



Zhejiang Chang'an Renheng Technology Co., Ltd. *
浙江长安仁恒科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 8139

2022

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

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This report, for which the directors (the “Director(s)”) of Zhejiang Chang'an Renheng Technology Co., Ltd.* (the “Company”, together with its subsidiaries, the “Group”, “we”, “our”, “us” or “Renheng Technology”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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INTRODUCTION

The Group (as defined below) prepares the Environmental, Social and Governance Report (the “**Report**”) for the year ended 31 December 2022 (the “**Reporting Period**”) in accordance with the Appendix 20 Environmental, Social and Governance Reporting Guide (the “**Guide**”) to the GEM Listing Rule which is effective on 1 July 2020 or for subsequent financial years. The Group is taking this opportunity to disclose to the investors and the other stakeholders the effectiveness of the business development of the Group on the sustainable performance of environmental, social and governance.

This report has been presented into two subject areas, namely, Environmental and Social. It will explain the relevance to the Company’s business in terms of management, strategies, relevant materiality and objectives, and will also discuss the management, measurement and monitoring system employed to implement the environmental, social and governance strategies. Stakeholders are advised to read this Report in conjunction with the “Corporate Governance Report” in the 2022 annual report of the Group.

The board of directors of the Group will objectively present the materiality impacts of the Group’s business to the environment and society, evaluate the relevant environmental, social and governance risks and formulate the risk management and internal control systems effectively. The Group will also focus on the principle of materiality, quantitative, balance and consistency to present the policies and objectives of the environment, social and governance, the measures and result achieved so that the investors and other stakeholders will have further deeply understanding of the performance of the Group in the past years and the development in the future.

ABOUT THE GROUP

The Company is a limited liability company and was registered in China in December 2000. It was re-registered as a joint stock limited liability company in December 2008 in accordance with the Company Law of the People’s Republic of China (the “**PRC**”). The Company’s H Shares were listed on the GEM of the Hong Kong Stock Exchange on 16 January 2015.

The Company and its subsidiaries, Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細粘土有限責任公司) (“**Yangyuan Renheng**”) and Zhejiang Chang'an Renheng Chemicals Co., Ltd. (浙江長安仁恒化工有限公司) (“**Renheng Chemicals**”) and the Shanghai branch office, are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture. The Group uses bentonite as its basic raw materials to manufacture papermaking chemicals, organic bentonite, inorganic gel, quality calcium-bentonite, bentonite for metallurgy pellet and other products.

During the Reporting Period, the Group continued to increase the promotional efforts of bentonite for paints and coatings and the products were recognized by customers. Bentonite products for spray paint wastewater treatment have also been recognized by customers. The Group has upgraded the technology of water treatment products to make the products more suitable for market demand. Besides, in accordance with our business development plan, the Group explored the application of bentonite in new fields and undertook the development of two new products at provincial level, including “Research and Development of Bentonite Modified Nylon Material” (《膨潤土改性尼龍材料的研發》) and “Technical Knowhow and Equipment Development of Ultrapure Bentonite” (《超純膨潤土工藝和設備開發》), and applied for two invention patents. The products applied in the field of biological fermentation developed by the Group have been recognized by customers in the course of promotion. The Group has officially kick-started its work by the establishment of a doctoral workstation and the introduction of one doctor, and cooperated with Jiangnan University to study the development and utilization of bentonite products in depth.

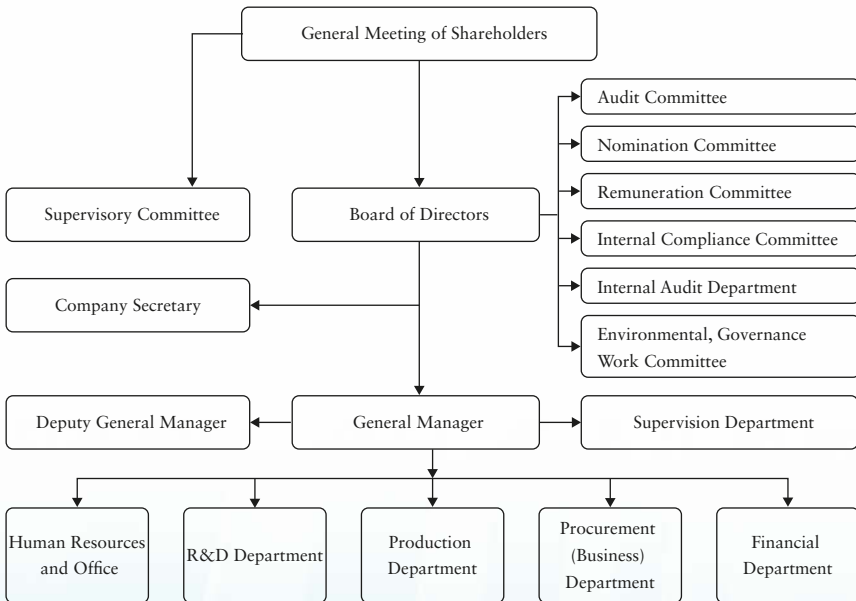
The Group holds several national invention patents. Due to the outstanding achievements in scientific research, we were honoured and recognised by awarding the “Science and Technology Award of Zhejiang Province (Grade 3)” and the “Science and Technology Advancement Award of Huzhou City (Grade 2)”. Also, we were awarded the “Invisible Champion Enterprise in Zhejiang Province”《浙江省隱形冠軍企業》in 2020. The “dual microparticles retention and drainage aids” and the “environment friendly multi-purpose clay deinking agent RHD-18” were listed as the national new key products by the Ministry of Science and Technology in 2008 and 2011 respectively. The Group explored two new products – waterborne coating stabilizer and paint mist wastewater treatment agent and have applied for and accepted two invention patents. The Group has been awarded as the “national specialized and new enterprise of small giants” in 2021. The new product, “paint mist wastewater purifying agent”, was listed in the “weakness strengthening materials of energy conservation and environmental protection” by the Ministry of Industry and Information Technology in 2020, and has won the “Second Prize of the Science and Technology Advancement Award of China Non-metallic Minerals Industry Association in 2021”. The new product, “highly suspended nano inorganic gel” have been listed in the First Batch of Application Demonstration Directory for Key New Materials (2021 Edition) of the Ministry of Industry and Information Technology in 2021. In 2022, the project “mineral functional materials for wastewater treatment” was approved by the Ministry of Industry and Information Technology as the “demonstration platform project for production and application of energy saving and low carbon materials”. Application for national invention patents of the new products, “a clay-based phytase yield promoter for fermentation production and its preparation method”, “preparation method of a flame-retardant modified bentonite” and “green environmental high solid content latex paint protection with good scrub resistance and its preparation method” have been accepted. “A graphene/clay nanocomposite electrode material and its preparation method” was granted a national invention patent.

The Group will continue to implement the development direction of the board of directors and increase the product marketing efforts in various fields such as organic bentonite for paints and coatings, papermaking chemicals, inorganic gel and water treatment. The Group develops new products through platforms such as doctoral workstation; and research and development center, with an aim to increase sources of revenue, enhance the core competitiveness of the Group in the

market and maximize returns to the Shareholders. Besides, the Group has placed high value on the corporate responsibilities for the environment and society. We actively launched various relevant measures in the routine operations to protect and enhance the green measures and awareness, staff welfare and community investment. It is expected to create a win-win business environment for all parties and a solid foundation for the sustainable development.

GOVERNANCE STRUCTURE

The Group believes that only by integrating the concept of social responsibility into our strategic development objectives and implementing it into the Group's daily operation and management and innovation activities can we truly realize the coordinated development of economy and environment. In order to ensure the effectiveness of environmental, social and governance and further secure the operation of the Group, we have formed a top-down environmental and social management framework.



