

Chapter 1: Introduction to ASA Building Materials (HK) Limited's Environmental, Social, and Governance (ESG) Report

(Issued on 19 August 2024)

Welcome to ASA Building Materials (HK) Limited's 2024 Environmental, Social, and Governance (ESG) report. This report highlights our continued commitment to sustainable development, corporate responsibility, and transparency, building on the foundations set in our inaugural report.

1.1 Our Company

ASA Building Materials (HK) Limited remains a leading supplier of premium building materials, dedicated to serving the Hong Kong construction industry with excellence and innovation. As we advance, our focus on quality and sustainability intensifies, demonstrating our dedication to positively impacting our community and environment.

1.2 Our ESG Philosophy

Our ESG philosophy is rooted in the conviction that sustainable practices are essential for long-term profitability and stakeholder value. This year, we have further integrated these principles into our operations, reflecting our commitment to reducing our environmental footprint, contributing to communities, and maintaining robust governance.

1.3 Scope and Structure of the Report

This report covers April 1, 2023, to March 31, 2024, focusing on our operations in Hong Kong. Prepared according to the Hong Kong Stock Exchange (HKEX) ESG Reporting Guide, it adheres to principles of materiality, quantitative analysis, balance, and consistency. The report is organised into the following sections:

Green Production Initiatives: Details our efforts in developing environmentally friendly manufacturing processes.

Social Responsibility: Highlights initiatives to support our employees and communities, underscoring our commitment to social welfare.

Governance: Describes our dedication to maintaining strong governance practices and ensuring transparency and ethical behaviour.

1.4 Stakeholder Engagement

Engaging with our stakeholders — employees, customers, suppliers, shareholders, and the broader community — remains central to our ESG strategy. Their insights continue to shape our initiatives and priorities, ensuring we meet their needs and expectations.

1.5 Looking Ahead

Our commitment to continuous improvement, learning, and growth remains steadfast as we look forward. We are eager to engage further with our stakeholders, address their concerns, and fulfil our responsibilities as corporate citizens.

We invite you to explore this report to understand our ESG strategies, initiatives, and achievements as we strive to create a sustainable future.

Chapter 2: Green Manufacturing Initiatives

This chapter outlines the 2024 energy-saving and carbon-reduction projects, focusing on sustainable practices and technological advancements to reduce emissions and improve energy efficiency. The carbon emissions range of our primary production plant in Hubei is from approximately 130,000 to 170,000 tonnes, depending on production levels.

2.1 Environmental Projects

Our environmental policy underpins our approach to environmental stewardship. We are committed to complying with all relevant environmental laws and regulations in Hong Kong and strive beyond compliance by integrating best practices in environmental management into our operations.

2.1.1 Photovoltaic Project (KPIs A1.2, A1.5, A4.1)

During the winter of 2023-2024, heavy snowfall damaged the roofs of storage facilities at our Hubei production plant. To address this, we plan to replace the roofs with BIPV panels. This photovoltaic project is expected to generate 16MW of electricity, primarily for factory use, with any surplus fed into the grid, significantly reducing production costs. The project offers economic, environmental, and social benefits by cutting 1,800 tons of standard coal usage and approximately 8,000 tons of CO₂ annually. The contract has been signed, and preparations are underway.

2.1.2 Flue Gas Pipeline Upgrade Project (KPI A2.3)

The upgrade to a 100% waste heat exchange system for all drying kilns, costing 1.8 million yuan, has been completed.

2.1.3 Kiln Insulation Upgrade Project (KPI A2.3)

Insulation coatings and double-layer insulation have been applied to the walls of the firing and drying kilns, significantly reducing heat loss. This has lowered the kiln wall temperature from 75-77°C to 60-63°C. The investment cost is approximately 450,000 yuan.

2.1.4 New Desulphurisation Tower Project (KPIs A1.2, A1.3, A1.5, A2.4, A3.1, A4.1)

The project aims to achieve ultra-clean emissions, with indicators 50% lower than national standards. It eliminates the impact of spray tower flue gas on kiln flue gas, ensuring product colour stability and reducing the need for frequent demister

cleaning, which conserves water.

2.2 Energy-Saving and Efficiency Improvement Projects

2.2.1 Press Upgrade Project (KPI A2.3)

The original Sacmi 4009 flywheel press, known for its high energy consumption and low pressing frequency, has been upgraded to the new Hengli Tai 6890 hydraulic energy-saving press. This upgrade, which cost 4.1 million yuan, increased the pressing frequency from 6.0 to 9.5 times per minute.

