



迈科管业控股有限公司 MAIKE TUBE INDUSTRY HOLDINGS LIMITED

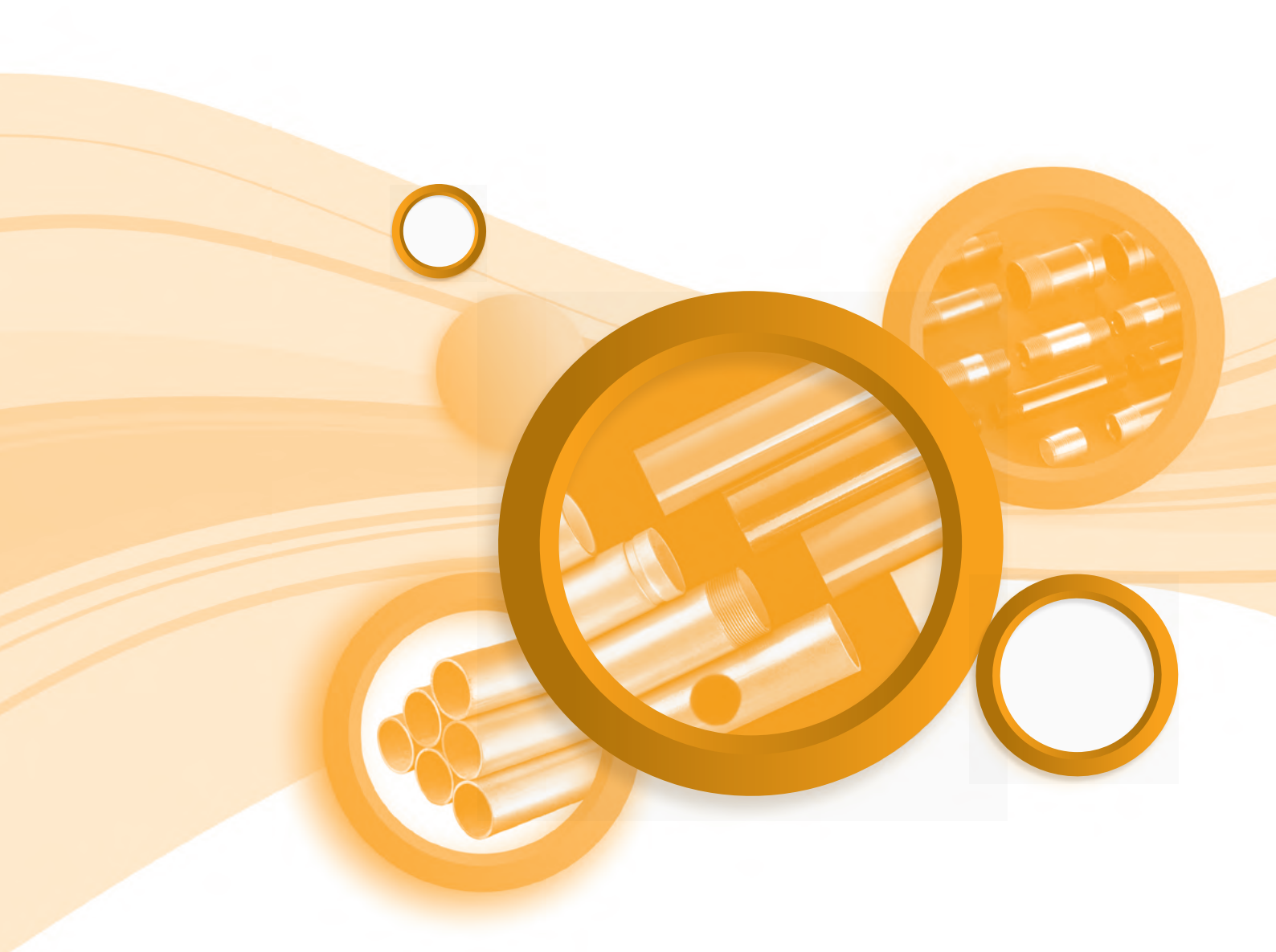
(Incorporated in the Cayman Islands with limited liability)

Stock code: 1553



2021

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



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REPORTING PRINCIPLES AND SCOPE OF THE REPORT

INTRODUCTION

Maikē Tube Industry Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is pleased to present to our shareholders the “Environmental, Social and Governance Report” (the “ESG Report”) of the Group for the year ended 31 December 2021 (the “Reporting Period”). This report is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the “Reporting Guide”).

The Group is principally engaged in (i) the manufacturing and sales of standard prefabricated pipe nipple products; (ii) manufacturing and sales of steel pipe products; and (iii) the design and supply of assembled piping systems. We also sell steel coils that were procured from our suppliers.

The standard prefabricated pipe nipple products of the Group are used in pipe system to connect different straight pipes or pipe sections, can be adjusted to different sizes or shapes. Standard prefabricated pipe nipple products and steel pipes products have different specifications, such as length, outside diameter and surface finishing which cater for the varying needs of the Group’s customers and comply with international standards. We sold most of our standard prefabricated pipe nipple products and customised steel pipe products directly or indirectly to overseas markets. Our welded steel pipe products are roughly classified into standard ERW steel pipes, and SSAW steel pipes. Our Group has received certifications relating to quality control including, among other things, the ISO 9001 certification, ISO 14001 certification and OHSAS 18001 certification. Our products are used and applied in the municipal pipeline system designed for natural gas, water supply, sewage, HVAC and fire extinguish water steel pipes for firefighting. Leveraging on our industry knowledge and expertise, we are also capable of designing and supplying assembled piping system for our customers. Our customers would seek technical advice or suggestion to their design and/or engineering solutions for their desired assembled piping systems through building information modeling and three-dimension design system to minimise wastage of material and improve efficiency, thus reducing production costs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES AND GUIDELINES

The Group aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders by presenting this ESG Report.

