



南粤控股

NAMYUE HOLDINGS

NAMYUE HOLDINGS LIMITED

南粤控股有限公司

(Formerly known as Guangdong Tannery Limited)

(Incorporated in Hong Kong with limited liability)

Stock Code: 01058

2022

Environmental, Social and
Governance Report

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I. About this Report

OVERVIEW

The board of directors (the “Board”) of Namyue Holdings Limited (the “Company”) (formerly known as “Guangdong Tannery Limited”) is pleased to present the Environmental, Social and Governance (“ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group” or “we”) for the year ended 31 December 2022 (the “Reporting Period”). The Report outlines the policies, sustainability strategies, management approach and initiatives implemented by the Group and the performance of the Group in environmental, social and governance aspects of its business.

REPORTING SCOPE

The ESG Report covers the investment holding, processing and sale of leather business of the Group. During the Reporting Period, there were no significant changes to the reporting scope.

REPORTING BASIS

The Report discloses the required information of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, and has complied with the “comply or explain” provisions set out in Part C of Appendix 27. The relevant provisions and details are set out at the end of the Report.

REPORTING PRINCIPLES

The Group adheres to the following reporting principles as the basis for the preparation of the Report.

1. Materiality

The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders of the Group that they should be reported, details of which are set out in the sections headed “Stakeholders’ Engagement” and “Materiality Assessment” below.

2. Quantification

The quantified environmental and social key performance indicators (“KPIs”) are disclosed in the Report to give stakeholders of the Group a comprehensive picture of the Group’s ESG performance. The information is accompanied by a narrative, explaining its purposes and impacts.

3. Balance

Every effort has been made in the Report to reflect the performance of the Group’s ESG activities impartially and avoid selection, omission or presentation format that might inappropriately influence the decision or judgment of the readers of the Report.

4. Consistency

As far as is reasonably practicable, the Group has used consistent methodologies to allow for meaningful comparisons of ESG data over time.

II. Management of Environmental, Social and Governance

BOARD STATEMENT

The Board takes overall responsibility for ESG matters and their integration into the Group's management approach and strategies. It guides the management and monitoring of ESG matters that have been identified as relevant to the Group, and reviews the progress made against ESG-related goals and targets.

REPORT OF THE BOARD

The Group is committed to corporate social responsibility and balancing environmental, social and economic benefits. It also aims to balance its business development with the interests of its key stakeholders and operates its business in a sustainable manner. To achieve this vision, the Group has set a sustainability framework that focuses on environmental protection, resource management, employee and community well-being and guides its sustainability efforts to ensure that sustainability elements are integrated into every business process and all business decisions.

Global warming is a major concern of different countries worldwide. The governments of different countries have developed more stringent environmental laws and regulations. The Group takes the environmental protection policy of the government and environmental management system as the development blueprint, aligns with the strategy of safe, harmonious, green development and clean production, instill the concept of environmental management into the core of its operating activities, and, at the same time pays attention to and loves nature, and makes joint efforts with employees to build an environmental-friendly and resource-saving enterprise.

Despite the global pandemic of coronavirus disease 2019 ("COVID-19") in the past year, the employees of the Group show team spirit, rise to the challenge of the crisis and grab the chance, make use of corporate advantages and the accumulated rich industry experience over the years to promote high-end production technologies and further optimize its product portfolio. At the same time, the Group provides multi-pronged support to the employees at time of the severe epidemic to protect them from infection and stop the spread of COVID-19 in society. The prevention and control measures include implementing emergency response plan for prevention and control of epidemic, setting up epidemic prevention and control leading team, and providing epidemic prevention materials to the employees. Despite the severity of the pandemic, the Group still pays attention to the employee remuneration and benefits, career development opportunities and provides a safe working environment, invest resources to develop environmentally friendly products to contribute positively to the global climate change. However, there might be a long way to fight against the pandemic. The Group hopes that all of the employees and society will continue to put unremitting efforts in leading through the crisis and challenges and make continuous progress towards sustainable development.

To achieve this vision, the Board has set a number of environmental and social KPIs and taken a top-down approach to distribute the KPIs into the functional departments and urged us to make changes in different areas, such as reducing greenhouse gas emissions, making good use of resources and improving the well-being of employees. ESG matters that the stakeholders of the Group rate as priorities are tracked through the stakeholders' engagement exercise (Please refer to the section headed "Stakeholders' Engagement" below for details). At the same time, the management team and all the employees actively support the Group's sustainable development strategies and objectives; and has made some achievements. The scope, progress and achievements relating to the environmental and social KPIs will be disclosed in the Report.

The Group aspires to become a respectable enterprise and hopes that the Group's professional management team can commit to stable operation and prudent financial management policy, work together with every employee for mutual benefit, dare to rise to continuous challenges, implement sustainable business strategies and improve business performance, and create more meaningful long-term value for the company and our stakeholders.

II. Management of Environmental, Social and Governance (Continued)

GOVERNANCE STRUCTURE

The Board believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. The establishment of an appropriate governance framework is critical to successful implementation of the ESG sustainability strategies of the Group. Therefore, we set up the ESG governance structure with clear duties and responsibilities. The Board sets long-term policies and strategies for all sustainability matters, reviews the implementation status and progress of ESG work annually and reports on its performance. The Board also identifies, reviews and evaluates the corporate responsibility, sustainability and climate change response of the Group through internal meetings. The management team reports to the Board on a regular basis to assist the Board in assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG risks. At the operational level, functional units are responsible for ensuring the integration of sustainability strategies and practices into the Group's business operations and exploring new action plans or initiatives.

The Board	<p>Board members are responsible for:</p> <ul style="list-style-type: none">• Developing long-term sustainable development policies and strategies• Assessing and identifying risks and opportunities associated with ESG• Ensuring appropriate and effective ESG risk management and internal monitoring systems• Reviewing and approving policies, objectives and action plans or measures related to ESG• Approving ESG reports
Management Team	<p>The management team is responsible for:</p> <ul style="list-style-type: none">• Developing and reviewing ESG-related policies, objectives and action plans or measures• Monitoring and reporting to the Board on the progress and quality of implementation of the action plan or measures• Identifying ESG risks and opportunities• Reviewing the ESG report
Functional Department	<p>The functional departments are responsible for:</p> <ul style="list-style-type: none">• Identifying, assessing, defining and reporting to management on significant ESG issues• Performing ESG risk management and internal monitoring• Ensuring ESG policies, objectives and action plans or measures are integrated into business operations• Reporting to management on progress and quality of action plan or measures

The Board has appointed an independent consultant to provide advice on the ESG matters of the Group and assist in collecting data and information for conducting various analysis and providing improvement recommendations on ESG performance. The Group has also collected the views of key stakeholders on ESG matters during daily operations and conducted a materiality assessment to identify important ESG issues for the Group, details of which are disclosed in the sections "Stakeholders' Engagement" and "Materiality Assessment" below. To effectively lead the ESG process of the Group, the Board monitors the work of all departments to ensure that they work closely together to achieve the sustainable development goals of operational compliance and social responsibility.

II. Management of Environmental, Social and Governance (Continued)

STAKEHOLDERS' ENGAGEMENT

While the Group is committed to maintaining the sustainable development of its business, it also actively bears the social responsibilities, hoping to achieve both economic and social benefits. It has also provided support in environmental protection to the communities in which it operates for years. The Group maintains a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc., gain a better understanding of all parties and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our ESG risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Means of communication	Management response
Government/ regulatory organizations	<ul style="list-style-type: none"> ➢ Compliance in laws and regulations ➢ Fulfill tax obligation ➢ Alignment with the national development strategy ➢ State-owned assets preservation and appreciation ➢ Safety production ➢ Work together to fight against COVID-19 	<ul style="list-style-type: none"> ➢ Periodic report/ announcement ➢ Regular communication with regulators ➢ Handle official business through government affairs website or application 	<ul style="list-style-type: none"> ➢ Uphold integrity and compliance in operations ➢ Pay tax on time, and contribute to the society ➢ Establish comprehensive and effective internal control system ➢ Actively implement policies following the national development strategy ➢ Fully implement safety production accountability system ➢ Comply with the government's COVID-19 measures and guidelines to curb the spread of COVID-19



II. Management of Environmental, Social and Governance (Continued)

STAKEHOLDERS' ENGAGEMENT (CONTINUED)

Stakeholders	Expectations and concerns	Means of communication	Management response
Shareholders/ investors	<ul style="list-style-type: none"> ➢ Return on investment ➢ Information transparency ➢ Corporate governance system ➢ Anti-corruption and fraud 	<ul style="list-style-type: none"> ➢ Information disclosed on the website of Hong Kong Stock Exchange ➢ Official website and WeChat ID of the Company ➢ Annual general meeting and other shareholders' meetings 	<ul style="list-style-type: none"> ➢ Management possesses relevant experience and professional knowledge in business sustainability ➢ Ensure transparent and efficient communications by dispatching information at the websites of HKEX and the Company ➢ Continue to improve the internal control system and risk management and establish anti-fraud system ➢ Adopt effective preventive and control measures to curb the spread of COVID-19 and minimize its impact on the business operation of the Group.
Employees	<ul style="list-style-type: none"> ➢ Labor rights ➢ Career development ➢ Compensation and welfare ➢ Health and safety ➢ Work together to fight against COVID-19 	<ul style="list-style-type: none"> ➢ Staff activities ➢ Employee performance evaluation ➢ Induction and on the job training ➢ Internal meetings and announcements ➢ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➢ Set up contractual obligations to protect labor rights ➢ Encourage employees to participate in continuous education and professional trainings to enhance ability ➢ Establish a fair, reasonable and competitive remuneration scheme ➢ Pay attention to occupational health and safety ➢ Continuously identify, monitor and eliminate hazards in the plant

