payment Service License Certificate of JL PAY

In strict accordance with laws and regulations such as the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China, the Company has formulated the Procedures for the Management of Information Security. The Company's Information Management Center is responsible for building, managing, and maintaining information technology infrastructure and information systems, promoting the IT-oriented development of the Company's management process, and providing data support for business analysis and decision-making. Each department shall assign key system users, who will take charge of the system application training of current department, organize colleagues of current department to prepare system operation manuals at the post level, sum up and sort out current department's IT demands, and help improve the IT application level of current department. The Company actively builds and continuously optimizes and improves the information security management system, in order to provide a strong information security support for the Company's sustainable and healthy development. The Company and NEXGO have passed the ISO/IEC 27001:2013 Information Security Management System Certification.



▲ Information Security Management System Authentication Certificate of XGD



▲ Information Security Management System Authentication Certificate of NEXGO



▲ Information Security Management System Authentication Certificate of JL PAY

## Strategy

	Risk/ Opportunity Type	Risk/ Opportunity Description	Financial Impact	Impact Period	Countermeasures
Risk	Compliance Risk	Data and customer privacy leakage will lead to violation of laws and regulations related to information security, the requirements of regulatory agencies and customer audit, so that there are risks of official notification, legal lawsuits or penalties.	Fines	Short and medium term	Conduct self-inspections and self-correction at regular intervals to ensure compliance with the requirements of laws and regulations, regulatory agencies, and user audit.
	Reputation Risk	The general public has increasing attention to data security and privacy protection. Once a data leakage event occurs, the Company's brand reputation will be seriously damaged.	Decrease in income	Short and medium term	Internal improvement and prevention: Fix vulnerabilities, strengthen security, conduct regular audit.
Opportunity	Reputation Risk	By strengthening data security and privacy protection, enhance the customers' trust in the Company, shore up the company's market competitiveness, and promote business growth.	Increase in income	Medium and long term	Formulate data management rules, clarify responsible entities and operation processes in all links such as data collection, storage, processing, transmission, and destruction.

## Management of Impacts, Risks and Opportunities

<p><b>Risk Identification</b></p>	<p>From the perspective of business application, the Company divides the data into six categories, namely merchant information, terminal information, transaction information, financial information, risk control information, and management information. In view of possible impacts after the destruction of data security attributes, the Company classifies the payment information involved, and it conducts risk identification to relevant data in payment information collection, application, and storage.</p>
<p><b>Risk Assessment</b></p>	<p>The Company conducts assessment on the payment information system at regular intervals. For example, when aggregating and integrating payment data, the Company assesses the risks likely arising from the categories of payment information and the purposes of application. Based on the assessment results, the Company adopts effective technical protection measures and conducts impact assessment on personal financial information security. For behaviors that may involve external interactions, such as the sharing, transfer, and entrusted processing of payment information, the Company comprehensively assesses the potential impacts on the rights and interests of personal financial information subject.</p>
<p><b>Risk Monitoring</b></p>	<p>Establish a log recording mechanism for payment information access and use, and make detailed notes of information such as user identity, operation type, operation time, and access data. The data management department checks the log content on a regular (quarterly) basis to timely detect abnormal operation behaviors.</p>
<p><b>Risk Response</b></p>	<p>The Company scans the vulnerabilities of the information system at regular intervals. During the entrusted processing, sharing, transfer, and public disclosure of payment information, the Information Security Working Group is responsible for conducting impact assessment on personal financial information security every year, with assessment scope covering current institution and cooperative third-party agencies (including outsourcing service agencies and external cooperation organizations). For those that do not comply with laws and regulations, the Company requires rectification or suspension of cooperation.</p> <p>The Company conducts compliance assessment on payment information security every year, takes timely remedial measures for the problems found during the assessment process, and formulates report documents.</p>

## Indicators and Goals

During the reporting period, no incidents of customer information leakage occurred in the Company, and no penalties were imposed on the Company for violations of relevant laws and regulations.

## Information Security Management Measures

In light with relevant laws and regulations and the requirements of the information security management rules, the Company has formulated the Information Security Strategy, in order to comprehensively ensure the security of the information system, ensure the stable, efficient operation of operation and maintenance work, and promote the Company's sustainable development.

### • Emergency Incident Management •

The Company has formulated the Emergency Plan for the Information Center Computer Room. By upholding the working principles "Prevention Upmost, Rapid Response, Hierarchical Responsibility, People First, Always Prepared", the Company has established an emergency treatment organ, in order to guard against emergencies (e.g., natural disaster and man-made damage) in the computer room to the maximum extent, minimize the damage of ongoing or existing accidents, and ensure the safety of employees.

### • Information Security Training •

The Company's Information Management Center attaches great importance to information security training. In 2024, it produced and released three issues of Cyberspace Security Trends Journal for all of its employees, and sent reminder emails on improvement of information security awareness at regular intervals, with email topics covering "Five Ways to Identify Phishing Emails", "7 Tips to Identify and Prevent Phishing Emails", and "Please Use Strong Passwords".



### Case: Organizing Information Security Management System Training

In May 2024, the Company invited a senior management system lecturer to provide its employees with training on knowledge of the information security management system, with training content including an explanation of the ISO27001 information security management system, business impact analysis, and risk management, etc. This helped enhance employees' security awareness and promote the cultivation of information security culture.



## Protecting Customers' Rights and Interests

### Customer Complaint Management

The Company has established a Customer Service Department as the window for external complaints, which is responsible for receiving various customer complaints from the service hotline 952005. To support the front-line customer complaint handling work, the Company has set up a professional customer complaint handling team within the Consumer Protection Office, which is responsible for handling various customer complaints transferred from external channels such as regulatory organs and third-party complaint platforms, and helping the front-line customer service team to handle tough complaint issues. The team enjoys independent resources as well as independent assessment system and decision-making authority. Moreover, it directly reports the work progress to the Company's senior management and special working group to ensure the independence, authority, and professionalism of complaint handling, so as to efficiently resolve customers' complaints and problems.