Organizational Structure Chart of the Group

The environmental and social management framework consists of three levels: the Board of Directors, the Environmental, Social and Governance Work Committee (the “Working Committee”) and the Environmental, Social and Governance Work Group (the “Working Group”) with clear, coordinated and unified responsibilities of each level.

The Board of Directors of the Group attaches great importance to environmental and social governance and has a leadership role. Its primary responsibilities include formulating and supervising environmental, social and governance objectives and policies, formulating and supervising the reporting process, controlling relevant risks and allocating resources, reviewing the effectiveness of policies, reviewing relevant policies and reports, and appointment of the person-in-charge and members of the Working Committee and Working Group. The Board of Directors assumes the responsibilities in full for the environmental, social and governance report of the Group. During the Reporting Period, the Board of Directors has conducted research and review on environmental and social governance matters on a quarterly basis, and has considered and approved the environmental and social governance report.

To achieve the Group’s goals of environmental, social governance and sustainable development, and to optimize existing environmental, social and governance strategies, the Board of Directors will closely monitor the performance of the Group’s daily management processes by carefully reviewing internal and external environmental, social and governance reports and taking into account the views of external stakeholders. The Board of Directors will also participate in online seminar to absorb information shared by experts on individual issues.

Heads of departments forms the Working Committee of the Group with main responsibilities of implementing environmental, social and governance policies, providing analysis, suggestions, updating topics, effectively utilizing resources, coordinating and guiding the work of the Working Group and reporting to the Board of Directors. During the Reporting Period, the Committee quarterly reported to the Board of Directors on the reports prepared to track the progress of each goal and manage risks, for discussion and consideration by the Board of Directors.

The Working Group of the Group is coordinated by the Environmental, Social and Governance Office and works in coordination with various functional departments and subsidiaries. The main responsibilities of the Working Group include being responsible for the daily work of environment, society and governance, collecting information and preparing reports, and reporting to the Working Committee. During the Reporting Period, the head of the Working Group monthly gave a briefing to the Committee and heads of departments on the information prepared to share the progress of work and help make recommendations on specific policies and improve efficiency, for analysis and collation by the Committee as well as reporting to the Board of Directors.

Based on the weekly regular environmental, social and governance inspection, the Working Group will take the objectives set by the Board of Directors as the blueprint, form a timetable for improvement, perfection or additional advancement events, and report to the Working Committee. The Working Committee will provide suggestions and assistance on the report to urge all departments to cooperate with the objectives of the Group during the whole course. The Board of Directors will also keep informed of the issues through regular and irregular communication with the stakeholders, formulate and promote the work strategy, monitor and inspect the work progress at the monthly meeting, and make amendments if necessary, so as to effectively achieve the objectives of the Group.

The Company will strictly abide by relevant laws and regulations and complete the emission monitoring report of wastewater, waste gas, hazardous waste and non-hazardous waste monthly. The environment, society and governance is closely related to the Company's business. Only by satisfying the standards of the Group in terms of environment, society and governance can we improve the environmental awareness of the Group at every level, ensure the orderly production of the Company, bring long-term benefits to the Group and create value for the stakeholders.

Sustainable development is one of the Group's strategic targets. The Group will minimize waste discharge, utilise natural resources, protect the environment, prevent natural disasters, establish a good risk management system, and invest in employee development and talent recruitment, develop communities and attract investors. The Group will improve product quality, strive for market share, build good reputation, establish mature sustainable development direction, create a foundation for long-term value for Shareholders, and integrate the concept of sustainable development into business and management work. The Group will also regularly review various policies. The Board believes that good corporate governance is not only a prerequisite for managing the Group's interrelationship with environment and society, but also a cornerstone for managing environmental and social risks, leading the Group's business to a higher level.

REPORTING PRINCIPLE

The Report has complied with the requirements of the Guide to disclose all contents for the year ended 31 December 2022.

The content of the Report is determined according to a systematic procedure. The procedure includes: identifying and ranking important stakeholders and determining their priorities; identifying and prioritizing environmental, social and governance issues according to relevant important topics; determining the environmental, social and governance boundaries of the Report and collecting relevant materials and data for the preparation of the Report. These procedures are based on the following:

Importance

The Working Group of the Group is at the forefront of identifying key factors of environmental, social and governance. Through its daily work, the Working Group will identify the factors which have significant impact on the environment, society and governance, so as to coordinate its work, collect relevant information and submit a report to the Working Committee. The Working Committee will review and analyze the report, make amendments and make follow-up suggestions, and report to the Board of Directors. The Board of Directors will review and evaluate the report once received, provide sufficient resources to deal with relevant issues, and monitor the progress and effectiveness.

The Group will also understand the expectations of stakeholders through communication with internal and external stakeholders, hold regular and irregular discussions on important issues, systematically carry out importance evaluation and priority ranking procedures, select the scope of disclosure based on the principles of importance, relevance and applicability, and then collect and analyze data to identify relevant major issues, as well as ensure that those issues have been incorporated into the Group's policies.

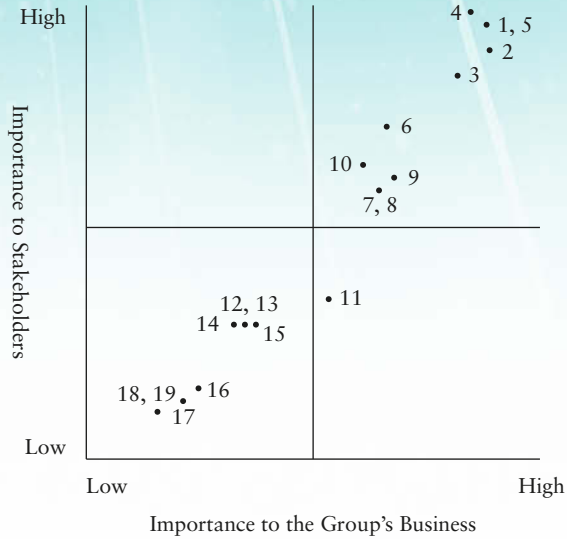
When identifying the importance of environmental, social and governance issues, the Group will consider the scope and far-reaching impact of the issues on the Group's business and operation, long-term development, internal and external stakeholders, as well as the planning of the Group in terms of future sustainable development work, the determination and review of sustainable development objectives, etc. The Group will effectively evaluate the importance of relevant issues, identify environmental, social and governance issues related to the Group's business and operation, future development and stakeholders' interests, and evaluate their importance and priority according to their impact scope and degree on the Group and stakeholders.

During the Reporting Period, the Group communicated with internal and external stakeholders as follows:

Stakeholders	Issues	Channels of communications and feedback methods	Communication frequency
Shareholders	Performance	General meeting	Annually Shareholders' general meeting
	Environmental, social and governance management	Results briefing	Extraordinary general meeting for major events or special circumstances
	Compliance operation	On-site survey	Irregularly roadshow and reverse roadshow
Investors	Corporate governance	Roadshow and reverse roadshow Multi-channel meeting	Company visited
	Product safety and management	Teleconference	One-to-one teleconference
	Green product	Teleconference panel	
	Intellectual property management	Customer visit to the Company Domestic and overseas investment conference Roadshow and reverse roadshow	Convened investment group meetings Annual results briefing Irregularly roadshow and reverse roadshow
Employees	Employee's rights & benefits	Staff training	On-line and off-line staff training
	Staff healthy and safety	Labor union activities and party organizational activities	Irregularly labor union activities
	Compensation and benefits	Staff representative meeting	Party organizational activities at least once a year
	Staff training and development Inclusive workplace	Solicitation of opinions and reasonable suggestions	Staff representative meeting at least once a year Employee satisfaction survey once a year
Suppliers	Supply chain management	On-site survey	Irregularly supplier meeting
	Product safety and quality Business performance	Supplier appraisal Quality communication Telephone/written correspondence Open procurement and tendering	Annually supplier appraisal Supplier access assessment
Customers and consumers	Product safety and quality	On-line promotion and off-line promotion	To be conducted in light of actual conditions from time to time
	Technological innovation	Market survey	
	Environmental protection product	Customer satisfaction survey	
	Complaints and recalls	Clients' complaint processing	
	Customer service and satisfaction Packing materials management		

