



达力普
DALIPAL

Stock code: 1921.HK

2020 Environmental, Social and Governance Report

Dalipal Holdings Limited



CONTENTS

| | |
|---|----|
| About The Report..... | 1 |
| Reporting Period..... | 1 |
| Stakeholders Engagement..... | 2 |
| A.Environmental Aspects..... | 4 |
| Aspect A1: Emissions..... | 4 |
| Aspect A2: Use Of Resources..... | 7 |
| Aspect A3: The Environment And Natural Resources..... | 9 |
| Aspect A4: Climate Change..... | 9 |
| B. Social Aspects..... | 9 |
| Aspect B1: Employment..... | 9 |
| Aspect B2: Health And Safety..... | 12 |
| Aspect B3: Development And Training..... | 13 |
| Aspect B4: Labour Standards..... | 14 |
| Aspect B5: Supply Chain Management..... | 14 |
| Aspect B6: Product Responsibility..... | 15 |
| Aspect B7: Anti-Corruption..... | 16 |
| Aspect B8: Community Investment..... | 17 |
| The Stock Exchange Of Hong Kong Limited' S Environmental, Social And Governance Reporting Guide..... | 17 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

ABOUT THE REPORT

Dalipal Holdings Limited (hereafter referred to as the “Company” or “we”) and its subsidiaries (together, the “Group”) are pleased to present its second Environmental, Social and Governance Report (the “ESG Report” or the “Report”) for the year ended 31 December 2020 to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“ESG”) issues.

The Board and the Risk Management Committee have overall responsibility for the Group’s ESG strategy and reporting. The Board and the Risk Management Committee are responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Group understands the importance of the ESG Report and is committed to making continuous improvements in corporate social responsibility during our course of business in order to better respond to the changing needs of the advancing society.

REPORTING PERIOD

The Report illustrates the Group’s initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

REPORTING SCOPE

This Report covers all subsidiaries of the Group in Hong Kong and Hebei Province, the People’s Republic of China (“PRC”) with core business that principally engaged in the development, manufacture and sale of oil country tubular goods (“OCTG”), other oil pipes and pipe billets. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the Report.

REPORTING BASIS

This Report is prepared in accordance with the disclosure obligations under the “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the “comply or explain” provisions contained therein. The purpose is to allow all stakeholders to learn more about the Group’s progress and development direction in respect of operation and sustainable development. Certain key performance indicator (“KPIs”), which is considered as material by the Group are disclosed during the Reporting Period, the Group will continue to optimize and improve the disclosure of KPIs.

A complete index is appended in the last chapter hereof for reading this ESG Report in accordance with the ESG Guide.

OPINIONS AND FEEDBACK FROM STAKEHOLDERS

We attach great importance to valuable opinions from all stakeholders. If you are in any doubt or have any opinion for this Report, please share your opinions and suggestions with us via E-mail at ir@dalipal.com.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

Stakeholders engagement is essential to the formulation of strategies for sustainable development. It allows the Group to understand the risks and opportunities. The Group has identified key stakeholders that are important to the Group's business and established various channels for communication. Through various communication channels, we collect stakeholders' opinions to understand their expectations for the Company's sustainable development, formulate measures to respond to stakeholders and use the opinions.

| Stakeholder | Expectation | Communication channel | Measures |
|----------------------------|---|--|---|
| Government | <ul style="list-style-type: none"> - To comply with laws - Proper tax payment - Promote regional economic development and employment | <ul style="list-style-type: none"> - On-site inspections and checks - Research and discussion through work conferences, work reports preparation and submission for approval - Public information disclosed in The Stock Exchange of Hong Kong Limited ("Stock Exchange"), such as: interim reports, annual reports, and announcements - Company website - Compliance control | <ul style="list-style-type: none"> - Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (if any), and actively undertook social responsibilities. |
| Shareholders and Investors | <ul style="list-style-type: none"> - Return on investment - Information disclosure and transparency - Protection of interests and fair treatment of shareholders - Business risk management | <ul style="list-style-type: none"> - Annual general meeting and other shareholder meetings - Public information disclosed in Stock Exchange, such as: interim reports, annual report, and announcements - Meeting with investors and analysts - Company website | <ul style="list-style-type: none"> - Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars and periodic reports in the year. - Carried out different forms of investor activities with an aim to improve investors' recognition. Disclosed company contact details on website and in reports and ensured all communication channels available and effective. |
| Employees | <ul style="list-style-type: none"> - Safeguard rights and interests of employees - Working environment - Career development opportunities - Health and safety - Self-actualization | <ul style="list-style-type: none"> - Regular meetings - Training, seminars and briefing sessions - Intranet and emails - Annual performance appraisal | <ul style="list-style-type: none"> - Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need, organized employee activities and providing trainings |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Stakeholder | Expectation | Communication channel | Measures |
|-----------------------------|--|--|--|
| Customers | <ul style="list-style-type: none"> – Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics | <ul style="list-style-type: none"> – Company website, brochures, public information disclosed in Stock Exchange, such as: interim reports, annual reports and announcements – Email and customer service hotline – Feedback and report – Regular meetings – International certification | <ul style="list-style-type: none"> – Strengthened quality management to ensure stable service quality, entered into long-term strategic cooperation agreements and obtained international certifications from professional institutions. – Applied sales management system to optimize sales process, enhance daily communication and maintain long-term cooperation with quality customers. |
| Suppliers/ Partners | <ul style="list-style-type: none"> – Long-term partnership – Honest cooperation – Fair and open – Information resources sharing for material customization – Risk reduction | <ul style="list-style-type: none"> – Business meetings, supplier conferences, phone calls and interviews – Regular meetings – Review and assessment – Tendering process – Email, circulars and manual – Company website | <ul style="list-style-type: none"> – Invited tenders publicly to select the best suppliers and contractors, performed contracts obligation according to agreements – Applied purchase system to smoothen purchase process, enhance daily communication, and maintain long-term cooperation with quality suppliers and contractors. |
| Peer /Industry associations | <ul style="list-style-type: none"> – Experience sharing – Corporations – Fair competition | <ul style="list-style-type: none"> – Industry conferences – Site visit – Publicity of standards – Trainings – Seminars | <ul style="list-style-type: none"> – Stuck to fair play, cooperated with peer to realize win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry. |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Stakeholder | Expectation | Communication channel | Measures |
|------------------------|---|--|--|
| Market regulator | <ul style="list-style-type: none"> – Compliance with the law and regulations – Information disclosures | <ul style="list-style-type: none"> – Information disclosure – Reports – Consulting | <ul style="list-style-type: none"> – Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law. |
| Public and communities | <ul style="list-style-type: none"> – Community involvement – Social responsibilities – Employment promotion – Transparent information | <ul style="list-style-type: none"> – Voluntary work – Charity and social investment – Media conference – Company website | <ul style="list-style-type: none"> – Gave priority to local people seeking jobs from the Company so as to promote community building and development; protected the communities' ecological environment and provided timely compensation and assistance. – Issued promote and accurate information |

