



HUAJIN INTERNATIONAL HOLDINGS LIMITED

華 津 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2738)

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2021

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ABOUT THIS REPORT

This Environmental, Social, and Governance Report (the “Report”) sets out the organisational performance in fulfilling the environmental and social responsibilities of Huajin International Holdings Limited (the “Company”) and its subsidiaries (the “Group” or “we”). It is published on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (www.hkexnews.hk) and the Company’s website (www.huajin-hk.com).

REPORTING SCOPE

This report presents the Environmental, Social, and Governance performance of the Group for the financial year from 1 January 2021 to 31 December 2021 (the “Year”). The Report covers the Group’s headquarters and our two major subsidiaries operating in the PRC, namely Jiangmen Huajin Metal Product Company Limited (“Jiangmen Huajin”) and Jiangmen Huamu Metals Company Limited (“Jiangmen Huamu”). The Group’s headquarters in the PRC is located at Xinsha Industrial Park, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC. Unless otherwise indicated, all numbers herein are absolute. Personnel from contractors are not considered as employees of the Group.

Looking ahead, the Group will review the scope of our report in a regular manner and gradually expand the scope of disclosure based on the principle of materiality to provide stakeholders with more comprehensive information.

REPORTING STANDARDS

The Report has been prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Reporting Guide”) under Appendix 27 of the Listing Rules from the Stock Exchange, with the four reporting principles, i.e. Materiality, Quantitative, Balance and Consistency as the reporting base. A complete index is appended to the last chapter hereof for cross reference according to the ESG Reporting Guide.

REPORTING PRINCIPLES

The Report adhered to the ESG Reporting Guide and applied the following principles:

Materiality: In order to identify and assess the material concerns of our stakeholders, the Group identifies the material social issues through interviews with management and questionnaire surveys targeted at internal and external stakeholders, as well as evaluating the impact of various environmental, social and governance issues on the operations of the Group. For more information about this, please refer to the section headed “Materiality Assessment”.

Quantitative: This Report would perform an annual performance comparison with suitable quantitative data recorded and estimated by relevant departments of the Group when applicable, and state the information of the standards, methodologies, assumptions and/or calculation references wherever appropriate.

Balance: The information and cases in the Report are mainly derived from the statistical reports, relevant documents and internal communication documents of the Group in 2021. The Group undertakes that there are no false statements or misleading representations in the Report, and makes the fair disclosures on critical aspects of our performance, in terms of the progress made and continuing challenges that we are dealing with.

Consistency: The Report complies with the ESG Reporting Guide issued by the Stock Exchange. If any changes may affect the comparison with previous reports in the future, the Group will make explanatory notes to the corresponding section hereof.

FEEDBACK

The Group welcomes all stakeholders to provide feedback on our ESG approach and performance. Please share your opinions with us through the following channels:

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ABOUT HUAJIN



Corporate culture	
Corporate spirit	Unity & loyalty, pursuing excellence, pragmatic innovation, and being enterprising.
Business philosophy	Working hard, giving back to society, and growing bigger and stronger.
Corporate objective	Create a first-class brand.

The Group is principally engaged in processing of hot-rolled steel coils into cold-rolled steel strips, sheets and welded steel tubes and galvanized steel products customized to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. The Group provides processing, cutting, slitting, warehousing and delivery services on customized cold-rolled steel products and galvanized steel products.

ESG STATEMENT OF THE BOARD

The management of the Group is committed to integrating corporate social responsibility into our business operations. The Board assumes full responsibilities for the sustainability matters of the Group, including formulating strategies, monitoring the Company’s ESG performance, and approving the Report. To promote common corporate risk management across the Group, we have established a risk management and internal control system, and the Board of Directors is responsible for continuous monitoring and review of its effectiveness. For more information on the ESG governance structure and risk management, please refer to the section “Governance for Sustainability”.

We are committed to creating long-term value for all stakeholders. To this end, we listen to their opinions and feedback carefully and predict their needs and expectations. During the Year, the Group conducted interviews and questionnaires targeted at the management, internal and external stakeholders of the Group respectively to understand their opinions on the sustainability of the Group, and to identify ESG issues that are significant to our operations and stakeholders. Their opinions help the Group to understand and assess our ESG performance and to develop relevant strategies.

The Group is also committed to providing customers with products and services that meet their needs and creating long-term value and potential growth for customers and partners. We also take care of our employees from different aspects, and provide them with a variety of learning opportunities and activities, in an effort to create a nice workplace for employees. In respect of the working environment, we proactively promote green development. The Group has put its investment in technological transformation, energy conservation and environmental facilities, in an effort to build the Group into a first-class Chinese brand that is eco-friendly and innovative.

Sustainability is an eternal journey that requires continuous improvement and commitment to the community. The Board understands that enacting the promise of sustainable development is one of the important elements of our business growth and expansion, so the Group is still upholding the philosophy of “green” business to create a positive impact on the community and the environment.

Looking ahead, the Group will continue to strengthen communication with stakeholders and improve our corporate social responsibility management system to further enhance the Group’s environmental and social performance, with a view to meeting the requirements of regulators and investors in respect of sustainability issues, and creating long-term and persistent value for shareholders and stakeholders of the Group.

