

TAYANG 大洋

# Silicone

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT

2022



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## ABOUT THIS REPORT



### Scope and Reporting Period

This is the Environmental, Social and Governance (“ESG”) report of Ta Yang Group Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) with disclosures made pursuant to the ESG reporting guide (the “Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group engages principally in the design and manufacturing of silicone rubber products. This ESG report covers the Group’s overall performance in two subject areas, namely environmental and social, of its major business operations in Huzhou of Zhejiang Province (the “Huzhou Ta Yang”) and Dongguan of Guangdong Province (the “Dongguan Ta Yang”), the People’s Republic of China (the “PRC”), from 1 January 2022 to 31 December 2022 (the “Reporting Period”), unless otherwise stated. The operations of the Group’s headquarter in Hong Kong have no significant environmental and social impact and hence are not covered in this report. In 2021, the Group started a retail business, healthcare and hotel services in the United Kingdom (the “UK”). However, the UK retail business is relatively small and does not have a significant environmental or social impact, and hence it is not included in the scope of this ESG report.

There are no major changes in the reporting scope of this report, compared with that of the last reporting period, from 1 January 2021 to 31 December 2021.

The outbreak of the COVID-19 pandemic (the “Pandemic”) inevitably has an impact on the sales of household and electronic products. Despite the global implementation of COVID-19 vaccination and the lift of COVID-19 restrictions

during the Reporting Period, the full recovery of the global economy is yet to come. At the beginning of the Reporting Period, the Group managed to recover most of its production capacity through industrial expansion, acquisition of more clients from the industrial sector and recruiting more raw material suppliers. However, the outbreak of another wave of pandemic in China during the second half of the Reporting Period led to further lockdowns, thus complicating the economic environment and casting a shadow of uncertainty over the market outlook.

### GOVERNANCE ON ESG ASPECTS

The board of directors of the Company (the “Board”) has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management (“Management”) is delegated the responsibility of coordinating the implementation of the Group’s environment, employment and service quality assurance policies.

The Board leads and provides direction to Management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

Reporting Principles

The content covered in this ESG Report are in compliance with the four reporting principles of materiality, quantitateness, balance and consistency required in Appendix 27 to the Listing Rules and their referred documentations as set out by the Stock Exchange.

The reporting principles applied are consolidated as follows:

<b>Accuracy and Quantitativeness</b>	<b>Balance</b>
Qualitative information in this ESG Report has been reported in consistent with the available evidence. Quantitative key performance indicators (“KPIs”) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.	The Group’s performance during the Reporting Period has been presented in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements. Performance data is reported in a way that allows information users to see negative and positive year-on-year trends in impacts.
<b>Materiality</b>	<b>Consistency and Comparability</b>
Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders. The significant stakeholders, procedures, and results of the engagement are presented in the sections of “ <b>Dialogue and engagement with stakeholders</b> ” and “Materiality Assessment” in this ESG report.	Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Reporting Language

This ESG report is published in both English and Traditional Chinese versions. In case of discrepancies the English version shall prevail.

OUR SUSTAINABILITY STRATEGY



1. PROMOTING AND ADVOCATING ECOLOGICALLY FRIENDLY PRODUCTS

The Group is committed to producing environmentally friendly products to replace plastic products. Its main business is the design and manufacturing of silicone rubber products.

Silicon, the second-most common element after oxygen in the outmost layer of the earth’s crust, makes up the majority of silicone. Silicone is not a fossil fuel by-product and has little environmental impact. Additionally, it is widely used for making environmentally friendly products, thanks to its tolerance of extreme temperatures, water resistance, and electrical characteristics.

Benefits of silicone products

A wide range of applications such as consumer electronics, computer keyboards, and mobile phone parts benefit greatly from silicone materials. Silicone materials offer numerous benefits as a result of their characteristics, which including but not limited to:

- ▶ Durability ;
- ▶ Air permeability ;
- ▶ Flexibility ;
- ▶ Nontoxic;
- ▶ Malleability;
- ▶ Temperature resistance;
- ▶ Easy to clean;

- ▶ Nonstick;
- ▶ Stain-resistant;
- ▶ Recyclable; and
- ▶ Non-odorous.

Advantages of silicone products over plastic products

Plastic and silicone are both incredibly strong and malleable materials with similar look and feel. Yet, they differ in their unique chemical and molecular makeups.

The molecular structure of plastics is made of carbon and hydrogen. The following resources are used in plastics production:

- ▶ Natural gas;
- ▶ Plants; and
- ▶ Crude oil.

Plastics are made of less environmentally favourable materials and can degrade into hazardous microplastics. In addition, some plastics include poisons like bisphenol A. Generally speaking, silicones endure longer and can withstand higher temperatures than plastics.

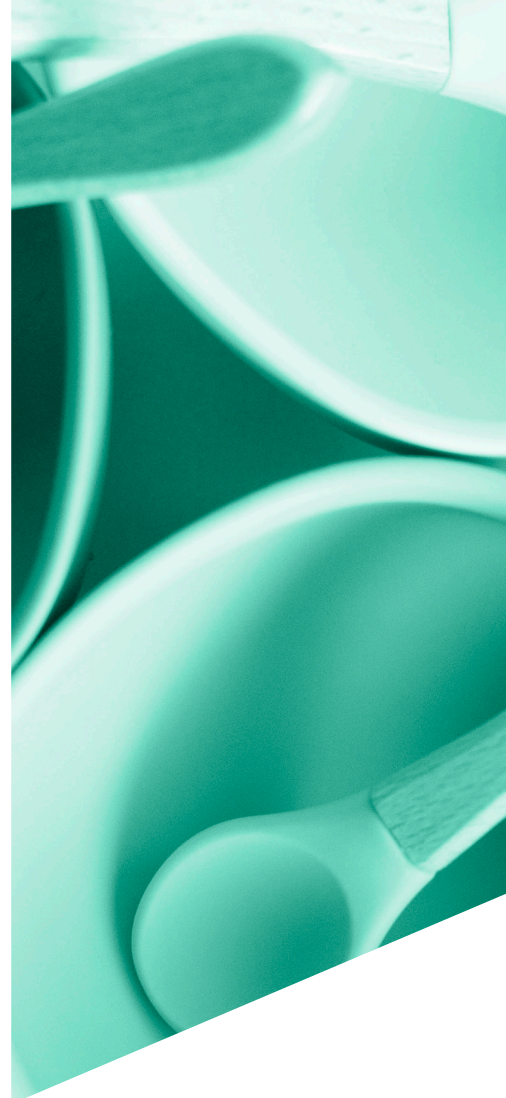
### What makes our products eco-friendly?

Plastics are widely used around the world due to their ease of manufacturing, low cost, stable chemical properties, and good water resistance. Plastics production has been steadily increasing year by year. Commonly used plastics include polystyrene, nylon, polyurethane, polypropylene, etc. These plastics are gradually decomposed by the physical, chemical and biological effects in the environment. Although plastics are easily fragmented under the effect of environmental forces, it takes a long time for these plastics to be completely decomposed. Most plastics will break down into plastic debris with small particle sizes; plastic debris with diameter less than 5 mm is called microplastics. Microplastic pollution has caused many hazards to marine life and has already aroused widespread concern.

Marine microplastics have affected the marine fish and marine food chain in many different ways. Microplastics can have a negative effect on fish and other aquatic life, including reducing food intake, delaying growth, causing oxidative damage and abnormal behaviour. In addition, nano-scale microplastics can penetrate through the biological barrier and accumulate in tissues, and eventually enter into our food chain and the human body.

Unlike plastic, silicone with superior quality is made from more abundant earthly resources and does not contain any petrochemical industry additives. It doesn't break down over time and won't shed microplastic particles either.

Since silicone is lightweight and flexible, it is frequently used for on-the-go solutions. Many silicone items on the market today are likewise designed to replace single-use plastics and have similar performance qualities. In light of this, silicone is an excellent substitute for plastic.



## 2. GOOD GOVERNANCE ENHANCES GROWTH

The Group understands that ESG matters may threaten an organisation's shareholder value, reputation, supply chain, and other aspects that may affect sustainability; and business sustainability is critical to the long-term trust that the Group has built with the public. The ESG working group, consisting of representatives from various departments, continued to deal with ESG-related issues during the Reporting Period. The ESG working group (the "Working Group") is responsible for managing the Group's ESG issues and continues to ensure that appropriate and effective ESG risk management and internal control systems are in place. The Working Group

also complements the current risk management and internal control systems, which are designed to meet the Group's specific business needs and to minimise its risk exposure. The Working Group sets ESG goals at the beginning of each year and reviews its progress in achieving the goals using monthly data reports to check whether there are areas for improvement. Additionally, through analysing the situation of the Group, the Working Group suggests new ideas, and brings attention to issues, as well as proposing solutions that can be applied in the Group. In general, the Working Group has made significant progress in achieving the targets set, though it acknowledges that there is room for improvement. The Group continues to assess its strengths and weaknesses to improve overall efficiency. The goals outlined for the year and the respective actions taken are as follows:



### Following the Stock Exchange's rules and guidelines closely

- ▶ Material issues were identified in line with the provisions of the Reporting Guide
- ▶ Issues and matters regarded as important to stakeholders were disclosed publicly and transparently



### Taking environmental advice from the Chinese government

- ▶ Waste management suggestions by the government were listened to
- ▶ Emission reduction measures were made to an improved sense of environmental protection among employees



### Establishing effective and open relationships with stakeholders

- ▶ Communication channels were set up for the Group to hear the voices of various stakeholders, including, investors, employees, customers, etc.