A. ENVIRONMENTAL ASPECTS

Sustainable development is to protect our existing natural resources for future generations. As we become increasingly connected with our environment, the Group recognises our desire for clean environment and our responsibility as a corporate citizen, to demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, we are constantly striving to innovate, reduce the impact on the natural environment, and protect the climate.

The Group has established regular emission reduction policies such as: using water-based paint as substitutes of oil-based paint; reconstruction of dust removal system of the plant to reduce the dust emission, as well as carrying our greening projects to increase vegetation, aims to achieve its established targets by reducing carbon dioxide emissions, resource consumption and waste generation.

A1: EMISSIONS

Exhaust Emission

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), the Law of the People's Republic of China on Environmental Noise Pollution Prevention (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》) and other applicable environmental laws and regulations, as the Group contains the intensity and total volume of its exhaust gas and greenhouse gas emissions from daily operations within the maximum limit allowed by the state.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

The Group uses natural gas as its main fuel consumption, during the Reporting Period, the total units of natural gas consumed were approximately 28 million cubic meters, of which approximately 27.9 million cubic meters were for industrial usage and approximately 0.1 million cubic meters were for non-industrial usage. During the Reporting Period, the Group reviewed the data collection method and disclosure of KPIs and considered that the exhaust emission of the Group mainly derived from the particulate matter, sulphur oxides and nitrogen oxides caused by the main facilities during the production process. To reduce the exhaust emission, the Group adopts low nitrogen combustion technology on the combustion system, equips advanced adsorption and catalytic combustion technology on the exhausted gas treatment facilities. At the same time, the Group equips the heat treatment furnace with thickened wall and the gas treatment system to reduce the emission of nitrogen oxides, sets live monitor at the main discharge ports to ensure the discharge be within limited continuously and substitutes the out-standard vehicles with environmental-friendly vehicles to reduce the exhaust emissions.

During the Reporting Period, industrial exhaust emission of the Group, including particulate matter, sulfur dioxide and nitrogen oxides had reached the minimum emission standard of Hebei Province. The permitted discharge level for the Group by the Bureau of Ecology and Environment of Cangzhou City of particulate matter reduced from 75.8 tons per year to 56.7 tons per year, that of sulfur dioxide reduced from 18.3 tons per year to 15.3 tons per year and that of nitrogen oxides reduced from 51.8 tons per year to 48.1 tons per year. After being audited, the emission of sulphur oxides was approximately 3.3 tons, that of nitrogen oxides was 24.3 tons and that of particulate matter was 56.1 tons, all had reached the requirement.

During the Reporting Period, the Group consumed an aggregate of 82,084 litres of petrol and an aggregate of 111,145 litres of diesel for vehicles in total. The driving mileage which could be counted was 226,271 km in total (2019: 202,160 km). Due to the expiration of the vehicle rental agreements with third party and rising demand on the transportation within plant resulted from the operation of new production line, the frequency of using Group's own vehicles increased. To reduce unnecessary exhaust emissions, we encourage employees to take public transport as much as possible when visiting customers and only use Group's vehicles in special cases. Meanwhile, the Group encourages employees to take electric public transport whenever possible for external meetings or activities and reduce the use of private cars. For nearby activities, the Group encourages employees to walk instead of riding a vehicle. We also optimize the industrial procedure to reduce the frequency of transportation within plant.

Greenhouse Gas Emissions

There is consensus that human activity is causing climate change. The warming climate has significant negative impact on human health. The Group is committed to take sustainable, long-term actions to manage the carbon footprint of our own operations.