The Company has formulated and improved a series of internal control management rules, including the After-sales Support Business Management Specifications, the Customer Complaint Handling Specifications, the Emergency Plan for Major Incidents of Financial Consumption Disputes, and the Customer Loss Compensation Mechanism, aiming to comprehensively improve its ability in handling customer complaints. Upholding the principle "Proactive, Objective and Fair, High-efficiency in Handling, and Compliant in Operation", the Company has formulated specific and clear regulations on the complaint registration requirements, handling process, internal coordination mechanisms, information sharing methods, statistical analysis methods, file management specifications, and information disclosure rules, as a way to ensure sufficient protection of customers' rights and interests.

### Improving Customer Satisfaction

Centering on customers, the Company has established a mechanism for improving customer satisfaction. By formulating the Procedure for the Survey of Customer Satisfaction, the Company has clarified the customer satisfaction survey process and ensure the real and effective acquisition of customers' satisfactions and feelings. The Company conducts customer satisfaction survey at regular intervals, keeps abreast of and deeply explores customer needs, and accurately locates service shortcomings, with a view to improving customer service quality in a targeted manner, learning about the product usage and service satisfaction, collect product user requirements, and continuously improve customer satisfaction and loyalty. During the reporting period, the Company conducted a customer satisfaction questionnaire survey, in which 1,132,226 valid questionnaires were collected, and the customer satisfaction rate was 92%.

The Company provides multiple contact methods and communication channels, facilitating customers to access service support at any time and in any place.

Service Hotline: 952005 (7\*24 hours)

Online Customer Service: 8:30 - 21:30

WeChat Group Service: 8:30 - 23:00

## Responsible Marketing

XGD insists on the concept of responsible marketing to keep away from unfair marketing or false publicity behaviors. The Company strictly complies with relevant laws and regulations such as the Advertisement Law of the People's Republic of China, and persists in putting customers first to standardize marketing behaviors. In daily operation activities, the Company provides accurate and all-around information in market development, customer sales, and product label management, and prohibits the information and behaviors that mislead customers. In addition, JL PAY has formulated the Service Provider Risk Management Rules to standardize its service providers' behaviors in business expansion and marketing publicity, and reduce the risks in the acquiring outsourcing business. JL PAY strictly requires outsourcing service providers to ban the use of words that may lead to unfair competition, mislead consumers, or violate laws and regulations when promoting products in marketing. They are not allowed to exaggerate the publicity, spread false information, or use confusing trademarks, etc. Aside from that, JL PAY conducts public opinion monitoring and tracking management to prevent the occurrence of unfair competition behaviors.

The Company organizes responsible marketing training for all sales personnel at regular intervals, and conducts training and assessment for all market channel personnel at irregular intervals, with training contents covering laws and regulations, business knowledge, business etiquette, and marketing system.

## Customer Service Training

The Company attaches great importance to the training on customer service, and it improves service quality from the perspective of customer satisfaction. The Company has arranged after-sales support engineers to provide technical support for the 95-customer service hotline. The Company conducts customer service training and knowledge updating at regular intervals to maintain the professionalism and accuracy of the service team.



### Case: JL PAY Actively Organizes Foreign Card Payment Training to Improve Payment Convenience

On March 7, 2024, the State Council enacted the Opinions on Further Optimizing Payment Services and Improving Payment Convenience, guiding payment service providers to keep promoting the optimization and improvement of the payment service convenience for such groups as the seniors and foreign visitors in China. JL PAY actively responded to the call and immediately launched the "Smooth Travel Plan". Focusing on key groups such as the seniors and foreign visitors in China, JL PAY, relying on its years of service experience and strong merchant foundation in the payment industry, will keep improving the payment service system. JL PAY has extensively carried out renovation to foreign card acceptance environment in 32 provinces and municipalities across the country. Particularly, it focused on key merchants in popular foreign-related scenarios such as scenic spots, airport merchants, and chain restaurants.

For merchants in key scenes such as the Qinghai Caka Salt Lake Tourist Resort and Wuhan Tianhe International Airport, JL PAY's business personnel provided merchants with smart scenic area and smart retail solutions that support foreign card acceptance. After completing the renovation of foreign card acceptance for merchants, JL PAY's business personnel provided foreign card labeling service, distributed promotional brochures on convenient payment, and conducted face-to-face publicity and training on convenient payment knowledge among merchants, making merchants know well the policies on convenient payment. Besides, they provided payment services suitable for the seniors and foreign visitors, and fully respected consumers' payment choices. After the renovation of foreign card acceptance, some foreign-related consumer stores greeted the first foreign card payment spending, which laid a payment service foundation for the consumption of international friends in the future.



## Sustainable Supply Chain

### Supplier Management

XGD is committed to building a green, efficient, and synergistic supply chain system. To standardize the life cycle management of suppliers and formulate appropriate supplier strategies, the Company has rolled out and implemented supplier management rules such as the Sourcing and Supplier Management Rules and the Supplier Sourcing and Access Management Process. The Centralized Procurement Center predominates in the core work such as the sourcing, access, daily management, and performance assessment of suppliers. The Centralized Procurement Center and the R&D Center participate in on-site audit for supplier introduction, and quarterly performance assessment of suppliers in supply quality/R&D, etc. During the reporting period, the Company cooperated with 117 product manufacturing suppliers.

#### Supplier Life Cycle Management Process:

##### Supplier Sourcing and Access

###### Sourcing:

Procurement engineers judge whether existing suppliers can meet the requirements according to new product development needs. If the requirements cannot be met, they need to submit the ERP04 process to explain the reasons for sourcing. Sourcing will be started upon approval.

###### Access Review:

Procurement engineers invite procurement managers to participate in the new supplier access plan, and send emails to notify relevant departments to partake in the review. Procurement engineers complete the arrangements for on-site/online access matters ahead of schedule, such as transportation methods and preparation of score sheets in advance. After the access review is started, each participating department scores according to the FORM-PD-002QSA Supplier Quality Management System Audit Form, and the scoring results are outputted within 3 working days.



##### Supplier Hierarchical Management

The Company has established an eligible supplier management system. By implementing supplier hierarchical management, the Company can better optimize supplier resources and improve the stability and efficiency of the supply chain. The Company distinguishes suppliers by status, grade, and nature, sifts out strategic and high-quality suppliers, and strengthens the management over core suppliers.

