

TAYANG 大洋

(Stock Code : 1991)

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT

2023



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# ABOUT THIS REPORT

Ta Yang Group Holdings Limited (the “Company”), together with its subsidiaries (collectively, the “Group” or “we”), is pleased to present its Environmental, Social and Governance Report (the “ESG Report” or “This Report”) for the financial year ended December 31, 2023 (the “Reporting Period” or “FY2023”). The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (the “ESG Reporting Guide”) set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This Report sets out our commitment and strategy on Corporate Social Responsibility (“CSR”) and summarizes our initiatives, programs and performance on environmental, social and governance (“ESG”) for sustainable development.

This Report strictly adheres to the reporting principles of materiality, quantitative, balance and consistency as set out below. In This Report, the Group has strictly complied with the mandatory disclosure requirements and the “comply or explain” clause as set out in the ESG Reporting Guide for disclosure of ESG issues during the Reporting Period. The content of This Report has been determined in accordance with a systematic set of procedures. The process includes identifying and ranking important stakeholders, identifying and ranking important ESG-related issues, determining the boundaries of the ESG Report, collecting relevant materials and data, preparing This Report based on the information, and reviewing the information in This Report.

## REPORTING SCOPE

The Group has three main operating segments: (i) manufacturing and sale of silicone rubber and related products, (ii) providing healthcare and hotel services, and (iii) pervading international digital marketing services. The ESG Report mainly outlines the environmental and social policies and implementation of the Group in its silicone rubber business. Silicone rubber production is mainly concentrated at the Group’s facilities in Huzhou of Zhejiang Province (the “Huzhou Ta Yang”) and Dongguan of Guangdong Province (the “Dongguan Ta Yang”), People’s Republic of China (the “PRC”). Therefore, ESG-related information for those two plants forms an important part of This Report. There are no significant changes in the scope of This Report from the previous reporting period (January 1, 2022, to December 31, 2022) (“FY2022”).

The information contained in This Report has been collected and collated from a variety of sources, including but not limited to the Group’s internal control policies, some factual evidence of the implementation of ESG-related measures, business data and annual financial data from the Group’s actual operations, as well as data derived from relevant internal statistical reports, administrative documents and other reports.

## REPORTING STANDARDS AND PRINCIPLES

The Company has prepared, evaluated and presented the relevant information in This Report with reference to the ESG Guide. The following principles outlined in the ESG Guide have been incorporated into This Report.

### Quantitative

Quantitative disclosure has been made in This Report in accordance with the key performance indicators (“KPI(s)”) set out in the ESG Guide, and the methodology, assumptions, conversion factors, and relevant references used therein have been described where applicable.

### Balance

Performance of the Group was presented impartially, 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.

### Materiality

Materiality assessment has been carried out by inviting the management and key stakeholders of the Company, the annual key issues for the year have been identified and disclosed in This Report in a focused manner to ensure that the ESG Report has covered the issues that are material to the Group.

### Consistency

We use consistent statistical methods and presentations for KPIs so that meaningful comparisons of relevant data can be made in the future.



## THE BOARD STATEMENT

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 labor practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.



## 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.

### 1. 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.

### 2. 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 favorable materials and can degrade into hazardous microplastics. In addition, some plastics include poisons like bisphenol A. Generally speaking, silicone endures longer and can withstand higher temperatures than plastics.



### 3. 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 in the environment due to physical, chemical and biological effects. 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 behaviors. In addition, nanoscale 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 of superior quality is made from richer earthly resources and contains no petrochemical industry additives. It does not break down over time and will not shed microplastic particles either. Since silicone is lightweight and flexible, it is commonly used as an on-the-go solution. Many silicone items on the market today are likewise designed to replace disposable plastics and have similar performance qualities. In light of this, silicone is an excellent substitute for plastic.

## GOOD GOVERNANCE ENHANCES GROWTH

The Group understands that ESG matters may threaten an organization's shareholder value, reputation, supply chain, and the sustainability of the business, which is critical to maintaining the long-term trust that the Group has built with the public.

During the Reporting Period, the Group's ESG Working Group (the "Working Group") will assist the Board in fulfilling its ESG-related responsibilities to promote, develop and implement the Group's ESG-related initiatives, policies, programs, targets and indicators in accordance with all applicable legal, regulatory and supervisory requirements, which consisting of representatives from various departments, continued to deal with ESG-related issues. The Working Group is authorized by the Board to perform the following duties and responsibilities to facilitate the achievement of ESG objectives:

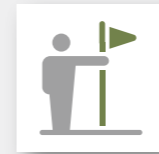
- ▶ Managing the Group's ESG issues and continues to ensure that appropriate and effective ESG risk management and internal control systems are in place.
- ▶ Complementing the current risk management and internal control systems, which are designed to meet the Group's specific business needs and to minimize its risk exposure.
- ▶ Setting 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.
- ▶ Analyzing 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.

Overall, the Working Group has made significant progress in achieving the targets set, but there is still room for improvement. The Group continues to assess its strengths and weaknesses to improve overall efficiency.

## OUR SUSTAINABILITY GOALS

Sustainability has always been a core value of the Group, and the Group will continue to take sustainability into account in its decision-making, as well as in its future planning, management and development processes. To meet environmental and social challenges such as climate change, we strive to minimize our impact on the environment while maximizing our contribution.

ESG is one of the Group's business management priorities and we are committed to creating a balanced environment for the people around us and the world at large. The Group has identified five goals that are most relevant to our business and sustainability strategy, as set out below:



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

- ▶ Material issues were identified in line with the provisions of the ESG Reporting Guide.
- ▶ Publicly and transparently disclose issues and matters considered material by stakeholders.



### Taking environmental advice from the Chinese government

- ▶ Followed waste management advice from the government.
- ▶ Taken measures to reduce emissions and raise employees' awareness of environmental protection.



### 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.
- ▶ Listening to customer feedback and responding quickly to enhance trust.

## STAKEHOLDER ENGAGEMENT

In order to realize the Group's sustainable development strategy, it is important for us to understand the views and expectations of our stakeholders on the development and success of the Group, which will help us to assess the potential impact of our future business activities on the environment and society.

During the Reporting Period, the Group proactively consulted with different stakeholders and took measures to strengthen the ties with them and maintain friendly relations with them.

Stakeholder	Key Issues	Communication Channels
Shareholders and Investors	<ul style="list-style-type: none"> <li>Corporate governance structure and system</li> <li>Business strategy and performance</li> <li>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>
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>
Customers	<ul style="list-style-type: none"> <li>Better product and services</li> <li>Product safety</li> <li>Protection of customers' privacy</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>
Government and Regulatory Agencies	<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>
Suppliers	<ul style="list-style-type: none"> <li>Fair and open purchasing</li> <li>Environmentally friendly</li> <li>Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>Open tender</li> <li>Standardized procurement procedures</li> <li>Face-to-face meetings and site visits</li> <li>Industry seminars</li> </ul>
Communities	<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>

## MATERIALITY ASSESSMENT

During the Reporting Period, the Group implemented an annual review to identify the major concerns and key interests of stakeholders on ESG issues through exchanges and communications with various stakeholders. In FY2023, we collected the perspectives of major stakeholders through

questionnaire surveys, face-to-face communication, telephone interviews and industry seminars, etc.. We started in-depth communication with various stakeholders on ESG-related issues in FY2023 and assessed the importance of these issues to the Group's business and stakeholders, in order to further drive our sustainable business strategy. The diagram below illustrates the process of our assessment of key ESG issues.

### Identification of Material Issues

28 material ESG issues were identified based on the Group's actual business development, feedback from stakeholders, industry developments and other relevant laws and regulations.



