



## Environmental, Social and Governance Report 2020



榮陽實業集團有限公司  
PanAsialum Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 2078



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# 1. About the Report

PanAsialum Holdings Company Limited (the “Company”) is pleased to publish its Environmental, Social and Governance (“ESG”) Report (the “Report”). The efforts of the Company and its subsidiaries (collectively the “Group”) are demonstrated through the highlights of its latest ESG policies, measures and performance in the Report.

## 1.1 Scope of the Report

The Report details the Group’s ESG performance during the financial year between 1 January 2020 and 31 December 2020 (the “Year”). The Report focuses on the Group’s operations in the People’s Republic of China (the “PRC”), which has the highest revenue contributions to the Group in terms of geographical locations. Same as last year, the key performance indicators (“KPI”) covers the Group’s two production facilities, located in Nanyang of Henan and Changji of Xinjiang, the PRC. This allows different stakeholders to view the Group’s overall ESG performance more comprehensively throughout the reporting period.

## 1.2 Reporting Standard

The Report is prepared in compliance with relevant provisions in the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

### 1.3 Reporting Principles

#### Materiality

The content of the Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues, and preparing and validating the information reported. The Report has covered the key issues that are concerned by different stakeholders.

#### Quantitative

Environmental and social KPIs are disclosed in the Report. With the support of quantitative data, this enables stakeholders to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references, and source of key emission and conversion factors used on these KPIs are stated wherever appropriate.

#### Consistency

In order to enhance and maintain meaningful comparability of ESG performances between years, the Group has strived and will continue to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies and specific standards, the Group has presented and explained in detail in corresponding sections.

### 1.4 Information and Feedback

The Group welcomes stakeholders to raise any opinion or suggestion in relation to the Group's ESG performance. Please contact the Group through the following channels:

Address: Unit 1705, 17/F, Nanyang Plaza, 57 Hung To Road, Kowloon, Hong Kong

Email: [ir@palum.com](mailto:ir@palum.com)

Phone no.: +852 3792 0860



## 2. ESG Governance

The Group believes that well-established ESG governance principles, strategies and practices are crucial to the long term development of its business, especially in increasing investment values and returns. In order to ensure the establishment of appropriate and effective ESG risk management policies and measures, the Group's Environmental Working Group, Operations Practice Working Group, Employment and Labour Working Group and Community Investment Working Group, work closely and manage sustainability related issues. The working groups report directly to the Group's Sustainable Development Monitoring Team, which is led and managed by a member from the Board of Directors.

Furthermore, the Group is currently under the preparation process of establishing a board-level ESG Committee. The ESG Committee will be responsible for identifying the relevant and material ESG issues to the Group, as well as formulating and reviewing the Group's policies and framework for ESG issues and governance.

### 2.1 Stakeholder Engagement

The Group understands that sufficient understanding of stakeholders' expectations and effective communication with them are invaluable to the Group's development. During the Year, the Group has organised various activities to understand stakeholders' opinions and expectations on different ESG issues. We believe that stakeholders' participation allows us to better identify the ESG-related risks and challenges, facilitating the formulation of sound ESG management policies and measures.

The following table sets out our key stakeholders, their requirements and expectations for the Group, and the corresponding response and communication channels.

| Stakeholders              | Requirements and Expectations   | Response and Communication Channels  |
|---------------------------|---|--|
| Government and regulators | <ul style="list-style-type: none"> <li>Compliance with national policies, laws and regulation</li> <li>Support for local economic growth</li> <li>Contribution in local employment</li> <li>Tax payment in full and on time</li> <li>Production safety</li> </ul> | <ul style="list-style-type: none"> <li>Regular information reporting</li> <li>Regular meetings with regulators</li> <li>Dedicated reports</li> <li>Examination and inspection</li> <li>Participation in government-organised events</li> </ul> |
| Shareholders              | <ul style="list-style-type: none"> <li>Returns</li> <li>Compliant operation</li> <li>Rise in company value</li> <li>Transparency and effective communication</li> </ul>   | <ul style="list-style-type: none"> <li>General meetings</li> <li>Announcements</li> <li>Email, telephone and company website</li> <li>Dedicated reports</li> <li>Site visits</li> </ul>  |
| Business partners         | <ul style="list-style-type: none"> <li>Operation with integrity</li> <li>Equal rivalry</li> <li>Performance of contracts</li> <li>Mutual benefits</li> </ul>  | <ul style="list-style-type: none"> <li>Review and appraisal meetings</li> <li>Business communications</li> <li>Discussion and exchange of opinions</li> <li>Engagement and cooperation</li> </ul>  |
| Customers                 | <ul style="list-style-type: none"> <li>Outstanding products and services</li> <li>Performance of contracts</li> <li>Operation with integrity</li> </ul>   | <ul style="list-style-type: none"> <li>Customer service centre and hotlines</li> <li>Meetings with customers</li> <li>Social Media</li> </ul>  |

