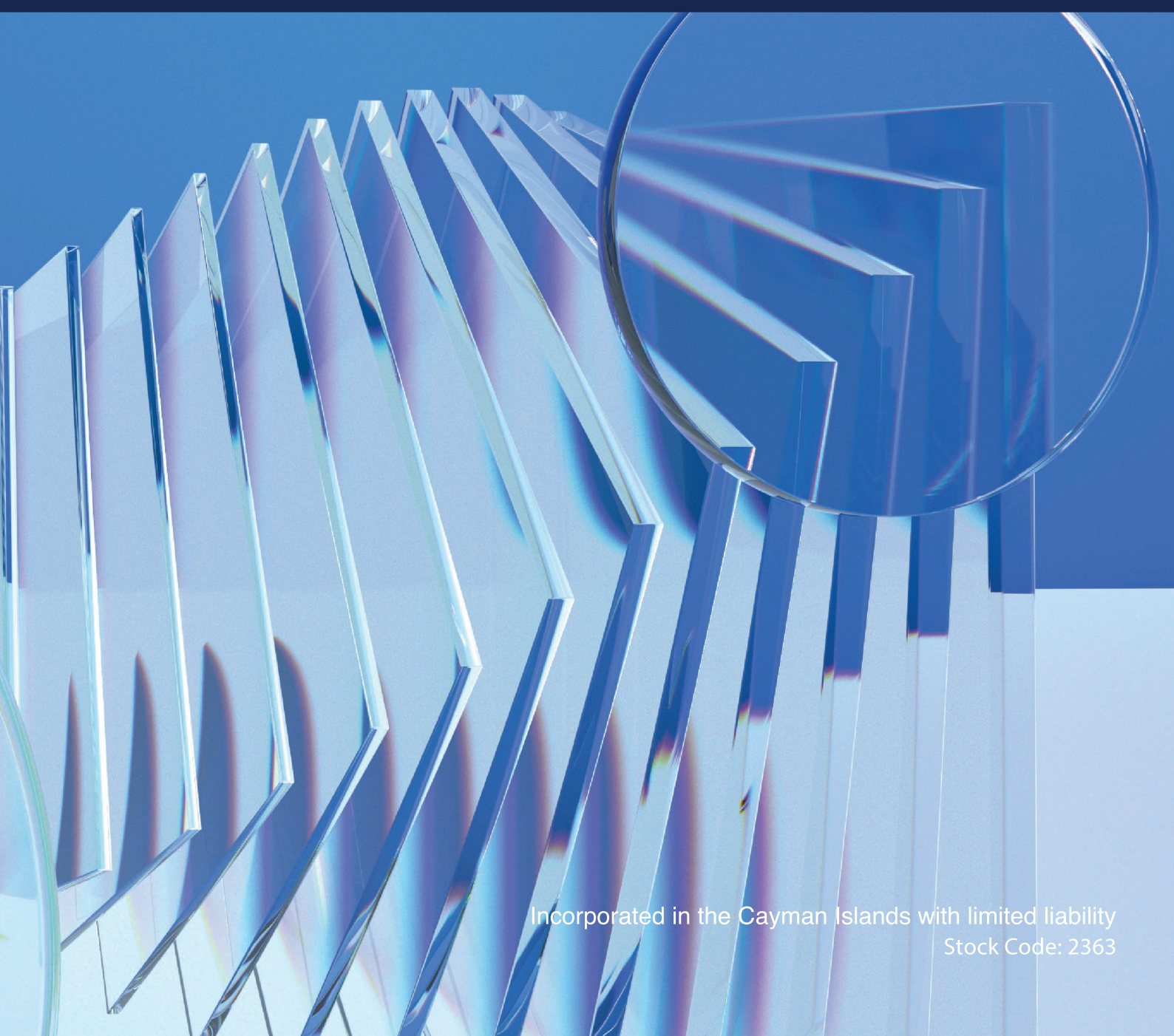


Environmental, Social and Governance Report

TONGDA HONG TAI HOLDINGS LIMITED

2021



Incorporated in the Cayman Islands with limited liability
Stock Code: 2363

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance (“ESG”) Report (the “Report”) is prepared by Tongda Hong Tai Holdings Limited (the “Company”) to review and summarize the ESG work from the Company and its subsidiaries (collectively as the “Group”) in 2021.