Stakeholders	Issues	Channels of communications and feedback methods	Communication frequency
Governmental authorities	Pollutant emission management	On-site survey	To be conducted in light of actual conditions from time to time
	Compliance operation	Communication and discussion	
	Integrity	On-the-spot sampling	
	Water resource management	Participation in analysis and formulation of policy, standard and planning	
Community	Charity	Community charity activities	To be conducted in light of actual conditions from time to time
	Community contribution	Community communication	
Media	Charity	On-site survey Media conference	To be conducted in light of actual conditions from time to time
	Consumers' satisfaction		

After analysis, the Group is aware of the common importance and priority of internal and external stakeholders to the Group's business, and played a clear guiding role in formulating the Group's strategies and objectives, performing daily operation and developing future vision. During the Reporting Period, the Group identified three levels of high, medium and low and 19 major issues among the issues concerned by the stakeholders, and applied the following importance matrix to describe the importance to the Group and priority evaluation results:



Environmental, social and governance

- 6. “Three wastes” management
- 9. Energy consumption management
- 16. Water resources management
- 18. Packing materials management

Sustainable operation

- 1. Product safety and quality
- 2. Legal compliance
- 3. Business performance
- 4. Integrity
- 5. Technological innovation
- 10. Complaints and recalls
- 11. Customer service and satisfaction
- 12. Supply chain management
- 14. Community welfare
- 15. Intellectual property management

Staff care and common growth

- 7. Employee's rights & benefits
- 8. Occupational health and safety
- 13. Employee training and development
- 17. Employee care
- 19. Inclusive workplace

Quantification

For the preparation of environmental and social key performance indicators, reference has been made to the Guidelines of the Hong Kong Stock Exchange, and the principle of balance has been followed to objectively demonstrate the current status of the Company's environmental, social and governance management. The Group conducts its calculations through a systematic materiality, relevance and suitability assessment process and applicable parameters. References to the criteria, methodologies, assumptions and/or calculations used for historical key performance indicators and key performance indicators are appropriately explained, with comparative data where appropriate.

Balance

The Group integrates the Report in a fair, reasonable and impartial manner to provide shareholders, investors and stakeholders with comprehensive information, and to rationally, objectively and accurately evaluate the Group's overall performance in environmental, social and governance and performance.

Consistency

For the convenience of comparison, the reporting criteria and standard, calculation method, structure, description of the method adopted in the Report and assumptions made for preparation are consistent with the historical data. Unless otherwise stated, the statistical methods used in this report are consistent with those used in the 2021 Environmental, Social and Governance Report of Chang'an Renheng, which provide complete reference materials for shareholders, investors and stakeholders.

REPORTING SCOPE

The reporting scope of the Group is the same as the previous reports, which are selected based on the principles of materiality, quantification, balance and consistency, and are prepared at three levels including the Board of Directors, working committees and working groups. The Report covers the Company's business of development, production and sales of bentonite fine chemicals in accordance with the Guidelines.

A. ENVIRONMENTAL PROTECTION

A1. Emission Reduction

It is all the enterprises' responsibilities to protect environment. The Group not only highly emphasises on it, but also actively responses to the national environmental protection policies. The Group also formulated the "System of Chang'an Renheng's Environmental Protection Management" in accordance with the national laws and industrial standard. The objectives are to enhance the Group's environmental protection equipment, including reinforcing the installation of exhausted gas treatment equipment, construction of sewage stations, signing of waste disposal agreements, etc., in addition to the enhancement of the staff's environmental protection awareness. It is expected to implement the environmental protection policies in the daily working life.

The Group strictly follows the relevant regulations of the national environmental protection, including the "Environmental Protection Law of the PRC", "Prevention and Control of Water Pollution of the PRC", "Prevention and Control of Atmospheric Pollution of the PRC", "Prevention and Control of Environmental Pollution of Solid Waste of the PRC", "Prevention and Control of Environmental Pollution of Solid Waste of the PRC (revised in 2015)", "Prevention and Control of Environmental Pollution of Solid Waste 2018 of the PRC (New Version)", "Clean Production Promotion Law of the PRC" and "Regulations of Safety Management for Hazardous Chemicals", etc. During the Reporting Period, the Group has not violated any regulations. All the emission arrangements were completely in line with the national standards.

The lines of production of the Group are mainly concentrated on its subsidiaries, Yangyuan Renheng, as well as Renheng Technology taking part of the production processes. The Group has formulated the strictly rules of the environmental protection for these two production plants and kept an eye closely on the emissions of various gases, sewages, hazardous and non-hazardous wastes produced. It is to ensure the emissions do not exceed the reference indexes.

The production scale of Yangyuan Renheng is large so the emissions of it are serious relatively. The details of the relevant emissions and the corresponding emission reduction measures are set out in the following table:

Category of pollutants	Name	Measures for emission	Reduction yield		
			2022	2021	Emission target
Greenhouse gas ("GHG")	CO ₂	The emission is lower than the standard so no measure is taken.	See "Environmental Performance Data"	See "Environmental Performance Data"	As the emissions of greenhouse gases did not have a significant impact on the environment, the Group did not set emission reduction targets accordingly.
Exhausted gas	Methane chloride	Absorbed by activated carbon	48 kg/year	65 kg/year	It is expected that the annual emission reduction will be no more than 8% compared with the previous year
	Concentrated sulfuric acid mist	Alkali spray absorption	0.5 tonne/year	0.9 tonne/year	
	Industrial dust	Installed the bag-typed dust collectors and collected them as finished products for recycle and reuse.	507 tonne/year	515 tonne/year	
Wasted water	General wasted water	Drained to sewage stations	23 tonne/year	250,000 tonne/year	It is expected that the annual emission reduction will be no more than 5% compared with the previous year
	Chemical oxygen demand		166 tonne/year	181 tonne/year	
	Ammonia nitro		4.5 tonne/year	4.4 tonne/year	

Category of pollutants	Name	Measures for emission	Reduction yield		
			2022	2021	Emission target
Hazardous solid wastes	Wasted activated carbon	Disposal	0 kg/year	85 kg/year	It is expected that the annual emission reduction will be no more than 8% compared with the previous year
Non-hazardous solid wastes	Packaging of raw materials	Re-sale	5.7 tonne/year	6.2 tonne/year	It is expected that the annual emission reduction will be no more than 8% compared with the previous year
	Sludge from wasted water	Compost	320 tonne/year	350 tonne/year	
	Domestic rubbish	Disposed in the landfill	92 tonne/year	90 tonne/year	
	Sand stones	Recycled as low-end products for sales	0.98 tonne/year	19,800 tonne/year	

During the Reporting Period, the raw materials and packaging arisen during the production process by Yangyuan Renheng were harmless solid wastes, with an annual output of 5.7 tonnes. The decrease in emissions of waste gas, hazardous solid waste and non-hazardous solid waste from Yangyuan Renheng was mainly due to stronger measures of the Company for energy conservation and emission reduction.

Renheng Chemicals is a trading company with no production scale and no greenhouse gas emissions. The Group did not set emission reduction targets accordingly. Other gaseous pollutants are only industrial dust, and the emission during the Reporting Period was 2.7 tonnes (2021: 2.8 tonnes). The Group has set an emission reduction target for the emission of industrial dust, and it is expected that the annual emission reduction will be no less than 3% compared with the previous year. During the Reporting Period, the Group's emissions of industrial dust met the expected target. Under predictable circumstances, the Group's emissions of industrial dust will be within the expected target. The Group has installed the bag typed dust collectors in the plants for collection of the industrial dust. Then, it would be treated as the finished products for recycling and reusing in the other production. It could reduce emission, save costs and resources at the same time. Renheng Technology has been adopting this method for years and achieved significant results.