II. Management of Environmental, Social and Governance (Continued)

STAKEHOLDERS' ENGAGEMENT (CONTINUED)

Stakeholders	Expectations and concerns	Means of communication	Management response
Customers	<ul style="list-style-type: none"> ➢ Diversified, high quality products and services ➢ Timely delivery ➢ Reasonable price 	<ul style="list-style-type: none"> ➢ Business visit ➢ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➢ Provide diversified and high-quality products and services continuously in order to maintain customer satisfaction ➢ Establish an effective, efficient and green supply chain system ➢ Formulate comprehensive quality assurance process and recall procedures ➢ Ensure fulfillment of contractual obligations ➢ Adopt effective preventive and control measures
Suppliers	<ul style="list-style-type: none"> ➢ Stable demand ➢ Good relationship with the company ➢ Corporate reputation 	<ul style="list-style-type: none"> ➢ Business visit ➢ Contact via email, phone and communication applications 	<ul style="list-style-type: none"> ➢ Ensure fulfillment of contractual obligations ➢ Establish policy and procedures in supply chain management ➢ Maintain strong and long-term relationship with suppliers ➢ Select suppliers with due care ➢ Fair, open and impartial bidding process ➢ Adopt effective preventive and control measures



II. Management of Environmental, Social and Governance (Continued)

STAKEHOLDERS' ENGAGEMENT (CONTINUED)

Stakeholders	Expectations and concerns	Means of communication	Management response
Community	<ul style="list-style-type: none"> ➢ Environmental protection ➢ Reduce greenhouse gas emissions ➢ Reduce waste generation ➢ Effective resource utilization ➢ Community contribution ➢ Economic development and community employment ➢ Work together to fight against COVID-19 	<ul style="list-style-type: none"> ➢ Official website and WeChat ID of the Company and information publicity website of government department ➢ Community activities 	<ul style="list-style-type: none"> ➢ Pay attention to climate change ➢ Continue to invest resources in environmental protection ➢ Actively innovate environmental protection technology ➢ Strengthen energy saving and emission reduction management ➢ Instill environmental protection knowledge into employees ➢ Encourage employees to actively participate in charitable activities and voluntary services ➢ Maintain business stability and create job opportunities ➢ Establish an epidemic prevention and control leading team and formulate emergency response plan for prevention and control of epidemic to prevent further spread of the epidemic

II. Management of Environmental, Social and Governance (Continued)

MATERIALITY ASSESSMENT

During the Reporting Period, the Group held discussions with the management and conducted materiality assessment through various channels to identify ESG issues in which both the Group and its key stakeholders are interested and assessed the level of concern as viewed by them so as to select the relatively important ESG issues. For the materiality assessment, the Group has adopted the following three processes:

Identification	<ul style="list-style-type: none">• Through diverse channels and internal discussions• Examines and adopts the ESG issues of concern in the past stakeholders' engagement• Draws attention to emerging ESG issues
Prioritization	<ul style="list-style-type: none">• Synthesizes, analyzes and evaluates the views of all parties to identify and prioritize potential and important issues• Develops materiality matrix based on the importance of the issue to the Group and its key stakeholders
Validation	<ul style="list-style-type: none">• Interacts with the management team to validate the materiality assessment and ensure that these issues are aligned with the sustainable development direction sought by the Group• Reports the materiality assessment to the Board and makes the required disclosures in the ESG report



II. Management of Environmental, Social and Governance (Continued)

MATERIALITY ASSESSMENT (CONTINUED)

Materiality assessment helps the Group to ensure its business objectives and development direction are in line with the expectations and requirements of its stakeholders. The matters of concern of the Group and stakeholders are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination measures ◆ Labor rights protection 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Customers' satisfaction ➤ Product quality and safety ➤ Suppliers management ➤ Anti-epidemic ◆ Occupational health and workplace safety ◆ Anti-epidemic ◇ Clean production and green products ◇ Anti-epidemic
	Medium	<ul style="list-style-type: none"> ➤ Community contribution 	<ul style="list-style-type: none"> ➤ Anti-corruption/anti-fraud ➤ Community employment ◇ Greenhouse gas emissions ◇ Use of resources 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Customers' privacy protection ◇ Exhaust air emission ◇ Sewage discharge
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labor ➤ Product labeling and traceability 	<ul style="list-style-type: none"> ◇ Water resources utilization ◇ Disposal of non-hazardous waste 	<ul style="list-style-type: none"> ◇ Use of raw materials ◇ Disposal of hazardous waste
		Low	Medium	High
		Importance to the Group		

◇ Environmental

◆ Employee

➤ Operation

III. Environmental Protection

The emissions in the Group's production process are mainly generated by its production plants in mainland China, and the Group strictly complies with the laws and regulations on environmental protection, including the "Law of the People's Republic of China on Environmental Protection", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", the "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", the "Law of the People's Republic of China on Energy Conservation" and local laws and regulations. In order to let employees understand the importance of their impact on the environment, the Group sets up various policies and measures, and takes various actions with an aim to reduce carbon footprint, thereby reducing the adverse effects on the environment from the enterprise's business activities and the employees' personal life. The details are described in the sections headed "Management of Emissions" and "Management of Resources Utilization" below.

1. MANAGEMENT OF EMISSIONS

The Group's main emissions come from the production process of the production plant in Xuzhou ("Xuzhou Tannery"). The tannery industry handles large quantity of animal solid wastes and corrosive chemical raw material with strong acid and alkaline. Most of the production processes are carried out under water which increases the possibility of creating negative environmental impact. Facing the current strict national environmental policy and global warming situation, environmental protection is undoubtedly one of the important topics when formulating the operation strategy of the Group. Therefore, we set up a sound "Environmental Protection Management System" that suits the needs of corporate development. This not only can meet the national environmental protection laws and regulations, but also hope to use the environmental resources effectively and systematically, and carry out effectiveness review. The results will bring opportunities for future environmental protection projects. We have set up environment and safety center in the factory to centrally supervise and monitor environmental protection work, to implement the relevant national environmental laws, regulations and policies and to provide appropriate staff training to ensure that each employee has sufficient knowledge of the national requirement. Besides, the environment and safety center works with the production department to promote cleaner production, demand use of harmless, non-toxic or low-toxicity raw and auxiliary materials as priority, make sure that environmental protection facilities and production facilities can operate simultaneously to ensure that various emissions are effectively treated and discharged up to standards, and strictly monitor and evaluate all sewage discharge unit. Based on the "Administrative Measures for Environmental Pollution Incidents", we will implement the "Emergency Plan for Production Safety Accidents" for various sudden environmental pollution incidents, investigate and analyze the incident, report the incident to the relevant government departments in a timely manner, and will never hide or do anything that harms the interests of the public, the community, the Group and the stakeholders.

China continues to strengthen the environmental protection management of the industry, and the environmental protection requirements for cleaner production processes, water recycling and other aspects have become more stringent. To ensure that we are capable of dealing with environmental incidents promptly and safely to prevent serious pollution or casualties due to the spread of the incidents, we engaged a professional testing agency to help us formulate the "Contingency Plan for Environmental Emergencies" in accordance with the laws, regulations and guidelines of the national and local governments. We also entered into an emergency rescue mutual assistance agreement with the surrounding enterprises of our plant to avoid the lack of supplies in the event of an incident. Meanwhile, the environmental protection work at the management and operation levels was further improved on the back of regular drills and training, resulting in the further consolidation of the foundation of the Group.



III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Atmospheric Emissions

In order to comply with the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, we aim at improving the quality of the atmospheric environment within the plant, adhere to control the source of pollution and establish internal policies and procedures with reference to China’s “Measures for Environmental Surveillance” to ensure that the air emissions by the plant meet the national emission standards.

The exhaust air and greenhouse gas generated by the Group are mainly come from Xuzhou Tannery with two major sources. One of the sources comes from production such as dust generated during the grinding process, volatile organic compounds produced during the tinting process, greenhouse gas generated from the use of electricity, etc. Another source is the stinky smell of waste meat inside the waste storage area and the hydrogen sulfide odor gas produced by the sewage treatment plant.

During the grinding process, the Group uses cloth bags to collect and compress dust in order to reduce the possibility of dust fluttering in the air. The pigments used in the tinting process must be supplied by qualified and reputational vendors who meet the national standards so as to reduce unnecessary emissions due to the use of substandard products. Besides, we strictly require all workers handling tinting process to wear gas masks or simple disposable masks for occupational health and safety purpose. In order to reduce greenhouse gas emissions in the production process and to comply with the national coal boiler remediation policy, we replaced coal with natural gas as fuel. The waste storage zone is built with cover and located far away from the living area so as to prevent the smell from spreading to the entire plant and the surrounding environment. The Group strictly monitors the hydrogen sulfide odor gas from the sewage treatment plant and designates maintenance personnel to regularly inspect and repair the production facilities and equipment so as to reduce the chance of failure and gas pollution.