Adhering to the Group’s vision of sustainability, the Group is committed to create maximum value for our shareholders as well as balancing the interests between the environment, society and other aspects to promote harmony and prosperity among different stakeholders.

The Group proactively identifies major stakeholders of the Group’s businesses and their key expectations. The Group established various communication channels to encourage stakeholder participations to provide valuable insights and constructive suggestions to the Group’s development. On this basis, the Group can establish a long-term and effective mechanism for the ESG development.

REPORTING SCOPE AND PERIOD

The Report covers the period from 1 January 2021 to 31 December 2021 (the “Reporting Period” or “FY2021”), same as the financial year of the 2021 Annual Report of the Company and covers information of the Group, namely its Hong Kong headquarters and its manufacturing base in Changshu (常熟), the People’s Republic of China (the “PRC”).

Unless otherwise stated, this Report should be read in conjunction with the Corporate Governance Report on pages 13 to 24 of the 2021 Annual Report of the Company. The data and information as referred to in this Report are derived from different files, records, statistics and research of the Company.

REPORTING STANDARDS

The Report has been prepared in accordance with the disclosure requirements of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited (the “HKEx”).

Environmental, Social and Governance Report

REPORTING PRINCIPLES

Following the latest guidance of the HKEx, the ESG Report identifies, prepares and presents the information to be disclosed and the disclosure method under four principles of “materiality”, “quantitative”, “balance” and “consistency”, which are the basis for the preparation of the Report.

Materiality

In the process of preparing this report, the Group conducted a materiality assessment to determine the major issues that are of vital importance to the Group and its major stakeholders, and then collect and disclose relevant information on major issues in a targeted manner.

Quantitative

The criteria and methodology used to calculate the relevant data and the assumptions used in this report are subject to the methods and guidelines set out in the Reporting Guidance on Environmental KPIs and Reporting Guidance on Social KPIs of the Environmental, Social and Governance Reporting Guide. Where practicable, the Group’s environmental and social key performance indicators are disclosed in quantitative terms.

Balance

This report has been prepared in an objective manner to ensure that the information disclosed is a true reflection of the Group’s overall environmental, social and governance performance.

Consistency

The reporting methodology in this report is generally consistent with that of the previous year, with explanations for changes in the scope of disclosure and calculation of data, and further quantification of environmental, social and governance key performance indicators based on the previous year.

FEEDBACK

We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to info@tongdahongtai.com.hk.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

1. Environmental Protection

1.1 Emissions

Emphasising on both economic benefit and environmental protection, the Group develops long term mechanisms and policies for environmental protection and energy saving in order to build a resource-saving and environment-friendly enterprise.

The Group strictly complies with relevant laws and regulations in relation to environmental protection. The Group identifies and manages different types of emissions to ensure they are safely treated, transported, stored and disposed. In order to ensure the requirements of relevant laws and regulations are satisfied, the Group identifies and manages the major emissions during its course of production and operation process to assess the environmental impact.

During the Reporting Period, the types of waste gas discharge and respective emissions statistics of the Group are shown as below:

Type of Emission	KPI	Unit	2021	2020 ¹
Waste gas emission	Granule particle	mg/m ³	4.0	11.5
	Benzene	mg/m ³	0.3	0.2
	Methyl benzene	mg/m ³	0.1	0.3
	Dimethyl benzene	mg/m ³	0.1	0.2
Greenhouse Gas (GHG) emissions	Scope 1: Direct emissions ²	tonne CO ₂ e	4,976	6,582
	Scope 2: Energy indirect emissions ³	tonne CO ₂ e	10,353	12,226
	Total GHG Emissions (Scopes 1 and 2)	tonne CO ₂ e	15,329	18,808
	Total GHG emissions-intensity	tonne CO ₂ e/employee	28.6	26.2
Waste	Hazardous waste	tonnes	67	105
	Hazardous waste-intensity	tonnes/employee	0.1	0.1
	Non-hazardous waste	tonnes	465.0	425.0
	Non-hazardous waste-intensity	tonnes/employee	0.9	0.6

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.1 Emissions *(continued)*

- ¹ Due to the optimization of data collection system, data related to energy consumption and greenhouse gas emission in 2020 has been restated in order to reflect the actual situation.
- ² Scope 1 direct emission is directly generated by the businesses owned or controlled by the Group.
- ³ Scope 2 Indirect emissions from energy refer to indirect greenhouse gas emissions generated by the purchase or acquisition of energy by the Group. The Group's indirect greenhouse gas emissions only come from the electricity consumed (purchased or acquired) within the Group.

