



五谷磨房

—— 自然之养 ——

Natural Food International Holding Limited
五谷磨房食品國際控股有限公司

(Registered by way of continuation in the Cayman Islands with limited liability)

Stock code: 1837

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2021

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About the Report

OUR VISION FOR SUSTAINABILITY

Natural Food International Holding Limited (hereinafter referred to as “the Company”, or “We”) is listed on the Main Board of The Hong Kong Stock Exchange in 2018 (stock code: 1837). The Company and its subsidiaries (collectively as “The Group”) are principally engaged in the processing and selling of natural health food and acting as a food producer serving mainly PRC market. Our mission is to offer value-priced high-quality health and natural food products with one-stop production services to our customers, as well as providing opportunities to our employees for their career development while delivering profitable returns to our shareholders. In addition, we strive to create a sustainable business model taking into account of social-economic and environmental development. We inculcate a sustainability culture within the Group raising our sense of duty, awareness and commitment to sustainability.

Our multi-dimensional approach to sustainability is driven by our core values to deliver quality products with caring service and supported by a profound framework of practice guide that extends across our operations, continuous quality assessment, human resources, risk and control, and investor relations. Our commitment in social responsibility is further supported by our many efforts on behalf of our customers, employees, and communities.

REPORTING FRAMEWORK

We are pleased to issue our Environmental, Social and Governance (“ESG”) report for the year ended 31st December 2021. This report is an important channel for us to communicate to our stakeholders regarding the efforts we have made and our achievement in social responsibility and sustainability. The report covers our major business activities and operations of our headquarter and our major production facility located at Tuanfeng county of Hubei. The report is prepared in accordance with the Environment, Social and Governance Reporting Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (“Listing Rules”) and written in principle of “comply or explain”.

The report focuses on the activities implemented during fiscal year of 2021 (“the reporting period”).

Reporting Principles

The content of the ESG 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 ESG Report has covered key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so to enable stakeholders to comprehend the Group’s ESG performance. Information of the standards, methodologies, references and sources of key emission of these KPIs are stated wherever appropriate. To enhance comparability of the ESG performance between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies, the Group has presented and explained in detail in the corresponding sections.

About the Report

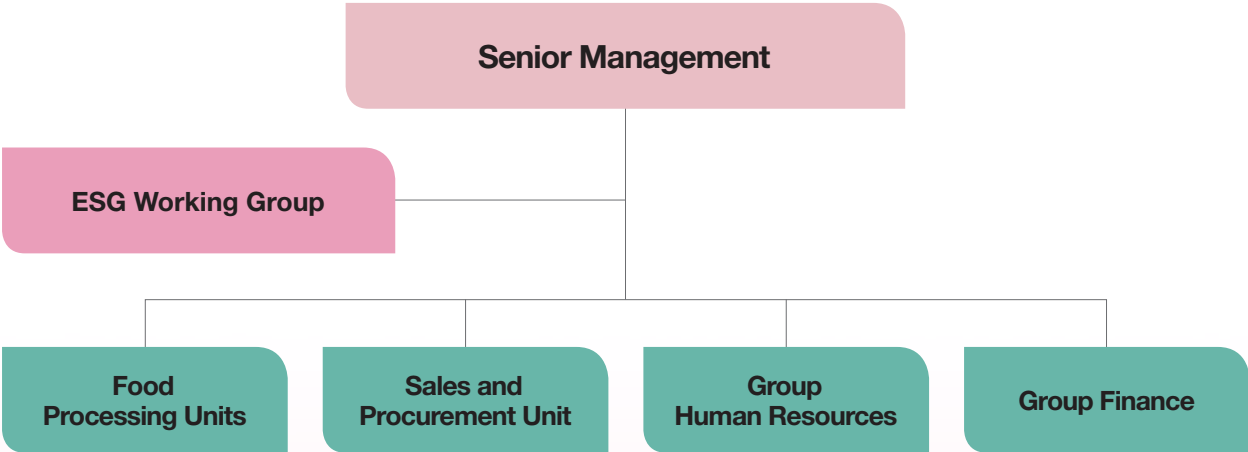
Information and Feedbacks

We value your feedback on this report and our sustainability plan. Should you have any comments and suggestions, please feel free to contact us by email to ir@szwgmf.com.

BOARD’S OVERSIGHT OF ESG

The Board of Directors has the overall responsibility for ESG strategy, materiality assessment, initiatives, policy and reporting of the Group. Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. The concept of sustainability is composed of three major pillars: economic, environmental and social. It is integrated in our operation as profits, environment and people. We have instilled in our employees the sustainability notion which has become an integral part of our manufacturing and operational activities, seeing to deliver profit and environmental & social benefits in a continuous and synergistic manner.

