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SHU ZAO DONG FANG MEI



譚木匠控股有限公司^{*} CARPENTER TAN HOLDINGS LIMITED

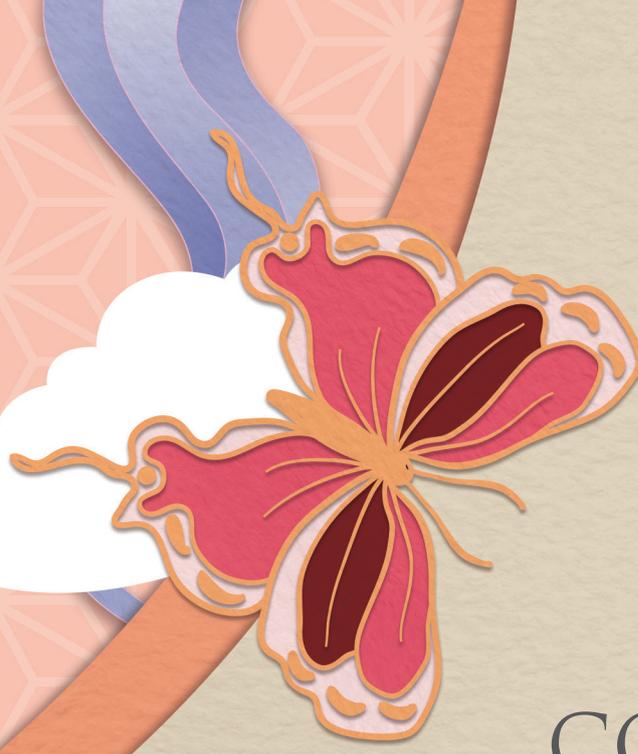
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 837

^{*} For identification purpose only

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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I. ABOUT THIS REPORT

OVERVIEW

The board of directors (the “Board”) of Carpenter Tan Holdings Limited (the “Company”) 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 Report covers the Group’s business in the manufacture and sale of combs, mirror and other kinds of wooden/horn handicrafts. During the Reporting Period, there were no significant changes to the reporting scope.

REPORTING BASIS

The Report discloses the required information under the “mandatory disclosure requirements” and “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. 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 CHAIRMAN

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 China government has developed more stringent environmental laws and regulations. The Group takes the environmental protection policy of the China government and GB/T24001-2016 idt ISO 14001:2015 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 invest resources to optimize the air emissions, sewage, solid waste treatment facilities, etc.. The Group 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 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 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 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, to keep the initial aim of embracing corporate social responsibility, actively participate in public welfare undertakings; invest resources continuously to optimize the treatment facilities of various types of emissions 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.

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

To achieve this vision, the Board has set a number of environmental and social KPIs and taken a top-down approach to disintegrate 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 "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 hopes to use wood as the essence, technically combine modern manufacturing technology with traditional handicraft technology, culturally combine modern fashion with Chinese traditional cultural technology, and personalize the product's artistic, craftsmanship, ornamental, a combination of collectability and practicality. The Group aspires to become the world's first brand of practical handicrafts with wood as its essence. Going forward, the Group serves to enhance its business performance through implementation of sustainable development strategies and to generate more meaningful long-term value for the enterprise and its stakeholders.

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, the Group sets 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 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 analyses 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.

The Board

Board members are responsible for:

- 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

The management team is responsible for:

- 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

The functional departments are responsible for:

- 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

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

STAKEHOLDERS' ENGAGEMENT

The Board recognizes that the views of stakeholders are vital to the sustainability of the business and strives to establish a platform for communication between the Group and its key stakeholders to ensure a smooth flow of information. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. 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 environmental, social and governance 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:

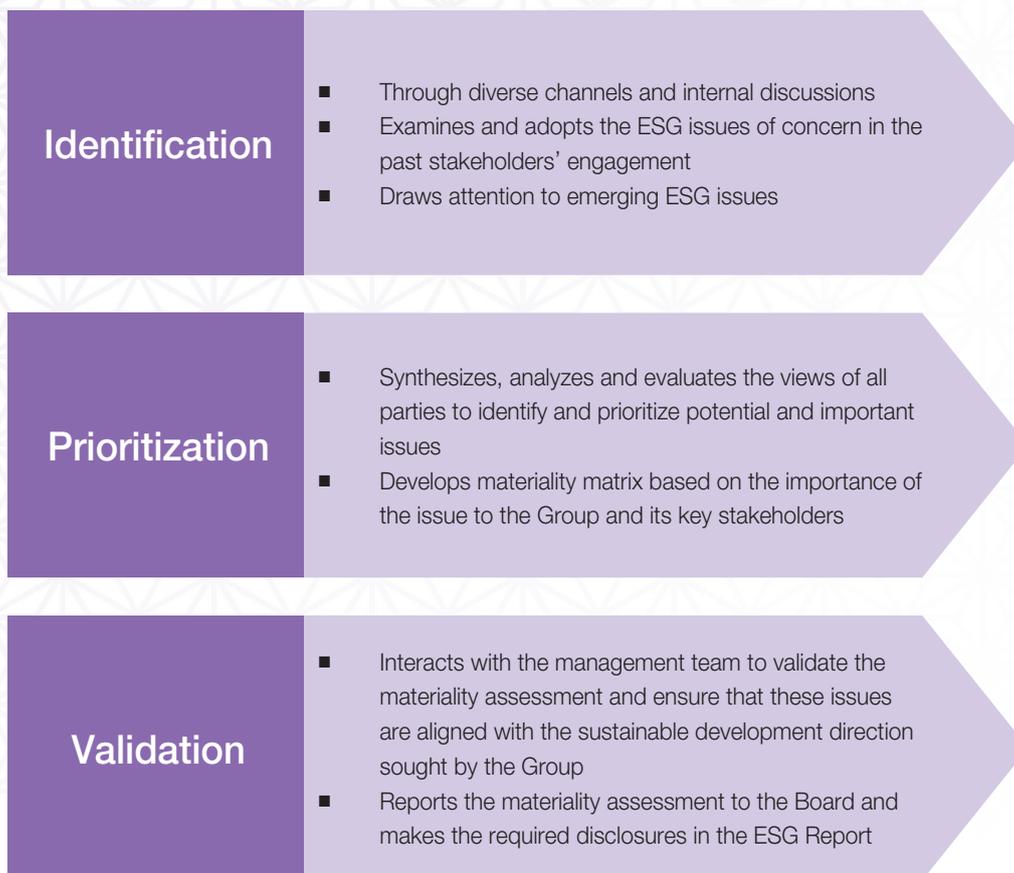
Stakeholders	Expectations and concerns	Means of communication	Management response
Government/ regulatory organizations	<ul style="list-style-type: none"> ➤ Compliance in laws and regulations ➤ Fulfill tax obligation ➤ Safety production ➤ Work together to fight against the coronavirus ("COVID-19") 	<ul style="list-style-type: none"> ➤ Periodic report/announcement ➤ Correspondence ➤ Field investigation ➤ 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 in return contributing to the society ➤ Establish comprehensive and effective internal control system ➤ Promote clean production ➤ Fully implement safety production responsibility system ➤ Comply with the government's COVID-19 measures and guidelines to curb the spread of COVID-19
Shareholders/ investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Information transparency ➤ Corporate governance system ➤ Operational risk management 	<ul style="list-style-type: none"> ➤ Information disclosed on the HKEX website ➤ Company's official website ➤ 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 effective communications by dispatching websites of HKEX and the Company ➤ Continue to improve the internal control system and focus on risk management