### Creating an engaging working environment

- ▶ Efforts were put into making a comfortable, healthy, and nurturing working environment
- ▶ Internal celebratory activities were held to strengthen the bond between employees



### Improving communications with customers

- ▶ Products and internal procedures of the sales process were reviewed to better cater to customers' needs
- ▶ Customers' feedback was listened to and responded to in a quick manner to enhance trust



3. DIALOGUE AND ENGAGEMENT WITH STAKEHOLDERS

The Group values engagement with its stakeholders as they provide valuable insights and identify areas of improvements. Through internal communication with stakeholders of different categories, the Group may further understand the needs of its stakeholders, and thus acknowledge and address their expectations accordingly. With this in mind, the Group has formulated the “Methods on Engaging and Communicating with Stakeholders” to identify communication channels with its key stakeholders.



Key stakeholders and communication channels are as follows:

Stakeholders	Possible Issue of Concern	Communication Channels
Government/ regulatory authorities	<ul style="list-style-type: none"><li>Compliance with policies and regulations</li><li>Operational compliance</li></ul>	<ul style="list-style-type: none"><li>Routine reporting and disclosure</li><li>Announcements</li><li>Press releases</li></ul>
Customers	<ul style="list-style-type: none"><li>Product safety</li><li>Delivery time</li></ul>	<ul style="list-style-type: none"><li>Company website</li><li>Phone and email communication</li><li>Communication with staff</li><li>Customer comment cards</li></ul>
Suppliers	<ul style="list-style-type: none"><li>Supplier management</li><li>Customer service</li></ul>	<ul style="list-style-type: none"><li>Supplier assessment</li><li>Site visits</li></ul>
Employees	<ul style="list-style-type: none"><li>Rights and benefits</li><li>Remuneration and compensation</li><li>Career development and training</li><li>Working hours</li><li>Occupational health and safety</li><li>Working environment</li></ul>	<ul style="list-style-type: none"><li>Employee training</li><li>Employee communication meetings</li><li>Performance reviews</li><li>Employee handbook</li></ul>

Stakeholders	Possible Issue of Concern	Communication Channels
Shareholders and Investors	<ul style="list-style-type: none"><li>Corporate governance system</li><li>Business strategies and performance</li><li>Corporate transparency and reputation</li></ul>	<ul style="list-style-type: none"><li>Annual/ Extraordinary general meetings</li><li>Annual reports and announcements</li><li>Company website and email</li></ul>
Community	<ul style="list-style-type: none"><li>Community environment</li><li>Employment and community development</li><li>Social welfare</li></ul>	<ul style="list-style-type: none"><li>Community activities</li><li>Employee voluntary activities</li><li>Community welfare subsidies</li><li>Charitable donations</li></ul>

Through ongoing dialogues and stakeholder engagement exercise throughout the Reporting Period, the Group has received feedback and suggestions from stakeholders that are invaluable to its sustainable development journey.

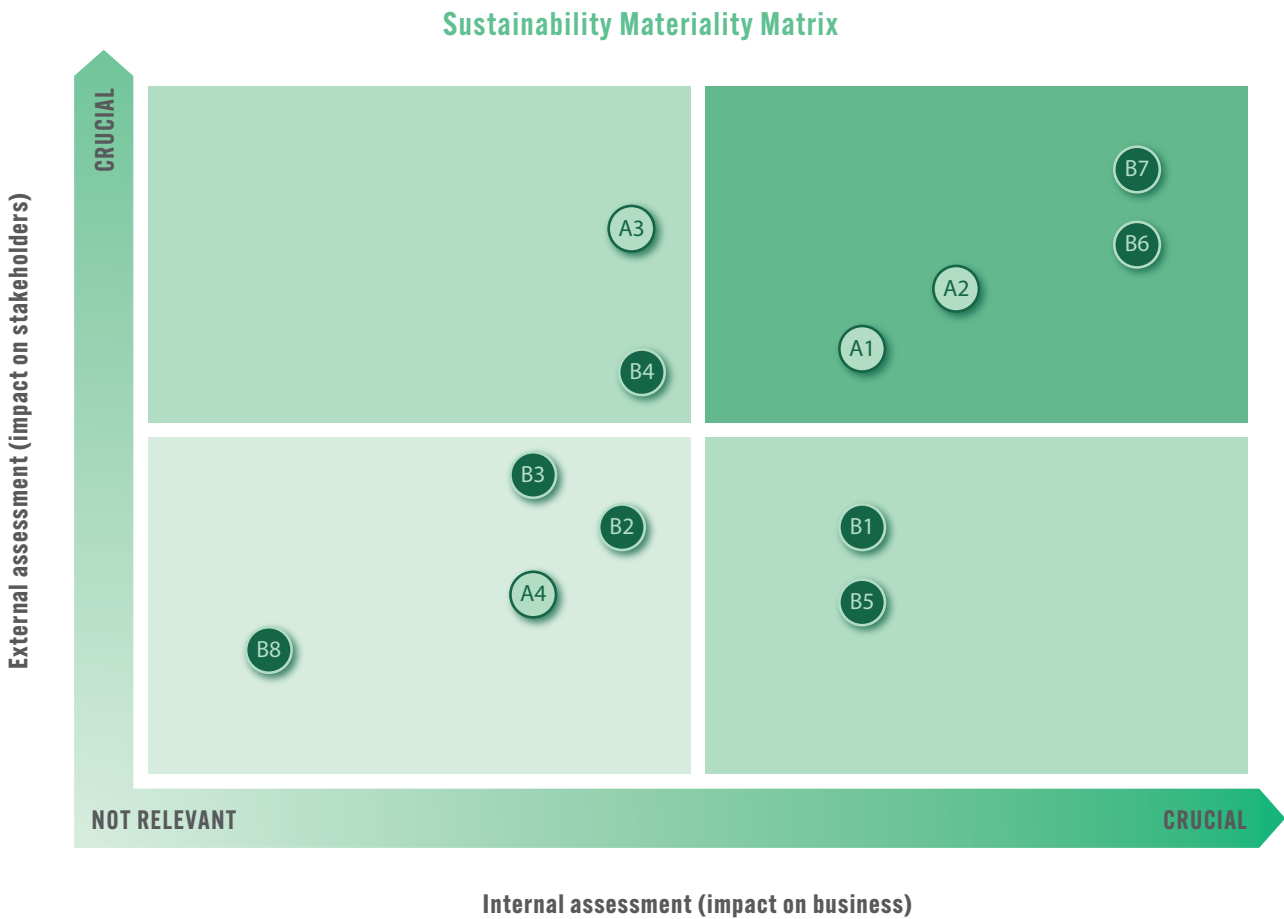
The materiality assessment process is crucial to the decision-making process of the Group and its ESG reporting, and it helps identify and prioritise the issues that matter most to the Group's stakeholders.



Materiality Assessment

During the Reporting Period, the Group has evaluated a number of environmental, social and operational matters and assessed their importance to stakeholders and the Group through various channels.

This assessment helps to ensure that the Group's business objectives and development direction satisfy the stakeholder's expectations and requirements. The Group's and its stakeholders' matters of concern are listed out in the following materiality matrix:



A Environmental Issues		B Social Issues	
A1	Environmental	B1	Employment
A2	Use of resources	B2	Health and safety
A3	The environment and natural resource	B3	Development and training
A4	Climate change	B4	Labour standards

Assessment of Impacts

Apart from engaging the Group’s stakeholders, the Board and the Management have assessed the actual and potential impacts that the Group’s operation could bring based on the advice given by external professionals. The significance of the impacts was also considered when assessing the materiality of the below topics.

Among the environmental and social aspects, the following five topics are identified as the most important material issues based on stakeholder engagement and the Board’s assessment:

- ▶ Anti-corruption;
- ▶ Product responsibility;
- ▶ Environment;
- ▶ Use of resources; and
- ▶ The environment and natural resources.

The above aspects have been strictly managed through the Group’s policies and guidelines. The management of these aspects is described in separate sections below. The Group will continue to keep close communication with its stakeholders to understand their expectations and to identify areas of improvement for the concerned aspects for advancing ESG management.

B5	Supply chain management
B6	Product responsibility
B7	Anti-corruption
B8	Community investment







## 4. STAKEHOLDERS' FEEDBACK

The Group promotes effective communications with all stakeholders through regular newsletter, notices, announcements, and reports via its facebook, wechat and weibo accounts as well as the company website. The Group welcomes its stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us by email at [wailun.sze@tayanggroup.com](mailto:wailun.sze@tayanggroup.com)



## 5. SDG GOALS IN ACTION

Sustainability has been the core value of the Company and will continue to be integrated into the Group's decision-making, as well as our future planning, management and development processes. In order to meet environmental and social challenges like climate change, we are dedicated to minimizing our environmental impact while maximizing contributions.

Our Group continued to pursue operational and manufacturing excellence within our production value chain through the adoption of advanced technologies and processes and responsible supply chain management. We have set high standards for product quality and reliability and continued to deliver products and services that exceed customer expectations. In 2022, in view of the

severe disruption of global supply chains, we also made extra efforts in maintaining and developing relationships with our existing and new suppliers to secure the supply of our products.

