

China Golden Classic Group Limited 中國金典集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8281



Environmental, Social and Governance Report 2021

INTRODUCTION

China Golden Classic Group Limited (hereinafter, the “Company”, “we” or “us”) and its subsidiaries (collectively known as the “Group”) are pleased to present our Environmental, Social and Governance (“ESG”) Report. The content of this ESG Report focuses on providing an overview of the ESG performance of our major operations from 1 January 2021 to 31 December 2021 (the “Year”).

The Group is a daily household products producer with a strategic business focus on the production and sales of oral care products, which mainly include functional toothpastes, as well as household products and leather care products in the People’s Republic of China (“PRC”). The headquarters and production facilities of the Group are based in Jiangyin City, Jiangsu Province, the PRC.

The Group believes that prudent management of environmental and social issues is one of the key factors for long-term success in this ever evolving world. To better understand the risks and opportunities for environmental protection, the Group closely conforms with the requirements and expectations of regulatory authorities through an efficient operation management, well-established policies and procedures as well as setting attainable targets, higher standards of energy efficient measures and waste treatment. The Group believes that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges faced by the Group.

In order to carry out the Group’s sustainability strategy from top to bottom, the Board has the ultimate responsibility to ensure the effectiveness of the Group’s ESG practices. The Board has established certain dedicated teams to manage the environmental, social and governance issues within each business division of the Group. Designated staff have been assigned to enforce and supervise the implementation of the relevant policies.

ESG STRUCTURE

At the heart of the Group’s corporate strategy is its objective to enhance long-term, sustainable value for all its stakeholders. The Group is committed to building a robust governance structure that is both rigorous and adaptable to evolving environmental factors. In order to achieve this objective, the Group adopted an effective ESG governance structure where the Board bears the ultimate responsibility for the Group’s ESG strategy, management, performance and reporting. With an aim to strengthening the sustainability governance practices, the Group has also established an ESG Working Group to assist the Board to oversee the Group’s ESG management.

Chaired by the executive director of the Company, the ESG Working Group is delegated by the Board with the following duties and responsibilities to support the fulfilment of the Group’s ESG objectives, including but not limited to the following:

- to identify, evaluate, prioritize and manage the material ESG-related issues of the Group;
- to make recommendations to the Board for the approval on the ESG-related goals and targets and report the progress to the Board;
- to develop and implement the ESG-related strategies, frameworks and policies of the Group and regularly report to the Board on the progress and effectiveness of the development and implementation;
- to prepare the ESG reports of the Group in accordance with all applicable laws, rules and regulations.

Climate change is a great challenge that requires a goal coalition to be resolved. The PRC aims to become a carbon-neutral country by 2060. As a responsible corporate citizen and in line with the country's policy initiatives, the Group has implemented a group-wide Climate Change Policy to provide a systematic process for the Group to proactively identify, assess and manage climate-related issues. Climate change is a high priority on our business agenda. Climate-related risks have accordingly been integrated into our risk management framework.

In order to identify and assess the material concerns of our stakeholders, we have conducted materiality assessment surveys through stakeholder engagement. The assessment helped us determine the factors that have material impacts on our sustainable growth and have incorporated them in the development of our ESG strategies and targets. Our focus on ESG includes climate action and energy conservation. Recalibrating the ESG strategies to include actions to mitigate climate change, we have set targets to reduce Greenhouse Gas ("GHG") emissions, electricity usage, water consumption and waste disposed to landfills. The environmental targets were approved by the Board and the progress will be reviewed by the Board annually. The Group believes setting ESG-related targets can enhance the Group's commitment to corporate social responsibility and allow the Group's stakeholders to have a clearer understanding of the Group's performance on the ESG front.

SCOPE AND REPORTING PERIOD

This ESG Report captures the Group's ESG performance for the Year, and it is prepared in accordance with the requirements set out in the ESG Reporting Guide, Appendix 20 of the GEM Listing Rules.

This ESG Report focuses on the Group's operation at its headquarters, and production facilities in respect of their ESG performances for the Year unless otherwise stated. The Group has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the Year.

REPORTING PRINCIPLES

The ESG report was compiled according to the following reporting principles of the ESG Reporting Guide:

Materiality: This ESG Report is structured based on the materiality of respective issues resulting from materiality assessment. The result of the materiality assessment was reviewed and confirmed by the Board and senior management.

Quantitative: This ESG Report discloses key performance indicators ("KPIs") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs are stated where appropriate.

Balance: This ESG Report is based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall performance of the Group in all ESG aspects.

Consistency: Unless otherwise stated, the Group's disclosure and statistical methods are consistent with the previous financial year so as to provide meaningful comparisons. If there is any change that may affect the comparisons with previous reports, the Group will make explanatory notes to the corresponding sections of this ESG Report.

STAKEHOLDER ENGAGEMENT

As stakeholders play a crucial role in sustaining the success of our business, we make use of various communication channels to understand our stakeholders. The following table provides an overview of the Group's key stakeholders and various approaches adopted by the Group to communicate with different key stakeholders.