Stakeholders	Expectations and concerns	Means of communication	Management response
Employees	<ul style="list-style-type: none"> ➤ Labor rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety ➤ Work together to fight against COVID-19 	<ul style="list-style-type: none"> ➤ Employee activities ➤ Employee performance assessment ➤ Induction and on the job training ➤ Internal meetings and announcements ➤ Contact via email, phone, 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 ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and safety ➤ Provide COVID-19 prevention materials
Customers	<ul style="list-style-type: none"> ➤ High quality products and services ➤ Timely delivery ➤ Reasonable price 	<ul style="list-style-type: none"> ➤ Business visit ➤ Contact via email and phone call ➤ Customer service hotline ➤ Official WeChat ID 	<ul style="list-style-type: none"> ➤ Improve the quality of 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 proper contractual obligations are in place
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 and phone call 	<ul style="list-style-type: none"> ➤ Ensure proper contractual obligations are in place ➤ Establish policy and procedures in supply chain management ➤ Establish and maintain strong and long-term relationship with suppliers ➤ Select suppliers with due care
Communities	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Reduce greenhouse gas emissions ➤ Reduce waste generation ➤ Effective resource utilization ➤ Community contribution ➤ Economic development 	<ul style="list-style-type: none"> ➤ The Company's official website 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 ➤ Strengthen energy saving and emission reduction management ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Maintain good and stable financial performance and business growth

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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:



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"> ➤ Operational compliance ➤ Product quality and safety ➤ Customers' satisfaction ➤ Service quality ➤ Suppliers management ◆ Occupational health and safety ◇ Application of clean production and green products
	Medium	<ul style="list-style-type: none"> ➤ Community involvement 	<ul style="list-style-type: none"> ➤ Anti-corruption ➤ Intellectual property rights ◇ Greenhouse gas emissions ◇ Use of energy 	<ul style="list-style-type: none"> ➤ Customers' privacy and protection ◇ Exhaust air emission ◇ Sewage discharge
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labor 	<ul style="list-style-type: none"> ◇ Use of water resources ◇ Generation of non-hazardous wastes 	<ul style="list-style-type: none"> ◇ Use of raw materials ◇ Generation of hazardous wastes
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation

III. ENVIRONMENTAL PROTECTION

1. MANAGEMENT OF EMISSIONS

The Group has always strictly complied with the national laws and regulations on environmental protection, including the “Environmental Protection Law of the People’s Republic of China”, 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 Wastes”, 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 other local laws and regulations. The Group based on the GB/T24001-2016 idt ISO 14001:2015 environmental management system standards, and made reference to the Group’s operating environment, structure, production capabilities and human resources to develop a unique environmental management system and established different internal policies and procedures on pollutant management to regulate waste gases, waste water, noise and different types of solid wastes generated in operation and production. The factory that holds GB/T24001-2016 idt ISO 14001:2015 environmental system certification has been certified by a third-party professional certification body and comply with the international standards. We update the internal policies and procedures timely to ensure that the environmental policies and systems are in line with the national and local standards. We set up a Risk Control Centre within our management structure to supervise various actions in environmental protection, and monitor the environmental performance of the plant in a regulated and systematic manner.

Besides, the Group upholds the environmental policy of “saving energy and reducing carbon, complying with law and regulations, and greening the society” to fulfill its social responsibilities. The Group lets the employees at all levels understand more about the importance of its impact on the environment through various measures and actions (Please refer to the sections headed “Management of Emissions” and “Management of Resources Utilization” below for details), and hope to seek balance between stable economic growth and environmental protection, thereby reducing the adverse effects on the environment from the enterprise’s business activities and the employees’ personal life.

MANAGEMENT OF AIR AND GREENHOUSE GAS EMISSIONS

The China government increasingly stringent requirement in air pollution control has brought certain impacts on the operations of the Group. Therefore, the Group strictly abides by the laws and regulations related to air pollution, aims at improving the atmospheric environment, insists on solving problems at source, and continues to optimize the energy structure, environmental protection facilities and air emission management. The waste gases generated by the Group during its operation mainly includes the dust from the production process, the volatile organic compounds from the painting process, the fume and waste gases from canteens, the waste gases and greenhouse gases from cars and forklifts using gasoline and diesel, and the greenhouse gas produced when using electricity, natural gas, and other energy resources.

In order to comply with the applicable laws and regulations and to meet the emission standards of air pollutants, the Group has established “Environmental Protection Control Procedures” to control and monitor the emissions of exhaust air and dust. We have established stringent safety production procedures in the production division in order to avoid extra waste gas and dust produced from improper operation. We installed dust removal system and ventilation and exhaust facilities to ensure that the exhaust and dust are diluted and discharged effectively. We have installed activated carbon adsorption equipment to ensure that discharge of volatile organic compounds can meet the emission standards. We also regularly replace the activated carbon in the device to maintain its adsorption efficiency. In order to reduce the production of fumes in staff canteens, we have installed purifiers such as fumes separators, and stipulated that canteen staff have to operate the cooking stoves properly to reasonably minimize fumes. We conduct regular repairs and maintenance on vehicles and forklifts to reduce waste gas and greenhouse gas emissions due to part failures. In order to further reduce greenhouse gas, we start from the source; reduce the use of electricity, natural gas and other energy sources, or increase their use efficiency. Please refer to the section headed “Management of Resources Utilization” below for details of the related measures.