To implement the ESG initiative and formulate our sustainability strategy, the Group has established a committee which comprises of senior management and other members staff with sufficient ESG knowledge, and the authority to promote a company-wide awareness of the importance of the Company’s ESG efforts. The sustainability committee members span across various functional departments, including the operational, human resources, and finance departments, aiming to ensure that the environmental and social responsibility considerations are integrated into our daily management decision as well as daily operation. The ESG Working Group is also responsible for executing our ESG initiatives, collecting and calculating ESG data and Key Performance Index (“KPI”) and reporting of ESG-related matters across our major businesses and operations.





About the Report

Stakeholder Engagement

Stakeholder engagement is an incubator of our sustainable development plan, which is also an important step to gather valuable ideas about ESG issues for materiality assessment in order to sharpen the focus of our sustainability strategy. In preparing our ESG report, we have primarily engaged major stakeholders through a number of channels. We believe that trust is built on effective communication. Ongoing interaction with stakeholders is an integral part of our day-to-day operations. Our communication channels such as comments left in our social platform, meetings, interviews enable stakeholders to express their ideas, opinions and suggestions. Our identified stakeholders include investors, employees, customers, suppliers, business partners, media, government agencies, regulators and the community. In view of materiality analysis, we have identified for a materiality matrix four key topics with sixteen aspects which become the basic elements in formulating our sustainability plan.

About the Report

SUSTAINABILITY MATERIALITY ASSESSMENT

A list of sustainability topics is identified which are potentially material to our Group in the context of our business and day-to-day operations. The materiality assessment and prioritization are summarized in the below:



Operating Practices

SUPPLY CHAIN MANAGEMENT



As a natural health food company in China market, we source raw materials within China and from overseas. The Group believes the quality of raw materials directly affects the production process and the quality of the final product. To enhance the supervision of supply chain, we have implemented different policies which include supplier development, supplier certification policy, supplier site visit guideline and other related management procedures. When assessing suppliers, on-site audit, sample testing and license audit are performed.

We believe a systematic and efficient supply chain is fundamental to ensure the stability of our production and operation. We endeavor to provide products and services with the highest quality to customers. We strictly implement the “Supplier Quality Management Manual” and “Food Fraud Prevention and Control Procedures”, and at the same time, include supplier integrity in the scope of credit, which is reflected in the supply and marketing contract to guarantee the safety of raw materials. Regularly review is conducted to ensure each supplier’s and business partner’s product standards and they follow safety standards and regulatory requirements. The frequency of supplier quality audits is determined by material risk level, supplier site risk level, supply quality performance, material importance and other factors, such as semi-annual, annual, or multiple times a year. For those qualified suppliers who supply large quantities of important materials, we inspect incoming material from suppliers which is carried out on a batch-by-batch basis and perform factory audit once a year. Besides, we also purchase agricultural product from farmers and agricultural cooperatives. General purchases are made through agricultural cooperatives or jointly contracted with companies to ensure quality assurance and traceability. All agriculture providers must hold licenses approved by the government and all goods to be sold must be imported in an appropriate way.

Quality department and R & D department jointly develop the acceptance standard of raw and auxiliary materials. After products are delivered to our factory, the quality control personnel take samples in batches for testing, perform inspection and report the results according to the acceptance standard. If we found unqualified raw materials, we generally return the materials.

Operating Practices

We are offering four different product categories and more than 90 product types. Automation management systems are applied to strengthen quality assurance and traceability of our supply chain and food safety. With our robust technology infrastructure and stringent quality control measures, our sales network has rapidly and successfully expanded across China by providing high-quality products.

To enhance our efficiency and diversify operational and compliance risks, we use outsourced logistics companies which provide third-party logistic service. Our products are delivered by trucks from our production facilities to customers' warehouses or designated locations with this comprehensive transportation system. Third-party logistic service providers are required to handle products with extra care during transportation to protect their labels and prevent damage to their packaging. We also require that third-party logistic service providers should keep all containers, tools and equipment used for storage, transportation and containing of food safe, harmless and clean so as to prevent food contamination and ensure meeting specific requirements like temperature for food safety. We regularly review third-party logistic service providers' operational and compliance aspects while they bear the liabilities for any damage or loss during transportation.

PRODUCT SAFETY



The Group has always paid high attention to food safety. Product and customer demand are of our high priorities. We strive to meet all relevant national food safety laws and regulations and standards to ensure that our products are safe and of quality. We have established policies and practices that our workforce should be vigilant of any quality concerns and responsive to customer feedback in compliance with all regulatory requirements. All our production facilities obtain SC Food Production Licenses issued by Food and Drug Administration. We are also certified to FSSC 22000 Food Safety System. The Group is fully in line with local and international standards which entrust our quality control system and production process. Procurement is our first defence. We understand that the quality of raw materials is of paramount importance.

The procurement department purchases the raw materials from accredited suppliers according to our quality standards and reliability assessment which ensures the availability of valid inspection reports and production licenses. The Group has developed a procurement management system to conduct assessment, selection, review and appraisal of its suppliers. Our suppliers and subcontractors are selected based on their background, pricing, service, quality, reputation, and after-sales support, as well as capacity to ensure stable and adequate supply. Qualified suppliers, which have been confirmed by the review and appraisal results, shall have the proven ability to meet the Company's requirements for the quality of materials to be procured.