The Group has been committed to operating its business in a sustainable manner in economic, social and environmental aspects, and maintaining the long-term sustainable development of its business and providing support for environmental protection and the communities where it operates. Quality products and services are delivered to customers, and their business is managed prudently under sound decision-making processes by the Group. The Group has maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public, as well as seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity.





REPORTING PRINCIPLES AND SCOPE OF THE REPORT

STATEMENT OF THE BOARD

The board of directors (the “Board”) is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively. The Board believes that environmental, social and governance risks are crucial to the efficient operation of the Group, and is committed to integrating environmental and social aspects into its daily operations. The Group’s corporate governance is fundamental to ensuring that the ESG topic of the Group are well- considered and incorporated into the business agenda, and is of paramount importance to us to continuously create value for our stakeholders. As the Group’s highest governance body, the Board sets the direction of our business strategy as well as the management of our business activities, along with a well-established governance structure in place to govern our corporate behavior. The Board is also ultimately responsible for ensuring the effectiveness of ESG risk management and internal control mechanism.

The Board guides the management to regularly assess the major risks faced by the Group and assess the uncertainties, participates in the formulation of risk management measures, and continuously monitors the appropriateness of relevant risk assessments and measures. The Board also regularly reviews the operational effectiveness of the system and whether it covers key control measures for material ESG issues. The Group has assigned dedicated personnel to be responsible to collect all relevant information for each ESG reporting aspect and prepare the ESG report under the guidance of external professionals. Each department regularly reports to the Board, assists in assessing and identifying risks to the Group, and reviews the effectiveness and adequacy of internal control mechanisms. Assigned employees will also examine and evaluate the Group's performance, including environmental, health and safety, labor practices and other environmental, social and governance aspects.

The Group has established an Environmental Protection Committee, which is made up by the senior management from various departments of the Group and is responsible for the Group’s environmental protection, organization and coordination duties under the leadership of the general manager of the Group to ensure concept of environmental, social and governance are integrated into the daily management and operation of the company, and at the same time ensure that relevant environmental, social and governance risks are identified and properly managed, study and formulate environmental protection policies and measures, and propose planning proposals to the Board for deliberation and discussion. The Environmental Protection Committee is also responsible for supervising the implementation of environmental protection policies by production departments and branches, taking the lead in organizing the inspection and assessment of the environmental protection target responsibility system of each department and branch, and reporting the inspection and assessment results to the Board.

In addition, under the strong leadership of the Board, the procedures for setting up the Group's smart intelligence factories have been successfully completed, and it can ensure completeness of environmental protection procedures for the company's projects under construction and operation. Through the continuous and effective operation of the plant, reducing waste discharge, and gradually improving the utilization rate of reclaimed water, a demonstration role as a national green factory could be presented.

REPORTING PRINCIPLES AND SCOPE OF THE REPORT

The Group will continue to devote itself to improving and deepening sustainable business practices, establishing and improving environmental, social and governance mechanisms, striving for harmony with the environment and society, and creating long-term and stable environmental, social and corporate value.

REPORTING PRINCIPLES AND SCOPE OF THE REPORT

This reporting covers the financial year ended 31 December 2021 and is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited.

This report will focus on the material operating segment of the Group in mainland China, Vietnam and Thailand as well as the Group's head office located in Hong Kong (the "HK Office"). During the Reporting Period, the Group has expanded the scope of the report to the production base in Thailand, where the Group cooperated with two joint venture partners and commenced production during the Reporting Period.

The Group attaches great importance to materiality, balance, quantification and consistency when preparing ESG reports:

Importance

In order to identify material issues, the Group has conducted a materiality assessment in 2021, taking the identified material issues as the focus of the preparation of this ESG report. The materiality of the issues is reviewed and confirmed by the Board and the business and functional departments. Please refer to the section headed "Materiality Assessment" for further details.

Balance

This report provides an unbiased, precise and accurate account of our Group's achievements and areas for improvement, and provides a true and fair view of our sustainability performance.

Quantification

The Group discloses the standards and methods used to calculate the relevant data and the applicable assumptions in the ESG report. Key performance indicators ("KPI") are supplemented by notes to establish benchmarks where practicable.

Consistency

The statistical methodology applied in this ESG report is largely the same as last year, and explanations are provided for data where the scope of disclosure and calculation methods have changed. If any changes may affect the comparison with previous reports, the Group will comment on the corresponding content of this ESG report.





STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a core role in the sustainability of the Group. The Group fully appreciates the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, the Group consults the stakeholders on their recommendations and propositions to ensure its business practices can meet the expectations of the stakeholders.