Wanzhou plant has obtained the air pollutant emission permit from local government and discharge particulate matter, sulfur dioxide, nitrogen oxides, non-methane total hydrocarbons, toluene and xylene following the requirements. During the Reporting Period, Wanzhou plant has entrusted professional testing company according to the requirements of the local environmental protection department to inspect the waste gas emitted by the plant. The testing contents include particulate matter, sulfur dioxide, nitrogen oxides, non-methane total hydrocarbons, toluene and xylene. The test results are in line with the national “Integrated Emission Standard of Air Pollutants of Furniture Manufacturing Industry”, “Emission Standard of Air Pollutants from Boilers” and local emission standards.

MANAGEMENT OF WASTEWATER

In order to comply with “Law of the People’s Republic of China on Prevention and Control of Water Pollution” and to meet the emission standards of wastewater, the Group has established “Environmental Protection Control Procedures” to control and monitor the non-hazardous wastewater produced in production, office and living. Our operation and production process did not generate any hazardous wastewater. Wanzhou plant has completed the rainwater and sewage diversion project so as to prevent sewage from contaminating the rainwater system; domestic sewage discharge directly into water environment and farmland are forbidden, and they must go through separation and biochemical treatment before discharge into the municipal sewage pipe network system according to the regulations. The sewage from Wanzhou plant must be precipitated, filtered, and separated before reuse in the production process to conserve water and minimize sewage discharge; the sediments are sold to third party as fuel. Wanzhou plant has obtained the sewage discharge permit from the local government and discharge wastewater that meets standards within the effective period. Wanzhou plant has entrusted professional testing company according to the requirements of the local environmental protection department to inspect the wastewater produced by the plant this year. The testing contents include the concentration of pH value, ammonia nitrogen, suspended particulate, chemical oxygen demand, animal and vegetable oil. The test results are in line with the national “Discharge Limits of Water Pollutants “. During the Reporting Period, the Group discharged 25,918.00 tonnes of non-hazardous wastewater, representing a decrease of approximately 3,714.00 tonnes or 12.53% as compared with the previous year. This is mainly due to the decrease in production level.

At the beginning of the Reporting Period, the Group set a target to reduce the production intensity of non-hazardous wastewater by 2% as compared with the previous year, and the target has been achieved. Please refer to the below table and the section headed “Summary of Environmental Data and Performance” below for the relevant data.

During the Reporting Period, the Group’s production of non-hazardous wastewater are as follows:

	2022	2021
	(Tonnes)	(Tonnes)
Non-hazardous Wastewater		
Total	25,918.00	29,632.00
Intensity ¹	6.58	6.99

Note:

¹ The intensity is calculated per each 1,000 production unit.

III. ENVIRONMENTAL PROTECTION

MANAGEMENT OF DISPOSAL OF SOLID WASTE

In order to comply with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”, “Standard for Pollution Control on Hazardous Waste Storage”, and the applicable laws and regulations, the Group has established “Environmental Protection Control Procedures”, “Regulations on the Disposal of Hazardous Chemical Waste” and “Rules for Classification of Domestic Waste” to manage and monitor the treatment process of disposal of solid waste. Solid waste mainly include hazardous waste, recyclable waste, non-recyclable waste and domestic waste.

Hazardous waste include oil waste, waste paint residue, activated carbon, paint bucket, filter cotton, solvents, thermometers, batteries, fluorescent tubes, toner and ink cartridges, etc. We follow the requirements of the local laws and regulations to label, categorize and process the hazardous waste centrally; and store them in specified location. Hazardous wastes collection boxes are put inside the production plant, warehouse and office areas. The Administrative and Risk Control Department and Wanzhou Plant Office deliver the collected waste to the designated qualified agents of the government for processing. Wanzhou plant has stricter and standardized solid waste management measures this year, and classified waste filter cotton and wiped contaminants as hazardous chemicals. Therefore, the hazardous solid waste generated by the Group this year increased by approximately 264.15 kilograms or 8.75% as compared with the previous year, with a total of approximately 3,283.30 kilograms of hazardous solid waste generated.

Non-hazardous waste include recyclable and non-cyclable waste (including wet garbage and dry garbage). We formulate relevant policies and procedures for non-hazardous waste recycling and external processing. Waste is categorized and labelled in different colors, and then stored in designated area by category. Wastes such as woodchips, tiny wood and wood scraps are placed centrally and delivered to qualified recycling company for further processing or utilization when the waste have reached certain quantity level. We review and change our production process with an aim to recycle the solid waste whenever applicable, for example, optimize the production techniques of lacquer products to shorten the production process and reduce the use of sanding auxiliary materials; design products that can reuse scrap materials from other products (such as teeth-inlaid comb). The related techniques have been progressively matured, and can effectively save materials and reduce waste. Non-recyclable waste are centrally stored in waste warehouse/garbage station and delivered using closed circulation method to avoid loss and leakage, and unauthorized disposal in transit is prohibited. Solid waste from our canteen is collected and stored centrally, and further processed by the local neighborhood committee. Since the wood waste recycler did not provide any weight data in 2021, the Group made estimates of the weight of wood waste. Wanzhou plant enhanced the process of recording non-hazardous solid waste in mid-2022, and changed the wood waste recycler who is able to provide wood waste weight data for Wanzhou plant to keep accurate record of the non-hazardous solid waste. Therefore, the non-hazardous solid waste generated by the Group increased by approximately 557,270.00 kilograms or 11.53 times as compared with the previous year, with a total of 605,600.00 kilograms of non-hazardous solid waste generated.

At the beginning of the Reporting Period, the Group set targets to reduce both the production intensity of hazardous solid waste and non-hazardous solid waste by 2% as compared with the previous year. Wanzhou plant commenced to implement stricter and standardized solid waste management measures this year, and classified waste filter cotton and wiped contaminants as hazardous chemicals, resulting in higher production intensity of hazardous solid waste than expected. Wanzhou plant enhanced the process of recording non-hazardous solid waste in mid-2022, and the new recycler is able to provide more accurate data on the weight of wood waste, resulting in higher production intensity of non-hazardous solid waste than expected. Please refer to the below table and the section headed “Summary of Environmental Data and Performance” below for the relevant data.

During the Reporting Period, the Group's production of hazardous and non-hazardous solid waste are as follows:

	2022 (Kilograms)	2021 (Kilograms)
Hazardous Solid Waste		
Total	3,283.30	3,019.15
Intensity ¹	0.83	0.71
Non-hazardous Solid Waste		
Total	605,600.00	48,330.00
Intensity ¹	153.66	11.40

Note:

¹ The intensity is calculated per each 1,000 production unit.