Stakeholders	Probable points of concern	Communication and responses
Customers	<ul style="list-style-type: none"> • Service quality • Service delivery schedule • Reasonable prices • Service value 	<ul style="list-style-type: none"> • Routine business communications • Property management services
Government and regulatory	<ul style="list-style-type: none"> • Compliance operation • Risk management • Payment of tax • Anti-corruption • Anti-money laundering 	<ul style="list-style-type: none"> • Interaction and visits • Government inspections • Tax returns and othe information • Rules and guidelines published by regulatory authorities, including the Stock Exchange and the SFC
Shareholders and investors	<ul style="list-style-type: none"> • Corporate governance • Business • Risk management • Investment returns 	<ul style="list-style-type: none"> • Annual general meeting • Announcements and circulars • Financial reports • Email or mail
Media and public	<ul style="list-style-type: none"> • Corporate governance • Environmental protection • Human rights 	<ul style="list-style-type: none"> • Company's website • Shareholders' meetings • Issue of financial reports or operation reports for investors
Employees	<ul style="list-style-type: none"> • Rights and benefits • Compensation • Training and development • Work hours • Working environment • Data privacy 	<ul style="list-style-type: none"> • Regular meetings and management communication • Job performance evaluation
Suppliers	<ul style="list-style-type: none"> • Fair and open procurement • Service hotline 	<ul style="list-style-type: none"> • Email or mail
Community	<ul style="list-style-type: none"> • Community environment • Employment opportunities • Social welfare • Community development 	<ul style="list-style-type: none"> • Developing community activities • Employee voluntary activities • Community welfare subsidies • Donations

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please send your comments and feedback on the ESG Report or on the Group's ESG approach to xiangdongliang@126.com.

MATERIALITY ASSESSMENT

The Group has identified ESG issues that may have potential impacts on its sustainable development from various sources, including issues identified and included in the Group's previous ESG report and internal policies. ESG concerns raised by the Group's stakeholders are set out under the materiality matrix below. ESG issues have been analyzed with reference to an array of factors, including the Group's overall strategy, development, goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The Group has adopted relevant measures to cope with these factors, and therefore, the Group believes that these factors do not have a material impact on the financial and operational performance on the Group.



ESG Issues

- 1 Emissions
- 2 Greenhouse Gas Emissions
- 3 Hazardous Waste
- 4 Non-hazardous Waste
- 5 Energy Consumption
- 6 Water Consumption
- 7 Water Sourcing
- 8 Packaging Material Consumption
- 9 Environment and Natural Resources
- 10 Climate Change
- 11 Employment
- 12 Employee Turnover
- 13 Health and Safety

ESG Issues

- 14 Work Injuries
- 15 Development and Training
- 16 Labour Standards
- 17 Supply Chain Management
- 18 Supplier Location
- 19 Supplier Engagement
- 20 Product Responsibility
- 21 Product Recall
- 22 Product Related Complaints
- 23 Privacy Protection
- 24 Anti-corruption Awareness
- 25 Corruption Case
- 26 Community Investment

A. ENVIRONMENT

To demonstrate the Group's commitment to sustainable development and its compliance with the applicable laws and regulations in relation to environmental protection, the Group endeavours to minimise the environmental impact of business activities and to promote the concept of green operation and green office practice.

The Group has incorporated measures to minimise energy consumption and environmental pollution from its production activities.

(1) For energy saving:

1. Further enhanced informatisation and smart technology in the production process. Energy consumption standards of specialised equipment in our workshops are not lower than those specified in the Industrial Structure Adjustment Guidance Catalogue (2011 edition, amended 2012). Recovery levels of residual heat and pressure in our factories continue to increase as energy consumption of production continues to be optimised;
2. Established an energy management system and installed smart water meters and electric meters at major energy consumption points of each workshop to monitor and optimise our energy consumption in real time. An energy saving award has been created to motivate our employees to be actively involved in energy saving activities;
3. Strong emphasis on energy saving and low carbon emissions buildings, requiring newly built properties to meet low energy consumption building requirements. More environmental steam heating for winter and geothermal heat pump cooling for summer have been adopted for our R&D facilities and office buildings while energy saving lamps are used for the Group's lighting;
4. Constructed a rooftop PV system with a capacity of 1,860 kWh in our factory and engaged a professional company to conduct maintenance in order to ensure efficient power generation of the system.

(2) For emissions reduction:

1. Increased usage of green and biodegradable surfactants in our products;
2. Adopted phosphate free formula for kitchen degreaser and wool detergent products;
3. Optimised our Purchase Control Procedures by including environmental protection, energy consumption and occupational health and safety aspects of production of our suppliers as major indicators in our evaluation of suppliers;
4. Formulated the Design and Development Control Procedures which specifies eco design requirements and reduction of raw materials consumption per unit product in the design of our products.