Xuzhou Tannery has set up waste gas collection and treatment equipment in the raw leather warehouse, desulfurization tank and conditioning tank. The equipment adopts alkali washing and oxidation washing processes which strengthen the effect on the treatment of various unorganized exhaust air, reduce the emission concentration of hydrogen sulfide and odor, and ensure the exhaust air can be discharged up to the standard. The construction and operation of the equipment have passed the inspection of the professional testing agency which further ensures that the exhaust air after treatment is within the limit of the “Emission Standards for Odor Pollutants”. The desulfurization tank and conditioning tank of the sewage treatment station have been covered which also greatly reduces the amount of exhaust air overflow. Besides, we have entrusted professional and licensed treatment company to clean up and deliver the sludge, waste meat and waste fur accumulated in the sludge storage area and waste storage area. Meanwhile, a timely cleaning mechanism with long-term efficiency was also established to avoid waste accumulation and greatly reduce the spread of odorous air that affects the surrounding environment.

III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Sewage Discharge

The sewage generated by the Group in its operations mainly includes domestic sewage from the office and sewage containing chromium and sulfur from the production process. Domestic sewage is directly discharged to local sewage treatment plants through main pipelines. Sewage containing sulphur and chromium is produced in the unhairing and tanning processes respectively. The sewage is transported through separate pipelines to different sewage collection tank in the plant. After multiple sedimentations and biological or chemical treatments, sewage is discharged to the local sewage treatment plant directly for further treatment, and finally discharged to the sea through the North Jiangsu pipe network. The sewage containing chromium and sulfur is converted from hazardous sewage to non-hazardous sewage after various treatments, and hence the Group does not have hazardous sewage emissions.

For handling sewage containing chromium and sulfur, the Group strictly complies with the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” of China’s environmental protection department. The Group implements various measures and sets up sewage treatment station and online monitoring system in accordance with the “Measures for Environmental Surveillance” and “Measures for Automatic Surveillance of Pollution” and “Self-monitoring Technology Guidelines for Pollution Sources – Leather and Fur Making Industry”. Various environmental protection departments can monitor the emission of ammoniacal nitrogen and chemical oxygen demand data in our plant at any time through the online monitoring system. The environment and safety center conducts sample testing of each sewage outlet regularly, and keeps record of the test result as the basis for management purposes. The testing content includes pH value, color, suspended solids, biochemical oxygen demand, total chromium, hexavalent chromium, total nitrogen, total phosphorus, sulfide and chloride, etc. Relevant data will be uploaded to the information platform for monitoring purposes by the environmental protection department. In the event of considerable changes in the quality of sewage discharged from the production workshop and high readings of individual pollutants in the sewage treatment process, we will promptly adopt the established procedures to sort out the situation and investigate for the reasons, communicate with the production center to adjust the production scale and schedule, stabilize the sewage quality and take the initiative in adjusting the operating parameters to ensure the safe and stable operation of the sewage treatment station and compliance with the sewage discharge standards. We also cleaned the dirt accumulated in the inlet water sampling pipe of the online monitoring system to ensure its normal operation.

All departments have been strictly implementing various management policies and safe operation procedures for each post of the sewage station and continue to optimize the routine of each post. Regular management and inspection of equipment are two of our key tasks. Failures of old and faulty equipment are well prepared and we are able to procure spare parts in advance to tackle equipment problems that occur during operation in a timely manner to ensure the simultaneous and normal operation of production and environmental protection facilities and the effective treatment of various pollutants in sewage. All employees have to attend the “Three-Level Safety Training” before officially commencing their works to ensure that all new hires possess the required professional knowledge and skills to operate the production and environmental protection facilities so as to be able to work safely and to prevent environmental pollution caused by improper use of facilities. In addition, we have conducted constant job training, pre-shift meetings and post-holiday resume training to guide and evaluate the production line employees on equipment operating skills and instill environmental protection knowledge for employees to enhance their technical and environmental awareness, and reduce the sewage generation. We built cover at the sewage treatment station, set up multiple liquid-solid separation devices and regularly cleaned the sewage pipes to prevent the fur residue from clogging the drainage pipes and causing sewage overflow and to reduce the chance of sewage pollution.



III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Sewage Discharge (continued)

In 2021, the State updated the “Directory of National Hazardous Wastes”. Xuzhou Tannery re-evaluated the hazardous waste generation through a third-party company, and the laboratory waste liquid and waste mineral oil were classified as hazardous waste liquid. Therefore, the hazardous sewage generated by the Group during the Reporting Period increased by approximately 0.52 tonnes or 92.86% as compared with the previous year, with a total of approximately 1.08 tonnes of hazardous sewage generated.

Due to the change in the definition of hazardous waste, the Group set a target at the beginning of the Reporting Period to increase the emission intensity of hazardous sewage by 10% as compared with the previous year, and the actual result is within expectation. Please refer to the table below and the section headed “Environmental Data Performance Summary” below for the relevant data.

During the Reporting Period, the Group generated approximately 382,252.61 tonnes of non-hazardous sewage, representing a decrease of approximately 221,957.39 tonnes or 36.74% as compared with the previous year. This is caused by the decrease in the production level.

Due to the sewage discharge reduction measures implemented in 2021, the Group set a target at the beginning of the Reporting Period to decrease the emission intensity of non-hazardous sewage by 5% as compared with the previous year. However, the production level was lower than expected, so the emission intensity of the non-hazardous sewage was higher than expected. Please refer to the table below and the section headed “Environmental Data Performance Summary” below for the relevant data.

During the Reporting Period, the Group’s data in sewage discharged are as follows:

	2022 (Tonnes)	2021 ² (Tonnes)
Hazardous Sewage		
Total	1.08	0.56
Intensity ¹	0.0013	0.0004
Non-Hazardous Sewage		
Total	382,252.61	604,210.00
Intensity ¹	456.74	379.57

Notes:

- 1 Emission intensity is based on every 10,000 square feet of leather produced.
- 2 Part of last year’s comparative figures are restated to conform with the current year’s presentation.

III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Disposal of Solid Waste

The Group has always complied with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”. We have formulated “Measures for Management of Solid Wastes” to regulate hazardous and non-hazardous solid or semi-solid wastes generated from operations. The environment and safety center commissioner regularly and irregularly inspects each production plant, reports to the management any potential hazards of the production plants and proposes remediation plans. The environment and safety center and the engineering department coordinate in evaluating the environmental impacts of all new, expansion or reconstruction projects. Environmental factors are taken into account in preparing the development plan so as to reduce the solid waste produced during and after the construction. In addition, the Group’s professional team optimizes and improves the production process continuously and takes the “clean production” attitude actively. The Group wishes to promote technological exchanges internationally in the future for product quality enhancement, to raise its competitiveness and to reduce the negative impact on the environment.

Management of Disposal of Hazardous Solid Waste

In the past, the Group’s hazardous waste was mainly chromium sludge. It is precipitated in the sewage collection tank after treatment of sewage containing chromium. Chromium is a toxic and harmful heavy metal, and therefore we use different ditches to separate sewage containing chromium from other waste water to prevent environmental pollution caused by leakage of sewage containing chromium. In order to reduce the transportation volume of chromium sludge, the sewage containing chromium is treated until the discharge standard is reached. The chromium sludge is then reused in the production process after acid dissolution, hydrolysis, filtration processes, etc.

In accordance with the requirements of the local environmental protection department, the Group sets up the annual hazardous waste management plan, which includes reducing the harmfulness and production of hazardous waste, as well as the prevention measures applied to storing and transferring hazardous waste. The Group strictly complies with the national “Standard for Pollution Control on Hazardous Waste Storage”, “Administrative Measures for the Transfer of Hazardous Wastes” and other relevant laws and regulations, and manages the hazardous waste according to the internal “Measures for Management of Solid Wastes”. We have set up a warehouse for storing hazardous waste in the plant, and the warehouse has taken measures to prevent scattering, loss, and leakage, etc. There is a warning sign outside the warehouse. All kinds of hazardous waste containers must be labeled with hazardous waste and kept sealed for avoiding the opportunity of secondary pollution to the environment. The environment and safety center regularly inspects the warehouse, and handle the abnormalities found in accordance with the emergency system of the plant to prevent further spread of pollution. The warehouse management staff shall record the hazardous waste entering and leaving the warehouse in detail, which efficiently built the stocking management account. For the disposal of chromium waste liquid residues, the environment and safety center must report to the National Environmental Protection Bureau and apply for the transfer of hazardous waste, and entrust recyclers holding “Permit for Operation of Dangerous Wastes” to transfer the hazardous waste. As the Environmental Protection Bureau closely monitors the situation during the transfer of hazardous waste from the plant to the designated settlement location, thus we need to report the weight of waste, transfer routes, driver information, etc. to the Environmental Protection Bureau to ensure that they will not be dumped illegally and cause environmental pollution.

III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Disposal of Solid Waste (continued)

Management of Disposal of Hazardous Solid Waste (continued)

During the Reporting Period, the Group strictly followed the requirements of the local environmental protection department for standardized management of hazardous waste and established an application of hazardous waste smart management platform, through which hazardous waste inbound and outbound data are uploaded to the provincial environmental hazardous waste management platform instantly to allow more effective management and data analysis throughout the hazardous waste generation, inbound, storage, outbound and transport processes. During the Reporting Period, the Group generated approximately 642.62 tonnes of hazardous solid waste, representing a decrease of approximately 272.33 tonnes or 29.76% as compared with the previous year. This is mainly caused by the drop of production volume. In addition, Xuzhou Tannery thoroughly cleaned up the chromium-containing sludge at the bottom of the chrome tanning process recycling tank in 2021, but not in 2022. However, the production of some types of products increased in 2022. These types of products increased the amount of blue bran generated and increased the generation of hazardous solid waste. Therefore, the reduction in the generation of hazardous solid waste is less than the reduction in production volume, resulting in the increase in the intensity of hazardous solid waste generated.