The elevated greenhouse gas (GHG) concentrations in the atmosphere has resulted in increased atmospheric heat retention and rising global average temperatures. As the largest contribution of the Group's carbon footprint came from sources such as purchased electricity, business travel, and vehicles, we continue to work on reducing travel and consolidating office space, encourage the employees to conduct conference calls or video conferences instead of face-to-face meetings in addition, we also arrange commuter vehicles for our employees to reduce indirect greenhouse gas emissions from transportation, as well as developing energy saving policies (as mentioned in the section "Use of Resources") and green purchasing policies and strength the greening project of the plant area to reduce the GHG emission by reducing energy consumption in the business operation.

This Report focuses on emissions of equivalent CO₂ emission and includes Scope 1, which are direct emissions from the stationary and mobile combustion owned by the Group and GHG removals from newly planted trees; Scope 2, which is indirect emission generated by consumption of purchased electricity by the Group and Scope 3, which is Indirect emission from air business trips by employees of the Group.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

During the Reporting Period, as the Group uses natural gas as its main fuel consumption, the Scope 1 of the emissions of equivalent CO₂ emission of the Group all derives from the fuels used by vehicles. Due to the operation of new production line, the Group purchased electricity increased approximately 4 million kWh compare with last year. Furthermore, as a result of the COVID-19 pandemic (the "Pandemic"), air business trips of employee were 78 times less than last year. With the combined effect of these reasons, the greenhouse gas emissions during the Reporting Period increased by approximately 4 million kg from approximately 372 million kg equivalent CO₂ for the year ended 31 December 2019.

During the Reporting Period, greenhouse gas emissions were as follows:

| Greenhouse Gas Emissions | |
|-------------------------------------|--|
| Type of GHG emissions | Equivalent CO₂ emission (kg) |
| Scope 1 – Direct Emissions | 205,322.23 |
| Scope 2 – Energy Indirect Emissions | 376,096,836.72 |
| Scope 3 – Other Indirect Emissions | 15,973.70 |
| Total | 376,318,132.65 |

Waste Management

With the scarcity of resources and energy, countries around the world are paying more attention to waste recycling. The Group is also aware of the importance of reducing waste to the company's development. Waste management is imperative to the well-being of staffs, the environment and in most cases your own profits.

The Group has implemented several strategies in reducing and recovering waste during its production operations. For the Group's daily operation, there are two primary waste, hazardous waste (that is dangerous or potentially harmful to our health or the environment) coming from the production process mainly involves dust ash, waste mineral oil, sludge, waste paint, paint residue, etc. and non-hazardous waste that generated during production activities, such as electric furnace slag, refining slag, scale and waste refractory.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and other relevant environmental laws and regulations and appoints a professional waste removal company to dispose and treat the hazardous waste. The professional waste removal company is qualified to collect, store, handle and dispose of wastes.

The Group is committed to reducing waste production and advocates the adoption of the following emission reduction measures:

- continue modification project of the ultra-low-emission dust removal system for bench of pipe billets
- continue modification project of the ultra-low nitrogen emission for natural gas boilers
- use clean energy natural gas as raw material for the new heating furnace and adopt low nitrogen combustion technology on the combustion system
- set up air gathering mantle and dust removal system on the relevant dust production procedures
- adopt water-based paint at spraying process
- equip advanced adsorption and catalytic combustion technology on the exhausted gas treatment facilities
- recycle the metal material

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

- strengthen the maintenance of equipment to prevent dripping and leaking
- improve the technology and use premium material to reduce furnace cinder
- use dedicated packaging bag and warehouse to store waste
- record and manage hazardous waste strictly according to the management requirements
- control the type of scrap metals to reduce the scale of light and thin materials entering the furnace to lower the dust and gas emission
- use water-based paint and reduce the numbers of waste paint and thinner buckets
- reuse the sewage after being treated in the sewage treatment system by filter, adsorption, ultrafiltration and reverse osmosis
- establish the annual plan for waste management, allocating responsibility and target and enhance monitor.

During the Reporting Period, due to the usage of new product line, the amount of waste were increased. There was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection, the wastes generated by the Group are as follows:

| Wastes | Amount of Wastes (tonnes) |
|---|----------------------------------|
| Type of Wastes Generation | |
| Hazardous waste | |
| Hazardous waste generated by production | 5,072.65 |
| Non-hazardous waste | |
| Non-hazardous waste generated by production | 37,906.31 |

A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity, water, and paper. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. During the Reporting Period, the Group has complied with relevant laws and regulations in relation to the use of energy.

The Group did not use any packaging material for its goods during the Reporting Period.

Electricity

The Group acknowledges the importance of electricity and energy saving and the fact that reducing electricity consumption will indirectly reduce greenhouse gas emissions. Therefore, the Group encourages various energy saving measures, including:

- set energy saving mode for electrical appliances where possible
- set idle automatically mode for computers
- switch off the power supplies when they are not in use
- update electric systems, such as compressed air tubes and boiler.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Energy consumption by the Group during the Reporting Period is set out below:

| Energy Consumption | |
|--|------------------------------|
| Type of energy | Energy consumed (GWh) |
| Purchased electricity for production purpose | 386.3 |
| Purchased electricity for non-production purpose | 2.2 |
| Total | 388.5 |

Water

Water is essential to our business and we have approached water management accordingly. Across our system, we are reducing the amount of water we use during the production processes. We post water saving tips in the restroom and pantry to remind staff of their water use behaviours. We also updated the cooling system of the crystallizer so that we can save 450 m³ water per day during June to September, save approximately 40 thousand m³ per year. The Group did not encounter any problems in sourcing water that is fit for purpose.

