

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
2022



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REPORTING PRINCIPLES AND SCOPE OF THE REPORT

1 ABOUT 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 (“ESG”) Report (the “ESG 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. This report sets out the Group’s policies and practices as well as certain major subsidiaries’ policies and practices in respect of four environmental aspects and eight social aspects in accordance with the ESG Reporting Guide for the year ended 31 December 2022 (the “Year” or “2022”).

Unless otherwise specified, the reporting boundary of this report covers the principal businesses of the Group. We regularly review the scope of the ESG Report to ensure that significant impacts to the Group’s overall business portfolio are covered.

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 engaged in the manufacturing and sale of candle products comprising daily-use candles, scented candles and decorative candles. Fleming Vietnam’s wholly-owned factories are located in Ho Chi Minh City, Vietnam, with total approximately 33,000 square meters which offers a one-stop manufacturing solution.

REPORTING PRINCIPLES AND SCOPE OF THE REPORT (CONTINUED)

1 ABOUT THE REPORT (CONTINUED)

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").

The basis of reporting principles:

- **Materiality:**
The Group determines material ESG issues by stakeholder engagement and materiality assessment.
- **Quantitative:**
Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.
- **Consistency:**
The report will use consistent methodologies for meaningful comparisons in the past years unless improvements in methodology are identified.
- **Balance:**
The report is presented in a fair and impartial manner. Both positive and negative sustainability performances are presented objectively.

2 BOARD STATEMENT

We recognise our corporate social responsibility to society. We are committed to incorporating ESG mindset into business operations by balancing financial performance with how we do business, how we treat our people, how we live the values in our business relationships and how we care for the environment which we rely on.

The Board oversees ESG issues with the support of the ESG management team. Information on ESG issues is reported to the ESG management team by an ESG working group comprising of principal leaders from various functional departments.

The ESG management team is delegated by the Board to execute the Group's ESG policies, identify, evaluate, prioritise, manage and mitigate material ESG-related issues that might adversely affect our business. ESG management team formulates effective strategies to balance the environmental and social objectives with our business targets and compare our outcomes with these targets.

The ESG management team is also responsible to assist and advise the Board on development and implementation of the sustainability policies procedures and practices of the Group, reviewing the sustainability-related policies and initiatives, assessing sustainability risks and making recommendations to the Board on matters concerning the Group's sustainability development.

REPORTING PRINCIPLES AND SCOPE OF THE REPORT (CONTINUED)

3 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/investors, 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/ Investors	<ul style="list-style-type: none"> Financial performance Corporate governance Risk management 	<ul style="list-style-type: none"> Annual general meetings/general meetings Corporate reports and announcements Optimising risk management and internal control
Government and regulatory bodies	<ul style="list-style-type: none"> Taxation compliance Regulatory compliance Business ethics 	<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 Occupational health and safety 	<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
Community	<ul style="list-style-type: none"> Community involvement Social responsibilities Environmental protection Employment opportunities 	<ul style="list-style-type: none"> Volunteering work Charity and social investment Putting into use of environmental protection and energy saving equipment Providing employment opportunities

REPORTING PRINCIPLES AND SCOPE OF THE REPORT (CONTINUED)

4 FEEDBACK

For details of the ESG performance, corporate governance as well as financial performance, please visit the Company’s website at www.hyfusingroup.com and the annual reports. The Group treasures the feedback and comments on its sustainability performance, please send the feedback and enquiries to info@hyfusingroup.com

5 MATERIALITY MATRIX

During the Year, the Group has evaluated a number of environmental, social and operation related issues, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure the Group’s business development is in line with the expectations and requirements of its stakeholders. The Group’s and its stakeholders’ matters of concern are presented in the following materiality matrix:

