

Hyfusin Group Holdings Limited

凱富善集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8512

2019

Environmental, Social and Governance Report





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REPORTING PRINCIPLES AND SCOPE OF THE REPORT

Hyfusin Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) persistently strives to operate its business in an economic, social and environmentally sustainable manner.

The Group is one of the leading candle maker in Asia with its dedicated laboratory with top modern equipment. Its qualified chemists test, develop and design proprietary formulas and materials.

The Group respects the talents and creativity, focuses on enhancing the social and human care on the products and also the responsibility for integrity, honesty, bringing industrial matrix and navigating forward.

The Group is pleased to present the Environmental, Social and Governance Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The report sets out the Group’s policies and practices as well as certain major subsidiaries’ policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Reporting Guide for the year ended 31 December 2019 (the “**Year 2019**”).

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and their business is managed prudently under sound decision-making processes by the Group. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. The board of directors (the “**Board**”) is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

Fleming International Vietnam Limited (“**Fleming Vietnam**”) is principally engage in the manufacturing and sale of candle products comprising daily-use candles, scented candles and decorative candles. Fleming Vietnam’s wholly-owned factory is located in Ho Chi Minh City, Vietnam, with approximately 14,000 square meters which offers a one-stop manufacturing solution.

For both environmental and social aspects, this report will focus on Fleming Vietnam, which is a material operating segment of the Group and the Group’s head office located in Hong Kong (the “**HK Office**”).



STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a core role in the sustainability of the Group. The Group fully appreciates the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, the Group consults the stakeholders on their recommendations and propositions to ensure its business practices can meet the expectations of the stakeholders.

The stakeholders include the shareholders, governments and regulatory bodies, employees, customers, suppliers and society and the public. The Group discusses with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

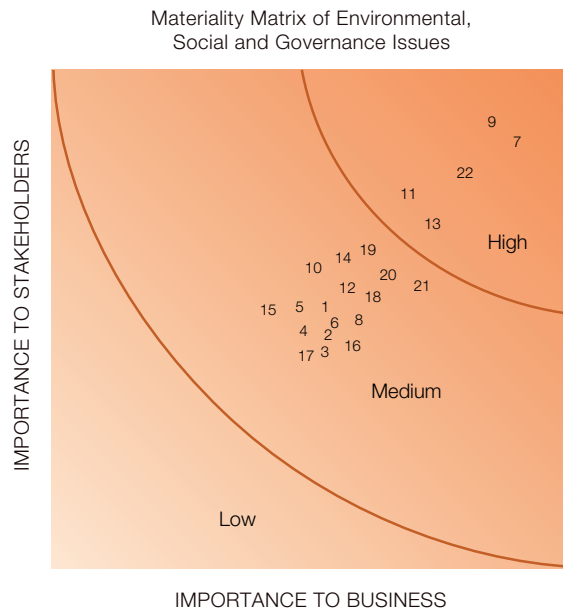
| Stakeholders | Expectations | Communication and feedback |
|-----------------------------------|---|--|
| Shareholders | <ul style="list-style-type: none"> Financial results Corporate transparency Sound risk control | <ul style="list-style-type: none"> Improving profitability Regular information disclosure Optimising risk management and internal control |
| Governments and regulatory bodies | <ul style="list-style-type: none"> Compliance with laws and regulations Tax payment in accordance with laws | <ul style="list-style-type: none"> Compliance operation Tax payment in full and on time |
| Employees | <ul style="list-style-type: none"> Career development platform Salary and benefits Safe working environment | <ul style="list-style-type: none"> Promotion mechanism Competitive salary and employee benefits Providing trainings for employees and strengthen their safety awareness |
| Customers | <ul style="list-style-type: none"> Logistics and delivery service standards Customer information security Customer rights and interests protection | <ul style="list-style-type: none"> Getting delivery status through product tracking system Customer privacy protection Compliance marketing |
| Suppliers | <ul style="list-style-type: none"> Integrity cooperation Business ethics and credibility | <ul style="list-style-type: none"> Building a responsible supply chain Performing the contract according to law |
| Society and the public | <ul style="list-style-type: none"> Environmental protection Employment opportunities | <ul style="list-style-type: none"> Putting into use of environmental protection and energy saving equipment Providing employment opportunities |



MATERIALITY ASSESSMENT

In Year 2019, the Company conducted a comprehensive materiality assessment. This involved conducting interviews and/or surveys with internal and external stakeholders to identify which areas have the most significant operating, environmental and social impacts towards their business.

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the corporate business characteristics, the Company has identified and confirmed 22 issues, which cover environment, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption and community investments.



Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of raw materials and packaging materials
7. Compliance with laws and regulations relating to environmental protection
8. Use of chemicals

Social issues

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operating issues

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

ENVIRONMENT

EMISSIONS

Environmental protection is one of the core values of the Group. The Group has proactively looked for and implemented new technology at various stages of production in order to minimise its impact on the environment. Over the years, the Group has introduced energy-efficient equipment and streamlined operation processes to reduce fuel, electricity and water consumption, enhanced the efficiency of utilising resources and explored new areas for environmental conservation.

For environmental protection and treatment of waste, the Group has implemented procedures for treatment of waste, and conducted environmental inspections regularly, to ensure emission restrictions and requirements have been fulfilled.

In order to minimise the energy consumption and waste paper of the factory, various sustainable development measures have been enforced to address environmental responsibilities within normal operating procedures, including but not limited to (i) compact fluorescent lamps were installed as much as possible in the factory; (ii) staff were encouraged to switch off the electronic devices, lights and air-conditioners after the use of a room or leaving office for a period of time such as lunch hour; (iii) air-conditioners with low efficiency or malfunction were replaced in the Year 2019; (iv) refrigerators were kept away from sunlight; and (v) staff were encouraged to print only when necessary and use recycle papers in first priority for printing so far as practicable.

Other air pollutants mainly include nitrogen oxides (“**NOx**”), sulphur oxides (“**SOx**”) and particulate matter (“**PM**”), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. The Group generates other air pollutants through the use of its motor vehicles.

Gaseous Emissions from the Use of Motor Vehicles

| Indicator | Unit | 2019 | 2018 |
|-----------|--------------------------|------|------|
| NOx | Kilogram (“ Kg ”) | 6.6 | 8.6 |
| SOx | Kg | 0.3 | 0.2 |
| PM | Kg | 0.5 | 0.5 |

Greenhouse Gas (“GHG”) Emissions from Operations

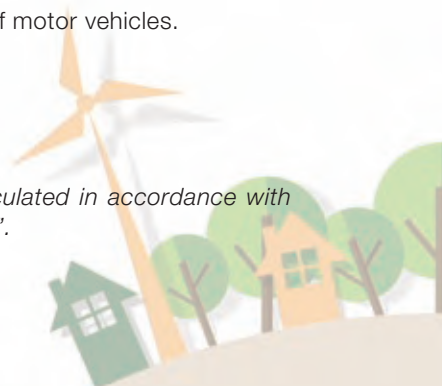
| Indicator | Unit | 2019 | 2018 |
|-------------------------|--|------------|------------|
| GHG emission (Scope 1) | Kg of carbon dioxide equivalent (“ Kg of CO_{2e} ”) | 158,243 | 127,892 |
| GHG emission (Scope 2)* | Kg of CO _{2e} | 2,316,705 | 1,995,190 |
| GHG emission (Scope 3) | Kg of CO _{2e} | 36,853 | 31,953 |
| Total | Kg of CO _{2e} | 2,511,801 | 2,155,035 |
| Production unit | Piece | 97,820,879 | 97,845,456 |
| GHG intensity | Kg of CO _{2e} /unit produced | 0.03 | 0.02 |

Scope 1: It represents the town gas, liquefied petroleum gas, diesel oil from consumption of motor vehicles.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

* The emission factor is sourced from the [emissionfactors.com](http://www.emissionfactors.com). The figures are calculated in accordance with the “Reporting Guidance on Environmental Key Performance Indicators (the “**KPIs**”)”.



ENVIRONMENT (CONTINUED)

EMISSIONS (CONTINUED)

In Year 2019, the GHG reduction data for newly planted trees of the Group was as follows:

| Environmental performance | Unit | 2019 | 2018 |
|---------------------------|------------------------|-------|------|
| Extra trees planted | Tree | 65 | 35 |
| Carbon dioxide reduced | Kg of CO _{2e} | 1,495 | 805 |

Environmental Performance from Operations

| Indicator | Unit | 2019 | 2018 |
|------------------------------|------------------|--------------|--------------|
| Hazardous waste produced | Kg | N/A (Note 1) | N/A (Note 1) |
| Intensity | Kg/unit produced | N/A | N/A |
| Non-hazardous waste produced | Kg | 585,582 | 599,307 |
| Intensity | Kg/unit produced | 0.006 | 0.006 |

Note 1: Hazardous waste produced by the factory is minimal. Therefore, no relevant figure is quantified.

