

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098.HK

WHOLESALE MARKET

INDUSTRIAL E-COM

SUPPLY CHAIN FINANCE

WAREHOUSE

DIGITAL CLOUD SERVICES

LIVE STREAMING

LOGISTICS

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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About the Report

This Report is the Environmental, Social and Governance (“ESG”) Report (the “Report”) of Zall Smart Commerce Group Ltd. (the “Company” and its subsidiaries collectively, “Zall Smart Commerce Group”, “we” or the “Group”) for the period from 1 January 2022 to 31 December 2022 (the “Reporting Period” or the “Year” or “FY2022”) to demonstrate the Group’s policies, measures and performance on environmental, social and governance (“ESG”) during the Reporting Period.

REPORTING PERIOD

This Report describes the Group’s overall environmental and social performance for the period from 1 January 2022 to 31 December 2022.

BUSINESS PROFILE AND SCOPE OF THE REPORT

Striving to become the world’s leading digital trading platform, Zall Smart Commerce Group has fully launched the Internet-based transformation to coordinated development between online and offline operations since 2015, gradually shifting from a leading commercial logistics player to the constructor and operator of a global B2B intelligent trading platform. With the development of digital technologies, digital trade and digital economy, the Group taps into the “New Mode of Trading” and leverages digital technologies such as big data, artificial intelligence and blockchain to construct the “B2B trading service + supply chain service + digital technology cloud service” system with a view to facilitating enterprises’ cost reduction and efficiency improvement, and further boost the synergy of, among others, transaction, warehousing, logistics and capital efficiency. At present, B2B trading platforms for consumer goods, agricultural products, chemicals/plastics, steel, and cross-border trade have been built and put into operations to provide one-stop service covering property, warehousing, logistics, finance and supply chain management.

During the Reporting Period, the Group continued to construct the “B2B trading service + supply chain service + digital technology cloud service” system and step up investment in research and development of digital technologies including blockchain, artificial intelligence and IoT. The Group’s research institutions, led by Zall Smart Commerce Research Institute, was granted a total of 457 intellectual property rights as of 2022.

On the back of its strong research and development capability in technology and industry presence in fields including agriculture, steel, chemicals and plastics, Zall Smart Commerce Group continued to apply digital technologies in the mall scenario to facilitate the organic integration of information flow, logistics and capital flow across platforms, connecting the links between various parts of the whole supply chain, so as to help traditional enterprises shrug off the impact of the pandemic, empower the digital transformation of micro, small and medium enterprises (SMEs) in the industry and in turn achieve digital and smart trading.

As the Group is mainly engaged in supply chain management and trade business, of which revenue from Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司) (“Shenzhen Sinoagri”), HSH International Inc. (“HSH”) and Shanghai Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) (“Zall Steel”) accounted for approximately 79% of the total revenue recorded by the Group for the year ended 31 December 2022, and revenue by business nature can directly reflect the operation scale and corresponding environmental, social and governance risks, we will focus on the disclosure of ESG data of Shenzhen Sinoagri, HSH and Zall Steel. The Group is committed to continuously adjusting the reporting framework and disclosure principles to gradually cover the general disclosure and key performance indicators at different aspects in various environmental and social scopes in the new amendments to the ESG Guide.

About the Report (continued)

Any discrepancy in the scope and boundary of specific content has been set out in the relevant parts of the Report. Revenue distribution of the Group for the Year is set out below:

Subsidiaries of Zall Smart Commerce Group	Business	Percentage contribution to total Group revenue
Shenzhen Sinoagri	Agricultural products	39%
HSH	Chemicals/plastics	20%
Zall Steel	Black metals	20%
Others		21%
Total		100%

REPORTING PRINCIPLES

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board (the “Main Board Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Group has complied with all the “comply or explain” requirements set out in the ESG Guide. We also prepare the Report in strict accordance with the following four reporting principles set out in the ESG Guide:

- Materiality:** We continuously collect opinions from stakeholders and determine the ESG issues to be covered and key points to be reported in the Report based on the results of materiality assessment, so as to provide important and meaningful information for stakeholders.
- Quantitative:** We measured the key performance indicators with reference to the principles listed in the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including collecting environmental and social data from various departments, verifying documents, calculating and disclosing data, and finally submitting the Report to the Board for review after being verified by the management. Please refer to the relevant sections in the Report for the standards, methods and assumptions (if applicable) used in calculating all performance data.
- Balance:** The Report truthfully discloses the ESG information of the Group to provide an unbiased picture of our ESG performance during the Year.
- Consistency:** We followed the same data statistics and conversion methodologies as adopted in previous years. Relevant data of the previous year have been disclosed in the Report, which enables stakeholders to have a clearer understanding and meaningful comparison of the Group’s ESG performance.

The final chapter of this Report has complete index of contents for quick reference. This Report is prepared in both Chinese and English. If there is any contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Statement of the Board

Zall Smart Commerce Group Ltd. (the “Company” and its subsidiaries collectively, the “Group” or “we”) is pleased to present the Environmental, Social and Governance Report for the FY2022. We have set business sustainability as our primary long-term development goal, and incorporated climate change-related issues and ESG elements into our long-term business strategy planning. Assuming the most important leadership role in the Group, the Board is responsible for formulating the Group’s overall sustainable development strategies, leading and monitoring the Group’s sustainable development performance, providing guidance to the management on relevant strategies, and assuming responsibility for the Group’s environmental, social and governance matters.

As a responsible corporate citizen, the Group has clearly specified its short-term and long-term sustainable development vision and goals to continue with emission reduction in line with the requirements set out by local governments. Targets and strategies have been set to incorporate sustainability factors into the Group’s strategic planning, business models and other decision-making processes. The Board regularly monitors and reviews the effectiveness of the management approach, including reviewing the Group’s ESG performance to adjust the action plans. Since the effective implementation of ESG policies depends on the cooperation of different departments, we have established an inter-departmental risk management committee to take on responsibility for coordinating different departments to promote cooperation with the aim of delivering consistent performance that meets the expectations of stakeholders and to work together for the sustainable development goals. For details, please refer to the section headed “Environmental, Social and Governance Management Structure”. The Group strives to ensure that appropriate and effective risk management and internal control systems are in place to monitor the identification and assessment of ESG and climate change-related risks and opportunities and address the challenges and impacts in the new generation.

Given the world’s transition to a low-carbon economy, we have been identifying its risks and opportunities, and accelerating transformation and development since 2015. By formulating the sustainable development strategy, the Group upgrades to an online commodity trading platform in the hope of effectively improving resource allocation in the market, and uses the online trading model to change trading habits, reduce environmental impact and increase resource utilization efficiency, thus maximizing the value created for the society and other stakeholders.

The platform business of the Group also continued to broaden the application of digital technology. For instance, Zall Steel had enhanced its multi-dimensional and comprehensive smart warehousing and logistics system, which not only strengthened operation and management capability in warehousing and distribution, but also reduced traditional data transmission by paper to support the green development of the industry. For epidemic prevention and control, Shenzhen Sinoagri established exclusive areas in its online mall for anti-epidemic supplies assurance and distribution by using digital technology, and offered quality and diverse digital services to upstream and downstream players in the agricultural industry by relying on Internet technology. HSH adopted a digital smart supply chain system to avoid areas subject to prevention and control measures when matching warehouses and logistics, thus overcoming the difficulties in supply and delivery.

In view of the influence of its intensive efforts in developing digital trading over the years, business ethnics of undertaking social responsibility for public causes and achievements in promoting the digital transformation of traditional enterprises, Zall Smart received wide recognition from the market (including the capital market), the media and the public at large as well as various accolades and awards. It was named as a National Supply Chain Innovation and Application Demonstration Enterprise in 2022 by eight units including the Ministry of Commerce, ranked among the “Fortune China Top 500 List” in 2022 and received the “Industrial Internet KiloPeaks Award — Double Hundred Billion Award” and other awards.

Firmly holding onto its ideals and determined to innovate, Zall Smart will continue to step up research and development as well as application of digital technology, help enterprises further reduce costs and boost efficiency, and strengthen its capability in boosting the synergy of trading, warehousing, logistics and capital efficiency. Meanwhile, focusing on the vision of becoming a globally leading digital trading platform, we will continue to strengthen the digital, smart and international supply chain service capability of our digital trading and service platforms, persevere in intensive development of the industry and continue to expand the penetration and application of digital supply chains in the industry, so that we can truly make transactions smooth and simple.

Looking ahead, the Board will continue to review and monitor the Group’s ESG performance and provide stakeholders with material ESG information that is reliable, consistent and comparable, so as to contribute to a better environment.

Environmental, Social and Governance Management Structure

RESPONSIBILITY OF THE BOARD

Sustainable development is an important part of the vision, mission and core values of Zall Smart Commerce Group, and is given high priority by the Group's Board. The Board is fully responsible for the Group's sustainable operations, and for overseeing, directly managing and monitoring the Group's ESG issues and their progress.

The Board formulates the overall environmental, social and governance management framework and delegates the governance and execution powers to the senior management of the Group and various departments. The management then implements these environmental, social and governance elements into daily operations based on the Group's environmental, social and governance concepts. The management is also required to identify and assess risks and opportunities concerning environmental, social and governance issues relating to the operation of its functions and report the same to the Board.

To manage the Group's internal risks in a more systematic manner, we have established the risk management committee comprising certain board members, the risk management and monitoring team, as well as the legal affairs department to provide guidance on identifying, evaluating and managing major environmental, social and governance risks. Through this mechanism, we ensure that our operations' risks are minimised and properly handled. The audit committee under the Board assesses overall risks for the Group at its annual meeting and ensures that an appropriate and effective internal control system is in place to manage them. For details, please refer to the Corporate Governance Report of the Group. The Board also reviews and approves the disclosures in the Group's ESG Report to ensure that an accurate, timely and comprehensive view of its environmental, social and governance performance is provided.

RISK MANAGEMENT COMMITTEE

The Group's risk management committee is responsible for coordinating and handling all risk-related works, including environmental, social and governance risk management matters. The main functions and responsibilities of the risk management committee are:

- Overseeing the cultivation of a corporate risk management culture;
- Formulating risk management strategies;
- Reviewing and approving the plan to establish a risk management organisation and its responsibilities;
- Reviewing and approving the Group's risk management system and risk control process;
- Supervising senior management's implementation of comprehensive risk management;
- Reviewing and approving the comprehensive risk management report;
- Reviewing and approving the disclosure of comprehensive and significant risks;
- Reviewing and approving risk assessment reports for major decision-making and major events, as well as the operational mechanism and criteria for determination of key business processes; and
- Other responsibilities relating to risk management that should be undertaken by the Group's risk management committee.

Environmental, Social and Governance Management Structure (continued)

The risk management committee holds regular meetings to report to the Board on the Group's performance and the latest developments of environmental, social and governance risks, as well as discuss how to review and optimise current environmental, social and governance management policies. The chairman of the risk management committee also convenes unscheduled meetings as necessary to ensure the timely and effective correction of environmental, social and governance issues and risks.

During the Year, the Group continued to deepen the construction of risk management system for each business platform, including strengthening risk management culture and unifying, reviewing and improving risk management rules and regulations for the business platforms, assigning dedicated personnel for risk management and clarifying their job responsibilities, and strengthening the Group's mechanism for collection and reporting of risk management information to enhance the Group's ability to predict and address risks.