	Importance to the Group			
		Low	Medium	High
Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination ◆ Protecting labour rights 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare policies 	<ul style="list-style-type: none"> ➤ Customers’ satisfaction Level ➤ Anti-corruption ➤ Product quality and safety ➤ Suppliers management ◆ Occupational health and workplace safety
	Medium	<ul style="list-style-type: none"> ➤ Community involvement 	<ul style="list-style-type: none"> ◇ Use of resources 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Protecting customers’ privacy ◇ Air emissions
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labour 	<ul style="list-style-type: none"> ◇ Non-hazardous wastes produced 	<ul style="list-style-type: none"> ◇ Use of raw materials ◇ Hazardous wastes produced

◇ Environmental ◆ Employee ➤ Operation

REPORTING PRINCIPLES AND SCOPE OF THE REPORT (CONTINUED)

5 MATERIALITY MATRIX (CONTINUED)

The table underneath shows the aspects in the ESG Reporting Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG aspects as set forth in the ESG Reporting Guide

Material ESG issues for the Group

(A) Environmental	
A1 Emissions	Emission from town gas, electricity or vehicle
A2 Use of Resources	Use of energy and paper
A3 Environment and Natural Resources	
A4 Climate Change	
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Involvement	Community programs, employee volunteering and donation

ENVIRONMENTAL

A. ENVIRONMENTAL

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 utilizing resources and explored new areas for environmental conservation.

A1.1. Emissions Data from Gaseous Fuel Consumption

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 regularly; (iv) refrigerators were kept away from sunlight; (v) displaying notices and posters of water consumption at office, and inspecting taps regularly and repairing any dripping promptly; and (vi) staff were encouraged to print only when necessary, presetting double-side and black and white printing 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.

- a) The emissions data from consumption of town fuel and town gas of the Group during the Year is set out below:

	Key performance indicator (“KPI”)		
	2022	Unit	%
NOx	70,272	Kilogram (“Kg”)	99.5%
SOx	351	Kg	0.5%
Total	70,623	Kg	100.0%

- b) The Group owned some motor vehicles during the Year, the emissions data from the vehicles is set out below:

	KPI		
	2022	Unit	%
NOx	129.7	Kg	90.8%
SOx	0.5	Kg	0.4%
PM	12.6	Kg	8.8%
Total	142.8	Kg	100.0%

ENVIRONMENTAL (CONTINUED)**A. ENVIRONMENTAL (CONTINUED)**

When considering the air emissions intensity, the Group has recorded approximately 0.21 kg (2021: 0.23 kg) of air emission per million of revenue.

Looking forwards, the Group will continue improving the efficiency of usage of vehicles by better planning over the travelling routes, so as to better control its air emissions.

A1.2. Greenhouse Gas Emission

Greenhouse gas emissions are the main factors contributing to global warming, leading to climate changes and threatening the ecosystem of the world. To continuously fulfill the duties as an enterprise with corporate social responsibility, the Group embraces in driving green practices in day-to-day operations so as to reduce greenhouse gas emissions in the business operations.

	KPI	2022	Unit	%
Scope 1 Direct Emission		512.8	tonnes	13.5%
Scope 2 Indirect Emission		3,125.3	tonnes	82.2%
Scope 3 Other indirect Emission		163.0	tonnes	4.3%
Total		3,801.1	tonnes	100.0%

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

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

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

During the Year, there was 3,801.1 (2021: 3,984.7) tonnes of carbon dioxide (“CO₂”) equivalent greenhouse gases (mainly the usage of vehicles for transportation of petrol and gasoline) emitted from the Group’s operation.

When considering the greenhouse gas emissions intensity, the Group recorded approximately 5.55 (2021: 4.89) tonnes of greenhouse gas emissions per million of revenue during the Year.

In the Year, the greenhouse gas reduction data for newly planted trees of the Group is as follows:

	KPI	2022	Unit
Extra trees planted		41	Trees
Carbon dioxide reduced		943	Kg of CO₂

ENVIRONMENTAL (CONTINUED)

A. ENVIRONMENTAL (CONTINUED)

The Group set the target to 4,585 (2021:4,100) tonnes of greenhouse gas emission for the Year. The Group has achieved the target during the Year.