Besides, the Group provides regular training to employees to increase their environmental awareness. The Group has also appointed a dedicated employee to closely monitor the Group's compliance with the applicable laws and regulations, and to review and update the Group's internal environmental protection policy (the "Environmental Protection Policy"). Employees are also obliged to make regular reports to the management team, where the management team has the overall responsibility for overseeing matters concerning environmental protection within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deals with environmental pollution accidents on occurrence.

The Group maintains the environmental management system in conformity with both the internationally applied environmental protection system requirement – ISO 14001:2004 and energy management system – ISO 5001:2018. The Group has been accredited by the certification body recognised by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (the "AQSIQ") since 2009. In 2019, the Group was recognised as an advanced enterprise in ecological civilization construction (生態文明建設先進企業) by the Jiangyin Environmental Protection Committee* (江陰市環境保護委員會) under the appraisal system. In November 2019, the company was recognized as an outstanding company with the China environmental label (中國環境標誌優秀企業) by the Environmental development center of Ministry of ecological environment (生態環境部生態發展中心). In December 2019, the company obtained the certificate of integration of the Information and Industrialization (兩化融合) and management systems (工業化和信息化管理體系). During the Year, the Group gained new achievements in the ESG domain, and the following table sets out our major awards and certifications.

Qualification/certification	Granting organisation or authority
Green Factory of Jiangsu (江蘇綠色工廠)	Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳)
Model Enterprises of Jiangsu Industry Internet (江蘇工業互聯網標桿企業)	Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳)
National Green Design Products (國家級綠色設計產品)	Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳)
Energy management system (ISO 5001:2018)	China Quality Certification Centre (中國質量認證中心)
Green Footprint Evaluation Certificate (綠色足跡評價證書)	China Quality Certification Centre (中國質量認證中心)
Excellent popular science education base of Wuxi (無錫市優秀科普教育基地)	Wuxi Scientific and Technological Committee (無錫市科學技術委員會)

The directors believe that this will contribute positively to strengthening the Group's ability to save energy and reduce emissions.

EMISSIONS

The Group's daily operations do not involve chemical reactions. Our major raw materials are sourced from selected suppliers and our carbon footprint mainly arise from small volumes of wastewater and solid waste while we produce almost no emissions (besides GHG). To comply with the applicable laws and regulations, and the Group's Environmental Protection Policy, the Group has been conducting regular assessments on air and greenhouse gas emissions of the production facilities, and on the handling of hazardous and non-hazardous waste disposal against the relevant national standards. In accordance with relevant environmental laws and regulations and our relevant environmental policies, the Group must ensure that national emissions standards are met. The applicable PRC national environmental laws and regulations also require the payment of fees in connection with activities that involve the discharge of waste materials. Fines and other penalties will be imposed on facilities that threaten the environment. During the Year, the Group possessed the necessary pollutant discharging licences issued by competent environment protection authorities for discharging waste water, solid waste and gas.

The KPI of the Group for the Year is as follows:

Air emissions

The Group did not generate much air emissions from its production. The air pollutants generated by the Group included nitrogen oxide ("NO_x"), sulphur oxide ("SO_x") and particulate matters ("PM"), which arose primarily from the petroleum and diesel consumption for transportation. During the Year, the air emissions data is as follows:

Categories	2021			2020		
	Quantity	Unit	Intensity – Unit per employees	Quantity	Unit	Intensity – Unit per employees
Nitrogen oxide (NO_x) emissions Emissions from petroleum and diesel consumption	481.23	kg	1.80	356.4	kg	1.3
Sulphur oxide (SO_x) emissions Emissions from petroleum and diesel consumption	1.25	kg	0.005	0.92	kg	0.003
Particulate matters (PM) emissions Emissions from petroleum and diesel consumption	40.27	kg	0.15	34.33	kg	0.126

Greenhouse gas emissions

The consumption of electricity and steam in the Group's production facilities and the office, and the consumption of petroleum and diesel for transportation constitute the major sources of GHG emissions of the Group. During the Year, the GHG emissions data is as follows:

Categories	Unit	2021		2020	
		Quantity	Intensity – Unit per employees	Quantity	Intensity – Unit per employees
Carbon dioxide emissions					
Direct GHG emission from operation	tonnes	284.61	1.06	279.38	1.02
Direct GHG emission from petroleum and diesel consumption	tonnes	202.03	0.75	148.52	0.54
Indirect GHG emission from electricity consumption	tonnes	1,303.45	4.86	895.54	3.3
Indirect GHG emission from steam consumption	tonnes	335.56	1.25	479.34	1.76
Indirect GHG emission from flight travels	tonnes	12.57	0.05	12.58	0.05
Less: Deduction of GHG emission from planting trees	tonnes	(3.15)	(0.01)	(3.25)	(0.01)
Total carbon dioxide emissions	tonnes	2,135.08	7.97	1,812.11	6.66
Methane					
Direct GHG emission from operation	kg	2.52	0.01	2.52	0.01
Direct GHG emission from petroleum and diesel consumption	kg	17.81	0.07	12.27	0.04
Total methane emissions	kg	20.33	0.08	14.79	0.05
Nitrous oxide					
Direct GHG emission from operation	kg	0.79	0.00	0.79	0
Direct GHG emission from petrol and diesel consumption	kg	61.86	0.23	38.44	0.14
Total nitrous oxide emissions	kg	62.64	0.23	39.23	0.14