Furthermore, Renheng Technology does not produce wasted water and hazardous solid wastes. Therefore, the Group has not set emission reduction targets. The non-hazardous solid wastes produced only involve a small amount of sandstone. In order to guarantee the purity of bentonite, the sandstone has to be cleaned up. Accordingly, the sandstone produced during the Reporting Period was 9,800 tonne per year (2021: 19,800 tonne), which was slightly decreased when comparing with last year and was recycled as low-end products for sales. In spite of the insignificant emissions in the production processes, Renheng Technology does not ignore it and keep on focusing on the relevant emissions reduction and implement the emission policies. The Group has set an emission reduction target for sandstone emissions, and the annual emission reduction is expected to be no more than 8% compared with the previous year. During the Reporting Period, the Group's sandstone emissions met the expected target. Under predictable circumstances, the Group's sandstone emissions will be within the expected target.

In addition, the Group turns the purified bentonite into bentonite products which are the environmentally-friendly products. Bentonite is a clay mineral with the highest application value among non-metallic minerals. As a kind of natural mineral, and due to its unique mineral structure, crystalline chemical properties and excellent physical and chemical properties, bentonite is widely used in industries such as petroleum, metallurgy, casting, machinery, ceramics, construction, light industry, paper-making, textile, food and others. It plays an important role as a binder, adsorbent, filler, thixotropic agent, flocculant, detergent, stabilizer and thickener. At present, the domestic and international application research of bentonite is developing towards a higher level with more functions and being environmental friendly. In addition, the functional and environmental-friendly concept of bentonite in the application of thickening and water-retaining materials and rheological additives for paints and coatings is in line with the development trend of the coating industry nowadays.

In recent years, the Group has launched two sizable construction projects for emission reduction. The first one is the project of the construction at Zhejiang Changxing with the water treatment agent with 10,000 tonne/year. The construction of the main plant was completed. Due to the reason of market demand, the stage of equipment installation is not yet to complete up to now. Taking into account of the effect of COVID-19 in recent years, the equipment installation work might be postponed and the equipment procurement and installation is expected to be completed in 2023. It is expected that it will further enhance the absorption function to suck the anionic trashes in the sewages. The other project is the construction at Hebei Yangyuan with the production of organic bentonite at 10,000 tonne/year. The project is now in the normal industrialization stage and recorded the sale of bentonite of approximately RMB90.08 million during the Reporting Period. The Group used the natural gas boilers in place of the coal boilers and reduced the emission of pollutants substantially.

The information on emissions is set out in “Environmental Performance Data” on page 42 of the Report.

A2. Use of Resources

The Group strictly complies with the “Notice of the State Council on Issuing the Comprehensive Working Plan on Energy Conservation and Emission Reduction (GF [2007] No. 15)” (《國務院關於印發節能減排綜合性工作方案的通知》(國發[2007] 15號)) and the “Notice of the State Council on Issuing “The 13th Five-Year-Plan” for the Comprehensive Working Plan on Energy Conservation and Emission Reduction (GF [2016] No. 74)” (《國務院關於印發“十三五”節能減排綜合工作方案的通知》(國發[2016] 74號)). The Group has formulated the relevant energy saving and water conservation policies, including the implementation of staggering peak production, and installation of industrial inverters in electrical equipment in order to save electricity. In addition, the Group has implemented the advanced technology for sewage treatment and launched the reclaimed water reuse flow, which successfully achieved the zero emission of sewages and the high recycling efficiency. The Group does not have any problems in sourcing water. During the Reporting Period, the total water consumption was 8,002 tonnes (2021: 8,184 tonnes). The total water consumption was caused by using high purity water to wash bentonite. As calculated by production volume, the average water consumption per tonne of finished products was 1.45 tonnes (2021: 1.46 tonnes).

In the process of production of pulping and paper-making applied in paper manufacturing industry, the Group used the series of retardant aid products and the main raw material of which are calcic soil and soda ash. During the Reporting Period, the Group's consumption of calcic soil was 56,274 tonnes (2021: 54,901 tonnes), representing an increase as compared to last year, which was mainly due to the increase in sale volume of organic bentonite and inorganic gel products, and the consumption of soda ash was 1,095 tonnes (2021: 1,126 tonnes). The main raw materials for production of organic bentonite (rheological additives) are high-quality calcic soil, soda ash, tertiary amine and chloromethane and the Group consumed 8,278 tonnes, 413 tonnes, 1,705 tonnes and 175 tonnes (2021: 7,892 tonnes, 118 tonnes, 1,679 tonnes and 172 tonnes), respectively during the Reporting Period. The increase in the usage and the decrease in the amount of soda ash was due to the large inventory of modified semi-finished products in 2022, the increase in tertiary amines and methyl chloride was mainly due to the increase in the production of organic bentonite. Besides, the Group used various large-scaled mechanical equipment in the production processes, including digging machine, loader, pulverizer, classifier, dispersion machine, mixer, filter press. They mainly consumed the energies of diesel oil and electricity.

During the Reporting Period, the total consumption of the main resources of Yangyuan Renheng and Renheng Technology are set out in the table below:

Resources	2022		2021	
	Total consumption of Yangyuan Renheng		Total consumption of Renheng Technology	
Electricity	795 kWh	5,760,000 kWh	32.5 kWh	332,000 kWh
Diesel oil	26 litres	280,000 litres	0.4 litres	4,100 litres
Packing materials	62 pcs	690,000 pcs	3.3 pcs	26,000 pcs

* Compared with last year, the total energy consumption of Yangyuan Renheng decreased, mainly due to the corresponding increase in mining volume, which has led to a decrease in the consumption of diesel oil, and the increase in related equipment and the increase in production, which have led to an increase in the consumption of electricity. The decrease in the use of packaging materials compared to last year is mainly due to the increase in the reuse of packaging materials and the increase in the use of large packaging materials. The total energy consumption of Renheng Technology has slightly decreased, but the consumption of packaging materials has increased, mainly due to the use of more small packaging bags required by customers for the year.

The main energy conservation measures of the Group are to strengthen the on-site technical guidance and supervision as well as strictly control the consumption situation. The Group has to ensure all the operations are optimised effectively and the energy consumption are minimised. The Group has implemented the regular assessments of energy conservation to all the relevant departments and work-places. The Group carries out the follow-up measures and makes improvement timely in order to avoid the resource wastage. The Group also educates the staff to have a strong sense of energy-saving and to advocate all walks of life to care about the energy-conservation, and has achieved remarkable result.

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well-reflected by our continuous efforts in promoting green and low-carbon measures and awareness in our daily business operations. The Group encourages environmental protection and advocates awareness towards environmental protection to the employees. The Group adheres to the principles of recycling and reducing. We implement green office practices such as paperless office, double-sided printing, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group saved about RMB20,000 per year and the result achieved was satisfactory.

The Group evaluates the environmental protection work from time to time and considers implementing more environmental protection measures and practices. It is to aim at the rule of 3R to reduce use, recycle and reuse and to strengthen the sustainability of the environmental protection.

During the Reporting Period, the Group has consumed approximately 653,000 (2021: 716,000) packing bags, of which approximately 425,000 (2021: 450,000) can be recycled and reused. The decrease in consumption of packing bags in 2022 over 2021 was mainly due to the increase in the reuse of packaging materials by Yangyuan Renheng.

The information on use of resources is set out in “Environmental Performance Data” on pages 42 to 43 of the Report.

A3. Environment and Natural Resources

The Group has been complying the “Environmental Protection Law of the PRC” and “Mineral Resources Law of the PRC” so as to protect and use the environmental and natural resources appropriately.

