

CHEERWIN[®]

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6601



2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THE REPORT

INTRODUCTION OF THE REPORT

This report is the first environmental, social and governance report (the “**Report**” or the “**ESG Report**”) issued by Cheerwin Group Limited (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**Cheerwin**”), for the purpose of providing information on the Group’s environmental, social and governance (“**ESG**”) system building and performance and objectively disclosing the Group’s management and effectiveness in respect of sustainable development in response to the expectations of our stakeholders and the public.

SCOPE AND COVERAGE OF THE REPORT

The Report discloses the management and results of ESG related issues for the period from January 1, 2020 to December 31, 2020 (the “**Reporting Period**” or the “**Year**”) and part of the information dates back to the previous year or covers the first quarter of 2021. For details of the Group’s business, please refer to the annual report of the Company published on April 23, 2021 (the “**2020 Annual Report**”).

BASIS OF PREPARATION

The Report has been prepared strictly in accordance with the requirements of Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” or the “**Hong Kong Stock Exchange**”) and based on the following principles:

Material: As the Group believes the ESG Report has significant influences on the investors and stakeholders, we have disclosed the procedures of identifying material ESG factors in the Report, including identifying stakeholders and conducting assessment on substantive topics using the materiality matrix. We identified ESG related material factors based on our engagement mechanism with stakeholders and materiality principle, paid more attention to them and disclosed corresponding measures in the Report.

Quantitative: The Group measured key performance indicators and disclosed quantitative data as required by the ESG Reporting Guide issued by the Stock Exchange. The Group also disclosed the calculation methods of and assumptions for the data contained in the Report.

Balanced: The Group fairly and objectively presented our ESG related work in the Report.

Consistent: The Group adopted a consistent data disclosure approach and explained relevant statistical methods and standards.

The indicators index of the ESG Reporting Guide is set out in the Appendix II of the Report for easy and quick reference by readers.

DATA SOURCES AND RELIABILITY STATEMENT

The information and data disclosed in the Report are based on the statistical reports and formal documents of the Group and have been reviewed by the relevant departments. The Group confirms that there is no misstatement or misleading representation contained in the Report and takes responsibility for the truthfulness, accuracy and completeness of the contents of the Report. All the currency amounts in the Report are denominated in RMB.



ABOUT THE REPORT

PROCESS OF PREPARATION

The contents of the Report have been determined based on a set of systematic procedures. Such procedures include, among others, forming a working group, identifying key stakeholders, conducting interviews with the stakeholders, identifying and prioritizing material ESG related topics, deciding the scope of the ESG Report, collecting relevant materials and data, determining the framework, report compiling, report designing and review by the relevant departments and the senior management.

ACKNOWLEDGEMENT AND APPROVAL

Subject to the acknowledgement of the Management, the Report has been approved by the board of the Company (the “**Board**”) on May 16, 2021.

ACCESS TO AND FEEDBACK ON THE REPORT

The electronic version of the Report will be available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cheerwin.com). Should you have any advice or recommendation as to the Group’s disclosure and performance in relation to ESG issues, please contact us through the following ways.

E-mail: esg@cheerwin.com

Tel: +86 020-8125 6507



MESSAGE OF THE MANAGEMENT

In 2020, the outbreak of the COVID-19 pandemic swept across the world and brought unprecedented challenges to all industries and businesses. In face of the COVID-19 pandemic, the Group assumed its responsibilities and actively exploited the advantages of our expertise to arrange the donation of materials such as antibacterial sachet, disinfectant, antibacterial cleanser, antibacterial hand sanitizer and face mask for kids to provide support to all designated hospitals for the treatment of COVID-19 across the nation. In addition, we actively followed the guidelines on COVID-19 prevention and control issued by the central and local governments and implemented comprehensive prevention and control measures to safeguard the health and safety of our staff and help them conduct effective and scientific epidemic prevention and control and self-protection, through which we have effectively resumed work and operation and maintained healthy and orderly operation.

Looking back on 2020, focusing on the core value of “customer first and pursuit of excellence”, the Group achieved rapid and high-quality development. During the Year, with the commitment of making life full of surprises and creating a better life with infinite possibilities, we continuously improved our in-house innovation and R&D capabilities and industrial technologies and promoted product innovation and upgrading from various perspectives. In the R&D of various categories of products, such as household insecticides and repellents, household cleaning, air care and pet care products, we have given due consideration to safety and environmental protection factors with an aim to provide natural, safe and green products to consumer while satisfying the demand of consumers for innovative products. We have also adopted strict product safety and quality control standards and measures in the whole process of production, covering the supply chain of raw materials, logistics, product processing, inventory and sales channel, to ensure safety and high quality of our products.

With digitalization and social media tools as the core, we implemented highly personalized marketing strategies and have built an offline sales network comprising a total of over 1,200 distributors and around 620,000 sales points. In the Year, our e-commerce business developed rapidly and our brand recognition improved continuously through online platforms such as TV, the Internet and social media. We have also continuously improved customers’ sense of participation and experience for our products to satisfy customers’ demand for personalized products and products with social attributes and provide consumers with a one-stop smart life style, thus creating a better life.

For many of our employees, Cheerwin is a place where they can move forward and develop together with the Company. Adhering to the people-oriented principle, the Group attaches significant importance to the development of our staff and fully respects and protects the essential rights and interests of each staff member. The Group strives to create a healthy workplace environment where the corporation and its staff can realize harmonious development and positive interaction, through efforts made in various aspects including remuneration and benefits, training and development, health and safety and staff care, which will allow the staff to improve themselves and realize their value in the course of work and at the same time improve their cohesion, sense of belonging and happiness.

While recognizing the importance of the impacts of products on people’s health, the Group also pays attention to the environmental impacts of our products and production activities by taking measures from the origin. We have integrated the concept of green development into all aspects of product manufacturing. By improving energy efficiency, reducing emission and actively promoting green production, we have continuously improved our environmental management and performance. During the Reporting Period, our production facilities in Panyu and Anfu obtained ISO 14001 Environmental Management System certification and GB 23331 Energy Management System certification.



MESSAGE OF THE MANAGEMENT

Remaining true to its original aspiration and keeping in mind its mission, while promoting its own rapid development, the Group also actively cooperated with its business partners including distributors and suppliers to build sound, fair and transparent partnerships to realize integrated development and mutual benefit and win-win results. For the purpose of supporting and participating in social charitable activities, the Group carried out “Cheerwin Charity Services” activities to promote the development of education in rural areas and participated in charity events sharing ideas and stories of the Group in relation to charity and supporting charity projects.

2021 marks a new starting point for the development of the Group. We will remain firm in our mission to create a better life for all Chinese families and will continue to further advance the integration and improvement of ESG and our business operation, fulfil our commitments to the stakeholders including consumers, employees, governments, investors, distributors, suppliers and communities and create infinite possibilities together with them.



ABOUT US

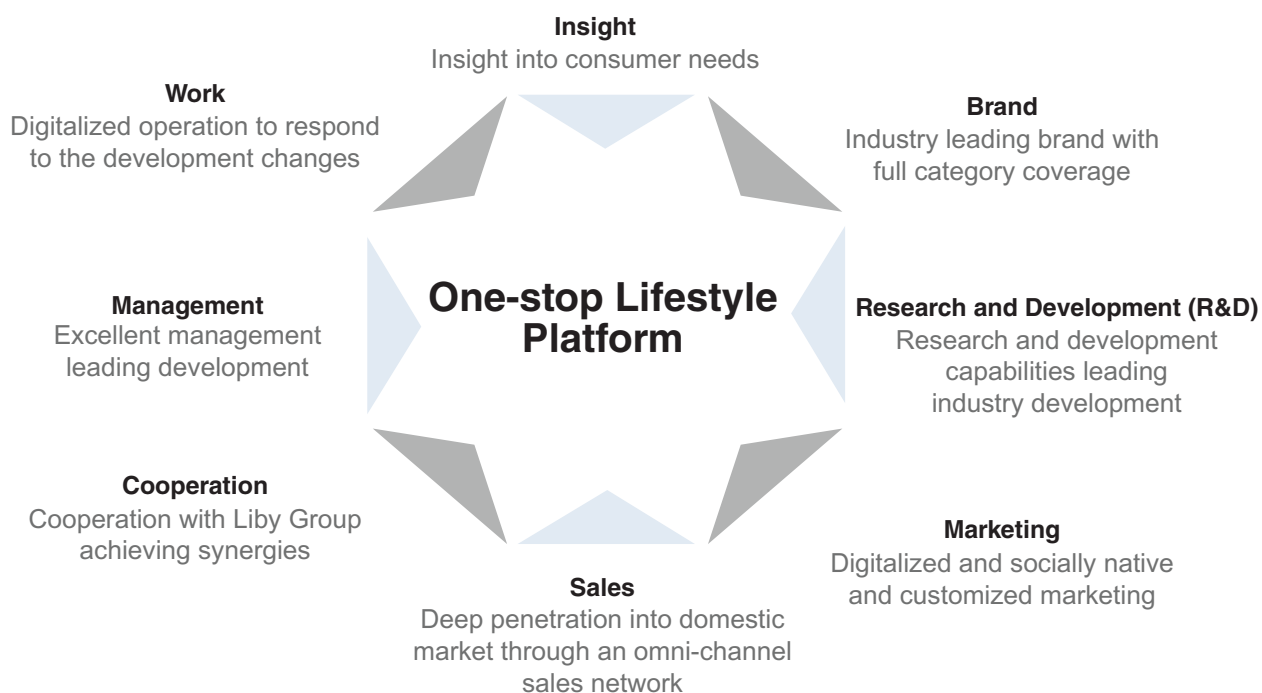
INTRODUCTION OF THE COMPANY

Cheerwin Group Limited is a leading one-stop multi-category household cleaning, pet care and personal care platform in China. The products of Cheerwin are distributed through a nationwide deeply penetrated sales network with comprehensive online and offline coverage and are popular across the nation. The history of the Group can be traced back to 2006 when Anfu Cheerwin was established. Its business gradually expanded to household chemicals and other fields. In 2018, we conducted reorganization and incorporated Cheerwin Group Limited and have since then been operating our business through three major segments, namely household cleaning products, personal care products and pet care products. In March 2021, the Group was successfully listed on the main board of the Hong Kong Stock Exchange with stock code: 6601.