Operating Practices

The Group requires raw materials suppliers to possess valid business licenses, related food production licenses in compliance with the related quality, hygiene and sanitary regulations. Submitting corresponding independent third-party assurance report and/or the results of laboratory tests of their products are also required during inception or when requested.

Stringent guidelines on inspection, sampling, specifications, and testing requirements are set up. Employees are required to follow guidelines throughout the process before accepting incoming raw materials. It is required to return sub-standard raw materials.

Food material supply is critical to our business and operations.

To manage the risks of supplies in terms of climate changes, harvest, price, quality, traffic, we have established diversified suppliers base for each major type of key raw materials. In reporting period, 16 suppliers contributed 60% of our annual raw material purchase cost. In overall, we believe we have established a reliable source comparable alternative within China and other foreign countries.

In the reporting period, the Group has 16 major material suppliers (2020: 30) which are located in China, collectively known as our critical suppliers.

We believe a systematic, consistent and regulated production process is the key to improve product quality.

The measurement carries out comprehensive inspection and tests in the whole production process by our quality control department. We aim to provide an efficient and safe operation and zero food contamination. For instance, we inspect the final quality control of the product process before our product is delivered for sale. Besides, our automated production line makes much of the process pollution-free to produce healthy and safe healthy food. All must wear neat uniforms before entering the production area and undergo disinfection as required. Both our production facilities and warehouses have installed pest control equipment to ensure these areas are well ventilated.

Finished products are properly packaged and stored in designated zones. Warehouse staff are required to store finished products appropriately according to the storage period and conditions, regularly inspect their appearance and shelf-life, and prevent fire, moisture, water, mold and leakage. Handling staff is required to keep all containers, tools and equipment used for storage, transportation and containing of food safe, harmless and clean so as to prevent food contamination and ensure meeting specific requirements like temperature for food safety.



Operating Practices

PRODUCT RECALL MANAGEMENT



The Group has established and implemented the Product Identification and Traceability Control Procedures. The Group has implemented full batch management for each product item entering and leaving the warehouse, by which each batch is traceable. In our product recall procedure, which include clear provisions for the preparation for recall plans, the implementation of recall activity, the disposal of recalled products, and corrective measures. In addition, the food safety team of each member of the Group regularly conducts mock tracing to enhance staff awareness of food safety risks and product recall operation procedures.

In the reporting period, no product recall case (2020: 1). In case there is any product recall case, we will perform a throughout investigation, reported the incident to the Senior Management then recalled and destroyed the affected products and implemented measures to prevent future occurrence of similar issues.

INTELLECTUAL PROPERTIES



We are constantly engaged in marketing and branding of our products through various advertising platforms including in-store displays, social media, outdoor sampling and events sponsorship. It is our policy to advertise our products and brands in a fair manner and without misleading information.

We own more than 60 registered intellectual properties, including copyrights, patents and trademarks. In the reporting period, we have taken confidentially measures and legal actions as to protect our intellectual properties.

As for our labelling activities, we require our customers to provide us with all necessary information pertaining to packaging and labelling with respect to local requirements within the stipulated territory.

Operating Practices

CUSTOMER SERVICE



We aim to provide a superior service experience to our customers. In order to improve our business, we perform customer service evaluations regularly. For online channels, we continue to strengthen process management. While providing consumers services through our WeChat public account, and customer hotline, we also improve our ability to collect and handle customer feedback.

The Group values every customer's complaint. Our customer service team apply an internal policy which promotes real-time response to product complaints, enabling us to take requisite precautions to prevent related issues from reoccurrence.

We set out policy in compliance of goods and services with the Consumer Protection Law and Product Quality Law of PRC. We attach great importance to customer information security and privacy protection. We implement a set of corresponding customer privacy protection measures to strictly safeguard the personal information of each customer. We prohibit unwarranted sharing of screenshot and revealing of personal privacy. Specific personnel are also assigned to file and archive customer information while unauthorized access is prohibited.

In a responsible manner to consumers, the Group has established stricter guidelines, to ensure the sales and marketing departments of the Group provide precise product descriptions and information that comply with the relevant local laws and regulations to the customers. For instance, we perform a comprehensive review of existing product labels, have joint departmental approval on upcoming items, engage external professionals to provide professional opinion, reference to external laboratory inspection results, and conduct periodic review current practice with industry norm and regulations update.

ANTI-CORRUPTION & WHISTLE-BLOWING PRACTICE



The Group realizes the importance of staff integrity. We strive to promote business activities within the Group are carried out in good faith and in ethical and lawful manner. The Group has established internal controls, authority limits and segregation of duties for our major processes, assigned senior management of finance department to design, implement and revise the internal controls regularly and set up an internal audit department to review and monitor the related measures independently.

Operating Practices

The management of the Group discusses and decides on contingency plans for major risks, refines countermeasures, and links such risk countermeasures with day-to-day business operations for the proper implementation by responsible departments and functionaries and make clear the crucial contingency arrangement. The Group has established a bottom-up reporting channel to ensure effective monitoring of risk countermeasures and give all full play to the role of risk management.