During the Reporting Period, the water consumption of the Group is as follows:

| Water Consumption | |
|----------------------------------|---------------------------------------|
| Type of water consumption | Water consumed (M³) |
| For production purpose | 640,543.0 |
| For non-production purpose | 175,778.0 |
| Total | 816,321.0 |

Paper

Reduction in paper use indirectly reduces the overall GHG emission. The Group has been taking the following steps to reduce paper consumption:

- advocate the use of email to reduce the use of paper
- use multiple office software for online work to reduce the paper usage and delivery
- reduce the use of paper by printing or photocopying on both sides of paper, where applicable
- follow the printing paper usage budget strictly, for the excess parts, need approval to reduce the paper usage
- encourage the employee to use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimise using paper.

The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

A3: THE ENVIRONMENT AND NATURAL RESOURCES

Recognising that environmental protection is an important obligation of global enterprises, the Group complies with all applicable environmental laws and regulations and make great efforts to reduce consumption of resources and energy. The Group regularly assesses its environmental risks incurred from operations, review its environmental practices and adopt necessary preventive or improvement measures. For example, equipping the heat treatment furnace with thickened wall and the gas treatment system to reduce the emission of nitrogen oxides, setting live monitor at the main discharge ports to ensure the discharge be within controlling index continuously, replacing the out-standard vehicles with environmental-friendly vehicles, optimising our technical process to save energy and reduce carbon emission, executing minimum discharge standard of Hebei Province and strengthening trainings to employee on environment and safety. The Group communicates with its suppliers and business partners to better understand their environmental policies and procure and purchase more environmental equipments. Leveraging on the policies mentioned in the sections headed "Emissions" and "Use of Resources" above, the Group will continue to implement environment-friendly practices in the Group's operation in order to enhance environmental sustainability.

A4: CLIMATE CHANGE

The Group understands that protecting the environment and minimising its adverse environmental impact from business operation are the continuing obligations of a good corporate citizen. These are carried out with the purposes of fostering the sustainable development of the Group's business and the environment. The Group regularly assesses its environmental risks incurred from operations, review its environmental practices and adopt necessary preventive or improvement measures, such as:

- optimize the production process, greatly reduce the electricity and natural gas consumption per ton of product, reduce the use of carbonaceous raw materials and use frequency conversion energy-saving equipment to effectively reduce energy consumption and reduce carbon emissions
- carry out greening works in the plant area to increase vegetation and improve the environment
- strengthen employee training, improve environmental protection awareness, encourage green travel and reduce private vehicle exhaust emissions
- provide commuter vehicles for employees, and electric shuttle bus in the plant area to reduce other vehicles exhaust emissions
- substitute the out-standard vehicles with environmental-friendly vehicles
- equip the heat treatment furnace with thickened wall and the gas treatment system to reduce the emission of nitrogen oxides
- utilize heat recycle to heat the office and living area

SOCIAL ASPECTS

B1: EMPLOYMENT

We believe that the employees are the most important and valuable assets of the Group. We put great emphasis on the protection of the legitimate rights and interests of all employees. During the Reporting Period, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any confirmed violation relating to employment that have a significant impact on the Group.

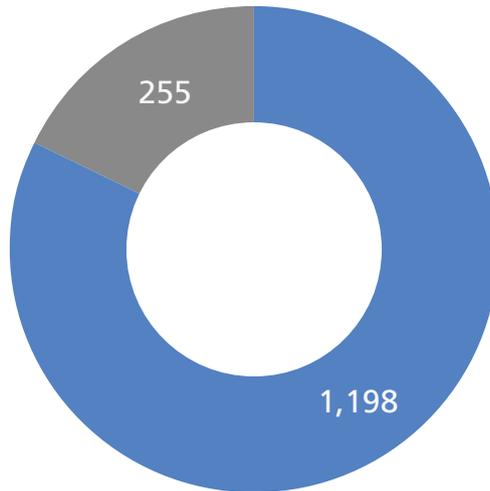
We are committed to be an ideal employer of choice and providing a healthy working environment where our employees can thrive. We have established an effective system of employment policies, including equal recruitment policy, equal promotion policy, work-life balance policy, compensation policy, remuneration and allowance policy, dismissal and retirement policy, anti-discrimination policy, diversity policy, training policy, employee welfare and benefit policy. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

As at 31 December 2020, the Group had a total of 1,453 employees (2019: 1,888), all of them are full-time employees, with the employee structure as follows:

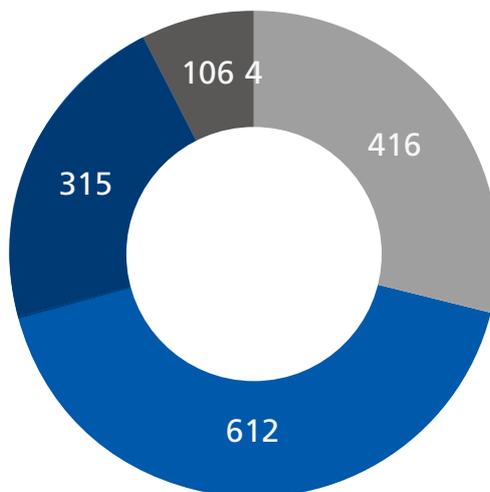
GENDER

■ Male ■ Female



AGE GROUP

■ 18-20 ■ 20-30 ■ 30-40 ■ 40-50 ■ Elder than 51



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

During the Reporting Period, the turnover rate for male is 26.02% (2019:8.74%) while it is 23.18% (2019: 1.81%) for female. The turnover rate for age group between 20-30 is 45.86% (2019: 4.7%), for 30-40 age group is 20.22% (2019:3.90%), for 40-50 age group is 14.83% (2019: 1.37%), whereas for age elder than 50 is 12.23% (2019: 0.58%). The increase in the turnover rate is the result of different calculation method for better demand analysis on the personal, which changed from employees in the specified category leaving employment divided by total number of employees to employees in the specified category leaving employment divided by number of employees in the specified category. Furthermore, due to the impact of the Pandemic and the prophylactic measures took by the government, the turnover rate also increased.

Talent Acquisition and Retention

Our staff is the cornerstone of our corporate operation and development, therefore, we have a fair and equitable talent selection system, which undergoes optimisation from time to time for talent recruitment. We have formulated annual recruitment plans and generally recruit our employees through campus recruiting and placing advertisements in the open market with reference to factors such as experience, qualifications and expertise required for our business operations. Staff are normally subject to three-month probation period starting on board. In general, our Group determines employee's remuneration based on each employee's qualifications, position and seniority and remuneration policies established by us. Our Group has designed an appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. We believe that the above arrangement can maintain good relationship with our employee.

Remuneration and Benefits

We offer reasonable and competitive salary and benefits to staff. Employees are awarded a salary adjustment and promotion based on their job performance as well as progress achievement and the results of performance appraisal. We make timely contribution to social insurances (i.e., pension, medical insurance, unemployment insurance, maternity insurance, and occupational injury insurance) and the housing fund (五險一金), mandatory provident fund and employees' compensation insurance in strict accordance with the Social Security Law of the People's Republic of China and the Labor Law of the People's Republic of China, Mandatory Provident Fund Schemes Ordinance of Hong Kong and Employees' Compensation Ordinance of Hong Kong.

We provide dormitories for our staff, also provide family dormitories for families where both spouse are our employees, which are equipped with free Wi-Fi, dormitory necessities and parcel pick up machine. Meanwhile, we also provide subsistence allowance to our staff, including meal, water and electricity subsidies. We purify seawater for staff use. We would replace and repair air-conditioners in a timely manner and gradually improve living condition at dormitory. In addition, we provide shuttle bus services for employees to commute. We also organise staff activities to facilitate interaction among them and enhance their sense of belonging regularly. During Reporting Period, we organized annual meeting, chorus competition, basketball competition, team building activities, movie watching, technical competition, the quiz and etc. Festival welfare have also been granted to staff, such as dumplings and lucky envelope for lunar new year and moon cakes for mid-autumn festival.

Equal Opportunities and Diversity

The Group is committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work or employment. Candidates and employees have equal opportunities to employment, remuneration and promotion. We will not conduct or tolerate discrimination or harassment against individuals on the basis of age, gender, race, marital status, religion healthy status or any legally protected ground or on any other ground which we consider inappropriate and unacceptable.

We also place high value on female employees' career development by ensuring that they have the same promotion opportunities as male staff. We also comply with the requirements of the Law on the Protection of Women's Rights and Interests of the People's Republic of China, which stipulates that female employees are entitled to basic salary and their employment contracts will not be released or terminated, without cause, during their pregnancy, maternity leave or breastfeeding period.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Dismissal policy

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve in spite of repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. Enough notice would be delivered to staff and hand-over procedure should be completed before leaving the Company. The dismissal procedure must be in accordance with applicable laws and regulations as well.

Staff communication

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information, the Company pay close attention and listen to our employees about their daily work condition, working environment and personal career development, and reply one by one, with a view to properly adjusting our internal resources and policies. Hot lines and email have been set up for employees to report any fraud, corruption and bribery.

B2: HEALTH AND SAFETY

The Group is committed to ensuring a sound and safe working environment for our employees to prevent injury and illness, in compliance with all relevant legislation. People are crucial to the sustainable development of our Group. We manage the safety of our staff in accordance with relevant occupational health and safety laws and regulations. During the Reporting Period, there was no non-compliance by the Group of the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. We strive for the highest standards of safety and health performance by taking into consideration of all possible precautionary measures to achieve a zero-incident working environment.

We have obtained the GB/T24001-2016 environmental management systems certificate, GB/T45001-2020 Occupational health and safety management system certificate and the Q/SY1002.1-2013 HSE system certificate by China National Petroleum Corporation. We have established a set of policies on the safety, such HSE management handbook, reward and punishment policy on production safety, responsibility management policy on production safety, risk identification and management policy on production safety and safety accident emergency plan. Staff need be trained and pass safety test before on board. We also conduct regular trainings and safety inspections to prevent any accident.