The Group fully supports the implementation of the 17 Sustainable Development Goals ("SDGs") of the United Nations and has identified five goals that are most relevant to our business and sustainability strategy. Over the long term, we shall explore ways to enhance our sustainability approaches in order to be better aligned with and contribute to the SDGs' goals. ESG is one of our priorities in managing the business and we will work for a balanced environment for the good of the people around us and for the world as a whole.

SDG Goals	Alignment with our business
<b>3 GOOD HEALTH AND WELL-BEING</b> 	Consumers, scientists and authorities are concerned about numerous harmful chemicals used in plastics. Silicone is a synthetic rubber, which is prepared by combining silicon, oxygen and carbons, bonded in a defined ratio. Oxygen, silicon and carbons are naturally occurring and are safe to use. Silicone cookware is heat-resistant, cold-resistant, freezer safe, and oven safe.
<b>6 CLEAN WATER AND SANITATION</b> 	Contrary to plastic, which is one kind of petrochemical products derived from fossil fuels like oil, coal, and gas, the exploitation of the raw material for silicone products does not involve any deep digging which uses huge amount of water.
<b>8 DIRECT WORK AND ECONOMIC GROWTH</b> 	We give our employees a respectable working environment and fair pay.
<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 	In general, silicone items outperform plastic products. This is due to the fact that they are more environmentally friendly and robust than plastic.
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	Due to silicone's excellent durability, the overall consumption of silicone products is much lower and the production volume is, hence, smaller as compared with that of plastic products.
<b>13 CLIMATE ACTION</b> 	Silicone produces substantially fewer carbon emissions per unit of product than plastic does. Due to its excellent durability, consumers only need far fewer units of silicone products than they would of plastic, which further reduces carbon emissions.
<b>14 LIFE BELOW WATER</b> 	Marine microplastics will affect many aspects of the marine fish and marine food chain. Microplastics can have a harmful effect on fish and other aquatic life, including reducing food intake, delaying growth, causing oxidative damage and abnormal behaviour. Silicone as a replacement product do not cause any harm to marine life.



# PURSUING ENVIRONMENTAL EXCELLENCE



In line with the Group’s sustainability missions and visions, the Group continuously improves its environmental performance with contributions and support from its employees, business partners, the public and other stakeholders. The Group has formulated the “Procedures on Compliance with Rules, Regulations, Standards, and Other Requirements”, which stipulates that it constantly identifies and reviews environmentally related national rules and regulations to ensure that its business activities are compliant. During the Reporting Period, the Group complied with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- ▶ The Atmospheric Pollution Prevention and Control Law of the PRC;
- ▶ Water Pollution Prevention and Control Law of the PRC;
- ▶ Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes;
- ▶ Environmental Protection Law of the PRC; and
- ▶ Energy Conservation Law of the PRC.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste has been identified during the Reporting Period.

## 1. PROGRESS ON EMISSIONS CONTROLS

During the Reporting Period, the Group complied with national and local laws and regulations concerning emissions and waste resulting from its operations, including but not limited to:

- ▶ GB 8978-1996: Integrated Wastewater Discharge Standard;
- ▶ Order of the President of the PRC (No. 31): Atmospheric Pollution Prevention and Control Law of the PRC (2018 Revision);
- ▶ GB 3095-2012: Ambient Air Quality Standards;
- ▶ GB 18483-2001: Emission Standard of Cooking Fume;
- ▶ GB 37822-2019: Standard for Fugitive Emission of Volatile Organic Compounds;
- ▶ GB 18597-2013: Standard for Pollution Control on Hazardous Waste Storage;
- ▶ Order of the President of the PRC (No. 57): “Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes”; and
- ▶ National Hazardous Waste Directory (2021 Version).

## 1.1 AIR EMISSIONS

### Gaseous Fuel Consumption

Our Huzhou and Dongguan factories have both received certification for their environmental management systems in accordance with ISO14001:2015. To ensure that emissions won't exceed provincial and industrial emission regulations, the Group has hired a third-party expert to conduct routine inspection of pollutants from exhaust gas produced by the production plants.

### Vehicle Operation

The Group-owned fossil-fuelled vehicles, including light goods, medium goods, and heavy goods vehicles, which were used for daily business operations during the Reporting Period, which contributed to the emission of nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and respiratory suspended particles (“RSP”).

See below for the breakdown of the Group's 2022 air emissions:



Type of Air Emission	2022 Emission (in kg)
NO <sub>x</sub>	279.06
SO <sub>x</sub>	0.43
RSP	27.57

*Note: Emission factors for calculations on environmental parameters throughout this ESG report were used pursuant to Appendix 27 of the Listing Rules and documentation referred thereto, unless stated otherwise.*

The intensity of air emissions by the Group was 813.58g of NO<sub>x</sub>, 1.25g of SO<sub>x</sub>, and 80.3g of RSP per one million Hong Kong Dollar revenue (/HK\$m revenue) of the Group’s business operations.



1.2 GREENHOUSE GAS EMISSIONS

During the Reporting Period, the Group’s business operations contributed to the GHG emission of 7,399 tonnes of carbon dioxide equivalent (“tCO2eq.”), mainly consisting of carbon dioxide, methane, and nitrous oxide.

The overall intensity of the GHG emissions by the Group was 21.57 tCO2eq./HK\$'m revenue of the Group’s business operations.

The reported GHG emissions were attributed to the following activities:

- ▶ **Direct** “Scope 1” GHG emissions from consumption of petrol and diesel, and release of refrigerants and extinguishing agents;
- ▶ **Energy indirect** “Scope 2” GHG emissions from purchased electricity; and
- ▶ **Other indirect** “Scope 3” GHG emissions from business air travel, municipal freshwater and sewage processing, and paper waste disposal at landfills.

See below for the detailed breakdown of the Group's 2022 GHG contributions:



“  
The overall intensity  
of the GHG emissions  
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21.57 tCO2eq./  
HK\$'m revenue of  
the Group’s business  
operations.  
”

Table of GHG emissions

Scope of GHG emissions	Emission sources	2022 GHG Emissions (tCO2eq.)
1 Direct emission	Combustion of fuels in stationary sources <sup>1</sup>	0.00
	Combustion of fuels in mobiles sources <sup>1</sup>	Diesel 231.77
		Petrol 131.31
	Refrigerants <sup>2</sup> and Extinguishing Agents <sup>3</sup>	456.06
2 Energy indirect emission	Purchased electricity <sup>4</sup>	6177.95
3 Other indirect emission	Paper waste disposal	350.06
	Electricity used for freshwater treatment by government	35.54
	Electricity used for sewage treatment by government	12.21
	Business air travel by employees <sup>5</sup>	4.1
Total		7,399
Overall GHG Intensity (tCO2eq./HK\$'m revenue)		21.57

Note 1: Emission factors were disclosed pursuant to Appendix 27 of the Listing Rules and documentation referred thereto, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 2: The quantities of refrigerants were estimated according to the refrigerant replacement rate for all refrigerant-consuming equipment. The 100-year Global Warming Potential “GWP 100” values of R-22, R-32, and R-134a were made with reference to the Fifth Assessment Report “AR5” of the Intergovernmental Panel on Climate Change.

Note 3: The quantities of extinguishing agents were estimated according to assumed leakage coefficient. The 100-year Global Warming Potential “GWP 100” values of CO<sub>2</sub> and FM-200 “HFC-227ea” were made with reference to the Fifth Assessment Report “AR5” of the Intergovernmental Panel on Climate Change.

Note 4: According to The Ministry of Ecology and Environment of People’s Republic of China (2022): Emission factor of 0.5810 tCO2e/MWh was used for purchased electricity from the National Grid of the PRC in 2022.

Note 5: CO<sub>2</sub> emissions from the Group’s business air travels were reported in accordance with the International Civil Aviation Organisation “ICAO” Carbon Emission Calculator.

1.3 HAZARDOUS WASTE



The manufacture of silicone does not use or produce any hazardous waste. No hazardous waste was produced by Group organization throughout the Reporting Period.

1.4 NON-HAZARDOUS WASTE

Non-hazardous industrial waste, such as plastic and metals, was generated from production activities. Non-hazardous waste was collected by designated handlers for downstream recycling and incineration.

See below for the detailed breakdown of the Group's 2022 non-hazardous waste generation:



Types of Non-hazardous Waste	2022 Figures (tonnes)
Metal waste 	247.64
Plastic waste 	146.09
Total	393.73
Overall Non-Hazardous Waste Intensity (kg/HK\$m revenue)	1.15

1.5 WE MAKE EVERY EFFORT TO REDUCE OUR EMISSIONS

The Group continues its dedication to limiting the usage of ozone-depleting substances and reducing emissions in its business operations. Emissions are expected to be mitigated through control measures, which include:

- ▶ Replacing traditional chemicals with non-toxic and non-polluting chemicals;
- ▶ Reinforcing regular inspections, cleansing and maintenance of air-conditioning system, plant equipment and vehicles owned by the Group;
- ▶ Prohibiting smoking in the workplaces except in designated smoking areas;
- ▶ Promoting the use of public transportation and car-pooling;
- ▶ Using telephone and video conferencing; and
- ▶ Regulating the uses and enforcing speed limits of the Group-owned vehicles.

In 2022, the Group has established a 10-year group-wise emission reduction target to reduce emissions by 10% by fiscal year 2032.



“  
In 2022, the Group has established a 10-year Group-wise emission reduction target to reduce emissions by 10% by fiscal year 2032.  
”



1.6 WASTE HANDLING AND REDUCTION INITIATIVES

The Group has formulated stringent procedures for the handling of solid waste. All recyclables are sorted and processed according to types, such as metal, plastic and paper waste, which are sent to designated collectors for recycling.