The Group set up target at the beginning of the Reporting Period to reduce the intensity of hazardous solid waste by 5% as compared with the previous year. However, due to the abovementioned reasons, the production intensity of hazardous solid waste was higher than expected. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" for the relevant data.

During the Reporting Period, the Group's data in hazardous solid waste generated are as follows:

	2022 (Tonnes)	2021 ² (Tonnes)
Hazardous Solid Waste		
Total	642.62	914.95
Intensity ¹	0.77	0.57

Notes:

- 1 Production intensity is based on every 10,000 square feet of leather produced.
- 2 Part of last year's comparative figures are restated to conform with the current year's presentation.

III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Disposal of Solid Waste (continued)

Management of Disposal of Hazardous Solid Waste (continued)

The non-hazardous solid waste generated by the Group in its operation mainly includes industrial sludge after sewage treatment, packaging materials (such as waste rain cloth, waste iron barrels, waste paper tubes, etc.), construction waste from maintenance (such as waste rubber tubes, waste iron and steel, waste tires, scrap steel tiles, etc.) and canteen waste, etc. The Group advocates the reuse of waste to reduce the generation of waste. Waste such as pallets and plastic barrels can be reused in the production process after disinfection. The remaining non-hazardous waste that cannot be recycled will be stored in designated areas and handled by qualified recyclers. Xuzhou Tannery disposed of accumulated industrial sludge in 2021, but not in 2022. In addition, the production volume in 2022 has dropped; altogether caused the hazardous solid waste generated by the Group decreased by approximately 2,993.33 tonnes or 54.51% as compared with the previous year, with a total of approximately 2,498.34 tonnes of hazardous solid waste generated.

As Xuzhou Tannery did not have a plan to clean up the industrial sludge or other non-hazardous solid waste accumulated within the plant in 2022, the target set up at the beginning of the Reporting Period is a drop of the production intensity of non-hazardous solid waste by 5% as compared with the previous year, and has achieved this year's target. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" for the relevant data.

During the Reporting Period, the Group's data in non-hazardous solid waste generated are as follows:

	2022 (Tonnes)	2021 ² (Tonnes)
Non-hazardous Solid Waste		
Total	2,498.34	5,491.67
Intensity ¹	2.99	3.45

Notes:

- 1 Production intensity is based on every 10,000 square feet of leather produced.
- 2 Part of last year's comparative figures are restated to conform with the current year's presentation.



III. Environmental Protection (Continued)

1. MANAGEMENT OF EMISSIONS (CONTINUED)

Management of Noise

The noise generated by the Group in its operations mainly comes from the production machinery and equipment. We control the impact of noise on the environment through restriction of the production workshop location, the placement setting of production equipment, and implementation of vibration and noise reduction measures. For example, use materials or structure with good insulation for the doors and windows in production workshop; put shock-absorbers under production equipment; strengthen the repair and maintenance for machinery and equipment; use lubricating oil to reduce wear and tear on the equipment and prevent unnecessary noise; and to purchase low-noise equipment as a priority. Besides, we set up appropriate production time schedule and plant a lot of trees inside factories to reduce the impact of noise on the surrounding community environment. The Group strictly abide by the limits and guidelines for the emission of noise to the environment in the “Emission Standard for Industrial Enterprises Noise at Boundary”, and regulates the emission of noise in accordance with the internal environmental management system.

Compliance

During the Reporting Period, the Group did not involve in any confirmed violations that are related to emissions and have significant impact on the Group.

2. MANAGEMENT OF RESOURCES UTILIZATION

In order to comply with the “Cleaner Production Promotion Law of the People’s Republic of China”, the “Energy Conservation Law of the People’s Republic of China” and the related laws, regulations and policies on resource conservation, the production departments and offices of the Group actively take various resource reduction measures in accordance with the requirements of the “Environmental Protection Management System”, pay attention to the publicity and education of environmental protection, energy conservation and emission reduction knowledge. We carry out timely environmental protection education and training to continuously improve employees’ awareness on environmental protection. Every employee understands the importance of resources conservation, and they are required to make full use of resources, maximize their effectiveness and eliminate resources wastage.

III. Environmental Protection (Continued)

2. MANAGEMENT OF RESOURCES UTILIZATION (CONTINUED)

Conservation of Energy

Conservation of Steam and Natural Gas

Steam is mainly used in production lines for running production equipment, product development and the energy for heating of the sewage treatment station. Natural gas is used as the fuel for producing steam. Steam used by the Group is either acquired from suppliers or generated from burning natural gas in the plant. The use of steam itself does not produce any greenhouse gas, but steam is produced by burning fuel, resulting in greenhouse gas and exhaust air emissions. Therefore, we have adopted various measures to save the use of steam and natural gas. We installed thermostatic steam trap in steam pipe networks and equipment. Condensed water, air and non-condensing gas are emitted automatically and the trap can prevent leakage of steam. We continued to strengthen the maintenance of steam pipes and wrapped the pipes with aluminum sheet and thermal insulation cotton to reduce heat loss. The pipeline valve is shut off when natural gas is not in use. The power equipment department is required to report the volume of steam and natural gas to the finance department monthly, and explain the reason in case the actual consumption exceeds the budgeted amount. The power equipment department regularly inspects and repairs natural gas and steam pipes to avoid unnecessary waste caused by leakage. Leakage of natural gas also poses safety problems.

During the Reporting Period, the Group consumed approximately 15,453.00 tonnes of steam, representing a decrease of approximately 8,846.00 tonnes or 36.40% as compared with the previous year. This was caused by the drop in production volume, and the suppliers has not been able to supply sufficient steam to Xuzhou Tannery. The Group consumed 2,280 cubic metres (“m³”) of natural gas this year.

The Group set a target at the beginning of the Reporting Period to keep the consumption intensity of steam the same level as compared with the previous year. Although the production volume decreased, the oven steam heating equipment still needs to operate continuously, so the consumption intensity of stem decreased more than expected. Please refer to the section headed “Conservation of Electricity” and the “Summary of Environmental Data and Performance” for the relevant data.

Conservation of Gasoline, Diesel and Refrigerant

Gasoline and diesel are mainly used in vehicles for office use and warehouse forklifts. The Group sets assessment indicators to control the use of fuel. Drivers must plan their routes in advance. If passengers travel to the same or close destinations, they will be arranged to use the same vehicle to reduce gasoline and diesel consumption. The engineering department regularly repairs and maintains vehicles to improve energy efficiency, and to reduce the extra fuel use and exhaust air emission resulting from the failures of vehicle’s part.

To prevent employees from the infection of COVID-19, the Group demands employees to avoid business visits as much as possible and encourages them to use electronic communication such as email, telephone and video conference to reduce the use of vehicles. Therefore, the gasoline consumed by the Group during the Reporting Period decreased by approximately 3.35 tonnes or 26.30% as compared with the previous year, with a total of approximately 9.39 tonnes of gasoline consumed. Due to the drop in the production volume, the use of forklifts reduced. The diesel consumed by the Group during the Reporting Period decreased by approximately 4.53 tonnes or 11.46% as compared with the previous year, with a total of approximately 35.01 tonnes of diesel consumed.

III. Environmental Protection (Continued)

2. MANAGEMENT OF RESOURCES UTILIZATION (CONTINUED)

Conservation of Energy (continued)

Conservation of Gasoline, Diesel and Refrigerant (continued)

The Group set targets at the beginning of the Reporting Period to decrease this year's consumption intensity of gasoline and diesel by 5% as compared with the previous year. However, due to the drop in the production volume, the consumption intensity of gasoline and diesel increased more than expected. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" for the relevant data.

During the Reporting Period, the Group's energy consumption and Scope 1 greenhouse gas emissions data are as follows:

	2022		2021 ²	
	Fuel consumption	Carbon dioxide equivalent emissions (Tonnes)	Fuel consumption	Carbon dioxide equivalent emissions (Tonnes)
Gasoline	9.39 Tonnes	34.52	12.74 Tonnes	46.80
Diesel	35.01 Tonnes	110.26	39.54 Tonnes	125.31
Natural Gas	2,280.00 m ³	4.91	–	–
Refrigerant	0.36 Tonnes	651.60	1.09 Tonnes	1,972.90
<i>Group's Total emission</i>		801.29		2,145.01
<i>Group's Emission intensity ¹</i>		0.72		1.16

Notes:

- 1 Emission intensity is based on every 10,000 square feet of leather produced.
- 2 Part of last year's comparative figures are restated to conform with the current year's presentation.