The waste gas discharge of the Group's manufacturing facility shown above are within the discharge level of standard local regulation. Manufacturing facility has installed postprocessor to filter exhaust gas released during the production process.

The sewage discharged from operations are mainly domestic sewage from the office and the staff messing hall. The sewage is discharged to the designated sewage treatment plant for treatment via sewage pipeline.

The Group strictly complies with local regulations throughout entire the logistics, storage and treatment process of materials. For example, the manufacturing base has a dedicated storage compartment for materials containments to ensure all the materials are well stored for production, and oil paint are stored in ventilated, thermostatic locations and concealed within secondary containers to prevent accidental spillages. Moreover, the Group employs different waste management procedures regarding to the types of waste being handled. Generally, wastes are transported and discharged in bulk to reduce the transportation cost and the carbon emission.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.1 Emissions *(continued)*

Goals and actions

The Group recognises the importance of energy conservation and emission reduction, and has also formulated environmental goals at different levels. Therefore, the Group actively advocates and pursues the environmental protection policy of resource conservation and reduction in wastes and emissions in all aspects, so as to avoid waste of resources, reduce environmental pollution and increase production efficiency.

Area	Goal	Examples of steps taken to achieve
Waste gas emission	Air pollutant emissions of the Group will not increase by more than 10% by the financial year ended 31 December 2025	<ul style="list-style-type: none"> – Optimize the fleet of the Group to ensure that emissions comply with the national standards – Integrate energy-efficient design into the construction of new facilities – Strengthen the control of use of gas for boilers
Greenhouse gas emissions	The total greenhouse gas emission intensity of the Group will decrease by approximately 10% by the financial year ended 31 December 2025	<ul style="list-style-type: none"> – Increase investment in and the use of renewable resources – Gradually integrate the current and future “dual carbon” goals and relevant policy guidance into the Company’s emissions management – Strengthen the education of employees and tenants to enhance their awareness of energy conservation and emission reduction – Strengthen the control of use of electricity, gas and oils

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.1 Emissions *(continued)*

Goals and actions *(continued)*

Area	Goal	Examples of steps taken to achieve
Waste	Properly dispose of wastes generated in the operation process to reduce possible environmental pollution	<ul style="list-style-type: none">– Strengthen the classification and recovery of solid waste– Ensure staff to reduce the use of unnecessary disposable goods and reduce waste

1.2 Use of Resources

The Group mainly focuses on the following aspects to improve the efficiency of resources and energy consumption.

The Group has a designated committee specialized in achieving low carbon emission in operation through formulating resources saving strategy. The committee monitors the whole process of energy flow and assess the efficiency. At the same time, the Group also incorporates environmental-friendly policies on the utilisation of natural resources into operation.

The committee oversees the Group's operation and implements policies to minimize electricity and oil consumption. It also directs different departments to achieve electricity savings by using power-efficient air conditionings. In order to promote electricity conservation, the committee issues monthly report to regularly supervise, record and analyse the electricity consumption across different departments. On the other hand, the Group actively supports energy saving transformation projects – upgrading existing equipment (such as installing advanced energy saving equipments, purchasing electric injection molding machines and the energy saving lighting), improving existing systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and the implementation of new technologies (such as air conditioning water cooling systems based on nano dirt removal technologies). In order to promote oil conservation, the Group effectively control the use of oil in business-purpose vehicles and the Group continued its advocacy and promotion of green travel for employees.

Water consumptions mainly arise from the domestic water use from the office area and the staff living quarters. The Group encourages employees to develop water-saving habits, including posting water-saving slogans in conspicuous places, and the installation of automatic faucets in lavatories to reduce water wastage. During the Reporting Period, the Group did not experience any problems in sourcing water that is fit for purpose.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.2 Use of Resources *(continued)*

During the Reporting Period, the Group's use of various types of resource is presented below.