The stakeholders include the shareholders, governments and regulatory bodies, employees, customers, suppliers and society and the public. The Group discusses with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

Stakeholders	Expectations	Communication and feedback
Shareholders	<ul style="list-style-type: none"> • Financial results • Corporate transparency • Sound risk control 	<ul style="list-style-type: none"> • Improving profitability • Regular information disclosure • Optimizing risk management and internal control
Governments and regulatory bodies	<ul style="list-style-type: none"> • Compliance with laws and regulations • Tax payment in accordance with laws 	<ul style="list-style-type: none"> • Compliance operation • Tax payment in full and on time
Employees	<ul style="list-style-type: none"> • Career development platform • Salary and benefits • Safe working environment 	<ul style="list-style-type: none"> • Promotion mechanism • Competitive salary and employee benefits • Providing trainings for employees and strengthen their safety awareness
Customers	<ul style="list-style-type: none"> • Logistics and delivery service standards • Customer information security • Customer rights and interests protection 	<ul style="list-style-type: none"> • Getting delivery status through product tracking system • Customer privacy protection • Compliance marketing
Suppliers	<ul style="list-style-type: none"> • Integrity cooperation • Business ethics and credibility 	<ul style="list-style-type: none"> • Building a responsible supply chain • Performing the contract according to law
Society and the public	<ul style="list-style-type: none"> • Environmental protection • Employment opportunities 	<ul style="list-style-type: none"> • Putting into use of environmental protection and energy saving equipment • Providing employment opportunities

The Group will take into account the expectations of the stakeholders while formulating over operational strategies and ESG measures, and work together to continuously improve its ESG performance to create greater value for the community.

MATERIALITY ASSESSMENT

During the Reporting Period, the Group conducted a comprehensive materiality assessment, in order to identify which areas have the most significant operating, environmental and social impacts towards its business.

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the corporate business characteristics, the Company has identified and confirmed 22 issues, which cover environment, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption and community investments.

Environmental issues	Social issues	Operating issues
<ul style="list-style-type: none">• Greenhouse gas emissions (*)• Energy consumption (*)• Water consumption (*)• Waste (**)• Saving energy measures (*)• Use of raw materials and packaging materials (*)• Compliance with laws and regulations relating to environmental protection (**)• Use of chemicals (**)	<ul style="list-style-type: none">• Local community engagement (**)• Community investment (**)• Occupational health and safety (***)• Labour standards in supply chain (***)• Training and development (***)• Employee welfare (**)• Inclusion and equal opportunities (***)• Talent attraction and retention (***)	<ul style="list-style-type: none">• Economic value generated (***)• Corporate governance (***)• Anti-corruption (***)• Supply chain management (***)• Customer satisfaction (***)• Customer privacy (***)

Note: Asterisks in the parentheses represents the priority of the issue, where *** represents high priority, ** represents medium priority and * represents low priority.



A1. EMISSIONS

Environmental protection is one of the core values of the Group. The Group has proactively looked for and implemented new technology at various stages of production in order to minimize its impact on the environment. The Group has introduced energy-efficient equipment and streamlined operation processes to reduce consumption of resources, enhanced the efficiency of utilizing resources and strive to minimize the environmental impact on the communities around the production base.

The Group's production bases are located in the PRC, Vietnam and Thailand. During the Reporting Period, the Group has complied with all relevant local environmental laws in the nations where it operates.

In 2021, the Group's gaseous emissions are as follows:

Gaseous Emissions from the Use of Motor Vehicles

Indicator	Unit	Discharge	Intensity (based on production in tonnes)
NOx	Kg	212.36	0.00111
SOx	Kg	1.93	0.00001

Greenhouse Gas ("GHG") Emissions from Operations

Indicator	Unit	Discharge	Intensity (based on production in tonnes)
GHG emission (Scope 1)	Tonne CO ₂ e	54.13	0.00028
GHG emission (Scope 2)*	Tonne CO ₂ e	21,299.80	0.11113
GHG emission (Scope 3)	Tonne CO ₂ e	26.99	0.00014
Total	Tonne CO₂e	21,380.92	0.11155

Scope 1: It represents the towngas, liquefied petroleum gas, diesel oil from consumption of motor vehicles.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

As at 31 December 2021, the total production volume was 191,644, and used for calculating the intensity data.

ENVIRONMENT

In order to minimize the gas emissions arise from energy consumption, the Group has adopted certain sustainable measures to bear environmental responsibility in daily operation process, including but not limited to:

- (i) Use energy-saving technology and equipment in the plants;
- (ii) Encourage employees to turn off electronic equipment, lighting and air conditioners after using the room or leaving the office for a period of time;
- (iii) Strictly control the air-conditioning temperature of the plant in summer and winter;
- (iv) Strengthen energy-saving publicity, education and training.

As a result of adopting the above energy-saving and emission-reducing measures, fuel energy consumption, exhaust gas and greenhouse gas emissions are reduced and employees' energy-saving awareness is also enhanced. During the Reporting Period, the Group had no major non-compliance issues related to environmental issues and had complied with relevant environmental laws and regulations in China and other countries, including Environmental Protection Law of the People's Republic of China.

Hazardous wastes produced by the Group are mainly Zinc-containing waste and sludge from the manufacturing of steel pipe products and prefabricated pipe nipple products. Non-hazardous wastes of the Group are mainly domestic wastes and packaging materials.

In 2021, the production of hazardous and non-hazardous wastes by the Group were as follows:

Environmental Performance from Operations

Indicator	Unit	Discharge	Intensity (based on production in tonnes)
Hazardous waste produced			
Zinc-containing waste (galvanized dust removal ash)	Tonne	7.86	0.000041
Sludge	Tonne	18.35	0.000096
Waste activated carbon	Tonne	2.78	0.000014
Other hazardous waste	Tonne	1.92	0.000010
Non-hazardous waste produced			
Domestic wastes	Tonne	420.00	0.002191
Industrial wastes	Tonne	–	N/A
Other Packaging materials	Tonne	–	N/A



Non-hazardous Waste

For the solid waste generated during the production process with recycling value, the Group carries out comprehensive utilisation after classification and recycling. They are used as raw materials for the production of steel pipe products and prefabricated pipe nipple products. During the Reporting Period, the Group's industrial solid waste and other packaging materials have been fully recycled.