### Stakeholder Survey

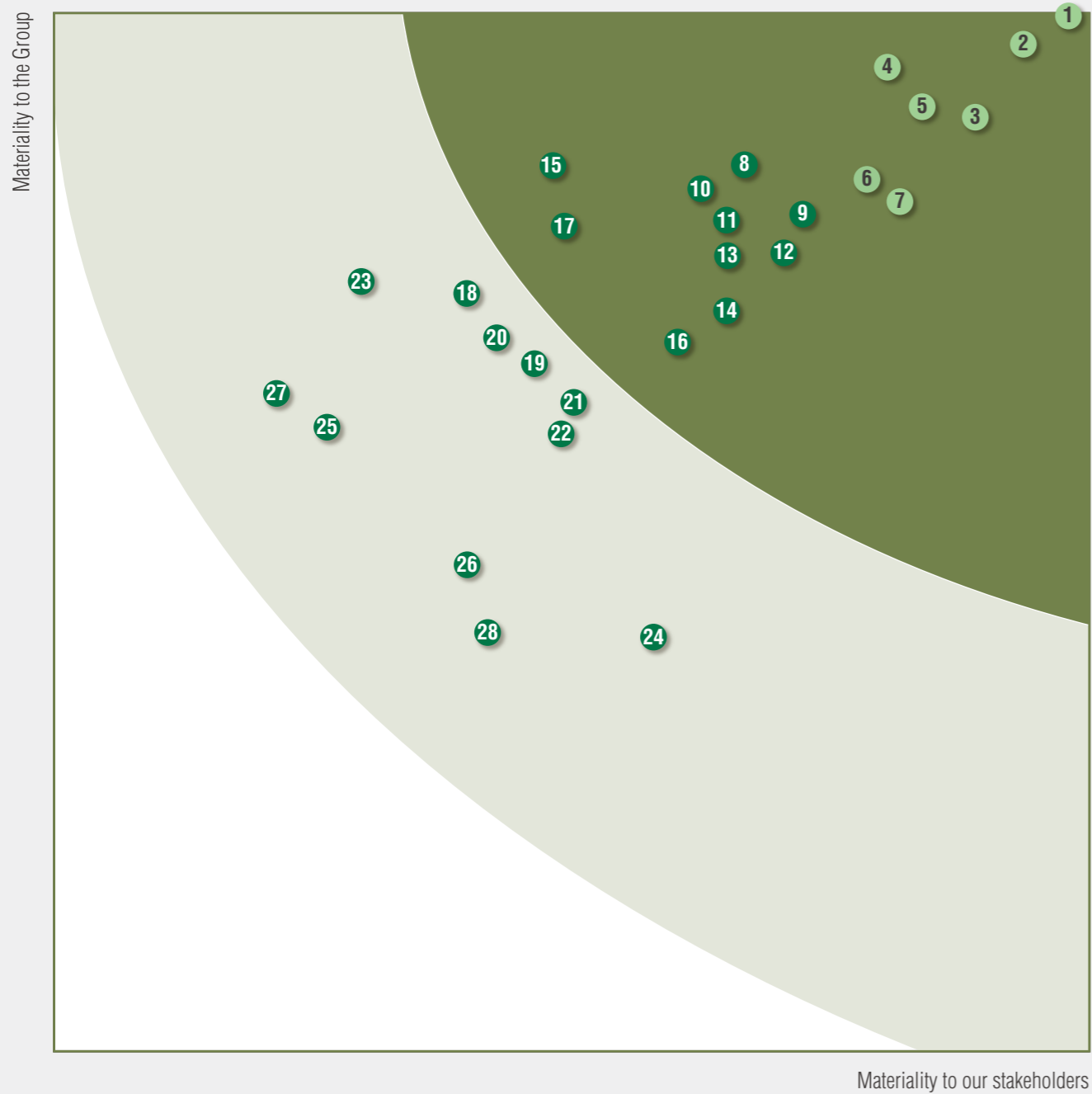
In-depth exchanges were conducted with various stakeholders to collect their views on the above 28 material issues, and the views and expectations of the stakeholders were incorporated into the assessment and ranking of the issues.



### Integration of Assessment Results

Based on the results of the assessment, a matrix of ESG-related issues was compiled by integrating the 'Importance of ESG issues to external stakeholders' and 'Importance of ESG issues to the Group' to determine the materiality ranking of the 28 issues.

ESG Materiality Assessment Matrix of the Group



All 28 issues are in fact important points of concern for the Group's sustainable development, and the ESG issues in the upper right quadrant of the matrix is relatively more important. During the Reporting Period, we identified the top 7 issues requiring the most attention, which as follows:

- ▶ Product responsibility;
- ▶ Anti-corruption;
- ▶ Occupational health and safety;

- ▶ Selection and monitoring of suppliers;
- ▶ Resource use;
- ▶ Customer satisfaction; and
- ▶ Protect environmental and natural resources.

The above 7 issues are categorized as the key elements that drive the Group's sustainable business and are further elaborated in the following sections of This Report.

Materiality	ESG Issues
1	Product responsibility
2	Anti-corruption
3	Occupational health and safety
4	Selection and monitoring of suppliers
5	Resource use
6	Customer satisfaction
7	Protect environmental and natural resources

Materiality	ESG Issues
8	Use of materials
9	Product labelling
10	Marketing and promotion
11	Water use
12	Employee development and training
13	Greenhouse gas emissions
14	ESG risks of the suppliers



15	Number of corruption cases
16	Customer privacy
17	Environmentally preferable products and services
18	Preventing child and forced labour
19	Employee remuneration, benefits and rights
20	Diversity and equal opportunity of employees
21	Anti-corruption training provided to directors and staff
22	Protecting intellectual property rights
23	Climate change
24	Air emissions
25	Community support
26	Hazardous waste production
27	Cultivation of local employment
28	Non-hazardous waste production

### 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).



In line with the Group's sustainability mission and vision, the Group is continuously improving its environmental performance with the contribution and support of its employees, business partners, the public and stakeholders. The Group has established the "Procedures for Compliance with Regulations, Standards and Other Requirements", which stipulates that national laws and regulations relating to the environment should be identified and reviewed on an on-going basis to ensure that its business activities are in compliance.

During the Reporting Period, the Group complied with national and local laws and regulations relating to environmental protection and pollution prevention, including but not limited to:

- ▶ Environmental Protection Law of the PRC;

- ▶ Air Pollution Prevention and Control Law of the PRC (2018 Revision);
- ▶ Water Pollution Prevention and Control Law of the PRC;
- ▶ The Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Waste;
- ▶ Law of the PRC on Prevention and Control of Environmental Noise Pollution; and
- ▶ The Law of the PRC on Energy Conservation.

During the Reporting Period, no violations of laws and regulations concerning air and greenhouse gas (“GHG”) emissions, discharges to water and land, and the generation of hazardous and non-hazardous wastes were found to have a significant impact on the Group.

The Group attaches importance to sustainable development and has developed a series of environmental management practices. The Group has established the following policies to regulate the processes related to environmental protection and energy management to ensure the sustainable development and green operation of the Group.

- ▶ TY-RBA-20-030: Wastewater, exhaust gas, plant noise management program;
- ▶ TY-RBA-20-031: Waste management control procedures;
- ▶ Emergency Response Plan for Environmental Emergencies;
- ▶ TH-1B-20-001: Control Program for Identification and Evaluation of Hazardous Substances;
- ▶ TE-2B-20-002: Energy and resource management procedures;
- ▶ TE-2B-20-004: Procedures for controlling environmental impacts on third parties;
- ▶ TE-2B-20-007: Environmental Monitoring and Measurement Control Program;
- ▶ TE-Q0-20-008: Procedures for Identification and Evaluation of Environmental Factors; and
- ▶ T-2B-30-030: GHG management system.

### PROGRESS ON EMISSIONS CONTROLS

During the Reporting Period, the Group complied with national and local laws and regulations regarding discharges and wastes generated from its operations, including but not limited to:

- ▶ GB 39731-2020: Discharge standard of water pollutants for electronic industry;
- ▶ GB 8978-1996: Integrated Wastewater Discharge Standard;
- ▶ GB 18599-2020: Standard for pollution control on the non-hazardous industrial solid waste storage and landfill;
- ▶ GB 3095-2012: Ambient Air Quality Standards;
- ▶ GB 37822-2019: Standard for fugitive emission of volatile organic compounds;
- ▶ GB 18597-2023: Standard for pollution control on hazardous waste storage;
- ▶ HJ 1276-2022: Technical specification for setting identification signs of hazardous waste; and
- ▶ National Hazardous Waste Directory (2021 Edition).

With regard to emissions and waste generation, as well as resource use, the Group has set an overall 10-year reduction target in FY2022, aiming to reduce the intensity of water, and waste generation by 10%, and reduce total carbon emissions and total electricity consumption by 10% by financial year 2032 (“FY2032”), and we are gradually working toward the target.

TARGET IN FY2032	PROGRESS IN FY2023
A DECREASE OF 10% IN TOTAL CARBON EMISSIONS ON THE BASIS OF FY2022	A decrease of 7.2% in total carbon emissions on the basis of FY2022
A DECREASE OF 10% IN TOTAL ELECTRICITY CONSUMPTION ON THE BASIS OF FY2022	A decrease of 0.9% in total electricity consumption on the basis of FY2022
A DECREASE OF 10% IN TOTAL WASTES GENERATION PER HK\$'MILLION (“HK\$'M”) REVENUE ON THE BASIS OF FY2022	An increase of 46.37% in total waste generation per HK\$'m revenue on the basis of FY2022
A DECREASE OF 10% IN WATER USAGE PER HK\$'M REVENUE ON THE BASIS OF FY2022	An increase of 26.38% in water usage per HK\$'m revenue on the basis of FY2022

Detailed data for the above indicators for the Reporting Period are provided in the corresponding sections below.