Our ESG Objectives
<p>Responsible operation</p> <ul style="list-style-type: none">• Complying with laws and regulations — Ensure our corporate governance structure meets the applicable laws and regulations• Code of ethics — Uphold the ethical standards of business integrity and foster a culture of compliance throughout the Company• Product quality — Ensure that our products are good quality and compliant with the highest safety standards• Contribution to the society — Cooperate with local charities to support the vulnerable groups and those in need
<p>Green Production</p> <ul style="list-style-type: none">• Environmental management — Monitor various environmental parameters and review production plans regularly to minimize related environmental impacts• Green manufacturing practice — Minimize the environmental impacts of our operations• High-performance production chain — Maximize our resource efficiency and improve productivity

Employee care

- Cultivating talents — Foster a continuous learning environment and encourage employees to develop and advance their careers in the Company
- Embracing diversity — Respect the labor and human rights of all our employees, and maintain a high ethical standard, with clearly defined human resources management policies, and promote an inclusive culture throughout the company
- Working safely — provide a pleasant, supportive and healthy workplace for our employees, and foster a caring working environment

GOVERNANCE FOR SUSTAINABILITY

The internal ESG governance structure of the Group consists of both members of the Board of Directors and general employees to ensure that all departments engage in the sustainability issues of the Group so as to effectively monitor and implement the sustainability performance of the Group. In particular, the Board is responsible for supervising and reviewing relevant ESG performance and formulating the Group's ESG development strategy and direction. All business units are responsible for monitoring and implementing the ESG development strategy and direction formulated by the Board, and reporting the ESG results and performance of the Group to the Board of Directors on a regular basis.

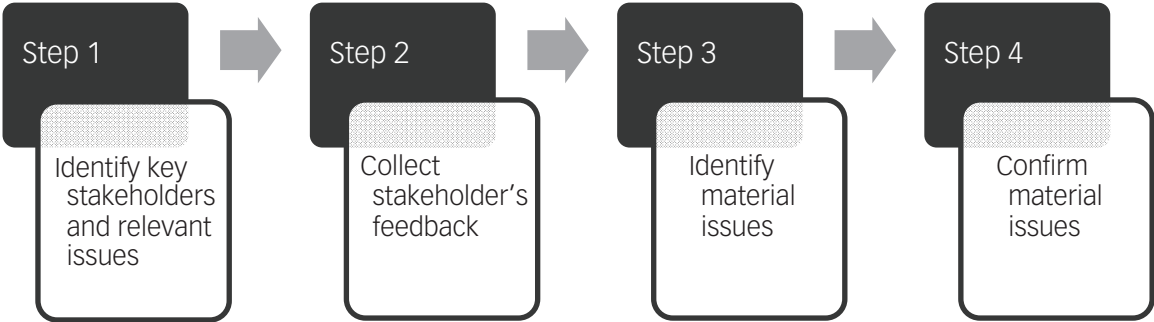
Besides, the Group has established a risk management and internal control system. The Board of Directors and the audit committee reviews the effectiveness of the system every year and encompasses major control measures, including, but not limited to, controls on finance, operation, compliance and sustainable development operation, as well as engages external independent professionals to assist in identifying and assessing the risks of the Group through interviews. The Board is accountable for our ESG strategies and reporting, as well as responsible for overseeing and managing our ESG-related risks. The Board believes that the internal control and risk management system are effective and sufficient.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In order to strengthen the Group’s business development and corporate social responsibility, we actively listen to the opinions of all stakeholders and continuously obtain an understanding of and respond to the concerns of different stakeholders, so as to build a relationship based on mutual trust and mutual benefit with our stakeholders to promote sustainable development. Below are the principal communication channels we used to communicate with our stakeholders. The communication modes between the Group and stakeholders are as follows:

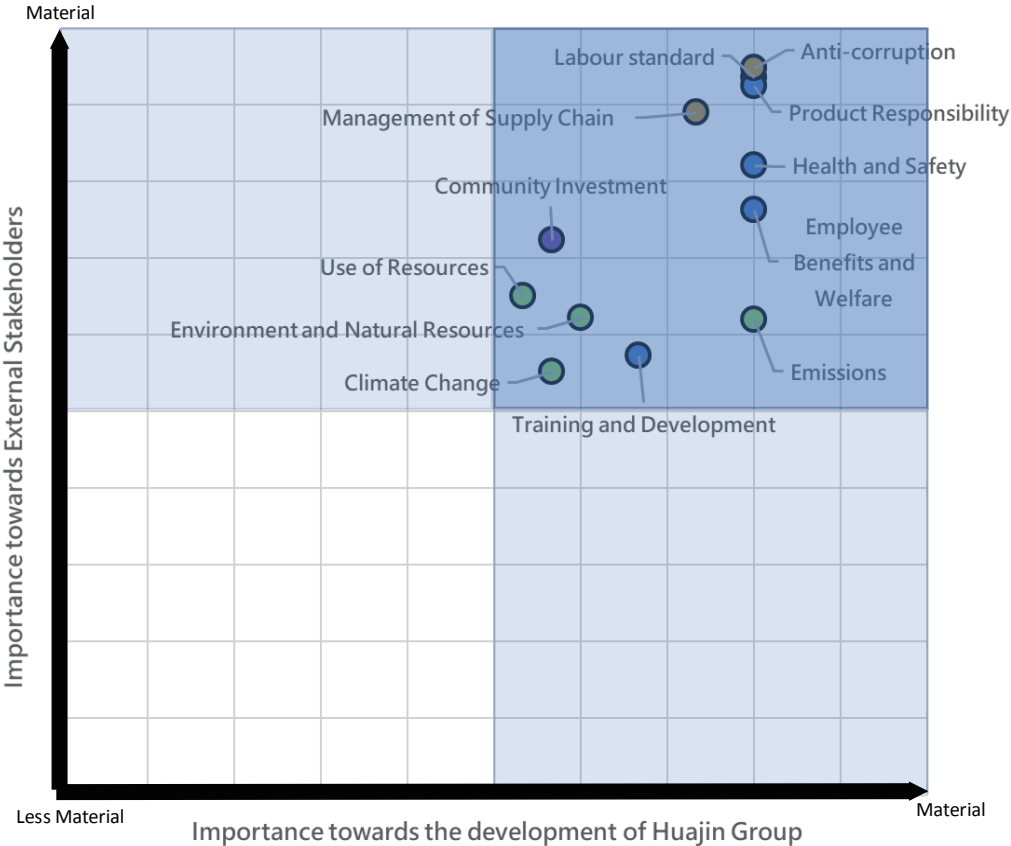
	Stakeholders	Focus areas of ESG	Major communication channels
Internal	Employees	<ul style="list-style-type: none"> • growth and win-win • labour standards • health and safety 	<ul style="list-style-type: none"> • occupational health and safety training • regular meetings • internal publications/bulletin boards • suggestion box/mailbox/email • working performance appraisal
	Management committees	<ul style="list-style-type: none"> • pollution control • making good use of resources • promoting green operations 	<ul style="list-style-type: none"> • company website • annual and interim reports • annual general meeting and other shareholders’ meetings • press releases (if any), announcements, financial and • other information about the Group and its business
External	Investors	<ul style="list-style-type: none"> • pollution control • making good use of resources • promoting green operations 	<ul style="list-style-type: none"> • announcements • annual and interim reports • company website
	Customers	<ul style="list-style-type: none"> • product responsibility • supply chain management • promoting green operations 	<ul style="list-style-type: none"> • phone/email • customer quality evaluation form • customer visits or factory audits • trade exhibitions
	Suppliers	<ul style="list-style-type: none"> • supply chain management • promoting green operations 	<ul style="list-style-type: none"> • phone/email • field survey • annual review of suppliers
	Government	<ul style="list-style-type: none"> • pollution control • making good use of resources • promoting green operations 	<ul style="list-style-type: none"> • government websites • official documents/meetings • correspondences/visits • supervision/inspection
	Environmental organisations	<ul style="list-style-type: none"> • pollution control • making good use of resources • promoting green operations 	<ul style="list-style-type: none"> • participation in community activities • donation/sponsorship