The Group believes that resources are precious. Yangyuan Renheng and Renheng Chemicals actively launched various environmental protection measures in accordance with their actual situations respectively. The Group has formulated the “Three Wastes” measure for Yangyuan Renheng in respect of the equipment maintenance measure for emission treatment issues of sewages, exhausted gases and solid wastes. It is to ensure the environmental protection equipment can be used efficiently and can be operated soundly. The Group has also engaged a professional third party institution to formulate the “Water and Soil Conservation Plan” and the “Plan on Environmental Protection, Restoration and Recovery of Mining”, copies of which were filed with the governmental authorities for inspection from time to time. Renheng Technology also launched the “Three Wastes” measure for insisting on the sense of environmental protection.

In relating to the noise control, the Group has installed the basic vibration attenuation facilities, acoustic insulation equipment and sound-proved walls in the plants so as to avoid the influence of the daily life of the residents nearby and protect the staff’s hearing. It aims at keeping the noise pollution at the lowest level and the result achieved is satisfactory. During the Reporting Period, Yangyuan Renheng has complied with the regulations of “Type 2 Standard of Environmental Quality Standard for Noise” (《聲環境質量標準》) (GB3096-200). Renheng Chemicals has also complied with the “Type 2 Standard of Emission Standard for the Noise at the Boundaries of Industrial Enterprises” (《工業企業廠界噪聲標準》) (GB12348-90).

Although the business of the Group has caused no significant effect to the environment and natural resources, as a preventive measure, the Group actively co-operates with the relevant governmental authorities, takes regular monitoring and assessment of daily waste discharged and the influence on the surroundings. The Group has formulated the “Emergency Response Plan for Mines” and closely co-operates with a third party institution currently. During the Reporting Period, the Group has completed the preparation of the environmental emergency response plan.

A4. Climate Change

Climate change is a topic of global concern. In order to cope with the natural disasters brought about by climate change, which may affect the Group’s business, the Group has formulated the “Meteorological Disaster Emergency Plan”. We are fully aware that global warming and climate change will have a variety of uncertain impacts on our business, including policies and laws, technology, markets and reputation. Extreme weather may also cause the Group to incur additional legal, financial, tax, insurance, administrative and other expenses. The financial performance of the Group may be affected to varying degrees by factors such as energy supply, water resources, labour market, employee safety, supply chain, productivity, customer demand, transportation network and other factors due to climate change. The extent of the impact depends on its nature, speed and focus of change.

As the Group is located in Zhejiang Province, the production area has not experienced any major adverse climatic effects over the years. However, the temperature in the Hebei production area is low in winter, so the Company will make various production preparations before the low temperature comes, which has not affected the normal production of the Group over the years.

During the Reporting Period, the Group carried out the following corresponding natural disaster prevention and emergency measures for the identified physical risks, including acute risks and chronic risks:

Acute Risks

Typhoon

During the Reporting Period, the Group has formulated the “Typhoon Emergency Rescue Plan”, and has established an emergency rescue team composed of employees and security guards, equipped with emergency rescue materials such as sandbags, shovels, industrial salt, and miniature fire stations. Natural disaster emergency drills are carried out regularly. These measures effectively ensured the normal operation of production and operation.

Flood

During the Reporting Period, the Group has established a flood control emergency rescue material warehouse in response to flood risks, so that it can be put into use at any time in the event of major flood danger. Besides, we conduct regular inspections of on-site flood control emergency materials such as flood control sandboxes, replenish flood control sandbags in waste sand dams, mountains and rivers in a timely manner, and conduct treatment of mountain body. We also regularly clean up the silt and debris in the drainage ditches, drainage wells and roof drainage gutters in the factory area to ensure smooth drainage pipelines.

Chronic risks

Average temperature rise

As heatstroke is prone to occur in high-temperature operations, the Group has formulated measures for heatstroke prevention and cooling in response to high-temperature weather, including adjustment of operation arrangements, control of operation time, and provision of heatstroke prevention and cooling supplies and medicines.

Heavy rainfall

During the Reporting Period, the Company has established a warehouse for emergency materials against rainstorm risks, which can be put into use at any time in the event of major risks. Besides, the Company regularly checks on-site flood control emergency supplies such as flood control sandboxes, strengthens inspections on dams, hillsides and other locations, and invests in the treatment of mountains near the factory. We also regularly clean up the silt and debris in the drainage ditches, drainage wells and gutters in the factory area to ensure smooth drainage pipelines.

B. SOCIAL

Employment and Labour Measures

B1. *Employees' Benefit*

The staff is the foundation of the Group's business sustainable development. We are committed to protecting the employees' benefits, actively attracting talents and providing a good working environment with all strength. We have been strictly following the "Labour Law of the PRC" and developing the improved employees' policies to protect staff's rights and interests according to the national relevant laws and regulations together with our actual conditions.

The Group has developed a series of relevant systems, including the “Company Holiday Management System”, the “Company Personnel Management System”, the “Remuneration Management System” and other policies for protecting the rights and interests of the employees. They are to provide clear guidances for recruitment, remuneration and benefit, promotion and dismissal of employees, so as to ensure the employees are in impartial treatment without any bias or discrimination and accept multi-culture. In the process of recruitment, the candidates have to attain the jobs’ requirements and the Group will arrange interviews for them. After interview, the Group will conduct the individual background check. When all the requirements are fulfilled, the Group will negotiate the salary and job’s requirements with the candidates. The Group will fix the salary level of the employees by reference to the salary review mechanism of the same industry. The Group also formulated the staff holiday arrangement in accordance with the national regulations. At present, the staff work 5 days a week and 8 hours a day with statutory holiday. In the case of serious violation of the corporate rules, the Company will dismiss the employees according to relevant laws and regulations. In the case of the resignation of employee, the human resources department will seek the opinion from the supervisors of the resigning employee and the approval from the general manager of the human resources department. After that, the human resources department and the finance department will confirm the information, register the handover of the returned property and proceed resignation procedures. The Company will also carry out the annual appraisal. The employees who have greater contribution to the Group will be promoted and have salary increase. Meanwhile, the Group has maintained related labour insurances for all employees providing full protection for them.

The Group pays attention on the benefits of the female employees in order to ensure they are in equal pay for equal work as well as equal benefits with the male employees. The employees can receive full basic salaries for their marital leave, funeral leave and maternity leave. Furthermore, the Group will grant 30-day extra holiday to the female employees who are aged 24 giving birth to the first child in addition to the statutory maternity leave and benefits.

The information on employees' benefit is set out in "Social Performance Data" on page 44 of the Report.

B2. *Occupational Safety*

The safety of the employees is always one of the Group's focal points. The Group keeps on monitoring all kinds of existing occupational safety measures so as to ensure these measures are still effective. The Group also carries out the quarterly assessments to find out and prevent the hidden safety risks timely. The Group strictly follows the "Safety Production Law of the PRC" and the "Labour Law of the PRC" and the relevant rules and regulations. Based on these, the Group formulated the "Rules of Safety Production System" stipulating all the safety specifications and the production and operation risks in details and corresponding prevention and emergency measures as well. All the employees are required to follow the rules seriously.

The frontline staff are important for implementing the occupational safety measures. Accordingly, the Group holds the safety production education seminars regularly to enhance the staff's skill and knowledge and the alertness in mechanical operations. The Group launched the reward and punishment system for the safety production responsibility. The Group also formulated the "Rules for the Safety Production System" including "Safety Production Education Training System", "Safety Production Responsibility and Reward and Punishment System", "Safety Production Accident Management System" to work in parallel to advocate the staff to pay attention on the safety of themselves and their colleagues.