Compliance with Relevant Laws and Regulations:

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes of the Group during the Year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the Year.

A1.3. Hazardous Waste and Non-hazardous Waste***Hazardous Waste***

The business operations of the Group produced insignificant hazardous waste, including chemical wastes and hazardous chemicals, during the Year.

Non-hazardous Waste

Non-hazardous waste produced by the Group is mainly from manufacturing of candle products, diffusers and home spray products. It was amounted to approximately 722 (2021: 1,027) tonnes, which means an average of 1.05 (2021: 1.26) tonnes was produced per million of revenue during the Year. In this regard, the Group strives to create a working environment by reducing the waste.

The Group set the target to 1.29 (2021:1.30) tonnes of non-hazardous wastes per million of revenue for the Year, which decreased 1% of last year's target. The Group has achieved the target during the Year.

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

Waste	Qualified recycles
Hazardous waste	Thanh Tung 2 Co., Limited
Non-hazardous waste	Thanh Tung 2 Co., Limited

ENVIRONMENTAL (CONTINUED)**A. ENVIRONMENTAL (CONTINUED)****A2. Use of Resource**

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption, greenhouse gas 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 2022, the relevant consumption of electricity was reduced.
Recycle of raw materials	The scrap wax was produced during the production process, which has been 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 were placed in certain areas assigned to recycled suppliers for collection.

ENVIRONMENTAL (CONTINUED)

A. ENVIRONMENTAL (CONTINUED)

The summary of the resources consumed are set out below:

	KPI		Unit	% increase/ (decrease)
	2022	2021		
Electricity consumed	5,766,538	6,607,964	MWh	(12.7%)
Water consumed	68,424	89,454	Cubic meter ("M ³ ")	(23.5%)
Packing material consumed	2,039,405	3,186,363	Kg	(36.0%)

The Group has set the following targets which decreased 1% of last year's targets during the Year and it has achieved the targets below:

	2022	Target KPI	Unit	Result
		2021		
Electricity consumed	6,930,000	7,000,000	MWh	Achieved
Water consumed	94,050	95,000	M ³	Achieved
Packing material consumed	3,267,000	3,300,000	Kg	Achieved

The summary of the resources consumed per million of revenue are set out below:

	KPI		Unit	% increase/ (decrease)
	2022	2021		
Revenue	685	815	million of revenue	(16%)
Electricity consumed intensity	8,418	8,108	MWh/million of revenue	4%
Water consumed intensity	100	110	M ³ /million of revenue	(9%)
Packing material consumed intensity	2,977	3,910	Kg/million of revenue	(24%)

ENVIRONMENTAL (CONTINUED)

A. ENVIRONMENTAL (CONTINUED)

A3. Environmental 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 greenhouse gas 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.

During the Year, 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.

A4. Climate change

The Group, as a responsible enterprise, is committed to implement certain measures to reduce greenhouse gas emissions from business operations. We have realised that climate changes may impose the potential impact on the business of the Group.

To cope with adverse weather conditions, the Group will take precautionary and protective measures including home office arrangement, work schedule rearrangement of resources that in strict accordance with the relevant government policies and guidelines to protect the personal safety of employees and the assets of the Group; and to minimise the impact on business process of the Group.

In the event of bad weather, the Group will respond promptly to minimise the loss caused. Meanwhile, we reduce greenhouse gas emissions from business operations and make contributions to mitigate global warming.

ENVIRONMENTAL (CONTINUED)

A. ENVIRONMENTAL (CONTINUED)

Implementation of Eco - industrial park initiative for sustainable industrial zones in Vietnam



In September 2022, together with several news media, a delegation of 50 people from the Eco-Industrial Park Project (the “Project”) initiated by the United Nations Industrial Development Organisation (UNIDO), Economic Affairs Department of Swiss Federal (SECO), the Ministry of Finance, Ministry of Planning and Investment, and Ministry of Science and Technology of Vietnam have visited Fleming’s new production facility in AMATA Industrial Park.