With our commitment to creating a better life for Chinese families, we continue to provide consumers with effective, convenient and safe products through product innovation and promoting industrial upgrading. Throughout the past years of development, we have been upholding the vision of “becoming a leading consumer goods group driven by data and technology”, the core value of “customer first and pursuit of excellence” and the human resources value of “being smart, resilient, optimistic, introspective and humble” and provided high-quality products under a number of brands such as “Superb”, “Vewin”, “Babeking”, “Rikiso”, “Naughty Buddy”, “Cyrin” and “Dux” which are very popular among consumers. We ranked third among the domestic companies in the household cleaning industry in China and rapidly established leading positions in a number of market segments such as personal care and pet care.

BUSINESS OVERVIEW

We have a vertically integrated business model that provides us control over the critical elements of the value chain, including research and development, manufacturing, marketing and sales and distribution. We distribute our products through our multi-channel sales network covering the whole nation and have broad customer bases in our target markets. The Group is committed to providing a one-stop life style for consumers through the following eight pillars.





ABOUT US

We research and develop, manufacture and sell multi-category products, which can be broadly categorized into household cleaning products, personal care products and pet care products. Our products are offered under our seven core brands, including Vewin (威王), Superb (超威), Babeking (貝貝健), Cyrin (西蘭), Rikiso (潤之素), Naughty Buddy (倔強的尾巴) and Dux (德是), each targeting different aspects of consumer demand and specific consumer segments.

Brand	Major Products
	household insecticides and repellents products: Superb Mosquito Coil, Superb Liquid Vaporizer, Superb Vaporizing Mat, Superb Mosquito Net and others
	household cleaning and sterilization products: Vewin Kitchen Cleaner Series, Vewin Toilet Cleaning Series, Vewin Washing Machine Tank Cleaner Series and others
	household insecticides and repellents products: Babeking Liquid Vaporizer, Babeking Vaporizing Mat, Babeking Mosquito Nets, Babeking Mosquito Repellent Gel and others
	personal care products: Rikiso Hand Cream, Rikiso Facial Cream, Rikiso Hand Sanitizer and others
	pet care products: Naughty Buddy (倔強的尾巴) Pet Antibacterial Spray, Naughty Buddy (倔強的尾巴) Deodorant Antibacterial Tooth Gel, Naughty Buddy (倔強的尾巴) Hybrid-type Cat Litter and others
	air care products: Cyrin Aerosol Air Freshener Series, Cyrin Formaldehyde Purifier Series, Cyrin Deodorant Aroma Beads and others
	pet care products: Dux Ocean Series Dog Shampoo, Dux Pet Cleaning Deodorant Shampoo, Dux Ocean Series Cat Shampoo and others

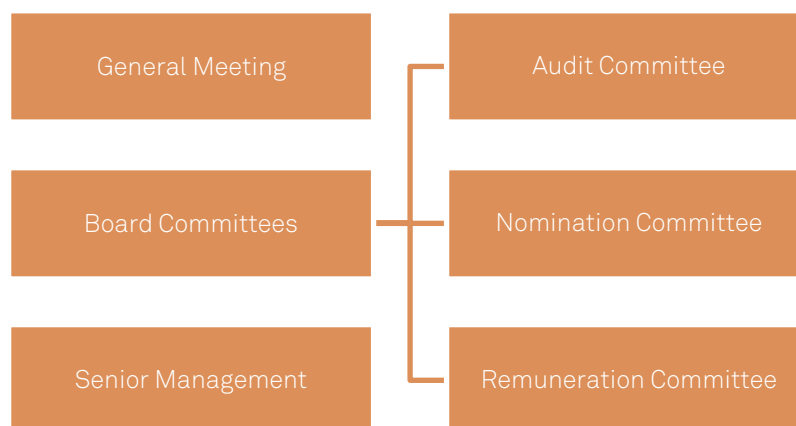


ABOUT US

CORPORATE GOVERNANCE

- **Governance structure**

Good corporate governance is crucial to stepping up the management of the Group and protecting the interests of shareholders as a whole. Cheerwin has adopted the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 of the Listing Rules as the code for governing its corporate governance practices. Under this code, the Board has established the audit committee, the remuneration committee and the nomination committee, and each committee operates in accordance with the terms of reference set by our Board. To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy by taking into consideration various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. As of December 31, 2020, the Board comprised seven Directors, including three executive Directors (one female Director), one non-executive Director and three independent non-executive Directors.



Corporate governance structure

For more information on governance, please refer to the Corporate Governance Report section in the 2020 Annual Report.

- **Risk management and control**

The Group has developed a suite of internal control and risk management procedures to address various identified potential operational, financial, legal and market risks related to operations, including but not limited to procurement management, credit risk, related party transaction control, information disclosure control and regulatory procedures. The risk management procedures set out procedures for identifying, analyzing, classifying, mitigating and monitoring various risks. The risk management policy of the Group also sets out the reporting grade related to the risks identified in our operations. Our Board is responsible for supervising our overall risk management.



ABOUT US

Regarding the COVID-19 pandemic in 2020, in response to the Chinese government's epidemic prevention requirements and guidance documents, the Group assembled an epidemic emergency team, and implemented a series of precautionary measures to maintain a hygienic working environment and protect the health and safety of employees.

- **Self-quarantine.** Employees who travelled within China during the Chinese New Year holidays were required to self-quarantine in their homes for 14 days.
- **Remote work.** We provided alternative ways such as work-from-home arrangements for employees who worked off-site, to protect their health and also ensure our smooth business operations during the epidemic outbreak. Meanwhile, utilizing our cloud working system, our office staffs were able to work remotely from home.
- **Health screening.** During the period of resumption of work and operation, we have implemented health screening procedures for all entrants of our premises, including checking their travel history and whether they have any symptoms associated with COVID-19 and measuring their temperature. We required all staffs to wear face masks when they were working onsite. Furthermore, we also provided personal protective equipment and disinfectant products for free to our employees, and our premises were regularly cleaned and disinfected every day.
- **Anti-corruption**

The Group strictly abides by the *Anti-Unfair Competition Law of the People's Republic of China* 《中華人民共和國反不正當競爭法》 and recognized business ethics. Based on the principles of voluntariness, equality, fairness, integrity and credibility, the Group adopts a zero-tolerance policy for any fraud, extortion and corruption. Our strategic cooperation agreements with suppliers stipulate their respective obligations in confidentiality and anti-bribery. During the Reporting Period, the Group was not involved in any lawsuits related to corruption or fraud.



ABOUT US

AWARDS AND HONORS

During the Reporting Period, the Group received numerous awards and recognitions.

	Awards and Honors	Awarding Institutions
Cheerwin	National Benchmark Enterprises on Quality and Credibility (全國質量誠信標桿企業)	China Association for Quality Inspection (中國質量檢驗協會)
	Cockroach Trapping and Killing Technology-Third Prize of Scientific and Technological Progress (蟑螂誘殺技術-科學技術進步三等獎)	Guangdong Light Industrial Council (廣東省輕工業聯合會)
	Financial Innovative Enterprise in Free Trade Zone (自貿區金融創新企業)	Agricultural Bank of China (中國農業銀行)
	The First Batch of Key Enterprises for Prevention and Control of COVID-19 (首批新冠肺炎疫情防疫重點企業)	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部)
Superb – 2020 Superb Talk Marketing Program (超威 – 2020年超威蚊學說營銷項目)	The 7th Mobile Smart Marketing Golden Byte Awards – Grand Prize, Short Video Marketing Model Case Award (第七屆移動智能營銷金比特獎 – 全場大獎、短視頻營銷標桿案例大獎)	Advertiser Review (廣告主評論)
	The 9th GoldenBee Awards – Social Marketing Creative Gold Award (第九屆金蜜蜂獎 – 社會營銷創意金獎)	Advertiser magazine (廣告主雜誌)
	The 12th IMCC Golden Awards – Content Marketing Gold Award (第十二屆金網獎 – 內容營銷金獎)	IMCC Golden Awards Organizing Committee (金網獎組委會)
	2020 TopTouch Global Business Innovation Awards – Marketing Case Silver Award (2020全觸點全球商業創新大獎 – 營銷案例銀獎)	Topmarketing
	The 7th TMA Mobile Marketing Awards – Integrated Marketing Silver Award (第七屆TMA移動營銷大獎 – 整合營銷類銀獎)	TMA
	The 21st IAI International Advertising Awards – Socialized Marketing – Golden Award (第21屆IAI國際廣告獎社會化營銷類金獎)	IAI International Advertising Award Executive Committee (IAI國際廣告獎執委會)
	The 12th Golden Mouse Digital Marketing Awards – Integrated Digital Media – Golden Award (第12屆金鼠標數字營銷大獎數字媒體整合類金獎)	Golden Mouse Award (金鼠標)
Vewin	The Most Investment-worthy Brand in the 2020 China Innovation Power List (2020中國創新勢力榜 – 最具投資價值品牌)	iiMedia Research (艾媒諮詢)
	The Most Innovative Products in the 2020 China Innovation Power List (2020中國創新勢力榜 – 最具創新力產品)	iiMedia Research (艾媒諮詢)
	Kantar Worldpanel 2020 Asian Brand Footprint Report – Household Care Brand Consumer Reach Point TOP2 (凱度消費者指數2020亞洲品牌足跡報告 – 家庭護理類品牌消費者觸及數全國TOP2)	CTR