During the Year, to better understand stakeholders' awareness and vision of ESG aspects, the Group conducted stakeholder engagement activities and materiality assessments, including surveys on management, external and internal stakeholders. In particular, the materiality assessments are carried out according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange and the steps below. The Group invites internal and external stakeholders to rate different issues in the aspects of environmental protection, employment and labor practices, operating practices, and community investments through surveys, thereby understanding the extent of stakeholders' concern on each issue.



Materiality assessment

Based on the results of the survey, we conducted a materiality analysis to identify material issues. The following graph shows the materiality matrix of the Group, in which 12 ESG-related issues marked are considered equally material according to the assessment. The Group has taken corresponding measures for the materiality issues identified, the elaboration of which is set out in the subsequent sections. The Group will continuously strive to establish diversified, transparent, honest and accurate communication channels to provide an important basis for the Group’s ESG strategies.



A. GREEN PRODUCTION

1. EMISSIONS CONTROL

Pollution is an inevitable by-product during the process of production. However, as a responsible enterprise, we make every effort to achieve consistent commitment to environmental protection, by adopting a series of measures to reduce environmental impacts, involving curbing exhaust gas and greenhouse gas emissions; sewage, land pollution and reducing the generation of hazardous and non-hazardous waste. The environmental measures implemented by the Group in business operations are illustrated by the following categories.

The Group strictly abides by all applicable environmental protection laws and regulations, such as the “Environmental Protection Law of the People’s Republic of China” (中華人民共和國環境保護法). During the Year, there was no violation of any regulation.

Air pollutants management

We strictly comply with the Atmospheric Pollution Prevention and Control Law of the People’s Republic of China (中華人民共和國大氣污染防治法) and the exhaust emission indicators of Guangdong Province in our daily production and operation processes. Air emissions from the production process are mainly generated by the combustion of natural gas in hot water furnaces and the emission of hot-blast stoves. The Group consistently engages a third-party independent agency with valid qualifications to regularly monitor our air emissions to ensure that the regulatory requirements are met. During the Year, all our air emissions parameters met the requirements of the “Boiler Air Pollutant Emission Standard” (《鍋爐大氣污染物排放》) (DB44/765-2010) and the Class 2 standard limits and Period II Class 2 standard limits of the “Air Pollutant Emission Limits” (《大氣污染物排放限值》) (DB44/27-2001).

The data on gas fuel and vehicle exhaust emission is set out below. The exhaust emissions generated by the Group are mainly due to the transportation of our vehicles. Our operating mode in 2021 is similar to that of the previous years, and hence the exhaust emissions generated by the Group due to the transportation of our vehicles during the reporting period are similar to that of last year.

		2020	2021
Pollutant	Unit	Emission of air pollutants	
Nitrogen oxides (NOx)	kg	1,090.58	1,116.73
Sulphur oxides (SOx)	kg	2.95	3.32
Particulate matters (PM)	kg	77.50	80.94
<i>Remark:</i> The calculation is based on the Reporting Guidance on Environmental KPIs published by the Stock Exchange			

Greenhouse gas management

GHG emissions management target

	Unit	Huajin’s performance	3-Year target*	Completion status
GHG emissions intensity (per kiloton of production volume)	tCO2e-/kt	Reduced 32%	Reduce 30%	Achieved
<i>Notes:</i> * The target base year is 2017; The Group will set a carbon reduction target for 2025. The planning report is still under preparation and will be completed in mid-2022.				

The Group has been cooperating with a Jiangmen-based energy supplier, and has built a solar energy system in the factory area since 2019. As of now, we have generated approximately 10,450,000 kWh of electricity by solar power and sold approximately 2,760,000 kWh of on-grid energy. The Group used the remaining electricity of about 7,690,000 kWh, which is equivalent to a reduction of about 8,403.89 tons of carbon dioxide emissions. In the future, the Group will continue to seek more opportunities for the reduction of carbon emissions.

