



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

Environmental,
Social and
Governance Report
2021



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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 2021 and 31 December 2021 (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. The key performance indicators (“**KPI**”) covers the Group’s production facility located in Nanyang of Henan, 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

Phone no.: +852 3987 1928



2. Board Statement

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 measures and internal control systems, the Board of Directors (the “**Board**”) has established a ESG Committee (the “**Committee**”) to take up the responsibility to govern and oversee the Group’s ESG issues and its development, which the Committee has had a set of well-defined duties and responsibilities to oversee the Group’s ESG related measures.

The Committee is responsible for monitoring the Group’s ESG strategies and reporting, ensuring that the requirements from the Board are met. Furthermore, the Committee monitors and reviews the Group’s compliance status of ESG-related laws and regulations by external regulatory bodies, such as The Stock Exchange of Hong Kong Limited (“**HKEX**”). Regular Board meetings are hosted regularly to help understanding the progress, targets and goals on ESG-related performances.

During the Year, the Committee has assigned third-party ESG professionals for managing the ESG performance of the Company. The Committee has identified potential and material issues to the business and its stakeholders, with the assistance from third-party ESG professionals. The Committee has also taken part in the materiality assessment as one of the key stakeholders of the company in providing constructive opinions on the materiality of ESG issues.

3. 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.

3.1 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"> Compliance with national policies, laws and regulation Support for local economic growth Contribution in local employment Tax payment in full and on time Production safety 	<ul style="list-style-type: none"> Regular information reporting Regular meetings with regulators Dedicated reports Examination and inspection Participation in government-organised events
Shareholders	<ul style="list-style-type: none"> Returns Compliant operation Rise in company value Transparency and effective communication 	<ul style="list-style-type: none"> General meetings Announcements Email, telephone and company website Dedicated reports Site visits
Business partners	<ul style="list-style-type: none"> Operation with integrity Equal rivalry Performance of contracts Mutual benefits 	<ul style="list-style-type: none"> Review and appraisal meetings Business communications Discussion and exchange of opinions Engagement and cooperation
Customers	<ul style="list-style-type: none"> Outstanding products and services Performance of contracts Operation with integrity 	<ul style="list-style-type: none"> Customer service centre and hotlines Meetings with customers Social Media
Environment	<ul style="list-style-type: none"> Compliance with emission regulations Energy conservation and emission reduction Responsible water consumption Ecological protection 	<ul style="list-style-type: none"> Communication with local environmental department Reporting Investigations and inspections

Stakeholders	Requirements and Expectations	Response and Communication Channels
Industry	<ul style="list-style-type: none"> Enhancement of industry development 	<ul style="list-style-type: none"> Communication with local labour department Participation in industry forums Field visits
Employees	<ul style="list-style-type: none"> Protection of rights Occupational health and safety Remunerations and benefits Career development Humanity cares 	<ul style="list-style-type: none"> Meetings with employees House journal and intranet Training and workshops
Community and the public	<ul style="list-style-type: none"> Enhancement of community environment Participation in charity Transparency 	<ul style="list-style-type: none"> Company website Announcements

3.2 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 institutions¹, 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 Energy and Water Resources Management Wastewater Management Waste Management Ecological Impact & Land Contamination
Labour practices	Labour Management Employee Health and Safety
Operating practices	Quality Management Anti-corruption Product Design & Lifecycle Management Supply Chain Management

¹ 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).

4. Environmental Protection

The Group is committed to decreasing the negative environmental impacts of its daily operations and production processes in order to embrace green development. The Group has put in place a number of policies and procedures aimed at lowering emissions, conserving natural resources, and safeguarding the environment. Furthermore, the Group rigorously adheres to environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, and examines its operations and production process on a regular basis to ensure compliance with such laws and regulations.

During the year, the Group was not aware of any material non-compliance with applicable environmental laws and regulations.

4.1 Environmental Objectives

The Group is committed to embrace green development, as well as to minimise the environmental impacts induced from daily business operations. Understanding the importance of incorporating green measures and practices into the business to achieve sustainable development, the Group has developed a series of sustainable development strategies together with a number of environmental targets to push forward the Group's commitment towards protecting environment.