2.2.2 Packaging Line Upgrade Project (KPI A2.3)

The packaging line speed and stability have significantly improved, increasing from 7 to 12 packages per minute, marking a 70% increase. The upgrade cost is 980,000 yuan.

2.2.3 Energy-Saving Motor Replacement Project (KPI A2.3)

Over 800,000 yuan was invested in replacing all 180 transmission motors in the Numbers One and Two drying kilns with energy-saving variable-frequency motors.

2.2.4 Gas Station Upgrade Project (KPIs A1.5, A2.3, A4.1)

Upgrades to the gas generator furnaces, grates, bases, and bodies are designed to operate three kilns using a 4.6-meter diameter gas generator furnace. Since March, operations have been stable, resulting in fuel and motor operating cost savings.

2.2.5 Ball Mill Technical Transformation Project (KPI A2.3)

Modifications to the ball mill shaft and optimisation of high aluminium ball ratios, increasing from 30% to 70%, have enhanced milling efficiency and reduced milling time from 15 to 13 hours.

2.2.6 Spray Tower Year-End Maintenance Project (KPIs A1.5, A2.3, A4.1)

Renovations to the tower's top, including ventilation, heating, and wall systems upgrades, have increased capacity from 1,600 T/day to 1,750 T/day and stabilised top temperatures at $610\pm 10^{\circ}\text{C}$. The investment is approximately 1.7 million yuan.

2.2.7 Polishing Line Tile Handling Upgrade Project (KPI A2.3)

Tile handling efficiency increased from 17 to 35 pieces per minute, significantly enhancing polishing efficiency. The cost is approximately 300,000 yuan.

2.3 Bisque Formula Optimisation Project (KPIs A1.5, A2.3, A4.1)

The low-temperature fast-firing formula has been upgraded from version 1.0 to 2.0, achieving the following:

- a. Reduced lump coal consumption from 3.6 kg/square meter to 3.3 kg/square meter.
- b. It increased kiln capacity utilisation by 5%.

2.4 Summary

In conclusion, ASA Building Materials (HK) Limited is dedicated to green manufacturing through its 2024 initiatives centred on energy savings and carbon reduction. By implementing advanced technologies and sustainable practices, we've effectively reduced emissions and improved efficiency at our Hubei production plant. These projects, including photovoltaic installations and equipment upgrades, underscore our commitment to environmental stewardship and operational excellence. As we continue to innovate, we remain steadfast in achieving sustainable growth and contributing positively to the environment.

Chapter 3: Social Responsibility and Employee Welfare

This chapter examines our dedication to social responsibility and employee well-being. We consider our employees our most valuable asset, and their hard work and commitment are crucial to our success. Therefore, we prioritise fostering a healthy, safe, and inclusive work environment.

3.1 Diversity and Inclusion (KPIs B1.1, B1.2)

We are dedicated to cultivating a diverse and inclusive workplace and believe in providing equal opportunities for all employees, regardless of age, race, gender, nationality, or background. Compared to last year, we have increased the number of employees aged 51-60 while maintaining a male-to-female ratio of 2:3. The employee statistics are as follows.

POSITION GRADE	≤ 30	31-40	41-50	51-60	≥ 60	SUB-TOTAL
SENIOR MANAGEMENT	0.00%	4.26%	2.13%	0.00%	0.00%	6.39%
MIDDLE MANAGEMENT	8.51%	2.13%	0.00%	0.00%	0.00%	10.64%
GENERAL EMPLOYEES	27.66%	23.40%	17.02%	14.89%	0.00%	82.97%
TOTAL	36.17%	29.79%	19.15%	14.89%	0.00%	100.00%

POSITION GRADE	MALE	FEMALE	SUB-TOTAL
SENIOR MANAGEMENT	4.26%	2.13%	6.39%
MIDDLE MANAGEMENT	4.26%	6.38%	10.64%
GENERAL EMPLOYEES	31.91%	51.06%	82.97%
TOTAL	40.43%	59.57%	100.00%

3.1.1 Equal Opportunity Guidelines (KPIs B1.1, B1.2)

We consistently uphold guidelines that foster equality within our company, providing a framework to ensure all employees are treated fairly and have equal opportunities. Our recruitment, promotion, and development processes are fair and transparent.