The Group responded to the national policy of low-carbon economic development actively. In order to minimize the emissions, the Group conducted quantification with reference to the international standards of greenhouse gas accounting systems such as ISO14064–1:2006 and ISO14064–3:2006. The Group also managed and reduced the emission of greenhouse gas in various aspects and implemented different policies such as stopping the use of biological particles, and adopting clean energy (natural gas) as fuel only. The Group will continue to assess, record and disclose annual greenhouse gas emissions and other environmental data, to further formulate its emission reduction target.



The Group’s greenhouse gas emissions are as follows. Since the production volume in the Year has increased when compared with that in 2020, the relative resource consumption has increased as compared to 2020, and the related greenhouse gas emissions have also increased accordingly.

Emissions category of greenhouse gases	Unit	Emissions of greenhouse gases	
		2020	2021
Total emissions of greenhouse gases	tCO _{2e}	120,959.33	139,191.39
GHG emissions intensity*	tCO _{2e} /kt	114.76	120.44
Direct emissions (Scope 1)	tCO _{2e}	20,426.86	28,258.68
Direct emissions intensity*	tCO _{2e} /kt	19.38	24.45
Energy indirect emissions (Scope 2)	tCO _{2e}	100,532.47	110,832.71
Energy indirect emissions intensity*	tCO _{2e} /kt	95.38	95.90

Notes:
 The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Fifth Assessment Report, and 2019 Baseline Emission Factors for Regional Power Grids in China;
 * Intensity is calculated per kiloton of production volume
 Scope 1 includes emissions from fixed combustion of natural gas and direct combustion from vehicles of diesel and gasoline;
 Scope 2 includes emissions of electricity consumed.

Waste management

Waste target

	Unit	Huajin’s performance	3-Year target*	Completion status
Hazardous waste Intensity (per kiloton of production volume)	t/kt	Increased 216%	Reduce 5%	Not achieved #
Non-Hazardous waste Intensity (per kiloton of production volume)	t/kt	Reduced 63%	Reduce 50%	Achieved
<i>Notes:</i> * The target base year is 2017; # The hazardous waste target has not been achieved as scheduled. The Group will conduct in-depth evaluation and research to set effective and feasible targets and management plans. The Group will set a solid waste reduction target for 2025. The planning report is still under preparation and will be completed in mid-2022.				

The Group develops and implements strict management measures for waste generated in the production process. Under the “National Catalogue of Hazardous Waste” (國家危險廢物名錄), “the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (中華人民共和國固體廢物污染環境防治法), and “the Administrative Measures for Hazardous Waste Transfer Manifests” (危險廢物轉移聯單管理辦法), we systematically identify the environmental factors during the production process, and have issued detailed guidelines for waste management. The Group carries out classification management of non-hazardous waste, and engages qualified manufacturers for recycling waste, for example, recycling waste paper, having suppliers to recycle oil drums, and recycling packaging materials. As to hazardous waste, we identify hazardous waste in accordance with “the National Catalogue of Hazardous Wastes (2017 edition)” (國家危險名錄2017版) and engage qualified third-party processors to rationally recycle and dispose of hazardous waste from our factories in accordance with the regulations. Meanwhile, the Group requires its factories to collect and temporarily store hazardous wastes in accordance with relevant laws and regulations to ensure compliance of the Group’s hazardous waste treatment practices.

The amount of hazardous and non-hazardous waste generated by the Group is stated as below. The increase in hazardous and non-hazardous waste during the reporting period was mainly due to the rise in production during the year. In addition, surface cleaning agents have increased with the customer's higher requirements for product quality, resulting in a significant increase in hazardous wastes, including waste acid, waste mud, waste oil, and waste degreasing liquid.

		2020	2021
Category of waste	Unit	Waste generated	
Hazardous waste	Tonnes	16,656.10	22,620.96
Hazardous waste Intensity*	Tonnes/kt	15.80	19.57
Non-hazardous waste	Tonnes	269.23	348.17
Non-hazardous waste Intensity*	Tonnes/kt	0.26	0.30
<i>Note:</i> * Intensity is calculated per kiloton of production volume			

Wastewater management

Our production processes generate liquid waste, industrial wastewater, and municipal sewage. We will apply for relevant discharge permits in accordance with the requirements of the "Discharge Standard of Water Pollutants for the Steel Industry" (鋼鐵工業水污染物排放標準) (GB13456-2012). We have a production wastewater treatment station within the factory area. A part of the treated water will be reused for degreasing cleaning. We installed surface sludge low-temperature drying equipment according to the advice of the "Opinions of Guangdong Province on Promoting Green Production in an All-round Way" (廣東省關於全面推進綠色清潔生產工作的意見). Such drying equipment can meet the requirement of reducing surface treatment sludge by about 50-75% so as to achieve the goal of reducing sludge and improving cleaner production management levels.

During the year, we have improved our wastewater treatment process by installing a biochemical pretreatment system to improve the pretreatment effect of oily wastewater and reduce the concentration of pollutants in the influent of the sewage treatment system. The relevant equipment can effectively ensure that sewage discharge meets the standards, thereby reducing pollutant discharge and impact on the environment.

2. USE OF RESOURCES

In order to use all resources including energy, water, and other natural resources, more efficiently and prudently, the Group has formulated the “Management Regulations on Resource and Energy Control” (資源能源控制管理規定), which applies to each department in the resource and energy consumption, covering water, electricity, natural gas, oil, raw materials, and office facilities control. A dedicated energy conservation report is developed for each of our projects, to ensure efficient use of resources and reduce the adverse impact on the environment. Such a report lists the specific energy efficiency and emission reduction targets, which enables us to develop a clear blueprint for its environmental management. We will achieve the targets according to the timetable proposed in the energy conservation report.