| Stakeholders             | Requirements and Expectations  | Response and Communication Channels  |
|--------------------------|--|--|
| Environment              | <ul style="list-style-type: none"> <li>• Compliance with emission regulations</li> <li>• Energy conservation and emission reduction</li> <li>• Responsible water consumption</li> <li>• Ecological protection</li> </ul> | <ul style="list-style-type: none"> <li>• Communication with local environmental department</li> <li>• Reporting</li> <li>• Investigations and inspections</li> </ul> |
| Industry                 | <ul style="list-style-type: none"> <li>• Enhancement of industry development</li> </ul>  | <ul style="list-style-type: none"> <li>• Communication with local labour department</li> <li>• Participation in industry forums</li> <li>• Field visits</li> </ul>   |
| Employees                | <ul style="list-style-type: none"> <li>• Protection of rights</li> <li>• Occupational health and safety</li> <li>• Remunerations and benefits</li> <li>• Career development</li> <li>• Humanity cares</li> </ul>         | <ul style="list-style-type: none"> <li>• Meetings with employees</li> <li>• House journal and intranet</li> <li>• Training and workshops</li> </ul>                  |
| Community and the public | <ul style="list-style-type: none"> <li>• Enhancement of community environment</li> <li>• Participation in charity</li> <li>• Transparency</li> </ul>   | <ul style="list-style-type: none"> <li>• Company website</li> <li>• Announcements</li> </ul>   |

## 2.2 Materiality Assessment

In view of building a clear ESG development plan, the Group has commissioned third-party ESG professionals to conduct a materiality assessment to identify ESG issues that are material to the Group's business and its stakeholders. The assessment is based on stakeholder surveys, materiality maps provided by well-known external institutions<sup>1</sup>, as well as professional opinions from the third-party ESG professionals. Accordingly, the Group has reviewed the assessment results and identified the following material ESG issues.

| ESG Aspects         | Material Issues  |
|---------------------|--|
| Environment         | Exhaust gas and greenhouse gas emissions<br>Waste management<br>Wastewater management<br>Energy and water resources management |
| Labour practices    | Labour Management<br>Employee health and safety  |
| Operating practices | Quality management<br>Anti-corruption  |

<sup>1</sup> The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map by Morgan Stanley Capital International (MSCI) and the Materiality Map by Sustainability Accounting Standards Board (SASB).



## 3. Environmental Protection

In order to embrace green development, the Group is committed to reducing the negative impacts on the environment caused by its daily operations and production processes. The Group has implemented a series of policies and practices in relation to reducing emissions, minimising use of natural resources and protecting the environment. Additionally, the Group strictly abides to laws and regulations regarding environmental protection, including but not limited to the Environmental Protection Law of the People's Republic of China, and regularly reviews its operations and production process in compliance with such laws and regulations.

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to environmental issues.

### 3.1 Emissions Management

#### 3.1.1 Air Emissions

The Group is aware that due to its business nature, air emissions are bound to occur. Therefore, the Group strives to reduce its air emissions in various ways. The Group strictly abides to laws and regulations related to air emissions and pollution, including but not limited to the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. The Group has implemented the Wastewater, Exhaust Gas and Noise Emission Control Policy, which acts as a means to further strengthen the methods to reduce air emissions. Examples of the various measures taken to lower air emissions are shown below:

- Spray water within workshop perimeters regularly to reduce dust;
- Install efficient ventilation and circulation systems to reduce air emissions;
- Use electrostatic fume purifiers in employee canteens to handle fumes; and
- Conduct monthly checking for exhaust facilities and carry out maintenance in a timely manner if there is any malfunction.

In addition to the air emissions control measures implemented in production plants, if any severe air pollution incidents or irregularities occur, the Group will look to and put into actions the immediate remedial plans, in order to reduce the potential impacts brought by such air pollution.

Our air emissions, including nitrogen oxides, sulphur oxides and particulate matter, mainly came from production processes and vehicles.

| Air Emissions                               | 2020 | 2019  |
|---|------|-------|
| Nitrogen oxides (NO <sub>x</sub> ) (tonnes) | 29.5 | 122.2 |
| Sulphur oxides (SO <sub>x</sub> ) (tonnes)  | 36.6 | 3.2   |
| Particulate matter (PM) (tonnes)            | 4.6  | 20.6  |

### 3.1.2 Emissions of Greenhouse Gases

The Group deeply understands that greenhouse gas emissions are a great contributing factor to climate change. Therefore, the Group promotes green operations in an environmentally responsible manner. The Group has put in place multiple measures in different aspects of the Group's daily operations with the aim to reduce greenhouse gas emissions. For example, in order to reduce greenhouse gas emissions during transit and travelling, the Group encourages employees to take public transport or carpool, so as to reduce the number of vehicles used. The Group also replaces unnecessary business air travels with video conferencing for presentations and conferences, while the Group prioritises direct flights for unavoidable business trips. The Group understands that inefficient vehicles will lead to higher fuel use and air emissions, thus the Group regularly provides maintenance to the company fleet, in order to maintain efficiency.