Although the production process of the bentonite related products is relatively safe, which does not cause any serious harmful effects to the employees, the Group has launched various measures to avoid any accident occurred. The Group distributed the protection stuffs to the staff monthly according to their job duties and nature, remind them to put on the safety helmets, safety belts and masks. In addition to the noise proof facilities, hazardous gas checking equipment and safety warning label posting, the Company also arranged the annual body check-up for the frontline staff. The Company arranged the safety training for all the staff twice a year and the fire drill once a year. The production management staff of the Company will check and monitor the execution of the safety protection measures throughout the year.

The Group implemented the monthly safety check-up and hidden incident investigation work in order to ensure all the measures are still effective and the preventive measures are still efficiency. In relation to the high-risked work, the Group strictly executes the on-site special work and dangerous work management system as well as the reinforcement of supervision and assessment. In addition, the Group convenes the monthly safety production meeting to collect the staff's opinion for assessment and discussion the improvement. The Group organises the monthly integrated check-up, adopt the model

of “regular check-up, random check-up, professional checking and random checking” to inspect the execution situation of the safety measures so as to ensure the absolutely safe.

In each of the past three years (including the reporting year), we maintained zero fatalities among our employees with the rate of 0%.

During the Reporting Period, the pandemic has been repeated. Since the outbreak of the COVID-19, the Company has strictly responded to the COVID-19 prevention and control policy of the PRC, and established the pandemic prevention working group with defined work responsibilities. The Group also called for vaccinations, provided convenient conditions for employees to be vaccinated, and encouraged the employees who meet the vaccination conditions to actively get the COVID-19 vaccine and booster injection. In addition, the Group has formulated the pandemic prevention and control project of the Company in strict accordance with the pandemic prevention requirements of local government departments, and formed visiting and reporting mechanism for employees and visitors of the Company. The Group strictly complied with the pandemic prevention and control policy of the PRC, implemented isolation policy for those returning employees from risk areas, implemented the disinfection measures for freight vehicles, and carried out spray disinfection on the freight vehicles entering the Company, so as to curb the risk of pandemic spread. In December 2022, the Group received the notification of the end of pandemic from the government which fully liberalised prevention and control policies, strived to develop the economy and generated more profits for the enterprise.

The information on occupational safety is set out in “Social Performance Data” on page 45 of the Report.

B3. *Development and Training*

Talents are an important asset of the Group. The Group has been actively encouraging the staff to study further and self-value added. The Group has launched a set of complete policy in respect of the staff development and training. It bases on the Group's future development and the talents' needs to develop the routes of staff trainings and implement the development directions. The Group adopted the management concept of "people-oriented" to build up the development platform actively and to provide technical trainings to the staff.

During the Reporting Period, the Group had a total of 158 employees, of which 67 worked at the Group's headquarters in Changxing, 73 stationed in Yangyuan and various regions, and 18 worked at the Shanghai branch, which are responsible for production, sales and marketing. At the beginning of each year, the Group releases an annual sales guideline, formulates the sales strategies and sets out the sales targets to the sales representatives of each sales area. At the end of each year, the Group concludes the sales results, compares the sales targets achieved, and assesses the sales staff's achievement.

The human resources department of the Group analyses the training demands so as to fix the training directions and arrangements. With the general manager's approval, the relevant trainings will be arranged and held. The training courses hold at least twice annually and paid by the Group. After completion of the trainings, the Group will arrange assessments for the staff to appraise the result of the trainings for follow-up actions and improvement. The Group formulated the "Staff Appraisal System" to assess the staff performance annually. In addition, the Group also formulated the scope of staff's workflow and technical services areas. The Group carries out the staff appraisal regularly for determination of the salary raised and bonus.

The board of directors and management will arrange external experts the Company for regular trainings every year, with no less than 130 hours per year for the senior management, no less than 180 hours per year for middle management and no less than 170 hours per year for general and technical staff, including, in particular, training on safety awareness and misconception on energy-saving awareness, as well as lean management training. Management was optimized to increase economic benefits and get more returns for investors.

In the processes of the application of pulping and paper-making retardant aid, the production of bentonite or calcium-based soil, etc., require the technical experts, including quality inspectors, mechanical operators, equipment operators, professional technicians. Accordingly, all of them have to attend the relevant technical and equipment trainings before they report duties to the Group. It is to ensure they are familiar with the workflows, machinery operations and the relevant technical skill and knowledge.

During the Reporting Period, the internal trainings of the Group are mainly relating to the organic bentonite and efficient sludge improver. All the staff of technical department and business department have attended the trainings and passed the assessments. The result achieved was satisfactory. As to the external trainings, the Group has arranged some managerial staff to join the internet and innovative development of enterprises courses. They are the 12-month school system courses. The courses were held in two days monthly. All the participants of the courses must complete 12 subjects of the master of business and administration essence course for graduation.

During the Reporting Period, the Group has held the trainings for the organic bentonite and efficient sludge improver. All the staff of the technical department and business department had to join the trainings and pass the assessments. In addition, the Group has assigned two middle and senior management to Shanghai University of Finance and Economics to study business management courses. The full-term courses are 12 lessons or 96 hours.

During the Reporting Period, the Group engaged Zhengda Management Consulting Company to provide comprehensive training for middle management of the Group. The average training hours completed per employee was about 25 days or 150 hours.

The information on development and training is set out in “Social Performance Data” on page 45 of the Report.

B4. *Labour Standard*

The Group strictly complies with the “Labour Law of the PRC”. It is severely forbidden to employ children and forced labour. In this regard, the Group has formulated a complete set of rules for “Prohibition of Children Employment and Remedial Measures for Misuse of Children Employment” providing the detailed guidance.

In respect of the prevention of children employment, the Group has to focus on the recruitment process to identify the children labour in the early stage. The job candidates must provide the valid identification documents. The recruitment officers will focus on checking the identification documents, the photos of the identification documents, the valid dates etc, so as to ensure the ages of the job candidates reached the statutory requirements of employment. If the responsible officers suspect the validity of the identification documents, they may ask the job candidates to provide the academical certification in order to verify their ages. They may check with the local police offices for the job candidates’ identification, if necessary. In addition, in order to avoid the job candidates using the other staff’s identification documents to work in the plant, all the staff must show their identification documents for re-confirmation when they collect their salary at the first time. The Company strictly controlled the on-boarding review, and shall not employ persons under the working age according to the regulations of the system. In case of violation, such persons shall be dismissed immediately and the relevant personnel shall be punished according to regulations.

In addition, the Group also strictly follows the “Criminal Law of the PRC” to ensure no forced labour. In order to protect the personal freedom of employees and ensure all employees are employed on a voluntary basis, the Group has formulated the “Employee Recruitment Management Procedures”, pursuant to which if an employee feels forced to work, he/she can report such matter to the head of the department or employee representative or put it in the “Opinion Box” in written form, and the supervision department will investigate and handle it. Upon verification of the matter, an employee representatives’ meeting may be convened, and solutions and notifications may be made at the meeting.

Operating Practices

B5. Supply Chain Management

The Group’s suppliers are divided into three major categories – namely, equipment manufacturers, raw materials production suppliers, and packing suppliers. The Group has formulated the “Internal Procedures for the Material Purchasing of the Company” and the “Measures of Material Purchasing Management of Chang’an Renheng” setting out the clear rules for hiring and monitoring the suppliers. Before confirmation to co-operate with the suppliers, the Group will request them to provide the relevant legal operation certifications. The Group will arrange the technical staff and legal staff to have an on-site inspection to make sure the suppliers’ operations are in line with the relevant rules and regulations of the safety production and environmental protection. Furthermore, the Group will carry out the irregular on-site inspections to the existing suppliers to ensure they are fulfilled the Group’s requirements. Also, the Group will carry out the regular inspections and irregular random inspections to monitor the suppliers’ operations closely to ensure they do not cause any risks to the environment and society. The Group also has professional and full-time personnel responsible for the management of the supply chain.