Type of resources	KPI	Unit	2021	2020
Energy consumption	Electricity	million kWh	14.0	17.2
	Electricity-intensity	million kWh/ employee	0.03	0.02
	Diesel oil	million tonnes	5.0	6.6
	Diesel oil-intensity	million tonnes/ employee	0.007	0.009
Water consumption	Water	thousand tonnes	100	100
	Water-intensity	thousand tonnes/ employee	0.2	0.1
Packaging materials consumption	Packaging materials	tonnes	96.0	103.5
	Packaging materials-intensity	tonnes/ employee	0.2	0.1

1.3 The Environment and Natural Resources

The material impacts of the Group's operation on the environment and natural resources are the emissions and the resources usage. In addition to the discussed management measures, the Group also actively popularize the concept of environmental protection and energy saving among employees to promote green production and operation, in order to reduce the impact of business activities of the Group to the environment and natural resources.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources (continued)*

Regarding to the waste management and the recycling aspects of the Group's operation during the Reporting Period, the Group generated approximately 395 tonnes (2020: approximately 538 tonnes) of recyclable industrial waste, approximately 113 tonnes (2020: approximately 150 tonnes) of domestic waste, approximately 97 tonnes (2020: approximately 142 tonnes) of kitchen waste and approximately 120 tonnes (2020: approximately 152 tonnes) of carbon emission. The Group recycles reusable resources and properly handles hazardous and non-hazardous materials with best efforts. The Group requires employees to keep contaminated items separately and classify reusable wastes. During the Reporting Period, the Group recycled approximately 126 tonnes (2020: approximately 187 tonnes) of waste from its production process, including scrap steel, copper and packaging waste, total paint residues and wastes with oil content produced by the Group amounted to approximately 1.5 tonnes (2020: approximately 3.1 tonnes). Such paint residues and wastes will be filtered and dehumidified by appropriate treatment then packed into bags and subsequently stored in specialised storage locations. Oil wastes will also be collected and packed into bags then stored in specialised storage locations. In compliance with the "Standards on Storage and Pollution Control of Hazardous Wastes", the Group entrusts qualified units to handle hazardous wastes by transfer process. The Group follow the transfer process system as well as the reporting and registration system in accordance with the relevant regulations.

Staff support and participation is the key for implementing environmental protection policies and measures of the Group. Through announcements, internal emails and trainings provided by external experts, the Group delivers the knowledge on energy-saving, emission reduction and environmental protection to the staffs. To achieve the annual energy-saving target, the Group further reviews the job done by each department to include environmental protection concepts across all business decision-making process in respect of manufacturing and sales. The Group keeps encouraging and leading our staffs to take part in continuous environmental improvement initiative as well as providing trainings in anticipation that every staff understands the importance of energy-saving and emission reduction.

The environmental regulatory non-compliance resulting in fines or prosecutions is nil during the Reporting Period.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

1. Environmental Protection *(continued)*

1.3 *The Environment and Natural Resources (continued)*

The Group advocates the importance of environmental protection and sustainability in the development of employees. The Group adopted several environmental friendly practices as listed below:

- Maintain air conditioning at optimal room temperature;
- Encourage double-side printing and photocopying;
- Reduce the use of petroleum and related products, such as plastics and polystyrene products;
- Minimize the need of overseas business travelling by using video-conference or telephone conference equipments instead; and
- Avoid unnecessary electrical appliances idling.

1.4 *Climate Change*

In view that global climate change becomes one of the biggest challenges for the world, it has become the consensus of more and more countries to reduce carbon emissions and achieve carbon neutrality. The Group recognises the importance of identifying and mitigating significant climate-related risks and is committed to managing potential climate-related risks that may affect the Group's business activities.

The increase in frequency and severity of extreme weather, such as extreme cold, storms, heavy rainfall and typhoons, can affect the normal operation of the our production equipment, hinder and harm our employees' health and safety and disrupt the Group's supply chain, thereby disrupting or even interrupting the operations of the Group and damaging the Group's assets. As such, the Group will closely monitor local weather conditions and provide flexible work arrangements with precautionary measures in place to protect our people and make our operations more resilient in the face of climate change. At the same time, the Group will examine ways to improve its ability to cope with extreme weather conditions by improving emergency plans and upgrading equipment to reduce or avoid serious impacts on business operations.

The Group expects that there will be more stringent climate-related legislations and regulations. Therefore, we regularly review our climate-related policies and measures to ensure that we stay up to date with the latest government policies, regulatory updates and market trends. Meanwhile, we also inform relevant departments about the regulatory updates relevant to climate change, where necessary, to be prepared to comply with new policies.