The Group's greenhouse gas emissions is mainly generated from the production facilities, and can be classified into three scopes: scope 1 – direct emissions from combustion of fuels in stationary sources and vehicles; scope 2 – energy indirect emissions from purchased electricity and heating; and scope 3 – other indirect emissions from i) electricity used for fresh water and sewage processing by governmental departments, ii) outbound business air travel by employees, and iii) methane gas generation in landfills due to the disposal of paper waste.

| Greenhouse Gases   | 2020     | 2019      |
|--|----------|-----------|
| Total greenhouse gas emissions (tonnes CO <sub>2</sub> e)            | 94,559.8 | 124,637.8 |
| Scope 1 – direct emissions (tonnes CO <sub>2</sub> e)                | 64,101.4 | 99,765.0  |
| Scope 2 – energy indirect emissions (tonnes CO <sub>2</sub> e)       | 30,220.6 | 24,866.1  |
| Scope 3 – other indirect emissions (tonnes CO <sub>2</sub> e) (note) | 237.7    | 6.7       |
| Intensity (tonnes CO <sub>2</sub> e/m <sup>2</sup> )                 | 0.37     | 0.66      |
| Intensity (tonnes CO <sub>2</sub> e/million RMB revenue)             | 92.83    | 102.41    |

Notes: The significant increase in emissions for Scope 3 in the Year is due to the additional inclusion of emission sources, while the scope in 2019 only includes the emission from outbound business air travel by employees.



### 3.1.3 Waste Discharge

The Group is aware that its business will inevitably lead to waste discharge, and that improper waste handling will lead to serious environmental repercussions. Therefore, the Group strictly abides to laws and regulations related to waste management, including but not limited to Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. Both the Group's production facilities have formulated their own waste management policies, which categorise waste produced into three different groups, namely general waste, hazardous waste and recyclable waste. The policies also state the proper handling methods of both non-hazardous and hazardous waste.

| Type of Waste    | Category   | Handling Measures   |
|------------------|--|---|
| General waste    | Production scrap, waste equipment, glass instruments, non-hazardous waste fluid and food waste | General waste are collected and gathered for relevant units to handle   |
| Hazardous waste  | Waste light tubes, waste oil and hazardous waste fluid   | Hazardous waste are stored and labelled separately from general and recyclable waste, where they are then collected and managed by qualified waste management companies |
| Recyclable waste | Waste packaging materials, waste paper and plastic bottles                                     | Recyclable waste is collected by authorised recycling companies for sorting and recycling   |

Furthermore, due to the potential health and safety risks posed by hazardous waste, the Group has set up additional safety measures for employees to take note when handling hazardous waste internally. For example, the illegal disposal or storage of hazardous waste in the natural environment is strictly prohibited, while hazardous waste should not be stored for more than one month. The Group also regularly holds accident handling drills so that employees will be prepared for any accidents regarding mistreatment of hazardous waste.

The Group's hazardous waste include waste nickel sludge, waste oil, waste cutting fluids and dust generated during production processes, as well as waste toner cartridges and computers from office operations. Non-hazardous waste include aluminium scrap, aluminium dust, food waste, waste wooden products and carton boxes, as well as general office waste.

| Wastes                                      | 2020     | 2019     |
|---|----------|----------|
| Total hazardous waste produced (tonnes)     | 70.4     | 106.2    |
| Intensity (tonnes/m <sup>2</sup> )          | 0.00     | 0.56     |
| Intensity (tonnes/million RMB revenue)      | 0.07     | 0.09     |
| Total non-hazardous waste produced (tonnes) | 21,314.5 | 21,574.0 |
| Intensity (tonnes/m <sup>2</sup> )          | 0.08     | 0.11     |
| Intensity (tonnes/million RMB revenue)      | 20.93    | 17.73    |

### 3.1.4 Wastewater Discharge

The wastewater produced by the Group includes industrial wastewater and domestic sewage. The Group strictly abides to the laws and regulations regarding wastewater treatment, including but not limited to the Water Pollution Prevention and Control Law of the People's Republic of China. In order to reduce the environmental impacts brought by production and discharge of wastewater, the Group's Wastewater, Exhaust Gas and Noise Emission Control Policy has set out specific handling procedures prior to the discharge of wastewater. Industrial wastewater produced after cleansing aluminium materials are first sent to neutralisation tanks to regulate its pH value between 7 and 8, and filtered by pressure filters before being discharged into municipal pipelines. Regarding domestic wastewater produced during daily office operations, the Group discharges the wastewater after processing through filtration or a three-stage biochemical sedimentation treatment.