The overall intensity of the GHG emissions by the Group was 30.37 tCO<sub>2</sub>eq./HK\$m revenue of the Group's silicone rubber business.



### AIR POLLUTION AND GHG

Our Huzhou and Dongguan factories are both certified under the ISO14001:2015 environmental management system. In order to ensure that emissions do not exceed provincial and industry emission regulations, the Group has engaged a third-party expert to conduct routine inspections of exhaust pollutants generated from the 2 production plants.

During the Reporting Period, the Group's emissions of air pollutants and GHG were mainly attributable to the silicone rubber business, such as the use of transportation and refrigerants, the procurement of government power resources, the treatment of fresh water and sewage by government departments, and employee business trips.

Detailed indicators of the Group's emissions during the Reporting Period are set out below:

Emission	Indicators	Unit	FY2023
Air Emissions <sup>1</sup>	Nitrogen oxides (NO <sub>x</sub> )	kg	228.73
	Sulphur oxides (SO <sub>x</sub> )		0.86
	Particle matters (PM)		21.48
GHG Emissions <sup>2</sup>	Scope 1	tCO <sub>2</sub> eq.	417.07
	Scope 2		6,383.42
	Scope 3		62.50
	<b>Total GHG emissions</b>		<b>6,862.98</b>
	<b>Total GHG emission intensity<sup>3</sup></b>	tCO <sub>2</sub> eq./HK\$m revenue (silicone rubber)	<b>30.37</b>

<sup>1</sup> Air emissions are emissions from the combustion of unleaded petrol and diesel fuel in a moving vehicle, which are calculated with reference to the Stock Exchange's "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

<sup>2</sup> GHG emissions are attributed to the combustion of unleaded petrol and diesel fuel for road mobility, the use of refrigerants, the purchase of electricity, the disposal of fresh water and sewage by government departments, the disposal of wastepaper in landfills, and the business air travel of employees, as well as the planting of trees to mitigate some of the GHG impacts during the Reporting Period. All of the above data has been calculated in accordance with the Stock Exchange's "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

<sup>3</sup> During the Reporting Period, sales of the Group's silicone rubber business amounted to HK\$226 million and the GHG emission intensity was calculated by dividing the total GHG emissions by the sales of silicone rubber business (in millions of Hong Kong dollars).

The Group continues its efforts to limit the usage of ozone-depleting substances and to reduce emissions in its business operations. Emission reductions are expected to be achieved through control measures, including:

- ▶ Replacing conventional chemicals with non-toxic, non-polluting chemicals;
- ▶ Enhancing regular inspection, cleaning and maintenance of the Group's air-conditioning systems, plant equipment and vehicles;
- ▶ Prohibiting smoking in the workplace except in designated smoking areas;
- ▶ Encouraging the use of public transportation and car-pooling;
- ▶ Use of telephone and video conferencing; and
- ▶ Regulating the use of Group-owned vehicles and enforcing speed limits.

## WASTE MANAGEMENT

We have established the "Waste Management Control Procedures" to better regulate the effective management and recycling of the Group's waste.

The Group generates hazardous waste such as waste activated carbon, oil-containing sludge, waste oil rags and oil-containing iron filings in the course of its operations. In accordance with relevant laws and regulations and the Group's policy requirements, we are required to categorize and store the hazardous wastes generated from our operations, place them reasonably in waste containers or in a designated and clearly indicated area, and ultimately have them recycled by the General Affairs Department in liaison with qualified environmental protection suppliers, dispose of them in accordance with the recycling contract and fill in the relevant outgoing forms.

The Group's non-hazardous waste mainly arises from employees' daily life and office activities, such as general household waste, food waste, etc., as well as some waste packaging materials. We separate the above non-hazardous waste into categories according to whether they are recyclable or not. For the recyclable portion, we collect them at the "General Waste Deposit Point" and contact qualified recycling companies for recycling from time to time; for the non-recyclable waste, such as domestic garbage, waste office supplies, canteen waste, etc., they are transported by sanitation workers to the municipal waste treatment center for disposal on a regular basis.

The waste data generated by the Group in FY2023 is as follows:

Hazardous/ Non-hazardous waste	Type of waste	Unit	FY2023
Hazardous wastes	Waste engine oil, waste activated carbon and others	tonnes	10.96
	Total hazardous waste intensity <sup>4</sup>	tonnes/HK\$m revenue (silicone rubber)	0.05
Non-hazardous wastes	Silicone raw edge	tonnes	174.27
	Plastic spout		22.40
	Copper scrap		10.65
	Mold steel scrap		78.64
	Domestic garbage		83.50
	<b>Total non-hazardous waste</b>		<b>369.46</b>
<b>Total non-hazardous waste intensity<sup>4</sup></b>		tonnes/HK\$m revenue (silicone rubber)	<b>1.63</b>

<sup>4</sup> During the Reporting Period, sales of the Group's silicone rubber business amounted to HK\$226 million and the waste generation intensity was calculated by dividing the total waste by the sales of silicone rubber business (in millions of Hong Kong dollars).

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, as set out below:

- ▶ Reduce
  - Adoption of double-sided printings across all internal office documentation;
  - Wide application of WeChat, for a paperless and green office; and
  - Meal planning to avoid food wastage.
- ▶ Reuse
  - Reuse of single-sided printouts as draft paper; and
  - Reuse of packaging materials such as paper, plastic and expanded polyethylene (“EPE”) foams.
- ▶ Recycle
  - Sorting waste before treatment;
  - Appointment of designated recycling companies for waste collection and handling; and
  - Installation of recycling bins.

### SEWAGE MANAGEMENT

The Group’s sewage is mainly production and domestic wastewater. We have established the “TY-RBA-20-030: Wastewater, exhaust gas, plant noise management program” to standardize the treatment of wastewater. According to our policy, the principles of wastewater management and control are as follows:

- ▶ Wastewater treatment is carried out before discharging the wastewater to the centralized wastewater treatment plant.
- ▶ Wastewater treatment stations should be conspicuously marked with the name of the pollutant; pH value testing of wastewater treatment pond effluent should be conducted periodically; and
- ▶ All production wastewater is not discharged externally.

For domestic wastewater, we take the following measures to reduce the wastewater generated:

- ▶ Toilets should be equipped with septic tanks, and direct access to wastewater pipes is strictly prohibited, as well as the use of phosphorus-containing detergents;
- ▶ Toilets and other living areas shall be equipped with grease traps and filters, and it is strictly prohibited to discharge oily wastewater directly into the wastewater pipes; and they shall be cleaned regularly, and the use of phosphorus-containing cleaning agents is strictly prohibited;
- ▶ Oil drums shall not be cleaned at the living faucet, and the oil leaked from equipment cleaned out shall not be poured into the gutter;
- ▶ Toilets should be handled by specialized cleaners to keep them clean and reduce pollution to the environment, and septic tanks should be cleaned by specialized personnel every six months to ensure that septic tanks and sewers are smooth and free from blockage and overflow;
- ▶ Bathrooms should be handled by specialized sanitation workers to keep them clean and reduce pollution to the environment; and
- ▶ The rice water and residual vegetables and rice soup in the cafeteria should be poured into designated slop buckets and recycled for reuse.

Since production wastewater is more specific, we take the following measures to manage and control it:

- ▶ All production wastewater is uniformly collected and placed in sewage treatment ponds for treatment;
- ▶ Concentrated wastewater is collected in special containers by designated departments with storage labels affixed, and the Group regularly transfers it to qualified disposal parties for treatment;
- ▶ The two factory does not directly discharge production wastewater to the outside world; and
- ▶ The industrial wastewater is collected and sent to qualified units for centralized 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”.

### CARE ABOUT OUR USE OF RESOURCES

To minimize the use of resources, the Group has established an “TE-2B-20-002: Energy and resource management procedures” to manage the consumption of natural gas, electricity, water, raw materials, packaging materials, office paper and other office supplies, and to improve the efficiency of energy use.

In our operations, the Group relies on government water supplies for domestic activities as well as industrial production, and we have not encountered any problems in obtaining water sources to date.

The Group purchases product packaging and protection materials from suppliers, all of whom use non-renewable raw materials to produce their packaging materials. The Group has also been looking for alternative packaging materials with a higher content of renewable materials to better align with its sustainability objectives.