The project is an initiative for Sustainable Industrial Zones in Vietnam, started in 2014. The purpose of the visit is for an update on the Project implementation, achievements, and benefits, as well as to exchange experience in cleaner production and resource-efficient solutions.



ENVIRONMENTAL (CONTINUED)

A. ENVIRONMENTAL (CONTINUED)

Fleming is the only Company in Vietnam that has been selected by the Project in 2022 as the model factory.



B. SOCIAL

The Group believes that sustainable business success relies on the contribution and support of its talented employees. The Group treated its employees as the most valuable assets to the Group, especially the front-line employees. The contributions of the employees promote the Group to achieve corporate goals and maintain sustainable development. This is the reason why the Group continues improving its friendly employment policies. The human resources policy and procedures, including recruitment, probation, termination, promotion, retirement, transfer, appraisal, working hours, salary, bonus, entitled leave and medical benefits, comply with the relevant legislation.

B1. Employment and Labour Practices

Employee Benefits

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 has employees' handbook that strictly complies with relevant labour laws and regulations, all employees are treated equally. To encourage transparent working environment, the Group has whistle-blowing policy in place allowing employees to raise their concerns and follow up in protective setting.

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.

The Group appreciates the hard work and contributions of each employee. A comprehensive employee benefits package is therefore in return to offer to its dedicated and talented staff. The employee benefits are compensated fairly according to their performance, with reference to the market practice.

The Group performs annual staff performance appraisal to assess the performance of employees for the year-end bonus determination. In this regard, a transparent mechanism is conducted by taking into account various factors, including but not limited to the employees' attendance performance, capability, attitude, and contributions to the Group. With reference to appraisal on the employees, staff promotion and salary increment are rewarded to the contributing and improving employees.

In recognition of the loyalty and commitment of our long serving employees at Hong Kong office, the Group has awarded gold bullion to employees who had served the Group for over 10 years.

In addition, the Group contributes to the employees' social insurance and housing funds with reference to the Labour Law of Vietnam for its employees.

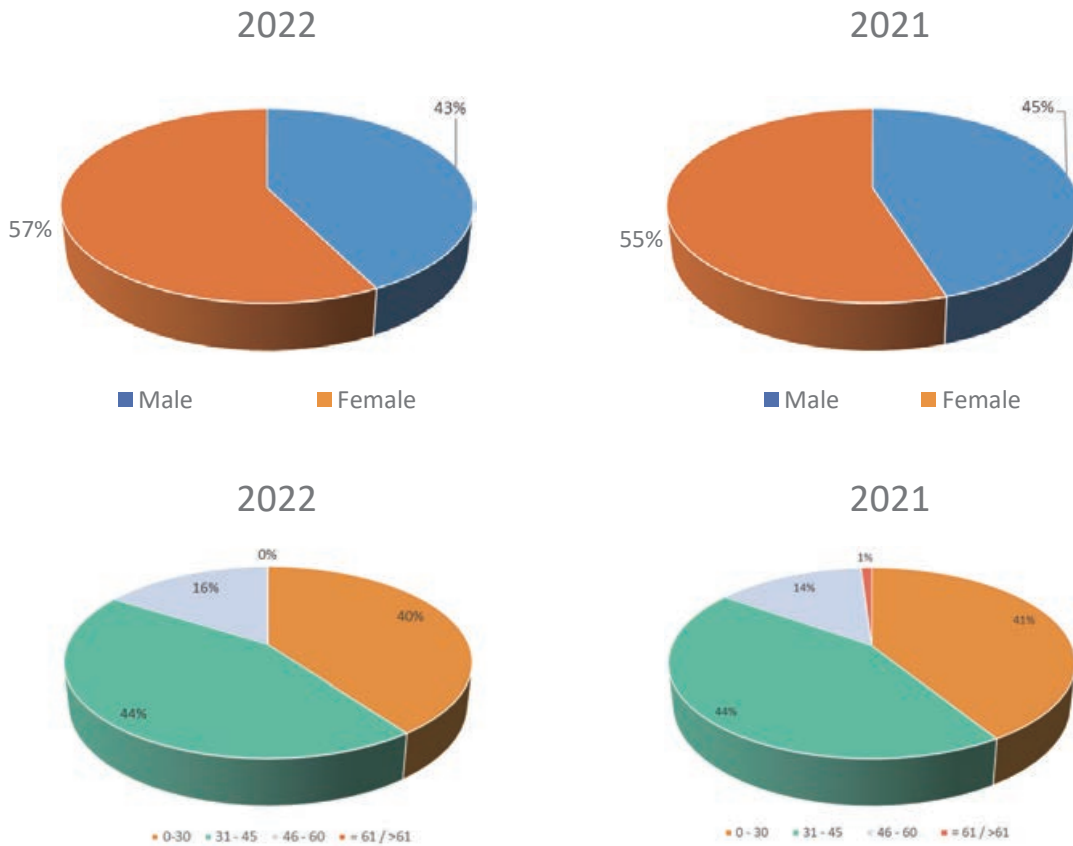
SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