Non-recyclable non-hazardous wastes are stored centrally in waste warehouses or refuse dumps. After reaching a certain volume, they will be transported to the designated place in a leak-proof to prevent scatter, loss and leakage, and ensure that they will not be discarded along the way.

On top of that, the Group also implements the following measures to reduce general waste disposed during our daily operation and within our office area:

- Set up waste recycling points within the manufacturing area to encourage waste recycling;
- Promote green information via electronic communication, such as e-mail and electronic workflows in order to implement "paperless" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and promote double-sided printing; single side printing would be used only when handling contractual and confidential documents; and
- Encourage the use of recycled paper.

Through these waste management measures, employees' awareness on waste management has been enhanced. Moreover, the target of zero incident of spillage was achieved during the Reporting Period.

Hazardous Waste

For hazardous wastes, the Group has developed corresponding hazardous waste management plans and centralised them for classification and labels them in accordance with local laws and regulations, and stores them in designated locations. The departments that produce hazardous wastes put them into special boxes in production workshops, warehouses, and office areas. The employees of the Group arrange them to be sent to the qualified third-party collectors for harmless disposal. According to the business nature, the Group did not generate significant amount of hazardous waste during the Reporting Period.

ENVIRONMENT

Waste management

The Group attaches great importance to environmental protection in its business operations. The Group has adopted an internal policy to manage waste emissions and produce a small amount of waste during the manufacturing process. The Group has also adopted a set of waste disposal procedures in production facilities to prevent or reduce pollution and has taken measures to control the discharge of gases and wastewater during the production process to comply with applicable environmental standards. The Group has engaged external industrial waste collectors to collect such waste for further processing or recycling.

The Group has taken measures to ensure compliance with all applicable environmental laws and regulations, including but not limited to:

1. The Environmental Protection Law of the PRC;
2. Established and formulated the “Maike Pipeline Environmental Protection Committee” system;
3. “Regulations on Management of Excessive Discharge of Flue Gas and Waste Water”;
“Regulations on the Management of Replacement of Dust Filter Bags”;
“Regulations on the Management of Dust Collector Cleaning”;
“Regulations on Environmental Hygiene Inspection of Dust Removal System”;
“Regulations on the Management of Open-pit and Semi-open-pit Solid Waste and Raw and Auxiliary Material Yards”;
“Maike Pipeline Solid Waste Management Regulations”;
“Maike Pipeline Pickling Process Management Regulations”;
“Maike Pipeline VOCs Management Regulations”;
“Maike Pipeline Rainwater and Sewage Pipe Network Management Regulations”;
“Management Regulations on the Use of Electricity for Maike Pipelines During Heavy Pollution Weather”;
“Maike Pipeline Environmental Protection Equipment Electricity Management Regulations”;
“Maike Pipeline Environmental Inspection Regulations”;
“Maike Pipeline Environmental Protection Responsibility System”;
“Maike Pipeline Organized Exhaust Emission Management Regulations”;
“Maike Pipeline Passivation Bottom Slag Management Regulations”;
“Maike Pipeline Waste Filter Cotton and Waste Activated Carbon Management Regulations”;
“Maike Pipeline Wastewater Management Regulations”;
“Maike Pipeline Waste Mineral Oil Management Regulations”;
“Regulations on the Operation and Management of Hot Galvanized Sewage Stations”;
“Regulations on Operation Management of Acid Mist Absorption Tower”;
“Regulations on the Management of Hazardous Waste Galvanized Dust Ash”;
“Regulations on the Management of Passive Bottom Slag of Hazardous Waste”;
“Regulations on the management of hazardous waste waste filter cotton and waste activated carbon”;
“Regulations on the Management of Hazardous Waste and Waste Oil”;
“Regulations for Standardized Management of Hazardous Waste”;



- “Regulations on the Management of Hazardous Waste Sludge”;
- “Regulations on the Management of Hazardous Waste Paint Residues”;
- “Regulations on the Management of Dust Removal and Ash from Hazardous Wastes”;
- “Administrative Regulations on Passivation Bottom Slag of Hazardous Waste”
- “Emergency Plan for Radiation (X-ray) Accidents”;
- “Radiation Protection and Security System”;
- “X-ray equipment operating procedures”;
- “X-ray inspection device monitoring plan and inspection plan”;
- “Regulations on the Mutual Control of Environmental Hazards”;
- “Regulations on the Operation and Management of Pollution Discharge Permits”

4. GB/T24001–2016/ISO 14001:2015 environmental management system and review certification.

During the Reporting Period, the Group is not aware of any material non-compliance with air emissions and discharges of wastes.

Water and sewage

Indicator	Unit	Discharge	Intensity (based on production in tonnes)
Water consumption	Cubic metre	43,875	0.2289
Sewage water	Cubic metre	22,218	0.1159

The Group has developed environmental operation control procedures to monitor the production, office and domestic sewage to comply with relevant laws and regulations and to meet the local government’s sewage discharge standards. The Group mainly discharges domestic sewage during the daily production and operation process. The discharged domestic wastewater is purified by underground sewage treatment equipment and discharged into the urban sewage pipeline network.

The Group has installed the real-time acid cleaning machinery, which can extend the life cycle of changing acid cleaning water. Such measures substantially reduced the sewage water discharged by 10,000 tonnes per annum.

The Group has established a domestic sewage treatment facility in Jinan, the PRC, to implement internal recycling of water resources, increase the use of reclaimed water and reduce water consumption, thereby strengthening water resources management and control, saving water, reducing consumption, reducing pollution and increasing efficiency.