The Group pledges to promote eco-friendly behaviours among employees. Adhering to the principle of turning waste into treasure, the Group has adopted the 3Rs waste reduction approach in waste management

Level	Waste management strategies adopted in the various operations
<div>1</div> <div>Reduce</div> <div></div>	<div>Offices</div> <div><ul style="list-style-type: none"><li>Adoption of double-sided printings across all internal office documentation</li><li>Wide application of wechat, for a paperless and green office</li></ul></div> <div>Staff canteen</div> <div><ul style="list-style-type: none"><li>Meal planning to avoid food wastage</li></ul></div>
<div>2</div> <div>Reuse</div> <div></div>	<div>Offices</div> <div><ul style="list-style-type: none"><li>Reuse of single-sided printouts as draft paper</li><li>Reuse of packaging materials such as paper, plastic and expanded polyethylene (“EPE”) foams</li></ul></div>
<div>3</div> <div>Recycle</div> <div></div>	<div>Offices and production lines</div> <div><ul style="list-style-type: none"><li>Sorting waste before treatment</li><li>Appointment of designated recycling companies for waste collection and handling</li></ul></div> <div>Public Areas</div> <div><ul style="list-style-type: none"><li>Installation of recycling bins</li></ul></div>

Through the above measures, the Group had set the target to reduce its waste generation intensity by 10% in 10 years from 2022, or by 2032.

2. CARE ABOUT OUR USE OF RESOURCES

To reduce the use of resources, the Group has formulated management policies regarding energy and resources use, which manage consumption of natural gas, electricity, water, raw materials, packaging materials, office paper and other office necessities.



2.1 ENERGY CONSUMPTION

The total energy consumption by the Group was 11,951,561 kilowatt-hour (“kWh”), with the overall energy intensity of 34,844.2 kWh/HK\$’m revenue. Types of energy consumed included electricity, petrol and diesel.

See below for the detailed breakdown of Group's energy consumption during the reporting period.

Energy Consumption Sources	Direct Consumption	Consumption (in kWh)
Diesel (stationary) <div></div>	0	0
Petrol (mobile) <div></div>	49,368 L	6177.95
Diesel (mobile) <div></div>	87,888 L	878,880
Electricity <div></div>	10,633,306 kWh	10,633,306
Total		11,951,561

Note: Conversion factors were used pursuant to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

## 2.2 WATER CONSUMPTION

The total water consumption by the Group was 83,028 m<sup>3</sup>, with an overall water intensity of 242 m<sup>3</sup>/HK\$'m revenue during the Reporting Period.

Freshwater sourced from the municipal water supply system is consumed mainly for domestic activities as well as industrial production.

No issues were encountered in the sourcing of water that is fit for purpose during the Reporting Period.

### Wastewater

Wastewater undergoes decentralised treatment before they are discharged to the centralised treatment plant. The main sources of industrial wastewater at Dongguan Ta Yang are from its cleaning operations and water curtain booths. After treatment by a manufacturing wastewater treatment facility, water from water curtain booths is used again in the production process and is frequently replenished. Industrial wastewater is gathered and sent to qualified units for central treatment.

The Group constantly monitors the performance of the wastewater treatment facility. During the Reporting Period, the parameters of treated effluent (i.e., pH values, suspended solids, ammonia nitrogen, biochemical oxygen demand, and chemical oxygen demand) met the permitted discharge limits as set out in the GB8978-1996 Integrated Wastewater Discharge Standard.

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**The total water consumption by the Group was 83,028 m<sup>3</sup>, with an overall water intensity of 242 m<sup>3</sup>/HK\$'m revenue**  
”



## 2.3 ENERGY USE EFFICIENCY INITIATIVES

The Group has taken various measures to improve overall energy and resource efficiency. General energy-saving initiatives implemented in offices include switching off the power source to all air-conditioners, lighting and office equipment after office hours, and controlling the use of air-conditioners and heating systems.

At the same time, the Group has formulated environmental targets and kept track of performance to minimise its energy usage and carbon emissions. The Group keeps track of its monthly electricity consumption and controls consumption by:

- ▶ Developing electricity consumption systems to calculate, compare and analyse total electricity consumption;
- ▶ Adopting energy-saving lighting whenever possible;
- ▶ Choosing vehicles and equipment with high energy efficiency;
- ▶ Controlling the temperature of air-conditioners at the range of 23-25°C;
- ▶ Conserving fuel consumption by enforcing regulations;
- ▶ Combining trips to reduce fuel use;
- ▶ Educating employees to optimize productivities and reduce unnecessary electricity usage;
- ▶ Promoting electricity conservation behaviours among employees; and
- ▶ Regularly inspecting and maintaining transmission pipelines. When leakage is identified, pipelines are repaired immediately.

In 2022, the Group had established a 10-year Group-wise electricity consumption reduction target to reduce consumption by 10% by fiscal year 2032.



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**In 2022, the Group has established a 10-year Group-wise electricity consumption reduction target to reduce consumption by 10% by fiscal year 2032.**  
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## 2.4 WATER USE EFFICIENCY INITIATIVES

The Group continuously conserves water resources and has implemented initiatives to minimise water consumption, such as:

- ▶ installing touch-free water saving taps in office and staff dormitory buildings;
- ▶ prohibiting the use of potable water for non-potable purposes, e.g., cleaning work;
- ▶ educating cleaning workers the economic use of water in daily cleaning work;
- ▶ enhancing maintenance and repairs of pipelines, valves, joints, and fixtures to improve water usage efficiency.

The Group had set the target of reducing its water usage intensity by 10% in 10 years from 2022, or by 2032.

## 2.5 PACKAGING MATERIAL

The Group purchases its product packaging and protection materials from suppliers, all of which use non-renewable raw materials to produce their packaging material. The Group has also been seeking alternative packaging materials with higher renewable material content.

During the Reporting Period, the Group consumed a total of 172,580 tonnes of packaging materials for product packaging and protection, which mainly comprised of paper and plastic-based materials. The consumption intensity was 503 tonnes/HK\$m revenue.



## 3. NO COMPROMISE ON USE OF NATURAL RESOURCES

The Group has implemented management systems and procedures, as well as acted in accordance with national standards and regulations, during the Reporting Period to reduce its use of energy and resources, to cut back on the raw materials it purchases that contribute significantly to pollution, and to reduce or completely eliminate the environmental impact of its products throughout their entire life cycle, from cradle to grave.

### 3.1 SIGNIFICANT IMPACTS OF ACTIVITIES ON THE ENVIRONMENT AND NATURAL RESOURCES

With the exception of modest effects brought on by emissions and the consumption of natural resources (such as water and electricity), the Group's economic activities have minimal negative effects on the environment and natural resources. The Group actively monitors and analyses its environmental impacts through regulatory restrictions and decisive action to prevent environmental harm, and to determine the effects on the environment.

Additionally, the Group strives for on-going improvements in resource efficiency by minimising the use of materials, water and energy, and the production of waste, pollution, and carbon emissions. The Group has set targets on electricity, water and fuel consumption.

With electricity use being the largest source of the Group's GHG emissions, the Group has specifically adopted management measures for reduction of electricity consumption. For instance, the Group has provided education to employees to raise their awareness of energy conservation, restricted the use of air-conditioners at an ambient temperature below certain level, and affixed energy conservation reminder stickers near the light switches.



“  
**The Group strives for on-going improvements in resource efficiency by minimising the use of materials, water and energy, and the production of waste, pollution, and carbon emissions.**  
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4. CLIMATE STRATEGY

Global warming creates a wide range of risks for business, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. Climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the following risks that climate change poses.



Physical risk	
A  Acute risk	Climate change affects all regions around the world. Polar ice shields are melting, and the sea level is rising. Extreme weather events, such as typhoons, storm surges and rainstorms, will hinder and disrupt our production, transportation and ultimately our revenue. The devastating floods that have killed 71 people and affected more than 11 million in Zhengzhou in 2021 sounded an alarm bell to the Group. With our production plant located at the Pearl River Delta which is far more vulnerable to extreme weather, physical risk on our production plant as well as our human capital cannot be underestimated. Furthermore, the Group also foresees an increase in the frequency of blackouts due to the heavy load on the electricity grid as caused by climate change, which may lead to unpredictable disturbances to our operations.
B  Chronic risk	<ol style="list-style-type: none"><li>1. Longer-term shifts in climate patterns can increase capital costs, operating costs and costs of human resources.</li><li>2. Increased insurance premiums and potential for reduced availability of insurance on assets in locations with high exposure to natural disasters.</li><li>3. Climate change impacts various entities and functional levels in supply chains, and their ripple effect leads to risk propagation along the supply chain network. Disruption of supply chain may greatly affect our deliverable on production.</li></ol>

Transition risk	
A  Regulatory risks	The transition to a low-carbon economy can result in new regulations on greenhouse gas emissions and energy use, which may impact the cost of production for silicone manufacturers.
B  Technology risks	The transition to a low-carbon economy may require the adoption of new technologies or processes, which can involve significant capital expenditures and may require new skills or knowledge.
C  Market risks	The demand for silicone products may be impacted by changing consumer preferences or regulatory requirements, which can affect the company's revenue and profitability.