Most of the GHG emissions data for the Year witnessed slight growth as compared to 1 January 2020 to 31 December 2020 (the "Last Corresponding Period"). The main reason for the growth was the increase in consumption of petrol, diesel and electricity of the Group. During the Year, all the workshops were provided with air-condition to enhance the working conditions of our staff. To reduce the chance of contracting COVID-19, our Directors encouraged our staff to travel by private car instead of public transport.

Apart from the launch of initiatives mentioned under the heading “Use of Resources”, the Environmental Protection Policy also incorporates measures to reduce GHG emissions, such as:

- formulating and implementing an award policy for energy conservation and emission reduction;
- realizing the integration of factory automation and information to avoid energy waste;
- recommending employees to choose direct flights to reduce GHG emissions for unavoidable business trips;
- setting up charging stations to encourage employees to purchase electric vehicles; and
- continuing to strengthen the integration of the manufacturing execution system and automated equipment to conduct massive data analysis in real time to reduce the production costs and lower the level of energy emissions per person.

During the Year, the electricity generated by our solar power increased by approximately 34,200 kWh or 1.9% from approximately 1.80 million kWh for the Last Corresponding Period to approximately 1.83 million kWh for the Year. By incorporating the policy initiatives above, the Group has set a target to reduce GHG emission intensity (unit per employee) gradually to 10% throughout the year ending 31 December 2022 (“FY2022”) using the Year’s results as a baseline.

Since implementing sustained measures to replace fossil energy by electricity, approximately 50.3% of the total electricity consumed by the Group was generated by solar power during the Year, compared to 58.6% in the Last Corresponding Period. The following table sets out the total carbon dioxide emission in the past several years.

	2018	2019	2020	2021
Total carbon dioxide emissions (Unit: tonnes)	5,654.39	3,158.54	1,812.77	2,135.08

Looking forward, the Group will continue to increase the energy generated from photovoltaic technology and adopt various measures to reduce carbon dioxide emissions.

Waste management

During the Year, the Group generated a small volume of waste, which includes hazardous waste and non-hazardous waste. The hazardous waste generated from the daily operations of the Group mainly consisted of containers and packaging bags of chemicals, whereas the non-hazardous waste included general unrecyclable waste and paper used for operation, sales and marketing purposes.

Hazardous waste produced

The consumption volume of the hazardous waste produced by the Group for the Year is as follows:

Categories	Quantity	Unit	Intensity – Unit per employees
Containers of chemicals	0.0743	tonnes	0.0003
Packaging bags of chemicals	1.367	tonnes	0.0051
Activated carbon	0.598	tonnes	0.0022

Non-hazardous waste produced

The consumption volume of the non-hazardous waste produced by the Group for the Year is as follows:

Categories	Quantity	Unit	Intensity – Unit per employees
Paper	1.65	tonnes	0.006
General unrecyclable waste	34.98	tonnes	0.131

During the Year, the Group engaged a professional hazardous waste management company to dispose of the Group's hazardous waste to avoid potential misplacement of hazardous waste. For non-hazardous waste, the general unrecyclable waste is handled by a local waste management company on daily basis. In addition, the paper carton containers are normally reused for temporary storage during the production process before being disposed of at landfills. These measures have successfully reduced the volume of the Group's hazardous and non-hazardous waste. The Group aims to gradually reduce the hazardous waste intensity (tonnes per employee) throughout FY2022 to 10% using the Year's results as a baseline.

During the Year, the volume of paper and unrecyclable waste consumed by the Group was reduced by approximately 13.16% and 0.6%, respectively, compared to the Last Corresponding Period.

USE OF RESOURCES

The resources used by the Group were principally attributed to electricity and water consumed at its production facilities and office, and the petroleum and diesel consumed for transportation. The Group also used paper and plastic as the finished products' packaging materials. The Group endeavours to comply with the environmental laws and regulations to achieve efficient use of resources and to reduce waste and emissions. The Environmental Protection Policy encourages employees to reduce the use of resources and to promote efficient use of resources, some of the policies include:

- turning off unnecessary or unused lights and electronic appliances;
- using independent lighting and air-conditioning for different rooms;
- purchasing energy-efficient products and equipment;
- cleaning light fixtures and air conditioners regularly;
- increase the rate of efficiency of automated equipment and the manufacturing execution system and replace old equipment with new equipment that have higher energy saving features; and
- closely monitoring the utilisation of resources and reporting to senior management on this aspect of performance.