3.1.2 Valuing Age Diversity (KPIs B1.1, B1.2)

We value the knowledge and experience that older employees contribute to our team. Therefore, we actively hire individuals over 50, appreciating their expertise and unique perspectives. Our age-diverse workforce enables us to benefit from various backgrounds and skills.

3.1.3 Embracing Diversity (KPIs B1.1, B1.2)

We actively welcome employees from various countries and diverse ethnic backgrounds, believing that a multicultural workforce enriches our company. Last year, we hired an AIESEC trainee whose outstanding performance led to her being offered a 2-year full-time contract. This reflects our commitment to recognising talent and fostering an inclusive work environment.

3.2 Supporting Education and Career Development (KPIs B8.1, B8.2)

As a manufacturer committed to the responsible use of Earth's resources, we prioritise educating and training the next generation in Earth and Environmental Sciences to ensure their future contributions to the industry. We actively support students from the Department of Earth and Environmental Sciences at The Chinese University of Hong Kong, facilitating their participation in academic and career activities, including those organised by The Geological Society of London. This year, we have supported over ten students in these events to help them understand the industry and explore career paths.

Our company is also committed to mentoring the next generation through the Pitch Perfect Programme and the Business-School Partnership Programme, organised by the Hong Kong General Chamber of Commerce. We guide university students in honing their presentation skills and support secondary school students in understanding the business world, providing valuable insights and experiences to prepare them for future careers.

3.3 Partnership with The Chinese University of Hong Kong (KPIs B8.1, B8.2)

Our company collaborates with the Co-op Programme at The Chinese University of Hong Kong to offer undergraduate students valuable work experience in a real-world setting. This partnership aims to equip students with practical skills and insights into the industry. This year, we hired one student for a 7-month placement, who will report for duty in the next financial year, providing her with hands-on experience and professional development opportunities.

3.4 Employee Health and Safety (KPIs B2.1, B2.2, B2.3)

We strongly emphasise employee health and safety, recognising the importance of a supportive and secure work environment. Washrooms, our employees' only private space, are a key focus area. To ensure they are well-maintained, we have established a dedicated committee comprising senior and middle management and general employees. This committee oversees the condition of the washrooms, ensuring the cleaning staff properly maintains them and that colleagues use the facilities responsibly. Our goal is to provide a clean and comfortable environment, reflecting our commitment to employee well-being.

3.5 Waste Disposal Committee (KPIs A1.4, A1.6, A3.1, B8.1)

We established a Waste Disposal Committee in response to the government's waste disposal policy, particularly the Municipal Solid Waste Charging. This committee is dedicated to promoting waste reduction and increasing recycling efforts within our workplaces. Despite putting the charging scheme on hold, the committee continues pursuing these goals, demonstrating our commitment to environmental responsibility.

3.6 Summary

ASA Building Materials (HK) Limited is committed to social responsibility and employee welfare, focusing on creating a healthy, safe, and inclusive work environment. We value diversity and inclusion, ensuring equal opportunities for all employees. We enrich our company culture by fostering an age-diverse workforce and welcoming multicultural backgrounds. Our partnerships with educational institutions offer students valuable industry insights and practical experience. Furthermore, we prioritise employee health and safety through dedicated initiatives, reinforcing our commitment to a supportive and thriving workplace.

Chapter 4: Governance

This chapter offers a detailed overview of ASA Building Materials (HK) Limited's governance structure, practices, and policies. Our dedication to robust corporate governance is essential. It supports our sustainable and responsible operations while ensuring accountability, fairness, and transparency in all stakeholder interactions.

4.1 Governance Structure

This section outlines the overall structure of ASA Building Materials (HK) Limited's governance, emphasising the roles and responsibilities of Senior and Middle Management.

4.1.1 Senior Management

The Senior Management team is vital in representing diverse interests within the company. The Managing Director advocates for the administrative staff, addressing their needs and concerns. The Marketing Director represents the Marketing Department, focusing on strategies and resources needed for effective product marketing. Lastly, the Brand Development Director aligns with the sales department, concentrating on strategies to enhance brand recognition and sales.

4.1.2 Middle Management

Our middle management comprises managers from the project and retail teams and the manager from the Sourcing & Logistics Department. As ASA Building Materials (HK) Limited is a sales-oriented company, the representation of the Sales Department employees in the management structure ensures that the perspectives of those working in the office and the showroom are considered and taken care of. Sales are always the company's top priority, and this structure ensures that the interests of those directly involved in sales are adequately represented. Middle management is also a communication platform that provides effective and efficient workflow in order placements.