In the future, the Group will continue to pay attention to climate change issues and regularly assess and monitor climate-related risks to optimise management.

Environmental, Social and Governance Report

B. SOCIAL

2. Employment and Labour Practices

2.1 Employment

The Group is committed to comply with relevant labour standards, employment laws and regulations which are applicable to the Group's business. During the Reporting Period, the Group has no non-compliance or violation in respect of labour affairs. As employees are the paramount assets and the foundation of the Group's success, the Group spares no effort in caring for the employees' needs and always strives for their benefits. Under the Group's sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, pregnancy, social orientation and other factors. The Group values the contribution of our employees and actively shares the achievements with employees, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances are offered to the Group's employees.

The Group's employees are recruited from the PRC and Hong Kong. All employees are entitled to certain number of paid leaves, including maternity leaves, in accordance with the applicable laws across different jurisdictions. The Group advocates work-life balances among employees by introducing reasonable working hours and paid leaves, which aims to improve employees' health, promote morale and foster loyalty to the Group. The Group believes every contribution deserves its reward, and annual appraisals are performed to evaluate the performance of all employees, and reward them accordingly to their respective performances. On top of this, the Group also developed comprehensive human resources policies and guidelines to govern compensation, dismissal, recruitment and promotion processes of employees in which no case of inequality was reported during the Reporting Period. Besides, all employees are welcomed to express opinions through various well-established channels, including monthly regular meetings, emails, anonymous opinion box, in which the opinions of the employees could be expressed and fostered to the management at anytime. The Group will always undertake improvement measures for the benefits of the employees.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.1 Employment (continued)

As of 31 December 2021, the Group has in total approximately 536 permanent employees (2020: 719). Please refer to tables below for further details of employee category.

Gender	Number of Employees By Gender and Age			Total
	18–30 years old	31–45 years old	46 years old or above	
Male	126	140	114	380
Female	99	43	14	156
Total	225	183	128	536

Gender	By Position			Total
	General and Technical Staff	Middle Management	Senior Management	
Male	254	65	61	380
Female	95	24	37	156
Total	349	89	98	536

Gender	By Employment type		Total
	Full time	Part time	
Male	380	104	484
Female	156	115	271
Total	536	219	755

	By Geographical location	Total
Hong Kong		1
Mainland China		535
Total		536

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.1 Employment (continued)

Gender	Turnover rates By Gender and Age			Total
	18–30 years old	31–45 years old	46 years old or above	
Male	34.4%	20.6%	11.7%	23.6%
Female	34.1%	21.7%	36.2%	30.3%
Total	34.3%	21.0%	18.3%	26.0%

	By Geographical location	Total
Hong Kong		100%
Mainland China		26.0%
Total		26.0%

Staff messing hall and sports playground are available within the Group's manufacturing facility. The Group also reserved funds for hosting recreational activities, which helped employees to relieve stress and exemplify the Group's corporate culture of the spirit of solidarity and cohesion among employees.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.2 Health and Safety

As a manufacturing corporation, the occupational health and safety of employees have always been the key focus of the Group. During the Reporting Period, the Group has complied with relevant laws and regulations that have significant impact to the Group regarding to health and safety.

The human resources department is responsible for formulating and promoting the health and safety procedures and systems. It regularly reviews the health and safety environment of the Group. It organizes trainings regularly to ensure the Group's compliance with local health and safety regulations. The Group addresses the safe working environment issues by providing employees protection equipments, including but not limited to gloves, masks, ear plugs, safety helmets, eye protectors and work uniforms to ensure the health and safety of employees. Productions safety and fire safety training are regularly hosted in order to promote the safety awareness of employees.

The Group manages the health and safety of the manufacturing facility in accordance with the relevant laws and regulations. Under the Group's prudent work arrangements, there were no work-related fatalities in each of the past three years (including the Reporting Period). No severe industrial accidents were recorded by the Group and the number in days lost due to work injury was nil during the Reporting Period (2020: Nil).

2.3 Development and Training

One of the most important assets of the Group is human capital. A well-developed training system is established to improve employees overall productivities and enhance their professional skills.