If the suppliers trigger any risks or violation, the Group will suspend the relevant purchase contracts with the advice of our legal department and will send opinion letters to them. The Group will execute the relevant purchase contracts again until our legal department and technical department satisfy the suppliers' re-correction actions and the fulfillment of the relevant rules.

When selecting suppliers, the Group requires suppliers to provide environment-friendly products and services. The Group strictly abides by the supplier and procurement management standards to ensure that there is no significant impact on the environment. The Group has established and implemented the "Supplier Management Measures" to ensure that the production process will not cause adverse effects on the environment and human body. The Group reviews the "Business Qualification Certificate" according to the supplier's qualification to ensure that the supplier meets the requirements of national, local and industry laws and regulations on environmental protection, occupational health and safety. The Group also has the right to supervise the safety of suppliers, and in accordance with the relevant system regulations and requirements of the PRC and suppliers, pay liquidated damages to suppliers for disciplinary violations and phenomena. In the event that the supplier violates the relevant laws and regulations on safety and environmental protection and the Group's relevant rules and regulations on safety production and environmental protection, the supplier shall rectify according to the Group's requirements and accept the compensation for breach of contract related to the safety management system of the Group. The Group has the right to terminate the contract if the rectification does not conform to the requirements or the supplier refuses to rectify, which may cause serious safety and environmental protection accidents. All economic losses and legal liabilities arising therefrom shall be borne by the supplier.

The information on supply chain management is set out in "Social Performance Data" on pages 45 to 46 of the Report.

B6. Product Responsibility

The Group has set out complete responsibility policies for all kinds of products. Under the “Rules for the Safety Production System”, the business department is responsible for the matters of advertisements and labels. Under the “Company Personnel Management System”, the administrative department is responsible for the matters of health and safety, and privacy.

The Group is committed to guaranteeing the quality and safety of the products. The Group strictly complies with the PRC’s relevant laws of “GBT20973-2007 Bentonite” and “GBT27798-2011 Organic Bentonite”. The Group will choose and use the environmentally-friendly and non-hazardous materials, technologies and workflows for production to make sure our products are safe and healthy.

The Company has set out the procedures for quality assurance and recall process. The Company have to check the capability and the indication of all the raw material before production and organized the production according to the specified production procedures. After production, the quality control department of the Company will carry out the checking for the finished products. When all the indicators reached the standard, the finished products will be put in the warehouse. In the case of the deterioration of product quality when delivering and transportation, the business department will recall the products and change them immediately.

If the Group receives any complaints to the products or need to collect the inferior-quality products, the sales director will make a decision for the emergency collection. The business department will inform the customers, handle the relevant matters and to take up the product collection matters. The quality control department will carry out the checking and testing for the products involved. Then, they will analysis the incident and provide solutions so as to avoid the occurrence of the similar incidents again. The Group will collect and destroy all the inferior-quality products with the general manager's approval. During the Reporting Period, the percentage of total products sold or shipped subject to recalls for safety and health reasons was 0%. The number of products and service related complaints received was one, which was damp in delivery in a rainy day and have been recalled for change immediately.

The Group emphasises on monitoring and protection of the intellectual property rights. The Company have to pay the annual fee to the authority of the national intellectual property in relation to the Company's invention patents of the existing intellectual property. It can protect the interests effectively.

The Group strictly focuses on the protection of personal privacy of consumers. The Group has stipulated the strict confidentiality policy in the employees' handbook. All the customers' archives are managed by the assigned staff for the purpose of prevention of the leakage of the customers' information.

The information on product responsibility is set out in "Social Performance Data" on page 46 of the Report.

B7. *Anti-corruption*

The Group has actively responded to the anti-corruption campaigns in the PRC in recent year and strictly complied the “Criminal Law of the PRC”, the “Anti-unfair Competition Law of the PRC”, and the “Interim Provisions on Banning Commercial Bribery”. The Group has formulated a complete set of the internal prevention and monitoring system in accordance with the “Basic Guidance of the Internal Control of the Enterprise”. The Group also explained the policies and principles of anti-corruption to the staff, suppliers, contractors and business partners. Furthermore, the Group also formulated the “Prevention, Checking, Reporting of Bribery System” to set out the definition of antibribery behaviour, the meaning of prevention, checking and reporting of bribery, extortion, fraud and money laundering and the declaration of anti-corruption from the management. In addition, the Group has set up a reporting hotline publicly and is responsible by a secretary of the party group and deputy general manager of administration. All the information collected will be handled seriously and kept absolutely confidential.

Through anti-fraud policies and procedures and related measures, the Group conducts effective communication or training within the Company by means of employee handbook, publication of corporate rules and regulations, publicity or the Internet, etc. The Group will arrange a training activity at the beginning of each month, including the Basic Standards for Enterprise Internal Control, the Anti-fraud Prevention Inspection and Reporting System and the Employee Manual of Chang'an Renheng, etc., to ensure that directors and employees receive training on relevant laws, regulations and professional ethics. In addition, the Group entered into the “Anti-Bribery Prevention and Compliance Agreement” with its partners including suppliers and customers, signed the ” Prevention, Checking, Reporting of Bribery System” with employees, and set up a reporting telephone and e-mail address to jointly abide by the spirit of the agreement and establish clean and honest corporate culture.

The information on anti-corruption is set out in “Social Performance Data” on page 46 of the Report.

B8. *Community Investment*

The Group stresses on the corporate social responsibility and gives back to the society actively. The Group has formulated many giving back to the society policies, including communication with the local governmental authorities regularly to ensure the business operation and the investment of the Group are cope with the government policies and the social needs. The Group has also co-operated with the surrounding management units of the community to maintain and enhance the facilities of road, electricity, communication and the infrastructure. Furthermore, in the process of recruitment, the Group will give the first priorities to the surrounding residents for the purposes of enhancing their income and improving their living standards. The Group also recruit the disabled and the socially vulnerable groups depending on the jobs' requirements. The Group also participated in the social welfare and charity activities to give a hand to the poor and work with the community. During the Reporting Period, the Group donated RMB10,000 to Lianhua Village, and Yangyuan Renheng donated a total of RMB103,000 of anti-pandemic materials to the county transportation bureau, etc.

COMPANY PERFORMANCE AND DATA

The environmental performance data and social indicators of the Group are as follows:

Environmental Performance Data

Item	KPI	Unit	2022	2021
Greenhouse gas	A1.2			
Direct emissions (Scope 1) <i>(Note 1)</i>		tCO ₂ e	690	743
Greenhouse gas reduction (Scope 1)		tCO ₂ e	-	-
Indirect emissions (Scope 2) <i>(Note 1)</i>		tCO ₂ e	6,658	4,902
Other indirect greenhouse gas emissions (Scope 3) <i>(Note 2)</i>		tCO ₂ e	-	-
Direct and indirect emissions (Scope 1, 2 and 3)		tCO ₂ e		
- in total (Scope 1, 2 and 3)		tCO ₂ e	7,348	5,645
- in intensity (Scope 1, 2 and 3)		tCO ₂ e/ton of finished products	1.00	0.86
Hazardous wastes	A1.3			
- in total		tonnes	0	85
- in density		tonnes/ton of finished products	0	0.013
Non-hazardous wastes	A1.4			
- in total		tonnes	10,218	20,246
- in density		tonnes/ton of finished products	1.38	3.07
Energy consumption	A2.1			
Purchased electricity		kWh	8,275,000	6,092,000
Fuel consumption <i>(Note 3)</i>		kWh	2,826,000	3,041,000
- in total		kWh	11,101,000	9,133,000
- in density		kWh/ton of finished products	1,504.15	1,384.60

Item	Hong Kong Stock Exchange		2022	2021
	KPI	Unit		
Water consumption	A2.2			
- in total		tonnes	8,002	8,184
- in density		tonnes/ton of finished products	1.08	1.24
Packing materials	A2.5			
- in total		pieces	653,000	716,000
- in density		pieces/ton of finished products	88.48	108.55

Notes:

- References are the emission factors in Appendix 2 “Reporting Guidelines on Environmental KPIs” issued by the Hong Kong Stock Exchange.
- Given the small number of business travel of the Group’s employees, the Group did not generate significant amount of Scope 3 GHG emission.
- References are the conversion factors in the Energy Statistic Manual issued by the International Energy Agency.
- Calculated based on the number of finished products of the Group for the year ended 31 December 2022 amounting to 7,380 tonnes (2021: 6,596 tonnes).