<p><b>Supplier Status</b></p>	<p><b>Eligible Supplier:</b> normal cooperation in all projects;</p> <p><b>Temporary Supplier:</b> a supplier for temporary cooperation, with a limited validity period of no more than half a year. After expiration, the VENDOR CODE becomes invalid;</p> <p><b>Confined Supplier:</b> Orders are normally placed for existing projects, but no cooperation for new projects. Inventories in normal use, remaining on the AVL list;</p> <p><b>Eliminated Supplier:</b> No order is placed, termination of the use of inventories, and exit from the AVL list.</p>
<p><b>Supplier Grade</b></p>	<p><b>Grade S:</b> (Key components &amp; finished products) Excellent suppliers and those rated as Class A suppliers in the quarterly performance evaluation;</p> <p><b>Grade A:</b> (Key components &amp; finished products) Good suppliers or (Non-key materials &amp; finished products) excellent suppliers and those rated as Class A suppliers in the quarterly performance evaluation;</p> <p><b>Grade B:</b> (Key components &amp; finished products) Eligible suppliers or (Non-key materials &amp; finished products) Good suppliers and those rated as Class B suppliers in the quarterly performance evaluation;</p> <p><b>Grade C:</b> (Non-key materials &amp; finished products) Eligible suppliers or those rated as Class C suppliers in the quarterly performance evaluation.</p>
<p><b>Supplier Nature</b></p>	<p>Analyze the supplier nature through the strategic importance and dependency relationship of suppliers.</p> <p><b>Strategic Supplier:</b> Suppliers with high strategic importance and strong dependency relationship;</p> <p><b>Key Supplier:</b> Suppliers with relatively high strategic importance and relatively strong dependency relationship;</p> <p><b>General Supplier:</b> Suppliers with general strategic importance and general dependency relationship;</p> <p><b>Inferior Supplier:</b> Suppliers with inferior strategic importance and inferior dependency relationship.</p>

### • Supplier Confinement and Elimination Management •

Supplier confinement means that suppliers are allowed to place orders normally for existing projects, but are prohibited from placing orders for new projects. They still remain on the list of eligible suppliers. Supplier elimination means exit from the list of eligible suppliers. In one of the following situations, it will be deemed as supplier confinement/supplier elimination:

- 1) Rated as Class D for two consecutive quarters or rated as Class C for three consecutive quarters in the assessment;
- 2) Suppliers with major quality problems;
- 3) Suppliers with business risks that need to stop transactions according to assessment;
- 4) Suppliers with credit problems, such as provision of false documents or information, provision of fake materials, etc.;
- 5) Suppliers who violate contract or other agreement provisions or breach laws;
- 6) Suppliers with no orders for 24 months or more;
- 7) Suppliers whose decisions are frozen or who withdraw;
- 8) Suppliers with no intention for further cooperation.

### • Supplier Performance Appraisal •

The Company conducts quarterly appraisal on suppliers from five dimensions, namely the supplier's all-around competitiveness (qualification, product certification, after-sales service), cost, delivery, quality, and R&D technical capacity. Suppliers rated as Class D or as Class C for two consecutive quarters are required to make rectifications, and the Company will follow up with their improvements. The quarterly appraisal serves as an important reference for screening of strategic suppliers and selection of suppliers. Through the all-around and regular appraisal mechanism, the Company can accurately identify suppliers that perform excellently in these five dimensions, keep optimizing the structure of the supplier pool, and enhance the competitiveness of the supplier pool.

### • Supplier Complaints •

To safeguard the interests of both the Company and suppliers and ensure the equal status of suppliers, the Company has established a complaint mechanism. Suppliers can lodge complaints through the SRM cloud platform, the audit hotline, and the direct hotline to senior management. After receiving complaints, teams concerned will respond quickly and handle the problems put forward by suppliers in a timely manner.

### • Supplier Communication and Training •

The Company attaches great importance to its collaboration with suppliers. In 2024, it organized 19 communication and training activities for suppliers, aiming to erect a strong communication bridge and improve the overall efficiency of the supply chain. The communication and training activities are rich and diverse in content, covering the sharing of new technology applications, the introduction of production process, the future development trends of new products, and the further implementation of the quality management system. Through communication and training activities of this kind, the Company and suppliers can have timely exchanges on technologies and products, which benefits the development and preliminary study of platform technologies, promotes innovation in the production process, and builds a more stable, efficient, and win-win cooperation ecosystem with suppliers.

## Responsible Procurement

XGD has established a scientific, standardized, efficient, and transparent procurement system, and formulated and implemented the Procedure for the Management of Procurement, in order to clarify the procurement authorities and responsibilities of each department, and ensure that the purchased products comply with requirements about quality, performance, and delivery time, etc., aside from meeting the Company's production and management needs. To ensure the legality and compliance of those commercial behaviors between the Company and suppliers, and guard against bribery and improper transfer of benefits, the Company specifies the transaction behaviors with suppliers in accordance with the Integrity Management Specifications and the Procurement Price Supervision and Management Rules, which ensures the fairness and transparency of the procurement prices.

## Supplier ESG Management

XGD sets store by the ESG management of suppliers. The Company actively conducts ESG communication and training with suppliers to convey the Company's ESG concept and support the Company's sustainable development and fulfillment of social responsibilities. In 2024, the Company organized 15 ESG communication and training sessions with suppliers, with a cumulative duration of 22 hours. The Company emphasizes the ESG responsibilities of suppliers, and conducts supplier reviews. It will give priority to suppliers that have passed the certifications of the quality management system, the environmental management system, and the occupational health and safety management system, as a way to fully control product quality.

Supplier Review	2024
Number of Suppliers with Quality Management System Certification	11
Number of Suppliers with Environmental Management System Certification	8
Number of Suppliers with Occupational Health and Safety Management System Certification	8



# 07

## ■ Employees and Social Contribution

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### Responding to SDGs



# Protecting the Rights and Interests of Employees

## Employee Recruitment & Employment

In order to meet the demands for talents amid its sustainable, stable, and rapid development, the Company, in strict compliance with the Labor Law of the People's Republic of China (hereinafter referred to as "Labor Law"), the Labor Contract Law of the People's Republic of China (hereinafter referred to as "Labor Contract Law"), the Employment Promotion Law of the People's Republic of China, and other laws and regulations, has established and continuously improved a series of human resources management rules such as the Employee Handbook, Recruitment Management Policy, and Human Resources Management System to regulate recruitment processes and optimize talent selection mechanisms, thus laying a solid talent foundation for long-term growth of the Company.