### 3.1.5 Impacts on the Environment and Natural Resources

The Group has established an Environmental Protection and Pollution Prevention and Control Inspection Policy, which acts as a comprehensive guide to the execution of environmental inspections and the specific measures to mitigate potential impacts to the environment and natural resources. A subsequent inspection team has been formed to oversee the environmental related issues within the Group's production facilities and their responsibilities are specified in the Environmental Protection and Pollution Prevention and Control Inspection Policy, including:

- Promoting the use of new, environmentally friendly technology, machinery and processes to reduce the impact on the environment and natural resources;
- Formulating environmental pollution emergency plan, and making timely remedial measures and reporting to the Group's environmental protection department when emergencies arise;
- Adopting the idea of clean production and kick-starting related measures in the production facilities;
- Regularly conducting inspections on the functionality of production facilities that causes pollution and pollution prevention facilities;
- Providing employees with training sessions regarding environmental protection; and
- Reporting to local environmental authorities on the Group's condition in pollution emission and the status of pollution control facilities.



## 3.2 Resources Conservation

### 3.2.1 Energy Conservation

Energy is crucial to the Group's business operation, thus the Group values the efficient energy usage. The Group strictly complies with laws and regulations regarding energy and resource conservation, such as the Energy Conservation Law of the People's Republic of China. The Group has in place the Energy Conservation and Emission Reduction Policy, which sets out the Group's targets on energy conservation, and reviews them while measuring energy use with the aim to optimise the Group's energy use ratio. Energy conservation working groups shall be formulated for those departments and workshops with high energy consumption and their responsibilities include:

- Collecting energy consumption statistics and submitting them to Energy Conservation and Emission Reduction Department regularly;
- Monitoring the energy use in departments and workshops to prevent non-compliance incidents with the energy management system;
- Formulating technical standards and operations regulations that are in compliance with the energy-conservation and emission reduction requirements, hence enhancing the energy efficiency in production processes; and
- Initiating promotional and educational work regarding energy conservation and emission reduction.

In addition, the Group's Energy Conservation and Emission Reduction Department holds annual energy balance tests to investigate the potential for the Group's energy conservation along with its existing problems, so that specific measures can be implemented to reduce energy usage and increase energy efficiency. The Energy Conservation and Emission Reduction Department will also negotiate with different production departments to set energy targets for production, in order to ensure and potentially increase the energy efficiency during production.

Furthermore, the Group also emphasises energy conservation in daily operations. For example, the Group has adopted energy efficient lighting and set up separate light switches for different light zones. Natural light usage is maximised within the workplace as far as practical, while employees are required to switch off lightings when rooms are not in use. In terms of electrical appliances, appliances with Energy Efficiency Labels are prioritised in procurement processes, and appliances are set to automatic standby or sleeping mode when idling or not in use.

| Energy Consumption                                | 2020      | 2019      |
|---|-----------|-----------|
| Total energy consumption (MWh)                    | 357,048.4 | 497,293.7 |
| <i>Direct consumption</i>                         | 299,584.7 | 455,081.4 |
| Fuel used for stationary combustion sources (MWh) |           |           |
| Natural gas                                       | 116,836.8 | 101,894.2 |
| Liquefied petroleum gas (LPG)                     | 179,006.6 | 349,373.9 |
| Acetylene   | 94.4      | 676.0     |
| Fuel used for vehicles (MWh)                      | 3,646.9   | 3,137.3   |
| <i>Indirect consumption</i>                       | 57,463.8  | 42,212.3  |
| Purchased electricity (MWh)                       | 52,624.6  | 38,006.3  |
| Purchased steam and heat (MWh)                    | 4,839.2   | 4,146.0   |
| Intensity (MWh/m <sup>2</sup> )                   | 1.40      | 2.62      |
| Intensity (MWh/million RMB revenue)               | 350.53    | 408.62    |

### 3.2.2 Water Resources Conservation

In the view of the Group, water resources are equally as important to the Group as energy. Therefore, the Group has established the role of a person-in-charge of water management and outlined its duties in Water Resources Management Policy, including (i) consistently enforcing the national laws and regulations on the use of water resources; (ii) being responsible for the Group's work on water-saving management and coordinating the water saving work of various departments; and (iii) organising water-saving management meetings regularly and formulating water-saving work planning.