During the Reporting Period, the Group’s use of resources and packaging is shown below:

Resource	Unit	FY2023
<b>Direct and indirect energy consumption</b>		
Petrol	MWh	311.40
Diesel		259.57
Electricity		10,532.97
Total energy consumption		11,103.94
Energy intensity <sup>5</sup>	MWh/HK\$m revenue (silicone rubber)	49.13
<b>Water usage</b>		
Total water consumption	m <sup>3</sup>	68,025.00
Water consumption intensity <sup>5</sup>	m <sup>3</sup> /HK\$m revenue (silicone rubber)	301.00

Resource	Unit	FY2023
<b>Package usage</b>		
Packaging material PE type – plastic bags	tonnes	663.93
Carton		74.04
Film-backed		5,989.38
Film paper		11,816.70
Packing tape, stretch film, transparent tape, locking bags		21.68
Cardboard box, packaging box		355.40
Pearl cotton		122.50
L-shaped protection sheet		72.00
Used plastic matting		1,513.40
Paperboard		83,225.72
<b>Total package consumption</b>		
Package consumption intensity <sup>5</sup>	tonnes/HK\$m revenue (silicone rubber)	459.53

The Group has adopted several measures to enhance overall energy and resource efficiency. General energy saving measures implemented in the office include turning off the power of all air-conditioners, lighting and office equipment during non-office hours, and controlling the use of air-conditioning and heating systems.

At the same time, the Group has set environmental targets as shown above and tracked performance to minimize energy usage and carbon emissions. The Group tracks its monthly electricity consumption and controls electricity consumption through the following methods:

- ▶ Developing an electricity consumption system to calculate, compare and analyze total electricity consumption;
- ▶ Adopting energy-efficient lighting wherever possible;
- ▶ Selecting energy-efficient vehicles and equipment;
- ▶ Air-conditioning temperature control at 23–25 degrees Celsius;
- ▶ Save fuel consumption by enforcing regulations;
- ▶ Combining trips to reduce fuel use;
- ▶ Educating employees to optimize productivity and reduce unnecessary electricity use;
- ▶ Promoting electricity conservation to employees; and
- ▶ Regular inspection and maintenance of transmission piping. Repair piping as soon as leaks are detected.

The Group continues to conserve water resources and has taken measures to minimize water consumption, such as:

- ▶ Installation of new energy-saving water meters in factories;
- ▶ Installation of touchless water-saving taps in office buildings and staff dormitories;
- ▶ Prohibiting the use of drinking water for other purposes, such as cleaning;
- ▶ Promoting cleaning workers to conserve water in their daily cleaning work; and
- ▶ Enhancing the maintenance and repair of pipes, valves, joints and fixtures to improve water efficiency.

During the Reporting Period, the Group has implemented management systems and procedures, in accordance with national standards and regulations, to reduce the use of energy and resources, to minimize the procurement of raw materials that cause serious pollution, and to minimize the impact on the environment throughout the entire life cycle of its products, from start to finish.

### SIGNIFICANT IMPACTS ON THE ENVIRONMENT AND NATURAL RESOURCES

The negative impact of the Group's economic activities on the environment and natural resources is minimal, except for minor impacts due to emissions and consumption of natural resources such as water and electricity. The Group proactively monitors and analyzes its environmental impacts through regulatory restrictions and by taking decisive measures to prevent environmental hazards and to determine its environmental footprint.

In addition, the Group continually improves the efficiency of its use of resources by minimizing the use of materials, water and energy, and by reducing the generation of waste, pollution and carbon emissions. The Group has set targets to reduce the consumption of electricity, water and fuel. Electricity is the Group's largest source of GHG emissions, and the Group has specifically implemented management measures to reduce electricity consumption. For example, the Group educates its employees on energy conservation, restricts the use of air-conditioning when the ambient temperature is below a certain temperature, and places energy-saving stickers near light switches.

<sup>5</sup> During the Reporting Period, since most of the resource use comes from the silicone rubber business, we use the sales revenue of the silicone rubber business to calculate the intensity of resource use. Sales of the Group's silicone rubber business amounted to HK\$226 million. Packaging consumption intensity and resource use intensity (direct and indirect energy consumption and water usage) were calculated by dividing the total consumption by the sales of the silicone rubber business (in millions of Hong Kong dollars).

## STRATEGIES TO ADDRESS CLIMATE CHANGE

Global warming poses a wide range of risks to businesses, from supply chain disruptions to rising insurance costs to labor challenges. The impact of financial, reputational and strategic risks is becoming more pronounced as the threat of climate change and associated physical damage grows, market perceptions change and the public favors more environmentally friendly products and services. Climate change will undoubtedly be a growing concern for the Group and the industry as a whole for the foreseeable future. The Group has identified the following risks arising from climate change:

- ▶ Acute risk – The effects of climate change are felt across the globe. Polar ice caps are melting, and sea levels are rising. Extreme weather events such as typhoons, storm surges and heavy rains will hinder and disrupt our production, transportation and ultimately our income. Our major production plants are located in the Pearl River Delta, which is more susceptible to extreme weather events. Therefore, the physical risks to our production plants and human capital cannot be underestimated. The Group also anticipates that climate change will overload the power grid and increase the frequency of power outages, which may cause unforeseen disruptions to our operations.
- ▶ Chronic risk
  - Longer-term changes in weather patterns will increase capital costs, operating costs and human resource costs.
  - Premiums will increase, while the availability of insurance for assets in areas at high risk of natural disasters may decrease.
  - Climate change affects various entities and functional levels in the supply chain, and the knock-on effect causes risks to propagate along the supply chain network. Disruptions in the supply chain could significantly affect our production deliveries.

- ▶ Regulatory risks – The transition to a low-carbon economy may result in new regulations governing greenhouse gas emissions and energy use, which may affect the production costs of silicone manufacturers.
- ▶ Technology risks – The transition to a low-carbon economy may require the adoption of new technologies or processes, which may involve significant capital expenditure and may require new skills or knowledge.
- ▶ Market risks – Demand for silicone products may be affected by changes in consumer preferences or regulatory requirements, which may affect the Company's revenues and profitability.

Risks often go hand in hand with opportunities, and while climate change exposes the Group to the multiple risks mentioned above, it also presents a variety of opportunities for silicone products. For example, silicone is heat-resistant and can withstand extreme temperatures, making it an ideal material for the production of solar panels and other renewable energy devices. In addition, silicone products can be used to construct energy-efficient buildings to reduce energy consumption and greenhouse gas emissions. In addition, silicone products can be used in the production of electric cars and other vehicles that rely on alternative energy sources. As the world moves toward more sustainable development, silicone products are likely to play an increasingly important role in this transition. Our product line is poised for significant expansion in the future.



## EMPLOYEES

Our employment practices have been prepared in accordance with the Labour Law of the PRC, the Law of the PRC on Labour Contracts, the Law of the PRC on Work Safety, the Law of the PRC on the Protection of Minors and the Law of the PRC on Prevention and Control of Occupational Diseases, and other relevant PRC laws and regulations. During the Reporting Period, the Group complied with the requirements of the relevant laws and regulations in all material respects.

We have formulated policies such as a staff handbook, salary management system and basic standards for employees to regulate the processes of recruitment, promotion, discipline and working hours. Upon joining the Group, employees are required to fully understand the contents of the staff handbook and to be aware of and comply with the Group's rules and regulations.

## EMPLOYEE RIGHTS AND BENEFITS

The Group's remuneration packages and fringe benefits include basic salaries, overtime compensation, allowances, incentives and bonuses. Salaries are reviewed annually and adjusted in accordance with the overall cost of living, industry pay trends, market trends, the Group's remuneration strategy and performance. The Group also provides social insurance (including pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance), housing fund and other benefits in accordance with statutory requirements. The major benefits provided by the Group cover all members of the Group and vary according to the positions held. The benefits provided by the Group are as follows:

- ▶ Insurance: mandatory social insurance, supplementary medical insurance, employer's liability insurance and accident insurance;

- ▶ Allowances: service allowance, night-shift allowance, healthcare allowance, heat-prevention allowance, meal allowance, sympathy allowance, breastfeeding allowance, and training allowance; and
- ▶ Bonuses: Performance bonuses and examination bonuses.

During the Reporting Period, there were no material violations of laws and regulations regarding compensation and termination, recruitment and promotion, working hours, rest periods, and other rights and benefits.