**XGD Recruitment Principles:**

- Integration of Corporate Growth and Current Demands
- Alignment of Business Objectives and Role Suitability
- Comprehensive Evaluation and Merit-Based Selection
- Collaboration of External Recruitment and Internal Mobility
- Strict Control over Headcount Budgets

• Employee Recruitment •

The Company actively diversifies recruitment channels through internal mobility (internal job posting) and external recruitment (social and campus recruitment). The Human Resources ("HR") Center manages all recruitment channels, monitors recruitment workflows, evaluates recruitment results, collects suggestions and opinions on recruitment from candidates, and analyzes the recruitment channels, time, expenses, and results to optimize resource allocation and raise recruitment efficiency.

<b>Internal Job Posting</b>	To promote talent mobility inside the Company, vacant positions eligible for internal job posting are available for competitive bidding by all permanent staff (exclusive of probationary employees).
<b>External Recruitment</b>	<p><b>Social Recruitment:</b>                      Media Outreach: Post job vacancies via mass media, professional publications, and industry-specific websites.                      Executive Search: Engage headhunters for senior management and mission-critical roles.                      Referral Programs: Seek referrals from internal employees and external networks.</p> <p><b>Campus Recruitment:</b>                      Media Support: Advertise jobs on the corporate careers' portal, college &amp; university online boards, and third-party platforms.                      Job Fairs: Participate in targeted college &amp; university recruitment events for campus recruitment                      Internal &amp; External Referrals: Seek excellent talents through referrals from faculty, alumni ambassadors, and external candidates.</p>

Indicator		UOM	2024年
Number of New Employees		Persons	763
Number of New Employees by Gender	Female	Persons	386
	Male	Persons	377
New Employees by Recruitment Channels	Social Recruitment	Persons	710
	Campus Recruitment	Persons	19
	Other Channels	Persons	34

**Campus Recruitment**



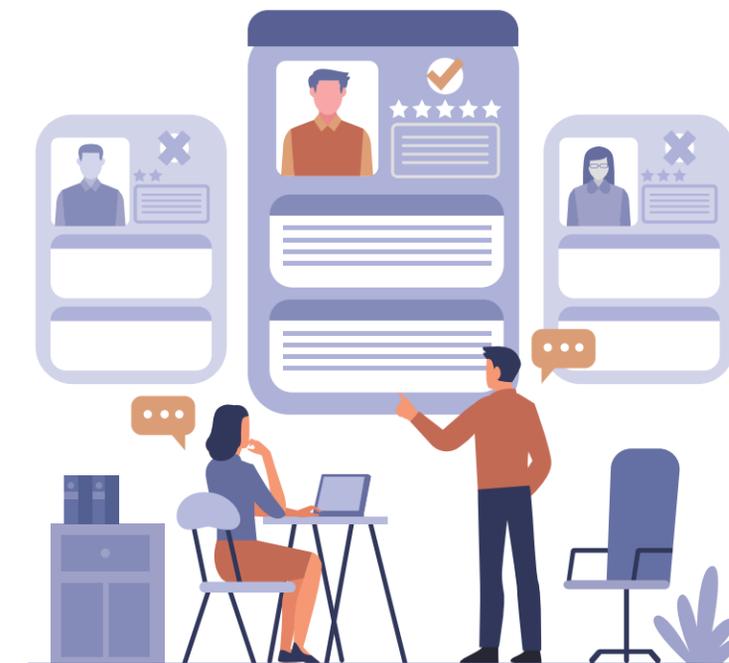
▲ Wuhan



▲ Nanchang



▲ Guangzhou



**Employee Structure**

Indicator	UOM	2024
Total Number of Employees	Persons	1,571

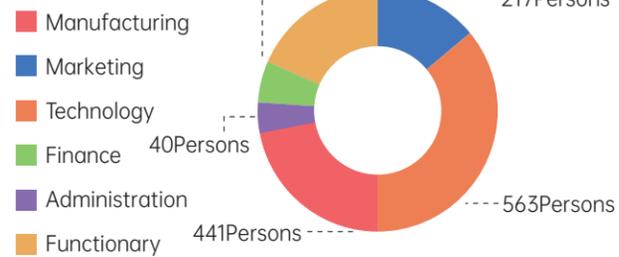
**By Gender**



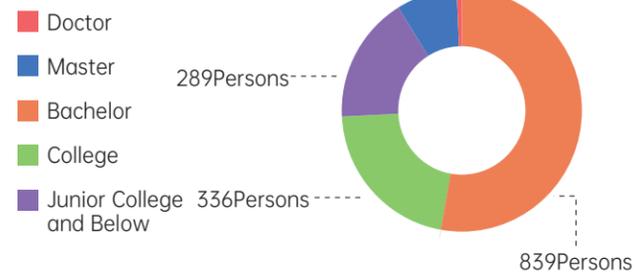
**By Age**



**By Profession**



**By Educational Background**



**By Rank**



**By Region**



Number of Minority Employees	Persons	99
Number of Ethnic Minorities in the Management	Persons	12

**Legal and Compliant Employment**

The Company upholds equitable employment policies and rigorously complies with the Labor Law, Labor Contract Law, Special Rules on the Labor Protection of Female Employees, Provisions on the Prohibition of Child Labor, and other laws and regulations while practicing compliant recruitment and equitable employment. We resolutely prohibit workplace discrimination based on gender, age, ethnicity, or any personal characteristics. Child labor is categorically forbidden, with active safeguards for minors' legal rights. Forced labor in any form is eliminated to ensure voluntary, equitable, and respectful employment. No incident of workplace discrimination was detected during the reporting period.