GROUP LEGAL AFFAIRS DEPARTMENT

The Group takes corporate compliance seriously, and has set up a legal risk prevention mechanism. For business compliance, we have developed a legal risk accountability system which is led by the management and implemented by the legal affairs department, to seek professional advice from legal counsels, and engages all employees. The legal functional department of the Group was separated from the secondary legal affairs department under the risk control department in 2019 into an independent legal compliance department, which further demonstrated the importance attached by the Group to legal compliance affairs. The legal compliance department comprises employees with a legal background to monitor the Group's compliance function and status. Its major responsibilities include:

- Drafting, reviewing and revising the Group's contract templates and legal documents (including but not limited to contracts, agreements, official letters, etc.);
- Identifying legal risks in business (including potential environmental, social and governance related legal risks);
- Providing legal advice and guidance as necessary to the Group's management, functional departments, subsidiaries and investees;
- Participating in the legal due diligence of the Group's external investment and M&A activities; and
- Liaising with and managing external lawyers and assisting external lawyers in legal proceedings.

The daily compliance management process of business departments mainly includes:

- All business contracts and agreements of business departments are required to be reviewed and approved by the relevant legal compliance department to reduce the contract performance risks;
- The legal affairs department organises training on laws and regulations to enhance the compliance awareness of business departments;
- The legal affairs staff provide legal consultation and guidance on business, contact with external legal professional institutions, and support business development; and
- The Group's risk control department conducts compliance checks on all departments, while the internal audit centre regularly audits the Group's subsidiaries and proposes specific improvement suggestions, and subsequently supervises the improvement performance.

Environmental, Social and Governance Management Structure (continued)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONCEPTS AND VISION

CONNECTING GLOBAL BUSINESS INTELLIGENTLY AND CREATING VALUE FOR CLIENTS

Committed to becoming the world's leading digital trading platform, Zall Smart Commerce Group taps into the "New Mode of Trading" and leverages digital technologies such as big data, artificial intelligence and blockchain to construct the "B2B trading service + supply chain service + digital technology cloud service" system, with a view to facilitate enterprises on cost reduction, increase efficiency, and further boost the synergy of, among others, transaction efficiency, warehousing, logistics and capital efficiency. We transform and upgrade traditional industries through core technologies and innovative models, make continuous efforts to promote infiltration of digital resources into each component of the industrial chain through multiple forms, and bridge the gap between the demand side and the supply side to achieve the upgrade from over-reliance on the demand side to attaching equal importance to demand increase and supply efficiency improvement, so as to release more value in the industrial chain. It aims to enhance smart operation for enterprises leveraging intelligent approaches, thereby improving business efficiency, changing the value chain of each industry and ultimately helping enterprises and SMEs in China and around the world to reduce transaction costs, arriving at the best solutions to their procurement, distribution, payment, and logistical needs.

Under its sustainable development strategy, the Group hopes to effectively improve resource allocation in the market and change trading habits with the online trading by upgrading to online trading platforms, thereby reducing its environmental impact and increasing the efficiency of resources utilisation and maximising its value to the society and other stakeholders.

The Group hopes to lead the merchandise trading industry towards sustainable development and operation, making transactions smooth and simple through our global intelligent trading platforms (i.e. "Connecting global business intelligently and creating value for clients").

Sustainable Development Policy

DIGITAL TRADING PLATFORM

Zall Smart Commerce Group launched business operations in the industrial real estate field that subsequently changed to industrial commercial wholesale, and has risen to be one of the largest operators of consumer goods trading market in China. Commencing from 2015, we committed ourselves to the industrial Internet sector and strived for coordinated development between online and offline operations instead of mere offline operation, gradually shifting from a leading commercial logistics player to the constructor and operator of a global B2B intelligent trading platform. In future, Zall Smart Commerce Group will tap into the “New Mode of Trading” and leverage such digital technologies as big data, artificial intelligence and blockchain to construct the “B2B trading service + supply chain service + digital technology cloud service” system with respect to its core business, continue to uphold the operation concept of “connecting global business intelligently and creating value for clients”, fulfil the mission of “making transactions smooth and simple”, committed to becoming a creator of new trading methods.

SUPPLY CHAIN MANAGEMENT

The Group has been improving its supply chain management, including standardising management elements, conducting risk assessment, establishing evaluation and access mechanisms for suppliers, and supervising other aspects of the product lifecycle, such as warehousing and logistics. In addition to improving basic supply chains, we also noticed the impact of the supply chain on the overall sustainable development process, including carbon emissions, material selection, employee rights and interests of the suppliers, etc. along the supply chain. Therefore, we will dedicate ourselves to introducing more sustainable development elements to the current supply chain management framework through research, and further strengthen and improve the supervision and transparency of the supply chain, in a bid to enhance the management effectiveness. Details are described in the section headed “Sustainable Supply Chain Management” of this Report.

CLIMATE CHANGE

Climate change not only exerts a visible impact on the environment and ecology, but also changes the mode of social operation and business management. According to the report released by the United Nations Intergovernmental Panel on Climate Change (IPCC) in 2018, we must work together to reduce carbon emissions by 45% by 2030 and achieve net zero carbon emissions (carbon neutrality) by 2050, in order to prevent serious disasters caused by climate change. As the leader of the supply chain industry undertaking the mission of becoming an industry model, we will closely control the impact of business operations on the environment, and continue to conduct research on climate change solutions to facilitate transforming crisis to opportunities. Details of the Group’s climate change related issues are described in the section headed “Climate Change-Related Issues” of this Report.

SOCIAL INVESTMENT

Following the principle of “from society, to society”, the Group has been actively engaging in various charitable undertakings and offering help to those in need in the society leveraging the resources of the Group, aiming to improve and enhance overall social well-being. In addition, to address the financing difficulties of numerous SMEs in the wake of the COVID-19, platforms under the Group resolutely joined hands with an array of financial institutions to launch supply chain financial service, such as the “Zhongnong Huizhubao” of Shenzhen Sinoagri and the “Factory Loan” of HSH, which allowed full-process online operation and provided capital to relieve the impact of the COVID-19 pandemic on their business operations.

CORPORATE GOVERNANCE

The Group always maintains high-standard corporate governance principles and operates in a clean and honest manner to ensure compliance and legality. The Group also strictly follows national policies and initiatives on sustainability, formulates its green development strategy, seeks energy conservation, pollution reduction and energy efficiency improvement in day-to-day operations, and incorporates environmental protection into its values and corporate culture. In terms of business operations, we care for our employees and strive to create a safe, equal and inclusive workplace for employees to give full play to their strengths, while maintaining good relations with business partners. Looking ahead, the Group will continue to improve its industrial chain ecosystem, in a drive to create greater value for the environment, society and stakeholders.

Stakeholder Engagement

Stakeholder participation is vital to the Group's achievement of sustainable development. As such, the Group has established a variety of channels to maintain continuous communication with its various departments and external stakeholders, and to gain a full understanding of its business operations' impact on stakeholders and the community's expectations in regard to environmental, social and governance matters.

Through regular communications, surveys, community activities and other means, the Group is apprised of business risks, opportunities and scope for improvement, which helps it to meet the needs of stakeholders. The Group categorises key stakeholders into six groups, and lists below the methods to communicate with them:

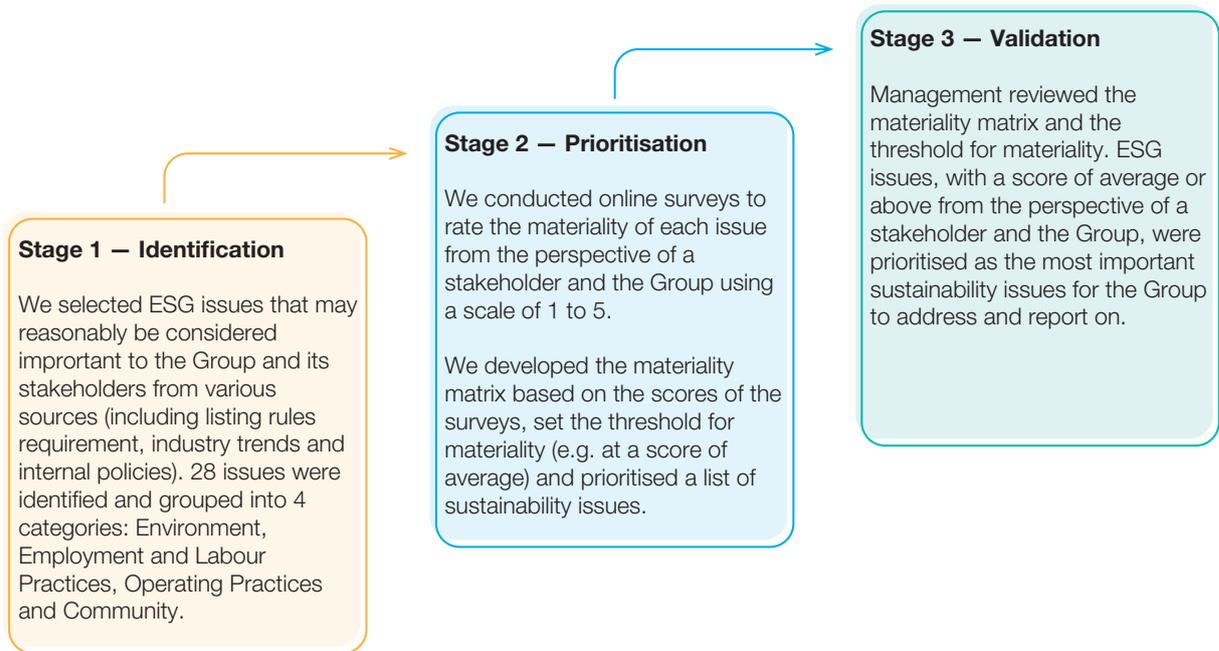
Stakeholders	Significance of stakeholders	Communication channels
 Investors and shareholders	<ul style="list-style-type: none"> Respond to the expectations of investors and shareholders; pursue and create long-term and stable financial returns 	<ul style="list-style-type: none"> Company annual general meetings Annual reports, interim reports, environmental, social and governance reports and other publicly available information Press releases and announcements Investor relations website
 Employees	<ul style="list-style-type: none"> As employees are the most valuable assets of the Company, we pay close attention to the sustainable development issues of concern to the employees 	<ul style="list-style-type: none"> Internal emails and publications Group website and social media Meetings Job performance assessment Networking activities
 Customers	<ul style="list-style-type: none"> Meeting the sustainable development expectations of customers may consolidate the cooperative relationship and achieve long-term win-win results 	<ul style="list-style-type: none"> Group website Customer service hotline Customer questionnaire survey Interviews and meetings
 Suppliers	<ul style="list-style-type: none"> As the performance of suppliers has a great impact on the overall sustainable development performance of the Group, we must work together with suppliers and business partners on important issues 	<ul style="list-style-type: none"> Annual and interim reports Business meetings Audit and evaluation Field trips Environmental, social and governance report
 Government and regulatory authorities	<ul style="list-style-type: none"> As a responsible enterprise, we pay close attention to the policies and regulations of the government and regulatory authorities, and maintain close contact with relevant authorities 	<ul style="list-style-type: none"> Government regulations and websites Government public consultation Email communication with regulatory authorities
 Community organisations, media and public	<ul style="list-style-type: none"> We pay attention to the voices in the community, and hope to improve people's quality of life through the Group's business activities and community investment 	<ul style="list-style-type: none"> Group website and social media Press releases Corporate social responsibility activities

Stakeholder Engagement (continued)

MATERIALITY ASSESSMENT

In preparing this Report, the Group directly engaged with the following stakeholder groups as part of the materiality assessment process to identify and prioritise the issues to be covered in this Report that have a significant impact on the business and stakeholders of the Group.