ENVIRONMENT

A2. USE OF RESOURCES

The Group's operation and production mainly employs resources such as electricity, diesel, petrol, natural gas, and water. The Group is committed to improving energy efficiency and promoting comprehensive utilization, while gradually reducing energy consumption.

In 2021, the Group's energy and packaging material consumption are as follows:

Relevant Consumptions from Operation

Resources	Unit	Consumption	Intensity (based on production in tonnes)
Diesel oil	Litre	13,276	0.0693
Petrol	Litre	7,082	0.0370
Natural gas	Cubic metre	2,051,053	10.7013
Electricity	kWh in '000s	24,064	0.1256
Water	Cubic metre	43,875	0.2289

Packaging Materials	Unit	Consumption	Intensity (based on production in tonnes)
Paper boxes	Tonne	12,513	0.0653

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption, GHG emissions and wastes disposed of its factory. Every year, the factory is required to set its respective energy and carbon reduction targets and come up with feasible measures to achieve them.

The details of policies and results achieved are listed as follows:

Projects	Details and results achieved
Light conservation	<ol style="list-style-type: none">1. The Group formulates electricity consumption and energy conservation policies and formulates electricity consumption quotas and incentive policies;2. Some areas of the company adopt automatic light-sensing control system;3. Part of the company's lighting adopts LED lighting devices to save electricity consumption;



Projects	Details and results achieved
Water conservation	<p>The Group do not encounter any problems in sourcing water for our daily operations, hence is not material to the Group. However, the Group still keeps reminding people in the production base of not wasting water. The Group has built a new sewage station to flush, green, and spray the treated reclaimed water. At the same time, it strengthened the management and utilization of reclaimed water. All greening in the factory area uses reclaimed water, and all flushing water in the workshop uses reclaimed water. Well water and tap water are only used as emergency backup water sources. Online water meters are installed for monitoring and measurement to maximize the use of water resources.</p>
Air-conditioners	<p>The temperature of office air conditioners in summer is controlled at not less than 26 degrees Celsius, and the temperature of office air conditioners in winter is controlled at not higher than 22 degrees Celsius to reduce the related power consumption. Do not use air conditioners during non-working hours. These measures effectively reduce power consumption.</p>
Packaging materials conservation	<p>Product packaging standards should be designed to avoid waste of resources and environmental pollution caused by excessive packaging. The company strictly implements the national packaging standards, relevant laws and regulations and does not design or produce excessive packaging products, nor does it purchase or sell excessive packaging products.</p> <p>For the packaging materials that can be recycled, try to recycle them as much as possible to improve the recycling rate of the packaging materials.</p>
Hazardous waste management	<p>The Group formulates relevant hazardous waste management plans to regulate the inevitable hazardous waste generated during the production process. The policies formulated by the Group are as follows:</p> <ul style="list-style-type: none"> • “Regulations on the Management of Hazardous Waste Galvanized Dust Ash”; • “Regulations on the Management of Passive Bottom Slag of Hazardous Waste”; • “Regulations on the management of hazardous waste filter cotton and waste activated carbon”; • “Regulations on the Management of Hazardous Waste and Waste Oil”; • “Regulations for Standardized Management of Hazardous Waste”; • “Regulations on the Management of Hazardous Waste and Sludge”; • “Regulations on the Management of Hazardous Waste Paint Residues”; • “Regulations on the Management of Dust Removal and Ash from Hazardous Wastes”

During the Reporting Period, the Group is not aware of any material non-compliance with use of resources.

ENVIRONMENT

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The production of the steel pipe products of the Group is closely related to environmental protection and the usage of natural resources. In addition to complying with relevant environmental laws and regulations and properly protecting the natural environment, the Group also incorporates the concept of environmental protection into its internal management and implementation process.

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to ensure the sustainable development and operation of the Group.

Actions taken by the Group on environment and natural resources conservation includes:

1. The Group is committed to improving energy efficiency, saving electricity and supervising greenhouse gases emission.
2. The Group adopts measures to increase utilization and reduce discharge of natural resources, so as to reduce waste of resources.
3. For solid wastes, the Group try to reuse them and make them to become reusable resources, so as to reduce the impact of emissions on the environment.
4. Formulate emergency response plans for the environment.
5. Formulate an environmental emergency drill plan, and carry out on-site emergency drills for environmental emergencies according to the plan.

In addition, the Group has taken the following actions and measures to offset and minimize the impact on the environment and natural resources:

1. Flue gas collection device meets the standard emission after treatment;
2. The newly built sewage station purifies domestic and industrial wastewater;
3. Formulate an environmental emergency drill plan and carry out on-site emergency drills for environmental emergencies according to the plan.

During the Reporting Period, the Group's energy use is strictly in accordance with national laws and regulations and is implemented in accordance with the company's system without violations. There is no significant impact on the environment and natural resources from the operations of the Group.



A4. CLIMATE CHANGE

The Group understands the importance of identifying and mitigating significant climate-related issues, and therefore the Group is committed to managing potential climate-related risks that may affect the Group's business activities. Extreme weather may cause damage and disruption to the Group's business. We have taken into account potential climate-related risks that present potential physical and transitional risks to the Group's business.

Physical risk

The increased frequency and severity of extreme weather events, such as typhoons, storms, and floods caused by torrential rain, may cause damage to the power grid, thereby disrupting the Group's business operations, hindering the work of employees and causing injury. Such events may disrupt supply chains, disrupt business operations and damage the Group's assets.