ABOUT US

Awards and Honors		Awarding Institutions
Vewin – DXY IP Co-branded Integrated Marketing Program (威王丁香醫生IP 聯名整合營銷項 目)	The 12th Golden Mouse Award – IP Marketing Gold Award (第12屆金鼠標 – IP營銷類金獎)	Golden Mouse Award (金鼠標)
	The 7th TMA Mobile Marketing Awards – IP Marketing Silver Award (第七屆TMA移動營銷大獎 – IP營銷類銀獎)	TMA
	2020 Great-wall Awards – Integrated Marketing Works – Excellence Award (2020長城獎 – 整合營銷類優秀作品)	China Advertising Association (中國廣告協會)
Babeking	The 11th Golden Mouse Digital Marketing Competition – Most Creative Brand – Silver Award (第11屆金鼠標數字營銷大賽最具創新精神銀獎) for Babeking	Golden Mouse Award (金鼠標)
	2020 List of Mouth of Word of Maternal and Child Brand in Mamacn.com – Mom's Favorite of the Year Award (2020年媽媽網母嬰品牌口碑榜 – 年度媽媽摯愛獎)	mamacn.com (媽媽網)
Babeking – “If Life Hides from You” Marketing Program (貝貝健 – 假如 生活隱瞞了你營 銷項目)	The 21st IAI International Advertising Award – Socialized Marketing – Bronze Award (第21屆IAI國際廣告獎社會化營銷類銅獎)	IAI International Advertising Award Executive Committee (IAI國際廣告獎執委會)
Cyrin	The 20th IAI International Advertising Awards – Integrated Marketing – Bronze Award (第20屆國際廣告獎整合營銷類銅獎)	IAI International Advertising Award (IAI國際營銷大獎)
	The 11th Golden Mouse Digital Marketing Competition – Socialized Marketing – Bronze Award (第11屆金鼠標數字營銷大賽社會化營銷類銅獎)	Golden Mouse Award (金鼠標)



ESG GOVERNANCE

ESG PHILOSOPHY

The mission of the Group is to make life full of surprises. While offering innovative household cleaning, pet care products and personal care products to every family, through a well-established risk management and internal control system, we strive to create an integrity-based business atmosphere, continuously improve and refine our corporate governance capabilities and enhance our communication and exchange with stakeholders, so as to enable us to better review and manage the impacts of our operations on the economy, the society and the environment, and incorporate our ESG philosophy into every aspect of our operation and management to maximize positive impacts and minimize negative impacts, and work together with stakeholders to create sustainable values.

ESG MANAGEMENT STRUCTURE

The Group recognizes that a good ESG management structure is a key cornerstone underpinning the effectiveness of ESG management and the long-term and stable development of the Group. We have established an environmental, social and governance office of the Group (ESG Office) to assist the Board in supervising and managing our ESG performance. The ESG Office will be led by an executive director, and the internal audit department of the Group will take the lead in the management and execution of ESG related matters. Meanwhile, we are also preparing to establish an environmental, health and safety team (EHS team) to assist the ESG Office in assessing and managing all ESG related matters. In line with regulatory requirements and best industry practices, the EHS team will apply multiple indicators to assist the Group in assessing potential ESG risks, including setting energy consumption targets for each product and measuring the use of fuel or electricity in the production of each unit of product.

The Group fully understands the incorporation of good ESG philosophy is vital for ESG management and improvement. In March 2021, the first month of the listing of the Group, we set up an ESG team comprising the internal audit department, the production department, the human resources department, the technology R&D department, the legal affairs department, the sales department, the KA management department, the procurement management department and the supply management department covering various functions such as R&D, procurement, production, sales, legal affairs, human resources, finance, risk, etc. We also engaged professional third-party organizations to provide training and promotion sessions and capacity building on global sustainable development trends, ESG compliance requirements and best industry practices for the management of the Group and the ESG team, which have laid a solid foundation for the sustainable development of the Group.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an important aspect of the ESG management of the Group. In the course of business operation and management, we continue to strengthen communication and exchanges with a wide range of stakeholders, including shareholders/investors, governments and regulators, consumers, employees, distributors, suppliers and communities. By establishing a routine communication mechanism with stakeholders, we are able to understand the opinions and expectations of all stakeholders and incorporate stakeholders' concerns into the operational decision-making process of the Group, creating a win-win shared value among stakeholders and driving the sustainable development of the Group and stakeholders.



ESG GOVERNANCE

During the Reporting Period, based on regulatory requirements, concerns in the capital market and leading industry peer practices, the Group sorted out and identified the following major stakeholder groups that have decision-making power over and influence on the Group and are closely associated with the Group.

Stakeholder Group	Issues Concerned	Communication Channels/ Feedback Methods
Government/regulator	<ul style="list-style-type: none"> Compliance operation Payment of taxes according to the laws 	<ul style="list-style-type: none"> Meetings with researchers Proactive reporting Annual reports
Shareholder/investor	<ul style="list-style-type: none"> Corporate governance Economic performance ESG performance 	<ul style="list-style-type: none"> Shareholders' meetings/ extraordinary general meetings Results presentation Press release/announcement Annual reports and interim reports ESG reports
Consumer	<ul style="list-style-type: none"> Safe, healthy and environmentally-friendly products Product diversification Quality service 	<ul style="list-style-type: none"> Innovative R&D Whole-process product quality control Brand promotion Responsible marketing Consumer Service Hotline
Distributor	<ul style="list-style-type: none"> Profit guarantee Boosting business capabilities 	<ul style="list-style-type: none"> Distributor access assessment Distributor training and promotion
Supplier	<ul style="list-style-type: none"> Supplier access management Supplier assessment Supplier cooperation 	<ul style="list-style-type: none"> Supplier access assessment Supplier performance assessment Regular visits to suppliers
Employee	<ul style="list-style-type: none"> Protection of basic rights and interests Remuneration and benefits Training and development Health and safety 	<ul style="list-style-type: none"> Employee communication platform Regular assessment on growth and performance Cheerwin Academy Health and safety training
Community	<ul style="list-style-type: none"> Community development Charitable activities 	<ul style="list-style-type: none"> Donation and assistance Inviting distributors to participate in community building Cheerwin Charity Services



ESG GOVERNANCE

IDENTIFICATION AND DETERMINATION OF MATERIAL ISSUES

During the Reporting Period, based on the disclosure requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange and the materiality matrix of the Sustainable Accounting Standards Board (SASB) and in line with the leading industry peers practices and the key ESG concerns in the capital market, the Group identified potentially material issues and through in-depth interviews and questionnaire surveys with stakeholders, determined the sequence of each issue, so as to promote the in-depth development of the ESG management of the Group.

Identification of ESG potentially material issues list

- Through regulatory requirements analysis, peer benchmarking, policy analysis and considering the concerns in the capital market, 25 potentially material issues were identified to form a list of the ESG material issues of the Group

Engagement with stakeholders

- Developed the stakeholder engagement plan, conducted 7 in-depth internal interviews and distributed survey questionnaires on ESG material issues to employees, suppliers, distributors, consumers, regulators, investors, etc., to understand the priorities of concerns on issues of stakeholders

Sequencing of the material issues

- Based on the two dimensions of materiality to the Group and materiality to stakeholders, we ranked all material issues to form the materiality matrix of the Group

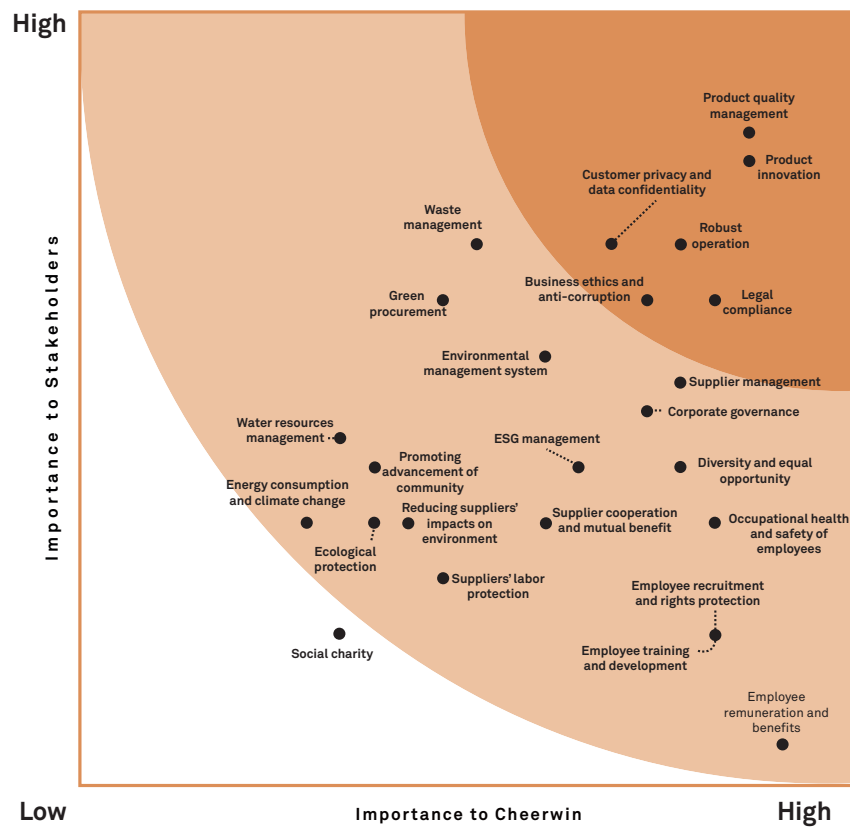
Determination of the material issues

- The results of the materiality matrix were submitted to the ESG team and the management to determine the materiality and impact of identified issues. We would faithfully reflect the Group's performance on relevant issues in the report



ESG GOVERNANCE

During the Reporting Period, the Group identified 25 ESG issues based on research and analysis of material issues, including six highly material issues, 18 moderately material issues, and one lowly material issue. Highly material issues constitute the key part of the content of this report, and we will disclose the relevant content in this report in detail.



ESG materiality matrix of Cheerwin



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

Innovation is the driving force and core competence for the sustainable development of enterprises. The Group continues to enhance its independent innovation and research and development capabilities, integrate high-quality global resources, and promote research and development cooperation with a more forward-looking vision and leading technologies. In addition, we actively promote digital transformation and upgrading, and take digital technologies as the new driving force for the enterprise to enhance our comprehensive competitiveness.

1.1 Product Research and Development

The Group continues to improve its independent innovation and research and development capabilities and industrial technologies, and promotes product innovation and upgrading in multiple dimensions. Moreover, we will strengthen cooperation in the research and development of upstream and downstream products, actively participate in the formulation of national and industry standards to jointly promote the development and progress of the industry.