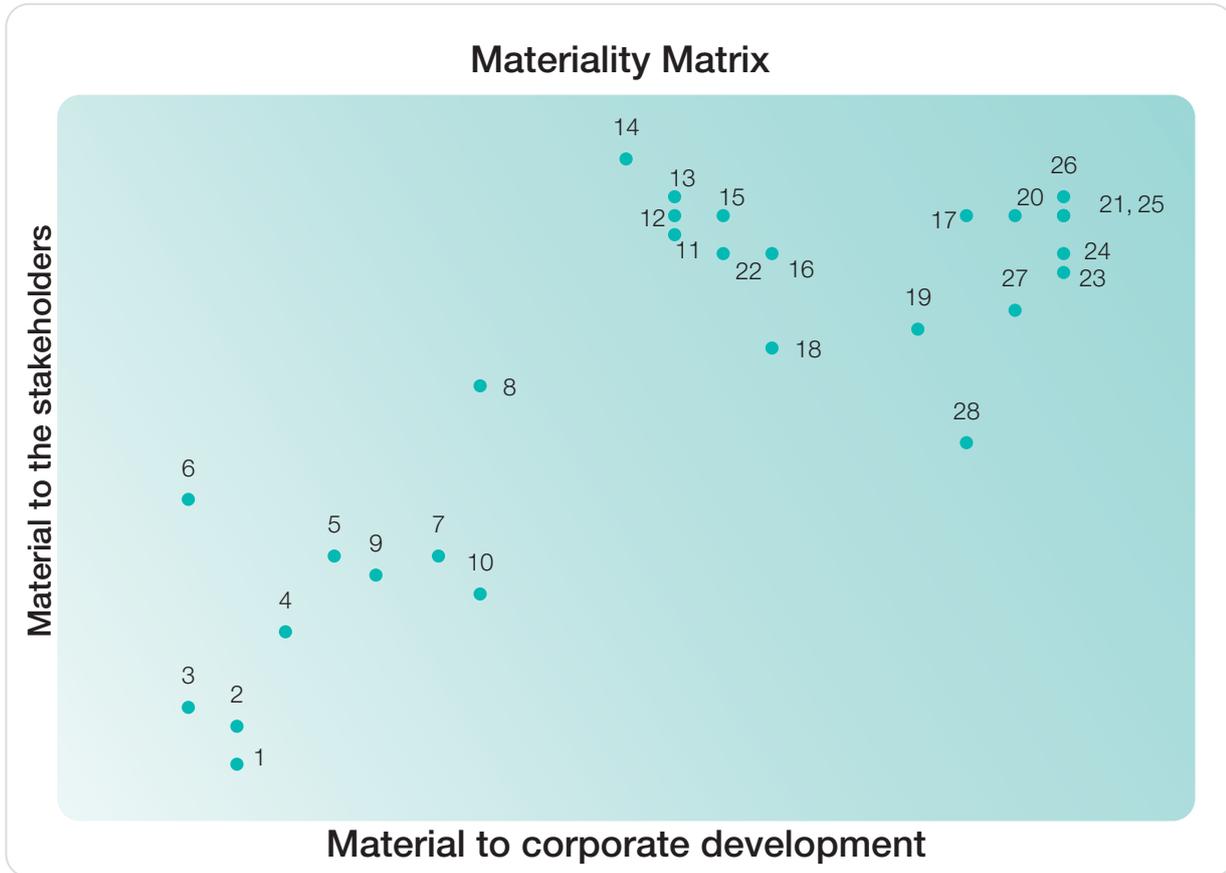
PROCESS



Stakeholder Engagement (continued)

MATERIALITY MATRIX

Based on the materiality matrix, the Board believes the most pertinent sustainability issues which are material to both the Group and stakeholders include the following:



Stakeholder Engagement (continued)

In 2022, the identified important issues are as follows:

Highly important issues

- 11 Employment practices
- 12 Employee diversity and equal opportunities
- 13 Anti-discrimination
- 15 Staff development and training
- 16 Prevention of child labour or forced labour
- 17 Responsible supply chain management
- 18 Environmental friendliness on procured products and services
- 19 Compliance with marketing, product and service labelling regulations
- 20 Customer privacy and data confidentiality
- 21 Customer satisfaction
- 22 Intellectual property
- 23 Service/product safety
- 24 Service/product quality
- 25 Business ethics
- 26 Anti-corruption training for management and staff
- 27 Contributions to the community

Moderately important issues

- 14 Staff occupational health and safety
- 28 Communication and connection with local community

Less important issues

- 1 Air emissions
 - 2 Greenhouse gas emissions
 - 3 Effluents management
 - 4 Waste management
 - 5 Energy efficiency
 - 6 Water use efficiency
 - 7 Use of raw materials and packaging materials
 - 8 Environmental compliance
 - 9 Land use, pollution and restoration
 - 10 Climate change
-

Environmental Aspect

ENVIRONMENTAL PROTECTION

Environmental protection has become the new mainstream of global government regulation and market development. China is currently striding towards sustainable and balanced development. According to President Xi Jinping's speech at the Climate Ambition Summit, China will increase its nationally determined contributions, adopt more powerful policies and measures, and strive to achieve the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060.

The Group profoundly understands its social responsibilities as a listed company and contributes to the country's green development in line with the direction of national development. To this end, we have set clear targets to reduce all emissions (including air pollutants, greenhouse gases, hazardous and non-hazardous waste and sewage), energy use (including electricity and heat) and resource consumption (including water consumption and paper usage) by 3% before 2026 compared with figures of this year. Green development for Zall Smart Commerce Group is by no means "empty talk". We need to balance economic, environmental and social needs to ensure sustainable development. Through the joint efforts of the Group, customers and stakeholders, we hope to develop and implement sustainable solutions that meet the needs of society, integrate economic growth with sustainable resource consumption, and achieve a "win-win" balance between the development and environment.

GREEN OFFICE

In accordance with relevant laws, regulations and requirements, the Group has formulated a 7S Management System (《7S管理制度》) during the Reporting Period to guide its efforts to manage and conserve resources with Sort, Straighten, Sweep, Sanitary, Sentiment, Safety and Save as the principles.

Environmental Aspect (continued)

The Group's major green office and energy conservation measures are described below:

Saving electricity

- Switch off computers, printers, photocopiers and other office equipment immediately after work to reduce standby time.
- The air conditioning shall be set at not lower than 26°C in summer and the indoor heating shall be set at not higher than 20°C in winter.
- Minimise use of artificial lighting during daytime, or in vacant office spaces. Lighting shall be switched off in sunny day, when fewer employees are in office or at the end of the workday. Desks should be positioned to maximise exposure to natural light.
- Obsolete high power consumption equipment in favour of new energy-saving technologies and equipment. Adopt new and energy efficient technologies and products for infrastructure construction and equipment upgrading.
- Use central air-conditioning control system in the office; the administrative department sets upper and lower limits of air-conditioning temperature according to weather conditions.

Saving paper

- Proactively promote office automation and networking and advocate the revision of manuscripts through electronic media to reduce paper consumption.
- Advocate double-sided printing which is the default for printing of all computer files to save paper.
- The printing room is equipped with a recycling box to collect single-sided printed paper for secondary printing of non-important documents.
- Simplify documents. Matters for which there is no need to issue printed documents should be handled through meetings if possible. When printed documents are needed, the printing quantity shall be accurately calculated to avoid excess printing.

Saving administrative resources

- Each department makes monthly applications in advance for office supply procurement and sets targets for reasonable use of office supplies.
- Strictly implement reception standards, control the scale of official activities, stress simplicity, frugality and efficiency, and strive to reduce administrative costs.
- Strengthen management of equipment; promote sharing of high-quality resources.
- The person who is the last to leave work must ensure that non-essential lighting facilities and electronic equipment in the office area are turned off.

Environmental protection and waste reduction

- Eliminate waste of water resources and strengthen the daily inspection, maintenance and management of water equipment.
- Set up dry and wet garbage bins in offices according to the national garbage classification policy.
- Use cloth bags and environment-friendly bags instead of plastic bags in response to the plastic restriction order.
- Reduce the use of disposable items such as paper cups.
- Continuously publicise the benefits and methods of energy conservation and emission reduction to current and new employees, so as to form a corporate culture in this regard.

Indoor air quality

- Engage a professional indoor air quality testing company to conduct testing in accordance with the National Indoor Air Quality Standard, in order to ensure that the indoor air quality is up to standard.
- The administration department inspects the sanitary conditions of each office every week, and plants green plants to a certain density in each office to regulate the indoor air quality.
- For any newly renovated office, air quality testing must be conducted before entering the office, and the office can only be used after the air quality is up to standard.

The Group has also formulated Management Measures for Environmental Sanitation and Greening (《環境衛生與綠化管理辦法》). Through such measures, the Group conducts the planning and design of offices to maximise their energy and resource efficiency. The Group also works to improve the “green” knowledge and skills of personnel, including their understanding of varieties of flowers, plants and trees and their cultivation.

Environmental Aspect (continued)

EMISSIONS MANAGEMENT

As China's leading supply chain management business operator, the Group aspires to enhance the efficiency of the traditional supply chain through technology and regards promoting green business awareness as its responsibility. As the Group's principal activity is to connect buyers and vendors of merchandise through online platforms, the environmental impact of its operations is minimal.

The Group hopes that our efficient online trading platforms and sound supporting value-added services help to change the whole supply chain ecology, change trading habits, reduce the time and resources needed in the trading process, and lead the trading industry into a new era of simpler and faster trading. Although our business has a limited impact on the environment, we firmly believe that in pursuing the above mission, we will be able to further reduce emissions, resource use and other environmental factors in business operation by applying advanced and innovative technologies.

The Group operates in strict compliance with the environmental protection laws and regulations of the Chinese government at all levels, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and others. Our compliance enables the Group to achieve its sustainable development objectives while meeting its obligations to protect the environment. Each year, the Group updates its corresponding management measures and distributes them to its departments. These outline its own analyses and understanding of newly promulgated government policies and laws and regulations. The Group also maintains awareness of energy conservation and emission reduction and ensures compliance with environmental protection regulations among its departments through trainings and regular internal audits. During the Reporting Period, the Group had not identified any material violations of the laws and regulations relating to environmental protection.

WASTE GAS AND SEWAGE EMISSIONS

Airborne emissions directly generated by the Group mainly come from the use of fuel for logistics and administrative vehicles. Sewage emissions mainly originate from water consumed during inventory inspection and the testing of agricultural products.

During the Reporting Period, direct waste gas and sewage emissions from the Group's business operations were as follows:

Waste gas and sewage emissions

Type of emissions ¹	Unit	2022	2021	2020
Nitrogen oxides (NO _x)	Kg	4.15	3.50	798
Sulphur dioxide (SO _x)	Kg	3.93	11.30	2.01
Particulate matter (PM)	Kg	0.59	0.25	75
Sewage	Tonne	5,406	5,544	5,820

¹ The calculation method of the corresponding air emission assessment figures and the emission factors used in the calculation are based on "How to Prepare an ESG Report" and its attachment "Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong and "Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)" issued by the Ministry of Ecology and Environment of the People's Republic of China.

Environmental Aspect (continued)

The Group has made great efforts to reduce emissions from logistics vehicles and has incorporated this into its sustainable development business practice plan. We require that vehicles of third-party logistics suppliers as well as the Group's own vehicles meet national emission standards in order to ensure high fuel efficiency and minimise pollutant emissions. The Group companies have always advocated the use of public transportation. For short-distance travel, employees are encouraged to walk or use public transportation, so as to reduce use of personal vehicles. The Group also regularly maintains and repairs vehicles to improve the fuel efficiency to achieve green environmental protection efficiency. With the popularisation of new energy vehicles, we also encourage employees to use new energy vehicles and reduce the use of automobiles fuelled by oil. For transportation energy consumption, Zall Steel is committed to integrating industry resources, and its non-truck operating common carrier network freight platform, Xiaohuo Zhiyun, dedicating to accurately matching transportation needs to create an efficient, convenient and safe logistics trading platform through introducing Beidou/GPS positioning visual system to provide customers with transportation services such as inquiry, car search and cargo tracking and a complete set of logistics solutions. During the Reporting Period, the Group did not find any violation of laws and regulations on exhaust gas.