We prohibit all forms of bribery, extortion, fraud and money laundering and encourage reporting of non-compliance incidents or potential conflicts of interests to our senior management and/or independent internal audit function by our stakeholders. Any material non-compliance with our protocol may result in summary dismissal and/or court actions. In the reporting period, we follow relevant laws and regulations in relation to bribery, extortion, fraud and money laundering, in all material aspects.

The Group does not encounter any legal cases or actions against us in relation to bribery, extortion, fraud and money laundering in the reporting period.

We have a whistle blowing practice. Our Human Resource Department serves as our first line of reporting to which our staff are encouraged to file their concerns. We also have an intranet system for our staff to communicate important matters to the Senior Management.

The management of the Group understand the importance of whistle-blowing policy and system and hence, is in the plan of formulating a more stringent whistle-blowing policy that will meet the expectation of the market and our stakeholders.

COMMUNITY INVOLVEMENT



As a responsible corporation, the Group has been working towards to building a beautiful and healthy community and maintaining communication and interaction with the community to contribute to the development of the community. For promoting the awareness of environmental protection of the Yangtze river's ecosystem, the Company has been engaged in a continuous donation program with an environmental protection association which is registered with The Sichuan Provincial Civil Affairs Department.

In the reporting period, the Company donated amount and products valued amounted to RMB743,000 (2020: RMB500,000).

Employment Practices

DIVERSITY AND EQUAL OPPORTUNITY

We believe that employees are the most important assets of an enterprise and the core driving force for continuous development. We are committed to improving the employment system and striving to provide employees with comprehensive protection of their rights and interests. As we uphold the principles of openness, fairness, and impartiality, we advocate employee diversity and resolutely oppose discrimination, striving to eliminate any injustice to candidates and employees arising from factors such as gender, age, race, religious beliefs and gender orientations. With a view to protecting the legitimate rights and interests of employees, the Group's working hour policies for its employees have been in strict compliance with national laws and regulations. Our employees have standardized working hours, and enjoy paid leave, maternity leave, sick leave, public holidays, and designated rest periods, which guarantee they have sufficient rest time and appropriate work-life balance. Besides, we prohibited the use of child and forced labor. In the recruitment and selection of talents, those under 16 years of age must not be recruited by reviewing the identification of personnel. Any material non-compliance with our protocol may result in summary dismissal.

EMPLOYEE STRUCTURE

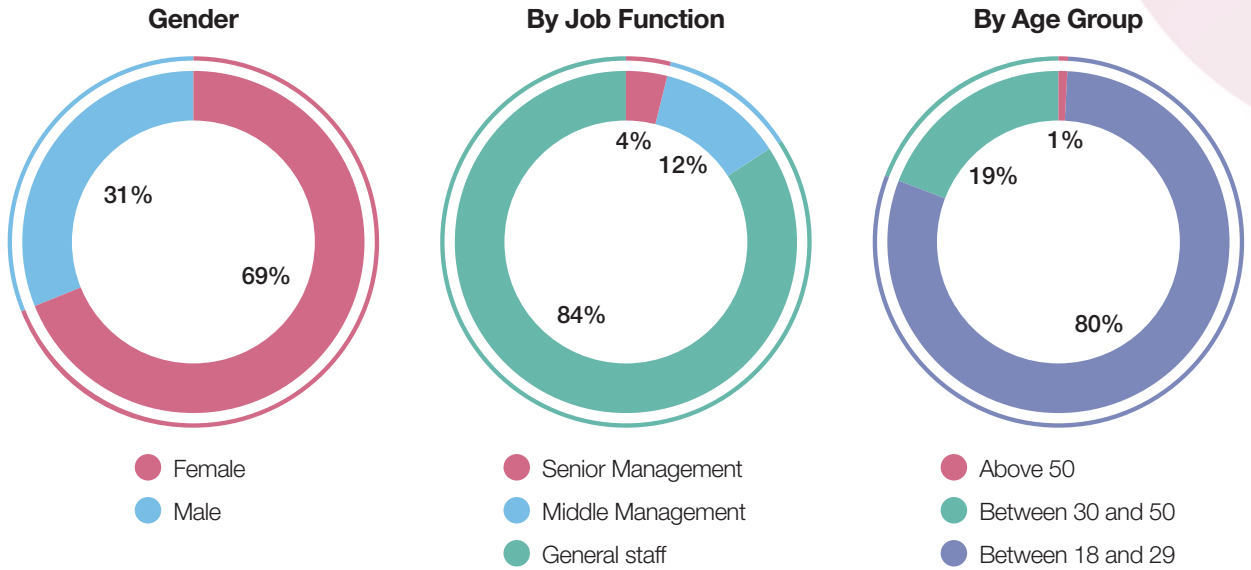
As of 31 December 2021, we have 630 full time employees (2020: 659). In the course of our operation and industrial characteristic, front line staff tend to come and go simultaneously. We do not hire part time staff in our operation.