- **Research and development capabilities**

The Group has strengthened and expanded its existing product lines through continuous research and product development efforts. We have established a high-quality innovative research and development team, among which approximately 34.6% hold master's degree or above. The research and development department covers household cleaning, household insecticides and repellents, air care, personal care, pet care product technology as well as research and development of packaging technologies and production process technology research, intellectual property construction and technical support for relevant product regulations. In addition, the Group has established four functional evaluation laboratories to carry out the efficacy evaluation of personal care products, pet care products, household cleaning care products and household insecticides and repellents products.

During the Reporting Period, the research and development team of the Group focused on the development of application technologies, the continuous launch of new products and the optimization of industrial technologies. Driven by innovation and led by research and development, we will continue to improve product portfolio, product quality, production efficiency and profitability to help the Group consolidate its development foundation and seize development opportunities.



Key Directions of Research and Development



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

- **Safe, healthy and environmentally friendly products**

At present, the principal products of the Group include household insecticides and repellents, household cleaning, air care, pet care and personal care products. The development and design of each category of products have complied with the requirements of the quality, safety and environmentally friendly regulations required by such category of products. On the basis of full consideration of the safety and environmentally friendly attributes, raw materials are screened and used in final product formulation design. In 2020, a total of 19 types of products under the household cleaner series were recognized as green design products by the Ministry of Industry and Information Technology of the PRC, with key design highlights as follows: they do not use raw materials that easily cause pollution, and have little influence on the eutrophication of water quality in their whole life cycle.

Repellents and insecticides products

- Under the condition of ensuring the household repellents effect of the product, Superb and Babeking Liquid Vaporizer can reduce the volatilization of the organic compounds (such as the solvent) of non-household repellents components in the products by approximately half, and provide the utilization efficiency of the materials in the products formulation and reduce the consumption of oil resources and the organic compound pollution in the household environment.

Household cleaning products

- Vewin Household Hard Surface Cleaner is formulated with high-efficiency, environmentally friendly and plant-derived active ingredients as product formulation. For example, the newly marketed Vewin Orange Cleaner uses Ecosert COSMOS certified chelating agent ingredients and plant-derived surfactants, which improves the safety and environmental friendliness of the products.

Air care products

- The fragrance agent in Cyrin air care products is continuously committed to finding safe room aromas and volatile solvent. Cyrin Reed Diffuser has selected the ACM solvent of Solvay (索爾維公司) as the fragrance agent to develop the product and market the product. ACM solvent is a solvent based on plant-based carbon source, which is more environmentally friendly and easy to degrade. Moreover, Cyrin air care products strictly control the source safety of fragrance raw materials in accordance with the relevant requirements of IFRA when selecting fragrance raw materials.

Pet care products

- As a new force in pet care products, Naughty Buddy is committed to finding more environmentally friendly solutions. For pet care products such as cat litter, we have developed plant fiber products that can more effectively achieve natural degradation of the products after use and are more environmentally friendly.



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

- **Innovation of Product Packaging Design**

In addition to satisfying the basic requirements of product formulation compatibility, package protection and decoration efficiency for each category of products when designing their package, the Group is also committed to matching the packaging design solutions required by different channels. By designing replacement products, reducing the packaging void ratio and optimizing packaging lining materials, we improve packaging comprehensive utilization efficiency on the research and development design end and reduce the consumption of product packaging materials.

Replacement product design

- In terms of packaging design and promotion of cleaners, the Group continues to carry out the design and marketing of upright soft bag replacement products to reduce the use of plastics.

Reduce packaging void ratio

- When developing e-commerce channel products, the Group will optimize the packaging structure based on the characteristics of e-commerce channels, such as small display area requirements, compact packaging and convenient express transportation, so as to improve the utilization rate of space in the packaging and reduce the amount of packaging materials used per unit product.

Optimizing packaging lining materials

- The Group continues to follow up the packaging usage efficiency of old products and reduce the usage amount of packaging materials per unit product by reducing the number of compartments in some compartments, adjusting one bottle to two bottles or four bottles per compartment; or cancelling the case-package's direct packing into boxes in some products.

I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

• Research and development cooperation

In the face of market competition brought about by information globalization, the Group makes full use of external resources to cooperate with upstream suppliers to form two-way complementarity and win market competition with collective advantages.

The Group has established long-term research and development cooperation with third-party institutions to carry out the research and application of special chemicals in key deodorization technologies, and regularly organized technical exchange activities. During the Reporting Period, the Group worked with third-party institutions to develop deodorization technologies and jointly developed Cyrin Deodorant Spray, and Naughty Buddy Deodorizing and Sterilizing Spray (peach), Cyrin Multifunctional Deodorant and other products.



Strategic cooperation –

Research and application of special chemicals in key deodorization technologies

The Group also emphasizes collaboration and communication with suppliers. Through on-site investigation and exchanges with suppliers, we promote the application of coal-to-oil refined alkanes solvents in insecticide aerosols, and maintain the spread and penetration of effective components in the target organisms, optimize the dispersion effect of active components and improve the odor experience of the products.



Suppliers' Investigation and Exchange on the Project of coal-to-oil – Carry out the Application and Development of New Raw Materials from coal-to-oil



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

• Participating in the formulation of the industry standards

The Group actively participates in the formulation of the industry standards to contribute to standardizing the development direction of the industry. During the Reporting Period, the Group worked with industry associations to formulate the “General Technical Conditions for the Safety of Household Hygiene and Insecticide Products” (GB 24330-2020) and the “Green Design Products Evaluation Specifications – Household Hygiene and Insecticide Products” (T/CNLIC 0011 – 2020), and participated in the inauguration of group standard formulation of the “Requirements for Green Factory Evaluation of the Coils Manufacturing Industry” and the inauguration of group standard formulation of “Light-weight Mosquito Coil”.



Inauguration of Group Standard Formulation of the “Requirements for Green Factory Evaluation of the Coils Manufacturing Industry”



Inauguration of Group Standard Formulation of “Light-weight Mosquito Coil”

• Innovation Award

The Group continues to increase investment in the development of new products and innovative technologies to adapt to changing consumer preferences, and influences market trends with innovative household lifestyle solutions at the same time. During the Reporting Period, we gained high recognition in or beyond the industry by virtue of new products and new brands, which further expanded the influence of the brand.

- The Most Innovative and Investment-worthy Brand in the 2020 China Innovation Power List
- The 11th Golden Mouse Digital Marketing Competition – Most Creative Spirit – Silver Award
- Cockroach’s Trapping and Killing Technology was awarded the Third Prize of Scientific and Technological Progress by Guangdong Light Industrial Council
- The Biotechnology Research and Development Team was selected as the “High-end Team” for Innovation and Entrepreneurship in Liwan District
- Vewin Pipe Cleaner was awarded the Upgraded Consumer Products by China National Light Industry Council (the seventh batch of light industry)
- Superb Cockroach Prison was awarded the Innovative Consumer Products by China National Light Industry Council (the seventh batch of light industry)



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

1.2 Digital Transformation

In line with the development trend of Internet big data and intelligence in the information technology era, the Group actively pushes forward digital transformation, improves the efficiency of operation and management, and captures new market opportunities. By building a digital operation system including a consumer data platform, a distributor digital platform and a supply chain digital platform, we have a digitalized operation system with comprehensive coverage of scenarios and business processes, and have achieved digitalization of our business processes, covering consumers, products, orders, production, logistics, marketing, research and development and other business aspects.

- **Consumer data platform**

The Group collects and comprehensively analyzes real-time online and offline consumer data across all channels. We have real-time online users data interconnection with third-party e-commerce platforms through an online user data collection system, and our offline user data interconnection is realized through applying our offline user data collection system and our digital system at key accounts and points of sales.

- **Distributor digital platform**

The Group has established an integrated digital management system for distributors. It consists of an e-commerce platform for distributors (Ligoutai (立購台)), an internal digital operation platform for distributors (Ligouying (立購盈)), and a management platform between distributors and points of sales (Ligouchuang (立購窗)) which allow us to realize accurate and real-time management of distributors' ordering, selling and storage activities through data connection. Through Ligoutai (立購台), distributors can order merchandise, and learn policies and the latest product trends in real time. Through Ligouying (立購盈), distributors can integrate internal order management, product management, inventory management, distribution management, promotion management, expense management, store management, personnel management and other operations on the platform to improve their internal operation and management. Through Ligouchuang (立購窗), distributors can carry out relevant service work around points of sales. During the COVID-19 pandemic in 2020, through our digital platform for distributors, we successfully held digital online order fairs and addressed the inability to carry out offline trade fairs during the epidemic.

- **Digital platform for supply chain**

A total of 100 suppliers of the Group have access to our digital supply chain platform. We use the SRM system to coordinate purchase orders, inventory data, production capacity, molds, among others, to build an efficient supply chain management system and cultivate rapid response capabilities. At the same time, we built a production plan management platform to achieve a planning coordination system of our entire supply chain, and through the ERP system, we digitalize supply and production to ensure the orderly production of our products.



I. ENHANCING THE FOUNDATION FOR DEVELOPMENT THROUGH INNOVATION

1.3 Intellectual Property

The Group strictly complies with the *Patent Law of the PRC*, the *Trademark Law of the PRC*, the *Copyright Law of the PRC* and other laws and regulations on intellectual property protection, and formulates and issues the Patent Management Rules, the Trademark Management Rules and the Copyright Management Rules. The Legal Department of the Group is responsible for the application, use and maintenance of intellectual property rights such as trademarks, copyrights and patents. In addition, we strictly investigate infringements and pay attention to strengthening the intellectual property protection awareness of relevant personnel in daily management to protect the intangible assets of the Group from infringement. During the Reporting Period, the Group applied for a total of 181 trademark rights and obtained 17 trademark right authorizations. As of December 31, 2020, the Group had a total of 536 trademarks.



II. BETTER QUALITY TO CREATE A BETTER LIFE

The Group is dedicated to its commitment to high quality and reliability for its products and services. We continue to launch multi-category products, build quality control systems that cover the entire product lifecycle, and continuously improve customer service levels, strengthen senses of participation and experience brought by our products, and meet personalized and social needs for our products, thereby providing customers with a one-stop smart lifestyle to create a better life.