In terms of sewage treatment, the Group has set up recycling pipelines to collect and filter sewage to ensure that the sewage discharge meets the statutory standards. We also recycle a proportion of purified water and usable sewage to reuse water resources and reduce overall sewage emissions. During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to discharges to water.

GREENHOUSE GAS EMISSIONS DATA

The Group's greenhouse gas is mainly generated by the use of transportation fuels and electricity. The Group's business covers all of China, though it is mainly centred in Shanghai and Shenzhen. Meanwhile, most emissions from electricity originate from office electricity consumption. During the Reporting Period, the total amount and intensity of direct or indirect greenhouse gas emissions generated by the Group (calculated based on the total number of employees of the Group) were as follows:

Greenhouse gas emission ²	Unit	2022	2021	2020
Scope 1 ³				
Transport energy	Tonne (CO ₂ e)	602	434	270
Scope 2 ⁴				
Electric energy	Tonne (CO ₂ e)	512	546	725
Total greenhouse gas emissions	Tonne (CO ₂ e)	1,114	980	995
Greenhouse gas emissions intensity	Tonne (CO ₂ e)/employee ⁵	1.14	0.96	1.15

Given the nature of the Group's operations coupled with the fact that some business operations showed signs of recovery amid the pandemic in the second half of the Reporting Period, there was an increase in the number of the Group's vehicles and an increase in transportation energy consumed by vehicles. Reducing electricity consumption can indirectly reduce the Group's greenhouse gas emissions. For the Group's measures to reduce electricity consumption, please refer to the "Energy Consumption Management" section below.

² The data covers direct and indirect greenhouse gas emissions primarily from the Group's offices in Shanghai, Changzhou and Shenzhen. The calculation method of the corresponding emission figures and the emission factors used in the calculation are estimated based on "How to Prepare an ESG Report" and its attachment "Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, "Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industries Enterprises (Trial Implementation)" published by National Development and Reform Commission of the PRC, and "China Regional Power Grid Baseline Emission Factors For Emission Reduction Project" and "Fifth Assessment Report on Climate Change by IPCC" published by the Ministry of Ecology and Environment of the People's Republic of China.

³ Scope 1: emissions directly arising from the business operations owned or controlled by the Group, including emissions generated from mobile source fuels.

⁴ Scope 2: "indirect energy" emissions from the consumption of purchased electricity within the Group.

⁵ As at 31 December 2022, the number of employees in the scope of this Report is 980; the number of employees is 1,021 in 2021; the number of employees is 868 in 2020.

Environmental Aspect (continued)

WASTE EMISSIONS

Laboratory hazardous waste

The Group strictly abides by the Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and other environmental laws and regulations to deal with hazardous wastes. As the portion of the Group's quality inspection that involved sulphuric acid and hydrochloric acid was outsourced to third parties during the Year, the Group did not generate a significant amount of hazardous waste emissions during the Year. During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to hazardous waste.

Office waste

The day-to-day operation of the Group's administrative offices generate a small amount of waste, mainly non-hazardous waste. During the Reporting Period, the types and quantities of major office waste generated by Group were as follows:

Type of waste	Unit	2022	2021	2020
Hazardous				
Ink cartridges	Kg	114	114	100
Toner cartridges	Kg	0	0	45
Intensity of hazardous waste	Kg/employee ⁶	0.12	0.11	0.17
Non-hazardous				
Paper	Kg	3,721	2,422	1,290
General waste	Kg	5,410	3,960	1,200
Intensity of non-hazardous waste	Kg/employee ⁶	9.32	6.25	2.87

During the Reporting Period, the Group has formulated a 7S Management System (《7S管理制度》) to manage its office waste emissions more effectively. Its measures begin with waste reduction at the source and recycling. We reduced the number of indoor waste collection bins to encourage employees to reduce waste emissions. We advocate double-sided printing in the office, and all computer files are default-set at double-sided printing to save paper. A single-sided paper recycling box has been placed in the printing room to collect paper for secondary printing of non-important documents. Another recycling box collects waste paper for delivery by designated personnel to qualified recyclers. We advocate streamlining documents in the office. Matters for which there is no need to issue printed documents will be dealt with through meetings if possible. If printed documents are indeed necessary, the quantity of printing shall be accurately calculated to avoid excess. In addition, the Group advocates the reuse of waste, such as encouraging employees to make rational use of discarded cartons as express packaging where applicable in order to reduce the waste of resources.

Since 2019, Zall Steel has endeavoured to comply with the Regulations of Shanghai Municipality on the Management of Domestic Waste (《上海市生活垃圾管理條例》), strictly implemented the "four categories" of waste, and disposed of domestic waste by "recyclable waste", "harmful waste", "wet waste" and "dry waste" categories. Meanwhile, given the increased use of face masks during the COVID-19 epidemic, we also set up special garbage bins for face masks to ensure meeting the hygienic standards required by the state. In internal management, Zall Steel adopted online management to basically realise paperless office, which not only improved the efficiency of information transmission in internal management, but also reduced the use of office supplies, thereby implementing the energy saving and emission reduction initiative. We closely focus on the national environmental protection policy regarding environmental protection management to formulate a green development strategy that aligns with the corporate operation, establish environmental awareness of energy conservation and emission reduction, and incorporate it into the corporate values and culture, and assume social responsibility for energy conservation and emission reduction. During the Reporting Period, the Group did not find any violation of laws and regulations relating to non-hazardous waste and discharge into land.

⁶ As at 31 December 2022, the number of employees in the scope of this Report is 980; the number of employees is 1,021 in 2021; the number of employees is 868 in 2020.

Environmental Aspect (continued)

RESOURCE USE

ENERGY CONSUMPTION MANAGEMENT

The major sources of energy used by the Group include electricity used in office operation and transportation. During the Reporting Period, the Group's direct energy consumption was as follows:

Energy consumption ⁷	Unit	2022	2021	2020
Direct energy consumption	'000kWh	2,447	1,923	1,323
Gasoline	Litre	265,461	198,460	136,502
Indirect energy consumption	'000kWh	642	684	1,393
Purchased electricity	'000kWh	642	684	1,393
Total energy consumption	'000kWh	3,089	2,607	2,716
Total energy consumption intensity	'000kWh/employee ⁸	3.152	2.553	3.129

During the Reporting Period, the number of the Group's vehicles increased due to business needs, resulting in higher gasoline consumption. To achieve more effective energy consumption savings in the future, the Group has implemented the following internal measures.

Reducing transportation emissions

With respect to transportation energy consumption, the fuel efficiency and other performance data of logistics vehicles are closely monitored and the vehicles are maintained to a high standard to ensure optimal operation. When vehicles travel, we will plan routes to minimise travel distance, so as to reduce travel time and energy consumption of vehicles. The Group's Management Measures for Vehicle (《車輛管理辦法》) requires vehicle maintenance to be conducted every 5,000 km — an exercise that includes changing the oil, oil filter, air filter and auto filter to ensure that vehicles travel at maximum efficiency.

Saving electricity

The Group has implemented a series of measures to reduce greenhouse gas emissions from the source, and during and after processes. To systematically protect the environment, fully utilise energy and resources and reduce resources consumption, the Group established the Energy and Resource Management System (《能源、資源管理制度》), which systematises the reasonable utilisation, management and control of energy and resources consumed by its departments. By strengthening energy usage management and adopting measures which are technically feasible, financially reasonable and acceptable to the environment and society, the Group reduces its consumption, waste and greenhouse gas emissions, and effectively uses resources from the stage of energy exploitation to consumption. In addition, we preach such management measures to enhance the environmental awareness of departments and promote orderly use of electricity.

⁷ The data covers direct and indirect greenhouse gas emissions primarily from the Group's offices in Shanghai and Shenzhen. The calculation method of the corresponding emission figures and the emission factors used in the calculation are estimated based on "How to Prepare an ESG Report" and its attachment "Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, "Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industries Enterprises (Trial Implementation)" published by National Development and Reform Commission of the PRC, and "China Regional Power Grid Baseline Emission Factors For Emission Reduction Project" and "Fifth Assessment Report on Climate Change by IPCC" published by the Ministry of Ecology and Environment of the People's Republic of China. As the calculation method for this year has been updated, direct comparison with last year's data may not be possible.

⁸ As at 31 December 2022, the number of employees in the scope of this Report is 980; the number of employees is 1,021 in 2021; the number of employees is 868 in 2020.

Environmental Aspect (continued)

WATER CONSUMPTION MANAGEMENT

The Group's use of water is mainly for routine office activities. During the Reporting Period, the Group's direct water consumption was as follows:

Water consumption

Water resources ⁹	Unit	2022	2021	2020
Water consumption	m ³	6,158	6,339	13,611
Water consumption intensity	m ³ /employee ¹⁰	6.28	6.21	16

The Group fully appreciates the importance of water resources to the earth's environment. As the Group's business does not involve water intensive operation, the Group's focus is on reducing the water consumed in office activities. The Group encourages employees to use recycled water or grey water when feasible for flushing toilets, irrigation and other purposes. The Group also publicises water conservation by posting signs in its offices to raise water-saving awareness. We control the water flow of faucets with different functions to reduce unnecessary waste of water, and regularly maintain and examine water flow devices to avoid water leakage. The Group's offices use municipal water supply and have no problems in sourcing water. Water consumption for the year was similar to that of last year. For more on water conservation plans, please refer to the "Green Office" section above.

PACKAGING MATERIALS

Our supply chain business seldom involves the use of packaging materials such as packaging paper and cartons. Upholding the principles of simplicity and environmental protection, we try to use recyclable products when we need to use packaging materials. During the Year, our consumption of packaging materials is as follows:

Type	Unit	2022	2021	2020
Packaging cartons	Kg	0	0	0
Cartons	Kg	0	0	130
Adhesive tape	Kg	0	0	61

⁹ The data covers the water consumption of the Group's offices in Shanghai and Shenzhen.

¹⁰ As at 31 December 2022, the number of employees in the scope of this Report is 980; the number of employees is 1,021 in 2021; the number of employees is 868 in 2020.

Environmental Aspect (continued)

THE ENVIRONMENT AND NATURAL RESOURCES

Save for the abovementioned emissions, the Group's major supply chain management business did not make any other material impacts on the environment or natural resources. However, in the traditional wholesale market development business, project developments will have certain impacts on the surrounding environment. As such, while formulating business development and investment projects, the Group ensures the coordination of its projects with local society and environment. In order to ensure that the Group can protect the ecological environment and natural resources where the business is developed and meet all local laws and regulations when developing new projects, we have formulated the following project development evaluation framework and each subsidiary is required to follow such framework.

1. In evaluating new business development project approval, evaluate and ensure that the project meets the requirements of social and environmental development
2. Appoint professional advisors to conduct feasibility studies to ensure the project meets local policies and development requirements
3. In the process of project implementation, define the responsibilities of each functional department, supervise and manage the project process, and prevent and control disharmonious events
4. Project audits and post-evaluations cover environmental and social impacts, and evaluation results are adopted as the basis for project reward and accountability

Environmental protection is the responsibility of every employee of the Group. The Group is committed to sustainable development and the provision of high-quality products while minimizing the impact of our business activities on the environment. In addition to the details disclosed in the chapters "Green Office", "Emissions Management" and "Resource Use" above, the Group has taken the following measures to put our environmental protection concepts into practice:

ELECTRICITY CONSUMPTION

- Increasing the installation of electricity meters to monitor electricity consumption and detect and prevent abnormal usage as early as possible;
- Promoting energy-saving habits and introducing measures such as turning off lights, computers and air conditioning system when not in use;
- Replacing lighting systems in offices and plants with energy-saving LED lighting systems;
- Promoting video conferencing to reduce transport energy consumption arising from commuting;
- Requiring office air-conditioning system to be set at an average temperature no lower than 26°C; and
- Inspecting old air conditioning systems and replacing them with energy-efficient inverter air conditioners.