We implemented on-site noise control measures, including: use low-noise equipment, such as high power dust removal fan, water pump and etc., adopt basic vibration reduction and noise reduction measures, such as adding the muffler to dust removal exhaust, soft connection for continuous caster fan and the flue, setting cushioning material at roller and bench to reduce collision noise in the oil tube, using non-noise material bucket and at meantime, adopt sound insulation in the wall of plants to reduce the noise effect to surroundings. In addition, we configure professional earplugs for employees to minimize the impact of noise.

Meanwhile, we set up a green channel in the plant to distinguish the operation area with non-operation area. The green channel can be used as a safe passage for non-workers and outsiders as well as an escape route in emergency situations.

Following the outbreak of Pandemic in early 2020, a series of precautionary measures have been adopted by the Group according to the requirement of the government, including providing masks to staff and setting specialized wastebin to dispose masks, sterilizing the factory all over, sterilizing office and living area timely, requiring employee to sit diagonally in the dining hall to widen dining distance, security personnel are on duty 24 hours at the entrance to supervise the visitors and the employees taking shuttle bus to wear masks, show their health code, measure their body temperature and register, establish medicine observation room and purchase other precautionary material.

During the Reporting Period, we obtained the champion at the Micro Fire Station Competition hold by the Rescue Team of Cangzhou Bohai New District Fire Service.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

During the Reporting Period, there were 2 minor accidents of work-related injuries (2019: 4 minor accidents of work-related injuries), mainly attributable to improper use of machineries and equipment malfunction. No severe or lethal industrial accident was recorded by the Group. The days lost due to work injury is 214 days (2019: 270 days) in total. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

B3: DEVELOPMENT AND TRAINING

The Group recognises the importance of training for the development of our employees as well as our Group. The Group has established Monthly Training Planning to conduct periodic training to our employees regarding the requirements of their job duties. All employees must comply with the codes and policies and obtain required knowledge and techniques for their positions by passing the examinations after the trainings.

New joiners will receive induction training covering corporate culture, regulations and system, environmental health and safety training, job skills and work procedures. That helps employees to better understand the working environment. Moreover, to enhance employees' awareness and knowledge in occupational health and safety are the basis of preventing work-related incidents, the Group has implemented different safety training programmes for employees at all levels. The Group also set up corporate university and invited professional teachers for special trainings to enhance management. The Group also organized employee to attend external trainings and provide internal trainings as company policy require.

Training courses held during the Reporting Period primarily covered:

- new employee orientation
- business etiquette training
- training on company policies and procedures
- professional technical training
- production safety and relevant laws and regulations training
- training on emergency issues
- mechanical equipment operation and maintenance training
- training on quality and safety control
- training on fire safety
- training on probity and self-discipline

During the Reporting Period, the Group had 2,005 participants with 7,161 person-times of our trainings, total training hours are 465,022.02 hours. The Pandemic resulted in the decrease in the person-times of trainings since the Group wanted to reduce gathering to avoid risk. Statistics of trainings by position are as follows:

| Positions | Trained person-times | Trained employees | Trained ratios | Average training hours |
|-------------------|----------------------|-------------------|----------------|------------------------|
| Senior management | 120 | 15 | 1.68% | 102.90 |
| Middle management | 411 | 130 | 5.74% | 67.35 |
| Others | 6,630 | 1,860 | 92.58% | 122,73 |
| Total | 7,161 | 2,005 | 100.00% | 292.99 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

B4: LABOUR STANDARDS

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Employment Ordinance of Hong Kong and other relevant labour laws and regulations in Hong Kong. The Group has established the Employment Policy, prohibiting the use of child labour and forced labour. The employee should produce his/her original identity card for verification when on board and only employee with legal age could be recorded in the human resources management system. Employment contracts and other records, including all relevant details of the employees are maintained properly for verification by relevant statutory body upon request.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

B5: SUPPLY CHAIN MANAGEMENT

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. As part of our commitment to environmental protection, product quality and social responsibility, we recognised the great importance of supply chain management and formulated internal policies and guidelines and selection of external suppliers.

The Group has a stringent supplier selection process and management approach to ensure healthy and sustainable relationship with suppliers. We will take multiple selection criteria and supplier assessment into account when accessing suppliers' profile and principles, such as product quality, labour standards, environmental and quality management and ethical business conduct. We request our suppliers to use recyclable packaging material and we would check the radioactivity of the main material one by one before stock-in. We strive to cooperate only with the suppliers who share the same principles with us.

We have established comprehensive quality assurance system, every batch of material should be checked before stock-in or using. A mechanism to handle unqualified material with suppliers has been adopted as well. We also carry out regular on-site inspection and check the validity period of suppliers' qualification certificates (for example, Environment Management System Certificate, Quality Management System Certificate and Occupational Health and Safety Management System Certificate) to monitor and evaluate the performance of our suppliers. We maintain a list of approved suppliers which is updated according to our assessment of their performance on a continuous basis.