Besides, the Group has implemented various water conservation measures to significantly reduce water usage during business operations. For instance, the Group regularly checks water meter readings and carries out regular checks for hidden water leakages to prevent unnecessary loss of water. The Group has also installed faucets and urinals with infrared sensors to avoid overflowing of water, while water-saving reminder labels are stuck in toilets to remind users about the importance of water conservation. Furthermore, the Group recycles grey water for cleaning and irrigation, as an attempt to maximise the usage of water.

| Water Consumption                               | 2020      | 2019      |
|---|-----------|-----------|
| Total water consumption (m <sup>3</sup> )       | 522,712.8 | 406,947.0 |
| Intensity (m <sup>3</sup> /m <sup>2</sup> )     | 2.05      | 2.14      |
| Intensity (m <sup>3</sup> /million RMB revenue) | 513.17    | 334.39    |



### 3.2.3 Packaging Material Use

The Group's package material usage is greatly dependent on the requirements from customers. Nevertheless, the Group is committed to reducing packaging material use, hence the Group strives to work closely with customers on package design to reduce the usage of packaging material in the long run.

| Packaging Material Consumption                | 2020    | 2019 (note) |
|---|---------|-------------|
| Total packaging material consumption (tonnes) | 1,991.8 | 1,452.5     |
| Intensity (tonnes/m <sup>2</sup> )            | 0.01    | 0.01        |
| Intensity (tonnes/million RMB revenue)        | 1.96    | 1.19        |

Notes: Total packaging material data for 2019 has been restated.

## 3.3 Climate Change

Climate change has currently emerged as one of the most discussed topics among industries and companies alike. The Group is no exception, having increasing concerns over the potential impacts from climate change on the Group's business and longevity. Therefore, the Group regularly reviews global and local government policies, regulatory updates, technological development and market trends to identify potential climate-related risks and opportunities that may have financial impacts on the Group's business. The Group also engages with both internal and external stakeholders to understand emerging climate change-related risks from their point of view.

During the Year, the Group has identified several climate-related risks that may affect its operations and development, such as the risk of increasing frequencies of extreme weather conditions, where the increased frequencies of extreme weather due to climate change may lead to a rise in operational costs for implementing new measures against extreme weather or maintenance. The Group also identified that it is currently exposed to the risk from enhanced emissions reporting obligations and additional regulations and mandates on existing products, which may lead to more resources being required to be devoted to such areas, potentially increasing operational costs. The Group is closely monitoring the development of climate change trends and will respond promptly to whenever impacts due to climate-related risk arise.

The Group understands that it is not enough to only identify but not act on the climate-related risks. Therefore, risk mitigation and remedial measures are put in place throughout the Group in order to minimise the potential impact brought by climate change. The Group has also prepared and maintained sufficient resources for the mitigation and remediation of climate-related crises. To remediate the impacts from climate-related risks like extreme weather conditions, special work arrangements will be adopted to safeguard employees' health and safety, and will execute recovery plans and actions afterwards.

## 4. Safeguarding Employees

The Group firmly believes that employees hold the key to the Group's sustainability development. Therefore, the Group is committed to providing employees a safe and comfortable working environment as well as a sound career development system, respecting them and providing them with motivation to strive for the Group.

The Group understands that a standardised employment system is not only a factor in attracting and retaining talents, but also an important way of protecting employees' rights and benefits. The Group strictly abides to employment-related laws, including but not limited to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, and has formulated various employment-related policies to safeguard the rights of employees.

### 4.1 Employment

#### 4.1.1 Recruitment, Dismissal and Equal Opportunities

The Group highly values providing both candidates and employees with equal opportunities, and has no tolerance towards discriminatory behaviour in any form. The Group upholds the principle of "valuing ability and integrity equally, open recruitment, fair competition and selecting the best performing candidate", and will not be affected by one's age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation, sexual orientation and other factors, during the selection and recruitment of candidates, as well as the consideration of employees' promotion, training and reward provision.

The Group strictly prohibits child labour and forced labour under any circumstances, in accordance to relevant laws and regulation, including but not limited to the Provision on the Prohibition of Using Child Labour of the People's Republic of China. In order to prevent child labour, the Group will verify with the candidate's identity and age to confirm that the candidate is not under-aged. If any cases of child labour are discovered, the Group will immediately terminate the employment contract, send them to their hometown and look for potential loopholes in the recruitment system.

Upon the receipt of resignation from employee, the Group will arrange an exit interview with the resigning employee to understand the reasons of leaving. The Group will also accordingly calculate and provide the resigning employee's final salary on time.