Environmental Aspect (continued)

WATER CONSUMPTION

- Increasing the installation of water meters to monitor water consumption and detect and prevent abnormal usage as early as possible; and
- Regularly inspecting pipelines to investigate and repair water seepage to avoid waste.

MINIMIZING USE OF PAPER

- Promoting paperless office by reviewing documents and communicating via email and online systems as much as possible, and lowering the frequency of printing and/or photocopying to reduce paper consumption at the office.

REDUCING PLASTIC BOTTLE WASTE

- Cutting back on bottled water consumption by installing drinking water facilities in offices and plants, and encouraging employees to bring reusable cups to reduce the use of plastic bottles.

CLIMATE CHANGE-RELATED ISSUES

Climate change is one of the major global challenges of our time. We must act now for the sake of the climate and our communities. Extreme weather such as strong winds and heavy rainfall, as well as tides and floods, has become media focus in recent years. Logistics and supply chains are susceptible to climate change, as losses may occur due to severe damage caused by extreme rainfall, rising tides and flooding to assets such as buildings, warehouses, and any goods stored therein. Although such incidents are beyond anyone's control, the Group believes that all stakeholders shall make concerted efforts to tackle climate change, one of the biggest threats facing the world over the next five years.

In response to the Paris Agreement, the Hong Kong government has issued the Hong Kong's Climate Action Plan 2050 to lay down plans and actions, set the vision of "Zero-carbon Emissions, Liveable City, Sustainable Development", and commit to a more aggressive medium-term target to reduce total carbon emissions of Hong Kong by half against the 2005 level before 2035. The government of Hong Kong has pledged to achieve carbon neutrality by 2050, while the mainland China by 2060.

In response to the advocacy of local governments and complying with their emission reduction requirements, the Group proactively plans to reduce emissions by 3% by 2026, ensures that the Group's greenhouse gas emissions meet the increasingly stringent regulatory requirements of local governments in or before 2030, and achieves operational carbon neutrality by 2050. We are committed to improving the energy efficiency, leveraging on our professional expertise to facilitate on-site efficiency enhancement and maintain efficient management support, and protecting the Group's reputation.

Environmental Aspect (continued)

The Group has identified a range of climate change-related risks and opportunities related to our assets and services to understand the scenarios in which such risks and opportunities may have a greater impact. The transition and physical risks are discussed in the following sections.

	Risks	Opportunities
Short term (0–1 year)	<ul style="list-style-type: none"> Substantial risk arising from extreme weather incidents Acquiring the skills and capabilities needed for implementing climate strategies 	<ul style="list-style-type: none"> New products and services to help communities reduce carbon emissions New technologies to improve operational and energy efficiency
Medium term (5 years)	<ul style="list-style-type: none"> Transition risk — implementing policies for low carbon operations Transition risk — supply and demand for certain goods, products and services may change in line with the increasing attention paid to climate change-related risks and opportunities 	<ul style="list-style-type: none"> The markets in which our business operates are transiting towards low-carbon economy to meet the carbon reduction goals set by the governments Opportunities arising from factors facilitating transformation
Medium and long term (Over 5 years)	<ul style="list-style-type: none"> Transition risk — potential new regulations and policies Transition risk — the development and use of emerging technologies may increase operating costs and hurt the Group's competitiveness Transition risk — the Group's reputation may be affected by the changes in the customers' or communities' perception of the Group's contribution to, or impairment of, the transition to a low carbon economy 	<ul style="list-style-type: none"> Market transition to a low carbon economy to meet governments' carbon neutral goals Opportunities arising from factors facilitating transformation Becoming an industry leader and build up reputation

As climate change exacerbates extreme weather conditions, bad weather is more likely to affect logistics efficiency, resulting in delayed transportation or damaged goods. The Group has formulated logistics guidance for severe weather conditions and established an extensive and close communication network with the logistics team to promptly respond and take actions according to the transportation conditions, so as to ensure service quality and maintain the reliability of the service platform. In addition, some of our operating bases are located in coastal areas and therefore exposed to severe weather conditions such as heavy rain, typhoons, and severe thunderstorm. The Group has put in place preventive and contingency measures, with protecting the safety of employees as the top priority. In severe weather conditions, we provide early warnings, reduce employee travels, and prohibit outdoor works.

Over the years, we have seized opportunities to expand our business and accelerated transformation to make the Group's business smarter and greener, our employees and product users safer (e.g. proactively promote office automation and networking), and our operations more sustainable, so as to deliver on our commitment to resource management and environmental protection.

Social Aspect

STAFF, COMPENSATION AND BENEFITS

COMPENSATION AND DISMISSAL, RECRUITMENT AND PROMOTION, WORKING HOURS AND LEAVES

The Group values talent and advocates people-and performance-oriented management principles with an emphasis on reward, fairness, openness and impartiality. To attract and retain the best, the Group offers industry-competitive remuneration packages, maintains a system of performance-oriented rewards and internal equity, and provides employees with on-the-job training and long-term development opportunities.

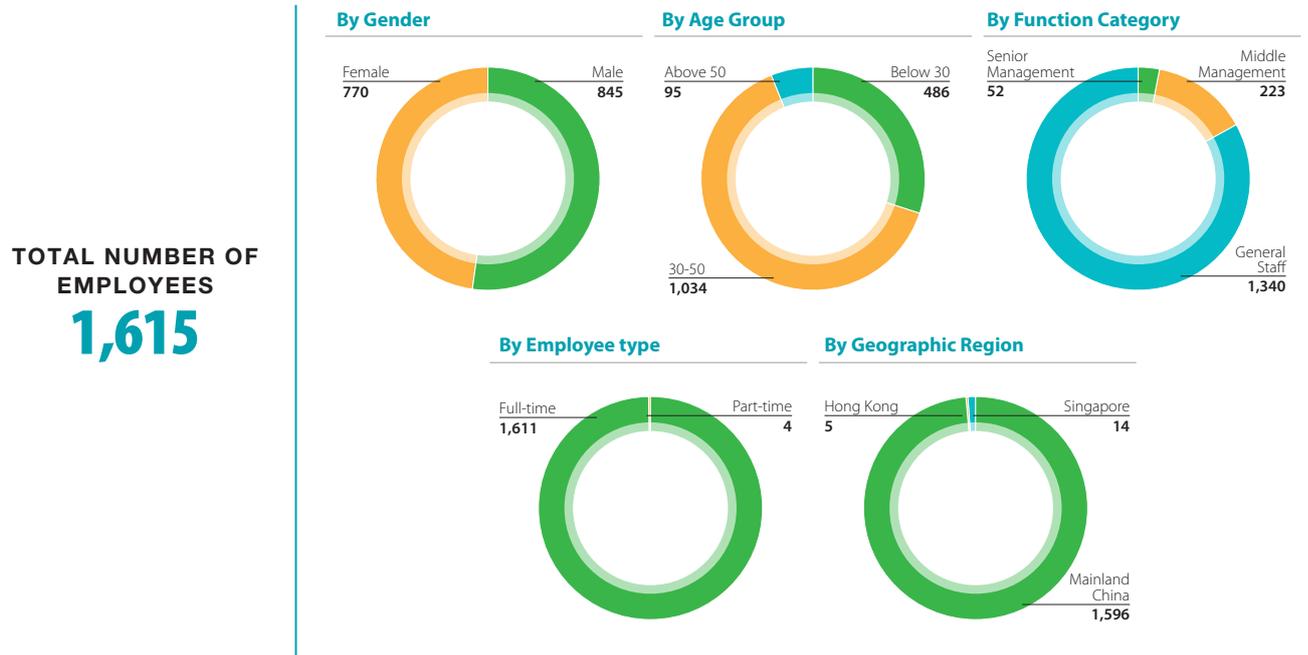
In calculating employee remuneration by the management, the Group consolidated the Remuneration Management System (《薪酬管理制度》) by considering factors such as external economic conditions and industry pay levels to ensure that its packages are more market competitive. Management also pays heed to maintaining fair, differentiated and competitive remuneration for the same position within the Group. As stipulated in the updated Employee Manual (《員工手冊》), remuneration and performance are managed with reference to personal performance and are evaluated using an appraisal process which combines annual and monthly assessments, the results of which will be considered in determining employees' salaries. The Group has also set up the tools for performance appraisal to assess the performance capabilities of employees in a comprehensive manner.

Furthermore, the Group ensures reasonable working hours and leave — including statutory holidays, marriage, maternity/paternity, breastfeeding, annual and paid sick leave — for each employee. The Group complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), and other applicable laws and regulations relating to recruitment, dismissal, working hours and leave, and ensures that each procedure is legal and reasonable. These rules are fully reflected in the Group's Management Measures for Recruitment (《招聘管理辦法》) and Employee Manual (《員工手冊》), all of which are designed to ensure a healthy work-life balance for each employee. For departing employees, we also ensure that they receive their due benefits and compensation in accordance with the Employee Resignation Management System (《員工離職管理制度》).

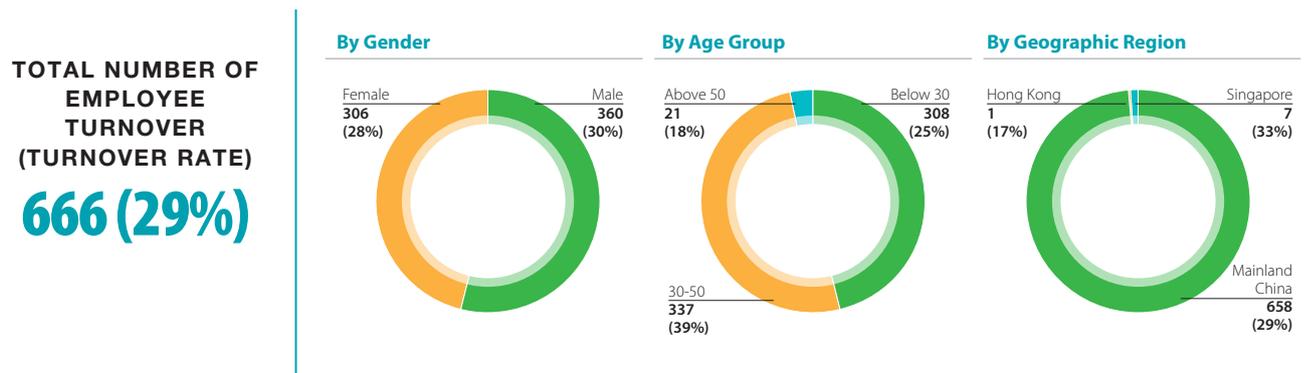
Social Aspect (continued)

During the Reporting Period, the total number of employees of the Group was 1,615 (2021: 1,825; 2020: 2,027). The number of employees and turnover figures of the Group by category during the Reporting Period are as follows:

NUMBER OF EMPLOYEES



EMPLOYEES TURNOVER RATE¹¹



The Group and its affiliated platforms regularly hold a variety of staff activities, in order to facilitate team building in a pleasant and harmonious way, enhance employees' sense of belonging to the Group and ease their work pressure. The Group organizes different festivals or themed activities from time to time, such as Mid-Autumn Festival and Women's Day activities, and also organizes birthday parties for employees and distributes gifts to enrich the life of all staff, promote communication and enhance cohesion among staff. The Group also organizes commendation ceremonies in recognition of the dedication and efforts of our staff and their contributions to the Company.

¹¹ Turnover rate = Number of employees who left the Group in that category for the year/the sum of total number of employees and the number of employees who left the Group in that category at year-end.