During the Reporting Period, we adopted a purchase system to enhance the communication and monitor of suppliers. The potential suppliers are requested to upload their certificates through the system. We would initiate the assessment on the potential suppliers before entering into cooperation with them. The system would request the suppliers to upload the updated certificates when they are about to expire. We also use the purchase system to conduct quotation and comparison process to choose the appropriate suppliers. Every contract with suppliers should be approved by the risk management department before signing.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Suppliers by region and type:

| Amount | Region | Main material suppliers | Supplementary material suppliers |
|--------------|----------------------------------|-------------------------|----------------------------------|
| | Tianjin | 6 | 4 |
| | Shandong Province | 3 | 10 |
| | Hebei Province | 0 | 5 |
| | Jiangsu Province | 2 | 8 |
| | Jiangxi Province | 5 | 0 |
| | Anhui Province | 0 | 2 |
| | Zhejiang Province | 0 | 1 |
| | Liaoning Province | 1 | 6 |
| | Henan Province | 3 | 8 |
| | Beijing | 0 | 3 |
| | Shanghai | 0 | 2 |
| | Hunan Province | 2 | 3 |
| | Inner Mongolia Autonomous Region | 1 | 3 |
| | Ningxia Hui Autonomous Region | 0 | 1 |
| | Jilin Province | 0 | 1 |
| Total | | 23 | 57 |

B6: PRODUCT RESPONSIBILITY*Quality assurance*

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customer and strengthen the relationship with existing customers. We have established a comprehensive quality assurance system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements.

We are pleased to listen to consumers' opinions. Customers can express their opinions by verbal form, telephone, mail, fax, visiting or other form to the Group. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly as well as feedback to client. After receiving complaint from customer, the sales department would share relevant information to quality management department, technical department, financial department and responsible senior management. The general manager would also be reported with significant complaint. The technical department would lead a handling team to conduct on-site investigation. After investigation, a proposal would be raised for approval from the senior management, while sales department is responsible to communicate with client on the proposal. During the Reporting Period, there is no products and services related complaints received and there is no product recall for health and safety problems. We have been granted as the Premium Brand of Hubei (河北優品牌) by the Association of Trademark and Brand of Hubei Province (河北商標品牌協會), the Quality Benchmark of Industrial Enterprises of Hubei Province (河北省工業企業質量標桿) by the Department of Industrial and Information Technology of Hubei Province (河北省工業和信息化廳).

Product Responsibility

Ensuring customer satisfaction with our products and services is a priority for the Group. We place importance on the quality standard of our products and services to achieve sustainable growth of our business. We are committed to ensure compliance with the laws and regulations relating to product health and safety, labelling and privacy matters including the Product Quality Law of the PRC and the Hong Kong Personal Data (Privacy) Ordinance. Policies about product quality and safety as well as compliance with laws and regulations have been clearly stated to the employees and suppliers. During the Reporting Period, we had no violation record on relevant laws and regulations that have a significant impact on the Group relating to product responsibility issues.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Privacy Protection

The Group takes privacy issues of our customers, internal employees, data, and external partners and suppliers very seriously. We have established confidentiality guidelines in order to demonstrate our firm commitment to privacy issue. The customers' information should not be revealed to anyone other than staff who are in the normal course of conducting duties and responsibilities. Disclosure of customers' confidential information to unauthorised personnel is prohibited and could result in disciplinary action, up to and including termination of employment.

Intellectual Property Rights

The Group strives to safeguard and protect intellectual property rights. We have established intellectual property rights management policy. We have passed the certification of intellectual property management system and currently implement GB/T29490-2013 standard. Relevant program files have been developed in the system to ensure the effective operation of the system and ensure the protection of intellectual property of our products without infringing the intellectual property of others. The intellectual property rights protection term has also been added in the contracts to make sure counterparties of the contracts are in the same practice on protect the intellectual property rights. During Reporting Period, we have been awarded the title of Intellectual Property Rights Advanced Enterprise of Hebei Province (河北省知識產權優勢企業) by the Hebei Administration for Market Regulation (河北省市場監督管理局).

B7: ANTI-CORRUPTION

Our Group believes the integrity and commitment of our employees are our critical factors to success. The Group has implemented "Anti-fraud, Anti-Corruption and Anti-Commercial Bribery Management Policy" with its formulation of Anti-business Corruption Regulation based on the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations to set out our commitment to preventing all forms of corrupt practices. Employees are required and have the responsibility to conduct themselves with integrity in an ethical and proper manner. Payments or acceptance of any kickbacks from external parties is strictly prohibited. The Group takes disciplinary action to combat against any violation of the Group's regulation. We also have the same expectations for our suppliers and other business partners.

Employees in sensitive positions such as purchasing positions, quality inspection positions, and sales positions shall enter into "Promise of integrity and self-discipline for employees". "Probity Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection. We have posted a hotline on our company website and the purchase system for whistle-blowing. Suppliers can also report bribery to us by complaint on our purchase system with message.

Employees in sensitive positions should be trained on anti-corruption at least quarterly, other employees and departments should be trained or organize training at least annually to promote the awareness of integrity. We also emphasis integrity and anti-corruption to Communist Party members at Communist Party meeting. We will continue to fight corruption and bribery to eliminate dishonest act in business.

The Group endeavours to prevent any non-compliance to relevant laws. To enhance corporate governance, the Group sets up Audit Committee and engages external lawyers and auditors to review and provide opinions on the company's financial report and other compliance issues. Besides complying with the requirement to the corporate governance of listing companies enforced by the Stock Exchange, we constantly review the effectiveness of our internal control measures to enhance governance level.