During the Year, the Group has set preliminary directional targets to focus on i) Air and Greenhouse Gas Emissions Management; ii) Waste Management; iii) Use of Resources; and (iv) Green Operations of the Company's business operations and development, in terms of sustainability. The Group is devoted to actively implement and maintain or gradually reduce power and water consumptions, and waste generation according to the Group's measures practiced on power saving, water conservation, and resources consumption reduction, reuse and recycling. The Group will review the implementation progress of various environmental protection objectives and measures, monitor various emission sources and identify more opportunities for energy conservation and emission reduction.

Environmental Areas	Objectives
Air and Greenhouse Gas Emissions Management	– Actively implement and maintain or gradually reduce carbon footprint of the offices according to the power saving measures of the Group
Waste Management	– Actively implement and maintain or gradually reduce waste generation according to the Group's measures of reduce, reuse and recycling
Use of Resources	– Actively implement and maintain or gradually reduce energy and water consumption according to the resource conservation and consumption reduction measures of the Group
	– Develop an energy saving strategy through studying the energy consumption of the Group
Green Operations	– Actively implement and maintain or gradually reduce paper consumption according to the Group's paper saving measures



4.2 Emissions Management

4.2.1 Air Emissions

The Group recognizes that air emissions are unavoidable due to the nature of its business. As a result, the Group is working to minimize its air emissions in a variety of methods. The Group complies with all applicable laws and regulations concerning air emissions and pollution, including but not limited to the People's Republic of China's Atmospheric Pollution Prevention and Control Law. The Wastewater, Exhaust Gas, and Noise Emission Control Policy were implemented by the Group as a way to strengthen the strategies for reducing air emissions. The following are some examples of various measures made to reduce air emissions:

- 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 systems in place at manufacturing plants, if any serious air pollution incidents or abnormalities occur, the Group will investigate and implement rapid remedial plans to mitigate the potential consequences of such air pollution.

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

Air Emissions	2021	2020
Nitrogen oxides (NO _x) (tonnes) (note 1)	22.1	29.5
Sulphur oxides (SO _x) (tonnes) (note 2)	2.4	36.6
Particulate matter (PM) (tonnes)	6.2	4.6

Notes:

1. During the Year, nitrogen oxides emissions decreased significantly due to the exclusion of the production facility in Changji of Xinjiang from the scope of the report.
2. During the Year, sulphur oxides emissions decreased significantly due to the exclusion of the production facility in Changji of Xinjiang from the scope of the report.

4.2.2 Emissions of Greenhouse Gases

The Group is well aware that greenhouse gas emissions play a significant role in climate change. As a result, the Group encourages environmentally responsible green operations. Multiple steps have been implemented in many elements of the Group's daily operations with the goal of reducing greenhouse gas emissions. To reduce greenhouse gas emissions during transit and travel, the Group, for example, encourages employees to use public transportation or carpool to limit the number of automobiles used. For presentations and conferences, the Group substitutes needless business air travel with video conferencing, and for unavoidable business trips, the Group prioritizes direct flights. The Group recognizes that inefficient vehicles result in higher fuel consumption and emissions, thus the Group maintains the company fleet on a regular basis to ensure efficiency.

The production facilities create the majority of the Group's greenhouse gas emissions, which are divided into three categories: Scope 1: direct emissions from fuel combustion 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 ²	2021	2020
Total greenhouse gas emissions (tonnes CO ₂ e)	57,541.2	94,559.8
Scope 1 – direct emissions (tonnes CO ₂ e) ³ (note 1)	20,676.7	64,101.4
Scope 2 – energy indirect emissions (tonnes CO ₂ e) ⁴	36,619.3	30,220.6
Scope 3 – other indirect emissions (tonnes CO ₂ e) ⁵	245.1	237.7
Intensity (tonnes CO ₂ e/m ²)	0.38	0.37
Intensity (tonnes CO ₂ e/million RMB revenue)	83.66	92.83

Notes:

1. During the Year, direct emissions decreased significantly due to the exclusion of the production facility in Changji of Xinjiang from the scope of the report.

² The Group's greenhouse gas inventory includes carbon dioxide, methane and nitrous oxide, which are presented in carbon dioxide equivalent.

³ Scope 1 direct emissions refers to greenhouse gas emissions from the fuel consumption of vehicles. The emission factors used for calculating emission is based on the "EMEP&EEA air pollutant emission inventory guidebook 2019" issued by the European Monitoring and Evaluation Programme & European Environment Agency.