#### 4.1.2 Employment Statistics

As at 31 December 2020, the Group employed a total of 1,397 employees and all of them are full-time employees. The distributions of employees by different categories and their respective percentages in each category of the Group are as follows:

| Number of Employees<br>(Percentage of Category) | 2020       | 2019       |
|---|------------|------------|
| <b>By Gender</b>                                |            |            |
| Female  | 483(35)    | 383(33)    |
| Male  | 914(65)    | 761(67)    |
| <b>By Age</b>                                   |            |            |
| Below 30  | 298(21)    | 242(21)    |
| 30-40   | 603(43)    | 557(49)    |
| 41-50   | 403(29)    | 293(26)    |
| Above 50  | 93(7)      | 52(4)      |
| <b>By Geographical Location</b>                 |            |            |
| Nanyang, the PRC                                | 1,337(96)  | 1,072(94)  |
| Changji, the PRC                                | 60(4)      | 72(6)      |
| <b>By Employment Type</b>                       |            |            |
| Full-time                                       | 1,397(100) | 1,144(100) |
| Part-time                                       | 0(0)       | 0(0)       |

As at 31 December 2020, the turnover rates of employees of the Group by different categories are as follows:

| Turnover Rate                   | 2020 | 2019 |
|---------------------------------|------|------|
| <b>By Gender</b>                |      |      |
| Female                          | 12%  | 6%   |
| Male                            | 16%  | 7%   |
| <b>By Age</b>                   |      |      |
| Below 30                        | 22%  | 10%  |
| 30-40                           | 11%  | 6%   |
| 41-50                           | 12%  | 6%   |
| Above 50                        | 10%  | 2%   |
| <b>By Geographical Location</b> |      |      |
| Nanyang, the PRC                | 12%  | 4%   |
| Changji, the PRC                | 45%  | 44%  |

The Group is supportive in providing working opportunities to those who are disadvantaged, especially to disabled persons, and believes that creating such diversity within the workplace can encourage a more caring working atmosphere throughout the Group. Therefore, the Group has currently recruited 16 disabled people at the operation location in Nanyang.

#### 4.1.3 Welfare and Benefits

The Group believes that suitable benefits, welfare and compensation can motivate employees to commit their very best to the Group. Therefore, besides the competitive remuneration package that the Group provides to employees, the Group also provides numerous benefits and welfare to employees. All employees are entitled to legal holidays, sick leaves, work-related injury leaves, marital leaves, bereavement leaves and maternity leaves. The Group also provides social insurance premiums to employees, as well as meal allowances, festival allowances and gifts, as well as subsidies for working overtime.

Furthermore, in order to let employees relax and recharge so that they could be constantly motivated to work, the Group holds monthly birthday parties for employees, where they could celebrate and share their happiness amongst each other. The Group believes that this can also help employees build a sense of belonging towards the Group, creating an employment-focused business environment with a harmonious atmosphere.

## 4.2 Health and Safety

Safeguarding occupational health and safety is of the utmost importance to the Group. The Group constantly looks to reduce risks related to occupational health and safety at the workplace through the implementation of various policies and measures. The Group strictly abides to laws and regulations related to occupational health and safety, including but not limited to the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases.

The Group has put in place other policies detailing the protective measures regarding occupational health and safety, as well as necessary procedures to prevent and handle emergencies, such as Occupational Disease Prevention Responsibility Policy, Occupational Disease Prevention Equipment Management Policy, and Employee Safety Education Training System. Meanwhile, the Group's Employee Handbook has listed out the main principles and measures for occupational health and safety:

- Uphold the principle of "holding managers accountable" and conduct regular inspections on employee's safety protection work and the functionality of different production machinery and appliances;
- Provide safety training to employees prior to handling transportation and production machinery;
- Halt any production procedures that violate safety protocols and regulations and provide improvement suggestions where necessary; and
- Educate employees about necessary first-aid knowledge to increase ability to handle emergency situations.

In order to coordinate occupational health and safety related work within the Group comprehensively, in turn safeguarding employees, each production facility has its own occupational health and safety management working group, which aims to prevent, control and eliminate hazards posed against occupational health and safety. The main responsibility for the working group is to enforce the execution of various action plans regarding occupational work and safety, while monitoring the effectiveness of those measures. To actively look for hidden issues throughout the production processes and promote safety within the workplace, the working group conducts regular safety inspections within production facilities, while departmental self-inspections are carried out monthly. Any issues raised will be immediately followed-up and remediated.



During the Year, 22 work-related injury was reported which resulted in 330 lost days due to work injury. There were no work-related fatalities in the past three years.

#### Responding to the Coronavirus Disease 2019 Pandemic

In view of the COVID-19 pandemic, the Group has put preventing and eliminating the disease within workplace perimeters as its highest priority. The Group has subsequently formulated a COVID-19 prevention and control action plan, including raising employees' awareness, maintaining fluent communication and reporting, and strengthening humanity cares. The Group has also stated the specific measures related to personal hygiene protection, such as arranging separating meal times into three different sessions to avoid crowding, requiring employees to wear masks and frequently wash hands, promoting disease prevention-related knowledge through social media education, etc. On top of that, the Group's production facility in Nanyang has required employees to obtain a worker health certificate in order to be allowed into the perimeters of the workplace. To ensure employees follow the safety precautions regarding COVID-19, the Group has established a disease prevention and control working group, which is in charge of monitoring the execution and effectiveness of the COVID-19 prevention and control action plan.