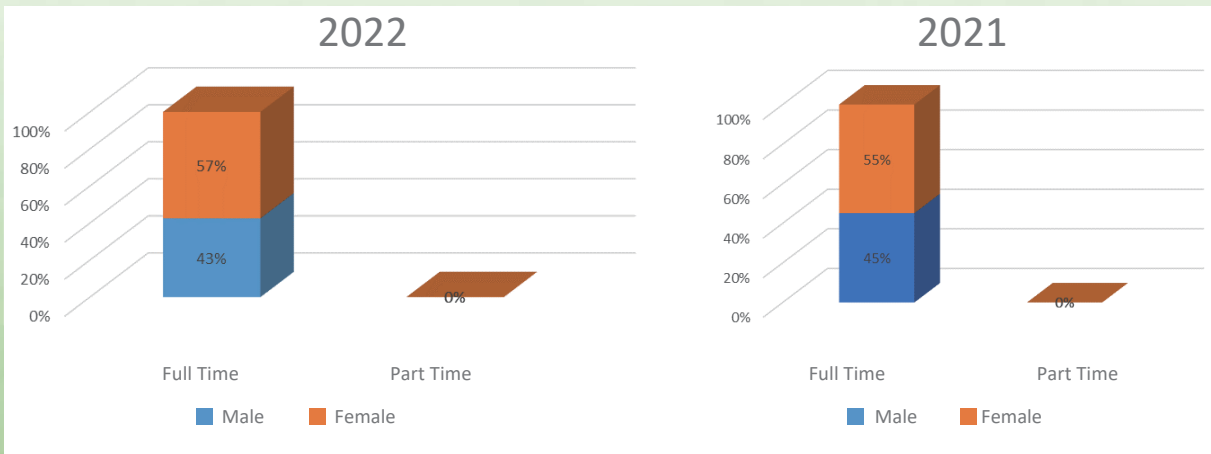
Staff Composition

As at 31 December 2022, the Group employed a total of 1,069 (2021: 1,405) staff. The Group believes that maintaining a diverse but inclusive workforce among its working environment is the key to maintain a sustainable and successful business in the future.