⁴ Scope 2 energy indirect emissions refers to greenhouse gas emissions from purchased electricity. The emission factor used for calculating emission is provided by the Hongkong Electric Company.

⁵ Scope 3 other indirect emissions refers to greenhouse gas emissions from waste paper disposal and outbound business trips. The data is calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization (ICAO) and the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx.

4.2.3 Waste Discharge

The Group understands that its operations will eventually result in waste discharge, and that incorrect waste management will have substantial environmental consequences. As a result, the Group carefully adheres to waste management laws and regulations, such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, among others. Both of the Group's manufacturing sites have developed their own waste management policies, dividing trash into three categories: general garbage, hazardous waste, and recyclable waste. The policies also specify how non-hazardous and hazardous waste should be handled.

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 cutting fluid, Nickel-containing sludge	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, metal and Aluminum scrap	Recyclable waste is collected by authorised recycling companies for sorting and recycling

Furthermore, since hazardous waste poses a health and safety concern, the Group has implemented additional safety procedures for employees to consider while handling hazardous waste internally. For example, it is illegal to dispose of or keep hazardous waste in the natural environment, and hazardous material should not be held for more than one month. Accidents handling drills are also held on a regular basis by the Group to ensure that personnel are prepared in the event of a hazardous waste maltreatment accident.

Waste nickel sludge, waste oil, waste cutting fluids, and dust generated during industrial processes, as well as waste toner cartridges and computers from office operations, are among the Group's hazardous waste. Aluminium scrap, aluminum dust, food trash, waste timber products and carton boxes, as well as typical office garbage, are examples of non-hazardous waste.

Wastes	2021	2020
Total hazardous waste produced (tonnes) ⁶	59.2	70.4
Intensity (tonnes/m ²)	0.00	0.00
Intensity (tonnes/million RMB revenue)	0.09	0.07
Total non-hazardous waste produced (tonnes) ⁷	30,613.1	21,314.5
Intensity (tonnes/m ²)	0.20	0.08
Intensity (tonnes/million RMB revenue)	44.51	20.93

⁶ The calculation is based on the actual hazardous waste record of the Group.

⁷ The calculation is based on the actual non-hazardous waste record of the Group.

4.2.4 Wastewater Discharge

The wastewater produced by the Group includes industrial wastewater and domestic sewage. The Group rigorously follows all wastewater treatment laws and regulations, including but not limited to the People's Republic of China's Water Pollution Prevention and Control Law. The Group's Wastewater, Exhaust Gas, and Noise Emission Control Policy has set up precise treatment methods prior to wastewater discharge in order to mitigate the environmental impacts of wastewater production and discharge. After cleaning aluminum products, industrial wastewater is transported through neutralisation tanks to keep the pH between 7 and 8, and then filtered using pressure filters before being dumped into municipal pipelines. The Group discharges residential wastewater generated during daily office operations after processing it through filtration or a three-stage biochemical sedimentation treatment.

4.2.5 Impacts on the Environment and Natural Resources

The Group has established an Environmental Protection and Pollution Prevention and Control Inspection Policy, which serves as a thorough guide for conducting environmental inspections and implementing specific steps to reduce potential environmental and natural resource impacts. Following that, an inspection team was formed to manage environmental issues within the Group's manufacturing sites, and its tasks are outlined in the Environmental Protection and Pollution Prevention and Control Inspection Policy, which include:

- 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.



4.3 Resources Conservation

4.3.1 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.

On top of that, the Group's Energy Conservation and Emission Reduction Department conducts annual energy balancing tests to assess the Group's energy conservation potential as well as existing issues, allowing specific steps to be implemented to reduce energy consumption and improve energy efficiency. In order to ensure and potentially boost energy efficiency throughout production, the Energy Conservation and Emission Reduction Department will work with various production departments to create energy targets for production.

Apart from this, the Group places a strong emphasis on energy conservation in its daily activities. The Group, for example, has implemented energy-efficient lighting and established separate light switches for various light zones. Natural light is used as much as possible in the office, and staffs are required to turn off lights when rooms are not in use. Electrical appliances with Energy Efficiency Labels are prioritized in procurement processes, and while idle or not in use, appliances are set to automated standby or sleeping mode.