Body temperature measurement prior to entering production facility

### 4.3 Training, Development and Promotion

The Group believes that employees are the cornerstone of the Group's success, and wishes to share the fruit of success and development with its employees. Therefore, the Group provides a multitude of different training and development opportunities to employees, with the aim to help employees develop their skillset and knowledge, while increasing their work efficiency. When employees first join the Group, the Group provides them with a series of induction training for different aspects, including laws and regulations, occupational health and safety, company policies and guidelines.

Other than that, the Group has made annual training and development plans for employees, providing them with different types of training, including but not limited to job skills training, quality control training, and occupational health and safety training. For example, the Group has provided numerous occupational health and safety-related training workshops to employees, where their awareness and knowledge towards protecting themselves from workplace hazards are increased. Also, the Group has organised several environmental protection-related training sessions, which provided instructions to the use of certain machinery, as well as training on laws and regulations related to environmental protection.

During the Year, the average training hours per employee and percentage of trained employees of the Group are as follows:

| Average Training Hours per Employee<br>(Percentage of Trained Employees) | 2020    | 2019    |
|--|---------|---------|
| <b>By Employee Category</b>  |         |         |
| Senior management  | 11(100) | 12(100) |
| Intermediate management  | 12(100) | 11(100) |
| General staff  | 12(100) | 12(100) |
| Others (Note)  | 8(100)  | N/A     |
| <b>By Gender</b>   |         |         |
| Female   | 12(100) | 12(100) |
| Male   | 12(100) | 12(100) |

Note: Others include workers from southern Xinjiang resettled into the Group by the government. No employees were in this category in 2019.

While education acts as the foundation for the growth and development of our employees, promotion opportunities and hence a clear career pathway are also provided by the Group. Appraisal reviews for employees are conducted annually so that employees who have met the expectations and achieved strong performance can be considered for promotion or salary adjustments.



## 5. Responsible Operations

The Group believes that sustainability of a business depends greatly on the efficiency and quality of its operations. Therefore, the Group closely manages its supply chain and oversees the product quality, as well as the health and safety of customers. Meanwhile, the Group looks to maintain corporate branding and business ethics through protecting intellectual property rights and customer privacy, along with promoting anti-corruption.

### 5.1 Supply Chain Management

The Group strives to ensure that products and services provided by the Group are of top-notch quality. Therefore, the Group works with the supply chain and its partners closely to oversee its supply chain practices thoroughly.

In order to take full control of the supply chain, the Group has formulated the External Procurement and Purchases Policy, which provides comprehensive guidelines to the Group's procurement process and supply chain management. The Group upholds the "5R" principle (right time, right quality, right quantity, right price, right place) during procurement process, and assesses the supplier candidates based on various aspects, including but not limited to appearance, size, functionality, and material composition, as well as their environmental and social performance, prior to the commencement of partnership. Selected suppliers are required to sign a Supplier Quality Declaration and reviewed by the Group monthly and annually to guarantee that the suppliers' product and service quality are up to the Group's standard. In order to identify and monitor the environmental and social risks that suppliers may bring about, the Group requires suppliers to sign agreements regarding different environmental and social aspects<sup>2</sup>, as well as regularly submit third party environmental assessment reports and other environmental and social certifications.

During the Year, all 118 major suppliers of the Group are from the People's Republic of China.

### 5.2 Product Responsibility

#### 5.2.1 Product Quality

In the pursuit of excellence in products and service quality, the Group strives for the complete provision of products and services in accordance with customers' needs and expectations. We have operated in compliance with product quality-related laws and regulations, including but not limited to the Product Quality Law of the People's Republic of China.

To ensure product safety, the Group will assess the product information, such as drawings, standards and requirements, provided by customer to identify whether product safety has complied with relevant laws and regulations during product development. At the product testing stage, any defective products should be isolated by the quality control department and handled according to the Control Procedure of Defective Output. For any defective products that have been shipped, the business department should notify the customer to consider product recall process.

The Group has also formulated the Monitoring and Measuring Control Procedures of Products and Services which states the in-process inspection mechanism where the production department is responsible for self-inspection. Random inspection of samples should be carried out to prevent defective accessories from entering the next production procedure. For any batch of finished products that are unable to pass the final product quality check from the quality control team, the products will be returned to the production team for rework, while the product development team investigates on the reason that caused the unsatisfactory quality, in order to ensure that the Group's products are of high quality.