COMPLIANCE

During the Reporting Period, the Group's businesses strictly abide by the national environmental laws and regulations and did not involve in any confirmed violations or suspected violations that are related to emissions that have a significant impact on the Group.

2. MANAGEMENT OF RESOURCES UTILIZATION

In view of the growing climate change, the society has paid more attention to environmental protection and energy conservation. The Group has taken into account the environmental factors in mapping our sustainable development strategies and has actively responded to changes in the government's environmental policies. The Group establishes measures to conserve natural resources and promotes the conservation culture in environmental protection. The Group strives to improve the environment of the production plant, encourages employees to save and make full use of resources, maximizes the benefits, and eliminates wastes. Besides, in order to comply with "Law of the People's Republic of China on Energy Conservation" and the applicable laws and regulations and policies, the Group has established "Environmental Protection Control Procedures". The use of water, electricity and fuel are controlled as long as the production and office operations are not negatively impacted. All uses outside business are prohibited. Craft Equipment Division set up water, electricity and fuel consumption indicators. The level of energy consumption is reviewed and assessed quarterly, and when excessive consumption and wastage is noted, immediate attention and action is required, so as to control the situation and reduce its impact.

III. ENVIRONMENTAL PROTECTION

MANAGEMENT OF ENERGY UTILIZATION

CONSERVATION OF GASOLINE, DIESEL AND NATURAL GAS

Gasoline and diesel are mainly used in automobiles and forklifts. Most of the time, the vehicles are used for business reception and commuting employees, while the forklift is used for handling materials and goods. The Group has implemented a number of conservation measures to reduce exhaust gas and greenhouse gas emission. For example, 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 the amount of gasoline and diesel used; the driver must stop and turn off the engine to reduce energy consumption and exhaust gas; conduct regular repairs and maintenance on vehicles for better energy use efficiency and to reduce fuel consumption and waste gas emissions due to part failures. Due to shrinkage in business, the Group's gasoline consumption this year decreased by approximately 2,265.60 liters or 21.84% as compared with the previous year, with a total of approximately 8,107.12 liters of gasoline consumed. Although the production volume has decreased, Wanzhou plant follows the electricity restriction policy of the government and increased the use of diesel to generate electricity in August 2022. Therefore, the Group's diesel consumption this year has increased by approximately 1,496.25 liters or 97.16% as compared with the previous year, with a total of approximately 3,036.25 liters of diesel consumed.

At the beginning of the Reporting Period, the Group set targets to reduce both the gasoline and diesel consumption intensity by 2% as compared with the previous year, and the Group's target for consumption intensity of gasoline has been achieved. As the government's electricity restriction policy increased the Group's diesel consumption, the consumption intensity of diesel increased more than expected. Please refer to the section headed "Summary of Environmental Data and Performance" below for the relevant data.

Natural gas is mainly used in cooking in canteens and boilers generating steam for operating the timber drying equipment. We regularly inspect natural gas pipelines, cooking facilities and boilers to avoid unnecessary waste caused by leakage and failure of cooking facilities and boilers. Leakage of natural gas also poses safety issues. During the Reporting Period, the Group consumed approximately 149,032.00 cubic meters ("m³") of natural gas, representing a slight increase of approximately 4,104.00 cubic meters or 2.83% as compared with the previous year.

At the beginning of the Reporting Period, the Group set a target to increase consumption intensity of natural gas by 2% as compared with the previous year. However, the decrease in production volume this year resulted in higher consumption intensity of natural gas than expected. Please refer to the section headed "Summary of Environmental Data and Performance" below for the relevant data.

During the Reporting Period, the Group's use of energy and Scope 1¹ greenhouse gas emitted are as follows:

	2022		2021	
	Consumption	CO ₂ equivalent emissions (Tonnes)	Consumption	CO ₂ equivalent emissions (Tonnes)
Gasoline	8,107.12 Liters	21.95	10,372.72 Liters	27.63
Diesel	3,036.25 Liters	7.94	1,540.00 Liters	4.03
Natural Gas	149,032.00 m³	321.43	144,928.00 m ³	312.58
Total Group's Emission		351.32		344.24
Group's Emission Intensity ²		0.09		0.08

Notes:

¹ Scope 1 refers to the greenhouse gas emissions directly generated by the Group's business, including burning gasoline, diesel, natural gas and so on.

² The intensity is calculated per each 1,000 production unit.

CONSERVATION OF ELECTRICITY

The Group's electricity is used in office and electrical equipment in the production plant. We mainly through daily management, actively promote the "energy conservation and consumption reduction" policy based on the applicable laws and regulation, and implement a series of energy conservation measures to educate employees on the relationship between energy use and sustainability of the planet, and raise their awareness of conservation so that they can build good habit in use of electricity. We strictly select energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Empty running of equipment, unreasonable electric power distribution, etc. are strictly prohibited. Electrical equipment, including lighting, air-conditioners, electric fans, etc. are turned on according to need during office hours, and staff are encouraged to switch off the unused equipment and after work. The temperature and duration of use of air-conditioners are strictly controlled. We pay attention to the maintenance and inspection of electrical equipment to keep them in good condition and to use electricity effectively. Wanzhou plant has enhanced its dust removal system in April 2021 and led to increased electricity consumption this year as the new system consumes more energy than the old equipment. Therefore, the Group's electricity consumption this year increased by approximately 451.52 MWh or 20.83%, with a total of 2,619.44 megawatt hours of electricity consumed.

Wanzhou plant has enhanced its dust removal system in April 2021, and new system consumes more energy than the old equipment. Therefore, the Group made an estimates at the beginning of the Reporting Period that the electricity consumption intensity this year would increase by 10% when compared with the previous year. Besides, the decrease in production volume this year led to higher consumption intensity of electricity than expected. Please refer to the section headed "Summary of Environmental Data and Performance" below for the relevant data.

III. ENVIRONMENTAL PROTECTION

During the Reporting Period, the Group's use of electricity and the Scope 2¹ greenhouse gas emitted are as follows:

	2022	CO ₂ equivalent emissions (Tonnes)	2021	CO ₂ equivalent emissions (Tonnes)
	Consumption (MWh)		Consumption (MWh)	
Electricity	2,619.44	1,598.12	2,167.92	1,322.65
Total Group's Emission		1,598.12		1,322.65
Group's Emission Intensity ²		0.41		0.31

Notes:

¹ Scope 2 refers to the "indirect energy" greenhouse gas emissions caused by the consumption of purchased electricity within the Group's business.