Energy Consumption	2021	2020
Total energy consumption (MWh)	172,519.8	357,048.4
<i>Direct consumption</i> ⁸	102,861.5	299,584.7
Fuel used for stationary combustion sources (MWh)		
Natural gas	100,659.3	116,836.8
Liquefied petroleum gas (LPG) (<i>note 1</i>)	0	179,006.6
Acetylene	100.1	94.4
Fuel used for vehicles (MWh)	2,102.2	3,646.9
<i>Indirect consumption</i> ⁹	69,658.2	57,463.8
Purchased electricity (MWh)	69,658.2	52,624.6
Purchased steam and heat (MWh) (<i>note 2</i>)	0	4,839.2
Intensity (MWh/m ²)	1.15	1.40
Intensity (MWh/million RMB revenue)	250.82	350.53

Notes:

1. The Group did not consume any liquefied petroleum gas during the Year due to the exclusion of the production facility in Changji of Xinjiang from the scope of the report.
2. The Group did not consume any purchased heat and steam during the Year due to the exclusion of the production facility in Changji of Xinjiang from the scope of the report.

4.3.2 Water Resources Conservation

Water resources, in the Group's opinion, are just as vital as energy resources. As a result, the Group has established the role of a person-in-charge of water management and outlined its responsibilities in the Water Resources Management Policy, which include (i) consistently enforcing national laws and regulations on the use of water resources; (ii) being responsible for the Group's water-saving management work and coordinating the water-saving work of various departments; and (iii) regularly convening water-saving management meetings and formulating water-saving management plans.

⁸ The calculation is based on the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions" issued by the National Development and Reform Commission of the PRC.

⁹ The calculation is based on the actual electricity consumption record of the Group.



Furthermore, the Group has developed a number of water conservation measures in order to drastically minimize water use during commercial operations. To avoid unnecessary water loss, the Group, for example, analyzes water meter readings on a regular basis and conducts frequent checks for concealed water leaks. Infrared sensors have also been installed in faucets and urinals to prevent overflowing, and watersaving reminder labels have been placed in toilets to educate users about the need of water conservation. Moreover, in order to maximize the use of water, the Group recycles grey water for cleaning and irrigation.

Water Consumption	2021	2020
Total water consumption (m ³) ¹⁰ (note 1)	599,089.0	522,712.8
Intensity (m ³ /m ²)	3.99	2.05
Intensity (m ³ /million RMB revenue)	871.00	513.17

Notes:

1. During the Year, water consumption in total increased due to the upsurge of production amounts of the production facility in Nanyang.

4.3.3 Packaging Material Use

The use of package materials by the Group is heavily influenced by consumer demands. Nonetheless, the Group is dedicated to lowering packaging material consumption, and as a result, it works closely with clients on package design in order to reduce packaging material consumption in the long run.

Packaging Material Consumption	2021	2020
Total packaging material consumption ¹¹ (tonnes)	867.5	1,991.8
Intensity (tonnes/m ²)	0.01	0.01
Intensity (tonnes/million RMB revenue)	1.26	1.96

¹⁰ The calculation is based on the actual water consumption record of the Group.

¹¹ The calculation is based on the actual packaging material record of the Group.

4.4 Climate Change

Climate change has currently emerged as one of the most discussed topics among industries and companies alike. The Group, with no exception, has also increased awareness and paid attentions to the potential impacts of climate change on the Group's businesses 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. In addition, by assessing the climate-related risks on a regular basis helps determining appropriate levels of the Group's climate-related risks tolerance, for better preparing and embracing climate change related conditions, e.g. extreme climate event. Meanwhile, 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 may lead to rise in maintenance and operational costs for implementing new measures against extreme weather and maintaining business operations.

The Group has 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 has also developed and maintained adequate resources for climate-related crisis mitigation and remediation. To mitigate the effects of climate-related risks such as extreme weather, customized work arrangements will be implemented to protect employees' health and safety, as well as recovery plans and activities.



5. Safeguarding Employees

Employees, according to the Group, are the key to the company's long-term success. As a result, the Group is devoted to providing employees with a safe and comfortable working environment as well as a solid career development system, as well as appreciating and motivating them to work for the Group.

A standardized employment system, the Group recognizes, is not only a factor in attracting and maintaining talent, but also a vital means of safeguarding employees' rights and benefits. The Group carefully adheres to employment-related legislation, such as the People's Republic of China's Labor Law and the People's Republic of China's Labor Contract Law, and has developed different employment-related policies to protect employees' rights.