III. Environmental Protection (Continued)

2. MANAGEMENT OF RESOURCES UTILIZATION (CONTINUED)

Conservation of Energy (continued)

Conservation of Electricity

The Group focuses on the design of the production plant and places the machineries and transportation systems in the safest and the most convenient location to reduce energy use. The administration, environment and safety, and human resources departments work together to formulate energy management policies, promote energy management work, increase production efficiency and save electricity, thereby reducing energy loss and increasing profits. Since certain production process needs to be operated at high temperature, large ice cubes are placed inside the production plant to replace use of air conditioners generating greenhouse gas and to reduce indoor temperature and the chance of employees suffering from heatstroke. Besides, the Group has set up a series of energy saving measures in the production plant and office. For example, using natural light, adjusting the light by means of zone control, switching off electrical appliances such as lights, electric fans, air-conditioners, computers, etc. during noon break and after work, and switching on and off production machineries are controlled. In view of the large number of older employees in Xuzhou Tannery, we make use of regular meetings, weekly meetings and regular training as well as assessment procedures and drills to enrich the dull training sessions and arouse the employees' interests and enthusiasm so as to make sure that every employee is able to memorize the operating procedures of the equipment in their position and understand the importance of saving energy, so that the waste of resources due to non-compliance operation could be effectively eliminated while maintaining product quality.

In order to control electricity consumption, we have implemented measures such as process optimization and elimination of equipment. The reason for not reducing electricity consumption is that the current requirements for leather are becoming more stringent and the time required for the process has also been extended. We have put in more effort in equipment enhancement, and caused extension to the production cycle.

During the Reporting Period, the Group continued to instill energy-saving knowledge to employees and getting their active support in our energy-saving measures. The production department prepared more effective production plans to improve the utilization rate of various production equipment and reduce the warm up time for restarting the machine, and also affected by the production volume dropped in 2022, the electricity consumption dropped by approximately 2,396.41 megawatt hours ("MWh") or 30.29% as compared with the previous year, with a total of approximately 5,514.86 MWh of electricity consumed.

The Group set a target at the beginning of the Reporting Period to reduce this year's consumption intensity of electricity by 5% as compared with the previous year. Although the production volume decreased, some of the production equipment still needs to operate continuously, so the consumption intensity of electricity increased more than expected. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" for the relevant data.



III. Environmental Protection (Continued)

2. MANAGEMENT OF RESOURCES UTILIZATION (CONTINUED)

Conservation of Energy (continued)

Conservation of Electricity (continued)

During the Reporting Period, the Group's electricity consumption and Scope 2 greenhouse gas emissions data are as follows:

	2022		2021 ³	
	Energy consumption	Carbon dioxide equivalent emissions (Tonnes)	Energy consumption	Carbon dioxide equivalent emissions (Tonnes)
Electricity	5,514.86 MWh	3,364.61	7,911.27 MWh	4,826.66
Steam¹	15,453.00 Tonnes	N/A	24,299.00 Tonnes	N/A
<i>Group's Total emission</i>		3,364.61		4,826.66
<i>Group's Emission intensity²</i>		4.86		3.61

Notes:

- 1 Steam is resulted from burning wood, plants, biomass fuels or other energy sources in boiler; while the fuel burning process produces exhaust air (such as sulfur dioxide, nitrogen oxides, dust, etc.) and greenhouse gases. The Group started purchasing steam from suppliers since the beginning of 2018. As the suppliers were unable to provide the types and composition of the fuel used for producing the steam, the Group does not have the necessary information to calculate the exhaust air and greenhouse gas emissions.
- 2 Emission intensity is based on every 10,000 square feet of leather produced.
- 3 Part of last year's comparative figures are restated to conform with the current year's presentation.

Conservation of Water

The water used by the Group was supplied by the government for leather production and daily life. During the Reporting Period, although we did not face any water supply problem, we have actively implemented various measures to educate our employees to save water from daily life. The Group clearly understands the importance of water resources for production, construction and living needs and thus established the water-saving leading team and water-saving office, with each department fulfilling its respective duties to improve water utilization and reduce waste. The power equipment department reduces water pressure, inspects water facilities, hidden water pipes and internal water supply systems, etc., regularly, and repairs damaged water tanks, water taps and other water supply facilities in a timely manner to prevent water leakage and unnecessary wastage. The power equipment department also needs to keep detailed records of all inspection and repair. We also monitor the consumption of each water outlets in the entire plant area, collect and analyze water consumption data to identify departments or production units with higher water consumption, so that targeted remediation plans can be formulated and implemented to eliminate unnecessary water consumption. Xuzhou Tannery was recognized as a water-saving enterprise in Jiangsu Province. In order to enhance proper attitude towards the use of water and enhance environmental awareness of employees, Xuzhou Tannery has posted water saving sign at prominent places to remind employees of controlling the water flow when washing hands, minimizing tap water flow and switching off the tap afterwards.

III. Environmental Protection (Continued)

2. MANAGEMENT OF RESOURCES UTILIZATION (CONTINUED)

Conservation of Water (continued)

During the Reporting Period, the Group consumed approximately 292,297.00 tonnes of water resources, representing a decrease of approximately 7,462.00 tonnes or 2.49% as compared with the previous year.

The Group set a target at the beginning of the Reporting Period to reduce this year's consumption intensity of water by 5% as compared with the previous year. Although the production volume decreased, some of the production water equipment still needs to be filled with water for circulation, the consumption intensity of water increased more than expected. Please refer to the below table and the section headed "Summary of Environmental Data and Performance" for the relevant data.

During the Reporting Period, the Group's water consumption is as follows:

	2022 (Tonnes)	2021 ² (Tonnes)
Water Resources		
Total	292,297.00	299,759.00
Intensity ¹	349.25	188.31

Notes:

- 1 Consumption intensity is based on every 10,000 square feet of leather produced.
- 2 Part of last year's comparative figures are restated to conform with the current year's presentation.

Conservation of Paper

The Group actively promotes "Paperless Office" and encourage employees to transmit information and documents in electronic form to reduce photocopying and printing. We encourage our employees to set the printer to double-sided printing as default, check the file format (such as kerning, margins, and pages) before photocopying or printing, use both sides of the paper whenever possible. We make full use of paper by reuse one-side used paper for printing, used envelope and packaging materials; collect the double-side wasted papers in recycled paper collection box and recycle by qualified recyclers. We also effectively regulate and improve the paper usage habits of various departments through the formulation of paper procurement and requisition procedures. During the Reporting Period, the Group consumed a total of approximately 0.57 tonnes of paper, representing a decrease of approximately 0.18 tonnes or 24.00% as compared with the previous year.



III. Environmental Protection (Continued)

3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has been established for more than 20 years at a leading position in the industry by persistently supporting the concept of “Compliance and Integrity Operation”, possessing rich experience in environmental protection management and continuously improving the tanning technology. We made investments each year in the facilities for prevention and control of pollution, new tanning technology development, and kept on improving the environment within the plant. The Group will continue to pay close attention to environmental protection related laws, regulations and measures, and strictly abide by the internal environmental protection management system to ensure compliance with laws and regulations. We take the national environmental protection development plan as our blueprint, raise the environmental awareness at all levels within the Group and let everyone to realize the deteriorating global environmental situation, and hope to have more industrial and commercial enterprises, social organizations and general public participating in environmental protection projects and working together to improve environment and build a better world, and to promote its sustainable development.

The Group will continue to increase its investment in various environmental protection projects in the future and will closely monitor and supervise the subsequent implementation of the rectification work above to ensure that the plant handles emissions and waste in compliance with regulations and the risk of causing major pollution is eliminated. We will revisit and identify the sources of wastes produced in operation, to evaluate the impact on the environment for use of resources and to enhance the environmental-friendly facilities and ancillary equipment, and continue to strengthen the control measures in the “Internal Control Manual” to deal with social responsibility risks, including the promotion of cleaner production, energy conservation and emission reduction, extensive use of energy-saving products, and the economical use of office resources. Through effective ways such as publicity and education, we constantly improve employees’ awareness of environmental protection and resource conservation, fulfill social responsibilities and obligations in the process of business development, and achieve coordinated development of the enterprise, society and environment. The Group’s research and development center focuses on product research and development, eco-leather manufacturing and enzyme agent research and development projects. The manufacturing process of traditional leather requires the use of chromium, which can easily cause heavy metal pollution, but Eco-leather is completely free of chromium, making it suitable for the manufacturing of maternal and infant products, while reducing heavy metal pollution.

III. Environmental Protection (Continued)

4. CLIMATE CHANGE

Climate change is expected to worsen the frequency and severity of extreme weather events and cause catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena, increasing risk of heavy rains, rising tides and flooding that can cause serious damage to assets such as buildings, warehouses and inventories, resulting in economic losses. In the long term, climate change may lead to rise in the sea level, long-term changes in climate patterns of chronic heat waves (persistent higher temperature, etc.). The unprecedented crisis from the global spread of COVID-19 has created significant challenges worldwide while the risks of climate change are still imminent. Understanding of these trends and the relationship with its businesses can help the Group to prepare, analyze possible risks and opportunities, seize the opportunities of potential benefits and establish the response capacity of the Group in the long run.

Climate change is a major concern of governments around the world. Governments may change the related policies, laws and regulations to deal with climate change. Therefore, the Group needs to change internal policies and measures, increasing the risk of facing relevant laws and regulations, which may increase operating costs and affect product demand. In response to climate change, the Group is committed to reducing carbon emissions and waste generation from its operations. The Group, from the source, adheres to the principle of “Use Less, Fully Exploit, Seek Alternatives, Fix and Reuse, Rethink”, through daily management and strengthen education and publicity, strengthen the concept of energy conservation and energy efficiency enhancement and actively take technically feasible and economically reasonable measures, so as to reduce operating costs, and reduce carbon emissions and waste in operation. At the same time, the Group has formulated scientific, reasonable, realistic and feasible goals which show that the company has a directional and purposeful plan to reduce greenhouse gas emission, and is well prepared in advance to respond to national climate change regulatory policies. Besides, the ESG targets of the Group provide benchmarks and future directions for the annual review of progress in greenhouse gas reduction and energy transition, and motivate more efficient actions to address climate change.