<b>Recruitment Compliance</b>	The Company's employment procedures fully align with labor-related laws in the following aspects: Electronic labor contracts have been signed on the first workday and social insurance enrollment has been guaranteed for employees. Labor contracts have been 100% executed during the reporting period.
<b>Prevention of Child Labor</b>	The Company applies rigorous pre-employment verification and background inspection, including but not limited to identity validation, educational credentials, professional certifications, and employment history audits. No child labor case was identified during the reporting period.
<b>Eradication of Forced Labor</b>	The Company prohibits any form of forced or compulsory labor such as indentured labor and debt-paid labor, so as to protect employees' legal right to rest. No forced labor violations occurred during the reporting period.
<b>Working Hours &amp; Leave Policies</b>	As per the Employee Handbook, the Company applies the following policies: Five-day, eight-hour workweek system, statutory holidays plus additional leaves, including annual leave, marriage leave, bereavement leave, maternity/paternity leave, and contraception-related medical leave.

**Employee Remuneration & Benefits**

**Employee Remuneration**

The Company, in compliance with the principles of "strategic alignment, internal equity, external competitiveness, performance orientation, fiscal responsibility, and confidential salary system", has formulated the Compensation Management Policy to establish a remuneration framework that balances internal fairness with external competitiveness, while continuously optimizing performance evaluation and incentive mechanisms aligned with corporate development. Employee remuneration comprises base salary and annual performance-based bonuses, of which the latter is variable contingent on annual performance outcomes. The Company annually adjusts remuneration based on operational performance, individual performance, job performance, and labor market conditions, thereby integrating corporate growth objectives with employees' interests to maximize employee engagement and potential.

**Remuneration Philosophy**

A position-tiered system is established through job valuation tools to reflect role-specific value.

Performance-Driven Incentive: Performance bonuses are pertinent to individual and organizational KPIs to foster the performance-oriented culture of the Company.

Value Differentiation: Differential resource allocation and rewards are provided to employees based on their role value and performance to retain and mobilize core and high-performance talents.

Broadband Salary Structure: Salary broadband system is implemented to enhance compensation agility and accommodate talent acquisition/development strategies.

• Employee Benefits •

The Company is committed to building an inclusive yet targeted benefits system that offers superior welfare packages:

- ① Social Insurance and Housing Fund: Social insurance and housing provident fund contributions are purchased in full compliance with national and local regulations. The social insurance coverage rate reached 100% during the reporting period.
- ② Household Registration Transfer: Employees with at least one year of service, satisfactory performance, and eligibility under the annual residency policies of Shenzhen may apply for Shenzhen household registration (year of service exempted for fresh graduate from campus recruitment).
- ③ Laptop Subsidies: Eligible employees receive computer allowances as per policy guidelines.
- ④ Training Opportunities: Onboarding training, on-the-job training, and external academic sponsorship are available.
- ⑤ Career Development Benefits: including mentor allowances, and executive education grants provided for managerial staff.
- ⑥ Employee Engagement Activities: Team-building events, club activities, and recreational outings are held and organized at regular intervals.
- ⑦ Wellbeing Support: Holiday care packages and critical illness assistance programs are offered for employees.

• Performance Management •

The Performance Management Policy is established to regulate performance evaluation, which is implemented among employees on a regular basis. For the purpose of higher efficiency, the Company has established an online performance management system with User Instructions for the Performance Management System to ensure evaluation fairness and transparency. 99% of employees accepted and completed regular performance and career development evaluation during the reporting period.

The Company has been refining performance communication and feedback mechanisms by various means, such as periodic performance interviews to review goal attainment within the current period and objective setting for the subsequent period. Any employee may file an appeal with the Human Resources Center within 5 working days after the evaluation, and an resolution feedback is provided within 5 working days after receipt.

• Equity Incentives •

To establish long-term incentives for core employees and enhance cross-functional collaboration and members' initiative, the Company implements Equity Incentive Plans covering mid-senior management and technical experts, including special rewards for those with special contributions. In 2024, two phases of Equity Incentive Plans remained active.

Democratic Governance

• Employee Representative Congress and Labor Union •

The Company, in strict compliance with the Company Law, Labor Law, and other laws and regulations, formulated the Management Rules on Employee Representative Congress to regulate its Employee Representative Congress by the following means: The Company established a Labor Union Committee with legal entity representatives and specialized committees such as the Finance Review Committee and Women Workers' Affairs Committee to ensure that the Union fulfills its mandate to safeguard employees' rights and interests, stimulate engagement, and promote mutual growth.

During the reporting period, the Union recorded **108** members, representing **6.87%** of the total workforce.

• Employee Communication Channels •

The Company actively builds diversified and efficient internal communication channels to foster an open, transparent, and ethical workplace, and encourages employees to put forward opinions, suggestions, or feedback on problems during the work. The Sunshine Workplace Portal operated monthly by the Audit & Supervision Department is dedicated for anonymous reporting of workplace inequities or corruption via dedicated hotline, CEO mailbox, and Audit Department e-mail. The Company also offers Differentiated Feedback Mechanisms, including the Administrative Center for workplace facility inquiries and IT Service Desk for technical issues.

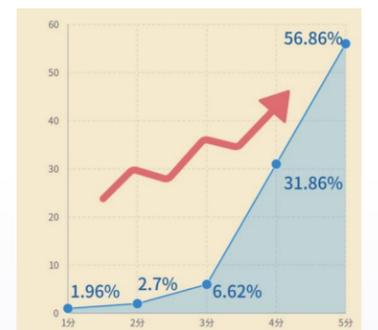
• Employee Satisfaction Surveys •

The Company organizes annual employee satisfaction surveys to accurately understand employees' sentiment in real time. It addresses feedback from employees for constant service improvement, continuously strengthens employees' sense of belonging and cohesion, and cultivates a positive corporate culture.



Case:

In November 2024, the Company's Administrative Center organized an "Administrative Service Satisfaction Survey", with a total of 408 employees involved, 88.72% of which gave satisfactory and more positive feedback, an average satisfaction scoring 4.39 points (out of 5 points).



## Care for Employees

### Employee Activities

The Company organizes diversified activities for employees to call for a harmonious balance between work and life.



▲ Teachers' Day



▲ Engineers' Day



▲ XGD's Anniversary



▲ Month of Reading

### Employee Support

The Company addresses employees' daily needs through thoughtful gestures and gifts, while providing visitation and assistance to those in difficulties, with an aim to foster and enhance their sense of belonging and organizational identity. In 2024, the Company implemented support initiatives for employees whose immediate family members suffered from illness, and the initiative covered 5 employees with a total expenditure of approximately RMB 38,900. Since its establishment, the Company has organized annual hardship assistance programs, cumulatively supporting over 60 employees with total expenditures exceeding RMB 1 million.