2.1 Quality as Top Priority

The Group's products are mostly used in common household settings and may come into direct contact with its consumers. As such, we formulate and follow the Measures on Management of Quality Targets, set annual quality targets and develop related assurance program and implement stringent product safety and quality control standards and measures throughout our entire product processing processes, covering raw material supply chains, logistics, product processing, inventory and sales channels, to ensure the full safety and high quality of our products. During the Reporting Period, the Group had a quality control workforce of 41 personnel. Our quality control team is equipped with advanced inspection instruments for more efficient testing capabilities to ensure product quality and reliability.

- **Quality Control over Product Development**

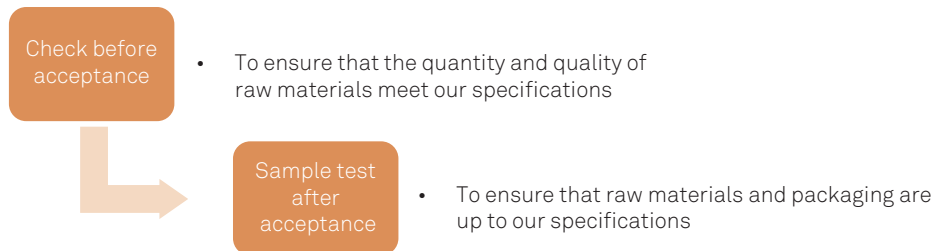
Our Group's quality control begins at the initial stage of product development. Our quality control department works with our research and development team closely to evaluate the effectiveness of each product in accordance with the relevant laws and regulations and industry standards. Meanwhile, we develop sample stability and performance data based on testing and verification and prepare internal reports setting out the details of experiment methods and results to help evaluate the effectiveness of such products.



II. BETTER QUALITY TO CREATE A BETTER LIFE

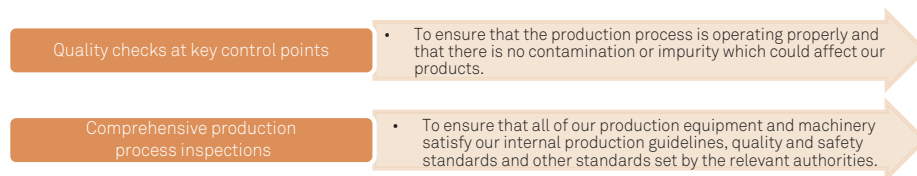
• Quality Control over Raw Materials

In order to ensure the quality of raw materials, the Group only purchases raw materials from accredited suppliers who have passed the quality and reliability assessment and conducts relevant checks on raw materials before and after they are accepted. In the event that the raw materials supplied by the suppliers do not satisfy our quality standards, we would return them to our suppliers. During the Reporting Period, the Group performed quality control work related to raw materials in accordance with the Rules for the Management of Supplier Development and Access and the Rules for the Daily Management of Suppliers.



• Quality Control over Production

The Group strictly follows all relevant standards and regulations during the production of its products, including national and industry standards and its internal quality standards, e.g. the Objectives for Product Quality Management and the Guarantee Plan on the Quality of Disinfectant Products. Our Panyu Plant and Anfu Plant have been accredited with ISO 9001 Quality Management System certification by the British Standards Institution (BSI), an international accreditation body. We will also conduct quality checks at key control points of the entire production process and on production process in order to continuously monitor and improve our quality control ability.



Review Report on the Quality Management System of the Panyu Plant



Review Report on the Quality Management System of the Anfu Plant



II. BETTER QUALITY TO CREATE A BETTER LIFE

- Quality Control over Finished Products

The Group strictly follows the *Product Quality Law of the People's Republic of China* to perform quality control over finished products. At the same time, we have in-house testing procedures at our production facilities. Sample tests are also conducted on the products processed by our third-party manufacturers and our in-house quality assurance team conducts sample checks on every batch of finished products before products being shipped for delivery. Additionally, effective safety measures are in place at our finished product warehouses to minimize the damage arising from fire hazards, water damage and other risks to our finished products. During the Reporting Period, in the 126 rounds of sampling inspections carried out by the state product quality inspection authorities at different levels on our products, the Group achieved a 100% qualified rate.

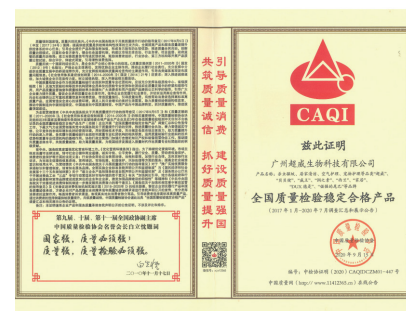
- Quality Control over Product Delivery and Transportation

The Group outsources a majority of its product transportation to independent third party logistics service providers and enters into strategic logistic service agreements with its third party logistics service providers. We assess our logistics service providers based on frequency of on-time delivery, transportation capability, distribution network and overall service quality. During the Reporting Period, we did not experience any significant delay or poor handling of products.

The Group's ability to strictly control product quality during the entire product lifecycle has been highly recognized by external parties. During the Reporting Period, the Group was awarded the "National Benchmark Enterprises on Quality and Credibility (全國質量誠信標桿企業)" title by the China Association for Quality in the 2020 Quality Month Event (2020年質量月活動) and our products were also awarded the "Qualified Products in the National Quality Inspection (全國質量檢驗穩定合格產品)".



Certificate for National Benchmark Enterprises on Quality and Credibility



Certificate for Qualified Products in the National Quality Inspection



II. BETTER QUALITY TO CREATE A BETTER LIFE

2.2 Responsible Marketing

- **Branding and Marketing**

For marketing compliance, the Group adopts a multi-brand and multi-product category strategy to develop different brands for various product categories targeting different consumer segments. During the marketing process, we strictly abide by the *Advertising Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations to ensure the compliance and standardization of the branded products during the promotion process. At the same time, we comply with the *Price Law of the People's Republic of China*, the *E-Commerce Law of the People's Republic of China* and other laws and regulations to perform our obligations in aspects including protection of consumer rights and interests, environment, cybersecurity and individual information.

Before product promotion and sales, the quality of our products will be certified on the professional platforms to obtain product quality inspection certificates, production licenses, factory certificates and quality guarantees. There is a special management process for promotional materials, language and methods, and such materials will be uniformly produced and released after being reviewed by the legal department and the market department.

For marketing channels, the Group implements a highly customized marketing strategy, with digitalization and social media tools as its core. We have a robust omni-channel sales and distribution network with high penetration in both online and offline channels:

- **Offline distributors:** offline distributors with deep penetration through tier one to tier five cities that resell our products to local hypermarkets, supermarkets, convenience stores, local grocery stores, gas stations, and other small vendors. As of December 31, 2020, we had more than 1,200 distributors with approximately 620,000 sales points nationwide.
- **Key account clients:** we, through Liby Group, sell to offline key account clients, including national and regional hypermarkets, national and regional supermarkets, department stores and national and regional chain convenience stores.
- **Online channels:** (i) direct sales through self-operated online stores on major e-commerce platforms, such as Tmall, JD.com and Pinduoduo; and (ii) sales to online distributors, which include their online stores on Tmall, JD.com, Pinduoduo, Vipshop, Netease Yanxuan and Suning.
- **Export to overseas markets:** including sales to overseas distributors in 22 countries or regions.
- **Corporate and institutional customers:** primarily including hotels, airlines, pharmacies and other corporations.



II. BETTER QUALITY TO CREATE A BETTER LIFE



For marketing activities, the Group focuses on cultivating markets, educating consumers, creating consumer demand, and reshaping consumer behaviors and lifestyles to carry out promotion and brand marketing activities. During the Reporting Period, the Group placed advertisements on television channels, the Internet and social media platforms, to help promote its own brands and increase its product awareness among its targeted customer groups. We also launch image stores for our brands in supermarkets through our distributors and key account clients, aiming to highlight our products and brand portfolio through the use of standardized and modern décor and designs.

- Collaboration with well-known IP, such as cooperation with Disney: the “Vewin Mini Chef, Dazzling Disney (威王大少廚 · 閃耀迪士尼)” campaign which directly targets young families
- Collaboration with other industries, such as cooperation with well-known ride-hailing service providers: providing our disinfectant products to customers for free
- Collaboration with social media platforms, such as incorporating mosquito repellent into an open debate topic on Tiktok to showcase the product features through interesting contents; our Babeking brand has claimed a lot of attention on mother & baby topics on Weibo, and won the “Most Innovative Brand in Digital Marketing”
- Collaboration with E-commerce platforms, such as Tmall’s Double 11 Shopping Carnival and JD.com’s 618 Shopping Festival
- **Consumer Data and Privacy Protection**

The Group collects different types of consumer data in marketing activities of different channels based on how and where its products are sold to end consumers.

- Self-operated online stores: access to consumers’ network identity information, address and contact information and transaction history
- Distributors: certain consumer behavior data are shared by our distributors with consumers’ prior consent
- Membership system: collecting consumer demographic data, such as age, gender and education, and consumer data, such as product preferences and consumption frequency



II. BETTER QUALITY TO CREATE A BETTER LIFE

The Group is committed to protecting consumers' personal information and privacy. We have always strictly abided by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *Provisions on Protecting the Personal Information of Telecommunications and Internet Users* and other national laws and regulations and have formulated the Measures on Management of Information Security internally to protect consumers' personal information and privacy. We have adopted security policies and measures and have technical support for data protection and various safeguards to ensure information security of consumers. We comply with the international information security management system standard (ISO 27001) and the national standard (GB/T 22080-2016), and accordingly deploy behavior control, firewall, anti-virus software. In addition, with database audits, high-strength firewalls and security reinforcement provided by established vendors, we regularly organize tests and perform security scans on our systems. We have also formulated a set of data protection policies for our employees, which require our employees to abide by information security regulations, in order to ensure the safety of the relevant information involved in business operations. During the Reporting Period, the Group received no complaints or lawsuits regarding consumer data and privacy leakage.