4.2 Governance Practices

Our governance practices, which include setting ESG goals and decision-making processes, are explored in this part.

4.2.1 ESG Goals

Our company's ESG goals are set during Senior Management meetings with consultation from Middle Management. These goals are shaped with the input of

various departments, ensuring a balanced and comprehensive approach to environmental, social, and governance issues.

4.2.2 Decision-Making Process

We describe our company's decision-making process, emphasising fairness, transparency, and accountability principles. This process ensures everyone's interests are represented and decisions are made with the company's overall best interest in mind.

4.2.3 Transparency and Accountability

We have set up a regular reporting mechanism on our performance against ESG goals to improve transparency and accountability further. This has created an open dialogue environment where employees at all levels are encouraged to provide feedback and ask questions. This includes waste disposal, recycling, and hygiene in the workplace and washrooms. We plan to rebuild our website to enhance our digital presence and keep stakeholders updated about our company's progress and decisions.

4.3 Policies and Compliance (KPIs B7.2, B7.3)

The Code of Conduct, encompassing key governance policies like the Anti-Corruption Policy, Equal Opportunity Policy, and Health and Safety Policy, serves as a guiding principle for our employees and management. It ensures we maintain ethical behaviour and adhere to governance standards. We also highlight our ongoing efforts to comply with all relevant local and international laws and regulations.

4.4 Stakeholder Engagement

To enhance our engagement with stakeholders, we propose the following measures:

- Regular surveys or feedback sessions should be conducted to understand their expectations and concerns.
- Improve our digital platform to facilitate interactive communication and updates.

We will address these in the coming edition of our new website.

4.5 Summary

Our overview of the governance structure emphasises the collaborative roles within the company. Senior and Middle Management work together to align diverse interests with our goals. Our ESG initiatives are well-rounded, incorporating insights from all departments. We prioritise transparency and accountability, adhering to governance policies and laws. Enhancing stakeholder engagement through regular feedback and digital platforms demonstrates our commitment to ethical practices and sustainable growth.

Chapter 5: Conclusion and Future Outlook

As our 2024 ESG report concludes, ASA Building Materials (HK) Limited reaffirms its unwavering commitment to sustainable practices, social responsibility, and strong governance. This year's initiatives highlight our dedication to reducing environmental impact, enhancing energy efficiency, and fostering an inclusive workplace.

5.1 Environmental Commitments

Through various initiatives, we have made significant strides in environmental sustainability. We implemented energy-saving projects such as installing BIPV panels and enhancing waste heat exchange systems, reducing carbon emissions and improving energy efficiency. Our commitment to ultra-clean emissions through advanced desulphurisation technology exemplifies our dedication to exceeding environmental standards. These efforts demonstrate our proactive approach to minimising our ecological footprint and fostering a greener future.

5.2 Social Commitments

We fostered a diverse and inclusive workplace, ensuring equal opportunities for all employees. Our partnerships with educational institutions gave students valuable industry insights and practical experience. We prioritised employee health and safety through dedicated initiatives, creating a supportive and thriving work environment. These efforts underscore our dedication to nurturing our most valuable asset — our people.

5.3 Governance Commitments

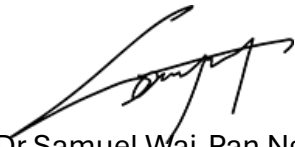
We focus on clearly delineating responsibilities and accountabilities within our organisation. Our structure supports effective decision-making processes and ensures our operations are conducted ethically and transparently. By prioritising environmental and social commitments, we strive for sustainable growth. We remain dedicated to open dialogue with stakeholders, upholding integrity, and maintaining accountability in all our endeavours. Our policies and practices are designed to uphold the highest standards of accountability and integrity, reflecting our commitment to ethical business practices.

5.4 Looking Ahead

ASA Building Materials (HK) Limited remains dedicated to advancing our environmental, social, and governance goals as we move forward. We will

continue innovating in green manufacturing, reducing our carbon footprint and enhancing energy efficiency. Our commitment to social responsibility will be strengthened by fostering an inclusive workplace and supporting employee development. We aim to deepen stakeholder engagement and uphold the highest governance standards, ensuring transparency and accountability. Building on our achievements, we are poised to contribute positively to our community and environment, paving the way for a sustainable future.

Report and confirm by

A handwritten signature in black ink, appearing to read 'Samuel Ng', written over a faint horizontal line.

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