Electricity consumption management

Electricity management target

	Unit	Huajin’s performance	3-Year target*	Completion status
Electricity consumption intensity (per kiloton of production volume)	kWh/kt	Reduced 46%	Reduce 40%	Achieved
<i>Notes:</i> * The target base year is 2017; The Group will set a electricity reduction target for 2025. The planning report is still under preparation and will be completed in mid-2022.				

During the year, the Group upgraded the air compressor. Replacing the original air compressors with energy-saving air compressors, and at the same time recycling waste heat from the new air compressors to improve energy utilization efficiency and reduce production electricity and natural gas consumption. About 2,300 kWh of energy consumption can be saved every year. In the future, the Group will continue to seek more energy-saving opportunities.

The Group has been actively reducing the consumption of natural resources in our production operations for many years. We commissioned environmental experts to conduct energy audits on our factories to explore more energy-saving opportunities, for reducing energy consumption and production costs. We also aimed to meet the energy-saving targets prescribed in the “National 14th Five-year Plan” and improve our economic efficiency.

The Group proactively adopts clean production technology, reduces the use of unnecessary resources, and implements new energy-saving measures. We advocate the use of energy-saving, efficient and environmental-friendly construction equipment, machinery and tools, and office appliances recommended by the country and the industry. Meanwhile, we also continuously update the latest environmental news to optimize the existing services, so as to reduce environmental pollution.

The total energy consumption of the Group is as follows. The production volume of this Year has increased when compared with that in 2020, so the overall energy consumption of the Group in the Year increased when compared with that in 2020. In addition, as the new equipment in the Gujing factory area (古井廠區) has started testing since June 2021, and continuous modifications were made during the period, the diesel consumption in the Year increased significantly when compared with that in 2020.

		2020	2021
Type of energy	Unit	Energy consumption	
Total energy consumption	'000 kWh	248,433.00	296,084.20
Total energy consumption intensity*	'000 kWh/kt	235.71	256.20
Direct energy consumption	'000 kWh	90,833.89	122,337.99
Direct energy consumption intensity*	'000 kWh/kt	86.18	105.68
Including:			
Diesel consumption	'000 kWh	90.60	1,221.87
Diesel consumption intensity*	'000 kWh/kt	0.09	1.05
Gasoline consumption	'000 kWh	1,051.37	1,808.83
Gasoline consumption intensity*	'000 kWh/kt	1.00	1.56
Natural gas consumption	'000 kWh	89,691.92	119,307.3
Natural gas consumption intensity*	'000 kWh/kt	85.10	103.23
Indirect energy consumption	'000 kWh	157,599.10	173,746.21
Indirect energy consumption intensity*	'000 kWh/kt	149.53	150.34
Including:			
Electricity energy consumption	'000 kWh	157,599.10	173,746.21
Electricity energy consumption intensity*	'000 kWh/kt	149.53	150.34

*Note: The energy data is converted into '000 kWh with reference to the lower calorific value.
* Intensity is calculated per kiloton of production volume
Gas includes natural gas;
Fuel consumption includes: fuel consumption of mobile vehicles, diesel consumption of generator sets*

Water consumption management

The Group's use of water mainly comes from municipal pipelines, and there is no problem in sourcing water. The Group makes every effort to reduce the water consumption in our operation. We have not encountered any material or potential problems in the search for suitable water sources. We endeavor to save water in daily operations and strengthen the recycling of water resources to reduce water consumption. The total water consumption of the Group is set out below:

Water consumption management target

	Unit	Huajin's performance	3-Year target*	Completion status
Water consumption intensity (per kiloton of production volume)	m ³ /kt	Reduced 31%	Reduce 30%	Achieved
Notes: * The target base year is 2017; The Group will set a water saving target for 2025. The planning report is still under preparation and will be completed in mid-2022.				

		Water Consumption	
	Unit	2020	2021
Water consumption	m ³	755,828.00	774,510.00
Water consumption intensity*	m ³ /kt	717.11	670.17
Note: * Intensity is calculated per kiloton of production volume			

Packaging materials management

In addition to major resources including electricity and water, the Group also pays close attention to the use of other resources. Under the customers' quality requirements and standards, we would try our best to consume the least resources in the production process and reduce the packaging materials usage in the production as much as we can while meeting all the requirements.

There are various direct factors of increasing auxiliary materials for packaging, such as the requirement of customers for packaging, and cutting specifications. Due to the increase in production volume in the Year, the consumption of auxiliary materials for packaging increased. In addition, it is difficult to recycle auxiliary materials from some of our customers, such as auxiliary materials for export goods, which leads to a decrease in the amount of auxiliary material recycled and an increase in the consumption of new auxiliary materials. The Group’s total consumption of packaging materials is set out below:

	2020	2021
Materials	Total (tonnes)	
Paper	96.93	174.04
Plastic	107.17	119.65
Metal	50.00	67.81
Timber	296.15	445.15

3. ENVIRONMENT AND NATURAL RESOURCES

The Group actively integrates environmental responsibilities into its daily operations, so as to reduce environmental impact and consumption of natural resources to promote the awareness of environmental protection in all aspects of the supply chain. The Group is also looking for opportunities to use renewable and clean energy.

The Group has included new elements such as life cycle and risk management in the current management system in accordance with the latest ISO14001:2015 standard of which we have already obtained the certification. We are committed to implementing several environmentally-friendly management measures in our daily operation, including a paperless office. We also encourage employees to participate in environmental protection activities organized by various organizations from time to time to reduce the consumption of the environmental and natural resources and establish an environmental protection culture so that the operation of the office is in line with the environmental protection principles.