5.1 Employment

5.1.1 Recruitment, Dismissal and Equal Opportunities

The Group places a great importance on giving equal chances to both candidates and workers, and discriminatory behavior of any kind is not tolerated. During the selection and recruitment of candidates, as well as the consideration of employees' promotion, the Group adheres to the principle of "valuing ability and integrity equally, open recruitment, fair competition, and selecting the best performing candidate," and will not be influenced by one's age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation, sexual orientation, or other factors.

In compliance with relevant laws and regulations, including but not limited to the Provision on the Prohibition of Using Child Labor of the People's Republic of China, the Group rigorously opposes child labor and forced labor under all circumstances. To avoid child labor, the Group will check the candidate's identity and age to ensure that they are not under the age of 18. If child labor is identified, the Group will immediately cancel the employee's employment contract, return them to their hometown, and investigate any potential recruitment system flaws.

When an employee's resignation is received, the Group will set up an exit interview with the resigning employee to learn more about their reasons for leaving. The Group will also calculate and send the final compensation to the retiring employee on time.

5.1.2 Employment Statistics

As the end of 31 December 2021, the Group employed a total of 1,223 full-time employees and 64 part-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 (Percentage of Category)	2021	2020
By Gender		
Female	467(36)	483(35)
Male	820(64)	914(65)
By Age		
Below 30	216(17)	298(21)
30-40	548(43)	603(43)
41-50	410(31)	403(29)
Above 50	113(9)	93(7)
By Geographical Location		
Nanyang, the PRC	1,287(100)	1,337(96)
Changji, the PRC	0(0)	60(4)
By Employment Type		
Full-time	1,223(95)	1,397(100)
Part-time	64(5)	0(0)

As at 31 December 2021, the turnover rates of employees of the Group by different categories are as follows:

Turnover Rate	2021	2020
By Gender		
Female	6%	12%
Male	8%	16%
By Age		
Below 30	11%	22%
30-40	4%	11%
41-50	8%	12%
Above 50	11%	10%
By Geographical Location		
Nanyang, the PRC	7%	12%
Changji, the PRC ¹²	N/A	45%

The Group is committed to giving employment opportunities to those who are disadvantaged, particularly disabled people, and thinks that fostering such diversity in the workplace will foster a more compassionate work environment throughout the organization.

¹² The production facility in Changji of Xinjiang has been excluded from the scope of the report in the Year.

5.1.3 Welfare and Benefits

Employee benefits, welfare, and compensation, according to the Group, can drive employees to give their all to the company. As a result, in addition to a competitive salary package, the Group offers a variety of benefits and welfare programs to its employees. Legal vacations, sick leaves, work-related injury leaves, marital leaves, bereavement leaves, and maternity leaves are all available to all employees. Employees are also eligible for social insurance payments, lunch allowances, festival allowances, and gifts, as well as overtime pay subsidies.

Additionally, in order to allow employees to unwind and recharge so that they can remain inspired to work, the Group hosts monthly birthday parties for staff, where they may celebrate and share their joy. The Group believes that this will assist employees develop a sense of belonging to the company, resulting in a work environment that is both productive and pleasant.

5.2 Health and Safety

The Group places a high priority on ensuring workplace health and safety. Through the implementation of numerous policies and procedures, the Group is always looking to decrease risks connected to occupational health and safety at work. The Group rigorously adheres to all rules and regulations pertaining to occupational health and safety, including but not limited to the People's Republic of China's Law on the Prevention and Treatment of Occupational Diseases.

Other policies, such as the Occupational Disease Prevention Responsibility Policy, Occupational Disease Prevention Equipment Management Policy, and Employee Safety Education Training System, have been put in place to detail the protective measures regarding occupational health and safety, as well as the necessary procedures to prevent and handle emergencies. Meanwhile, the basic concepts and procedures for occupational health and safety are described in the Group's Employee Handbook:

- 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.

Each production site has its own occupational health and safety management working group, which works to avoid, regulate, and eliminate dangers posed to occupational health and safety within the Group, thereby safeguarding personnel. The working group's major role is to enforce the implementation of various action plans related to occupational work and safety, as well as to monitor the effectiveness of those actions. The working group conducts frequent safety inspections within production facilities, as well as departmental self-inspections, to actively look for hidden faults across the production processes and improve workplace safety. Any complaints identified will be investigated and resolved as soon as possible.