Wastes produced by Fleming Vietnam during production are passed to qualified recyclers for recycling. Details are as follows:

| Waste | Qualified recyclers |
|-------|---------------------|
|-------|---------------------|

| | |
|---------------------|----------------------|
| Hazardous waste | Sonadezi company |
| Non-hazardous waste | PL Trung Tam company |

Non-hazardous waste produced by the Group is mainly from manufacturing of candle products, diffusers and home spray products.

Fleming Vietnam is subject to a variety of laws and regulations in Vietnam relating to the handling of wastewater and hazardous waste in the manufacturing processes.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Environmental Protection Law of the Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Year 2019.

No fines or non-monetary sanctions for non-compliance had been incurred during the Year 2019.



USE OF RESOURCES

The Group is committed to minimising the impact of business activities on the environment and supporting environmental protection programmes. In particular, a number of initiatives, which are designed to conserve resources, were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

As mentioned in the above section “Emissions”, the Group has a series of policies and procedures to minimise the resources used by the employees in the factory. In order to increase the electricity consumption efficiency, a number of new air-conditioners and the compact fluorescent lamp were installed in the Year 2019. In addition, the scrap of raw material is recycle to use in the production cycle.

Relevant Consumptions from Operation

| Indicator | Unit | 2019 | 2018 |
|--|---------------------------------|-----------|-----------|
| Energy Consumption | | | |
| Electricity consumption | kWh | 4,091,480 | 3,567,240 |
| Electricity consumption intensity | kWh/unit produced | 0.04 | 0.04 |
| Water Consumption | | | |
| Water consumption | Cubic metre (“M ³ ”) | 46,585 | 46,333 |
| Water consumption intensity | M ³ /unit produced | 0.0005 | 0.0005 |
| Packaging Materials Consumption | | | |
| Packaging materials used for finished products | Kg | 977,000 | 607,661 |
| Packaging materials consumption intensity | Kg/unit produced | 0.01 | 0.006 |



LED lighting used in the show room

ENVIRONMENT (CONTINUED)

USE OF RESOURCES (CONTINUED)

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption, GHG emissions and wastes disposed of its factory. Every year, the factory is required to set its respective energy and carbon reduction targets and come up with feasible measures to achieve them. The details and results achieved are listed as follows:

| Projects | Details and results achieved |
|--------------------------|---|
| Compact fluorescent lamp | Lightings in the factory have been installed compact fluorescent lamps which have saved up much electricity as compared with incandescent light lamp. |
| Water conservation | During the cleaning of factory, the cleaner was strictly control the usage of water and frequency of cleaning. As a result, consumption of water was saved. No issue was found in sourcing water that is fit for purpose. |
| Air-conditioners | The higher efficiency of air conditioners was selected in the Year 2019, the relevant consumption of electricity was reduced. |
| Recycle of raw materials | The scrap wax is produced during the production process, which will be collected by the qualified suppliers. The factory has made their best effort to minimise the impact on the environment by using recyclable raw materials or supplementary materials in the production process. |
| Non-hazardous waste | Non-hazardous waste from the factory includes packaging materials of product, paper for office use and kitchen waste. The factory promotes separation of waste such as cartons and plastic bottles, which are placed in certain areas assigned to recycled suppliers for collection. |



THE ENVIRONMENT AND NATURAL RESOURCES

The business of manufacturing of candle products is closely related to environmental protection and the usage of natural resources. The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to ensure the sustainable development and operation of the Group. The Group strives to enhance its efficiency in the usage of energy, water and materials and also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment. The actions taken are aligned with international standards. These include GHG emission inspections, reduction and classification, recycling of wastes, and consultations on energy conservation and carbon reduction in factories with high energy consumption levels.

The Group encourages all employees to participate in different kinds of recycling activities and minimise the use of nature resources. The Group has actively introduced environmental protection measures in the office spaces, including (i) priority use of energy-saving lighting and electrical appliances; (ii) turning off electric equipment and lighting during non-office hours; and (iii) reuse of papers and driving forward paperless office gradually. In addition, the Group also encourages its employees to save resources, cherish food and avoid waste of resources by beginning with trivial things.



Environment in the factory area

During the Year 2019, there is no significant impact on the environment and natural resources from the operations of the Group, in particular, the factory in Vietnam and the HK Office.