An employee handbook is established for regulating recruitment, promotion, discipline, working hours and vacations. It is required staff must have a good understanding of the contents of the handbook. Employees who fail to comply with the company's regulations are first given a warning notice and, in serious cases, are dismissed. We have created a harmonious working environment as well as a safe and comfortable workplace to build a business platform for every staff to grow with the Group. Our employment practices are well written according to relevant PRC law and regulations, namely Labour law, Production Safety Law and Prevention and Control of Occupational Diseases. In the reporting period, the Group follows relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards, in all material aspects.

We have established a consistent recruitment process that aims to recruit and attract talent to our teams suited to the job requirements of each department. The Group's recruitment method is mainly network social recruitment, internal recommendation, campus recruitment with reference to factors such as their experience, qualifications and expertise required for our business operations. Applicants who meet the requirements for a post are given equal interview opportunities regardless of gender, age, race, religion or disability. A detailed description of the job, including duties, welfare and salary packages are also provided. Applicants who have relatives who work in the same Group must clarify personal relationships and that family members' work in the Group is not affected.

Employment Practices

Our employee’s remuneration is determined based on factors such as qualification, contribution, and years of experience. We regularly conduct employee performance assessments and those with excellent performance are given promotion opportunities.



To enhance our internal control on the social insurance premium and housing provident funds, we have obtained legal advice and assigned our finance and human resource department to monitor the status of monthly payments. Also, we provide entry-level employees with insurance policies.

In the reporting period, the Group follows relevant laws and regulations in relation to staff compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other staff benefits, in all material aspects.

Employment Practices

EMPLOYEE BENEFITS AND WELFARE

We are committed to providing employees with competitive compensation and comprehensive welfare and protections. We regularly review our compensation and benefits programs in order to attract, motivate and retain talented employees. Annual reviews are conducted to exchange comments, offer adjustments and/or promotions to employee which are commensurate with their performance. In order to maintain the smooth and sound relationship between employees and employers, we regularly organize social and recreational activities for employees to enrich work and social life. In the reporting period, the Group arranged a number of meaningful activities for its employees, including annual dinner, staff award programs and team building trips.

TRAINING, EDUCATION AND DEVELOPMENT

The Group is committed to providing employees with comprehensive training that caters for job requirements and career planning, which in turn provides a dynamic and innovative talent pool for the long-term development of the Company. Through a combination of orientation in-house training and on-the-job training, the Group strives to make sure that all employees are equipped with operational abilities. It helps employees learn and grow in practice, supporting and encouraging them to pursue for self-improvement and life-long learning. We offer continuing education programs in place to cultivate our employees' professional skills and capabilities. For example, we organized a supplier on-site assessment class for law department and product department to strengthen their professionalism, inspection skills and our procurement management.

Anti-Corruption Training

The Company has rolled out a rotation plan of anti-corruption trainings in the reporting period. We intend to provide anti-corruption trainings, through professional organization, to our Directors and Management and front-line sales department personnel first, and then gradually extend such training to our staff on a 4-year rotation plan targeting to attain a 100% training coverage in 4 years.

Employment Practices

OCCUPATIONAL HEALTH AND SAFETY

To provide and maintain a safe, clean and environmentally friendly working condition for employees, the Group has established a series of work safety policy and standard operating procedures. We have implemented the responsibility for production safety and accountability, comprehensively carrying out the investigation and handling of hidden hazards in production safety. We also provide information, training, and protective equipment to ensure employees' safety. We strictly comply with all applicable local health and safety regulations. In addition, the Group provides occupational safety education and training to employees to enhance their safety awareness. We strove to raise employees' safety awareness and improve their risk prevention capabilities on a continuous basis. The Group provides work protocol and safety guideline. With the goal to effectively manage occupational safety and health, the Group adopts appropriate and adequate tools in order to improve the effectiveness of the operation. Besides, the Group posts safety and operational instructions in conspicuous places, and thereby reducing the possibilities of significant occupational safety and health impacts.

An occupational hazard contributes to severe health problems among workers. Interventions on awareness-raising will be continued to lessen the risk of safety hazards. In the reporting period, the Group follows relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards, in all material aspects. In the reporting period, the Group two minor job-related injury was noted. The Group has not encountered any work-related fatality incidents in the past three years. We monitor the effectiveness of safety-related controls continually and conduct assessments on its health and safety performance in order to conserve a healthy and safe workplace for our employees and protect them from work related injuries.