During the Year, 22 work-related injury was reported which resulted in 727 lost days due to work injury. There were number of work-related fatalities in each of the past three years are as follows:.

Health and Safety	2021	2020	2019
Number of work-related fatalities (note 1)	1	1	0

Notes:

1. The number of work-related fatalities in 2020 is restated.

Responding to the Coronavirus Disease 2019 Pandemic

In light of the COVID-19 epidemic, the Group has prioritized avoiding and eliminating the disease inside workplace boundaries. Following that, the Group devised a COVID-19 preventive and control action plan, which included improving staff knowledge, maintaining fluid communication and reporting, and bolstering humanity cares. The Group has also stated the specific measures related to personal hygiene protection, such as dividing meal times into three separate sessions to avoid crowding, requiring employees to wear masks and wash their hands frequently, promoting disease prevention-related knowledge through social media education, and so on. Furthermore, personnel at the Group's Nanyang production site were needed to obtain a worker health certificate in order to enter the workplace's perimeters. 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.



5.3 Training, Development and Promotion

Employees are the cornerstone of the Group's success, and the Group strives to share the benefits of success and progress with them. As a result, the Group offers a variety of training and development options to employees, with the goal of assisting individuals in expanding their skill set and knowledge while enhancing their productivity. When employees first join the Group, they get induction training covering a variety of topics such as laws and regulations, occupational health and safety, and business policies and procedures.

Aside from that, the Group has created annual training and development programs for staff, offering them with a variety of training options such as job skills training, quality control training, and occupational health and safety training, among others. The Group, for example, has delivered various occupational health and safety-related training sessions to employees, increasing their awareness and understanding about how to protect oneself from working hazards. In addition, the Group has organized various environmental protection-related training sessions, which included instructions on how to handle specific machinery as well as training on environmental laws and regulations.

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 (Percentage of Trained Employees)	2021	2020
By Employee Category		
Senior management	160(100)	11(100)
Intermediate management	160(100)	12(100)
General staff	160(100)	12(100)
Others	0(N/A)	8(100)
By Gender		
Female	160(100)	12(100)
Male	160(100)	12(100)

While education is the cornerstone for our workers' growth and development, the Group also provides promotion chances and hence a defined professional path. Employee appraisal reviews are conducted once a year so that employees who have exceeded expectations and delivered excellent results can be considered for promotion or wage modifications.

6. Responsible Operations

The Group believes that a company's long-term viability is largely determined by the efficiency and quality of its operations. As a result, the Group closely monitors its supply chain and ensures product quality as well as consumer health and safety. Meanwhile, the Group strives to maintain its corporate image and business ethics by safeguarding intellectual property rights and consumer privacy, as well as advancing anti-corruption efforts.

6.1 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.

The Group's External Procurement and Purchases Policy, which provides complete rules for the Group's procurement process and supply chain management, was developed in order to gain full control of the supply chain. During the procurement process, the Group adheres to the "5R" principle (right time, right quality, right quantity, right price, right place) and evaluates supplier candidates based on a variety of factors, including but not limited to appearance, size, functionality, and material composition, as well as their environmental and social performance, prior to forming a partnership. Selected suppliers must sign a Supplier Quality Declaration, which is reviewed monthly and annually by the Group to ensure that the suppliers' product and service quality meets the Group's expectations. The Group requires suppliers to sign agreements regarding various environmental and social aspects, as well as submit third-party environmental assessment reports and other environmental and social certifications on a regular basis, in order to identify and monitor the environmental and social risks that suppliers may pose.

During the Year, all 52 major suppliers of the Group are from the People's Republic of China.

Number of Suppliers by Geographical Regions	2021
Northern China	4
Central China	17
Eastern China	6
Southern China	25

6.2 Product Responsibility

6.2.1 Product Quality

The Group strives for complete product and service provision in accordance with customers' demands and expectations in its quest of excellence in product and service quality. We have operated in accordance with product quality laws and regulations, including but not limited to the People's Republic of China's Product Quality Law.

To ensure product safety, the Group will evaluate product information provided by customers, such as drawings, standards, and specifications, to determine whether product safety has been met in accordance with applicable laws and regulations during product development. Any defective items should be separated by the quality control department during the product testing stage and handled according to the Defective Output Control Procedure. The business department should notify the customer of any defective products that have been dispatched so that the product recall process can be considered.