² The intensity is calculated per each 1,000 production unit.

CONSERVATION OF WATER

The Group uses government-supplied water sources mainly for production, domestic use (including hand washing, cleaning, canteens, staff dormitories, and so on) and greening. Although we do not encounter any water supply problem during the Reporting Period, we have taken various measures to raise the water resources use efficiency, to reduce the impact on the environment and to educate our employees to save water in daily life. We use water-saving appliances; turn off water tap after use to prevent running, overflowing, dripping and long flowing water; to reuse and recycle water in production process. When irregularity is found, one should report the case to the Equipment Division to take appropriate action to prevent wastage of water resources. During the Reporting Period, the Group consumed approximately 26,028.90 tonnes of water, representing a decrease of 3,615.17 tonnes or 12.20%. The major reason is increase in this year's production level.

At the beginning of the Reporting Period, the Group set a target to reduce water consumption intensity by 2% as compared with the previous year, and the target has been achieved. Please refer to the below table and the section "Summary of Environmental Data and Performance" below for the relevant data.

During the Reporting Period, the Group's use of water resources are as follows:

	2022 (Tonnes)	2021 (Tonnes)
Water Resources		
Total	26,028.90	29,644.07
Intensity ¹	6.60	6.99

Note:

¹ The intensity is calculated per each 1,000 production unit.

CONSERVATION OF PAPER

The Group promotes green office policy and encourages employees to save paper and avoid wastage. We send files in electronic form whenever possible to reduce physical copies; recycle the one-sided used papers for photocopying and printing. Office Division is responsible for monitoring the paper quantity used; Administrative Department and Office Division are jointly responsible for collecting and recycling used papers. Waste cartons are recyclable; an example of its use include temporarily hold finished goods pending for packaging.

MANAGEMENT OF USE OF TIMBER

The major raw material used in production is timber, which is procured by our purchasing department in the factory. We select timber that meets our production and quality requirements (Please refer to “Supply Chain Management” below for details). We monitor closely the production process, to provide professional training to workers, and to minimize sub-standard semi-finished and finished goods. Sub-standard goods are repaired to avoid timber wastage. We improve our production process, and reuse scrap materials as much as possible, for example, design products that can use scrap materials (such as teeth-inlaid comb), and the related techniques has progressively matured, which can effectively use each piece of timber and save materials. We strengthen our warehouse management; each warehouse is equipped with thermometers, hygrometers and fire sprinkler systems, etc., and to cover timber with thin film to ensure that timber is kept dry and safe and to prevent the materials from mechanical and chemical injuries. During the Reporting Period, the Group consumed approximately 1,393.18 m³, representing a decrease of 50.17 m³ or 3.48%. The major reason is decrease in this year’s production level.

During the Reporting Period, the Group’s use of timber is as follows:

	2022 (Cubic Meters)	2021 (Cubic Meters)
Timber		
Total	1,393.18	1,443.35
Intensity ¹	0.35	0.34

Note:

¹ The intensity is calculated per each 1,000 production unit.

III. ENVIRONMENTAL PROTECTION

3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has a pool of dedicated and diligent employees. When formulating sustainable development strategies, the employees actively support and contribute feasible suggestions speeding up the Group's pace towards green management. The Group will continuously increase the investment on various environmental protection projects, re-identify the source of wastes generated during operation and the impacts on the environment when using resources, to enhance and install different types of environmental protection facilities and ancillaries, and continue to optimize internal management systems, working guidelines and environmental protection measures; continuously enhance employees' awareness on environmental protection and resource conservation through promotion, education and other effective methods, and take up the social responsibilities and obligations with employees in the process of management and development.

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 generated by each production plant and office. The Group reduces the consumption of electricity, water, paper and gasoline used by vehicles from the source and follows the principle of Use Less, Fully Exploit, Seek Alternatives, Fix and Reuse, Rethink, through daily management and strengthens education and publicity, and actively takes technically feasible and economically reasonable measures, so as to reduce operating costs, reduce carbon emissions and waste in operation, and actively explore new models of low carbon development. At the same time, the Group has formulated scientific reasonable and realistic goals, indicating that the company has a directional and purposeful plan for reducing greenhouse gas emissions, and is prepared in advance to respond to national-level regulatory policies of climate change. 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 most valuable assets. The Group strives to provide a non-discrimination, equal, harmonious and safe workplace. The human resources strategies are formulated for the long-term benefit of the Group and take into account the sustainability strategies in setting commensurate salary and benefits, providing staff training for personal and career development, establishing an equal and competitive mechanism to regulate the process for employees' promotion and advancement, so as to create incentives to attract, develop, retain and reward talents.

The Group has strictly complied with the laws and regulations on employment and labor in China, 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 the 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 "Labor 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 Control of Occupational Diseases Law of the People's Republic of China" and the "Production Safety Law of the People's Republic of China". Relevant information will be described in detail in the sections "Employment", "Health and Safety", "Development and Training" and "Labor Standards" below.

1. EMPLOYMENT

The Group has established an 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 is a fair opportunity employer and respects personal privacy, and established recruitment guideline to regulate the recruitment management procedures. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the Human Resources and Cultural Department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on the principal of "open, fair, competitive, select the best", and their morality, knowledge, abilities and job requirements; regardless of their age, gender, sexual orientation, race, disability, marital status, pregnancy, religion, political factions. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination. We handle dismissal and compensation in accordance with the local laws and regulations.

In order to enhance employees' work quality and efficiencies and inspire their motivation, we conduct periodic performance appraisal and fairly assess the level of awards, salaries increment and/or promotion recommendations based on a number of criteria.

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. Wanzhou plant has been supporting the rehabilitation plan for people with disabilities and assigned more than 300 employees with physical disabilities with appropriate job duties based on their ability and skills during the Reporting Period.