IV. Employment and Labor Practices

Employees are the Group's valuable assets. The Group adheres to the "people-oriented" governance philosophy, and strives to provide a non-discrimination, equal, harmonious and safe workplace. The Group based on the long-term benefit of the Group; incorporating sustainability into strategies, in formulating appropriate human resources policies. The Group also constantly reviews the talent management mechanism, creates favorable conditions to attract, develop, retain and identify high potential talents. In addition, the Group provides commensurate remuneration, personal growth and career development opportunities; and other fringe benefits. The Group establishes an equal and competitive mechanism for regulating the employees' promotion and advancement process, and reflects the Group's focus on fostering talents. The Chairman's mailbox has been set up in the Xuzhou Tannery which is managed by the Chairman himself. This aims at strengthening the communication between the company and employees, encouraging employees to actively provide suggestions for corporate development, assisting employees in resolving their problems in order to enhancing the company's management and corporate development. The loyalty and high morale of employees can play a role in team efficiency. Therefore, we attach great importance to cultivating talents and teamwork spirit. We welcome talents from different backgrounds, encourage, support and cultivate employees' personal expertise, and affirm individual performance and team achievements. We organize after work activities and training courses and hope to enhance employees' skills and team cohesion while caring for their physical and mental health.

The Group has strictly complied with the relevant laws and regulations on employment and labor of Mainland China and Hong Kong, including the "Constitution of the People's Republic of China", the "Labor Law of the People's Republic of China", the "Law of the People's Republic of China on Protection of Minors", the "Provisions on the Special Protection on Minor Workers", the "Provisions on the Prohibition of Using Child Labor", the "Law of the People's Republic of China on the Protection of Women's Rights and Interests", the "Insurance Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Regulations on Work-Related Injury Insurances", the "Trade Union Law of the People's Republic of China", the "Employment Promotion Law of the People's Republic of China", the "Labor Dispute Mediation and Arbitration Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of Disabled Persons", the "Individual Income Tax Law of the People's Republic of China", the "Implementing Regulations of the Labor Contract Law of the People's Republic of China", the "Prevention and Treatment of Occupational Diseases Law of the People's Republic of China" and the "Production Safety Law of the People's Republic of China" of Mainland China, and the "Employment Ordinance", the "Employees' Compensation Ordinance", the "Mandatory Provident Fund Schemes Ordinance", the "Minimum Wage Ordinance", the "Sex Discrimination Ordinance", the "Disability Discrimination Ordinance", the "Family Status Discrimination Ordinance", the "Race Discrimination Ordinance", the "Occupational Safety and Health Ordinance" of Hong Kong, and other local government requirements and standards. Relevant information will be described in detail in the sections headed "Employment", "Health and Safety" and "Labor Standards" below.

IV. Employment and Labor Practices (Continued)

1. EMPLOYMENT

The Group has established internal management system which specifies the requirements for recruitment, promotion, dismissal, working hours, rest periods, compensation, welfare and other benefits.

Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination

The Group has adopted human resources measures and practices to promote anti-discrimination, equal opportunity and diversity. The Group has always adhered to the concept of recruiting the talented people and making the best use of their talents, and has established related policy in recruiting talents through various recruitment channels. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the human resources department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on their work experience, professional knowledge, educational background, communication skills, expression skills, morality and work attitude, and regardless of their age, gender, race, religion, nationality or marital status. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination. The Group handles dismissal and compensation in accordance with the local laws and regulations.

As at 31 December 2022, the gender ratio in the workforce of the Group (including senior management of the Company) comprised 74% male and 26% female. As the Group's nature of operation requires significant manual labor, the Group believes that the gender ratio of the workforce is within a reasonable range. The Group will review the effectiveness of the measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, it will continue to monitor the gender ratio and will aim at achieving a greater gender diversity in hiring all positions across the Group where practical.

In order to enhance the quality of work and competency of employees, we conduct periodic performance appraisal and fairly assesses the level of awards, salary increment and/or promotion recommendations based on a number of criteria, including working experience, seniority, knowledge and skills, performance, contributions, etc. The Group formulates assessment plan and quantified performance indicators to conduct performance appraisal, as reference for promotion and salary increment of employees.

On the basis of equality, the Group hopes to identify talents who are committed and dedicated to work; the Group has confidence and high hopes on those employees who are willing to take responsibility, keep learning, continuously improving their abilities and willing to move forward with the Group.

IV. Employment and Labor Practices (Continued)

1. EMPLOYMENT (CONTINUED)

Recruitment, Promotion, Dismissal, Equal Opportunity, Diversity and Anti-discrimination (continued)

At the end of the Reporting Period, the Group had approximately 327 (2021: 365) employees and the distribution is as follows:

	2022	2021 ¹
Gender		
Male	74%	72%
Female	26%	28%
Employment Type		
Full-time	100%	100%
Age Group		
18-30	3%	4%
31-45	35%	45%
46-60	62%	51%
Geographical Region		
Mainland China	99%	99%
Hong Kong	1%	1%

During the Reporting Period, the Group's average monthly employee turnover rate is as follows:

	2022	2021 ¹
Gender		
Male	0.94%	0.72%
Female	2.06%	2.39%
Age Group		
18-30	1.61%	3.77%
31-45	1.81%	1.01%
46-60	0.87%	1.25%
Geographical Region		
Mainland China	1.25%	1.25%
Hong Kong	–	–

Note:

1 Last year's comparative figures are restated to conform with the current year's presentation.

IV. Employment and Labor Practices (Continued)

1. EMPLOYMENT (CONTINUED)

Compensation, Welfare and Other Benefits

The Group attracts and retains outstanding talents by providing competitive remuneration packages and benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level is decided based on their knowledge, skills, experiences and educational background. Employee compensation varies among factories and offices by location. Some of the factories and offices implement remuneration system that consists of basic salary and performance-based bonus.

The remuneration package includes salary and bonus. Other benefits include the position subsidies, overtime subsidies, overtime meal allowance, festive gifts, birthday gifts, providing staff dormitories, hospitalization and medical care, and general health checkups. Besides, in accordance with the local labor laws and social security laws and regulations, the Group provides social security benefits for all employees. The Group contributes to various social security schemes (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident funds for the employees in Mainland China and contributes to the Mandatory Provident Fund Scheme for the employees in Hong Kong.

Working Hours and Rest Periods

The Group attaches importance to employees' health and work-life balance and protects the employees' entitlement to rest days and holidays. Employees' work hours are set in compliance with local labor laws.

The Impact of the COVID-19

The Group did not reduce the employees' compensation and welfare nor lay off any employees during the COVID-19 in 2022. For the sake of employees' health and safety, the Group has formulated Emergency Response Plan for Epidemic Prevention and Control and implemented various anti-epidemic prevention measures. Please refer to the section headed "Health and Safety" below for details.

2. HEALTH AND SAFETY

The Group cares about our employees' health and their working environment safety and believes that the corporate is responsible for production safety work. It should adhere to the concept of "people-oriented, safe development", and strengthen and fulfill the responsibility towards preventing and avoiding occupational hazards from employees.

IV. Employment and Labor Practices (Continued)

2. HEALTH AND SAFETY (CONTINUED)

Safety Production Structure

To comply with the “Production Safety Law of the People’s Republic of China” and applicable local laws and regulations and to manage production safety more effectively, Xuzhou Tannery has formulated the “Rules on Responsibility for Production Safety” and established safety management structure by establishing the production safety committee, the production safety office and the environment and safety center. The organization structure includes a registered safety engineer and several safety officers to enhance the production safety management level of the company. The production safety committee formulates production safety plans and annual production safety targets. Department heads are required to sign production safety responsibility statement every year. It is hoped that management and employees of all levels would clearly understand their own responsibility for safety and assume safety responsibility strictly in accordance with the production safety responsibility statement. In addition, we have also formulated “Administrative Measures against “Three Violations”” to strengthen the company’s work on safety management. Employees who violate the laws and regulations in respect of production, command and labor disciplines are warned and, where required, to undergo safety refreshment training to avoid safety accidents and injury to employees.

Safety Training

The Group pays attention to provide the safety training to employees. New employees must receive three-level safety education (company, department and team levels) before they can start working. During the Reporting Period, Xuzhou Tannery organized “Safe Production Month” and “Fire Safety Month” and used signboards, WeChat platform, pre- and post-session meetings and other channels to promote related activities to strengthen employees’ safety awareness. The activities included fire safety training activities, fire emergency drills, offline lectures relating safety production law by professionals, etc. Employees of special work types (such as electricians, electric welders, boiler operators, forklift operators, etc.) must receive relevant professional safety training and possess valid license from the government authority before they are put to work.

Safe Working Environment

In order to implement the safety production policy of “Safety First, Precaution Crucial, Comprehensive Governance”, the Group identifies major hazard sources, conducts risk assessments for potential major accidents and proposes corrective measures to eliminate the risks of the occurrence of safety accidents. Safety personnel regularly inspect each production workshop in accordance with company requirements and safety operating procedures, and urge employees of each production workshop to conduct safety inspections of production posts, conduct regular fire inspections every day to check whether the fire protection equipment and fire safety signs are intact and remove tinders. The power equipment department is responsible for the maintenance and daily inspection of various facilities and equipment. For the hidden dangers discovered during the inspection, we will put forward remediation advices, report to the management in a timely manner, supervise the implementation of the remediation plan, and record the details of the inspection and remediation. When hidden dangers are found to be dangerous to employees and affect personal safety, we immediately take emergency measures to suspend relevant operations and evacuate employees from the operations.