Opportunity
Climate change presents several opportunities for silicone products. For instance, silicone is heat-resistant and can withstand extreme temperatures, making it an ideal material for use in the production of solar panels and other renewable energy equipment. Additionally, silicone-based products can be used in the construction of energy-efficient buildings to reduce energy consumption and greenhouse gas emissions. Furthermore, silicone products can be used in the production of electric vehicles and other forms of transportation that rely on alternative energy sources. As the world shifts towards a more sustainable future, silicone products are likely to play an increasingly important role in enabling this transition. The opportunities for extending our product line in the future is huge.



## 1. OUR PEOPLE

### 1.1 EMPLOYMENT

The Group believes that employees are important assets. The Group complies with the Labour Law of the PRC, the Labour Contract Law of the PRC, and the Social Insurance Law of the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to employment.

#### Employee benefits and welfare

The Group's remuneration packages and fringe benefits include basic salary, overtime work compensation, allowance, award and bonus. Salary is reviewed every year and adjusted in accordance with the overall cost of living, industrial salary trend, market trend, the Group's remuneration strategies and performance. The Group also provides social insurances (including pension, medical, work-related injury, unemployment and maternity insurances), housing fund contributions and other welfare according to the statutory requirement. Major benefits provided by the Group cover all members of the Group and vary depending on job positions. Benefits provided by the Group are listed below:

- ▶ **Insurance:** mandatory social insurance, supplementary medical, employer's liability and accident insurance;
- ▶ **Allowances:** service, night shift, health care, heatstroke prevention, food, consolation, lactation and training allowances; and
- ▶ **Bonuses:** performance and examination bonuses.

There was no material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare was recorded during the Reporting Period.



#### Equal Opportunity

The Group respects diversity in the workplace and treats employees equally regardless of their age, nationality, ethnicity, race, sex, religious belief and cultural background. The Group has in place policies regarding the prevention of workplace discrimination, bullying and harassment. The Group has formulated the "Procedure on Prohibiting Forced Labour, Discrimination, and Harassment" to ensure that staff rights and benefits are never violated or compromised, that forced labour is strictly prohibited at the Group, that discrimination or harassment against any employees is not tolerated in any shape or form, and that all employees receive fair treatment regarding work arrangement, promotion, disciplinary actions, or dismissal. Through enforcement of the above procedure, the Group ensures that:

- ▶ Employees are not discriminated against or deprived of opportunities due to their diverse profiles;
- ▶ Employees' rights are protected irrespective of their ethnic groups, social class, nationality, religion, disability, gender, sexual orientation, trade union membership, and political affiliation;
- ▶ Equal opportunity is provided to each employee in all aspects of employment, benefits and welfare, performance appraisal, promotion, training and development;
- ▶ Employees are not treated unfavourably in case of pregnancy, and reasonable adjustments are made to the working conditions or hours of work for female workers during pregnancy;
- ▶ Employees with chronic illness or disability are not discriminated against employment right because of their health conditions; and
- ▶ All forms of sexual harassment in and outside of the workplace are strictly prohibited, including sexual discrimination, sexual harassment, sexual assault, sexual coercion, sexual exploitation, relationship violence, stalking and/or acts perpetrated against a person's will or perpetrated where a person is incapable of giving consent.

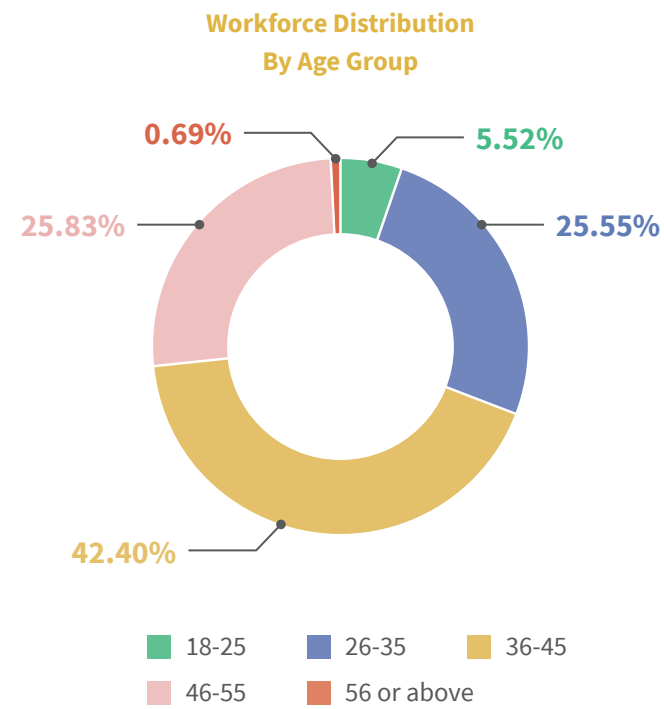
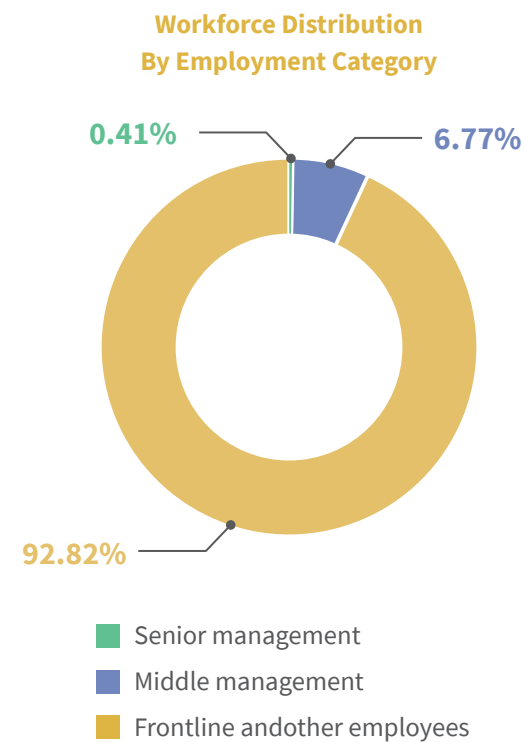
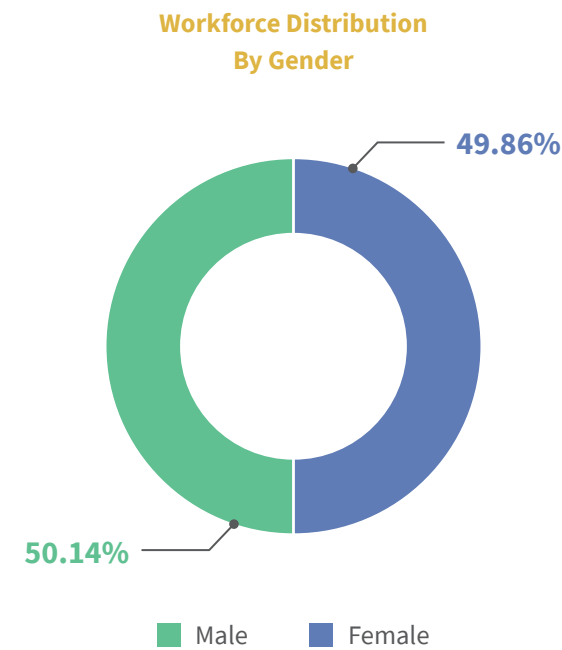
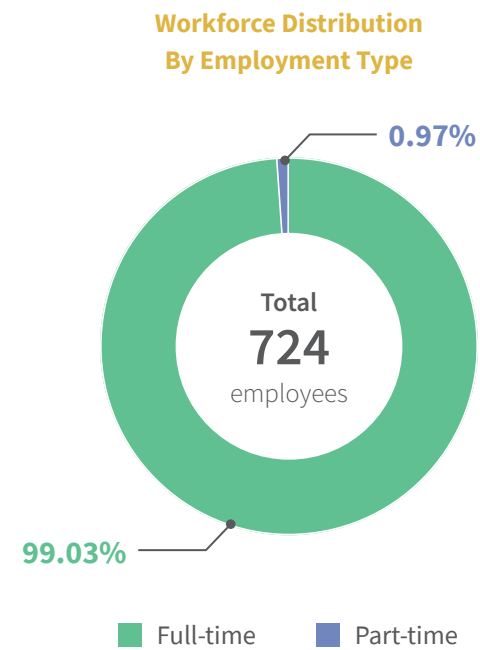
Employees shall report cases of violation or alleged violation of the aforesaid situations directly to the trade union representatives, department heads, or senior management of the Group.