IV. EMPLOYMENT AND LABOR PRACTICES

At the end of the Reporting Period, there are 968 (2021: 986) employees and distribution of the Group's employees are as follows:

	2022	2021
Gender		
Male	41.32%	41.68%
Female	58.68%	58.32%
Employment Type		
Full-time	100.00%	100.00%
Age Group		
18-30	10.33%	11.76%
31-45	55.38%	56.29%
46-60	34.19%	31.85%
>60	0.10%	0.10%
Geographical Region		
Mainland China	100.00%	100.00%

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

	2022	2021
Gender		
Male	0.54%	0.49%
Female	0.74%	0.94%
Age Group		
18-30	0.98%	1.22%
31-45	0.51%	0.57%
46-60	0.79%	0.88%
Geographical Region		
Mainland China	0.66%	0.75%

COMPENSATION, WELFARE AND OTHER BENEFITS

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level are decided based on one's knowledge, skills, experiences and education background relevant to their work requirements, and the Group implements a remuneration system that consists of basic salary and performance-based bonus. The employee remuneration package includes salary, overtime subsidies, performance-based bonus, and so on. Other benefits include festive gifts (Spring Festival, Dragon Boat Festival, International Women's Day, International Children's Day, Mid-Autumn Festival, etc.), body checks, work shuttle services and so on. We also provide various facilities for employees with disabilities, for example, arranging a electric car to take them between canteen and their workplace during lunch time; installing handrails in the stairs and washrooms.

To comply with the local labor laws and regulations, the Group provides social security benefits for all employees. For example, the Group contributes to various social security scheme (including endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for the employees in mainland China.



Staff Activities

WORKING HOURS AND REST PERIODS

The Group pays attention to its employees' health and encourages work-life balance. We protect the employees' rights of rest days and holidays, and establish employees' work hours based on the local labor laws.

THE IMPACT OF COVID-19

The Group did not reduce the employees' compensation and welfare nor lay off any employees during COVID-19 in 2021. For the sake of employees' health and safety, the Group has formulated an emergency plan for epidemic prevention and control, and has adopted a number of epidemic prevention measures. Please refer to the "Health and Safety" section below for details.

2. HEALTH AND SAFETY

The Group pays attention to its employees' health and provides a safe work environment so as to prevent occupational hazards. To comply with the requirements of the "Law of the People's Republic of China on Work Safety", we establish management policies in production safety and set up safety management system. We follow the requirements of the government's safety production department and signed the safety responsibility statement. We also require the supervisors and employees at all levels to clearly understand their own safety responsibilities and sign the respective safety responsibility statement, and strictly perform the requirements as stated on the safety responsibility statement with reference to the internal safety management system. During the Reporting Period, we obtained GB/T45001-2020 idt ISO 45001:2018 Certification in Occupational Health and Safety Management.

IV. EMPLOYMENT AND LABOR PRACTICES

SAFETY TRAINING

Training topics are mainly related to workplace safety and occupational health. The Group provides appropriate occupational health and safety training to introduce the corporate development plan, enhance their awareness on safety and continuously strengthen their consciousness, improve their professional skills, especially for those job positions under significant potential safety hazards, and enable them to perform their duties in a safe environment. Employees have to report to the management immediately when incident occurs or aware of any potential hazards. New staff are required to attend and get pass in examination after a 3-level safety training, including company level, department level and team level, before they are assigned to jobs. Production team provides daily training to remind staff about production safety issues. During the Reporting Period, the Group organized various safety training programs. Topics include safety theory and practical training, safety risk prediction, safety risk classification management and control system, identification and evaluation of environmental factors in production workshops, knowledge on heatstroke prevention safety, high temperature gas safety and fire safety precautions, basic code of conduct for epidemic prevention, fire safety knowledge training and evacuation drill, etc.



Fire Drill

SAFE WORKING ENVIRONMENT

We give a lot of attention to fire safety in our factory. In order to comply with the “Law of the People’s Republic of China on Fire Control”, we established guidelines in fire safety. Warehouse, production plants and offices are equipped with fire facilities and equipment (including fire sprinkler system, fire extinguishers, fire hose, etc.), and maintained and replaced fire facilities and equipment regularly. The maintenance work is conducted by external professional company. “No smoking and fire” signs are posted at the easily noticeable places at the entrance and inside the production plants; set up more escape routes and emergency indicators; motorcycles and vehicles are required to park in specified location; key areas like transformer and power supply room, and flammable and explosive materials warehouse are closely monitored to reduce the risk of fire. We have established volunteer fire brigade and medical team which are equipped with fire extinguishers, fire hose, helmet, medical equipment, etc.

Staff of special work types, such as electricians, welders, drivers, etc., must possess valid licence from the government authority before they are allowed to operate the machines. Besides, we educate our employees to correctly use production equipment and installed facilities, fire prevention facilities, protective and first aids tools, etc. Machine operators are required to inspect the equipment and facilities daily; and to report abnormalities to the relevant department for immediate repair arrangement. We also set up annual maintenance and repair plan and equipment enhancement plan for critical equipment to ensure that they are kept in good condition and to control risk and prevent safety incidents from happening.

EMPLOYEE OCCUPATIONAL HEALTH

We care about our people's health and set up working hours and holiday systems in compliance with the national requirements. In principle, staff working overtime must be voluntary and do no harm to their health. In order to comply with the "Law of the People's Republic of China on Prevention and Treatment of Occupational Diseases", we provide workers with safety production tools like earplugs, masks, goggles, gloves, etc. and such supplies should be used correctly as instructed according to needs by job positions. We prepared rescue drugs and equipment according to need where poisoning, injury and other incidents may occur. We do not allow and will not assign our minor staff (above legal working age) to handle tasks relating to toxic, hazardous, excessive physical labor or dangerous type of works. We also provide pre-employment body check for the new hires, and periodic body checkup every two years thereafter in order to prevent occupational disease. Since the production process involves wood dust, chemical substances and noise that can affect the employee's health, Wanzhou plant engaged qualified agency to inspect the occupational hazards of each job position periodically. The inspection covers wood dust, benzene, toluene, xylene, noise, etc.. The noise test results of some job positions has failed to meet the national standards. We have implemented remedial measures, including strictly demanding employees to wear earplugs and strengthened safety inspections.