Social Aspect (continued)

Staff activities held during the year included:



EQUAL OPPORTUNITIES, DIVERSITY AND NON-DISCRIMINATION

The Group maintains a fair and diverse workforce. It does not discriminate or dismiss any employee due to race, gender, age or marital status. The Group has updated its Management Measures for Recruitment (《招聘管理辦法》), which describes its principles of equal opportunity, diversity and non-discrimination. The Group's principle of equality applies to various aspects, including employees' recruitment and dismissal, probation, vacation, opportunities, career development and promotion, as well as other benefits and the welfare system. Fair procedures and objective criteria are implemented in all these aspects to ensure that all employees and job applicants receive fair treatment. Meanwhile, in response to the requirements of the Corporate Governance Code of the Hong Kong Stock Exchange and the global ESG trends, the Group has formulated the Board Diversity Policy (《董事會成員多元化政策》), which aims to set out the Board's approach to achieve diversity. The Group provides a feedback mechanism to allow employees to report any defects regarding the principles of equal opportunity, diversity and non-discrimination. Such channels include regular seminars and interviews and e-mail communications. After receiving feedback, management will assign personnel to investigate the matter in an objective, impartial, practical and realistic manner. Reports on the investigation's progress will be made in a timely fashion, and appeasement work will be done as appropriate.

The above management measures are strictly in compliance with laws and regulations related to human resources, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》), the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》), and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). The Group maintains close contact with social security authorities, and cares about and protects the human rights, development and safety of employees.

During the Reporting Period, the Group had not identified any violation of laws and regulations related to employee compensation and dismissal, recruitment and promotion, working hours and holidays, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Social Aspect (continued)

TALENT MANAGEMENT

HEALTH AND SAFETY

For the Group, it is our top priority to protect the health and safety of every employee. To create a healthy and safe work environment, the Group has developed a comprehensive health and safety policy, put up posters and instructions on occupational safety, and regularly inspects workplaces and conduct emergency fire drills. Zall Steel, a platform of the Group, provides annual physical examination benefit for employees. In addition, the Group holds occupational safety meetings on a regular basis, sets the goal of “no major safety incidents and diminishing general safety accidents”, and determines the person in charge of occupational safety, so as to continuously improve the occupational safety performance of the Group.

In terms of daily occupational health and safety affairs, the Group’s principal business — supply chain management does not involve high-risk jobs, and employees mostly work in the Group’s offices and certain off-site locations. As such, the Group has established a new Fire Contingency Plan (《消防應急預案》) to strengthen the fire safety awareness of office employees and standardise fire safety management of the Group. We have established a sound fire safety inspection process for all workplaces and office areas. Before leaving work, the administrative and human resources department shall check whether the sockets, computers, water dispensers, doors and windows in each department have been switched off or closed. If it is found that any electrical appliance, door or window is yet to be turned off or closed, the relevant person in charge shall be issued a warning and be required to rectify the situation. Those who violate the rules twice will be punished. In addition to routine fire inspections in office premises, the Group will regularly contact local fire control authorities to arrange fire and awareness enhancement exercises to boost employees’ awareness of crisis.

The Group and its subsidiaries strictly follow the internal Implementation Guidelines on Construction Quality and Safety Management (《工程質量安全管理實施指引》) of the Group while carrying out construction projects, which contains a quantitative evaluation form on project safety and occupational health management, along with guidelines for behaviour management, standardised on-site management, accident emergency management, construction site safety management, and management and use of personal protective equipment. The Group also inspects the safety work of construction projects, such as whether smoke detectors are installed according to the requirements of building fire protection, and regular maintenance of firefighting equipment and emergency lighting equipment. Regulations of the Group on engineering management stipulate that employees must wear safety helmets when entering a construction site, and dangerous goods are prohibited from being brought into the construction site.

The Group has formulated Office Regulations (《辦公規範》) in the Employee Manual (《員工手冊》) in accordance with the Production Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》), the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Prevention Law of the People’s Republic of China (《中華人民共和國消防法》) and other relevant laws and regulations. This describes various office safety matters and contingency measures, and together with the above systems of the Group, protects the interests and physical and mental health of employees. During the Reporting Period, the Group had not identified any violation of laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

Based on the above measures, we have effectively ensured the safety of our employees. During the Reporting Period, there were no major accidents of work-related injuries and deaths or loss of working days due to work-related injury. We have recorded 0 work-related injuries or deaths for 3 consecutive years.

During the Reporting Period, the Group’s data on work-related injuries and deaths in the past 3 reporting years are summarized as follows:

	2022	2021	2020
Number of work-related deaths	0	0	0
Ratio of work-related deaths	0%	0%	0%
Number of work-related injuries	0	0	0
Working days lost due to work-related injuries	0	0	0

Social Aspect (continued)

DEVELOPMENT AND TRAINING

To establish a good staff training system, the Group has formulated Staff Education and Training System (《員工教育與培訓體系》) to provide staff with diverse training courses. These include both internal and external courses for a range of different skills. The Group's policy for continuous learning and development includes induction training for new entrants as well as courses on professional development, job skills, management skills, in addition to other types of educational training and development to enhance core competitiveness.

During the Reporting Period, our training activities combined offline centralised training and online courses. Online courses, which include training for new business managers and vocational skills training, enable every employee to take courses anytime, anywhere. Offline centralised training, including induction training for new entrants as well as courses on product line process, contract risk, and business process, enables first-hand participation of employees and a better learning experience. The Group also organises Fiscal Sharing Session and other staff training activities from time to time to enable employees to absorb new industry knowledge and strengthen their own abilities. The effectiveness of the training is then evaluated based on the Kirkpatrick Model.

We also provide financial support for employees to receive training, in a bid to encourage them to obtain professional certificates related to their posts with relevant subsidies. The Group maintains a strict system of training attendance and record management. Training results are linked with individual employees' performance appraisals, career promotions and salary adjustments, and the effects of their training are recorded and monitored.



Social Aspect (continued)

During the Reporting Period, the Group's relevant data on training is as follows:

		2022	2021	2020
Training percentage¹² 	By gender			
	Male	79%	77%	79%
	Female	86%	79%	74%
	By position			
	Senior management	71%	86%	79%
	Mid-level employees and management	71%	82%	85%
	General employees	85%	75%	75%
Average training hours¹³ (Hours/employee) 	By gender			
	Male	40.05	44.23	22
	Female	40.19	48.17	22
	By position			
	Senior management	34.38	31.41	27
	Mid-level employees and management	32.08	32.32	24
	General employees	41.68	48.33	21

LABOUR STANDARDS

PREVENTION OF CHILD OR FORCED LABOUR

The Group puts emphasis on avoiding labour exploitation and child labour, and strictly abides by all labour laws. The Group will not employ child labour under the age of 16. The Group clearly stipulates that no child labour shall be employed in any form, and requires employee age verification as a necessary procedure under its human resources policies.

In addition, the Labour Contract (《勞動合同》) of the Company also provides that no forced labour shall be used by threats of violence or illegal restriction of personal freedom. We regularly assign independent persons to investigate possible signs of forced labour. In case of forced labour, any employee who is forced to work may apply for financial compensation, and the employee(s) forcing others to work shall be subject to punishment or other legal consequences. The Group has also popularised the relevant standards, as we require suppliers to prevent employment of any child labour or forced labour, which, once discovered, will be investigated into by us. The Group may terminate relationships with suppliers if they were found responsible for such violations.

Our anti-child labour and labour exploitation systems and rules are all in compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Special Protection of Underage Labour (《未成年工特殊保護規定》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of Child Labour (《禁止使用童工規定》) and other laws and regulations. During the Reporting Period, the Group had not identified any violation of any applicable laws and regulations relating to the prevention of child labour and forced labour.

¹² Percentage of employees trained = The number of employees trained during the Reporting Period/the number of employees at the conclusion of the Reporting Period.

¹³ Average training hours = Total number of training hours during the Reporting Period/total number of employees at the conclusion of the Reporting Period.

Social Aspect (continued)

SUSTAINABLE OPERATION

BUSINESS PRACTICES

Sustainable Supply Chain Management

The success of Zall Smart Commerce Group relies on our sound supply chain management system, which enables us to quickly source all kinds of quality, reasonably-priced and sufficient supply to provide for hundreds of thousands of customers. We are committed to ensuring that the goods on our commodity trading platforms are good value for money whilst maintaining the reputation and quality standard of Zall's brand. As such, we pay great attention to sustainable supply chain management, with a view to improving efficiency and value of processes such as sourcing, packaging, logistics and delivery. The stability and sustainability of a supply chain also depend on suppliers' business quality, supply performance and environmental and social management measures. The Group assesses supply chain risks on a yearly basis, and has developed a series of control measures to reduce such risks.

The Group has been improving its supply chain management, including standardizing management elements, conducting risk assessment, establishing evaluation and access mechanisms for suppliers, and supervising other aspects of the product lifecycle, such as warehousing and logistics. In addition to improving basic supply chains, we also noticed the impact of the supply chain on the overall sustainable development process, including carbon emissions, material selection, employee rights and interests of the suppliers, etc. along the supply chain. Therefore, we will dedicate ourselves to introducing more sustainable development elements to the current supply chain management framework through research, and further strengthen and improve the supervision and transparency of the supply chain, in a bid to enhance the management effectiveness.

The Group's subsidiaries attach great importance to digital transformation, relying on industrial digitization to promote industrial structure adjustment and industrial restructuring and upgrading, putting into practice the electronic contracts, electronic bill of lading, and Business Pay operations. The digitalization of processes and organizations improves per capita efficiency, supports the in-depth connection between front-end sales organizations and customers, and facilitates the rapid implementation of business. The advancement of digital transformation has improved the operational quality of business development, providing the Group with a powerful platform and implementation capability to explore new business and new business forms. In addition, the Group's subsidiaries further optimise the multi-dimensional and integrated smart warehousing and logistics system, which enhances capabilities in warehousing and distribution operations, and provides intelligent, visible, and efficient online services for all players in the industry chain. By electronic warehouse receipts and paperless delivery, close contact between people can be avoided for epidemic prevention and control and use of paper materials can be reduced to facilitate the green development of the industry.

Social Aspect (continued)

Supply Chain Quality and Risk Management

As the Group's subsidiaries have different operating models and product categories, each subsidiary has its own supply chain management system. Overall, we will conduct comprehensive background checks on potential suppliers and consult professional third-party credit databases to select those with outstanding products and business performance, formulate clear contract provisions to protect the rights and interests of the Group, regularly inspect the quality of incoming goods through spot checks, continuously monitor the performance of suppliers, update risk assessment results and take appropriate risk mitigation measures in a timely manner.

Each subsidiary under the Group has a risk management department to review the results of due diligence on suppliers, gather complete supplier information based on the results of queries to third-party databases, and enter the supplier information into the subsidiary's credit evaluation model to calculate each supplier's credit score and feasible transaction limit. In the end, the head of the risk management department will determine the actual transaction limit for each supplier. Listed below are the supply chain management policies of our major subsidiaries.