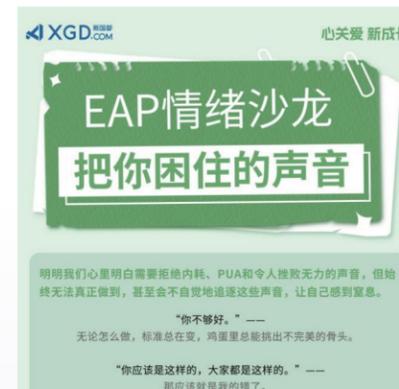


#### Case: Research on Employee Demands

The Company is deeply concerned about employees' daily demands. While building new office premises, the Company conducted comprehensive research on parking needs, coffee preferences, and dining facility preferences to develop user-centered designs, thereby creating a more comfortable and convenient workspace.

#### Case: Mental Health Protection

The Company safeguards employees' psychological well-being through regular EAP (Employee Assistance Program) counseling sessions, alleviating work-life stress, enhancing mental resilience, and improving workplace experiences.



## Protection of the Rights and Interests of Female Employees

The Company rigorously upholds female employees' rights and interests by strictly enforcing regulations on prohibited occupations, enhancing protection of occupational safety, granting statutory leaves such as maternity leave, prenatal check-up leave, and lactation breaks, as well as 178 days of paid maternity leave, providing one-hour daily lactation time for those with infants aged below one, and instituting half-day leave on International Women's Day. In 2024, 25 female employees enjoyed maternity leave benefits.

#### International Women's Day

On International Women's Day, the Company hosted several welfare events to demonstrate its commitment to gender equality. We encourage every female to courageously pursue their ambitions and showcase their unique brilliance.



The Company is committed to building an equitable and inclusive environment where every female can realize their potential and achieve personal values. The Company sincerely respects the firm determination of female employees to pursue their personal careers and unequivocally opposes workplace gender biases. In 2024, women comprised 25% of senior management roles.

# Employee Training and Development

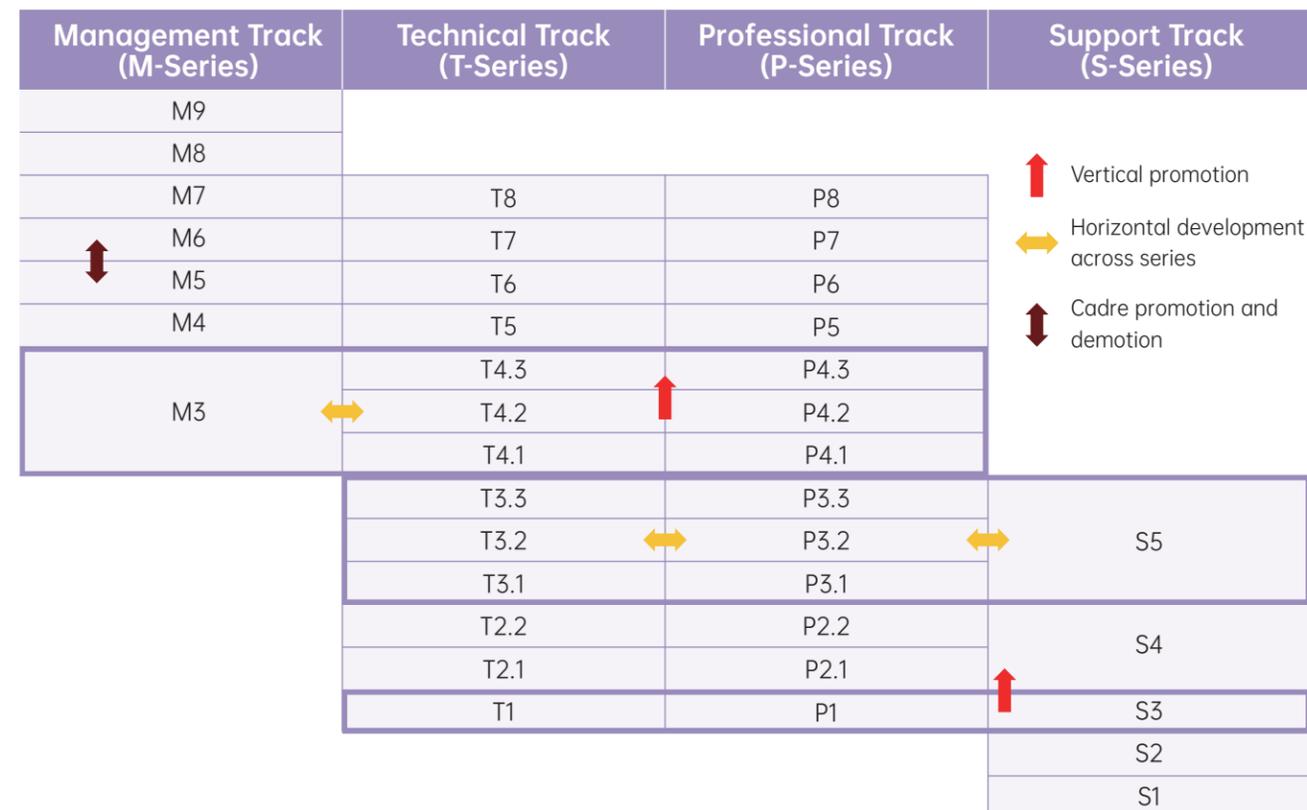
## Talent Development Philosophy

The Company values human capital and stresses talent growth through its Internal Job Posting Management Policy and Career Development Management System as well as the full-fledged promotion and training mechanisms, in order to build a fair and open career development platform for its employees. We have established a comprehensive employee training ecosystem encompassing pre-employment training, role-specific skill enhancement, departmental training, external training programs, and ad hoc learning modules to meet employees' demands on expertise and professional skills. We provide diversified career development paths that enable employees to align personal aspirations with objectives to realize both individual value and corporate prosperity.