Twice Daily Temperature Screening

OUR EFFORTS AND MEASURES AGAINST COVID-19

In relation to the COVID-19, our Company and operations have fulfilled all the lockdown and quarantine requirements imposed. In addition, we have also established necessary precaution measures, including regularly sanitising our workplace premises, allowing flexible working arrangements, minimizing socializing, requiring compulsory mask-wearing and setting up a reporting mechanism to timely report suspected or confirmed infection cases of our employees and their associates. Certain work safety & health measures are enhanced, some protocol highlighted below:

Twice daily temperature screening

Physical segregation of team

Staggered working hours to reduce overcrowding

Workplace cleaning is step up especially at contact points

Hand sanitisers are provided to all staff

Record visitor's footprint in all of our premises

Annual compulsory body check on all full time staff

Environmental Performance

We believe that quality living is about enriching lives today as well as caring for future generations, environmental protection is a fundamental part of our sustainable development. As a healthy food provider, we offer consumers a wider range of natural health foods. We concentrate our resource on managing our core operation (procurement, production and sales) by engaging external professional parties to take up auxiliary workflow (logistic) to enhance the overall efficiency.

In FY2021, our major environmental impacts on the environment and natural resources are Greenhouse gas and GHG emissions which were mainly attributed to the consumption of electricity and fuels. The related KPIs are presented in the succeeding section “ENVIRONMENTAL KEY PERFORMANCE INDICATORS”

USE OF RESOURCES

Our major resource consumption are raw materials in our food processing operation while the major source of GHG emissions emitted by the Group is the use of purchased electricity, LPG and water. Reassessed work practices apply across our businesses to improve resource utilization, reduce our emissions and manage waste responsibly. With numbers of locations including warehouses, offices, and production units, we continually identify ways to improve energy efficiency by replacing energy intensive equipment, actively conserving resource and regularly assessing operating performance. We rely on the water supply of the government. We do not anticipate having problem in sourcing water for our operation. We will conduct water conservation study according to our operation demand. We put effort to reduce water consumption, such as encouraging everyone to close faucets after use and maintaining water supply equipment immediately when dripping is discovered.

CONSUMPTION MANAGEMENT

The Group employs multiple energy saving initiatives to improve the operating efficiency of equipment or devices and reduce energy consumption. In terms of lighting system, the Group has separated light switches for different light zones, keeps the lighting fixture clean and installs LED lightings to replace traditional fluorescent light tubes and reminds employees to switch off unnecessary lights. To reduce the use of air conditioning, employees are required to switch off the air-conditioners during non-working hours and allowed to dress casually. Room temperature is maintained at 25.5 degree Celsius at all time. Air conditioning systems are also cleaned regularly to enhance their operation efficiency. The Group also encourages employees to set the computers to automatic standby or sleep mode and to turn off unused electrical devices before leaving the office.

Environmental Performance

WASTE MANAGEMENT

Emission generated by our operations primarily consist of oxides from vehicular exhaust, purchased electricity and water. In order to reduce our impact on the environment, we carefully monitor the fuel-efficiency of our in-house fleets. In our production plant, designated personnel are assigned to oversee the existing wastewater treatment facilities according to GB8978-1996 PRC discharge standard of water pollutants. The amount of waste water increased along with our operation level, we do not have a comprehensive study on its coefficient at the moment. The major waste water generated by the Group is domestic sewage, which is directly discharged to the municipal drainage system.

The non-hazardous waste of the Group mainly includes general waste. General wastes are collected and handled by the qualified waste processor. Regarding to hazardous waste (raw materials with metal content detected), our business units follow strict procedures for proper treatment, collection and hand hazardous waste over external hazard waste collectors to handle hazardous waste. We are assessing if any reduction target could be set feasibly.

COMPLIANCE OPERATION

Compliance operation always come first.

The operation policy and process comply with all relevant environmental laws and regulations in PRC during our daily operation including prevention and Control of Water Pollution, Prevention and Control of Environmental Pollution by Solid Wastes, Environmental Protection Law and Conserving Energy Law.

To improve our operation efficiency, our management team strictly monitor, manages and evaluate to make every possible improvement in our operation (efficient resource consumption, waste minimization, recycle and reuse promotion).

RESPONDING TO CLIMATE CHANGE

The Board is of the view that the Group is not subject to material climate change-related risks and impacts. Although, the Company do not perform a study on climate change effect or impact, we do provide various form of resource conversation actions in our operations. Therefore, our emission level follows our production level.

The Group understands the direct relationship between sustainable development and competitiveness. The energy consumed and waste generated by business activity does make an impact on water, air and soil resources, and therefore on the ecosystem. The Group also recognises the importance of balancing economic, environmental and social needs. All Group subsidiaries continue to introduce technical refinements and innovations to fulfil targets for reducing, reusing, recycling and renewing natural resources, reducing emissions and waste, improving the utilisation efficiency of natural resources, and minimising their operations' effect on the environment and natural resources. It is our policy to encourage management and employees to take instead of airlines for business trips as to lower indirect emission.