Energy consumption

The data of energy consumption which comprised the electricity and steam consumption in the production facilities, and the petroleum and diesel consumption from transportation for both the Year and the Last Corresponding Period are as follows:

Categories	At the end of 2021			At the end of 2020		
	Quantity	Unit	Intensity – Unit per employees	Quantity	Unit	Intensity – Unit per employees
Electricity	3,687,101	kWh	13,861	3,073,116	kWh	11,256
– purchase from power plant	1,852,812	kWh	6,965	1,272,980	kWh	4,663
– self-generated from solar energy panels	1,834,289	kWh	6,896	1,800,136	kWh	6,594
Steam	1,351	tonnes	5.1	1,930	tonnes	7.1
Petroleum and diesel	82,547.29	litre	310	60,026	litre	220

During the Year, the quantity of electricity consumed increased by approximately 20.0% from the Last Corresponding Period. The increase in the consumption of electricity is mainly attributable to the sustained measures to replace fossil energy with electricity. The increased electricity consumption was also due to the provision of air-conditioning in all our workshops to enhance our employees' working conditions. During the Year, the Company maintained solar power generation efficiency. In the future, the Company will increase the energy generated from photovoltaic technology and decrease the quantity of electricity generated from fossil fuels.

The Group strives to conserve energy in the workplace and has set a target to reduce total electricity consumption by 10% by FY2022, using the Year's results as a baseline. In order to achieve this, the following energy-saving measures have been adopted:

- Except for special circumstances, the Group's air conditioning may not be set at temperatures lower than 26°C in summer and higher than 20°C in winter;
- Mandate all employees to switch off all idle appliances, automated equipment and lighting when leaving the office;
- Use of photovoltaic technology.

Water consumption

The data for water consumption in the production facilities and the office for the Year is as follows:

Categories	Quantity	Unit	Intensity – Unit per employees
Water	184,174	tonnes	687.22

The water consumed was purchased from a local water company with reliable water supply. The Group did not have any issue in sourcing water during the Year.

During the Year, the quantity of water consumed decreased by approximately 25.1% from the Last Corresponding Period. During the Year, the Group set a target to achieve a 10% reduction in water consumption by FY2022, using the Year's results as a baseline. In order to achieve this, the Group has been actively promoting the importance of water conservation to its employees and regularly inspects water pipes every three months to detect and prevent leakages. In addition, the Group has created a water conservation award to motivate water conservation among our employees and to improve our water reuse ratio.

Packaging materials used

The data for the use of packaging materials in the production facilities is as follows:

Categories	Quantity	Unit	Intensity – Unit per employees
Paper carton container	2,660	tonnes	9.93
Plastic	1,500	tonnes	5.60
Total packaging materials used	4,160	tonnes	15.52

THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the Group's business, apart from the above-mentioned emissions and resources usage, the Group did not have other significant impacts on the environment and natural resources during its course of operations.

The Group has incorporated measures to minimise energy consumption and environmental pollution, such as adopting low energy consumption and pollution control techniques, implementing environmentally friendly methods of waste disposal, and providing regular training to employees to increase their environmental awareness. The Group has also appointed a dedicated employee to closely monitor the Group's compliance with the applicable laws and regulations, and to review and update the Environmental Protection Policy. The employee is also obliged to make regular reports to the management team, which has the overall responsibility for overseeing matters concerning environmental protection within the Group. The management team reviews the Group's environmental compliance on a quarterly basis and deals with environmental pollution accidents on occurrence.

Climate change

Climate change has presented serious threats to the environment and economy in the past decade. In response to the community's gradual concern on climate change and related issues, the Group formulated a Climate Change Policy, which outlines the Group's management on climate-related issues and commitment to climate mitigation and adaptation. In the meantime, the Group has taken initiatives to mitigate its carbon footprint by gradually reducing its GHG emissions.

During the Year, the Group conducted a climate-risk assessment exercise making reference to the recommendations of the Task Force on Climate-related Financial Disclosures framework, to identify and assess the potential risks and opportunities in our operations.

The above assessment identified the following climate risks might have a potential impact on the Group's business:

Physical Risks

The change in weather patterns such as level of precipitation and the temperature such as extreme heatwaves may have an adverse impact on the Group's productivity. Rising temperatures are impacting productivity in the PRC, where most factory production lines are not fitted with air conditioning, which are required to enhance work comfort. As a result, the Group has been evaluating this climate-impact on its workforce's productivity rate and installed air-conditioning in all of the production workshops to mitigate this risk. Taking into account of the risk of business interruptions related to extreme weather, the Group also evaluated the impact on sensitive components in automated equipment and machinery deployed in its production lines. In the near future, the Group may have to consider investing in interior climate control for its production facilities to minimize the potential maintenance and repair costs required.

Transition Risks

Attributed to the PRC government's commitments to achieve carbon-neutral by 2060, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet the carbon emission reduction targets and net-zero ambitions. Thus, higher operating costs are expected due to the replacement of equipment that comply with the future implementation of policies and regulations. In an attempt to reduce carbon emissions, we have adopted locally and globally recognized standards for production and procured energy-saving equipment across our operations. In addition, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change and is prepared to alert senior management of potential cost increments, fines for non-compliance and the associated reputational risks.