<p>Shenzhen Sinoagri</p> <p>At Shenzhen Sinoagri, the supplier evaluation team effectively ensures the quality and safety of agricultural products, and all suppliers must obtain a statutory Food Circulation Permit before obtaining online trading qualification. Following basic qualification review, the Company carries out sampling inspection on white sugar purchased in accordance with the national standard GB/T317-2018 "White Sugar" and prepares a report, so as to ensure that the quality of sugar meets national standards. The Company will perform a series of approval procedures to ensure that each supplier complies with the Group's supplier management policy. In addition, the Company regularly evaluates and reviews the qualification of suppliers, and terminates partnership with unqualified suppliers.</p>	<p>HSH</p> <p>HSH screens raw material suppliers and selects companies that have high market awareness, large size and stable product quality, or middle-and large-sized traders for procurement cooperation. As all products procured are standard chemical plastics manufactured by large plants, their quality is secured to a certain degree. Where a customer disputes product quality, the Company will fully coordinate on the handling of relevant quality issues. The Company will also rate suppliers on a regular basis, and then terminate the contract with any supplier which is rated unqualified.</p>	<p>Zall Steel</p> <p>Zall Steel has established a comprehensive evaluation system for suppliers and customers to strictly control the risks of suppliers and product quality. Suppliers and customers with good performance will be admitted to the white list, and the Company will regularly review the security of enterprises listed thereon. The Company also regularly reviews the suppliers on the white list, and guides the suppliers to join the trading platform of Zall Steel, make the sale price of goods public and receive public supervision. In addition, we will strictly examine the price of each transaction on Zall Steel to ensure that the purchase price remains consistent with the market price and avoid discrimination to the rights and interests of platform users.</p>
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During the pandemic, we closely monitored market price changes and margin ratios to ensure that upstream and downstream players perform their contracts on schedule. For customers with good trading track records and stable performance, the Group will offer them a grace period as appropriate after assessing their risk tolerance, in order to support suppliers in resuming production and tide over the difficulties with them. Meanwhile, we flexibly managed supply chains and communicated with our business partners by phone and WeChat, in order to minimise the impact of the pandemic by increasing the flexibility of conducting business activities.

Social Aspect (continued)

During the Year, we further expanded our supply chains and refined the criteria for acceptance of suppliers. Below is a breakdown of suppliers of the Group by relevant geographic distribution during the Reporting Period:

Region	2022	2021	2020
North China	497	621	340
Northeast China	247	197	1,264
East China	5,040	5,064	3,830
Central China	475	252	265
Northwest China	173	231	259
Southern China	997	873	475

Green Procurement

The Group fully supports the national sustainability policies and concepts, and integrates environmental elements into supply chain management. We require our suppliers to furnish relevant environmental licenses, quality certificates and other proofs to promote suppliers with environmental, quality and related qualifications and ensure that products on our platform pass the quality inspection of the market and meet or exceed national standards. In the process of transportation, we will consign goods to professional and qualified logistics companies to reduce emissions during transportation and promote green supply chain services from the source.

We also support green procurement in daily operations, and promote the Group's environmental principles among employees. Administrative staff will give priority to products that are environmentally friendly and energy-efficient. When selecting items to be purchased, we will consider whether the items are easy to recycle, durable, made of recycled materials, low in pollution and emission, non-toxic and easy to decompose, and try to avoid buying unnecessary items.

IMPACT OF THE COVID-19 PANDEMIC

As the global pandemic lingered into 2022, Shanghai and other places in China were hit by COVID-19 outbreaks, which continued to bring uncertainty to the economic development of China and even the world. Through the physical markets represented by North Hankou and commodities trading service platforms, such as Shenzhen Sinoagri, HSH and Zall Steel, the Group continued to promote the business model of online and offline integration, while the segments of supply chain management and trading businesses continued to intensify the application of digital technologies to promote digital trade. The Group developed a "multi-bank, multi-product" matrix of supply chain services in collaboration with financial institutions to meet the capital needs of small and medium-sized enterprises in multiple scenarios and multiple capacities, and fully promoted online delivery of supply chain services to enable corporate users to access one-stop supply chain financial services by logging into an online platform, thereby better solving their financial issues and providing strong support for the normal operations of enterprises under the COVID-19 pandemic. Meanwhile, a digital smart supply chain system was applied to avoid COVID-19 lockdown and control areas when distributing products from warehouses, and dispatch goods from multiple sources to overcome supply and transportation difficulties. In addition, the Group took the initiative to reduce purchase agency fees for some trade companies, so as to provide low-cost and high-quality purchase agency services for these customers.

Social Aspect (continued)

PRODUCT RESPONSIBILITY

Product Health and Safety Management

Shenzhen Sinoagri

The quality management system established by Shenzhen Sinoagri has obtained ISO9001 certification, and its prepackaged food sales, software design and development and agricultural products information services have passed relevant international standard certifications. Since agricultural products traded online (mainly white sugar) involve food safety risks, we are particularly concerned with product health and safety issues, and undertake to assume responsibility for the safety of such products. Although the white sugar provided by upstream suppliers has reached national standards, the Group conducts at least two tests on the sugar to further improve food safety before the goods are delivered to customers. The Company will conduct quality inspections in its laboratory to ensure that the white sugar meets national standards and contains no harmful impurities. Moreover, the Group's central organisation in Shenzhen conducts random spot checks every month. So far, no major quality problems have been found.

HSH

Chemical plastic materials and finished products are found in all walks of life. As such, the Company is concerned about product quality and transportation safety issues. The Company has rigorous restrictions on suppliers and sourcing channels, and requires strict performance of contracts in respect of product performance, standards and designations to ensure product quality from all aspects. Upstream suppliers of HSH must be large manufacturers which maintain long-term partnerships with professional logistics companies, and their products must meet national and market standards. As of now, no major quality or transportation safety issues have been identified by HSH. Product quality verification is completed by customers. If there is any quality issue raised, the Company will report it to the upstream supplier, and the supplier will re-examine the product concerned and issue an investigation report.

Zall Steel

The steel itself comes with a warranty, and each coil of rolled plate has a coil number which can be traced to the manufacturer from the upstream supplier. Although Zall Steel does not directly participate in product quality inspections, it will entrust a third-party warehouse to examine the number of pieces, weight, material, model and quality of the products and put them into storage if no inconsistency is identified. The warranty or coil number and professional examination at the warehouse form two lines of defense for the quality of steel. If concerns about the quality of the steel being sold are raised, Zall Steel will compensate the customer for loss following the appraisal of a third-party institution, and then claim compensation from the supplier. The Company tracks market price movements and market trends on a daily basis to ensure that the steel price and quantity on the platform are reasonable and meet market demands.

During the Reporting Period, none of our sold or distributed products were subject to recall for health and safety reasons. To provide high-quality products for customers, we strictly implement all quality assurance procedures. Should any product problems occur, we have a set of procedures as illustrated above to respond and a variety of channels in place for customers to contact us, and will provide timely solutions.

Social Aspect (continued)

Service Complaints

Where customers encounter any problems during transactions, the Group has a 24-hour customer service centre to provide online consulting services. In each region, there is a regional account manager who responds to the opinions and questions raised by customers and provides face-to-face assistance and problem-solving services for customers. In case of customer complaints, the operation department will collect and record them, assist in investigating the causes of complaints, inform each complainant of the investigation process, and follow up with the handling methods and results, so as to ensure customer satisfaction and a fair and open complaint handling process. The Group also regularly reviews customers' opinions, and develops and implements improvement measures when necessary.

During the Reporting Period, the Group had no violation of laws and regulations related to product health and safety and service complaints.

MARKETING ETHICS

Advertising and labelling

To maintain mutual trust and sincere business relations with customers, the Group strictly follows up on the marketing, advertising and sales activities of its subsidiaries to ensure that its products and services are described in a legal, fair and honest manner. All formal advertising and publicity activities must be approved by the Group's public relations department or the public relations managers of its subsidiaries. We strictly prohibit the use of any false, misleading or deceptive means. The Group understands and emphasises the importance of business reputation, and will uphold the highest marketing ethical standards. Through the above marketing ethics measures, the Group is in strict compliance with the requirements of laws and regulations including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), Interim Measures for the Trading of Commodities and Services Through the Internet (《網絡商品交易及有關服務行為管理暫行辦法》) and the Service Norms for Third-party E-commerce Transaction Platforms (《第三方電子商務交易平台服務規範》). During the Reporting Period, the Group did not identify any violation of laws and regulations related to product advertising and labelling.

Data Privacy Protection

The Group lays great emphasis on the protection of personal information, including the personal and corporate data of employees, customers and suppliers, and understands that effective data privacy protection measures can guarantee its honest operation and the healthy development of customer relations. Given the necessity to collect and use personal data of customers or consumers when conducting business, the Group attaches great importance to the management and maintenance of personal data. We will not transfer or disclose customer information without consent, except for signing confidentiality agreements with customers. The Group has developed a sound data privacy protection system featuring hierarchical management over the access, viewing and modification of data in the data system with clear administration privileges among relevant employees, and built up an information database with multiple passwords and firewall protection to ensure the security of private information. The personal data of all employees, customers and related parties are protected by the General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》), the Personal Information Protection Law (《個人信息保護法》) and other laws and regulations that protect the right to use and privacy of personal data. During the Reporting Period, the Group had not identified any violation of laws and regulations related to data privacy in respect of the products and services it provided.

Social Aspect (continued)

Intellectual Property Rights

We are pleased to be the pioneer of digital technology in China. As of 2022, the Group was granted 457 intellectual property rights on patents, trademarks, software and others. Intellectual property is essential to us. The Group respects and protects intellectual property rights to support fair competition and enhance economic and social benefits. The Group has established the Management Measures for Patents (《專利管理辦法》) to protect its unique R&D achievements. Once we find any infringement of the Group's patents, we will ask the infringer to make compensation or pay royalties for the use of our intellectual property. If the case is serious, we will hold the infringer accountable by legal means to protect the legitimate rights and interests of the Company. In addition, we require all employees to protect tangible and intangible assets. For the use of others' R&D achievements, authorisation must be obtained, otherwise the employees involved will be punished.

We also require the subsidiaries of the Group to comply with all intellectual property protection principles. For instance, Zall Steel, as an Internet integrated service platform for domestic black commodity industry, leverages a variety of network patent technologies such as blockchain, big data, SaaS, etc. in its platform design. As such, intellectual property is our key concern. The intellectual property policy of Zall Steel covers all independent research and development and third-party patented technologies, such as requiring development staff to apply and register for the Company's independent intellectual property rights in a timely manner; clarifying the ownership of relevant technologies when preparing interrelated contracts involving intellectual property development and authorised use; and paying close attention to the daily operation of the Company to avoid infringing on the intellectual property rights of others.

ANTI-CORRUPTION

Corporate Principles of Honesty and Integrity

The Group strictly abides by the anti-corruption and anti-bribery principles and disciplinary supervision measures set forth in the Zall Smart Commerce Group Anti-Fraud System (《卓爾智聯集團反舞弊制度》) and Scam and Corruption Prevention Policy (《防詐騙及防貪污政策》). On this basis, the Group focuses on reviewing its purchases of assets, bidding, engineering construction, personnel management, investment attraction, reimbursement, and receipt of gifts and gift money, and supervises personnel in key positions, while strengthening the development of anti-corruption and anti-fraud policies to promote integrity. The Group's disciplinary supervision is carried out by means of regular and special inspections on project quality and safety management, bidding management, procurement management, asset management, archives management, attendance management, contract management, etc.

Each employee is required to sign the Integrity Agreement (《廉潔協議書》) before joining the Group, so that employees can understand and comply with the integrity requirements of the Group. This move is to prevent professional ethics risks and protect the legitimate rights and interests of the Group and its employees. During the Reporting Period, the Group organized inter-departmental anti-corruption training for directors and employees, including an introduction to the anti-corruption laws and regulations in mainland China, the Group's monitoring system, case studies on corruption and fraud, and others. The training materials are uploaded to the Intranet, so that employees can consult and learn the materials at any time to enhance their awareness of integrity and anti-corruption. All employees must declare their interests before joining the Company or participating in procurement and other key business processes, so as to avoid conflicts of interest.