2.3 Customer Service

The Group is committed to providing customers with quality service experience. For offline problems, after receiving a complaint, we will contact offline sales staff as soon as possible to understand the situation, and provide feedback or on-site answers according to the severity of the problem; for online problems, we have a customer service hotline, through which a dedicated customer service team will give corresponding answers. During the Reporting Period, the Group had a total of 1 return case due to quality problems, and received a total of 60 complaints, all of which were related to products, with a handling rate of 100%. Our customer service team will record all inquiries, feedback and complaints, as well as related investigation results or solutions. When necessary, we will initiate related product recall procedures.

Type	Total	Number of well-handled complaints	Percentage of well-handled complaints
Products and service complaints	60	60	100%



III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

Talent is the fundamental of enterprise operation and development. The Group regards employees as the most valuable assets of the enterprise, attaches great importance to the development of talents, fully respects and protects the basic rights and interests of each employee, fully optimizes the incentive system, pays attention to the safety and health of employees, constructs a working atmosphere of harmonious development and constructive interaction between the enterprise and employees, creates a talent echelon that agrees with the corporate culture and has entrepreneurial spirit, and promotes the common growth of employees and the enterprise.

3.1 Employment Overview

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other relevant laws and regulations, and has formulated internal policies such as the Human Resources Planning Management System, the Employee Handbook, the Recruitment Management System, the Employee Performance Management System, the Employee Attendance Management System and the Employee Welfare Management System. We also strictly abide by the recruitment guidelines to ensure that all employees employed are of legal working age, eliminate the employment of child labor and forced labor, and fully protect the legal rights and interests of employees in recruitment, promotion, separation, working hours, compensation and benefits.

The Group insists on implementing talent diversification and inclusive development, actively attracting outstanding external talents while always focusing on strengthening internal training and promotion, actively defending women's rights, providing employment opportunities for people with disabilities, and treating every employee equally and accommodating differences in all aspects of employees. As of December 31, 2020, the Group had a total of 823 employees, including 399 female employees, accounting for 48%, 8 female senior management, accounting for 22% of senior management, and 9 persons with disabilities. During the Reporting Period, the overall employee turnover rate was 21%. The specific employee structure is as follows:





III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

3.2 Employee Development

The continuous growth and development of employees is an important guarantee for enterprises to achieve their strategic goals. The Group sets up a talent selection mechanism with smooth horizontal flow and vertical development for employees in different job sequences of management, expertise and sales, and formulates a scientific and reasonable job hierarchy and multi-channel promotion system. At the same time, we adhere to the talent training concept of smart, resilient, optimistic, self-reflective, and humble, continue to strengthen investment in talent training, develop and strictly implement the Training Management System, improve the training system, provide all employees with professional, systematic and customized training through establishing Cheerwin Academy (朝雲學院) and carrying out business training and quarterly empowerment to help employees increase their knowledge and ensure that each employee can improve themselves and realize their self-worth in the work.

- **Cheerwin Academy**

In order to create an empowering organization of joint-development and mutual learning, the Group has established Cheerwin Academy and provides empowerment courses such as Zhangmen Class (掌門課), Changying Program (長纓計劃), New Employee Orientation, Superb Star Growth Program (超威星成長計劃), and Business Training to drive employees and management to proactively enhance their personal career development and professional skills in accordance with the requirements of organizational capabilities.

Zhangmen Class

- The top leaders of each center are selected to empower all employees with their own growth methods and cultural recognition, so that all employees have a clearer direction on the leadership, company culture, and their own development plans, and are determined to move forward with the Company.

Changying Program

- The core of the Changying Program is to build and reserve digital talents. Through the combination of external lecturers and internal monthly practical training, employees can quickly improve digital understanding, and apply it everywhere in their daily work and efficiently solve optimizable problems.

New Employee Orientation

- Providing new employees with training on corporate culture and work-related issues, so that they can understand the Company's mission, vision values and necessary information, strengthen their trust with the Company, recognize the thought of the Company, and work together with the Company for a unified goal.

III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

Superb Star Growth Program

- The Superb Star Growth Program cultivates employees' theoretical knowledge and teamwork skills through training camps, providing front-line practice opportunities and hands-on opportunities for business skills for up to 10 months. Trainees are assigned exclusive mentors to provide tailor-made growth plans and performance assessments.

Business Training

- Carrying out business training and quarterly empowerment activities according to the needs of business departments to achieve close communication between teams and efficiently promote strategic consensus and implementation.



Opening Ceremony of Cheerwin Academy



The head of Cheerwin is imparting knowledge



Changing Program Training Activities



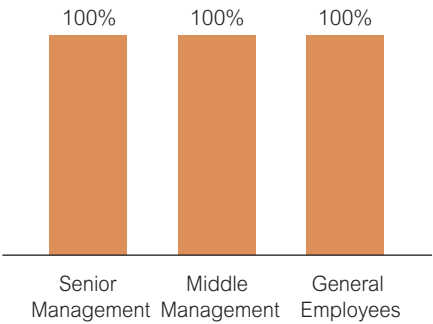
Quarterly Empowerment Training



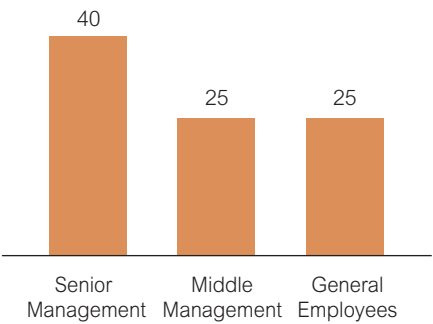
III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

During the Reporting Period, the Group's total number of trainees amounted to 1,051, and the proportion of trainees in each category and the number of training hours per employee are as follows:

**Percentage of employees trained
by employee type**



**Average number of training hours
per employee by employee type (hour)**



III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

3.3 Health and Safety

The Group strictly complies with laws and regulations such as the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and is committed to creating a healthy and safe working environment for its employees. During the Reporting Period, the Group formulated internal policies and management norms such as the Occupational Health Management System, the Code of Safe Conduct for Employees and the Safe Operating Procedures for Site Operations to clarify the person in charge of occupational health work as well as specific work contents and propose preventive control measures for occupational health. At each production site, we have established a series of guidelines and procedures in the areas such as fire safety, operational safety, storage safety, work-related injuries and emergency and evacuation procedures, and provided production site employees with appropriate and necessary labor protection supplies, such as ear plugs, protective clothing and face masks, to ensure the safety and protection during the production process. At the same time, we regularly conduct safety training and awareness-raising for our production bases and prevent risks by conducting emergency drills. During the Reporting Period, the Group did not have any major fatal or injury safety accidents and obtained the ISO 45001 Occupational Health and Safety Management System certification.

Emergency evacuation drill in mosquito coil workshop

In order to improve the workshop staff's emergency escape skills, enhance their emergency response ability and reduce safety risks, during the Reporting Period, the Group conducted an emergency evacuation drill for the mosquito coil workshop, in which about 80 people from the Safety, Environment and Health Department (安環健科) and the mosquito coil workshop participated. The evacuation drill process was smooth and orderly, no pushing, shoving, congestion and falling occurred, and it took 1 minute and 25 seconds from the start of the drill to the evacuation of all employees with all employees successfully evacuated the accident site, achieving the expected effect. The evacuation, which equipped the staff with emergency escape ability and improved the emergency response ability of the Group, helped us accumulate valuable practical experience, and provided the basis for the safety production and fire safety management in the future.



Fire Drill

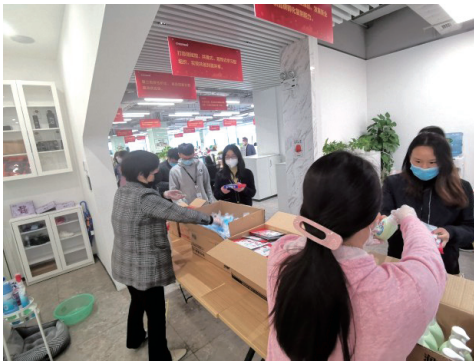


Safety Training



III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

The Group also attaches great importance to the health and safety of employees in the office area. Since the outbreak of the COVID-19 pandemic, we have responded positively to the prevention and control guidelines of the Ministry of Emergency Management, Hubei Province, Guangdong Province and relevant professional bodies on the prevention and control of the pandemic, strengthened responsible supervision and scientific deployment. And through strict prevention and vigilance and multiple measures, we have done a good job in preventing and controlling the outbreak and fully protecting the health and safety of our staff. In order to resume work scientifically, we stocked sufficient anti-epidemic materials for employees, and assisted them in scientific prevention and control and self-protection by setting up office disinfection points, keeping disinfection products on hand, distributing masks, ensuring meal safety and other measures to achieve efficient resumption of work and production, a healthy and orderly continuous operation.



Distribution of epidemic prevention supplies

3.4 Employee Care

Based on the needs of employees, the Group provides employees with a high-quality and convenient working environment, continues to maintain in-depth communications, creates a harmonious and warm workplace atmosphere, and enhances their sense of well-being at work.

- **Compensation and Benefits**

The Group strictly complies with the relevant laws and regulations on employee remuneration and benefits protection, including the *Labor Contract Law of the People's Republic of China* and the *Provisions on Minimum Wage of the People's Republic of China*, and has formulated a remuneration incentive policy in accordance with the actual situation of the Group, providing employees with an annual salary increase mechanism and variable remuneration incentives based on performance. We also strictly implement the Employee Performance Management System basing on the general guiding principles of “overall consideration, scientific and reasonable, open and transparent, comprehensive assessment, simple and effective, win-win and result-oriented”, to promote the standardization and scientificization of the Group's performance management, establish an efficient performance management system, fairly and objectively evaluate the work contribution of employees and promote the performance of departments and employees. In addition, the Group has established the Employee Welfare Management System to provide employees with eight benefits, including social security benefits, paid leave benefits and employee health benefits.