Environmental-friendly production

The Group proactively purchased environmentally-friendly materials, such as passivator in the production of galvanized sheets. Environmentally-friendly materials can reduce energy consumption and greenhouse gas emissions during the production process. At the same time, we use the packaging materials for different products in a planned manner by computerized analysis, and improve harmful product packaging design, so as to further protect the environment.

4. CLIMATE CHANGE

The Group realizes that the impacts related to climate change may bring different risks to the Group's operations. Therefore, we regularly assess and review climate change risks, plan for future financial risks that may arise and make arrangements accordingly.

Type of risk	Description of the risk	Risk response measures
Physical risks	Jiangmen Huajin and Jiangmen Huamu are both located in Jiangmen City, Guangdong Province, China, that is more susceptible to typhoons.	The Group has developed emergency response plans for extreme and severe weather, such as strengthening staff care and guidance in special weather conditions, enhancing safety awareness and carrying out regular equipment maintenance, so as to ensure its capacity to cope with relevant special weather.
Policies and laws	Climate change related regulatory requirements in operations, products and services have been tightening, leading to increased operating costs, including costs of compliance and product development costs.	Each of the Group's factories has implemented several energy-saving and emission-reduction measures, as well as fully complied with all environmental-related laws and regulations in the past. Moving forward, the Group will, as always, follow the "National 14th Five-Year Plan" energy conservation goals, update and revise internal systems and standards in a timely manner, in order to improve energy conservation and emission reduction while complying with regulations and maintaining production.
Long-term risks	Climate changes such as a reduction in annual rainfall precipitation, adverse weather conditions and unknown viruses, that could lead to an adverse effect on employees' health and mode of work. This results in a rise in the cost of medical provisions for employees and further arrangements need to be made to adjust working timetables.	In response to the Covid-19 crisis, we have enhanced the occupational health and safety measures, such as allowing for flexible working hours during the pandemic, leading to the quick recovery of our operation.

Type of risk	Description of the risk	Risk response measures
Market risk	Customers are increasingly concerned about climate change, so they will give priority to green products, however, the Group has not yet provided green products to meet customer needs.	The Group implements clean production, reduces pollutant discharge, and saves energy, raw materials and reduces water consumption, thereby resulting in a lower cost of production cost. In the future, the Group will seek to improve product design methods and the application of environmentally friendly materials, and carry out green certification for products, so as to increase the confidence of external stakeholders in the Group's products.
Reputational risk	The Group has not yet dealt with the problem of climate change effectively, such as adopting a carbon reduction policy and lowering the increase in temperature, so the Group could not result in positive market response.	In line with the requirement specified in the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, we enhance the disclosure of the Group's Environmental, Social and Governance performance, in order to provide stakeholders with a full understanding of the Group's sustainable development strategy, governance structure, policies and measures.

B. EMPLOYEE CARE

1. EMPLOYMENT SYSTEM

Human capital is the driving force for the development of an enterprise. The Group respects the personal freedom of employees. We create and embrace cultural diversity with zero tolerance for any discrimination, as well as respect and privacy of employees. We offer competitive remuneration packages. Remuneration is based on the value of the position and a higher remuneration return is paid to excellent employees to encourage continuous improvement, in order to attract and retain talents. The Group ensures the wages of the employees are not lower than the minimum wage standard of local laws and regulations, and pays various statutory social insurances and provides paid leave, sick leave, work-related injury leave and maternity leave in accordance with statutory requirements. The Group presents specify terms of remuneration, dismissal, recruitment, promotion, working hours and rest periods in our "Employee Handbook" (僱員手冊) to enable our employees to gain a comprehensive understanding of their rights and benefits.

The Group strictly complies with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination and other benefits and welfare, such as the “Labor Law of the People’s Republic of China (中華人民共和國勞動法)” and “Labor Contract Law of the People’s Republic of China” (中華人民共和國勞動合同法). There was no case of violation during the reporting period.

The number of employees of the Group by category is as follows:

Category	Total number of employees (person)	
	2020	2021
By gender		
Male	803	927
Female	178	228
By employment type		
Full-time	981	1,155
Part-time	–	–
By age group		
Under 25	147	153
25 to 34	414	464
35 to 44	242	306
45 to 54	149	186
55 to 64	29	42
65 or above	0	4
By region		
Mainland China	981	1,146
Hong Kong	0	5
Others	0	4

The employee turnover rate of the Group by category is as follows:

Category	Employee turnover rate (%)	
	2020	2021
By gender		
Male	1.88%	2.15%
Female	1.81%	1.71%
By age group		
Under 25	3.06%	4.50%
25 to 34	2.01%	2.21%
35 to 44	1.40%	1.43%
45 to 54	1.17%	0.99%
55 to 64	1.15%	1.36%
65 or above	0%	0%
By region		
Mainland China	1.86%	2.06%
Hong Kong	0%	0%
Other	0%	0%
<p>Note: — The calculation was based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange. The calculation method is used as follows: Annual employee turnover/12 months/employee in this category x 100%:</p>		

2. HEALTH AND SAFETY

The Group attaches importance to the health and safety of employees. The Employee Handbook (僱員手冊) and the Health and Safety Management Procedures (健康安全管理程序) specify the policy on occupational health and safety. The Group values the safety and therefore actively takes effective measures to minimize safety risks. We have formulated a set of appropriate safety management programs, in accordance with laws and regulations including the “Safety Production Law of the People’s Republic of China” (中華人民共和國安全生產法), the “Occupational Disease Prevention Law of the People’s Republic of China” (中華人民共和國職業病防治法), the “Fire Prevention Law of the People’s Republic of China” (中華人民共和國消防法), to improve our abilities at coping with and preventing risks and incidents, keep employees free from the influence of occupational diseases during the process of production and labor work, and prevent the occurrence of occupational safety accidents and occupational diseases. The Group has established a safety office for planning the occupational health and safety assessment for each engineering project before execution, conducted daily inspections and recorded the implementation of safety measures. It has formulated and updated policies and procedures related to occupational safety and health, including the “Occupational Disease Prevention Archives and Related Emergency Management Mechanism” (職業病防治檔案及相關應急管理機制), the Measures for the “Management of Safety Production Accountability” (安全生產責任制管理制度) and the “Measures for the Management of Labor Protection Articles” (勞動防護用品管理制度).