IV. Employment and Labor Practices (Continued)

2. HEALTH AND SAFETY (CONTINUED)

Safety Risk Management

Xuzhou Tannery carried out comprehensive internal hidden hazard investigation and elimination work on an issue-oriented manner, thus achieving closed-loop management. When hidden problems were identified from various safety inspections, we formulated remediation measures for the issues, specified the respective responsibilities of remediation and supervision, completed the relevant remediation work, updated the list of hazard sources identification, and announced such list and preventive measures to all employees. At the same time, Xuzhou Tannery put in more efforts in safety training and publicity, normalized the related work and promoted the participation of all employees. During the year, employees joined trainings on fire prevention, epidemic prevention and control, poisonous chemical products, special equipment, safety use of electricity, work in restricted space, occupational health and first aid. The plant also carried out different types of emergency drills, including fire drills, emergency drills for restricted space operations, emergency drills for sulfuric acid leakage, and emergency drills for epidemic emergencies. The purpose is to raise the employees' emergency response capabilities, ensure the emergency plans could be carried out effectively, find out the deficiencies in emergency management for remediation and improvement, and in the event of safety accidents, employees can correctly handle the accidents to minimize the damage.

Employees' Occupational Health

The Group sets up an occupational health management policy pursuant to the requirements of the "Production Safety Law of the People's Republic of China", the "Law of the People's Republic of China on Prevention and Control of Occupational Diseases" and the applicable local laws and regulations to protect its employees' health, rights and interests. Protective equipment (such as masks, earplugs, uniforms, protective shoes, sawdust, etc.) that meets the national standards, together with the guideline for use, is provided to its employees. In order to improve the monitoring and management of hazard factors, take appropriate measures to eliminate or control risks, and ensure that employees work in a safe environment, we entrusted professional testing companies to comply with the standards of chemical hazards and physical factors in the "Occupational Exposure Limits for Hazardous Agents in the Workplace", and conducted inspection and evaluation of occupational disease hazards at each production post in the plant. Most of the job positions can meet the standard. However, due to the superimposed sound of sanded paper grinding, induced fan vacuum sound and motor, a small number of job positions fail to meet the noise standards, we have taken remedial actions, such as installing silencers and mufflers on the machines and organized training enhancing the employees' occupational safety knowledge, and requiring all employees to wear earplugs in the workplace.



IV. Employment and Labor Practices (Continued)

2. HEALTH AND SAFETY (CONTINUED)

Protection of employees during COVID-19 epidemic

Regarding COVID-19, the Group has implemented a number of preventive measures to protect the health and personal safety of our employees, and the details are as follows:

- Implemented the local government policy of “preventing inbound cases and domestic resurgence”;
- Formulated a normalized epidemic prevention and control work plan;
- The leading team for the emergency prevention and control of pandemic is responsible for coordinating epidemic prevention and control and emergency response command work;
- Ensured sufficient reserves of epidemic prevention supplies such as thermometers, disinfectant spray, disinfectant hand sanitizer, masks, goggles, protective clothing, etc.;
- Strict control on the personnel assessing and leaving the plant. All employees and visitors must wear masks, measure body temperature, declare personal health status, and confirm that there are no suspected infection symptoms before entering the production plant; the person in charge must wear gloves, masks and goggles;
- Conducted nucleic acid testing and quarantine control for imported cowhide and personnel with direct contact;
- Conducted sterilization every day in the production plant, including offices, production workshops, warehouses, dormitories, reception rooms, washrooms, etc.;
- Strictly controlled indoor gathering activities;
- Employees must wear mask at work and be aware of hand hygiene; and
- Employees must receive COVID-19 vaccination.

During the Reporting Period, the number of lost days due to work injury are as follows:

	2022 (Days)	2021 (Days)
Lost Days Due to Work Injury	105	133

There was no work-related fatality occurred in each of the past three years (including the Reporting Period) within the Group.

IV. Employment and Labor Practices (Continued)

3. DEVELOPMENT AND TRAINING

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we have established a stringent and comprehensive recruitment system, standards and procedures; introduced competition mechanism, hoping to explore and cultivate professional talents, and to encourage staff to continue study and lifelong learning. Apart from aligning the Group's corporate business plan, we also hope to enhance the quality, technical skills and knowledge of employees through continuous training and establish a positive working attitude for employees.

New hires of Xuzhou Tannery have to participate in induction training with an aim to introduce corporate culture, industry knowledge, organizational structure, policies and procedures, operational safety (please refer to the section headed "Health and Safety" above for details), etc. Before employees are transferred, they must receive pre-transfer professional training until they meet the requirements of the job position. For those with outstanding performance in the training, on top of recognition, rewards are given judgements. Those who fail to meet the standard, their training period can be extended appropriately. All employees are encouraged to receive external education and training in their spare time as long as their work is not affected. Xuzhou Tannery sets up training plan according to the human resources needs, and organize internal training and participate in training activities organized by external professional bodies. During the Reporting Period, in addition to pre-employment training to new hires, the Group also organized various training relating to safety, product quality, etc.

During the Reporting Period, the percentage of the Group's employees trained¹ is as follows:

	2022	2021 ²
Gender		
Male	88.89%	82.75%
Female	76.85%	73.19%
Employee Category		
Senior Management	87.50%	–
Middle Management	92.00%	92.31%
Ordinary Staff	84.93%	79.80%

Notes:

- 1 "The percentage of the Group's employees trained" refers to the number of Group's employees trained within the Reporting Period divided by the sum of Group's number of employees at the end of the Reporting Period and the number of departing employees within the Reporting Period.
- 2 Last year's comparative figures are restated to conform with the current year's presentation.



IV. Employment and Labor Practices (Continued)

3. DEVELOPMENT AND TRAINING (CONTINUED)

During the Reporting Period, the average training hours¹ per the Group's employee are as follows:

	2022	2021 ²
Gender		
Male	28.27	24.93
Female	23.74	22.61
Employee Category		
Senior Management	26.25	–
Middle Management	32.40	28.85
Ordinary Staff	26.60	24.17

Notes:

1 "The average training hours" refers to the number of training hours provided by the Group to its employees within the Reporting Period divided by the sum of Group's number of employees at the end of the Reporting Period and the number of departing employees within the Reporting Period.

2 Last year's comparative figures are restated to conform with the current year's presentation.

4. LABOR STANDARDS

The Group cherishes human rights and protects labor rights, and follows the applicable laws and regulations in forbidding child and forced labor. The human resources department reviews the identity documents of the candidates in the hiring process to prevent employment of child labor. Besides, the Group also strictly implements various measures to prevent any form of forced labor, including prisoner, indentured servitude, bonded labor; for example, labor contract is signed by the employee on a fair and voluntary basis, ensure employees do not need to bear any onboarding costs, never deduct wages, benefits or property of employees without reason, detention of employee's identity card or other identification documents is strictly prohibited, any form of physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom is all forbidden. Seeking consent from employees for overtime work is required to avoid involuntary overtime, and the employees are compensated as appropriate in accordance with the applicable labor laws and regulations.

COMPLIANCE

Except for the noise level of some job positions in Xuzhou Tannery failed to meet the standards, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group during the Reporting Period.

V. Operating Practices

1. SUPPLY CHAIN MANAGEMENT

The Group conveys its concerns on environmental protection issues to the suppliers and business partners and expects them to join hands with the Group to fulfill the corporate social responsibility. The Group aims to develop business with its suppliers on the basis of equality to achieve a win-win situation. Prior to entering into the contract stage with key business partners, the Group conducts an assessment based on a variety of criteria, including attitude towards environmental and social issues. Therefore, we have established strict internal rules and regulations and evaluation systems for both new and existing suppliers and have prepared an approved vendor list. When selecting a new supplier, the Group assesses the corporate background, certification, production scale, management system, production equipment, etc. and suppliers are categorized into approved vendors or substandard vendors according to the assessment result. The person in charge of each material usage department conducts an annual review for suppliers based on material quality, delivery status, service quality and price level, and categorizes suppliers according to the scoring criteria to determine whether we can continue to carry out business with certain suppliers or need to reduce or suspend purchasing. There is proper segregation of duties from signing of contracts with suppliers to goods or service acceptance so as to ensure that the goods and service providers possess the required qualifications and professional skills, adopt good internal management system, stable quality, on-time delivery, comply with laws and regulations, etc. This is to ensure that the Group's suppliers are competitive and are able to provide good quality products and services. The Group establishes a supply chain management system with strict requirements to provide various reporting channels to its employees, suppliers, customers and other business parties to report any violations of laws or regulations.

During the Reporting Period, the number and geographical distribution of the suppliers that have business with the Group are as follows:

	2022	2021
Mainland China	141	138
Hong Kong	1	1
Others	10	10

2. PRODUCT RESPONSIBILITY

The Group has been striving for continuous innovation and improvement, and to insist on quality control. Therefore, the Group has formulated policies and procedures to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements.