Whistle-blowing policy

The Group sets up report channel to encourage employees, suppliers and clients to raise concerns about suspected misconduct, malpractice or irregularities in confidence. All reported cases are promptly and thoroughly investigated by the Group's internal audit department and reported to the Audit Committee and the Board while the confidentiality is respected in order to protect individuals. If there is sufficient evidence to suggest that a case of possible corruption exists, the case will be reported to the relevant local authorities.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

B8: COMMUNITY INVESTMENT

Our Group believes in the concept of giving back to the community, as contributing to society is one of the Group's sustainable development strategies. We are committed to creating employment opportunities for local people and promoting the economic development of the community. We believe that through community investment, a socially responsible corporate culture and practice can be nurtured in the Group. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

During the Reporting Period, the Group had donated 30,000 masks to Bohai New District, Gaoxin District and Economic Development Bureau of Xinhua District of Hubei Province respectively, 400 masks to Chinese business organization on America and RMB11,625 to 中共華北石油管理局有限公司華美綜合服務處 to support the control of the Pandemic. The Group encourages employees to participate in donation activities to make contribution to the society and help employee with economic difficulty, RMB41,620 for public welfare has been donated to Labour Union of Bohai New District and RMB179,387.73 to our employee with economic difficulty. We value the national security and organized education and publicity activities. During the Reporting Period, approximately 40 employees participated in the tree planting activity with approximately 450 trees have been planted. Looking forward, the Group will continue to take part in other activities to give back to society and help the needy, including organising activities and joining those held by other organisations.

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

| Subject areas, aspects, general disclosures and KPIs | | Section | Page |
|--|---|---------------------------------------|-------|
| Environmental | | | |
| A1: Emissions | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | "Emissions" | 41-44 |
| KPI A1.1 | The types of emissions and respective emissions data. | "Emissions" | 42 |
| 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). | "Emissions" | 43 |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | "Emissions" | 44 |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | "Emissions" | 44 |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | "Emissions" and "Use of Resources" | 41-43 |
| 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. | "Emissions" | 43-44 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Subject areas, aspects, general disclosures and KPIs | | Section | Page |
|--|--|---|-------|
| A2: Use of Resources | | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | "Use of Resources" | 44-45 |
| 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). | "Use of Resources" | 45 |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | "Use of Resources" | 45 |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | "Use of Resources" | 44-45 |
| 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. | "Use of Resources" | 45 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | "Use of Resources" | 44 |
| A3: The Environment and Natural Resources | | | |
| General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources. | "The Environment and Natural Resources" | 46 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | "Emissions" and "Use of Resources" | 41-46 |
| A4: Climate Change (Note 1) | | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | "Climate Change" | 46 |
| 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. | "Climate Change" | 46 |
| Social (Note 2) | | | |
| Employment and Labour Practices | | | |
| 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. | "Employment" | 46-49 |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | "Employment" | 47 |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | "Employment" | 48 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Subject areas, aspects, general disclosures and KPIs | | Section | Page |
|--|---|----------------------------|-------|
| B2: Health and Safety | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards. | "Health and Safety" | 49-50 |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | "Health and Safety" | 50 |
| KPI B2.2 | Lost days due to work injury. | "Health and Safety" | 50 |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | "Health and Safety" | 49 |
| B3: Development and Training | | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | "Development and Training" | 50 |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | "Development and Training" | 50 |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | "Development and Training" | 50 |
| B4: Labour Standards | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labour. | "Labour Standards" | 51 |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | "Labour Standards" | 51 |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | "Labour Standards" | 51 |
| Operating Practices | | | |
| B5: Supply Chain Management | | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | "Supply Chain Management" | 51-52 |
| KPI B5.1 | Number of suppliers by geographical region. | "Supply Chain Management" | 52 |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | "Supply Chain Management" | 51 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Subject areas, aspects, general disclosures and KPIs | | Section | Page |
|--|--|---------------------------|-------|
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, how they are implemented and monitored. | "Supply Chain Management" | 51 |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored. | "Supply Chain Management" | 51 |
| B6: Product Responsibility | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. | "Product Responsibility" | 52-53 |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | "Product Responsibility" | 52 |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | "Product Responsibility" | 52 |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | "Product Responsibility" | 53 |
| KPI B6.4 | Description of quality assurance process and recall procedures. | "Product Responsibility" | 52 |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | "Product Responsibility" | 53 |
| B7: Anti-corruption | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering. | "Anti-Corruption" | 53 |
| 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. | "Anti-Corruption" | 53 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | "Anti-Corruption" | 53 |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | "Anti-Corruption" | 53 |

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

| Subject areas, aspects, general disclosures and KPIs | | Section | Page |
|--|--|------------------------|------|
| Community | | | |
| 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. | "Community Investment" | 54 |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | "Community Investment" | 54 |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | "Community Investment" | 54 |

Notes:

1. Pursuant to Consultation Conclusions: Review of The Environmental, Social And Governance Reporting Guide and Related Listing Rules, this section is required to implement for financial year commencing on or after 1 July 2020 only.
2. Pursuant to Appendix 27 of the Listing Rules, KPIs in this section are recommended disclosures only.



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