B. SOCIAL

The Group believes that its employees are the most valuable assets as they contribute significantly to the Group's success. Accordingly, the Group places a high value on employees' rights and welfare to maintain good labour relationships and promote employee loyalty. The Group has adopted comprehensive human resources policies to manage its employment and labour relationships. The policies outlined the Group's compensation, working hours, rest periods, and other benefits and welfare in compliance with the application laws and regulations. The Group provides competitive employee benefits and comprehensive training programs to encourage employees to achieve their potential and put their abilities to good use. Furthermore, the Group regularly holds staff activities to enhance employees' sense of belonging and to foster a friendly and harmonious working environment.

EMPLOYMENT AND LABOR PRACTICES

Employment

The Group has a total number of 268 employees, as of 31 December 2021 (2020: 273), where all of them were full-time employees and based in the PRC.

The age and gender distribution of employees as of 31 December 2021 are as follows:

	Under 30	30–50	Above 50	Male	Female	Percentage
Age	10.8%	76.1%	13.1%			100%
Gender				37.2%	62.8%	100%

The age and gender distribution of employees as of 31 December 2020 are as follows:

	Under 30	30–50	Above 50	Male	Female	Percentage
Age	9.9%	78.8%	11.4%			100%
Gender				36.6%	63.4%	100%

In accordance with the Labour Laws of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations, the Group has strictly managed employment and established the Measures Governing Employment and Appointment so as to practically protect the legal rights and interests of the employees.

Turnover Rate (%)

By Gender

Male	7.0%
Female	10.5%

By Age Group

Under 30	16.0%
30–50	9.6%
Above 50	2.7%

By Geographical Region

The PRC	9.2%
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When hiring new employees, the Group gives equal opportunities to people of all nationalities, races, genders, age groups or background. The Group strives to maintain an equal working environment with a view to avoiding discrimination or unfair treatment of any kind. For example, we have 5 disabled employees. Our aim is to create a friendly working environment where people possessing different sets of values and backgrounds can work with vitality and apply their capabilities to the fullest.

The average weekly working hours of the Group's employees do not exceed 40 hours and their daily working hours do not exceed more than eight hours. The Group also limited overtime work to less than 36 hours a month. During the Year, there were no labor disputes caused by violation of laws and regulations.

Employees are regarded as the most valuable assets of the Group as they are the driving force behind the continuous innovations of the Group. The Group rewards and recognises high-performing employees by providing a competitive remuneration package, implementing a sound performance appraisal system with appropriate incentives, promoting career development and progression, and providing comprehensive training. In order to maintain a fair working environment and safeguard the well-being of employees, the Group welcomes opinions and suggestions from employees to enhance workplace productivity, unity, and harmony.

During the Year, the Group strictly complied with the applicable laws and regulations in the PRC, and the relevant administrative rules and measures adopted by the Group were strictly enforced. These rules and regulations specify the requirements in relation to employment, labor relationships, employees' remunerations and welfare to protect the rights of employees.

During the Year, the Group also strictly complied with the laws, regulations and policies regarding the Social Insurance Law in the PRC. The Group has paid social insurances and housing funds in a timely manner to all the employees.

Health and safety

The Group is committed to protect employees' health and safety. Not only has the Group been complying with the applicable laws and regulations in the PRC with respect to occupational health and safety, the Group has successfully acquired the qualification of the internationally applied occupational health and safety management system of OHSAS 18001:2007. Moreover, the Group places high emphasis on providing a safe workplace environment to employees, where the Group has been accredited by a certification body recognized by the AQSIQ since 2012, which demonstrates its workplace environment attests to a high safety standard. In 2020, air conditioning was installed in all workshops. Moreover, the Group provides its employees with annual health and medical welfare with the belief that good welfare can build a solid foundation for the safe operations of the Group.

There were 0 work-related fatalities, which occurred in our production workshops during the Year. Accordingly, the Group's total fatality rate during the Year was 0. There were 224 lost work days due to work injuries sustained. To prevent work fatalities, evaluations were performed by the Group and a number of corrective and preventive measures were taken as follows:

- Adopt and enforce safe operation procedures at workshop production sites;
- Increase participation of top management in safety patrols at least twice a month;
- Take stringent action against any employee who fails to comply with the safety requirements (i.e., warning letter, termination of employment, or suspension from employment);
- Conduct daily inspections and briefings before commencement of workshop production facilities and use of automated devices and equipment;
- Fulltime supervisor to stand-by at the production sites to monitor, coordinate the workforce's activities;
- Conduct training on safety work method and operation of automated devices and equipment;
- Conduct monthly reviews with safety committee on training and work processes briefing with employees.