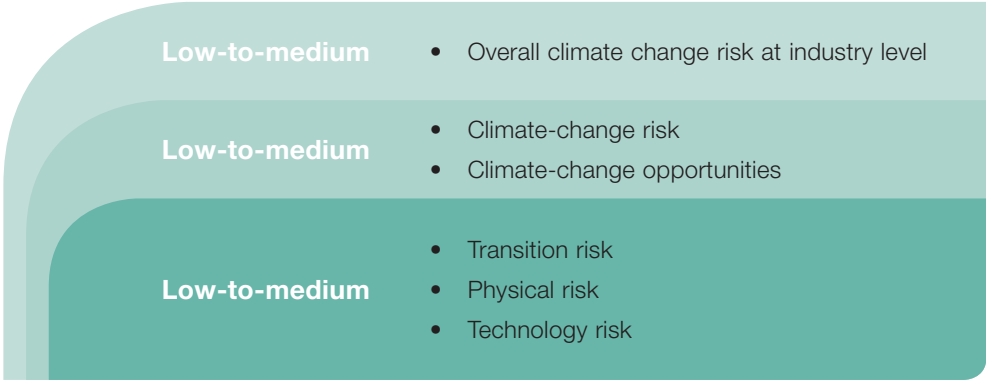
Environmental Performance

In the reporting period, the group introduced numbers of electric forklifts in the warehouse to replace retired diesel used forklifts. The estimated annual travel distance of these electric forklifts is 270,000 km and consumed 714,000 kwh.

The Company takes reference to the recommendations and approach set out by The Task Force of Climate-related Financial Disclosure (“TCFD”) in assessing the climate change impacts on the Group. We have assessed a series of risks, including:

1. Transition risks that may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change in the course of Transitioning to a lower-carbon economy. There are four sub-risks, namely Policy and Legal Risks, Technology Risk, Market Risk and Reputation Risk.
2. Physical risks that may have financial implications for the Group, such as direct damage to assets and indirect impacts from supply chain disruption, which can be driven by acute events (“Acute Events”) or longer-term chronic shifts (“Chronic Shift”) in climate patterns.

Based on the on-going assessment of the Company, the Company believes the Group is subject to lower physical risk, particularly those driven by acute events. The overall risk-rating of climate-change-related risks and opportunities of the Group is considered low as presented below.



Environmental Performance

Climate Change Impact Assessment

The board has instructed the ESG working Committee to perform an assessment on the climate-change-related risks and opportunities of the Group. The following table presents the summary of the Group's assessment.

Type	Climate-Related Risks and Opportunities	Our measures or approach	Potential Financial Impacts when risks are realized
Transition Risk	Policy and Legal	The Group is of the view that there are no regulatory or market policies or technology changes directly related to the Group operations that would have significant impact on the Group.	Remote The risks and impacts are considered remote.
	Technology		
	Market	✓ Customers may have higher expectations of our image and services from an environmentally friendly perspective.	Possible There is a possible impact on the reputation of our Company.
	Reputation		
Physical Risk	Acute events	The Group is of the view that it is not subject to physical risks brought alone from climate change. However, the Group will take a monitoring approach and will continuously monitor the change in physical risks.	Remote The risks and impacts are considered remote.
	Chronic shifts		
Opportunities	Resource Efficiency	The Group is of the view that there are no regulatory or market policies or technology changes required or on the trend that would have significant impact on the Group.	Remote The opportunities and benefits are considered remote.
	Energy Source		
	Products & Services		
	Market	Customers may have higher expectations of our image and services from an environmentally friendly perspective.	Possible There is a possible market if we can build an environmental supply chain.
	Resilience		

Social Key Performance Indicators

Social indicators	2021	2020
Employments		
Total number of employees ¹	630	659
By Gender		
Male	193	210
Female	437	449
By age group		
Below 30 years old	117	95
30 to 50 years old	505	554
Above 50 years old	8	10
By ranking		
Managerial grade and above	275	256
General staff and sales force	355	403
By geographical region		
Mainland China – Guangdong province	322	326
Mainland China – Other province	308	333
Others	0	0

Note 1 – employees here refer to regular staff with employment contractual relationship with the Group.

Employee turnover rate¹	2021	2020
General turnover rate	41%	42%
By gender		
Female	39.6%	40.5%
Male	46.1%	45.2%
By age group		
Aged 50 or above	75.0%	10.0%
Between 30 and 49	38.8%	40.1%
Between 18 and 29	51.3%	56.8%

Note 1 – employees here refer to regular staff with employment contractual relationship with the Group.

Social Key Performance Indicators

Training statistics	2021	2020
Total hours of training received by employees (hours)	188	3,204
Average training hour (regular staff divided by total training hours)	0.30	4.86
By gender (hours)		
Female	123	2,063
Male	65	1,161
By Collar ranking (hours)		
Senior management	7	(note 2)
General staff	181	(note 2)
By training theme (hours)		
Occupational skills	88	878
Managerial skills	100	1,222
By training institutions (%)		
Internal training	188	3,179
External training	0	25

Note 1 – employees here refer to regular staff with employment contractual relationship with the Group.

Note 2 – FY2020 training record do not cover collar ranking.

Work health safety – injury and fatalities statistic	2021	2020	2019
No of injuries (By cause of incident)			
Employee own fault	2	3	4
Caused by 3rd parties	0	0	0
Environmental factors	0	1	0
Traffic related	0	1	0
Lost of workings days due to reported injuries	176	140	31
Legal case related to reported injuries	0	0	0
Compensation other than paid leave related to reported injuries	0	0	0
Case of Loss of life or induce permanent disability	0	0	0
Compensation paid	89,381	37,956	0

Note 1 – employees here refer to regular staff with employment contractual relationship with the Group.