### EQUAL OPPORTUNITIES

The Group respects diversity in the workplace and treats employees equally regardless of their age, nationality, ethnicity, race, gender, religious beliefs and cultural background. The Group has formulated policies to prevent discrimination, bullying and harassment in the workplace. Procedures against Forced Labor, Discrimination and Harassment have been established to ensure that employees' rights and interests are not infringed upon or jeopardized; that forced labor is strictly prohibited; that any form of discrimination or harassment against any employee will not be tolerated; and that all employees will be treated fairly with regard

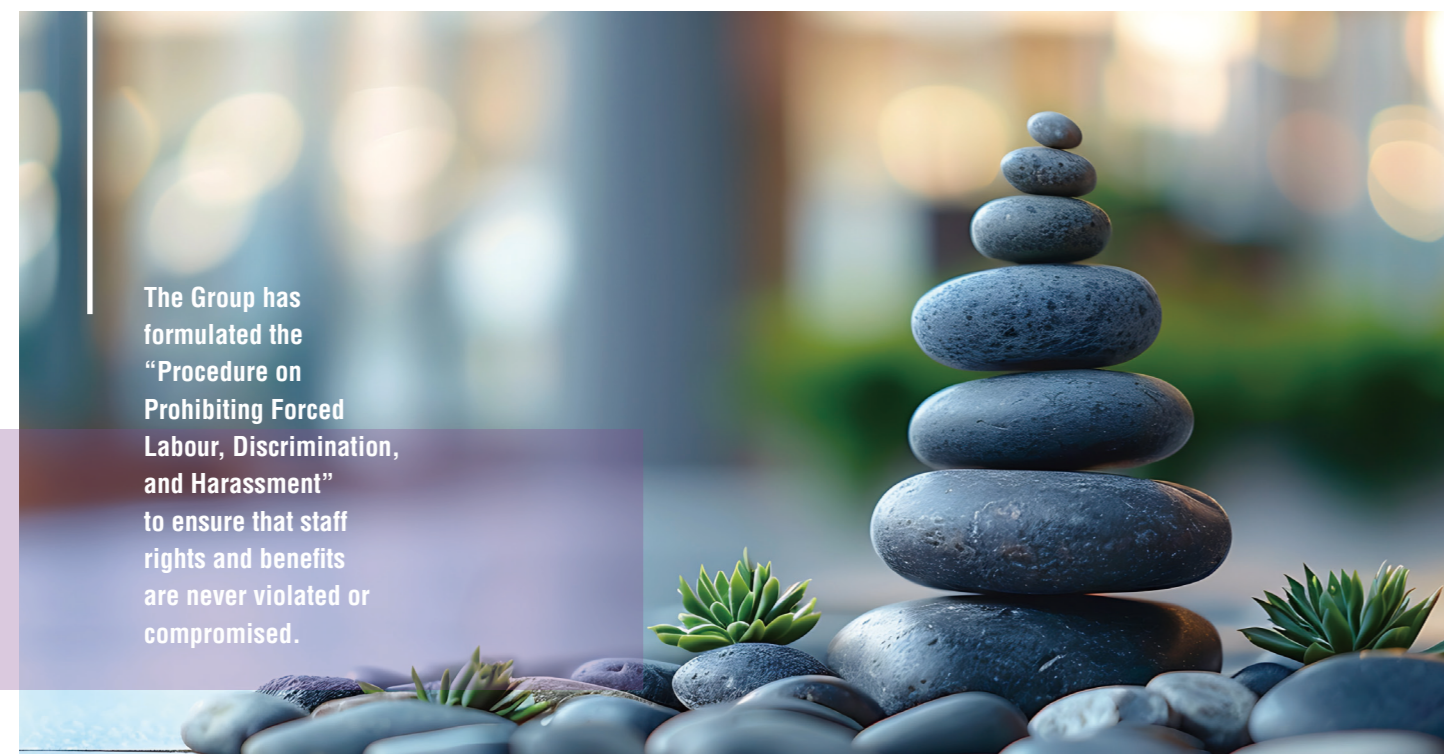
to job placement, promotion, disciplinary action or dismissal. By implementing the above procedures, the Group ensures that:

- ▶ Employees are not discriminated against or denied opportunities because of differences in background;
- ▶ Employees are not discriminated against or deprived of opportunities on the basis of their backgrounds;
- ▶ Employee rights are protected regardless of race, social class, nationality, religion, disability, gender, sexual orientation, union membership, or political affiliation;
- ▶ Equal opportunities are provided to each employee in all aspects of employment, rights and benefits, performance evaluation, promotion, training and development;
- ▶ Employees will not be treated unfavorably during pregnancy, and working conditions or working hours will be reasonably adjusted for pregnant female employees;
- ▶ Employees with chronic illnesses or disabilities will not be discriminated against on the basis of their health conditions; and

- ▶ All forms of sexual harassment, including sex discrimination, sexual harassment, sexual assault, sexual coercion, sexual exploitation, relationship violence, stalking, and/or engaging in conduct that is contrary to an individual's wishes or where an individual is unable to give consent, are prohibited in/outside the workplace.

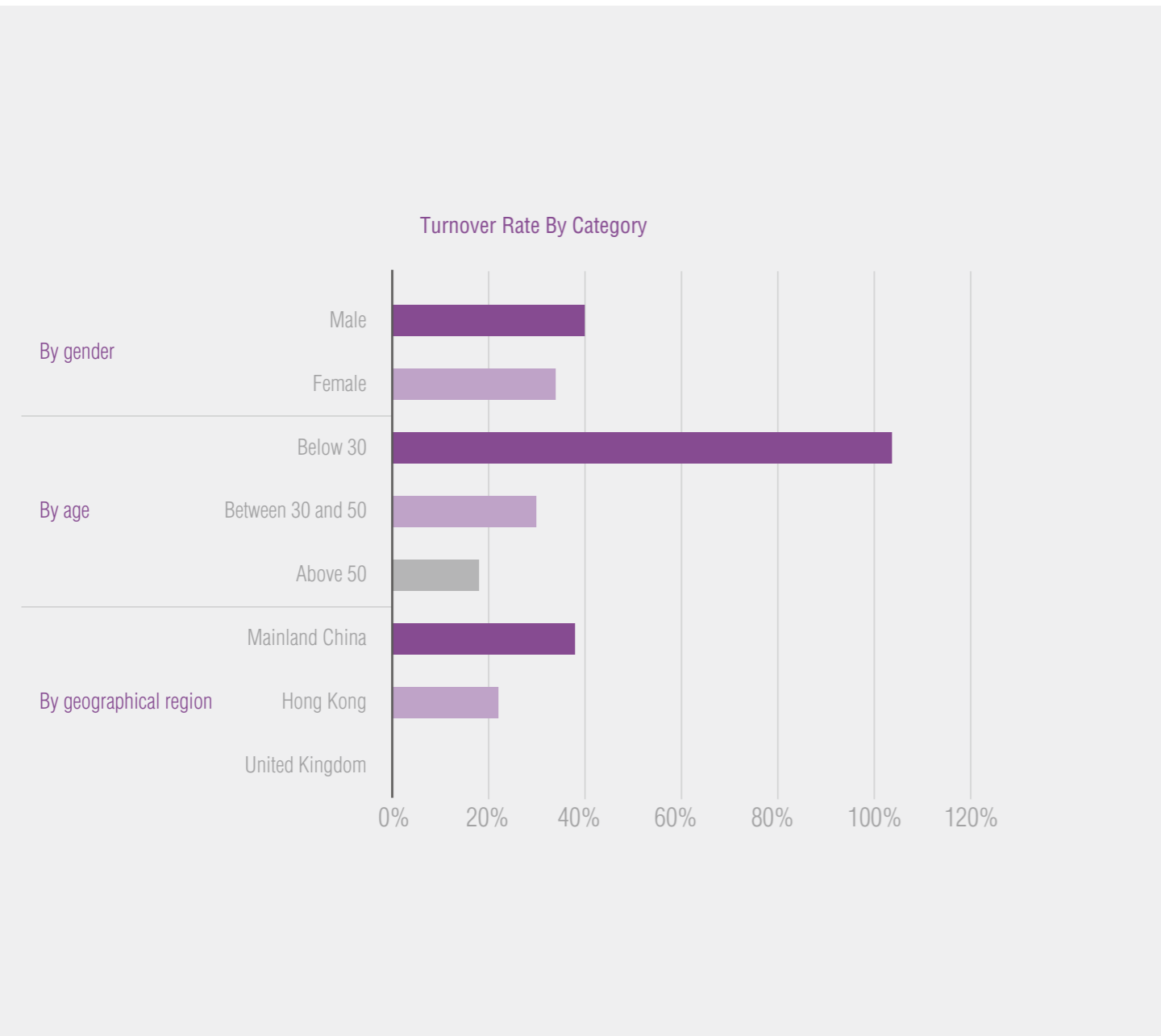
Employees should report cases of violations or suspected violations of the above directly to the Group's union representatives, department heads or senior management.

As of December 31, 2023, the Group had 726 employees (2022: 724). The total workforce by employment type, category, age group and gender are as follows:





During the Reporting Period, the Group's total employee turnover rate was 37%, a significant decrease from the previous year (2022: 59%), and the employee turnover rate by gender, region and age group is shown in the chart below:



## HEALTH AND SAFETY OF EMPLOYEES

The Group complies with laws and regulations relating to health and safety, including but not limited to:

- ▶ The Production Safety Law of the PRC;
- ▶ The Law of the PRC on Prevention and Control of Occupational Diseases;
- ▶ Measures for Supervision and Administration of Occupational Health in Employing Units; and
- ▶ Work Injury Insurance Regulations.