V. Operating Practices (Continued)

2. PRODUCT RESPONSIBILITY (CONTINUED)

Management of Product Quality

The Group commits to providing quality and safe products, not only to satisfy the customers' basic requirements, but also to meet our production efficiency, effectiveness and quality control targets. Therefore, we formulate the "Internal Control System of Quality Center". The quality center is responsible for monitoring and inspecting the quality of raw materials, crust, blue skins and finished products. Raw material suppliers need to provide testing result data to ensure that their quality meets the national standards. In accordance with the "Guidelines for Quality Inspection of Finished Products", we strengthen the technical training of quality inspectors and improve their technical level and sense of responsibility to ensure that they can effectively monitor the quality of products. If sub-standard products are found during the inspection process, the marketing center and the production center must notify the warehouse in writing that the substandard products cannot be placed in the warehouse to avoid accidentally selling the substandard products to the customers. The testing laboratory under the China Leather Research Institute randomly tests the Group's products annually, and all the products are produced and delivered with a qualified test report. During the Reporting Period, Xuzhou Tannery has obtained ISO 9001:2015 Quality Management System certification for the production of natural genuine leather.

Management of Customers' Complaints

If customers have product quality issue or the products fail to satisfy their requirements such as peeling off, crack of leather surface, etc., they can approach the Group's after-sales services. In order to better understand customer requirements and continuously improve our products, we regularly consult customers' opinions and suggestions through visits, questionnaires and telephone calls in accordance with the "Customer Satisfaction Survey Management System", to identify the cause of customer dissatisfaction and provide solution in time, hoping to improve the quality of products and services.

During the Reporting Period, the number of products and service related complaints received by the Group are as follows:

	2022	2021
Complaints received	-	8

Customer Data Protection and Privacy Policies

Confidentiality is one of the Group's core values. We have established "Customer Information Management System" to ensure our employees handle customers' information diligently and confidentially, and formulated clear guidelines to monitor the use and management of customer files to prevent leakage of customer information. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any information to assisting vendors or third parties without proper authority unless there is a legal or professional right or duty to do so. If such information has to be accessed due to business relationships, employees must provide the purpose and reason for the inspection and inspect only after obtaining approval.

V. Operating Practices (Continued)

2. PRODUCT RESPONSIBILITY (CONTINUED)

Maintenance and Protection of Intellectual Property Rights

The Group respects intellectual property rights and employees are not allowed to own or use copyrighted material without the permission of the copyright owner.

Recall of Products

During the Reporting Period, the Group has no product sold or shipped subject to recalls for safety and health reasons.

COMPLIANCE

During the Reporting Period, there was no confirmed violation or non-compliance incident relating to product and service responsibility that had significant impact on the Group and no complaints about violations of customer privacy, loss of customer information and intellectual property rights was received.

3. ANTI-CORRUPTION

As the Group's corporate cultural philosophy are "Honesty, Probity, Effectiveness", maintaining an ethical working environment is one of the Group's core values. We have adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. To comply with the "Criminal Law of the People's Republic of China" and the "Criminal Procedure Law of the Peoples's Republic of China" of mainland China, the "Prevention of Bribery Ordinance" of Hong Kong and applicable laws and regulations, the Group set up "Human Resources Management Policy" and "Employee Handbook" to regulate the employees' conduct. We have set out strict penalties to combat inappropriate collection and acceptance of bribes, commissions or other illegal interests. The Group demanded all employees to build up a habit of complying to policies and procedures. Employees who are in breach of the company's code of conduct are disciplined or dismissed. During the Reporting Period, we provided a number of anti-corruption training activities for directors and employees, such as learning and implementing the spirit of the sixth general meeting of the 19th Central Commission for Discipline Inspection, integrity training for key personnel at key positions, training on Party regulations and Party discipline, education and study on laws and regulations, watching anti-corruption warning education films and report of typical violations of discipline and law, etc. We set up a comprehensive disciplinary monitoring system to cover the operation and production processes. Therefore, the "Rules for Discipline Inspection and Supervision Reporting" was formulated and we have established channels, including mailbox and hotline, for whistleblowers to submit reports of suspected personal interests in carrying out one's job duties, briberies, extortion, frauds, money laundering and other illegal acts in an absolute confidential manner. The Group handles such reports in absolute confidence and is determinant in combating corruption and contributes in building an uncorrupted society. During the Reporting Period, there was no litigation of corruption involving the Group or its employees.



VI. Community Investment

The Group is a responsible tax payer and spares no effort in easing local employment pressure. The Group pays the “five insurance and housing provident fund” for mainland employees, contributes to the mandatory provident fund scheme for Hong Kong staffs, and assists its staff to make good plans for their retirement life. The Group has operated its factory in mainland China for over 20 years and is one of the pillar industries in that area, exercising good practices in its business operation, protecting environment and building a good development order. We have been regarded as a role model for the industry, contributing to social stability.

VII. Environmental Performance Data Summary

	Unit	2022	2021 ⁵
Greenhouse Gas (“GHG”) ⁴			
Scope 1 ¹			
Total	Tonnes	801.29	2,145.01
Intensity ³	Tonnes	0.72	1.16
Scope 2 ^{2, 4}			
Total	Tonnes	3,364.61	4,826.66
Intensity ³	Tonnes	4.86	3.61
Air emissions ⁴			
Nitrogen Oxides	Kilograms	1,008.83	1,046.13
Sulfur Oxides	Kilograms	0.86	1.01
Particulate Matters	Kilograms	65.66	69.48
Hazardous Sewage Discharged:			
Total	Tonnes	1.08	0.56
Intensity ³	Tonnes	0.0013	0.0004
Hazardous Solid Waste Generated:			
Total	Tonnes	642.62	914.95
Intensity ³	Tonnes	0.77	0.57
Non-hazardous Sewage Discharged:			
Total	Tonnes	382,252.61	604,210.00
Intensity ³	Tonnes	456.74	379.57
Non-hazardous Solid Waste Generated:			
Total	Tonnes	2,498.34	5,491.67
Intensity ³	Tonnes	2.99	3.45
Packaging Materials Used for Finished Goods:			
Total	Tonnes	25.19	39.68
Intensity ³	Tonnes	0.016	0.013
Electricity:			
Total	MWh	5,514.86	7,911.27
Intensity ³	MWh	7.96	5.92
Natural Gas:			
Total	m ³	2,280.00	–
Intensity ³	m ³	2.95	–



VII. Environmental Performance Data Summary (Continued)

	Unit	2022	2021 ⁵
Gasoline:			
Total	Tonnes	9.39	12.74
Intensity ³	Tonnes	0.0085	0.0069
Diesel:			
Total	Tonnes	35.01	39.54
Intensity ³	Tonnes	0.03	0.02
Steam:			
Total	Tonnes	15,453.00	24,299.00
Intensity ³	Tonnes	20.37	16.85
Water Resources:			
Total	Tonnes	292,297.00	299,759.00
Intensity ³	Tonnes	349.25	188.31
Refrigerants:			
Total	Tonnes	0.36	1.09
Intensity ³	Tonnes	0.32	0.59

Notes:

- 1 Scope 1 refers to the Group's business direct GHG emission, including combustion of gasoline, diesel, natural gas and refrigerants.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 During the Reporting Period, the Group's principal activities were processing of leather and providing commissioning services for its customers. Since the production processes involved in different products are different, the emission and consumption of key performance indicators in each production process account for different proportions in the entire leather production process. Therefore, the calculation of emissions and consumption intensity of each key performance indicator is based on the actual proportion.

Intensity is based on every 10,000 square feet of leather produced.
- 4 The carbon emissions are calculated with reference to the emission factors published by the "China Regional Grid Baseline Emission Factors" issued by the Climate Change Department of the Ministry of Ecology and Environment of China and the "Reporting Guidance on Environmental Key Performance Indicators" issued by The Stock Exchange of Hong Kong Limited.
- 5 Part of last year's comparative figures are restated to conform with the current year's presentation.

VIII. “Environmental, Social and Governance Reporting Guide” by The Stock Exchange of Hong Kong Limited

General Disclosure/ KPIs	Reporting Guideline	Page
A. Environmental		
Aspect A1		
Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	11-18
KPI A1.1	The types of emissions and respective emissions data.	14,16-17,39
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	39
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	14,16,39
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	14,17,39
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	13-17
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	13-17
Aspect A2		
Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	18-23
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	20,22, 39-40
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	23,40
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	19-22
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	22-23
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	39
Aspect A3		
The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	24
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	24



VIII. “Environmental, Social and Governance Reporting Guide” by The Stock Exchange of Hong Kong Limited (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	25
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.	25
B. Social		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	26-29
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	28
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	28
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	29-32
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	32
KPI B2.2	Lost days due to work injury.	32
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	29-32
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	33
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	33
KPI B3.2	The average training hours completed per employee by gender and employee category.	34

VIII. “Environmental, Social and Governance Reporting Guide” by The Stock Exchange of Hong Kong Limited (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	34
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	34
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	34
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	35
KPI B5.1	Number of suppliers by geographical region.	35
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.	35
KPI B5.3	Description of practices used to identify environmental and social risks.	35
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	35
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	35-37
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	37
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	36
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	37
KPI B6.4	Description of quality assurance process and recall procedures.	36-37
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	36



VIII. “Environmental, Social and Governance Reporting Guide” by The Stock Exchange of Hong Kong Limited (Continued)

General Disclosure/ KPIs	Reporting Guideline	Page
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	37
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.	37
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	37
KPI B7.3	Description of anti-corruption training provided to directors and staff.	37
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	38
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	38
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	38