Safety Production Tools

IV. EMPLOYMENT AND LABOR PRACTICES

IMPACT OF COVID-19

For the sake of employees' health and safety, the Group has implemented the following COVID-19 preventive measures:

- Launched emergency response plan for prevention and control of epidemic, and set up epidemic prevention and control team to cope with the situation of possible spread of the COVID-19 in the offices, production plant, dormitories and canteens;
- Set up isolation and nucleic acid testing measures for employees returning to the offices, production plants and dormitories from the epidemic areas;
- Conducted sterilization in the entire factory area, including offices, production workshops, dormitories, canteens, washrooms, etc.;
- Strictly controlled employee access to the offices and production plant area. All employees and visitors must wear masks, measure body temperature, fill in personal health conditions form and sanitize their hands and ensure those personnel access to the offices and production plant area do not have any suspected symptoms of infection;
- Advocate employees to take the initiative to vaccinate against COVID-19;
- Ensured sufficient stock of the COVID-19 prevention materials such as antiseptic alcohol, hand sanitizer, masks, medical gloves;
- Employees must wear mask at work, be aware of hand hygiene and maintain appropriate social distance;
- Cancelled all gatherings and reduce the time of staying outside during the severe period of epidemic;
- Implemented staggered mealtime in canteen; and
- Canteen staff avoid going outside to buy supplies, and asked the supplier to deliver goods directly to the designated locations in the canteen so as to reduce employees' contact with the community and keep food safe.



Anti-epidemic measures

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

	2022	2021
Lost Days Due to Work Injury	305 days	23 days

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

3. DEVELOPMENT AND TRAINING

An excellent corporate team is the most important for the sustainable and long-term business development of the Group. Therefore, we discover and cultivate professional talents through strict recruitment system, standards and procedures, and introduced competition mechanism; we also encourage employees to continue their education and lifelong learning. In addition to meeting the needs of business development, the Group also improves the quality, professional skills and knowledge of its employees through continuous training. New hires have to participate in induction training and must pass the assessment. The training topics include corporate culture, business, work-related rules and regulations, organizational structure, staff welfare and work safety, etc.. Besides, we also provide employees with skills training and professional training according to the requirements of different positions. The training is mainly in the form of lectures and self-study. During the Reporting Period, the Group arranged case study of employee violating the company's management policies, etc..



Staff Training Activities

IV. EMPLOYMENT AND LABOR PRACTICES

During the Reporting Period, the percentage of the Group's employees trained ¹ is as follows:

	2022	2021 ²
Gender		
Male	77.93%	67.40%
Female	69.79%	76.00%
Employee Category		
Senior management	16.67%	33.33%
Middle management	23.53%	66.67%
Ordinary staff	74.27%	72.75%

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 Part of last year's comparative figures are restated to conform with the current year's presentation.

During the Reporting Period, the average training hours ¹ per the Group's employee are as follows:

	2022	2021 ²
Gender		
Male	1.40	0.64
Female	1.18	0.66
Employee Category		
Senior management	0.33	1.33
Middle management	0.47	1.77
Ordinary staff	1.29	0.63

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 Group's total number of employees at the end of the Reporting Period and the number of departing employees within the Reporting Period.

² Part of 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 follow the applicable laws and regulations in forbidding child and forced labor. The Human Resources and Cultural Department of the Group examines 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, to 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. Employees' consent for work overtime is required to avoid involuntary overtime work, and the employees are compensated as appropriate in accordance with the applicable labor laws and regulations.

COMPLIANCE

During the Reporting Period, except for failing to meet the national standards on some job positions relating to noise, the Group did not involve in other non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

V. OPERATING PRACTICES

1. SUPPLY CHAIN MANAGEMENT

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develops with them on the basis of equality and win-win situation. To strengthen the supply chain management, we have established policies and procedures in assessment of suppliers, including initial and final selection, and renewal; and set up an “approved vendor list”. Samples are required for purchases from new suppliers and a small quantity is ordered and tried before a normal quantity order is placed. Samples are retained for reference and record. We also conduct regular reviews of approved vendors with long-term cooperation, including product quality, frequency of product returns, vendor cooperation or service attitude, timeliness of delivery, reasonable price, etc., to ensure that vendors continuously provide high-quality products and service. We have stringent procurement and control procedures over procurement contracts processing from preparation, amendment and approval, and execution of the contracts. This is to ensure that suppliers’ and our interests are appropriately protected, and also procurements are executed as scheduled; and to prevent unnecessary disputes or to resolve all disputes timely. To ensure that suppliers are competitive and that the goods and services provided to us are with high quality, we have strict requirements for division of labor from contract signing to goods received quality check, inspection and acceptance. We require the suppliers of goods and services to possess recognized qualifications and good internal control system, provide stable quality, on-time delivery, compliance with laws and regulations and have the required professional skills and quality. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations and suspected abuse of one’s authority for own interest. During the Reporting Period, the Group did not have significant issues relating to violations in this respect.

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

	2022	2021
	Main suppliers that have business with the Group	
Mainland China	25	23

2. PRODUCT RESPONSIBILITY

“Treat customers like family” is the Group’s service philosophy, 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.

PRODUCT QUALITY MANAGEMENT

In order to comply with the “Law of the People’s Republic of China on Product Quality”, we set up Quality Management Division and established guidelines for inspection work in each production process and provide professional training to our quality assurance personnel to inspect and accept raw materials and monitor the production process; so as to ensure that the quality of finished goods and raw materials are up to standard; and the production procedures are properly controlled. During the Reporting Period, we obtained the GBT/T19001-2016 idt ISO9001:2015 Certification in Quality Management and standardized the product quality assurance process.

In order to reduce the impact of counterfeit items on the Group’s products, the Group strictly monitors the sales channels and sets up a customer service hotline to promptly collect information on counterfeit products and handle the issue properly. The Group has also affixed QR Code on the outer packaging of products. Customers can perform product authentication using QR Code to prevent counterfeit products from entering the market and to defend the rights of the company and consumers.

CUSTOMER SERVICE MANAGEMENT

If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints through various channels like by phone, email, facsimile, interview, etc. via our after-sales service. Our customer service personnel will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled.

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

	2022	2021
Complaints received	39	5

QUALITY MANAGEMENT TRAINING

The Group believes that employees’ quality has a positive impact on product quality, thereby regularly providing training courses relating to product quality such as ISO quality system documents, etc. so as to ensure that the quality inspectors possess the latest skill and knowledge. The Group hopes that employees can gain satisfaction and achievement at work, seize every opportunity to improve the product quality with the Group together and move towards a higher quality goal.

V. OPERATING PRACTICES

RECALL OF PRODUCTS

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

CUSTOMER DATA PROTECTION AND PRIVACY POLICIES

Confidentiality is one of the Group's core values. We handle customers' information diligently and confidentially. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any such information to third parties without proper authority unless there is a legal or professional right or duty to do so.

MAINTENANCE AND PROTECTION INTELLECTUAL PROPERTY RIGHTS

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

COMPLIANCE

During the Reporting Period, the Group's products did not involve any significant issue relating to violations nor did the Group receive any complaints concerning breaches of customer privacy, loss of data and breach of intellectual property rights.