After assessing the potential physical risks that may cause disruption to our operations and supply network, the Group has separately assessed climate change risks for related businesses in China, Vietnam and Thailand, and has formulated contingency guidelines and measures to ensure the safety of employees and property, including strict adhere to relevant extreme weather guidelines issued by the government to reduce losses from disaster damage. The Group will regularly review relevant policies to ensure effectiveness. Additionally, our offices are not located in high risk flooding areas and the Group maintains an appropriate supplier base so that we can source from alternative suppliers in the event that we are subject to extreme weather conditions.

Transition risk

The Group expects stricter climate legislation and regulations to support the global vision of carbon neutrality. If the Group fails to comply with the laws and regulations applicable to its business from time to time, its business operations may be materially and adversely affected.

As for potential transition risks, the Group continues to monitor the regulatory environment and product markets to ensure that our products and services meet customer and regulatory needs and expectations.

Potential extreme weather conditions, persistent high temperatures, changes in environment-related regulations and customer preferences are not expected to have a material impact on the Group's operations. Nonetheless, the Group continues to monitor climate-related risks and implement relevant measures to minimise potential physical and transition risks.

SOCIAL

B1. EMPLOYMENT

In line with the rapid development of the Group's business, human resource management and the introduction of talents are particularly important to the Group. The Group regularly analyzes the existing remuneration system and incentive mechanism to optimize the remuneration structure and ensure that the remuneration of employees is at a reasonable level in the market and is competitive. The promotion and rewards of employees are determined based on their performance, experience and current market condition. In addition to striving to attract and retain outstanding employees, the Group also explores recruitment channels to recruit talents to ensure the sustainability of the business development of the Group.

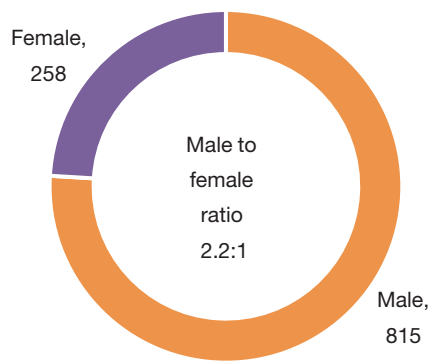
According to the provisions of applicable laws and regulations in China, the Group contributes to social insurance and housing provident fund accounts of employees in mainland China. The Group has contributed to the retirement funds of China employees in accordance with applicable laws and regulations in China. The Group has complied with relevant laws and regulations in China on social insurance and housing provident fund and retirement fund contributions in major respects.

The Group values equal employment opportunities that employees should enjoy. Employee recruitment adheres to equality between men and women and ethnic equality. The Company has appointed Ms. Zhao Xuelian as a non-executive director of the Group to achieve a diversified board of directors. The Group has set up a trade union and promised to maintain the independence of the trade union. During the Reporting Period, it does not encounter any major labor disputes or other labor waves.

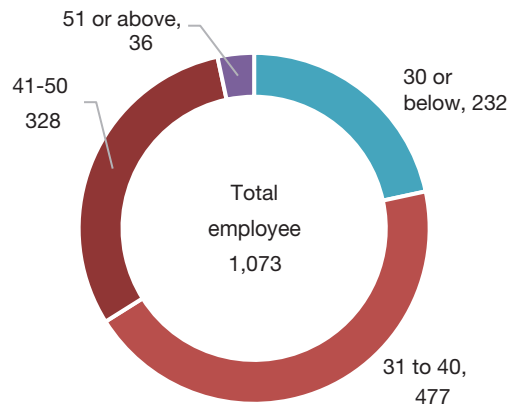


The KPIs for total employees by gender, age, employment type, and region are as follows:

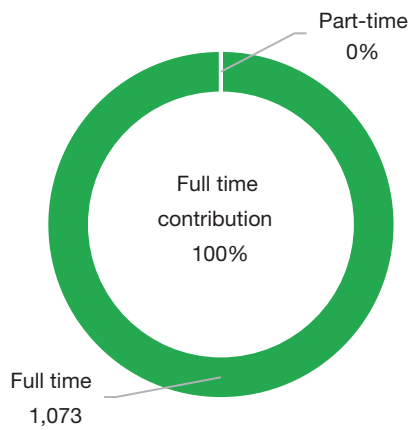
By gender



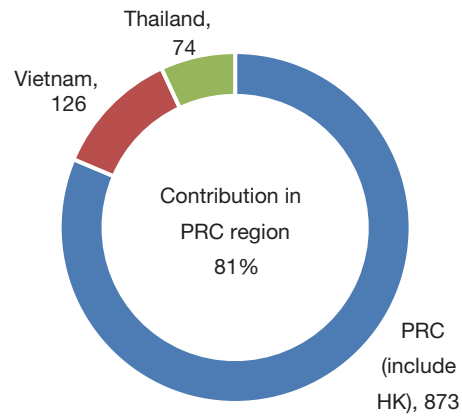
By age group



By employment type



By Region



SOCIAL

The employee turnover rates by gender, age group and region are as follows:

Type	Percentage
By gender	
Male	8.10%
Female	3.12%
By age group	
30 or below	3.50%
31 to 40	4.57%
41 to 50	2.36%
51 or above	0.79%
By region	
The PRC	4.20%
Vietnam	3.52%
Thailand	3.50%

Compliance with relevant laws and regulations

During the Reporting Period, the Group was not aware of any material violations of the relevant laws and regulation including but not limited to “Labor Law of the PRC”, the “Social Insurance Law of the PRC”, the “Hong Kong Employment Ordinance” and the “Hong Kong Employee Compensation Ordinance” and related remuneration and dismissal, recruitment and promotion matters concerning working hours, vacations, equal opportunities, diversification, anti-discrimination and other applicable laws and regulations of other benefits and benefits that have a significant impact on the Group.