a) Employees' Age and Gender Distribution



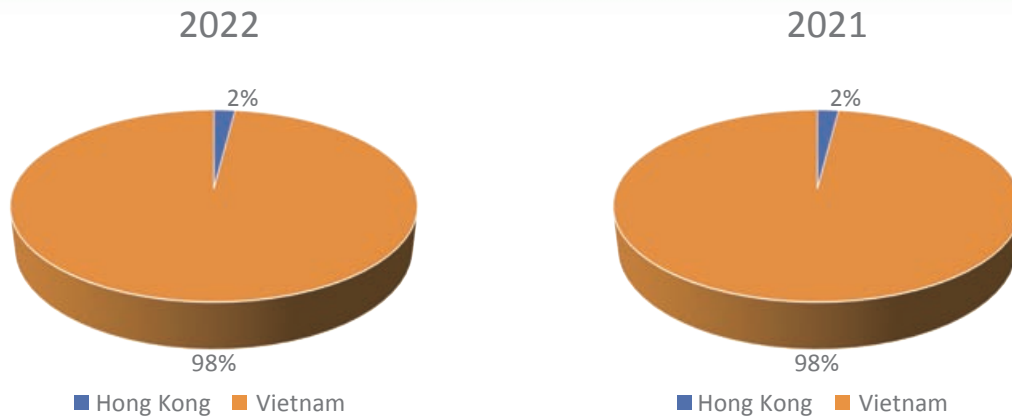
b) Employee Type Distribution



SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

c) Employees' Geographical Distribution



d) Turnover Rate by Gender, Age Group and Geographical Distribution

During the Year, the overall turnover rate is 9% (2021:66%). The percentage of the turnover of employees distributions are set out below:

Turnover rate by Gender, Age Group and Geographical Distribution

	2022		2022		2022
Male	58%	>31	56%	Hong Kong	4%
Female	42%	31 - 45	38%	Vietnam	96%
		46 - 60	6%		
Total	100%		100%		100%

Turnover rate by Gender, Age Group and Geographical Distribution

	2021		2021		2021
Male	51%	>31	61%	Hong Kong	0.3%
Female	49%	31 - 45	34%	Vietnam	99.7%
		46 - 60	5%		
Total	100%		100%		100%

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.

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

B2. Employee 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.

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 2022

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

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

Permit/Licence	Issuing authority
Lot 103/2 – Road 5: Decision on approval of Environment impact assessment report (DTM) No: 21/QĐ-KCNĐN	Dong Nai Industrial Zone Authority (DIZA)
Lot 236 – Amata Road: Decision on approval of Environment impact assessment report (DTM) No: 364/QĐ-KCNĐN	Dong Nai Industrial Zone Authority (DIZA)
Certificate of approval on fire prevention and fire-fighting No. 147/TD-PCCC	Police Department of Dong Nai Province
Certificate of design approval for fire prevention and fighting No. 03/TD-PCCC – Lot 236	Police Department of Dong Nai Province
Register of owner of hazardous waste generation No. 382/SDK-CCBVMT	Environmental Protection Agency of Dong Nai Province
Acceptance minute of fire safety	Police Department of Dong Nai Province

SOCIAL (CONTINUED)**B. SOCIAL (CONTINUED)*****Guideline to COVID-19***

The outbreak of the novel coronavirus (“COVID-19”) has become the latest challenge for the health authorities in Hong Kong and Vietnam, the Group has the following general guidelines to protect its staff:

- All public area would be performed disinfection on a timely basis;
- Request all staff to wear mask, hand sanitising, social distance, no gathering and health declaration;
- Request all new staff for medical declaration before entering to the factory;
- Request all staff for medical declaration after holidays;
- Proactively monitor travel record of all staff after holidays and request whom came from COVID-19 infected areas to quarantine before resuming work;
- Set up body temperature detector at the main gate;
- Set up body disinfection at the main gate and in front of the building;
- Maintain regular factory disinfection;
- Request each staff to report their health status everyday; and
- Request each department head to monitor the health status of its staff on a timely basis.

B. SOCIAL (CONTINUED)



Hand sanitiser produced by the Group for the staff



Face mask protection for staff



Canteen sanitisation



Office sanitisation

Occupational Health and Safety Data

The information of work accident is set out below:

Health and Safety	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Number of work-related fatalities	-	-	-	-	-	-
Rate of work-related fatalities	-	-	-	-	-	-
Lost days due to work injury	-	-	-	-	-	-

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.