We also provide our employees with the necessary training to ensure they are equipped with skills and knowledge of safe working practices. In addition, we provide employees who are exposed to high-risk hazards with medical check-ups, relevant equipment and appliances for personal protection as well as formulate corresponding improvement plans.

The Group’s work-related injury statistics for the last three years are as follows and there were no work related fatalities in the past three years including the reporting period.

	2019	2020	2021
Work-related fatal	0	0	0
Percentage (%)	0	0	0
Lost days due to work-related injury	2,694.80	1,863.00	2,556.02

The Group strictly complied with relevant laws and regulations relating to providing a safe working environment and preventing employees from occupational hazards, such as the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases” (中華人民共和國職業病防治法). There was no violation during the Year.

3. STAFF TRAINING

We devote to assisting our employees in their further education and development. We believe that providing our employees with the equipment and resources necessary for their work not only encouraging the culture of pursuit of excellence but also contributing to the success of Huajin. The Human Resources Department or the department which the employee belongs to organizes on-the-job training based on the needs of the job duties. Our training system includes induction training, job skills training and so on, which will strengthen the knowledge, skills and management experience of employees and improve their comprehensive quality. The occupational development path of the Group allows the development needs of the Group to match the career development goals, interests and strengths of employees. Employees can grow together with the Group to achieve their life values and dreams through knowledge accumulation and skills improvement.

The percentage of trained employees and average training hours completed per employee of the Group by category during the Year are as follows. The training data for 2021 is calculated according to the calculation method of the social KPI reporting guidelines issued by the Stock Exchange. Due to the inconsistency between the calculation methods of 2020 and 2021, the data for this reporting period is quite different from that of 2020.

Category	Percentage of trained employees (%)		Average training hours completed per employee (hour) ³	
	2020 ¹	2021 ²	2020	2021
By gender				
Male	84.84%	80.26%	8.5	9.5
Female	15.16%	19.74%	2.1	9.4
By employee category				
Senior management	0.28%	1.47%	2.7	2.8
Middle management	2.30%	3.98%	12.5	14.1
Supervisor	4.19%	3.81%	18.1	19.0
General staff	93.23%	90.74%	8.2	9.0

Note:

- 1: The percentage of the trained employee for reporting year 2021 is calculated according to the "Reporting Guidance on Social KPIs" published by the Stock Exchange. To make the comparison between reporting year 2020 and 2021 on the same basis, the calculation for reporting year 2020 was revised accordingly following the same basis of reporting year 2021. This leads to the differences of reporting year 2020 data in this Report and ESG Report 2020
- 2: The percentage of the trained employee for 2021 is calculated based on the social KPI reporting guidelines issued by the Stock Exchange.
- 3: The average training hours completed per employee in 2020 and 2021 is calculated as: number of training hours completed in that category/number of employees in that category

4. LABOR STANDARDS

The Group firmly prohibits the employment of child labor or forced labor. In order to avoid illegal employment of child labor or forced labor, we will check the identity documents of job applicants to ensure that the information on age and nationality provided by them is correct. We recruit workers in accordance with the “Labor Law of the People’s Republic of China” (中華人民共和國勞動法) or the “Hong Kong Employment Ordinance” (香港僱傭條例), where applicable, and prohibit any form of forced labor and forced overtime work. When recruiting new employees, if any child labor is employed by mistake, the Group must stop the work of such child labor immediately. The Human Resources Department also reviews the attendance records on a regular basis. If overtime work is discovered, the investigation will be conducted immediately to ensure that employees are not forced to work overtime.

The Group strictly complied with relevant laws and regulations relating to the prevention of child labor and forced labor, such as the “Labor Law of the People’s Republic of China”. There was no violation during the reporting period.

C. RESPONSIBLE OPERATION

1. SUPPLY CHAIN MANAGEMENT

We maintain a close cooperation with our major steel suppliers, thus allowing us to obtain different grades of steel at any time. We have an effective supplier management system that covers procedures for evaluating, screening and monitoring suppliers, in which, all suppliers and subcontractors will be treated fairly and have equal opportunities. Before the engagement of suppliers, a series of audits would be conducted to assess their quality, environment and safety performance comprehensively, to ensure environmental and social risks related to the supply chain are minimized.

The Group conducts audits and risk ratings for all suppliers every year. Furthermore, the Group performs on-site audits according to the risk assessment of suppliers. If any supplier is in violation of its contractual obligations and operating procedures, the cooperation relationship will be terminated. In this year, the company has completed the relevant review of all suppliers in accordance with this policy, that is, the number of suppliers disclosed in this report has passed the review; the relevant review content includes, but is not limited to, product and service quality, business ethics, environment, labor practices and Safety and other requirements to ensure that the sustainable performance of the supply chain is in line with the Group’s policy. The results of the review confirm that all suppliers have implemented the supplier practices specified by the Group.