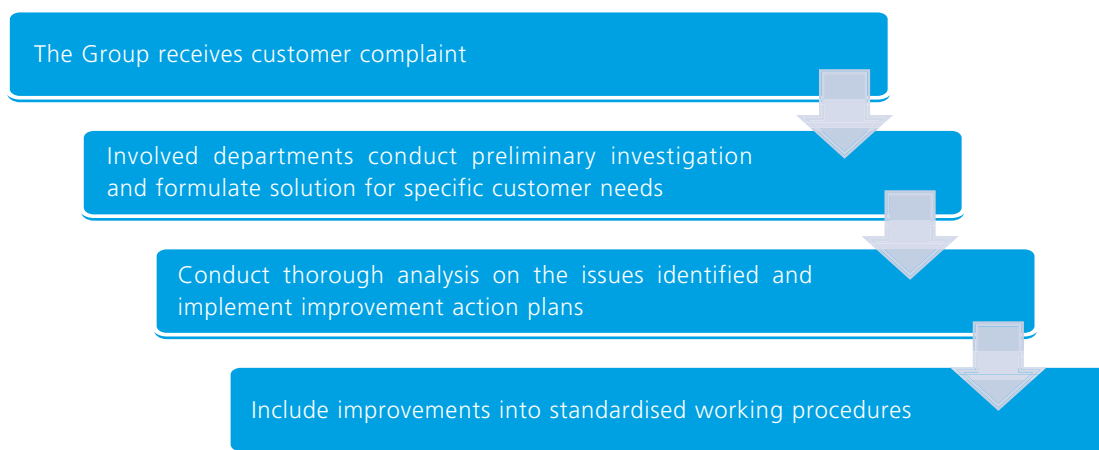
During the Year, no products sold or shipped are subject to product recalls due to safety and health reasons.

<sup>2</sup> Agreements include Declaration of Conformity for Restriction of Hazardous Substances (RoHS), Declaration of Conformity for Substance of Very High Concern (SVHC), and Declaration of Conformity for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

### 5.2.2 Handling of Clients' Opinions

The Group understands that customer opinions can help the Group to look for areas of improvement in both its products and services. Therefore, the Group has implemented a customer complaint and product returns policy and customer services policy, to provide guidelines on the procedures on dealing with customer opinions.

General customer complaint management procedures are as follows:



During the Year, the Group has received 41 customer complaints regarding irregularities on products, such as oxidation, inaccurate colouring, and unsatisfactory appearance and functionality. All customer complaints are resolved accordingly through exchange or return of products, while corresponding production procedures have been improved to prevent the same situations from happening.

### 5.2.3 Protection of Intellectual Property Rights and Customer Privacy

Intellectual property rights and customer privacy are intangible assets that the Group highly values. Therefore, the Group strictly complies with related laws, including but not limited to the Copyright Law of the People's Republic of China and the Patent Law of the People's Republic of China. The Employee Handbook of the Group prohibits the leakage of information of any form of intellectual property that are listed as confidential, including but not limited to drawings, technical parameters, production procedures and customer information. Employees are also required to sign a confidentiality agreement and expected to maintain the confidentiality of all information related to the Group. In case of information leaked by employees, the Group will immediately dismiss the employee and reserve all rights to pursue legal and economic action.

### 5.2.4 Product Labelling and Advertising Management

The Group has committed to providing only true and accurate information on product labelling and advertisements. The Group's Management Handbook has stated clear guidelines and requirements for product labelling, which includes specifications like names, codes, material, etc.



### 5.3 Anti-corruption

The Group is dedicated to maintaining its business with integrity and cultivating an ethical corporate culture, therefore the Group holds zero tolerance against any form of corruption and unethical behaviour. The Group strictly complies with laws and regulations regarding anti-corruption, including but not limited to the Anti-Money Laundering Law of the People's Republic of China. The Group has specified clear rules in the Employee Handbook for employees regarding the prevention of corruptive behaviour, such as prohibiting employees from accepting or requesting gifts or rebates. Any gifts that could not be declined on the spot should be immediately submitted to the Group.

In addition, the Whistle Blowing Policy and Internal Monitoring and Reporting System enable employees to lodge complaints by email or letter with the Audit Committee on suspicious case of corruption or malpractices. All personal confidential information of employees will be handled under strict confidentiality.

During the Year, the Group did not find any cases of non-compliance in relation to anti-corruption, or legal cases regarding corrupt practices brought against the Group or its employees. In the future, the Group will strive to provide anti-corruption related training to both directors and employees, in order to increase their awareness on anti-corruption.

## 6. Community Development

The Group values great importance on community contribution and development, since the community has been an important element of growth for the Group. During the Year, the Group has contributed to various areas of the community, most notably in donations. For instance, the Group has donated 80,000 N95 medical masks to the local community of Wolong District in Nanyang in view of the COVID-19 pandemic, while making individual donations to employees who are in need of medical support. Furthermore, the Group's employees have participated in local sports and cultural events, such as table tennis competitions, badminton competitions, as well as talent performances.

In the future, the Group will continue to contribute the community through different charitable and community activities, in order to share the fruit of success that the Group has borne.



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