SOCIAL (CONTINUED)**B. SOCIAL (CONTINUED)****B3. Development and Training**

The Group has stringent policy which is implemented to give employees 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, the Group provided approximately 454 hours of training to its employees.

The total training hours received by the employees of the Group by gender and position type in the Year are set out below:

Training hours	Male	2022	
		Female	Total
Senior management	113	48	161
Middle management	50	63	113
Junior level	90	90	180
Total	253	201	454

% of employees trained	2022	
	Male	Female
Senior management	11%	4%
Middle management	5%	6%
Junior level	8%	8%
Total	24%	19%
Average training hours per each employee (hours)	0.56	0.33

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.

B4. Labour Standard

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.

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

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.

B5. 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 joined Round Table on Sustainable Palm Oil ("RSPO") that operated by Green Palm in 2010 and dedicated a team to work closely with suppliers to develop green and sustainable materials to minimize the negative impact of palm oil producing. The Group purchased the RSPO palm wax for production of candle products.



SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

The Group has obtained the satisfaction in different audit in social compliance and sustainability on the supply chain including:



- Business Social Compliance Initiative (“BSCI”) on employee’s health and safety compliance; and environment protection.



- The Higg Index, the sustainable Apparel Coalition on social and environment performance of value chain sustainability.



- Sedex Members Ethical Trade Audit, the social audit on the standards of labour, health and safety, environment and business ethics.



- The Supplier Compliance Audit Network (SCAN) is an industry trade association that provides a systematic approach whereby mutually acceptable global compliance standards are achieved in reducing audit and operational redundancy for common supply chain stakeholders while maintaining confidentiality.

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

- Kosher Certificate recognizes the products produced in Vietnam are under the Kosher supervision of KOSHER VIETNAM and passed the Kosher audit and certification and compliance program.



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.

In 2022, the Group maintained stable business relationship with all of its suppliers. During the Year, the Group had a total of 122 suppliers, the geographical distribution of those suppliers are set out below:

By location	No. of suppliers
Hong Kong	11
China	24
Vietnam	60
USA	6
Other countries	21
Total	122

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

B6. 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.

The Group has routinely handled important, confidential and price-sensitive information related to its customers. Securing customer's information is the most essential elements for maintaining good corporate governance and building long-term trust with its customers.

Moreover, as the Group understands the significance of protecting customers' information, it has formulated a mechanism on information confidentiality. No documents should be taken away from its office by any staff, without the prior consent from the department heads. In the employment contract, the Group have stipulated that all staff are not allowed to disclose any confidential information in relation to either the Group or its customers to a third party. Meanwhile, it is committed to intellectual property protection by using licensed computer software.

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.

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.

During the Year, the Group did not have any recalled products and did not receive any complains from its customers in relation to either its quality of service or products. The Group had no non-compliance cases regarding violations of relevant laws and regulations on product responsibility and data privacy.

B. SOCIAL (CONTINUED)**B6. Product Responsibility (continued)**

No significant fines were incurred during the Year.



Certified with ISO 9001:2015

B7. 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.hyfusingroup.com>. The Group has also established a regular 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.

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.

During the Year, the Group provided approximately 8 hours of training in relation to anti-corruption to its employees and directors.

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

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

B8. Community Involvement

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.

During the Year, the Group had engaged in different social community activities and donation of food and resources to the public. The Group also engaged an Internship program in collaboration with university in Vietnam offering to students the paid training in real facility and an opportunity to official job offer with good performance after the internship period.



Donation of 100 trees and participation in planting in Amata Industrial Park in Vietnam

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

B8. Community Involvement (continued)



Donation of food and resources for “Feeding Hong Kong” by Aberdeen Boating Club



Internship program in collaboration with university in Vietnam

SOCIAL (CONTINUED)

B. SOCIAL (CONTINUED)

B8. Community Involvement (continued)



Participation in Charity Fun Run by the British Chamber of Commerce in Vietnam