The Group has a responsibility to maintain occupational health and safety, which is also conducive to the Group's long-term development. To ensure safety at work, the Group has established a comprehensive system covering various safety tasks, including contingency plans for emergencies. The Group attaches great importance to work safety and has implemented comprehensive preventive measures and contingency plans to protect our employees and minimize the impact of incidents.

The Group has also taken stringent measures to ensure that work operations comply with regulatory requirements and relevant laws and regulations. To recognize the outstanding performance of our staff and departments in ensuring workplace safety, we have established a safety award scheme.

During the Reporting Period, the Group has established relevant policies to safeguard the health and safety of its employees:

- ▶ Personal Protective Equipment (PPE) Management Procedures;
- ▶ Labor Protection and Occupational Disease Protection Control Procedures; and
- ▶ Occupational Health and Safety Management Procedures.

## SAFE WORKING SYSTEM

Huzhou Ta Yang has established a comprehensive safety management system that clearly defines the responsibilities for safety production management. Each department has the responsibility to seriously comply with relevant laws, regulations and standards. The safety management system includes safety inspections, safety education and training, prevention of occupational diseases, and safety protection equipment.

Similarly, Dongguan Ta Yang has implemented a top-down safety accountability system, whereby employees at all levels are responsible for complying with safety policies. Dongguan Ta Yang has also set up a Work Safety Committee (the "WSC") to manage work safety and ensure that the principle of "working in a disciplined manner and maintaining safety" is implemented. The WSC is responsible for formulating technical safety measures and labor protection programs, arranging and supervising safety inspections, and handling safety-related accidents. To ensure the smooth and safe operation of production, the WSC conducts safety inspections, including factory inspections at least twice a quarter, inspections of production units at least once every two months, and daily inspections of all specialized operations and equipment.

The Work Safety Accountability System requires each production unit to set up a dedicated production safety team responsible for implementing production safety education, formulating implementation details and operating procedures, and ensuring workplace safety in accordance with the instructions of the WSC. Safety Officers are stationed in the plant rooms and plant room teams to oversee the production process. According to the safety system of Dongguan Ta Yang, machine operators and employees handling hazardous substances are required to undergo professional safety skills training, pass assessment tests and obtain relevant licenses before they are allowed to perform their duties independently. New employees, temporary staff, interns and transferees must complete the three levels of safety training (production unit training, machine room team training and production position training) before they are allowed to assume their duties.

### PREVENTION AND HANDLING OF ACCIDENTS

The Group strictly complies with the Fire Control Law of the PRC, the Law of the PRC on Prevention and Control of Occupational Diseases and other laws and regulations. The Group has established an emergency response system to prevent and handle unexpected incidents. Precautionary measures and safety training have been implemented to enhance the technical knowledge and skills of corporate safety management to prevent accidents. The Group has also formulated detailed solutions and clearly defined the duties of emergency personnel to respond to incidents such as fires, floods and chemical leaks to minimize casualties and losses.

Safety education is also an area to which the Group attaches great importance. For example, Dongguan Ta Yang has implemented various measures to promote workplace safety, such as posting slogans and distributing promotional leaflets in all departments, workshops and workgroups, as well as organizing "Work Safety Month" and "Work Safety Walk" activities. These initiatives aim to enhance employees' understanding of the national guidelines and

policies on work safety, as well as relevant laws and regulations, in order to raise 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 comply with the "Occupational Exposure Limits for Hazardous Chemical Agents (GBZ2.1-2007)" and is equipped with adequate protective gear such as masks and gloves. Regular third-party assessments are conducted, and free annual medical check-ups are provided to safeguard the health of employees. The Group prioritizes fire emergency safety management and has established a comprehensive fire emergency management system. Fire safety inspections are conducted daily, and hidden dangers are dealt with as soon as they are detected. Evacuation drills are conducted on a quarterly basis to enhance the emergency response capability of staff.

During the Reporting Period, the Group has not had any work-related fatalities in the past three years. Details of the occupational health and safety data are set out in the table below:

Indicators	FY2023	FY2022	FY2021
Work-related fatality	0	0	0
Work-related injury cases	2	0	2
Lost days due to work injury	316	0	57

### DEVELOPMENT AND TRAINING TO ENHANCE KNOWLEDGE AND SKILLS

The Group has established the Employee Handbook, the Education and Training Management Procedures. The Group is committed to providing comprehensive and effective training programs to its employees to help them enhance the knowledge and skills necessary for the performance of their job responsibilities. The Group believes that through the provision of training, the performance and productivity of its employees can be enhanced while contributing to the sustainable development of the Group.

The Group is committed to providing fair and equal opportunities for advancement in order to build an industry-leading team. Excellent employees are provided with promotion opportunities based on their ability, experience and performance. Recognizing that the expertise and knowledge of our employees are critical to their success, the Group invests in providing quality training to staff at all levels to meet the needs of our business policies and future development, enrich their knowledge, enhance their efficiency and unleash 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 acquire 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 employees are trained in the skills and knowledge required for their new positions. Dongguan Ta Yang provides on-the-job training at least once every six months, including mandatory courses related to management systems and quality standards. The Group regularly provides employees with job-related knowledge, skills and professional qualification training every year. The Group also encourages employees to participate in external training courses, seminars and professional qualification assessments by providing training subsidies.



During the Reporting Period, the Group provided a total of 39,532 hours of training to 521 employees. 98% of employees were trained, with 74 hours of training per capita. Details of staff training in FY2023 are set out below:

<b>Trained employees</b>	<b>FY2023</b>
Total trained employees and the percentage of employees trained	680 (94%)
<b>By gender</b>	
Male	340 (50%)
Female	340 (50%)
<b>By employee categories</b>	
Senior management	4 (1%)
Middle management	43 (6%)
Frontline employees	633 (93%)

<b>Training hours</b>	<b>FY2023</b>
Total training hours	39,532
Average training hours	54
<b>By gender</b>	
Male training hours	21,359
Average training hours for male	58
Female training hours	18,173
Average training hours for female	51
<b>By employee categories</b>	
Senior management training hours	354
Average training hours for senior management	24
Middle management	8,458
Average training hours for middle management	173
Frontline employees	30,720
Average training hours for frontline employees	46

### SAY NO TO CHILD AND FORCED LABOUR

Child labour and forced labour are strictly prohibited in the Group. The Group strictly complies with applicable laws and regulations on employment and labour standards, including but not limited to:

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

The Group has established policies such as “TY-2B-20-021 Employee Recruitment Management Procedures”, “TI-2B-20-009 Procedures for the Protection of Child and Minor Workers” and “TI-2B-20-012 Procedures for the Management of Humane Treatment and Non-discrimination” to regulate the Group’s employment process. The Group stringently verifies 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.

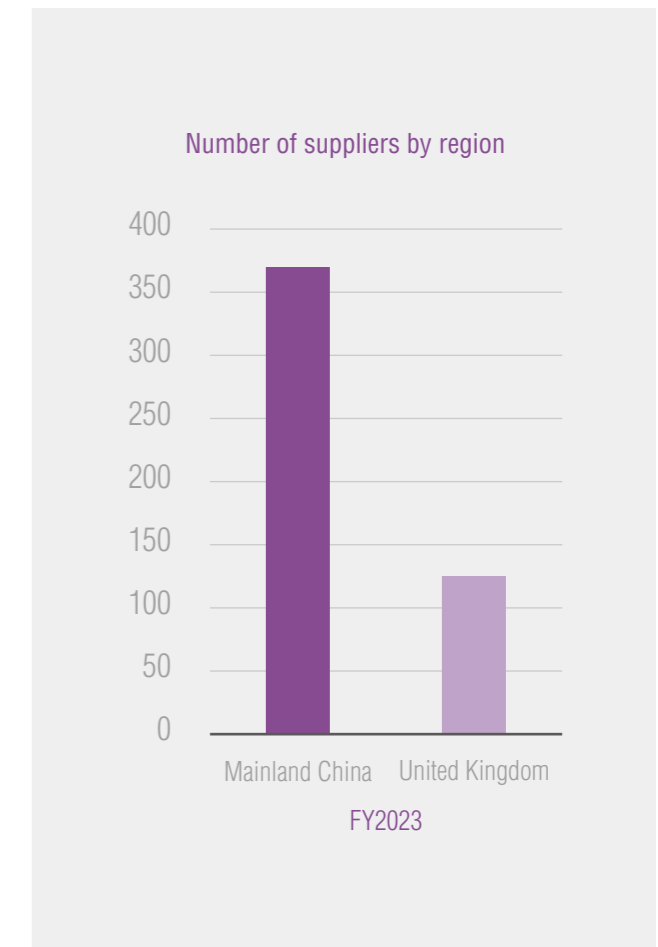
### SUSTAINABLE SUPPLY CHAIN

The Group has established policies such as the “Procurement Management Procedures” and “Supplier Selection and Management Procedures” to regulate our supply chain management process. As supply chain management is crucial to the Group’s operational development, we are very concerned about the stability and quality of our supply chain.