## Career Development Pathways

Guided by the principles of "Strategic Alignment, Transparency, Equity, Merit-Based Mobility, and Tiered Progression", the Company has implemented a career architecture for various talents in harmony with corporate growth strategies. The Company manages existing employees by classification and category, dividing positions into distinct series with different tiers or grades within each series. The Company has developed multi-channel career paths including Management Track (M-Series), Technical Track (T-Series), Professional Track (P-Series), and Support Track (S-Series), which aims to satisfy personalized growth demands of employees with different positions, interests, and capabilities, thereby providing broad space for their development.

### Tier & Grade



### Internal Job Posting

The Company has formulated the Internal Job Posting Management Policy to encourage self-improvement for employees and promote healthy internal competition and talent mobility, thus supporting sustainable business development. Each job posting is publicly announced, with all permanent employees eligible to apply for up to two qualified positions at free will, with one opportunity for participation every two years. The selection process emphasizes competency evaluation, comprehensive performance assessment, and interview/defense performance for optimal candidate selection. Winning candidates retain original compensation and grade during a six-month probation period before grade/salary adjustment. Losing candidates have the right to return to the original positions without any refusal by the original department.

## Employee Training Measures

The Company strives to build an internal learning organization and actively organizes internal and external training programs covering professional skills, general competencies, management communication, and mentorship in a bid to fulfill employees' demands for creating value while achieving self-development on the corporate platform.

<b>Internal Training</b>	The Company provides employees with such activities as training courses, business exchanges, and seminars, including onboarding training and internal training sessions by externally-invited lecturers.
<b>External Training</b>	The Company offers employees training activities organized by external institutions in the form of training courses, business exchanges, and seminars.
<b>On-the-Job Re-Training</b>	Employees who fail to meet the threshold in Company or department's performance evaluation shall accept and complete re-training before working, including lecture courses, practical exercises, and communication sessions to improve skills and work attitudes.

Indicator	UOM	2024
Employee Training Coverage		
Percentage of Employees Trained by Gender	Female Employees	35.91
	Male Employees	56.61
Percentage of Employees Trained by Category	High-Level Employee Training Coverage	18.18
	Mid-Level Employee Training Coverage	47.03
	Grass-roots Employee Training Coverage	46.76
Number of Sessions		Sessions
Total Number of Employees Trained		Persons
Person-times of Employees Trained in Total		Person-times
Total Duration		Hours
Average Training Hours per Employee per Year		Hours/Person

• Employee Training Programs •

New Employee Training

Case: "Rising Star Program" - Onboarding Training

To help employees better understand organizational structure, business models, corporate culture, and rules and regulations while rapidly adapting to positions and teams, the Human Resources Center launched the 2nd "Rising Star Program" from March 28 to 29, with the participation of 19 trainees from the Innovation Business Division, Service Business Division, Cross-border Business Division, Channel Business Division, Payment Service Business Division, and Payment Hardware Business Division, and the trainees' satisfaction with the training courses hit 98 points.



Professional Skills Training

Case:

In October 2024, the Technology Center of the Payment Hardware Business Division launched the Innovative Thinking & Tool Application program.



Case:

The IPD 3.0 Series: Product Development System Management training program was implemented in 2024.



Vocational Skills Training

Case: English Club Salon

To support global business expansion and foster a company-wide learning culture, the Human Resources Center organized to host the 4th Online English Club Salon on October 17, involving 13 participants from the Payment Hardware Business Division, Payment Service Business Division, Cross-border Business Division, and Service Business Division, and the trainees' satisfaction with the training hit 89.82 points.



Case: WPS Practical Skills Training

The Information Management Center conducted three WPS application workshops to enhance employees' operational proficiency.



• Certification Incentives •

The Company promotes Learning Grants and Learning Credit Benefits. Employees gain credits through on-job training, part-time lecturing, mentorship, and self-directed learning, and the Company establishes individual learning credit profiles, with the Human Resources Center auditing annual credit standings and granting rewards as per incentive policies. Employees who have obtained accredited certifications/degrees through continuing education may apply for Learning Grants after the verification of the Human Resources Center.

## Occupational Health & Safety

The Company, with priority to occupational health and safety (OHS) management and in strict compliance with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Work Safety Law of the People's Republic of China, Regulations on Occupational Health Management in Workplaces, and other laws and regulations, has established the Safety Investment Management Rules, Work Safety Incentive and Disciplinary Rules, Hazardous Chemicals Management Rules, and Safety Education & Training Rules. During the reporting period, XGD, JL PAY, XGD Energy, and NEXGO all passed ISO 45001:2018 Occupational Health and Safety Management System certification:



▲ XGD Occupational Health and Safety Management System Certificate



▲ JL PAY Occupational Health and Safety Management System Certificate



▲ XGD Energy Occupational Health and Safety Management System Certificate



▲ NEXGO Occupational Health and Safety Management System Certificate

## Emergency Plans & Drills

The Company has formulated such emergency response solutions as Fire Emergency Response Plan, Hazardous Chemical Leakage Emergency Response Plan, Work-related Injury Emergency Response Plan, and Machinery Equipment Accident Emergency Response Plan to regulate emergency management and minimize accident losses. The Company organizes annual fire control drills to strengthen the fire safety awareness of all employees and to test the capabilities of emergency response teams in addressing unexpected incidents. During the reporting period, the Company organized four emergency drills covering fire, chemical leakage, and hazardous substances, with a total investment of RMB 24,000.

### Fire Evacuation Drill

In September 2024, to enhance employees' proficiency in using firefighting equipment and relevant knowledge, the Company implemented a plant-wide fire emergency evacuation and escape drill.

In November 2024, to commemorate the "119 National Fire Protection Day" and strengthen fire control, the 2024 Annual Fire Evacuation Drill was launched in JL PAY Headquarters.



## Occupational Health Management

The Company attaches great importance to employees' physical health. Each year, it organizes employees to receive health checkup free of charge, with relevant checkup subsidies covering their family members at welfare rates. In the annual physical checkup for 2024, employees were entitled to scheduled checkup at will within the specified time, of which 576 employees accepted and completed physical checkup as of December 31, 2024. Additionally, the Company launched a physician one-on-one consultation service, in which medical professionals were invited to provide pre-checkup services and post-report analysis on health indicators, assisting the employees in learning about all indicators of the checkup reports.