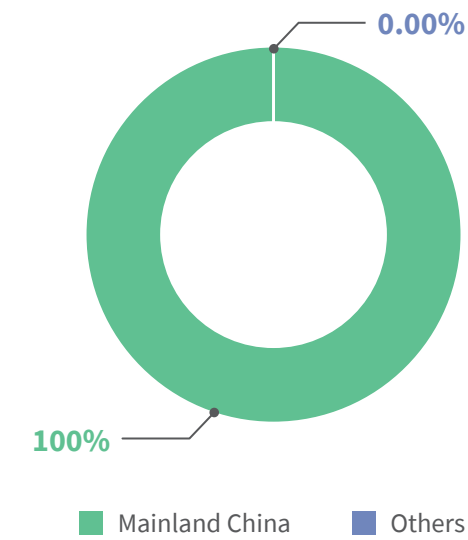
“**The Group has formulated the “Procedure on Prohibiting Forced Labour, Discrimination, and Harassment” to ensure that staff rights and benefits are never violated or compromised.**”

Workforce

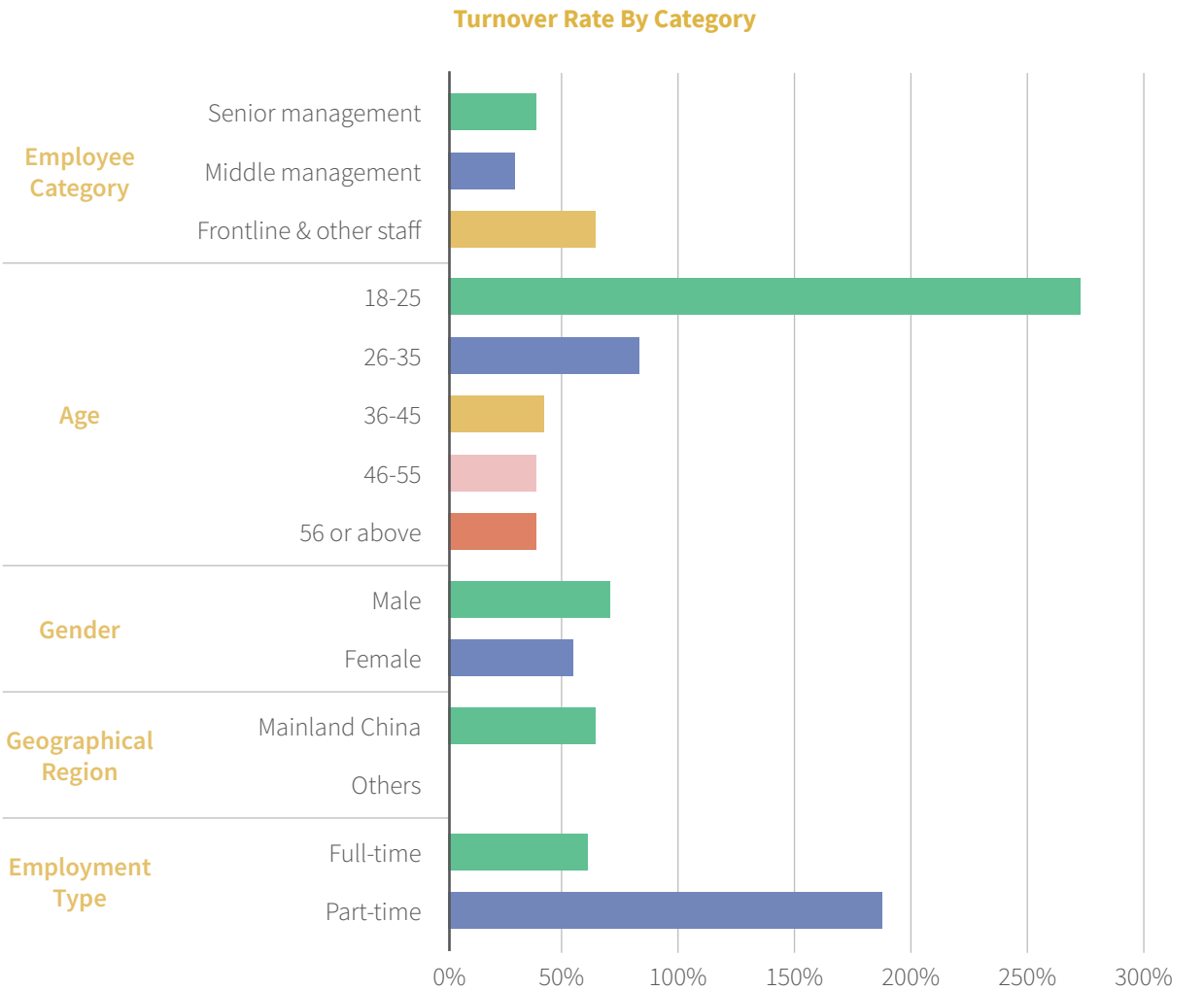
There were 724 employees as of 31 December 2022. With 717 full-time employees and 7 part-time employees from the PRC. The total workforce by employment type, category, age group and gender are as follows:



**Workforce Distribution By Geographical Region**



A total of 432 full-time employees left the Group, representing a full-time employees turnover rate of 59%, during the Reporting Period. The turnover rate by gender, age group are as follows:



1.2 HEALTH AND SAFETY OF EMPLOYEES ARE OF UTMOST IMPORTANCE

The Group adheres to the laws and regulations relating to health and safety, which mainly include the following:

- ▶ The Production Safety Law of the PRC;
- ▶ Law of the PRC on the Prevention and Control of Occupational Diseases;
- ▶ Measures for the Supervision and Administration of Employers' Occupational Health Surveillance; and
- ▶ Regulation on Work-Related Injury Insurance.

The Group has the responsibility to maintain occupational health and safety, which also benefits the long-term development of the Group. To ensure work safety, the Group has established a comprehensive system that covers various safety tasks, including contingency plans for unexpected incidents. The Group attaches great importance to work safety. We have implemented comprehensive precautionary measures and emergency plans to protect our staff and minimize the impact of incidents. The Group has also taken strict measures to ensure that work operations comply with regulatory requirements and relevant laws and regulations, such as the Work Safety Law of the PRC. To recognize outstanding performance in ensuring workplace safety, we have a safety reward scheme in place for employees and departments.

Safe systems of work

Huzhou Ta Yang has established a comprehensive safety management system that clearly defines accountability for work safety management. Every department is responsible for diligently enforcing relevant laws, regulations and standards. The safety management system includes safety inspections, safety education and training, occupational disease prevention and control, and safety protection equipment.

Similarly, Dongguan Ta Yang has implemented a top-down safety accountability system, where each level of staff is responsible for complying with safety policies. Dongguan Ta Yang has also established the Work Safety Committee ("WSC") to manage safety at work and ensure the principle of "Regulate Work and Maintain Safety" is upheld. The WSC is responsible for developing safety technical measures and labor protection schemes, organizing and monitoring safety inspections, and

handling safety-related incidents. In order to ensure the smooth and safe operation of production, the WSC conducts safety inspections, including factory inspections at least twice a quarter, inspections of each production unit at least once every two months, and daily inspections of all special operations and equipment.

Under the work safety accountability system, each production unit is required to establish a work safety task force responsible for providing work safety education, developing implementation details and operational procedures, and following the instructions of the WSC to ensure workplace safety. Safety officers are assigned to machine rooms and production teams to oversee the production process. According to Dongguan Ta Yang's safety system, machine operators, and employees in the roles of handling hazardous substances must receive professional safety skills training, pass assessment tests, and obtain relevant licenses before they are authorized to perform their duties independently. New employees, temporary employees, interns, and redeployed employees must complete three levels of safety training, including production unit training, machine room team training, and production position training, before assuming their duties.

“The Group has the responsibility to maintain occupational health and safety, which also benefits the long-term development of the group.”

Prevention and handling of accidents

The Group strictly adheres to laws and regulations, including the Fire Protection Law of the PRC and the Law of the PRC on Prevention and Control of Occupational Diseases. The Group has established an emergency response system to prevent and handle emergencies. Precautionary measures and safety training have been implemented to enhance the technical knowledge and skills of corporate safety management, thus preventing accidents. The Group has also developed detailed solutions and assigned clear roles to emergency personnel to address incidents such as fires, floods, and chemical leaks in order to minimize casualties and losses.

Safety education is also a priority for the Group. For instance, Dongguan Ta Yang has implemented various measures to promote workplace safety, such as posting slogans and distributing leaflets in all departments, workshops, and teams, as well as organizing events like "Work Safety Month" and "Walk for Work Safety". These initiatives aim to reinforce employees' understanding of national work safety approaches, policies, and relevant laws and regulations so as to increase their awareness of

workplace safety.

The manufacture of silicone rubber products involves potential chemical exposure for employees. To protect their health, Dongguan Ta Yang has improved ventilation equipment to meet the Occupational Exposure Limits for Hazardous Chemical Agents (GBZ2.1-2007) and provides adequate protective gear such as masks and gloves. Regular third-party assessments and free annual medical check-ups are also provided to safeguard employees' health. The Group prioritizes fire emergency safety management and has established a comprehensive fire emergency management system. Daily fire emergency safety inspections are conducted, and potential hazards are addressed immediately. Quarterly evacuation drills are conducted to enhance staff's emergency response capabilities.

There was no material non-compliance with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period.

Occupational Health and Safety Data

	2022	2021	2020
Work-related fatality	0	0	0
Work-related injury cases	0	2	18
Lost days due to work injury	0	57	642



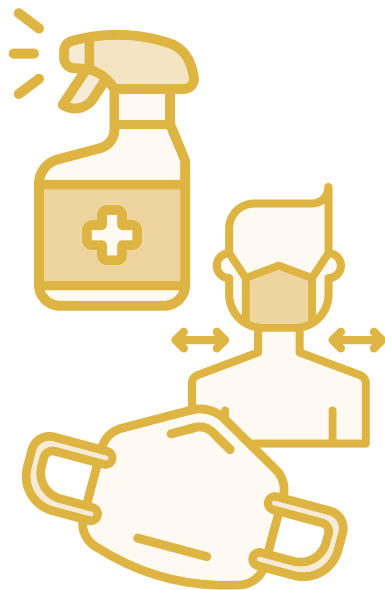


COVID-19

The Group has taken measures to mitigate the risks of COVID-19 transmission and maintain a healthy work environment. Daily cleaning and disinfection of work environments, including offices, bathrooms, common areas, and shared equipment, are conducted to minimize the potential for cross-infection. Daily on-site symptom assessments, including temperature screening, are also performed. Employees are required to wear masks and practice social distancing to reduce the chances of workers infecting each other. Visitors are required to follow quarantine requirements set by the national and local governments.