3. ANTI-CORRUPTION

The Group firmly believes fairness, honesty and integrity are the important commercial assets, and has adopted a zero-tolerance approach for all kinds of malpractice. To comply with "Criminal Law of the People's Republic of China", "Prevention of Bribery Ordinance" enforced by Hong Kong Independent Commission Against Corruption, and the laws and regulations of other applicable jurisdictions. Therefore, the Group strengthens its internal control system, and established internal policies and procedures to regulate the employees' conduct and offenders are heavily penalized. The Group provides on-the-job anti-corruption training to all employees (including directors and employees). We demand all employees to build a habit of strict compliance with policies and procedures, and to prevent all bribes. The employees who violate our Code will be severely penalized or even terminated. We bring discipline monitoring work in the production and business process, ensure that there are channels for reporting directly by phone to the Administrative and Risk Control Department and the Chief Executive Officer for suspected cases of obtaining personal interests in carrying out one's job duties, bribes, extortion, frauds, money laundering in breach of policies, regulations and laws in strict confidence. We are determinant in combating corruption and contribute to building a clean society. We establish Code of Ethics and Business Conduct (the "Code") and require our business partners to sign commitment letter to confirm their compliance with the Code, and also demand their employees to observe and follow the requirements and maintain a simple, transparent, clean and fair co-operation relationship. During the Reporting Period, the Group or our employees did not involve in any litigation cases of corruptions.

VI. COMMUNITY INVESTMENT

Contributing to the society is the Group's mission, and the Group actively participates in charitable activities, beautifies the environment and supports environmental protection. We organize employees to participate in volunteer activities such as visiting elderly homes and tree planting. We also organized the "Carpenter Tan" sanitation team to pick up garbage along some sections of the Jurong River. We start from ourselves, start from small things, and take practical actions to protect our cities where we live and make a little contribution to our green home. Besides, we grow a lot of plants and trees in our factory area, to go green in the city, and open part of our park to the public.

As a good corporate citizen, contributing to society is the mission of the Group. Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people. We establish retirement plan for staff in different area. We maintained good production operation, actively promoted environmental protection and achieved good development order, and to some certain extent, we have contributed to social stability and building a harmonious community.



Volunteering Activities

VII. HONORS AND CERTIFICATIONS

During the Reporting Period, the Group's Wanzhou plant was accredited the following key honors and certifications:

- “Advanced” Enterprise in Chongqing
- GB/T24001-2016 idt ISO 14001:2015 Certification in Environmental Management
- GB/T45001-2020 idt ISO 45001:2018 Certification in Occupational Health and Safety Management
- Work Safety Standardization Level II Enterprise (Light Industry)
- GBT/T19001-2016 idt ISO 9001:2015 Certification in Quality Management
- “Green Factory” Enterprise in Chongqing

VIII. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2022	2021
Greenhouse Gas (“GHG”) Emissions			
Scope 1¹:			
Total	Tonnes	351.32	344.24
Intensity ⁴	Tonnes	0.09	0.08
Scope 2²:			
Total	Tonnes	1,598.12	1,322.65
Intensity ⁴	Tonnes	0.41	0.31
Air Emissions			
Nitrogen Oxides	Kilograms	77.08	71.47
Sulfur Oxides	Kilograms	0.15	0.17
Particles	Kilograms	5.35	5.33
Hazardous Waste			
Solid Waste Generated:			
Total	Kilograms	3,283.30	3,019.15
Intensity ⁴	Kilograms	0.83	0.71
Non-hazardous Waste			
Solid Waste Generated:			
Total	Kilograms	605,600.00	48,330.00
Intensity ⁴	Kilograms	153.66	11.40
Sewage Discharged:			
Total	Tonnes	25,918.00	29,632.00
Intensity ⁴	Tonnes	6.58	6.99
Packaging Materials Used for Finished Goods			
Total	Tonnes	633.90	561.32
Intensity ⁴	Tonnes	0.16	0.13

VIII. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2022	2021
Energy and water consumptions			
Electricity:			
Total	Megawatt hours	2,619.44	2,167.92
Intensity ⁴	Megawatt hours	0.66	0.51
Gasoline:			
Total	Liters	8,107.12	10,372.72
Intensity ⁴	Liters	2.06	2.45
Diesel:			
Total	Liters	3,036.25	1,540.00
Intensity ⁴	Liters	0.77	0.36
Natural Gas:			
Total	Cubic meters	149,032.00	144,928.00
Intensity ⁴	Cubic meters	37.81	34.20
Water:			
Total	Tonnes	26,028.90	29,644.07
Intensity ⁴	Tonnes	6.60	6.99
Timber (Raw Material):			
Total	Cubic meters	1,393.18	1,443.35
Intensity ⁴	Cubic meters	0.35	0.34

Notes:

- 1 Scope 1 refers to the Group's business direct GHG emission, including combustion of gasoline, diesel, natural gas, and so on.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 The abovementioned carbon emissions are calculated with reference to the emission factors in "China Regional Grid Baseline Emission Factors" issued by the Climate Change Department of the Ministry of Ecology and Environment of the PRC and the "Reporting Guidance on Environmental Key Performance Indicators" issued by The Stock Exchange of Hong Kong Limited.
- 4 The intensity is calculated per each 1,000 production unit.

IX. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

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.	10-13
KPI A1.1	The types of emissions and respective emissions data.	11, 13, 15-16, 33
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).	15-16, 33
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	13, 33
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11, 13, 33
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	10-13
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.	11-13
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	13-17
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)	15-16, 34
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	16, 34
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	13-15
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.	16
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	33
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	18
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	18
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.	18
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.	18

IX. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure/KPIs	Reporting Guideline	Page
	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.	19-21
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	20
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	20
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.	21-24
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	25
KPI B2.2	Lost days due to work injury.	25
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	21-24
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	25
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	26
KPI B3.2	The average training hours completed per employee by gender and employee category.	26
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.	27
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	27
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	27

General Disclosure/KPIs	Reporting Guideline	Page
	B. Social	
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	28
KPI B5.1	Number of suppliers by geographical region.	28
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.	28
KPI B5.3	Description of practices used to identify environmental and social risks.	28
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	28
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.	29-30
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	30
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	29
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	30
KPI B6.4	Description of quality assurance process and recall procedures.	29-30
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	30
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.	30
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.	30
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	30
KPI B7.3	Description of anti-corruption training provided to directors and staff.	30
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.	31
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	31
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	31