Social Performance Data

Item	Hong Kong Stock Exchange KPI	2022	2021	2020
Employees	B1.1			
Total employees		158	156	152
By gender				
Male		129	129	127
Female		29	27	25
By employment type				
Full-time		129	151	147
Part-time		29	5	5
By employee category				
Senior management	M13, F2		M11, F2	M11, F2
Middle management	M11, F4		M10, F3	M10, F3
General and technical staff	M105, F23		M108, F22	M106, F20
By age group				
30 and below		20	14	13
31-40		48	30	28
41-50		54	35	32
51 and above		36	77	79
By geographical region				
Mainland China		156	154	150
Other regions		2	2	2
Number and rate of employee turnover (%)	B1.2			
By gender				
Male		6 (4.7%)	2 (1.6%)	7 (5.5%)
Female		0 (0%)	0 (0%)	3 (12.0%)
By age group				
30 and below		2 (10.0%)	0 (0%)	2 (15.4%)
31-40		4 (8.3%)	1 (3.3%)	2 (7.1%)
41-50		0 (0%)	0 (0%)	0 (0%)
51 and above		0 (0%)	1 (1.3%)	6 (7.6%)

Item	Hong Kong Stock Exchange KPI	2022	2021	2020
By geographical region				
Mainland China		6 (3.8%)	2 (1.3%)	10 (6.7%)
Other regions		0 (0%)	0 (0%)	0 (0%)
Health and Safety				
Number and rate of work-related fatalities				
(Note)	B2.1	0 (0%)	0 (0%)	0 (0%)
Lost days due to work injury	B2.2	8	5	11
Development and Training				
Percentage of employees trained				
By gender				
Male		129 (82.7%)	129 (82.7%)	127 (83.6%)
Female		27 (17.3%)	27 (17.3%)	25 (16.4%)
By employee category				
Senior management		13 (8.3%)	13 (8.3%)	13 (8.6%)
Middle management		13 (8.3%)	13 (8.3%)	13 (8.6%)
General and technical staff		130 (83.3%)	130 (83.3%)	126 (82.9%)
Average training hours completed per employee				
Male	B3.2	173	181	173
Female		170	177	170
Average training hours completed per employee by employee category				
Senior management		132	168	165
Middle management		182	180	173
General and technical staff		176	182	174
Number of suppliers by geographical region				
Mainland China	B5.1	59	42	37
Other regions		0	0	0

Item	Hong Kong Stock Exchange KPI	2022	2021	2020
Number of suppliers to which the practices relating to engaging suppliers are implemented	B5.2	19	12	1
Product responsibility				
Of the total number of products sold or shipped				
– Percentage to be recycled for safety and health reasons	B6.1	0 (0%)	0 (0%)	0 (0%)
– Number of complaints received about products and services	B6.2	0	0	1
Anti-corruption				
Corruption lawsuits filed/finished	B7	0	0	0

INDEX TO HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Hong Kong Stock Exchange KPI

Aspect	Disclosure	Reference, explanation
Mandatory Disclosure Requirements	<p>Governance structure</p> <p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	<p>Page 6</p> <p>Pages 6-9</p> <p>Pages 6-9</p>
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose:</p> <ul style="list-style-type: none"> (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p>	<p>Page 10</p> <p>Pages 11-13</p> <p>Page 14</p>

Aspect	Disclosure	Reference, explanation
Reporting Boundary	<p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p> <p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>Page 14</p> <p>Page 14</p>
Comply or explain	<p>A. Environmental</p> <p>Aspect A1: Emissions</p> <p>General disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	<p>Pages 15-16</p> <p>Pages 16-17</p>
	<p>KPI: A1.1 Types of emissions and respective emissions data.</p>	

Aspect	Disclosure	Reference, explanation
	KPI: A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data page 42
	KPI: A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data page 42
	KPI: A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data page 42
	KPI: A1.5 Description of emissions target(s) set and steps taken to achieve them.	Pages 16-19
	KPI: A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Pages 16-19
	Aspect A2: Use of Resources	
	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Page 20
	<i>Note: Resources may be used in production, in storage, transportation, in buildings electronic equipment, etc.</i>	
	KPI: A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data page 42
	KPI: A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data page 43
	KPI: A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Pages 20-23

Aspect	Disclosure	Reference, explanation
	KPI: A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Pages 20-23
	KPI: A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance Data page 43
	Aspect A3: The Environment and Natural Resources General disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	Pages 24-25
	KPI: A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Pages 24-25
	Aspect A4: Climate Change General disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Page 25
	KPI: A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Pages 25-27
	B. Social Employment and Labour Practices Aspect B1: Employment General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 27

Aspect	Disclosure	Reference, explanation
	KPI: B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Performance Data page 44
	KPI: B1.2 Employee turnover rate by gender, age group and geographical region.	Social Performance Data pages 44-45
	<p>Aspect B2: Health and Safety</p> <p>General disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Pages 29-31
	KPI: B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 45
	KPI: B2.2 Lost days due to work injury.	Social Performance Data page 45
	KPI: B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Pages 29-31
	<p>Aspect B3: Development and Training</p> <p>General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Pages 32-34
	<p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>	

Aspect	Disclosure	Reference, explanation
	KPI: B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance Data page 45
	KPI: B3.2 The average training hours completed per employee by gender and employee category.	Social Performance Data page 45
	Aspect B4: Labour Standards General disclosure: Information on:	Page 35
	(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.	
	KPI: B4.1 Description of measures to review employment practices to avoid child and forced labour.	Page 35
	KPI: B4.2 Description of steps taken to eliminate such practices when discovered.	Pages 35-36
	Operating Practices Aspect B5: Supply Chain Management General disclosure: Policies on managing environmental and social risks of the supply chain.	Page 36
	KPI: B5.1 Number of suppliers by geographical region.	Social Performance Data page 45
	KPI: B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Social Performance Data page 46
	KPI: B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Pages 36-37
	KPI: B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Pages 36-37

Aspect	Disclosure	Reference, explanation
	<p>Aspect B6: Product Responsibility</p> <p>General disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	<p>Page 38</p>
	<p>KPI: B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p>	<p>Social Performance Data page 46</p>
	<p>KPI: B6.2 Number of products and service related complaints received and how they are dealt with.</p>	<p>Social Performance Data page 46</p>
	<p>KPI: B6.3 Description of practices relating to observing and protecting intellectual property rights.</p>	<p>Page 39</p>
	<p>KPI: B6.4 Description of quality assurance process and recall procedures.</p>	<p>Pages 38-39</p>
	<p>KPI: B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.</p>	<p>Page 39</p>
	<p>Aspect B7: Anti-corruption</p> <p>General disclosure: Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p>	<p>Page 40</p>
	<p>KPI: B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.</p>	<p>Social Performance Data page 46</p>

Aspect	Disclosure	Reference, explanation
	KPI: B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 40
	KPI: B7.3 Description of anti-corruption training provided to directors and staff.	Page 40
	Community	
	Aspect B8: Community Investment	
	General disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 41
	KPI: B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 41
	KPI: B8.2 Resources contributed (e.g. money or time) to the focus area.	Page 41