The Group gives priority to the products and services of local suppliers when seeking high-quality raw materials. In 2021, the Group’s suppliers were all sourced from the PRC. In addition, the Group will give preferential consideration to an organization that is in possession of ISO 14001 certified Environmental Management System and ISO 9001 certified Quality Management System, in order to extend the Group’s environmental protection vision to all levels of the supply chain.

As at 31st Dec 2021, The number of suppliers of the Group by region is as follows:

Region	Number of suppliers	
	2020	2021
Mainland China	395	661

2. QUALITY CONTROL

As a responsible company, we fully understand the importance of compliance with laws and regulations related to the supply and use of our products and services, including health and safety, advertising, labelling and privacy matters. Jiangmen Huajin and Jiangmen Huamu have held ISO 9001:2015 certification for their quality management systems respectively, to ensure that our product quality is strictly monitored and meets the requirement of customers.

	Result	
	2020	2021
Percentage of products subject to recalls for health and safety reasons	0	0
Number of complaints about products and services received by the Company	0	0

The Group manufactures our products according to applicable international standards, laws and regulations. Our quality control team meticulously monitors all important stages of our operations. For example, the procurement department monthly fills in the "Supply Analysis Form on Suppliers" (供應商供貨分析表); the sales department calculates the customer complaints tracking rate; and the production department calculates the pass rate of products and the production plan achievement rate. We strictly implement our quality control policies through a fine quality management system, and our product warranties generally require us to produce products that are free from any defects in materials and processes and meet customer requirements. If our products are unable to meet the required standards due to our fault, the products will be inspected, and we will make compensation or replacement. Each department will also formulate solution for and follow up the unqualified products to avoid misuse of unqualified products.

Customer satisfaction is the key to the success of the Group. We strive to improve our business performance in all aspects to exceed customer expectations. To better track the feedback from customers on product quality issues and improve efficiency of our after-sales service and product quality, our managers from business, quality and production departments closely communicate with each other to decide whether it is necessary to designate our staff to handle customer's issues on site and then report to the general manager on the customer's on-site situation and the handling results. We will not use the customer information for other purposes without the customer's consent, which is regularly supervised by our business department. During the Year, the Group did not receive any material complaint from customers.

The Group understands that registered trademarks are important intangible assets of the Group and are significant to our business operation. Jiangmen Huajin and Jiangmen Huamu have submitted patent applications in respect of our business operations with the State Intellectual Property Office of the PRC, and the patents applied for were created by our employees. The Group has registered about 56 patents for production equipment and technology so far. We rely upon relevant laws and regulations, including but not limited to the Patent Law and the Trademark Law, as well as the R&D agreements entered into between the Group and its employees, that employees are prohibited from transferring or manufacturing products involving the intellectual property of customers or external suppliers without permission, to protect our intellectual property. Meanwhile, any third party must sign a “confidentiality agreement” when accepting confidential information to maintain the confidentiality of such information.

The Group strictly complied with relevant laws and regulations relating to product health and safety, advertising, labelling, methods of redress and protecting intellectual property rights. Meanwhile, the Group complied with relevant laws and regulations relating to privacy matters, such as the Product Quality Law of the People’s Republic of China. There was no material non-compliance during the reporting period.

3. ANTI-CORRUPTION

To build a sound corporate atmosphere, it is necessary to guide and regulate daily work behavior of our employees with the purpose of maintaining normal operation and management orders. To prevent the frauds damaging the Group’s interests and improve our work efficiency and results, the Group has established various policies and systems, such as the anti-fraud management system, whistle-blowing procedures and channels and the conflict of interest policy, so as to ensure its business procedures are in compliance with applicable local and international laws on prevention of bribery, extortion, fraud and money laundering.

The Group has established an audit mechanism to crack down on corruption, fraud and other irregularities through open whistle-blowing channels such as mailbox and telephone as well as serious investigation and handling of internal corruption reports. The investigation results will be submitted by the internal audit department to the management of the Company in the case of fraud involving non-senior management personnel, or to the Board and the audit committee in the case of fraud involving senior management personnel. In the case of any conflict of interest not being reported by relevant employee, if the evidence is found to be conclusive after investigation, the employee will face immediate dismissal and is required to compensate for related losses, and the case will be reported to the judiciary as necessary.

To maintain an honest relationship with its suppliers, the Group signs integrity statements with all suppliers, prohibiting employees of the Group from soliciting any benefits from the suppliers, including gifts, money and rebates, to ensure that all transactions are conducted in a fair competitive environment.

The Group’s administration department regularly promotes anti-corruption for the entire group. The department would compile anti-corruption promotion materials by collecting the latest relevant anti-corruption information, such as recent major corruption incidents in various industries and the handling measures, and combine them with the analysis of the Group’s summarized business characteristics. The information will be distributed to employees for self-learning in order to create a good anti-corruption environment within the Group.

4. COMMUNITY ENGAGEMENT

During the reporting period, the COVID-19 epidemic restricted us from carrying out charitable and environmental activities as usual. However, the Group maintained close communication with the government departments, Nan’an Village Committee and Nan’an Village Party and Mass Service Centre in Muzhou Town, Xinhui District, Jiangmen City, Caihong Social Work Service Centre (Volunteer Association) of Xiuhui District, Jiangmen City, Jiangmen Vocational Education Federation, Education Promotion Association of Gujing Town, Xinhui District, Jiangmen City and other community organizations. We engaged with them during holidays or any events, and provided appropriate assistance to them for any contingency. During the reporting period, we donated a total of RMB150,000 to the Xinhui Charity Organization (新會區慈善會) for charitable purposes for the community such as elderly care, support for orphan, student support, poverty relief, disaster relief. Our employees volunteered to help the government in the provision of free RT-PCR testing during the epidemic, and our employees provided 108 voluntary service hours totally.

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