In the staff canteen, set meals are served instead of buffet-style meals to minimize the possibility of cross-infection. Staffs are also asked to bring their own utensils. The Group has also implemented restrictions on dine-in services and other hygiene measures in staff canteens to avoid close contact between employees.

Business travel has been greatly reduced, and employees are encouraged to meet clients via teleconferencing and videoconferencing tools to maintain social distancing.



1.3 DEVELOPMENT AND TRAINING TO IMPROVE THE KNOWLEDGE AND SKILLS

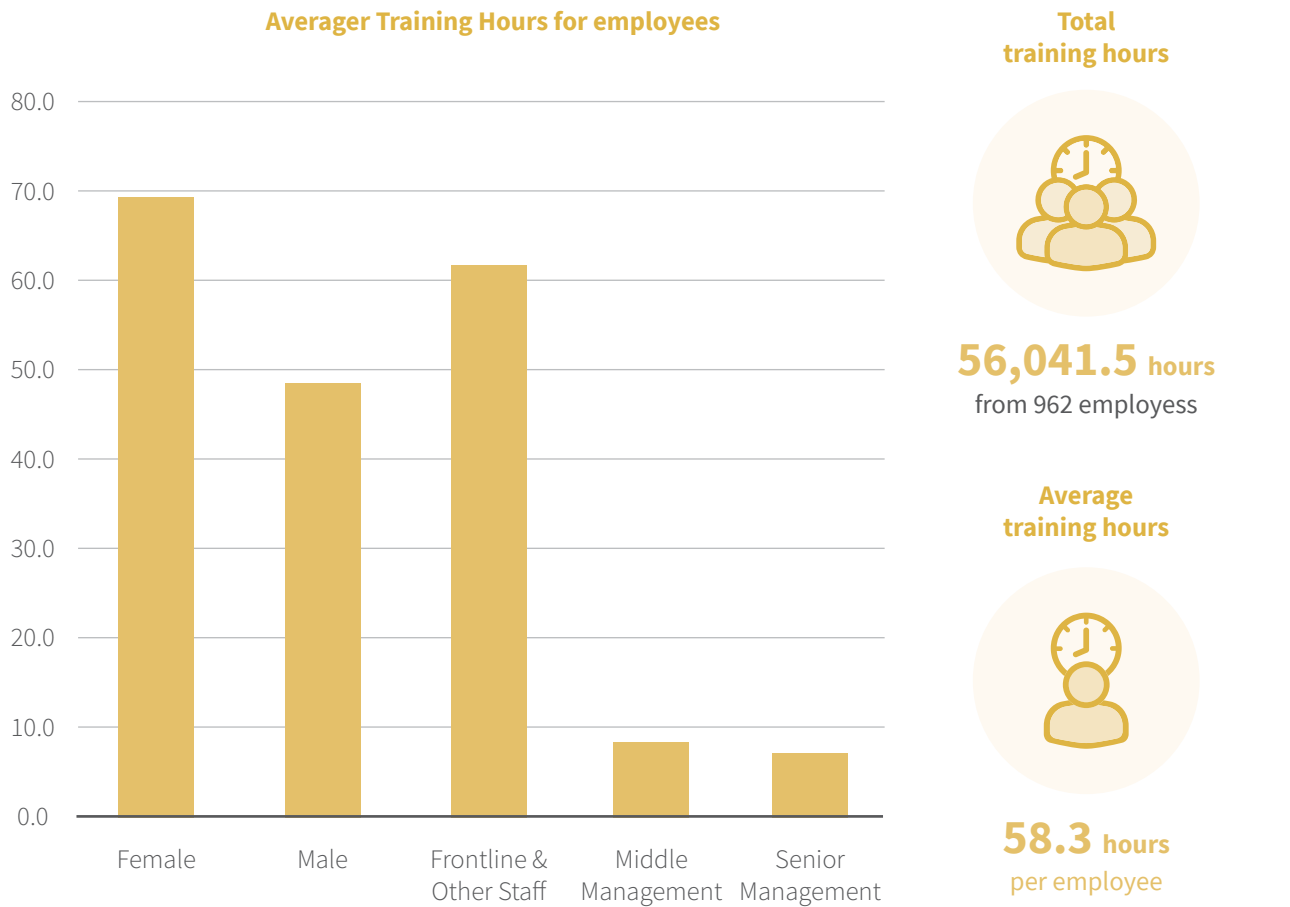
The Group is committed to providing fair and equal promotion opportunities to build a leading team in the industry. Outstanding employees are offered opportunities for promotion based on their work capability, experience, and performance. The Group recognizes that the expertise and knowledge of its staff are critical to its success, and has therefore invested resources in providing quality training for staff at all levels to cope with operational policies and future development needs, enrich their knowledge, enhance their efficiency, and unlock their potential.

Dongguan Ta Yang and Huzhou Ta Yang regularly design annual training plans and provide internal and external training for employees based on the needs of each department and future corporate development schemes. New employees undergo orientation training to gain

basic knowledge of the corporate profile, culture, and management system. Induction training is also provided for new employees based on the needs of their positions, covering job-related operational skills and management systems related to quality, safety, and the environment.

Redeployed staff receive training on necessary skills and knowledge for their new positions. At least one on-the-job training session is provided semi-annually by Dongguan Ta Yang, covering required courses related to the management system, quality standards, etc. Annual corporate training is regularly provided for staff on job-related knowledge, skills, and professional qualifications. The Group also encourages staff to participate in external training sessions, seminars, and professional qualifications assessments by providing training subsidies.

During the Reporting Period, 56,041.5 hours of training had been provided to 962 employees. The average training hours per employee was 58.3 hours. The details of staff training for 2022 are as follows:



1.4 SAY NO TO CHILD LABOUR AND FORCED LABOUR

Child and forced labour are strictly prohibited within the Group. The Group strictly observes applicable laws and regulations regarding employment and labour standards including the following:

- ▶ Labour Law of the PRC;
- ▶ Labour Contract Law of the PRC;
- ▶ Law on Protection of Minors of the PRC; and
- ▶ Provisions on the Prohibition of Using Child Labour of the PRC.

The Group stringently verify applicants’ information with documents, including identity cards and academic certificates, during the recruitment process to guard against child labour. No teenagers under 16 years old shall be employed by the Group. If any child labor is discovered, the human resource department will promptly remove the child from the workplace and arrange for a special labor health check to ensure the child’s health is not affected. Additionally, the human resource department will contact the child’s family and make arrangements to send the child home. The Group will cover all expenses related to medical and transportation.

All employees have signed the employment contract and agreed on the stipulated employment terms and conditions. The rights and interests of women and minorities are protected under the Group’s policies and all the applicable national regulations. All employees only work overtime voluntarily and when needed. The Group prohibits any punishments, management methods and behaviors involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against its employees for any reasons. If a violation is found, the Group will terminate the employment of the concerned persons immediately and take necessary disciplinary action against anyone who is in breach of any applicable laws and regulations.

No non-compliance with relevant laws and regulations relating to preventing child and forced labor had been identified during the Reporting Period. There were no major risks associated with incidents of child and forced labor within the Group’s operation sites.



“The Group stringently verify applicants’ information with documents, including identity cards and academic certificates, during the recruitment process to guard against child labour.”

2. BEST PRACTICES ON OPERATION

2.1 SUSTAINABLE SUPPLY CHAIN

The Group believes that proper management of its supply chain could bring positive impact on the natural environment and society. Policies and procedures have been established for the management of the environmental and social impact of its supply chain.

The Group only selects qualified suppliers that have passed supplier assessments. Selected suppliers are evaluated against different performance criteria monthly and annually. According to the Group’s scoring system, suppliers are assessed and scored with respect to their qualifications, productivity, technology, performances, and quality management. Suggestions will be given to suppliers with unsatisfactory scores for rectification.

Suppliers who fail to meet the standard will have cooperation suspended until improvements are made.

The Group also aims to improve the environmental and social risk management level of its suppliers through on-site assessments and takes active measures to encourage suppliers to prevent, mitigate and remediate existing and potential negative environmental and social impacts.

The Group had 385 qualified raw material suppliers in the Reporting Period, all suppliers of the Group were from the PRC.

To manage the environmental and social risks of its supply chain, the Group has implemented measures to assess and monitor the environmental and social performances of suppliers as shown in the table below.

Supply Chain Management	
Environmental Aspects	<ul style="list-style-type: none"><li>▶ The raw materials used must meet international environmental standards, including compliance with regulations such as the REACH Regulation of the European Union and the Toxic Substances Control Act “TSCA” of the United States.</li><li>▶ The Group assesses the discharge permits of its suppliers when applicable. Suppliers without valid discharge permits will not pass the Group’s supplier assessment.</li><li>▶ When assessing suppliers, the Group considers whether the suppliers have been certified by any environmental management system. Suppliers with certified environmental management system attain higher scores in the scoring system.</li></ul>
Social Aspects	<ul style="list-style-type: none"><li>▶ Suppliers and potential suppliers with quality control certificates such as ISO9001 or IATF16949 are preferred. Suppliers with unsatisfactory ratings and no improvement actions will be immediately disqualified.</li><li>▶ Before entering the manufacturing plants, suppliers must read and sign an entry terms or an entry safety notice. They will be reminded to put on appropriate PPE and comply with the safety requirements set out by the Group.</li><li>▶ The Group requires suppliers to safeguard their employees’ health and safety.</li></ul>



2.2 SUSTAINABLE SUPPLY CHAIN

Quality control

The Group places great emphasis on product quality and complies with relevant laws and regulations, such as the Product Quality Law and Production Safety Law of the PRC. We have established detailed quality management procedures to ensure stable product quality throughout the entire process, from the receipt of raw materials to the dispatch of products, in accordance with the requirements of ISO9001:2015 and ISO/TS 16949:2009 certification in Quality Management System.