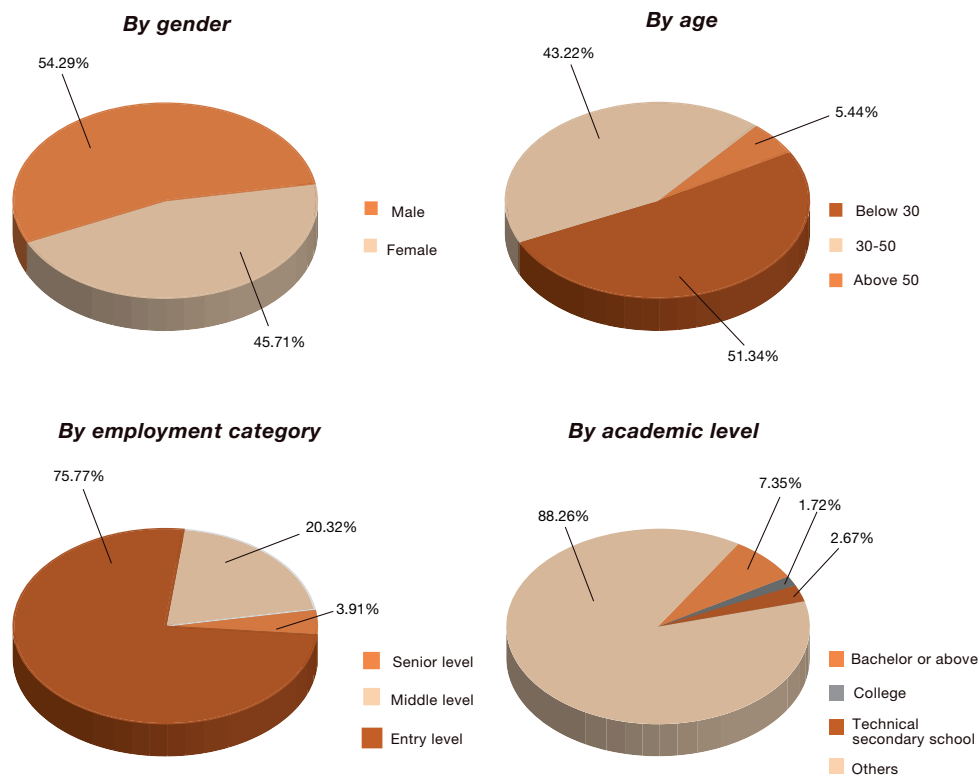
SOCIAL

EMPLOYMENT

The Group is committed to provide a working environment which is free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation. The Group provides equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment.

The Group seeks to attract and retain talented employees through providing a work environment that promotes values such as fair compensation package, respect and integrity. Compensation packages are competitive, and the promotion and rewards of employees are based on the performance and experience of the employees and the prevailing market conditions. The Group implements a set of comprehensive human resources management policy to maximise the development and effectiveness of human resources management in order to achieve the goals of the Group and guarantee sustainability of the Group's business development.

Distribution of Workforce classified by Different Catalogues



Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employees' Compensation Ordinance of Hong Kong, Labour Law of the Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the Year 2019.

No non-compliance that resulted in significant fines or sanctions identified during the Year 2019.

HEALTH AND SAFETY

The Group adopts non-discriminatory employment practices and provides a healthy and safe workplace. All employees are required to keep the factory and the HK Office in safety and cleaning condition. The Group is subject to and complies with regulations in Hong Kong and Vietnam that govern occupational health and safety issues.

The Group complies with the “Law of the Vietnam on the Prevention and Treatment of Occupational Diseases” by execution of health and safety polices to prevent of occupational diseases. As a result, the Group can effectively protect the health and safety of its workers during their work and achieve the Group’s goal and promote the economic development of the Group.



The factory’s medical clinic



The first aid boxes are placed throughout the factory



SOCIAL (CONTINUED)

HEALTH AND SAFETY (CONTINUED)

Smoking is prohibited in factory's and HK Office's areas. Fire extinguishers, fire alarms and evacuation route are available for the employees located at the factory and the HK Office.



Fire drill during the Year 2019



Fire extinguishers and fire slogan place in the factory

The Group has obtained all requisite permits, licences and approvals for business operation in Vietnam as stated in the below table.

| Permit/Licence | Issuing authority |
|--|--|
| Confirmation on registration of satisfaction of environmental standards No. 118/BDK-TNMT | Department of Natural Resources and Environment of Dong Nai Province |
| Certificate of approval on fire prevention and fire-fighting No. 147/TD-PCCC | Police Department of Dong Nai Province |
| Register of owner of hazardous waste generation No. 382/SDK-CCBVM | Environmental Protection Agency of Dong Nai Province |
| Acceptance minute of fire safety | Police Department of Dong Nai Province |

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Occupational Safety and Health Ordinance of Hong Kong, Prevention and Control of Disease Ordinance of Hong Kong, Law on Occupational Safety and Health of Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Year 2019.