Development and training

Skilled employees who are capable of meeting the demands of the dynamic industry is crucial to the success of the Group. Hence, providing comprehensive training is critical to improve the overall work performance and personal development of the employees. The Group has continued to perfect and modify the employee training management system, establish a multi-level training system, and create various learning opportunities for the employees. The Group is of the belief that these measures could enhance the employees' competence, problem-solving skills, technical knowledge and overall performance. The Group also encourages employees to identify their personal development objectives and encourage them to grow together with the Group. In 2019, the staff members of the household hygiene products workshop were recognized as Jiangsu pioneer workers (工人先鋒號) by the Jiangsu federation of trade unions (江蘇總工會) for their work performance. In 2020, the Group was awarded as a five-star working committee for the younger generation (五星級關工委) by the Jiangyin government. In 2021, the Group was awarded as the "Wuxi excellent popular science education base" (無錫市優秀科普教育基地) by the Wuxi Scientific and Technological Committee.

The Group provides induction training for new employees, where experienced employees act as mentors to guide new employees. This arrangement has enhanced the communication among employees, encouraged team spirit at the workplace, improved the technical skills and managerial capability of the employees, and promoted the concept of continuous learning. The training has been customised in accordance with the roles and responsibilities of the employees, where they have been mainly provided in areas such as human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, and occupational health and safety, etc. The Group also provides the latest industry trends and updates on the laws and regulations which are relevant to the Group's operations or to the employees' job responsibilities.

During the Year, the Group held 23 training sessions on employee's skill, safety and health, compliance and ethics, etc. In total, approximately 92.1% of the employees of the Group participated in the training sessions. The percentage of employees trained by gender and employee category are as follows:

	Percentage of employees trained (%)
By Gender	
Male	87.4%
Female	94.7%
By Employment Category	
Management	100%
Administrative Staff	100%
Technical Workers	91.0%

Labour Standards

The Group has adopted a recruitment management system, where verification of an applicant's identity and age is required during the recruitment process, and the recruitment of child labour is strictly prohibited. Every applicant is also required to provide documented proof of academic qualifications and working experience for verification purposes. Any applicant who is suspected to have false academic qualifications or working experience will not be employed by the Group. From time to time, background checks on job candidates will be requested by the Group.

If an employee suspects that a colleague's employment constitutes child or forced labour, the employee should report to the head of the department or the Group's Executive Directors. Once the Group discovers any case, which fails to conform to the relevant labour laws, regulations or standards, the relevant employment contract will be terminated immediately.

The Group provides its employees with a safe, healthy and comfortable working environment with adequate labour protection, reasonable remuneration and welfare. The Group was awarded the "Model Work Home*" in 2019 by Jiangyin Federation of Trade Unions* (江陰市總工會).

The Group enters into employment contracts with its employees in accordance with the applicable laws and regulations in the PRC. The Group also prohibits forced labour.

OPERATING PRACTICES

Supply chain management

To provide top quality services to customers, the Group carefully sourced its raw materials, packaging materials and equipment with standardised procurement policies (the "Procurement Policy"). The Procurement Policy and the Group's comprehensive procurement management systems aim to screen out undesirable raw materials, packaging materials and equipment, and to enhance product formulation, product packaging, quality management system in factories, and transportation, etc.

Suppliers of raw materials, packaging materials and equipment have been selected based upon rational and clear criteria, such as business reputation, technical skills, quality consistency, and the supplier's compliance with national and/or industrial standards. The goal is for the Group to procure superior goods and services from the most competitive suppliers. Apart from sourcing, conducting proper risk management is equally important to the Group. Anticipating and mitigating the impact of an unexpected interruption in the delivery of goods and materials can keep the Group running smoothly.

The Group's research and development department sets out product specifications for the suppliers to follow, while the quality control department performs sample tests to ensure that goods and materials received by the Group are of desirable quality and in compliance with the requested specifications before they are accepted and transferred to the warehouse.

ESG considerations in supply chain management

Apart from requiring its suppliers to comply with local regulations, the Group is also aware of their environmental and safety performance. We aspire to involve suppliers in the implementation of our environmental objectives. In order to minimise the adverse effect of pollution and waste on the surrounding environment, the Group's suppliers must conduct environmental impact assessments. Furthermore, we promote environmentally responsible purchasing through the adoption of sustainable and responsible selection criteria whenever applicable.

During the Year, the Group had a total of 300 approved suppliers. Approximately 99% of suppliers are from the PRC and were engaged and evaluated under the aforementioned practice.

Product responsibility

The Group aims to achieve the highest possible standard for all the products sold. The Group has established product responsibility policies to assure product quality and safety (the "Product Responsibility Policy"). To ensure adherence to the Product Responsibility Policy, the Group has set up a dedicated quality control department with 11 employees, where all of them possess approximately 11 years of relevant industry experience. They work in collaboration with the Group's research and development department, procurement department, and production and warehousing department to ensure that the products are of high quality and that the products comply with all legal and regulatory requirements pertaining to the health and safety, and other matters related to the Group's products. In 2020, 2 employees of the quality control department were awarded by the Jiangyin working committee in recognition of their excellent work.