▲ On-site Interpretation of Physical Examination Reports

Indicator	UOM	2024
Work-related Injury Insurance Coverage	%	100

## Safety Facility Management

The Company equips office areas with all necessary firefighting facilities such as fire extinguishers, hydrants, sprinkler systems, automatic alarm systems, emergency lighting, and evacuation signage for the purpose of workplace safety. Regular detailed inspections and maintenance are performed on all firefighting equipment for optimal operations, thus ensuring the safety of employees' lives and property.

## Hazardous Chemical Management

The Company manages hazardous chemicals in strict compliance with national regulations and the Chemical & Hazardous Substances Management Procedure to ensure personnel safety and production security. Hazardous chemicals are stored in designated warehouses with dedicated warning labels. Chemical management staff must hold professional training certificate, while users must complete and pass mandatory competency training.

## Safety Education & Training

The Company proactively organizes safety and health education and training sessions at production facilities on a quarterly basis with special emphasis on new employees, aiming to comprehensively enhance employees' knowledge of production safety and occupational health importance, as well as their self-protection capabilities, thus fostering a safe and healthy workplace for the Company's sustainable development.



◀ Safety Training on Scaling Ladder

Indicator	UOM	2024
Total Investment in Safety Education & Training	RMB'0,000	2
Safety Education & Training Sessions	Sessions	5
Safety Education & Training Participation	Person-times	500
Total Duration of Safety Education & Training	Hours	5
Coverage of Safety Education & training	%	32

## Social Contribution

### Social Welfare Initiatives

The General Party Branch Committee and Labor Union of XGD actively organize a variety of social public welfare activities in order to reward society, spread positive energy, and showcase the fulfillment of its corporate social responsibilities.



#### Case: Public Awareness Campaign of JL PAY

In May 2024, JL PAY, in collaboration with Shenzhen Residents' Financial Literacy Enhancement Program, launched anti-fraud and payment security initiatives at Huaqiangbei Pedestrian Street - Shenzhen's cultural landmark. The campaign featuring "Anti-Scam & Secure Payment" education and "Foreign Card Convenience with JL PAY" theme was designed to impart financial and anti-fraud knowledge.



## Social Responsibility

### Payment Service Optimization for More Convenience

JL PAY, in response to the Guiding Opinions on Further Optimizing Payment Services to Enhance Payment Convenience issued by the State Council, executed its "Seamless Payment Initiative" targeting senior citizens and foreign visitors to continuously improve the payment service system and facilitate foreign card acceptance. JL PAY's payment terminals currently support several foreign card transaction services including but not limited to Visa, MasterCard, American Express, Discover, and JCB, to satisfy the demands of foreign users to the greatest extent. The JL PAY Cloud Store has launched multilingual QR code ordering service to facilitate self-service dining for foreign visitors. As of December 31, 2024, over 170,000 merchants were enabled for foreign card acceptance; more than 50% YoY growth was logged in active foreign card merchants; and approximately 500% YoY increase was registered in foreign card transaction volume.



#### Case: Foreign card payment optimization - The "Scenic Area Payment Solution" of JL PAY boosts tourism in Qinghai Caka Salt Lake.

JL PAY and Xining Branch of Industrial Bank, thoroughly addressed foreign visitors' payment demands by deploying foreign card-accepting POS terminals throughout the Caka Salt Lake scenic area, fully supporting UnionPay/Visa/MasterCard bank card payment and QR code payment.



Through systematic implementation, JL PAY has stricken a balance in financial culture construction and business growth. Looking ahead, the Company will further leverage its cultural leadership by exploring innovations in green finance and elderly care payment systems to create more prototypes for the financial culture with Chinese characteristics.

### Fee Reductions to Support SMEs & Individual Businesses

JL PAY, in active response to the government's call for fee reductions and concessions, has rolled out multiple preferential policies including fee reductions for eligible merchants. As of December 31, 2024, the cumulative fee reduction scale of self-initiated discount programs reached nearly RMB 90 million. In strict compliance with the Notice on Reducing Payment Fees for Small and Micro Enterprises and Individual Businesses and the Initiative on Reducing Payment Fees for Small and Micro Enterprises and Individual Businesses, JL PAY has executed fee reduction concessions of approximately RMB 2.3 million, benefiting over 620,000 small and micro enterprises and individual businesses, which effectively safeguarded the implementation of fee reduction policies.

### Proactive Support for Rural Revitalization to Shore up Poverty Alleviation

On September 3, 2024, to shore up and further advance poverty alleviation, boost the implementation of rural revitalization strategy, promote farmers' employment and income growth, and assist the development of bean (flour) product processing industry in Heicheng Village and Luhai Village, Sanhe Town, Haiyuan County, Ningxia, JL PAY decided to provide targeted pairing assistance to Heicheng Village, with the fund of RMB 30,000 to support collective economy.

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## Readers' Feedback

We sincerely appreciate your patience in reading the 2024 Environmental, Social and Governance Report of XGD Inc. We highly value and eagerly await your valuable insights and suggestions regarding the Company's ESG initiatives and sustainability governance. Your feedback serves as a critical foundation for our continuous improvement in ESG practices and sustainability management, for which purpose we cordially hope you could complete the following questions and send back to us via the channels below. Thank you again for your steadfast support of our ESG efforts!

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**E-mail:**xgd-zqb@xgd.com

**Address:**11F, JL PAY Building, 20 S Keji 12th RD, High-tech Park, Yuehai Sub-district, Nanshan District, Shenzhen

### For XGD, you are:

- Shareholder & Investor    Government & Regulatory Agency    Client    Partner  
 Employee    Industry Association & Organization    Community/Public/Media    Others \_\_\_\_ (Please specify)

### 1.How do you rate this ESG Report?

- Excellent    Good    Average    Below Average    Poor

### 2.Do you think the information disclosed in this Report is accurate, clear, and complete?

- Excellent    Good    Average    Below Average    Poor

### 3.Do you think this Report is readable?

- Excellent    Good    Average    Below Average    Poor

### 4.Do you think if this Report can thoroughly reflect the Company's major impacts onthe economy, society, and environment?

- Excellent    Good    Average    Below Average    Poor

### 5.How do you assess the logical structure and layout design of this Report?

- Excellent    Good    Average    Below Average    Poor

### 6.What ESG topics do you care most in this Report?

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### 7.What other information would you like to seek from this Report?

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### 8.What are your suggestions for our ESG reporting and management?

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