DEVELOPMENT AND TRAINING

The Group has stringent policy which is implemented to give employee adequate training to do their job safely and competently. Employees in different positions and roles are offered diverse training and development programs relevant to their required skills and knowledge. Work-life balance and a safe workplace are ensured so as to promote a harmonious working environment.

The Group is committed to providing every employee with training annually. All employees are encouraged to enhance their skills and knowledge in order to perform their duties more efficiently and effectively. During the Year 2019, certain external training expenses recommended to the employees were borne by the Group such as the topics about financial reporting and compliance updates on local laws and regulations.

The Group encourages employees to strike a balance between work and life. All employees are encouraged to participate in the recreational activities in order to enhance the team spirit, employee's sense of belonging and morale.



Project Her in Year 2019



SOCIAL (CONTINUED)

LABOUR STANDARDS

The Group fully understands that exploitation of child and forced labour is universally condemned, and therefore takes the responsibilities against child and forced labour very seriously. The Group strictly complies with all laws and regulations against child and forced labour. Internal policies are also in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it will report to the relevant authorities.

The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to various fringe benefits, such as annual leave, marriage leave, compassionate leave and medical coverage, in accordance with local regulations. With the well-established benefit systems and support made to its employees, the Group strives to retain talents and envision the development of its employees.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employment of Children Regulations of Hong Kong, Labour Law of the Vietnam, Provisions on the Prohibition of Using Child Labour of the Vietnam, Protection of Minors of the Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to preventing child or forced labour during the Year 2019.

SUPPLY CHAIN MANAGEMENT

The Group has the greatest respect for the laws and regulations that govern its business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers.

The Group adheres to the principle of transparency and implements the value of honesty, integrity and fairness in its supply chain management. The Group's procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities.

In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. During the selection process of suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing, marketing assessment and green supplier selection.

The Group expects its major suppliers to observe the same environmental, social responsibility, health and safety, and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to suppliers.

The Group fully understands the importance of environmental protection and environmental friendly production. The Group takes up social responsibilities and cooperates with its stakeholders including suppliers and customers to make contributions to the conservation of the environment. The Group implements stringent controls on all manufacturing procedures covering product design, purchase of raw materials, production and delivery. The Group ensures to fulfill the worldwide regulations and customers requisition, satisfy Fleming Vietnam's requirements for quality and environmental aspects.



PRODUCT RESPONSIBILITY

The quality of products is dependent on the effectiveness of quality control system, which in turn depends on a number of factors, including the design of the system and the ability to ensure that the staff adhere to the quality control policies and guidelines.

The Group is subject to various code of conduct of certain of the customers relating to occupational health and safety and environmental conditions.

The Group takes the quality of its products seriously. Therefore, it applies procedures to enhance the quality control of its products and sales management, and ensure providing the best quality products to its customers.



A showroom of the Group's major products



The quality of products were checked in the laboratory

The Group requires its staff to comply with the Hong Kong and Vietnam governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group has regular meeting for internal technical staff with advice from customers. Policies about product quality and safety and compliance with laws and regulations are published on the Group's intranet and are clearly communicated to its employees.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Law of the Vietnam on Product Quality, Patent Law of the Vietnam, Law of Socialist Republic of the Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the Year 2019.

No significant fines were incurred during the Year 2019.



SOCIAL (CONTINUED)**ANTI-CORRUPTION**

The Group takes anti-corruption responsibilities very seriously. The Group's anti-corruption policies set out the standards of conduct to which all employees are required to adhere to. The Group has designated hotlines and emails for relevant stakeholders to report, in confidence, any illegal or fraudulent behaviours to the Board.

Employees making such reports are assured of protection. The designated hotlines and emails are available on the Company's website at <http://www.fleming-int.com>. The Group has also established a regularly review on its business practices and anti-corruption measures and guidelines, as well as reported improprieties investigation.

The Group establishes an effective whistle-blowing policy for reporting suspected irregularities, fraud and corruption via specified channels. The Group also continues to improve its internal control and monitoring system. If any irregularities are identified, the Group takes immediate action and adopts a zero tolerance approach to corruption.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance of Hong Kong, Law on Competition of Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the Year 2019.

There is no legal case concerning corruption brought against the Group or its employees during the Year 2019.



COMMUNITY INVESTMENT

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. This is realised by meeting the needs of the employees and then further extending the caring and services to their families and to the surrounding community.

The Group encourages employees to take part in work-life balance activities and community services. These include various cultural events, employee outings, community volunteering and supporting charitable organisations.



Fleming Vietnam Office Women's Team in 2019



Award for Fleming Vietnam Office Women's Team in 2019



Fleming Vietnam Men's Team in 2019



Award for Fleming Vietnam Men's Team in 2019