In addition, the Group has established the Whistleblowing Policy (《舉報政策》), so that employees of the Group and its subsidiaries can directly report illegal and rule-breaking incidents to the audit department of the Group by name or anonymously. The Group's risk management department has set up an internal audit centre to conduct internal audits on the business operations of its subsidiaries. The Group has zero tolerance for any violation of laws and regulations by personnel and will take disciplinary action against those convicted after investigation and hand them over to the law enforcement agency for handling. The Group's policy also clearly sets out the protection of whistleblowers against unfair treatment.

Social Aspect (continued)

Through its Employee Manual (《員工手冊》), the Group sets out employee behaviours and disciplinary standards in project management, personnel management, administrative management and financial management, which are reviewed by the human resources management department on a regular basis to ensure that such stipulations comply with national and industry standards, and demonstrate the Group's operational principles for practising honesty and integrity. The Group fully complies with national laws and regulations including the Supervision Law of the People's Republic of China (《中華人民共和國監察法》), the Regulations of the People's Republic of China for Suppression of Corruption (《中華人民共和國懲治貪污條例》), the General Rules of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and the Prevention of Bribery Ordinance under Chapter 201 of the Laws of Hong Kong (香港法例第201章《防止賄賂條例》) and incorporates anti-corruption and integrity policies into its future development planning. The Group also organised anti-corruption training for directors and staff to remind staff to maintain a high standard of ethical conduct. During the Reporting Period, the Group had not identified any violation of any applicable law or regulation relating to bribery, extortion, fraud and money laundering and no concluded legal case regarding corrupt practice was brought against the Group or its employees.

COMMUNITY

JOINING TOGETHER IN ANTI-EPIDEMIC EFFORTS

During the pandemic, Shenzhen Sinoagri was selected as one of the Shenzhen COVID-19 prevention and control-related livelihood security enterprises. In light of epidemic prevention and control, the online mall has set up dedicated sections of anti-epidemic secured supply and home delivery. We also provided caterers responsible for securing food supply during the epidemic with raw materials to ensure the availability of food and provided residents in the outbreak areas with rice, flour, grain and oil, meat, eggs and milk, fruits, and other supplies. Employees also actively volunteered to assist the community in nucleic acid testing and donated electric vehicle masks and other materials to frontline workers in the fight against the epidemic, providing concrete material support for the anti-epidemic effort. During the Reporting Period, Shenzhen Sinoagri also expressed gratitude to the aid workers of The Fourth Affiliated Hospital of Zhejiang University School of Medicine and donated fruits to them. The total number of Shenzhen Sinoagri's volunteer work hours reached 12,168. Zall Steel carried out a series of emergency supplies collection and donations and ensured sufficient supplies for various medical units in Jiading District and Nanxiangzhen Community Health Service Center combating the epidemic on the frontline. Zall Steel staff wearing white and blue protective gowns took the initiative to volunteer for community nucleic acid testing and vegetable distribution, serving the community to complete the tasks in a safe, orderly and efficient manner, and participating in the secured supply initiatives of the Zall Foundation in Shanghai.

ENVIRONMENTAL PROTECTION

Since 2017, the Group has been joining the fundraising event of "Protecting the Home of Baer's Pochard" held by the Zall Foundation to protect the Baer's Pochards, the critically endangered water bird together with its employees and the public, contributing to the construction of the "Wetland City". Over the past five years, the fundraising event "Protecting the Home of Baer's Pochard" has mobilized more than 300,000 participations from the public and raised more than RMB6,000,000.

CHARITABLE DONATION

During the Reporting Period, HSH organized educational aid to donate learning materials, books, winter clothes, and others to the Zhaojue County Buyue Town Central Primary School in Liangshan Yi Autonomous Prefecture. Traveled through obstacles across more than 2,000 kilometers to Zhaojue County, Liangshan Prefecture, Sichuan Province, the donation was delivered in September, and local volunteers were commissioned to distribute supplies to families with children overnight, bringing warmth to them.

COMMUNITY INVESTMENT

Zall Smart Commerce Group, since its establishment, has recognised the pivotal role of public welfare and responsibility in corporate growth while exploring innovative business models and developing and expanding business scale, and proactively participated in public welfare undertakings. It rolled out public welfare projects in three major fields to practice the social responsibility of non-state-owned enterprises.

Awards and Honours

AWARDED ENTITY	AWARDS AND RECOGNITIONS	ISSUING INSTITUTION OR AUTHORITY	NATURE	
ZALL SMART COMMERCE GROUP LTD. (卓爾智聯集團有限公司)	Best New Economy Company	Zhitong Finance (智通財經), Tonghuashun Finance (同花順財經)	Listed company honour	
	Forbes Global 2000	Forbes	International honour	
	Best Hong Kong-listed Company of Hubei	Hubei Daily Media Group	Listed company honour	
	Fortune China Top 500	Fortune and CICC Wealth Management Department	Listed company honour	
	Industrial Internet KiloPeaks Award – Double Hundred Billion Award	Ebrun	Listed company honour	
	National Supply Chain Innovation and Application Demonstration Enterprise in 2022	Ministry of Commerce, Ministry of Industry and Information Technology, Ministry of Ecology and Environment, Ministry of Agriculture and Rural Affairs, People's Bank of China, State Administration for Market Regulation, China Banking and Insurance Regulatory Commission, and China Federation of Logistics and Purchasing	National honour	
	2022-2023 Hubei Provincial E-Commerce Demonstration Enterprise	Department of Commerce of Hubei Province	Provincial honour	
	Guruclub Greater China Best Listed Company Awards (Most Innovative Company of the Year)	Gelonghui	Listed company honour	
	Golden Hong Kong Stock "Most Valuable Social Service Company in 2022"	Zhitong Finance (智通財經), China Galaxy Securities, Tonghuashun Finance (同花順財經)	Listed company honour	
	China's Financial Annual Champion Awards "2022 Outstanding Value Listed Company of the Year"	hexun.com, julangshixian.com	Listed company honour	
	"Top 50 Leading Enterprises" in 2022	Shanghai United Media Group	Listed company honour	
	Hubei Changjiang Quality Award Nomination	Hubei Provincial People's Government	Provincial honour	
	SHENZHEN SINOAGRI E-COMMERCE CO., LTD. (深圳市中農網有限公司)	International Reputable Brand	Federation of Shenzhen Industries, Shenzhen Well-known Brands Evaluation Committee	Municipal honour
		Shenzhen May Day Labour Medal	Shenzhen Federation of Trade Unions	Municipal honour
Epidemic Prevention and Control Caring Enterprise Enterprise with Outstanding Contribution to Agricultural Product Protection		Shenzhen Agricultural Industry Leading Enterprise Association	Municipal honour	
2022 Top 500 Enterprises in China		China Enterprise Confederation, China Enterprise Directors Association	National honour	
2022 Top 500 Services Enterprises in China				
2022 Top 500 Enterprises in Shenzhen		Shenzhen Enterprise Confederation, Shenzhen Entrepreneur Association	Municipal honour	
2022 Top 500 Enterprises in Guangdong		Guangdong Enterprise Confederation, Guangdong Entrepreneurs Association	Provincial honour	
Top 100 Industrial Digital Enterprises in China		www.2b.cn (托比網)	Industrial honour	
2022 Top 500 Agricultural Enterprises in China		Farmers' Daily	Industrial honour	
2022 Top 100 Industrial Internet Enterprises 2022 Hundred Billion Revenue Award		Ebrun	Industrial honour	

Awards and Honours (continued)

AWARDED ENTITY	AWARDS AND RECOGNITIONS	ISSUING INSTITUTION OR AUTHORITY	NATURE	
SHANGHAI ZALL STEEL E-COMMERCE CO., LTD. (上海卓鋼鏈電子商務有限公司)	2022 Top 100 Enterprises in Shanghai	Shanghai Enterprises Federation, Shanghai	Municipal honour	
	2022 Top 100 Enterprises of Emerging Industries in Shanghai	Entrepreneurs Association, Shanghai Federation of Economic Organizations, Jiefang Daily Newspaper		
	2022 Top 100 Private Enterprises in Shanghai			
	2022 Top 100 Shanghai Service Enterprises			
	2022 Top 100 Shanghai Private Service Enterprises			
	2022 Top 100 Growth Enterprises in Shanghai			
	2022 Top 500 Private Enterprises in China	All-China Federation of Industry and Commerce	Industrial honour	
	2022 Top 100 Private Service Enterprises in China			
	2022 Shanghai High-tech Enterprise	Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Tax Service, State Taxation Administration	Municipal honour	
	Top 100 Industrial Digital Enterprises in China	www.2b.cn (托比網)	Industrial honour	
2022 Top 100 Service Enterprises in the Yangtze River Delta in 2022	Top 100 Private Service Enterprises in the Yangtze River Delta in 2022	Shanghai Enterprises Federation, Shanghai Entrepreneurs Association, Anhui Enterprises Federation, Anhui Entrepreneurs Association, Jiangsu Enterprises Federation, Jiangsu Entrepreneurs Association, Zhejiang Enterprises Federation, Zhejiang Entrepreneurs Association	Provincial honour	
	2022 Top 100 Industrial Internet Enterprises	Ebrun	Industrial honour	
	2022 Hundred Billion Revenue Award			
	SHANGHAI SULAI INFORMATION TECHNOLOGY CO., LTD. (上海塑來信息技術有限公司)	2022 Top 100 Enterprises in Shanghai	Shanghai Enterprises Federation, Shanghai	Municipal honour
		2022 Top 100 Shanghai Service Enterprises	Entrepreneurs Association, Shanghai Federation of Economic Organizations, Jiefang Daily Newspaper	
2022 Top 100 Private Enterprises in Shanghai				
2022 Top 100 Shanghai Private Service Enterprises				
2022 Top 100 Enterprises of Emerging Industries in Shanghai				
2022 Top 100 Growth Enterprises in Shanghai				
2022 Top 500 Services Enterprises in China	China Enterprise Confederation, China Enterprise Directors Association	National honour		
Top 100 Industrial Digital Enterprises in China	www.2b.cn (托比網)	Industrial honour		
Top 100 Private Service Enterprises in the Yangtze River Delta in 2022	Shanghai Enterprises Federation, Shanghai Entrepreneurs Association, Anhui Enterprises Federation, Anhui Entrepreneurs Association, Jiangsu Enterprises Federation, Jiangsu Entrepreneurs Association, Zhejiang Enterprises Federation, Zhejiang Entrepreneurs Association	Provincial honour		
2022 Shanghai Productive Service Industry Brand Value Ranking	Shanghai Federation of Industrial Economics, Shanghai Federation of Economic Organizations, Shanghai Institute of Corporate Culture & Brand	Municipal honour		
2022 Top 100 Industrial Internet Enterprises	Ebrun	Industrial honour		
2022 Hundred Billion Revenue Award				

ESG Reporting Guide Content Index of the Stock Exchange

Main Scope, Aspect, KPI		Section/ Statement
Main Scope A – Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions Management
KPI A1.1	The types of emissions and respective emissions data.	Emissions Management
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 Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Management
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 Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Use
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).	Resource Use
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Use
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Resource Use
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.	Resource Use
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resource Use

ESG Reporting Guide Content Index of the Stock Exchange (continued)

Main Scope, Aspect, KPI		Section/ Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
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.	Climate Change-Related Issues
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-Related Issues
Main Scope 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.	Staff, Compensation and Benefits
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Staff, Compensation and Benefits
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Staff, Compensation and Benefits
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
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
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

ESG Reporting Guide Content Index of the Stock Exchange (continued)

Main Scope, Aspect, KPI		Section/ Statement
Aspect 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
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect 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
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sustainable Operation
KPI B5.1	Number of suppliers by geographical region.	Sustainable Operation
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.	Sustainable Operation
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Operation
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Operation

ESG Reporting Guide Content Index of the Stock Exchange (continued)

Main Scope, Aspect, KPI		Section/ Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products- and service-related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
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
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
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.	Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community