The Group sends its products to product quality supervision and testing institutions for testing on an annual basis before new products are introduced to the market. In addition, to ensure the safety and efficacy of the oral care products, the Group has engaged several reputable medical institutions to conduct clinical studies, toxicity tests and irritation tests on its oral care products. The test results demonstrated that the Group's oral care products could effectively suppress and prevent various oral problems and that the products would be safe for ordinary use by consumers.

The Group has obtained and maintained the necessary permits, licenses and approvals such as the National Industrial Product Manufacturer Licensing Certificates* (全國工業品生產許可證) and Disinfectant Products Manufacturer Licensing Certificates* (消毒產品生產許可證). It also maintains quality control of the design, development and production procedure of its products in conformity with the internationally applied quality management systems requirement – ISO 9001:2008. The Group was accredited by the certification body recognised by AQSIQ since 2003. The certifications demonstrate that the quality control system has met a high degree of assurance.

During the Year, no products sold or shipped were subject to recalls for safety and health reasons. 2 complaints were received for the products sold. The complaints were received via telephone in relation to delays of shipment and damaged products in transit. The Group replaced the damaged goods and followed up accordingly with the shipment's status to take remedial action. During the Year, there was no material claim or complaint brought against the Group by customers and the costs incurred rectifying the defective products were immaterial.

The Group recognises that the quality of the products is crucial to the goodwill and image of the brand. The sales department and quality control department of the Group are responsible for processing any comments and/or complaints from customers. The Group is committed to and places heavy emphasis on the feedback of the customers with regards to its products. The Group has implemented after-sales services, such as customer service hotlines, manuals on handling customers' complaints and follow-up procedures. The Group generally deals with and processes the complaints in cooperation with relevant distributors or retailers and provides replies and solutions within 5 days.

Protection of Intellectual Property

As at 31 December 2021, the Group has registered 126 and 10 trademarks of the Company logo respectively in the PRC and in Hong Kong. The Group regularly assesses whether intellectual property rights are being infringed upon by third parties.

Data Privacy Protection

The Group recognizes the protection of confidential information is the key to its success, therefore protecting confidential data and customers' privacy is always a top priority of the Group. All confidential data relating to the Group's business and customer's information are securely protected and only used for internal purposes. Any leakage of confidential information to third parties is strictly prohibited.

Anti-corruption

The Group is a strong believer in upholding high ethical standards. It has strictly complied with the applicable laws and regulations in the PRC in relation to bribery, extortion, fraud and money-laundering, including the Criminal Law of the PRC. The Group is committed to conducting all of its business in an honest and ethical manner, thereby acting professionally, fairly and with integrity in all its business dealings and relationships. Bribery and corruption are strictly prohibited as stated in the Group's Anti-bribery and Corruption Policy which covers bribes, gifts and hospitality, facilitation payments etc. The policy applies to all employees at all levels, including senior managers, officers, trainees, to name a few. Moreover, the employees are encouraged to provide comments and suggestions and lodge inquiries regarding the policy via the human resources and administrative department or senior management.

The Group requires employees to strictly conform to the code of business ethics developed by the Group and it strives to put any corruption bribery act to an end as stipulated in the employment contract and the relevant policies of the Group. Any conflict of interest must be reported to the Group's management. Employees who engage in business operations and represent the Company are strictly prohibited to use business opportunities or the inherent power of their positions for personal interest or benefit.

Whistle Blowing Policy

A whistle-blowing policy has been set up to encourage and allow employees to raise concerns about procedural improprieties relating to financial reporting, compliance and other malpractices at the earliest opportunity. The audit committee has the overall responsibility for the policy and has delegated day-to-day responsibility of overseeing and implementing such policy to the finance manager of the group. If any employee reasonably believes and in good faith that there are malpractices at the workplace, he/she should report immediately to his/her supervisor within the department. The supervisor should then escalate the concerns in writing to the finance manager upon receiving such reports from the Group's employees. All reports are treated as confidential and the Group makes every effort to preserve the anonymity of the reporting employee.

To strengthen the understanding of relevant applicable laws and regulations, training regarding ethical business conduct covering topics such as integrity, discipline, confidentiality and conflict of interest is provided to senior management. The Board also received external training on material topics, such as corporate governance as well as connected and notifiable transactions. All of the directors of the Group have completed anti-corruption training, with an average training of approximately 2.5 hours.

COMMUNITY

Community investment

The Group always seeks to be a positive force in the communities in which it operates. It strives to maintain close interaction with these communities to make contributions to their development.

The Group believes that the creation of a peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will actively encourage employees to volunteer their time and skills to benefit the community. This gives employees the opportunity to learn more about the social and environmental concerns, and improves their understanding of the Group's corporate values.

The Group will consider to make donations to charitable organisations whenever the Group records significant profit after tax deductions and possesses sufficient cash flow. During the Year, the Group donated RMB200,000 to Fudan University in order to help under-privileged students and retired professors and also donated large quantities of disinfection and sterilization products.

* *English names are translated for identification purpose only*