### SUPPLIER SELECTION PRACTICE

The Group only selects eligible suppliers that have passed the supplier assessment. Selected suppliers are continuously evaluated on a monthly and annual basis against different performance criteria. In accordance with the Group’s scoring system, the Group evaluates and scores suppliers on their qualifications, productivity, technology, performance and quality management. Recommendations for corrective action are made to suppliers with unsatisfactory scores. Substandard suppliers will be suspended from cooperation until their performance improves. The Group also expects to improve the environmental and social risk management of its suppliers through on-site assessment, and to take proactive measures to encourage suppliers to prevent, mitigate and remediate their existing and potential adverse environmental and social impacts.

During the Reporting Period, the Group had a total of 495 suppliers, all of whom were required to follow the above practice and pass the Group’s supplier assessment mechanism to become qualified suppliers of the Group. The geographical distribution of the above suppliers is set out below:



## SUPPLY CHAIN RISK MANAGEMENT

To manage environmental and social risks in the supply chain, the Group has taken measures to assess and monitor the environmental and social performance of its suppliers. Details are set out in the table below.

### Supply chain risk management

<p>Environmental aspects</p>	<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>
<p>Social aspects</p>	<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 term 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>

## PRODUCT RESPONSIBILITIES

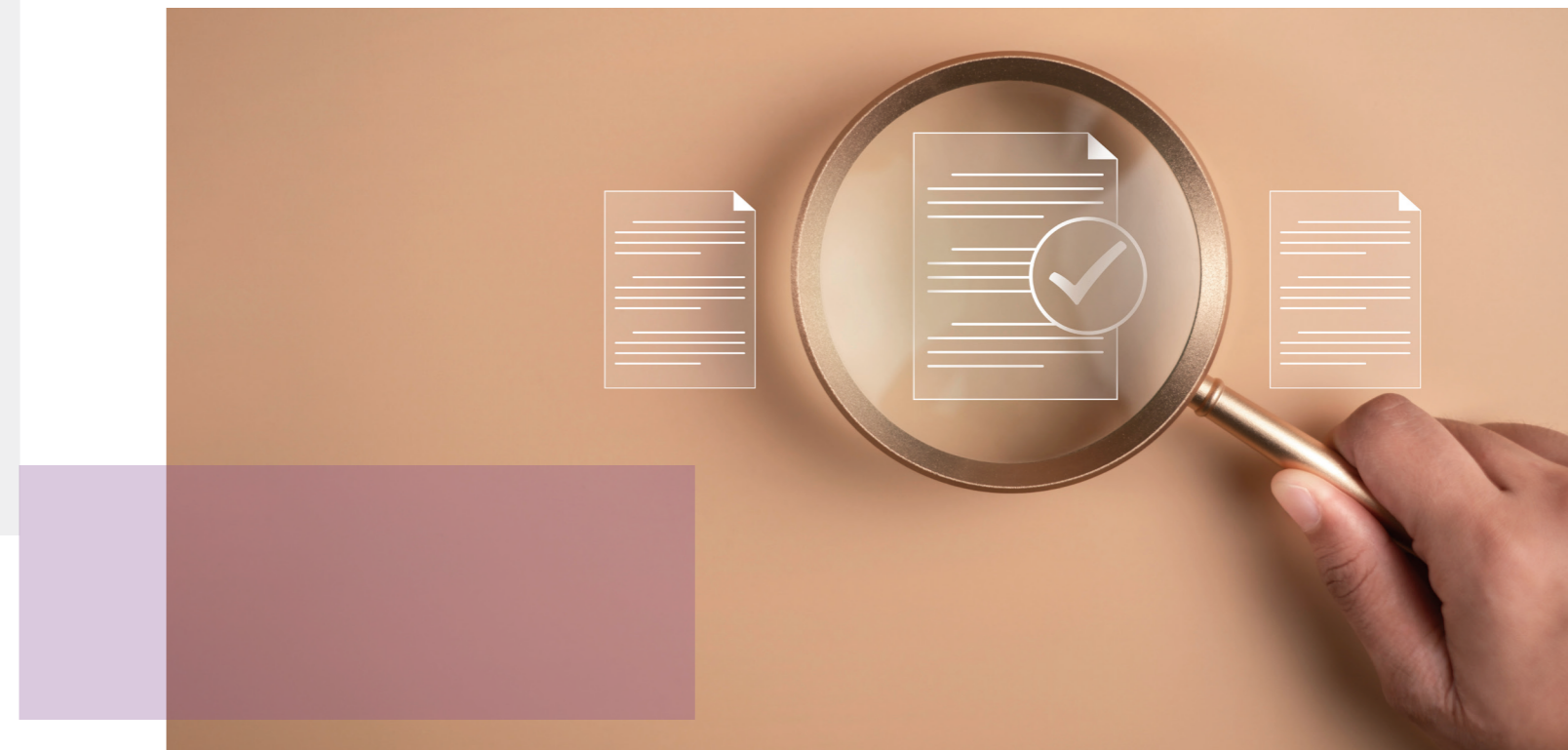
### QUALITY CONTROL

During the Reporting Period, the Group strictly complied with applicable laws and regulations, including but not limited to the Product Quality Law of the PRC, and the Production Safety Law of the PRC. We have established detailed quality management procedures in accordance with the requirements of ISO9001:2015 and ISO/TS 16949:2009 quality management system certifications to ensure that the entire process from the receipt of raw materials to the shipment of goods from the factory is effectively monitored and controlled to achieve consistent product quality. Consolidating the government regulations and industry quality standards, the

Group has established the following policies to regulate the implementation and supervision of the relevant procedures, which facilitates us to better fulfill our product-related responsibilities:

- ▶ TY-2B-20-024 Procurement Management Procedures;
- ▶ TY-Q0-20-015 Product Inspection Control Procedures;
- ▶ TY-QP-20-021 Product Recall Management Procedures; and
- ▶ TY-Q0-20-018 Customer Complaint Handling Procedures.

Our quality control team is responsible for quality control at 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 aluminum aerosol cans and the internal pressure tolerance of the cans. The following quality control measures were implemented:



**Quality control measures**

<p>Quality control on suppliers and raw materials</p>	<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>
<p>Quality control during production</p>	<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>
<p>Testing before delivery</p>	<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**

The Group ensures the quality of its products by complying with international standards and stringent testing procedures.

The Group effectively manages its manufacturing processes and the performance of its contractors. Purchased materials, semi-finished products and finished products are removed from the production line as soon as defects are detected. Substandard products are analyzed and handled in accordance with the Group’s established policies and corrective or preventive measures are taken.

If a product is found to be substandard, the Quality Control Department will track the shipment. Products with serious quality problems will be recalled. To ensure that product recall procedures can be carried out effectively in emergency situations, product recall simulation drills are conducted at least once a year.

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.

**CUSTOMER COMPLAINT**

The Group has established the Customer Complaint Handling Procedure to handle customer complaints in a more timely and effective manner and to take appropriate corrective and preventive measures in a timely manner so as to eliminate the causes of non-conformity of products and services and to avoid their recurrence, and at the same time, to satisfy our customers’ requirements and to enhance customer satisfaction.

We have defined the responsibilities of each department in responding to customer complaints in our policy, and customers can communicate their complaints against the Group by telephone, letter, fax or any other means. The process of complaint handling is as follows:

**Customer Complaint Handling Process**

Receipt of complaints	The sales department (“SD”) should immediately feedback to the quality assurance department (“QA”) upon receipt of the customer complaint information, the QA shall confirm the content of the complaint, the number of production dates and the nature of the complaint (whether it is a whole batch complaint or a production line complaint) through the SD or through direct communication with the customer.
Analysis of causes	<ul style="list-style-type: none"> <li>• After determining the content of the complaint, the QA conducts a strict sampling inspection of the stocked products to confirm the quality status of the stocked products.</li> <li>• Analyze the defective products found in the sampling inspection to see if the limit is different from the defective products returned by the customer. If the customer’s acceptance standard is different from the Group’s acceptance standard, the QA should propose a sample of the limit to SD and the customer when confirming.</li> <li>• For customer’s reasonable complaint, QA should complete a comprehensive analysis, trace back the daily production quality control sheet to find out the time, place and batch number of the complaint, and then QA will issue “Customer Complaint Handling Order” to the responsible department for rectification.</li> </ul>
Handling result and follow up	<ul style="list-style-type: none"> <li>• After the responsible department improves, QA assigns a person to follow up, and 3 consecutive batches of tracking to confirm the effect of the improvement countermeasures.</li> <li>• If the countermeasures do not work, QA and then issued a “quality exception notice”, requiring the responsible department to re-propose improvement measures until the countermeasures work.</li> </ul>

During the Reporting Period, the Group received a total of 85 complaint cases relating to products and services, all of which were due to product quality issues but were not major complaints and the Group had completed communication with the customers and had resolved them appropriately.