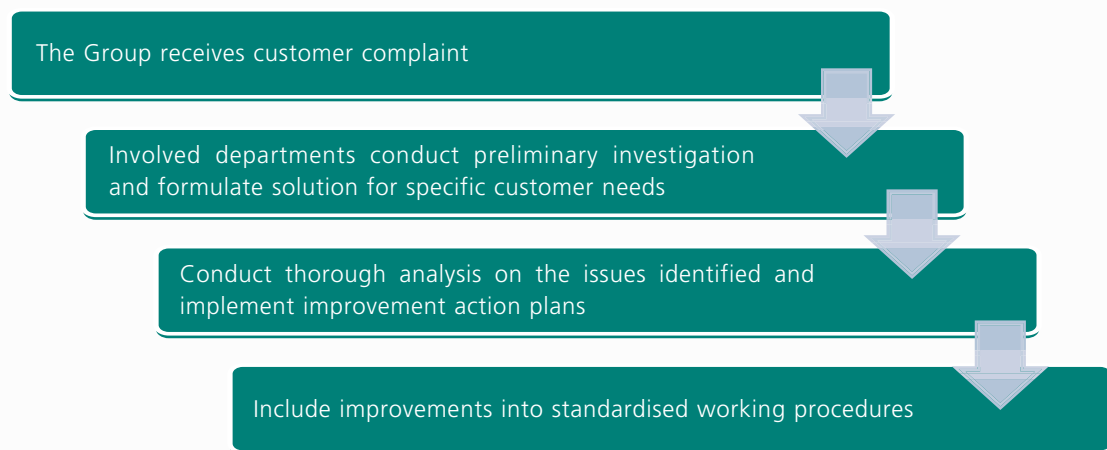
The Group has also developed Product and Service Monitoring and Measuring Control Procedures, which outlines the in-process inspection system in which the manufacturing department is accountable for self-inspection. To prevent defective accessories from entering the next production procedure, random examination of samples should be performed. Any batch of finished products that fails to pass the quality control team's final product quality check will be returned to the production team for rework, while the product development team investigates the cause of the unsatisfactory quality 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.

6.2.2 Handling of Clients' Opinions

The Group recognizes that consumer feedback can assist it in identifying areas for improvement in both its products and services. As a result, the Group has created a customer complaint and product return policy, as well as a customer service policy, to provide guidance on how to handle consumer feedback.

General customer complaint management procedures are as follows:



During the Year, the Group has received 82 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.

6.2.3 Protection of Intellectual Property Rights and Customer Privacy

The Group places a high priority on intangible assets such as intellectual property rights and customer privacy. As a result, the Group abides by all applicable laws, including but not limited to the People's Republic of China Copyright Law and the People's Republic of China Patent Law. The Group's Employee Handbook forbids the disclosure of any form of proprietary intellectual property, including but not limited to drawings, technical specifications, production techniques, and customer information. Employees must also sign a confidentiality agreement and are expected to keep all information relating to the Group private. In case of information leaked by employees, the Group will immediately dismiss the employee and reserve all rights to pursue legal and economic action.

6.2.4 Product Labelling and Advertising Management

On product labeling and ads, the Group has pledged to provide only honest and correct information. The Group's Management Handbook outlines detailed principles and regulations for product labeling, including details such as names, codes, and materials.

6.3 Anti-corruption

The Group is committed to conducting business with integrity and building an ethical corporate culture, thus any kind of corruption or unethical behavior will be met with zero tolerance. The Group rigorously adheres to anti-corruption rules and regulations, including but not limited to the People's Republic of China's Anti-Money Laundering Law. Employees are prohibited from accepting or asking gifts or refunds, and the Group has defined explicit guidelines in the Employee Handbook for the prevention of corruptive behavior. Any gifts that cannot be denied on the spot should be submitted to the Group as soon as possible.

Employees can also file complaints with the Audit Committee by email or letter under the Whistle Blowing Policy and Internal Monitoring and Reporting System if they suspect corruption or misconduct. Employees' personal and confidential information will be treated with the utmost discretion. During the report year, The Procurement Department conducted a training titled "Procurement Supervision and Management System" for senior managers and buyers. The training content mainly includes: how the inspection team is responsible for the approval of the procurement material application and how to verify the violations of regulations and disciplines by the procurement department.

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.



7. 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 RMB20,000 to Nanyang Wolong District Foundation For Justice And Courage.

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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