Our quality control team is responsible for quality control in all stages of production, from raw materials to finished products. We utilize various testing equipment to facilitate quality control measures, such as examining the evenness of coating materials on aluminium aerosol cans and the internal pressure tolerance of the cans. The following quality control measures are implemented:



Quality control measures	
Quality control on suppliers and raw materials	<p>Our procurement department only sources raw materials from approved suppliers. Upon receipt of the raw materials, our quality control team performs random sample checks. If any raw materials fail the preliminary check, the quality control team follows up with the suppliers.</p> <p>To prevent accidents, “No Smoking and Fire Making” signs are prominently displayed in storage areas. Additionally, Dongguan Ta Yang monitors the temperature and humidity of the warehouse to ensure proper storage management in compliance with the ISO14001 environmental management system requirements. This helps to ensure that products are stored properly.</p>
Quality control during production	<p>Quality control is performed on our semi-finished products at various stages throughout our production lines to ensure compliance with all internal benchmarks. Inspectors carry out quality checks at each production process, and only products that pass the inspection are permitted to proceed to the next process.</p>
Testing before delivery	<p>Before dispatching finished goods, the quality control team conducts a final inspection of the products. Any unqualified products detected during the inspection are set aside to avoid being mixed up, and inspectors record the unqualified products. After reworking the unqualified products, inspectors conduct a second inspection in accordance with stricter standards.</p>

Product assurance and recall

Product quality is assured through compliance with the international standards and the stringent inspection processes.

The Group manages its manufacturing process and its contractors’ performances effectively. Defective incoming materials, intermediate products and final products are eliminated from the production line immediately after being noticed. Substandard products are analysed and handled with corrective or preventive measures according to the Group’s policy.

If products are found to be below standard, the quality control department will track the shipments. Products with serious quality problems will be recalled. To ensure effective implementation of product recall procedures in the event of an emergency, a product recall simulation exercise is conducted at least once a year.

Complaints

No complaint was received during the reporting period. No product was recalled due to safety and health reasons and no material non-compliance with laws and regulations in relation to product health and safety was recorded during the Reporting Period.

Intellectual Property (“IP”) Rights

The Group places great importance on protecting its self-owned IP rights and ensuring that its suppliers and business partners respect the IP rights of third parties. All drawings, ideas, manuals, designs, models, and formulas provided by the Group to suppliers and/or business partners cannot be copied or leaked to third parties without the Group’s consent. The Group conducts research and analysis to prudently eliminate the risk of infringement and expects its suppliers and business partners not to infringe copyrights, patent rights, trademarks, and other IP rights during design, research and development, and manufacturing processes. If infringement has caused loss to the Group, suppliers and business partners can be held responsible for all costs.

To enhance IP management, the Group has established an IP management team to identify risks and deal with infringement cases. After investigation and analysis by the IP management team and the legal department, appropriate actions, including legal actions, will be taken against infringers depending on the circumstances.

During the Reporting Period, the Group obtained 14 new IP rights including invention and design patents. No

material non-compliance with the laws and regulations in relation to IP rights was recorded.

Information Security Management

During the reporting period, the Group complied with laws and regulations regarding consumer rights and privacy, including but not limited to the following:

- ▶ Law of the PRC on the Protection of Consumer Rights and Interests; and
- ▶ Personal Information Protection Law of the PRC.

The Group has developed and implemented a comprehensive range of policies for information security management. To safeguard internal information and data assets, the Group adopted measures including:

- ▶ Control of user authorities and accessibilities, USB ports and optical drive uses;
- ▶ Prohibition of the use of peer-to-peer file sharing services and installation of software at user level;
- ▶ Audit of internet access and activities; and
- ▶ Encryption of core data.

By signing the employment contract, employees also undertake to protect IP rights and not to disclose any confidential information (including customer information). Customer information includes but not limited to customers’ ideas, inventions, data and models, content of documents and correspondences, financial information, marketing strategies and trade secrets. To protect customer data and the Group’s confidential information, we require senior management and senior technicians to undertake confidentiality obligations and comply with the non-compete clause for two years after the termination of their employment contracts. If customers request additional measures to protect their IP, the Group will enter into confidentiality agreements with them to fully respect their privacy. Employees in breach of the contract can be dismissed. No substantiated complaints regarding breach of client privacy, identified leak, theft, or loss of customer information was received during the Reporting Period.



## 2.3 NO TOLERANCE FOR CORRUPTION

The Group believes that honesty, integrity and fairness are fundamental elements in the Group. It is committed to protecting the legitimate rights of shareholders and investors. Any bribery, theft, fraud, money laundering and misappropriation are prohibited. Improper benefits including banquets, entertainment, cash, stocks, equities, securities, valuables and properties, etc. shall not be accepted. The Group established policies and regulations on appropriate conduct, including guidelines on accepting gifts and avoiding conflicts of interest, to promote awareness of integrity. The policies and regulations are regularly reviewed. This applies to all processes of the Group's business operation including procurement, manufacturing, marketing and communication.

In order to ensure that employees have a certain degree of understanding of anti-fraud and integrity ethics, the directors and employees of the Group are required to receive relevant anti-fraud and professional ethics training during induction trainings. At the same time, the Group provides anti-fraud trainings for all directors and employees annually. In addition, the Group has also advertised anti-fraud posters in the workplace to remind employees of the information and reporting channels for anti-fraud.

The Group has a discipline inspection department, which is fully responsible for the Group's discipline inspection and supervision, internal audit and integrity system construction. It supervises and inspects whether its employees comply with laws and regulations, and conducts supervision and inspection of the Group's financial income, expenditure, and asset management, reducing business risks.

The Group has established a whistleblowing system. All employees are encouraged to assist in tackling fraud, corruption and other malpractice. Employees are encouraged to report on any unethical behaviours and suspicious practices of corruption to their general manager directly. All reports will be treated confidentially, and personnel involved in the investigation of fraud cases are not allowed to disclose information related to fraud reports and investigations without authorisation. When there are alleged cases of violation of laws, regulations or the Group's policy, the Group will investigate and impose disciplinary actions (including warning, record of demerit, demotion and dismissal) upon offenders after verification.

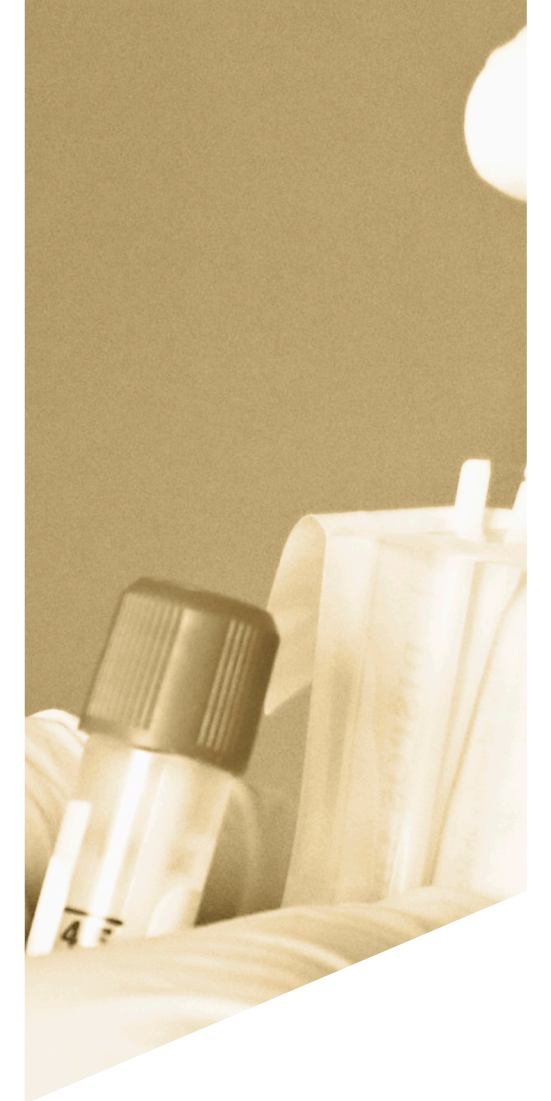
During the Reporting Period, there was no material non-compliance with applicable laws and regulations relating to anti-corruption that could have a significant impact on the Group.



## 2.4 TOGETHER TO BUILD OUR COMMUNITY

The Group is committed to being a socially responsible company and has made efforts to give back to the community as it grows. The Group promotes employee participation in community and volunteer work to benefit local communities and assist those in need.

During the reporting period, the group has participated in the prevention of Covid-19 spreading campaign. Nine of our staff have volunteered to join the PCR testing team in the Zhangmutou Jinhua community.



“  
***The Group is committed to being a socially responsible company and has made efforts to give back to the community as it grows.***  
 ”



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