**CUSTOMER PRIVACY**

During the Reporting Period, the Group complied with laws and regulations relating to consumer rights and privacy, including but not limited to:

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

The Group has formulated and implemented a series of comprehensive data security management policies, such as “RBA42 – Privacy and Confidentiality Management Program”. Measures implemented to protect internal information and data assets include:

- ▶ Controlling the use of user rights and access privileges, USB ports and CD-ROM drives;
- ▶ Prohibiting the use of peer-to-peer file sharing services and self-installation of software by user-level employees;
- ▶ Auditing Internet access and activities; and
- ▶ Encryption of core data.

Employees are committed to protecting intellectual property rights and not disclosing any confidential information (including customer information) in their signed employment contracts. Client information includes, but is not limited to, client ideas, inventions, data and models, contents of documents and correspondence, financial information, marketing strategies and trade secrets. In order to protect customer data and confidential information of the Group, we require senior management and senior technical staff to undertake to comply with confidentiality obligations and “non-compete” clauses for a period of two years after the termination of the employment contract. If a customer requests additional measures to protect its intellectual property rights, the Group will enter into a confidentiality agreement with the customer to fully respect its privacy. Employees in breach of their contracts may be dismissed.

During the Reporting Period, there were no substantiated complaints of infringement of customer privacy, discovery of leakage, misappropriation or loss of customer information.

**INTELLECTUAL PROPERTY (“IP”) AND PRODUCT ADVERTISEMENT**

The Group strictly complies with the laws and regulations relating to advertising, and labeling, including but not limited to the Trademark Law of the PRC, and the Advertising Law of the PRC. The Group ensures that all advertisements and labels have objective and truthful descriptions and comply with relevant laws, regulations and standards. If any complaint is received in relation to advertising or labelling, the Group will immediately investigate and take necessary measures.

In addition, the Group attaches great importance to protecting the IP it owns and ensuring that its suppliers and business partners respect the IP of third parties. All drawings, concepts, manuals, designs, models and equations provided by the Group to its suppliers and/or business partners may not be copied or disclosed to third parties without the Group’s consent. The Group conducts research and analysis to carefully exclude the risk of infringement and expects its suppliers and business partners not to infringe copyrights, patents, trademarks and other IP rights during the design, development and manufacturing process. In the event of infringement causing losses to the Group, the Group may hold the suppliers and business partners liable for all costs incurred.

To strengthen IP management, the Group has established an IP management team to identify risks and handle infringement cases. After in-depth investigation and analysis by the IP management team and the legal department, appropriate actions, including legal actions, will be taken against infringers as appropriate.

During the Reporting Period, no material non-compliance with the laws and regulations in relation to IP rights was recorded.

## ZERO TOLERANCE FOR CORRUPTION

The Group strictly follows the Anti-Unfair Competition Law of the PRC, Anti-Money Laundering Law of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery. The Group believes that honesty, integrity and fairness are essential elements of the Group. We are committed to protecting the legitimate rights and interests of our shareholders and investors. Bribery, theft, fraud and misappropriation are prohibited. Acceptance of improper advantages, including banquets, entertainment, cash, shares, stock options, securities, valuables and property, is prohibited. The Group has formulated policies and regulations on appropriate behavior, including guidelines on acceptance of gifts and avoidance of conflicts of interest, to promote integrity awareness. The Group regularly reviews the relevant policies and regulations, which are applicable to all business operation processes, including procurement, manufacturing, marketing and communication.

To ensure that employees have a certain level of understanding of anti-corruption and integrity ethics, the Group's directors and employees are required to receive relevant anti-corruption and ethics training during their induction programs. In FY2023, the Group organized 1.5 hours of anti-corruption training for 43 directors and employees. In addition, anti-corruption posters are displayed in workplaces to remind employees of the information and reporting channels for anti-corruption.

The Group has set up a Discipline and Supervision Department, which is responsible for all aspects of the Group's discipline and supervision, internal audit and the establishment of a clean system. The department monitors staff compliance with laws and regulations and conducts supervision and inspection of the Group's financial income and expenditure and asset management to minimize business risks.

The Group has established a reporting system. All employees are encouraged to help fight fraud, corruption and other malpractices, and are encouraged to report any unethical behavior and suspected corruption directly to the General Manager. All reports will be handled confidentially, and those involved in fraud investigations are not allowed to disclose information related to fraud reports and investigations without authorization. When suspected violations of laws, regulations or Group policies are found, the Group will investigate the offenders and, upon verification, impose disciplinary actions (including warnings, demerits, demotions and dismissals).

During the Reporting Period, there were no material breaches of applicable anti-corruption laws and regulations that could have a significant impact on the Group.

## TOGETHER TO BUILD OUR COMMUNITY

The Group is committed to being a socially responsible enterprise and endeavors to give back to the community while developing. The Group encourages its staff to engage in community involvement and volunteer work for the benefit of the local community and the needy.

In January 2023, we donated RMB5,000 to Jinhe Community to sponsor the 18th Spring Festival Senior Citizens' Reunion in the community. Caring for the elderly is the responsibility of the whole society, and we would like to make our own small contribution to enrich the life of the elderly in their twilight years.

In July 2023, we participated in the "Zhangmutou Town's '6.30' Helping Rural Revitalization and Dongguan Charity Day Fundraising" and donated RMB2,000 to the event to support the development of the township.

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>General Disclosure</b>	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.	This Report – A. Environmental, page 15–16
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	This Report – A. Environmental, page 18–19
<b>KPI A1.2</b>	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	This Report – A. Environmental, page 18–19
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	This Report – A. Environmental, page 20–21
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	This Report – A. Environmental, page 20–21
<b>KPI A1.5</b>	Description of emissions target(s) set and steps taken to achieve them.	This Report – A. Environmental, page 15–17, 20
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	This Report – A. Environmental, page 17, 20, 22



## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>Aspect A2: Use of Resources</b>		
<b>General Disclosures</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	This Report – A. Environmental, page 23
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	This Report – A. Environmental, page 23
<b>KPI A2.2</b>	Water consumption in total and intensity.	This Report – A. Environmental, page 23
<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	This Report – A. Environmental, page 17, 25
<b>KPI A2.4</b>	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.	This Report – A. Environmental, page 17, 23, 25
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	This Report – A. Environmental, page 24
<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	This Report – A. Environmental, page 25
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	This Report – A. Environmental, page 25
<b>Aspect A4: Climate Change</b>		
<b>General Disclosure</b>	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	This Report – A. Environmental, page 26
<b>KPI A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	This Report – A. Environmental, page 26

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
<b>General Disclosure</b>	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.	This Report – B. Social, page 27–29
<b>KPI B1.1</b>	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	This Report – B. Social, page 29
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	This Report – B. Social, page 30
<b>Aspect B2: Health and Safety</b>		
<b>General Disclosure</b>	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.	This Report – B. Social, page 31
<b>KPI B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	This Report – B. Social, page 32
<b>KPI B2.2</b>	Lost days due to work injury.	This Report – B. Social, page 32
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	This Report – B. Social, page 31–32

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	This Report – B. Social, page 33
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	This Report – B. Social, page 34
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	This Report – B. Social, page 35
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure</b>	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 labour.	This Report – B. Social, page 36
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	This Report – B. Social, page 36
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	This Report – B. Social, page 36

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	This Report – B. Social, page 36
<b>KPI B5.1</b>	Number of suppliers by geographical region.	This Report – B. Social, page 37
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	This Report – B. Social, page 37
<b>KPI B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	This Report – B. Social, page 38
<b>KPI B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	This Report – B. Social, page 37–38

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>Aspect B6: Product Responsibility</b>		
<b>General Disclosure</b>	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.	This Report – B. Social, page 39–40
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	This Report – A. Environmental, page 41
<b>KPI B6.2</b>	Number of products and services related complaints received and how they are dealt with.	This Report – B. Social, page 41–43
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	This Report – B. Social, page 43–44
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	This Report – A. Environmental, page 41
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	This Report – B. Social, page 43

## ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	FY2023 ESG Report
<b>Aspect B7: Anti-Corruption</b>		
<b>General Disclosure</b>	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.	This Report – B. Social, page 44
<b>KPI B7.1</b>	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.	This Report – B. Social, page 44
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	This Report – B. Social, page 44
<b>KPI B7.3</b>	Description of anti-corruption training provided to directors and staff.	This Report – B. Social, page 44
<b>Aspect B8: Community Investment</b>		
<b>General Disclosure</b>	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.	This Report – B. Social, page 44
<b>KPI B8.1</b>	Focus areas of contribution.	This Report – B. Social, page 44
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	This Report – B. Social, page 44

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