B2. HEALTH AND SAFETY

The Group is committed to provide employees with a healthy and safe working environment. It has implemented safety guidelines applicable to all employees. It aims to further promote occupational health and workplace safety and ensure compliance with applicable laws and regulations. The Group provides employees with adequate training on occupational safety and prevention from occupational hazards, and organizes annual health examinations for qualified employees in accordance with applicable laws and regulations.

To ensure that employees strictly abide by internal regulations, the Group has issued and registered internal labor regulations that require workplace order, occupational safety, asset protection, crisis management, and fire safety, and strictly abide by the “Fire Protection Law of the PRC” and “The Law of the PRC on Prevention of Occupational Disease” and “The PRC Production Safety Law”. The Group has formulated and adopted measures and obtained the certification of GB/T45001–2020/ISO 45001:2018 Occupational Health and Safety Management System Requirements and Guidelines.

The annual number and rate of work-related fatalities and the number of days lost due to work-related injuries are as follows:

	Number
Work-related fatality	–
Percentage of work-related fatality	–
Number of days lost due to work-related injuries	90
Number of cases of work-related injuries	2

In the past three reporting periods (including the current reporting period), the Group had no work-related fatality.

Compliance with relevant laws and regulations

During the Reporting Period, the Group has fully complied with relevant laws and regulations, including but not limited to: China’s occupational health and safety laws and regulations, the “Hong Kong Occupational Safety and Health Ordinance” and other applicable laws and regulations that provide a safe working environment and protect employees from occupational hazards or any regulations and matters that have a significant impact on the Group.

SOCIAL

B3. DEVELOPMENT AND TRAINING

The Group believes that nurturing quality staff is particularly important for the long-term development of the enterprise, so it has a policy to provide employees with sufficient training to ensure that they can carry out their work safely and with due diligence. Employees in different positions and functions are provided with various training and development programs related to their necessary skills and knowledge.

Each production base of the Group provides necessary training for relevant operation positions every year. The training content includes pre-employment training for new employees, post functions, technical operations, safety knowledge and regulations training and counselling. Through effective employee training programs, the professional skills of employees can be enhanced. During the Reporting Period, certain external training expenses recommended to employees are borne by the Group to improve the quality of employees and ensure that employees' professional skills, technology and knowledge keep pace with the times.

The Group values work-life balance and encourages employees to participate in leisure activities to enhance team spirit, sense of belonging and morale, and to create a harmonious working environment.

The average training hours completed by each employee by gender and employee category are as follows:

Employment category	Male	Female
Management		
Number of employees who participated in training	67	11
Total training hour	5,226	780
Office employee		
Number of employees who participated in training	104	65
Total training hour	12,896	6,240
General employee		
Number of employees who participated in training	622	204
Total training hour	129,376	42,432





B4. LABOUR STANDARDS

The Group strictly follows the requirements of relevant labor laws, and all applicants must be over the local legal requirements. The Group strictly prohibits the use of child labor and adopts a comprehensive selection and recruitment process in this regard. When recruiting new employees, the Group conducts recruitment openly according to the qualifications of different positions and so qualified personnel can be hired. At the same time, the Group has appropriate internal policies to ensure that underage or coerced persons are never employed.

The Group attaches great importance to the development of human capital and provides employees with competitive remuneration and benefits. Employees can also enjoy various other benefits in accordance with local regulations. The Group provides support to employees in all aspects, strives to retain talents and care for the development of employees.

Compliance with relevant laws and regulations

During the Reporting Period, the Group has fully complied with relevant laws and regulations, including but not limited to: the “Special Protection Regulations of Juvenile Workers of the PRC”, “Prohibition of the Use of Child Labor in the PRC” and other laws and regulations regarding the prevention of child labor or forced labor.

SOCIAL

B5. SUPPLY CHAIN MANAGEMENT

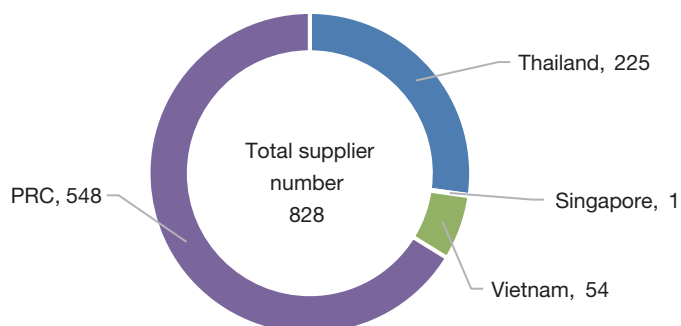
The raw materials of the Group's production bases are mainly purchased externally, so there are corresponding inspection and selection procedures for raw material suppliers. In terms of supply chain management, the Group has taken several sustainable development measures, including but not limited to:

- (i) Formulate supplier evaluation policies applicable to raw material suppliers and contract manufacturers in accordance with GB/T1.1–2009 “Guidelines for Standardization Work Part 1: Standard Structure and Preparation”. Select, evaluate and follow up standardization of actions of suppliers. Adopt a supplier evaluation system for selecting new suppliers and evaluating the performance of existing suppliers;
- (ii) The professional and experienced procurement team is responsible for selecting and evaluating suppliers, the quality control team is responsible for testing raw materials, and the technical team is responsible for technical and compliance requirements;
- (iii) Implement policies to monitor the quality of incoming raw materials provided by suppliers. The procurement team evaluates the raw material suppliers with reference to the quality, price and efficiency of the raw materials supplied;
- (iv) “Supplier management and quality assurance system” is set up to record all supplier information, such as product quality, production capacity, delivery time and other important indicators.