- Orientation Training: Orientation trainings will be provided to new employees allowing them to understand the Group's culture, principles, disciplines and rules and regulations etc., which allow new employees to adapt to their new positions quickly.
- On-the-job Training: The Group regularly organizes internal and external trainings to employees with up-to-date business information and keep them informed with the latest knowledge and skills in order to maintain and improve productivity. The training courses cover the operation of a wide variety of equipments, the application of chemicals and other relevant technical know-how, such as the training knowledge of ISO 9000 quality management system, the basic concept of RoHS, and REACH management, and handlings of chemical materials.

The Group also encourages employees to participate external qualification examinations and attend research seminars regarding to their job duties. The Hong Kong office arranges training for directors and professional staffs every year.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Employment and Labour Practices (continued)

2.3 Development and Training (continued)

Please find the below tables regarding the number and percentage of employees trained of the Group by gender and position type in FY2021:

Gender	Number of employees trained By Gender and Position			Total
	General and Technical Staff	Middle Management	Senior Management	
Male	254	65	61	380
Percentage of trained employees	100%	100%	100%	100%
Average training hours	24	24	24	24
Female	95	24	37	156
Percentage of trained employees	100%	100%	100%	100%
Average training hours	24	24	24	24
Total	349	89	98	536
Total percentage of trained employees	100%	100%	100%	100%
Average training hours	24	24	24	24

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.4 Labour Standard

The Group issued a staff manual which includes policies in relation to labor laws, regulations and industry practices. Outlining employment policies such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversities and other welfares. In addition, the Group strives to ensure an equal and fair working environment. The Group strictly complies with the labor ordinance and does not tolerate any form of sexual harassment, harassment and abuse in the workplace, which violates the employment law in Hong Kong and the PRC. The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that are applicable to the Group. Before hiring any job applicant, the human resources department will verify their age by inspecting their identity documents and ensure applicant's appearance is consistent with the photograph on the ID card. In case of non-compliance, the Group will take immediate corrective action, terminate the contract with the respective employee and report to the relevant authorities if necessary. During the Reporting Period, no violation regarding the age of employment and labor dispute has occurred between the Group and employees.

3. Operating Practices

The Group has a defined, assigned, delegated management team and supervisors to take responsibilities in operating practices by complying all the operating requirements in the following aspects.

3.1 Supply Chain Management

Suppliers in the Group's qualified suppliers list are located in both domestic and overseas, that includes the productions of plastic, ink, raw metal sheets and packaging materials, etc. Associating supply chain management and environmental responsibility management, the Group requires the suppliers to provide a certificate of compliance letter to ensure the raw materials or semi-products used by suppliers fulfill environmental protection requirements, compliance with the laws and regulations in the countries and regions where the suppliers' operations were located to ensure they are operating in good faith by adhering to their business ethics and coherent to the Group's operating practices. In addition, the determinants in the selection of the qualified suppliers include pricing, quality, reliability in supply, fulfillment of social responsibilities goals and commitment to environmental protection concepts. The Group will conduct comprehensive supplier audit assessments before the admission of new suppliers to the Group's qualified supplier list. A designated team established by the Group will conduct on-site appraisals of high-risk suppliers and assist suppliers to improve performances. The Group prohibits any discriminations arising from regional, ethnic, cultural and political factors during the course of certification, evaluation and optimization of suppliers.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.1 Supply Chain Management *(continued)*

The Group implements the “Management Approach on Social Responsibility” to the supply chain management where the suppliers are required to enter into the “Social Responsibilities Commitment” together with the Group since 2012. The Group collaborates with suppliers to work against commercial bribes and any other illegal activities. The Group trades on fair, justice and open principles by entering “engagement letters of transaction integrity” with suppliers. As prohibited by the Group, “conflict minerals” are banned from suppliers’ procurement system. The Group entered into the “Letter of Undertaking of Prohibited Use of Conflict Minerals” with suppliers, to ensure no raw materials used in the Group’s production are derived from four kinds of conflict minerals including tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions.

Green management concepts also embedded in the Group’s supply chain, the “Guarantee of Environmental Management of Substances” guides the Group’s suppliers to establish effective green management into entire process from raw materials procurement, internal production and the delivery of finished goods to customers. The Group encourages suppliers to detect harmful substances autonomously, to enhance management capability in green products, and implement emission reduction management – reduce carbon contents by regular notification of plans or results to the Group. In addition, the Group’s designated team regularly conducts on-site audits to ensure suppliers’ implementations of the green concept in the same pace with the Group, suppliers also bear their responsibilities to the society by duly implementing environmental protection measures.