Environmental Key Performance Indicators

Emission Type	Indicator	FY2021	FY2020	2021 Intensity
Greenhouse gas²	Direct emissions – Scope 1 ³ (tonnes CO ₂)	3,098	1,892	1.92
	Indirect emissions – Scope 2 ⁴ (tonnes CO ₂)	4,856	4,776	3.02
	Indirect emissions – Scope 3 ⁵ (tonnes CO ₂)	19	20	0.00
Exhaust gas	Sulphur Dioxide (SO _x) – tonnes	3	10	0.00
	Nitrogen Oxides (NO _x) ⁶ – tonnes	212	1,080	0.13

Major resource consumed	Unit	FY2021	FY2020	2021 Intensity ¹
Water – processing	tonnes	59,250	68,582	36.80
Electricity – processing	kWh '000	6,796	6,008	4.22
Diesel fuel	Liter	6,919	18,030	4.30
LPG	unit	1,045,000	501,200	649.07
Paper & packaging box	tonnes	15,850	5,909	9.84

Notes to above table:

- 1 Intensity is calculated by the emissions by the Group's revenue for FY2021 (approximately RMB1,610million).
- 2 GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.
- 3 Major source of Scope 1 emission came from usage of LPG.
- 4 Major source of Scope 2 emission came from usage of purchased electricity.
- 5 Major source of Scope 3 emission came from processing fresh water and sewage by government departments.
- 6 Major source of exhaust gas came from consumption of diesel fuel. The significant decrease due to introduce of electric forklifts in the warehouse which substitutes 270,000 km travel distance which original contributed by diesel forklifts.
- 7 Hazardous waste means raw material with metal content which has been return to raw materials supplier or disposed where quantity immaterial to our operation and did not include in the scope of this report.
- 8 Non-hazardous waste totals have been deemed immaterial to our operations and are not included in the scope of this report.

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A. Environment			
A1 Emission	Information on:	Environmental performance	Complied
	(a) the policies; and		
	(b) compliance and material non-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, generation of hazardous and non-hazardous wastes, etc.		
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicators	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	We don't have material hazardous waste produced	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	We are assessing if any emission target can be feasibly set.	Explained
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management We are assessing if any reduction initiative(s) can be feasibly set	Explained

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Use of resources, consumption management, and waste management	Complied
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).	Environmental Key Performance Indicators	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	We are assessing if any emission target can be set and feasibility.	Explained
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of resources We are assessing if any emission target can be set and feasibility.	Complied
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Key Performance Indicators	Complied

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A3 The Environment and Natural Resources	Policies on minimizing the operation’s significant impact on the environment and natural resources.	Our operation does not induce significant impact on environment and natural resources. For details, please refer to section “Responding to Climate Change”.	Explained
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our operation does not induce significant impact on environment and natural resources. For details, please refer to section “Responding to Climate Change”.	Explained
Aspect A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our operation does not induce significant impact on environment and natural resources. For details, please refer to section “Responding to Climate Change”.	Explained
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.	Our operation does not induce significant impact on environment and natural resources. For details, please refer to section “Responding to Climate Change”.	Explained

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B. Social			
B1 Employment	Information on:	Employment practices	Complied
	(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.		
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment practices	Complied
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment practices	Complied
B2 Health and Safety	Information on:	Occupational health and safety	Complied
	(a) the policies; and		
	(b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational health and safety	Complied
KPI B2.2	Lost days due to work injury.	Occupational health and safety	Complied

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational health and safety	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training	Complied
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and training	Complied
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and training	Complied
B4 Labour Standard	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Diversity and Equal Opportunity	Complied
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment practices	Complied
KPI B4.2	Description of steps taken to eliminate such Compliedpractices when discovered.	No violation was noticed. Please refer to section "Employment practices" for details.	Explained

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supply Chain Management	Complied
KPI B5.1	Number of suppliers by geographical region.	Since we have more than thousands suppliers, only critical suppliers of our top 5 materials are disclosed in the section of “Supply chain management.”	Explained
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.	Supply Chain Management	Complied
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	Complied
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	Complied

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Safety	Complied
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Recall Management	Complied
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Details of material products complaint received is disclosed in the section “Product recall management”.	Complied
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual properties	Complied
KPI B6.4	Description of quality assurance process and recall procedures.	Product Recall Management	Complied
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Intellectual Properties	Complied

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SEHK ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Anti-corruption and Whistle blowing practice	Complied
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.	We didn't have any legal case regarding corrupt practices in the reporting period. For details, please refer to Anti-corruption.	Complied
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption and Whistle blowing practice	Explained
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Development and training & Anti-corruption training	Explained
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Community Involvement	Complied
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Involvement	Complied
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Involvement	Complied