The Group is aware of the importance of safety, quality and environmental and social risk control, so it has formulated and implemented a comprehensive management system for safety, quality and environmental and social risk management.

The number of suppliers by region is as follows:

The number of suppliers by region



B6. PRODUCT RESPONSIBILITY

The Group values the product quality and corporate reputation, and imply internal control procedures in monitoring the product and service quality. The Group has also maintained communication with customers to ensure that it understands and meets customer needs and expectations, and hopes to understand customer satisfaction in order to continuously improve the Group's products and services. The Group strictly follows the national and local laws and regulations such as "Product Quality Law of the People's Republic of China", the "Consumer Protection Law of the People's Republic of China" and the "Advertising Law of the People's Republic of China". The Group has formulated and adopted measures and obtained the certification of the GB/T19001-2016/ISO 9001:2015 quality management system requirements.

In addition, the Group also has its internal policy to ensure the product and service quality is maintained and respective methods of redress, including but not limited to:

1. Standard of Product Packaging and workflow management
2. Quality mutual control management process
3. Quality record management and supervision and inspection regulations
4. Product liability insurance management regulations
5. Management regulations for handling customer quality complaints

The Group places vast efforts on protecting the privacy of its customers, supplier, partners and employees during collection, process and use of confidential data. The Group has established the following internal policies to govern:

1. Regulations on the maintenance and management of overseas customer files
2. Intellectual property management system
3. Intangible asset management system

During the Reporting Period, there were no products recalled by the Group due to safety and health reasons. In addition, no complaints were received about the products and services delivered that could have a material impact on the Group's operations.

During the reporting period, the Group is not aware of any material non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

SOCIAL

B7. ANTI-CORRUPTION

The Group believes that a clean corporate culture is the key to the Group's continued success and therefore the Group attaches great importance to anti-corruption and upholding integrity. The Group strictly abides by “the Company Law of the People's Republic of China”, “the Bidding Law of the People's Republic of China”, “the Anti-Unfair Competition Law of the People's Republic of China” and “the Interim Provisions on Prohibition of Commercial Bribery” and other laws and regulations, requires all Employees must strictly abide by it, and establishes a business philosophy and corporate image with law-abiding integrity and high-quality service as the core by strengthening the internal control mechanism.

The Group has established the "Integrity and Self-discipline Management System", and also developed an internal control and monitoring system to prevent bribery, extortion, fraud and money laundering. During the Reporting Period, the Group has fully complied with the “Criminal Law of the People's Republic of China” and “Anti-Money Laundering Law of People's Republic of China” and no corruption case was noted or reported.

Whistleblowing system

To achieve and maintain the highest standards of openness, integrity and accountability, the Group has also established a whistle-blowing system that allows employees of the Group to anonymously report any form of misconduct or irregularity to the Company's audit committee. Reports and complaints received will be addressed promptly and fair treatment. Anyone found to have caused harm or retaliation against a person who raised a concern under this policy will be subject to disciplinary action.

We regularly provide anti-corruption training to employees and management to enhance their anti-corruption awareness. During the Reporting Period, the Group or its employees did not have any concluded corruption lawsuits.

B8. COMMUNITY INVESTMENT

The Group believes that building good relationships with the local communities is the key factor for the enterprise to succeed in business. The Group is keen to communicate with the community around the production base to better understand their needs and provide necessary supports by taking into consideration of the communities interests, which mainly includes assisting vulnerable groups, participating in voluntary work and actively supporting the charity business of the surrounding communities.

The Group respects the basic value and dignity of individuals, encourages employees to actively participate in work-life balance activities and community services to establish a good relationship with the community. Related activities include various cultural activities, employee outdoor activities, community voluntary work and activities organized by charitable organizations.

During the Reporting Period, in addition to identifying regular community activities, the Group has also organized donation activities for poor employees to subsidize employees whose family members are sick in the form of cash.



APPENDIX I. REPORT DISCLOSURE INDEX

HKEX ESG GUIDE CONTENT INDEX

Aspects	ESG Indicators	Description	Page/ Remark
A. Environmental			
	General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	8
A1: Emissions	KPI A1.1	The types of emissions and respective emissions data.	7
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	9
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	9

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Aspects	ESG Indicators	Description	Page/ Remark
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	12
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	12
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	12
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	12
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	12
A3: The Environment and Natural Resources	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	12
	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	14
A4: Climate Change	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	14
	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	15
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	15



APPENDIX I. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page/ Remark
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	16
	KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	17
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	18
B2: Health and Safety General Disclosure	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	19
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	19
	KPI B2.2	Lost days due to work injury.	19
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	19

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Aspects	ESG Indicators	Description	Page/ Remark
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	20
	KPI B3.1	Note: Training refers to vocational training. It may include internal and external courses paid by the employer. The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	20
	KPI B3.2	The average training hours completed per employee by gender and employee category.	20
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	21
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	21
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	21
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	22
	KPI B5.1	Number of suppliers by geographical region.	22
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	22
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	22
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	22



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Aspects	ESG Indicators	Description	Page/ Remark
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	23
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	23
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	23
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	23
	KPI B6.4	Description of quality assurance process and recall procedures.	23
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	23
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	24
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	24
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	24

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Aspects	ESG Indicators	Description	Page/ Remark
Community			
	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	24
B8: Community Investment	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	24
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	24