During the Reporting Period, the Group cooperated with 183 suppliers, of which 149 were located in the PRC, 18 in Hong Kong and 16 in other regions. The Group maintained equal hiring and evaluation practices for all of 183 suppliers.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.2 Product Responsibility

During the Reporting Period, the Group has complied with relevant laws and regulations in respect of product responsibility that have significant impact to the Group.

As the design of moulds or products is generally the proprietary property of the Group's customers, the Group does not typically register patents for the moulds that it designs or products that it manufactures. However, the Group's research and development efforts have yielded advanced mould and plastic components structures as well as innovative production processes and techniques. Therefore, the Group has applied for and successfully registered patents in the PRC to protect these intellectual properties.

The Group has devised and supervised the implementation of stringent measures to ensure the proper usage of its customers' intellectual property rights and confidential information. For instance, the employees and suppliers have signed confidentiality agreements with the Group, which requires that no confidential information, including but not limited to all information from the Group's customers, designs and manufacturing information, may be divulged to any third parties without the Group's written consent.

With unwavering commitment to premium product quality, the Group has established a set of comprehensive quality control system. The Group is qualified under the international quality management system – ISO9001 and the international environmental management system – ISO14001 respectively. Basically, the Group implements 5S workplace management in our whole operation process to carry out in a well-disciplined and efficient manner. In addition, the quality control (QC) department implements product quality standards with international standards to reach customers' requirements. The QC department adheres to strict rule in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. Upon completion of the quality inspection, customers would notify the Group of the quantity of substandard goods, if any, which are not accepted by them due to quality issues such as non-conformity of specifications, late delivery and incorrect quantity shipped against the relevant sales order without authorisation. In this case, the Group may rework on those substandard goods rejected by customers or discard the goods accordingly. The Group would recognise revenue on goods delivered and accepted by customers. As such, the Group does not have a product return policy and the directors of the Group do not consider this policy necessary in the Group's ordinary course of business. During the Reporting Period, the Group received 35 products related complaints (2020: 45). After receiving the complaints, the Group immediately followed up, reworked on the substandard goods and delivered the satisfied products to customers.

During the Reporting Period, none of the products sold or shipped (2020: nil) was recalled due to safety and health reasons.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.3 *Anti-corruption*

During the Reporting Period, the Group has complied with relevant laws and regulations in respect of anti-corruption that have significant impact to the Group.

The Group is committed to uphold high standards of business ethics and conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. The management is responsible for monitoring the business operation and overseeing any cases related to corruption or fraud. The Group's whistle-blowing procedure encourages and allows stakeholders to report on observed and suspected non-compliance and questionable practice. In addition, the Group provided anti-corruption training to employees during the Reporting Period to strengthen directors and employees' professional code and better understand the anti-corruption and integrity standards to be observed when dealing with public officials.

The Group pledges to the "zero tolerance" approach to any fraudulent business activity in operating practices. During the Reporting Period, no legal case concerned with corrupt practices was brought against the Company or its employees.

4. Community Involvements

Community is the base of the Group development, and the Group is concerned about the opinions and comments from the community. Therefore, the Group has maintained good communication with the community, and involved in community development activities, such as ancillary facilities development in nearby districts of our production bases in the PRC.

The Group will continue to take part in community development in the future and will make use of expertise and resources of the Group to support the communities in which the Group operates and collaborates with local charities.

Environmental, Social and Governance Report

APPENDIX I: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Sections in This Report	Page/Description
Environmental			
A1 Emissions	General Disclosure	Emissions	4
A1.1	The types of emissions and respective emissions data.	Emissions	4-5
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Emissions	4-5
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Emissions	4-5
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Emissions	4-5
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions	6-7
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.	Emissions	6-7
A2 Use of Resources	General Disclosure	Use of Resources	7
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources	8
A2.2	Water consumption in total and intensity.	Use of Resources	8
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources	7
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.	Use of Resources	7
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Use of Resources	8

Environmental, Social and Governance Report

APPENDIX I: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (continued)

ESG Indicators	Overview	Sections in This Report	Page/ Description
A3 The Environment and Natural Resources	General Disclosure	The Environment and Natural Resources	8-10
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	8-10
A4 Climate Change	General Disclosure	Climate Change	10
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