III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

Social security benefits	Paid leave benefits	Employee health benefits	Holiday/ congratulations money (gifts)
<ul style="list-style-type: none"> • Social insurance • Housing provident fund • Commercial insurance 	<ul style="list-style-type: none"> • Statutory holidays • Statutory leave • Other paid leaves (annual leave, marital leave, maternity leave, paternity leave, etc.) 	<ul style="list-style-type: none"> • Health checks for new employees • Annual health checks • Health seminars for employees 	<ul style="list-style-type: none"> • Spring festival red pockets • Mid-autumn festival • Women's Day • Wedding • Maternity • Birthday money (gifts)
Consolation money	Product benefits	Meal/accommodation	Internal superstore
<ul style="list-style-type: none"> • Condolences on admission • Family funeral condolences 	<ul style="list-style-type: none"> • Welfare goods 	<ul style="list-style-type: none"> • Meal subsidy • Staff dorm 	<ul style="list-style-type: none"> • All company products are purchased at a discount

Group Welfare System

- **Employee Communication**

The Group attaches importance to democratic communication and has established a two-way communication mechanism of “top-down and bottom-up”, helping to establish multiple communication channels between the management and employees such as staff open days, monthly meetings and DingTalk groups, which effectively enhances the enthusiasm of democratic communication.



III. PEOPLE-ORIENTED CULTURE PROMOTING EMPLOYEES' INDIVIDUAL DEVELOPMENT

- Employee Activities

The Group not only provides competitive remuneration and benefits to our employees, we also care about our employees and attach importance to their work-life balance. During the Reporting Period, the Group conducted more than 20 corporate cultural events through a combination of online and offline activities, allowing both office and non-office staff to participate in the events and enhancing staff cohesion and sense of belonging.



Christmas activities



Mid-Autumn Festival activities



618 carnival activities



Double Eleven energy party



4.1 Environmental Management



中国认证认可协会公告

环境管理体系认证证书

证 明

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颁 发 机 构: 中国合格评定国家认可委员会

注册号: CN1700000120005

GB/T 4001-2016/ISO 14001:2015 标准

环境管理体系符合

家用卫生坐便器、家庭清洁产品及家庭卫生产品制造及相关管理活动

(及其制造和服务过程)

获证组织符合 GB/T 4001-2016/ISO 14001:2015 标准 2016 年 12 月 15 日首次审核

获证组织符合 GB/T 4001-2016/ISO 14001:2015 标准 2016 年 12 月 15 日获证

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会 员 代 表 (董 事)

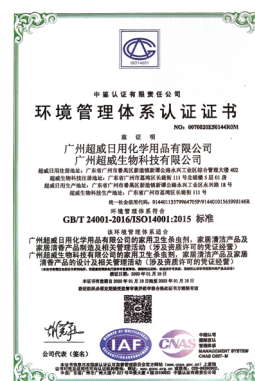
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IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

4.2 Green Production

The Group continuously optimizes the wastewater, waste gas and solid waste treatment systems iteratively in accordance with the requirements of national environmental protection regulations and standards and the update of treatment technologies, and reduces the impact of various pollutants on the environment through scientific design and equipment control.

- **Wastewater Discharge**

The Group strictly complies with the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Regulations on Urban Drainage and Sewage Treatment*, the *Measures for the Administration of Pollutant Discharge Permits (Trial)* and local sewage discharge standards, and strictly prohibits the discharge of untreated wastewater into natural waters. We have installed wastewater treatment facilities at each of our production bases for the pre-treatment of all wastewater generated during the production of our products until its quality meets the official standards or the relevant standards specified by the wastewater treatment contractor before further treatment and discharge by the wastewater treatment contractor.

We have also established a 24-hour online monitoring system to monitor chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), pH and sewage flow in the wastewater and submit the analysis and testing records to the reporting platform of the provincial environmental regulator. During the Reporting Period, the wastewater discharge intensity from both the Panyu Plant and the Anfu Plant complied with the relevant *Integrated Wastewater Discharge Standard* (GB 8978-96). In addition, we have also constructed reservoirs at our production bases to control the discharge of wastewater in the event of abnormalities in our wastewater treatment facilities. We actively promote water conservation, increase the recycling rate of new water to reduce wastewater discharge, and regularly monitor the discharge situation.

Wastewater discharge parameters in 2020

	Unit	Standard ⁽¹⁾	Panyu Plant	Anfu Plant
Chemical oxygen demand (COD)	mg/L	300	35	27.6
Ammonia nitrogen(NH ₃ -N)	mg/L	30	14.6	0.385

Note: (1) Integrated Wastewater Discharge Standard (GB 8978 – 96)



IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

• Air Emissions

Our Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* in the management of air emissions. The gases generated during our production process mainly include sulfur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter, and the storage and measurement tanks for production also contain several chemicals (non-methane hydrocarbons), all of which are absorbed, combusted or purified by absorption towers before emitted. We perform annual periodic leak testing and maintenance of pipeline and equipment to reduce unorganized emissions.

Air emission parameters in 2020

	Unit	Standard	Panyu Plant	Anfu Plant
Sulfur dioxide (SO ₂)	mg/m ³	300 ⁽¹⁾	–	62
Nitrogen oxides (NO _x)	mg/m ³	300 ⁽¹⁾	–	87
Volatile organic compounds	mg/m ³	30 ⁽²⁾	0.086	–

Notes: (1) Integrated Emission Standard of Air Pollutants (GB 16297–96)

(2) Emission Standard of Volatile Organic Compounds for Furniture Manufacturing Operations (DB44/814-2010)

• Solid Waste Discharge

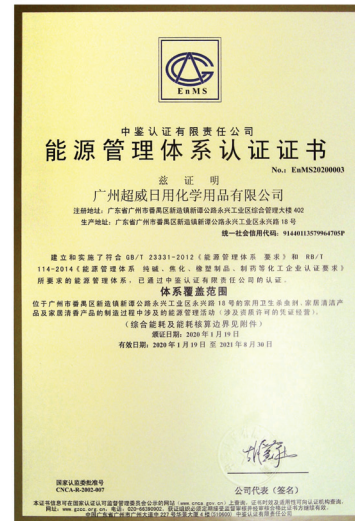
The Group strictly complies with the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste* and our internal Procedures for the Treatment of Solid Waste and Wastewater from Washing and Sterilization to continuously regulate and reduce waste discharge. The hazardous waste generated during our production process mainly consists of raw material packaging drums containing meperfluthrin mother liquid and dimefluthrin mother liquid, which are concentrated and stored in a special storage area with epoxy resin coated impermeable flooring and collected and treated by qualified contractors. Non-hazardous waste mainly includes residue, mortar and domestic solid waste. The domestic solid waste are collected and cleaned up by the city health department, and other non-hazardous waste are collected and cleaned up by the qualified contractor.



IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

• Energy Saving and Consumption Reduction

Both our Panyu and Anfu Plants have obtained GB/T 23331-2012 Energy Management system certification. Our environment, health and safety team (EHS team) has set corresponding energy consumption targets for each product, measuring the use of fuel or electricity in the production of each unit of product, and we have met our energy consumption targets during the Reporting Period. Regarding the water resources, we have established rainwater recycling and water reuse systems to reduce the consumption of water in our production.



Certifications of Energy management system

• Packaging Materials Usage

The Group's packaging materials mainly consist of cardboard boxes, PET and PE bottles with specific volumes. During the development process, we have fully considered the impact of packaging materials on human health and the environment, and have chosen materials that are non-toxic, non-hazardous, degradable or easily recyclable. In the using process of the packaging materials, we partially recycled the cardboard boxes and PET and PE bottles selected have met the Chinese recycling standards of No. 1, No. 2 and No. 4 recycled plastic products. We engage professional product packaging researchers to research on packaging material consumption reduction and structure light-weighting, and we have obtained a number of invention patents on packaging.



IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

4.3 Green Office

The Group cultivates the green awareness of energy saving and emission reduction among our employees by administrative knowledge training. During the Reporting Period, we constantly updated the new model of green office and reduced daily operation consumption through various initiatives to create a low-carbon and energy-saving office environment together.

Paperless office

- Promote paperless office, the Group's internal processes are handled through the cloud platform for online approval

Employee business travel reduction

- In the context of the COVID-19 pandemic, we actively promote online office and online meeting to reduce business travel

Energy consumption reduction

- Promote employees to print on both sides. Reuse the back side for single-sided printed paper
- Install LEDs in the office area to reduce power consumption
- Require employees to turn off all lights and appliances when leaving the office to reduce unnecessary energy consumption
- Encourage employees to commute by public transportation, and also provide factory buses to reduce the frequency of using private cars, providing convenience for employees while saving energy and reducing emissions

Environmental awareness development

- Post tips for turning off lights in office areas



IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

4.4 Environmental Performance

Key Performance Indicators	2020	Unit
Direct energy use		
Gasoline	8,571	liter
Diesel	4,673	liter
Indirect energy use		
Total power consumption	2,290,725.5	kWh
Energy consumption		
Direct energy consumption	15.27	tonnes of standard coal
Indirect energy consumption	281.53	tonnes of standard coal
Comprehensive energy consumption	296.80	tonnes of standard coal
Energy consumption intensity	0.1744	tonnes of standard coal/RMB million
Greenhouse gas emissions		
Scope 1 Greenhouse Gases	32.12	tonnes of carbon dioxide equivalent
Scope 2 Greenhouse Gases	1,205.51	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions (Scope 1 + Scope 2)	1,237.63	tonnes of carbon dioxide equivalent
Greenhouse gas emission intensity	0.7271	tonnes of carbon dioxide equivalent/ RMB million
Water resources		
Total water consumption	32,166.83	tonnes
Water consumption intensity	18.90	tonnes/RMB million
Comprehensive sewage discharge	29,493.55	tonnes
Sewage discharge intensity	17.33	tonnes/RMB million
Waste		
Total non-hazardous waste	37.06	tonnes
Non-hazardous waste emission intensity	21.77	kg/RMB million
Total hazardous waste	54.78	tonnes
Hazardous waste emission intensity	32.18	kg/RMB million
Air emissions		
Sulfur oxides	2.15	tonnes
Nitrogen oxides	3.08	tonnes
Particulate matters	3.22	tonnes
Packaging supplies		
Total amount of packaging materials	3,215	tonnes
Packaging material intensity	1.89	tonnes/RMB million



IV. GREEN DEVELOPMENT IN RESPONSE TO CLIMATE CHANGE

Environmental data description:

- The environmental data, covering the period from January 1, 2020 to December 31, 2020, were collected from the Group's two plants, the Anfu Plant and the Panyu Plant, as well as the Group's headquarter office area in Guangzhou.
- The intensity of environmental data was calculated using the total amount in 2020 divided by the Company's revenue for that year in RMB million.
- The main sources of greenhouse gas emissions (Scope 1) are diesel and gasoline, and greenhouse gas emissions (Scope 2) are from purchased electricity. Greenhouse gas emissions are calculated with reference to the *Enterprise Greenhouse Gas Emissions Accounting and Reporting Guidelines – Other Industries (Trial)* published by the National Development and Reform Commission of the People's Republic of China.
- The direct energy type includes diesel and gasoline, and the indirect energy type includes purchased electricity. The energy consumption is calculated with reference to the national standard of the People's Republic of China – *GB2589-2008T General Principles for Calculation of the Comprehensive Energy Consumption*.
- The non-hazardous wastes are office garbage and domestic garbage generated in the office area. The hazardous waste is mainly raw material packaging drums containing meperfluthrin mother liquid and dimefluthrin mother liquid.
- The total water consumption statistics include water used for production at the Group's production bases and water used in barrels at the Group's headquarter office area in Guangzhou. The municipal water consumption of the Group's headquarter office area is not included in the statistics and disclosure for this year as it is managed by the building property and its water consumption cannot be measured separately.
- The air emission data mainly comes from the gasoline consumption of the official vehicles and the air emission monitoring data of the production bases. The emission data of the Panyu Plant is uniformly discharged, treated and centrally monitored by the industrial park, and the Group does not record the level and density of its emissions. The emission data of the Anfu Plant is monitored by a third-party testing agency. During the Reporting Period, its air emissions were mainly derived from the production emissions of upstream suppliers who rented the site of the Group's Anfu Plant. The calculation of emissions from petrol consumption of business vehicles is based on the *How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs* issued by the Hong Kong Stock Exchange.
- The packaging consumables are cardboard boxes and PET bottles used for product production.



V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

The Group is devoted to the long-term growth with partners. It develops a sound, fair and transparent partnership through consistently improving distributor management and enhancing supplier management and creates a constructive development environment with partners to achieve integrated development, mutual benefits and all-win results. We also actively support and participate in the development of social public welfare undertakings and facilitate community development and effective interaction between enterprises and communities with practical actions.

5.1 Distributor Management

Standardizing distributor management and creating a fair and equal cooperation environment with partners for common development will facilitate the implementation of the Group's strategy of "continuous track development with highly customized departments and company groups with multi brands and multi categories" to consolidate the competitiveness in core channels of the Group. We formulated and abided by the Administrative Measures for Brand Services Suppliers to regulate the management of suppliers and actively provided trainings and assistance for distributors to improve their management. During the Reporting Period, the Group adopted public and targeted investment attraction and conducted appraisal on prospective distributors in strict compliance with the access conditions on distributors.

Operation basis	Corporate operation	Integrity records	Distribution coverage of stores	Other requirements
<ul style="list-style-type: none"> Economic strength Operation experience and capabilities Warehousing and transportation capabilities Distribution and stores coverage capabilities 	<ul style="list-style-type: none"> Completeness of organizational structure Arrangement on staff and vehicles and business capabilities of business teams meeting requirements 	<ul style="list-style-type: none"> Truthfulness and completeness of materials on integrity, data, information and disclosure 	<ul style="list-style-type: none"> Stores covered by distribution shall equal/exceed the number of stores covered by the distribution of the original brand service suppliers in the authorized area 	<ul style="list-style-type: none"> Attitude and expectations of distributors on products Operation experience in fast-moving consumer goods Market operation styles Market PR and planning capabilities Industrial influence in local area

Access Conditions for Distributors

For approved distributors, the Group conducted account opening and closing management, regional adjustment management, routine business management, operation management and other work to promote the internal transformation and upgrading of distributors. It establishes a long-term mechanism to stimulate the enthusiasm and vitality of distributors, builds a service-based enterprise and implements the construction of distribution basis.



V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

Account Opening and Closing Management	Regional Adjustment Management	Routine Business Management	Operation Management
<input type="checkbox"/> Access management <input type="checkbox"/> Account opening management <input type="checkbox"/> Responsible subject on account closing issues and accountability <input type="checkbox"/> Account closing management	<input type="checkbox"/> Management of procedures on regional adjustment of distributors	<input type="checkbox"/> Management of changes of contract subjects <input type="checkbox"/> Management of changes of warehouse address and new branch warehouses	<input type="checkbox"/> Management of operation areas <input type="checkbox"/> Management of cross-region sales and inventories <input type="checkbox"/> Management of corporate operation

Distributor Management

As of December 31, 2020, the Group has an offline distribution network with over 1,200 distributors and approximately 620,000 points of sales. In order to deepen the business communications and discussions with partner distributors, strengthen the partnership, conduct satisfaction survey on new products and marketing plans and facilitate the business expansion of the Group, it continuously enhanced communications with and empowerment on distributors, provided trainings and assistance for distributors and efficiently solved problems in cooperation to facilitate more smooth and efficient cooperation in the future.

Disinfection Publicity Meeting for Distributors in Southern Henan

During the Reporting Period, the Group held the disinfection publicity meeting for distributors in southern Henan and provided trainings on the promotion of new disinfection products to 51 customers across the province. Through on-site display of sample products and trainings on channel distribution and sales model innovation, it achieved the sales of new products in southern Henan at 213% of the sales target for 2020. In addition, the Group shared the average account data and monthly sales of disinfection products in core area of key accounts and category A stores at the publicity meeting, enhancing the awareness of distributors on the importance of profiled piles of disinfection products built in March. It set out unified quantification standards on the quantity and details of 2 and 4 series products and developed replicable models for their promotion.



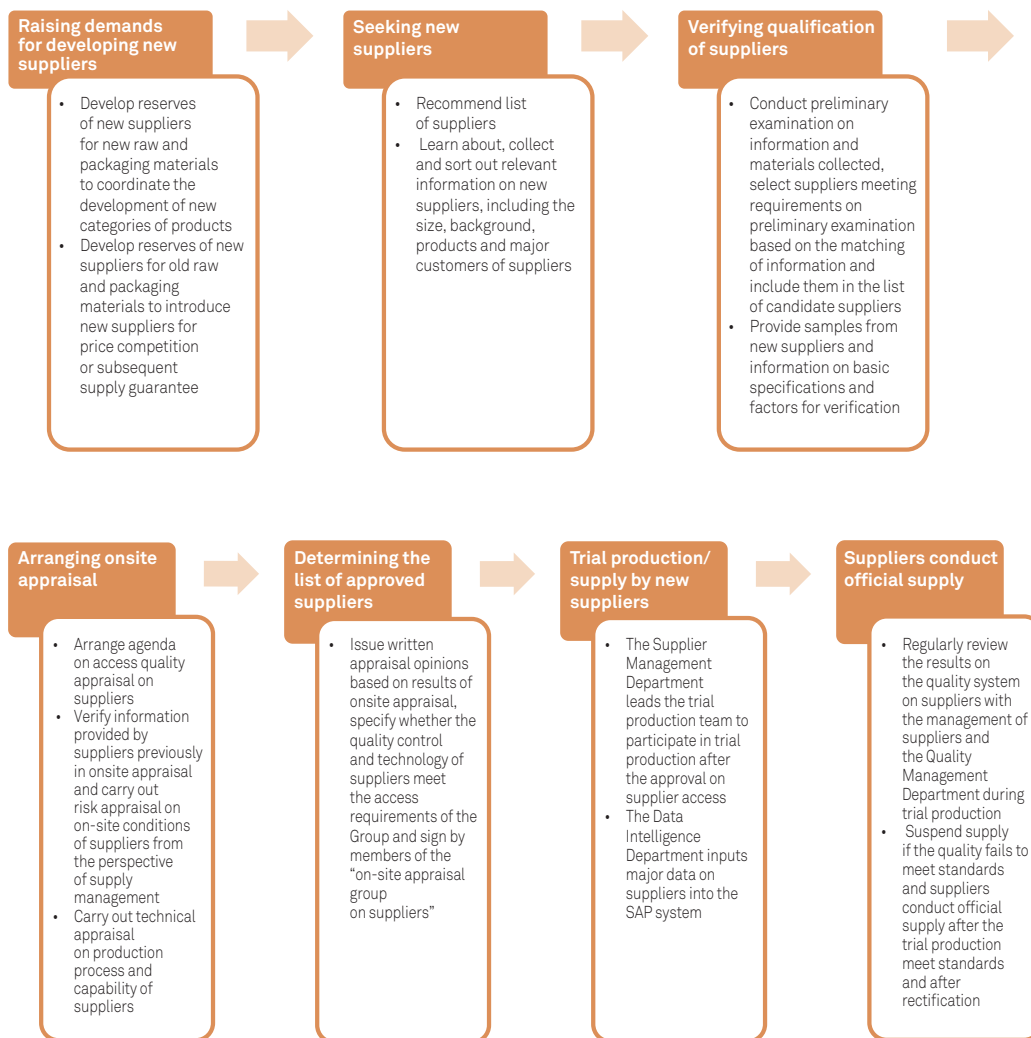


V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

5.2 Supplier Management

The Group wishes to establish complete systems to restrict the behaviours of suppliers and demanders and build a healthy and efficient supply chain management system. It also organizes trainings on social responsibilities of suppliers to create a sound development environment with partners and achieve integrated development, mutual benefit and win-win results. During the Reporting Period, the Group attached importance to the management of environmental and social risks of suppliers in supply chain management. It added the terms on environmental protection when entering into annual purchase and sale contracts with qualified suppliers and proposed the requirements on environment/occupational health and safety on sellers. It also included the terms on civilization convention, specifying the compliance with business standards on integrity and ethics, the establishment of anti-corruption complaints and communication channels as well as honest cooperation.

The Group formulated and strictly implemented the Rules for the Management of Supplier Development and Access. It has a joint review group comprising the R&D, quality and procurement representatives to conduct on-site inspection, qualification review and background investigation on new suppliers based on the scoring standards on 18 key review factors formulated by the Group and prepare a review report for the Group's approval. After the review, suppliers shall provide action plans on improvement based on the Group's requirements. The Group will verify the implementation of improvement and results within the prescribed period.



Access Process of Suppliers



V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

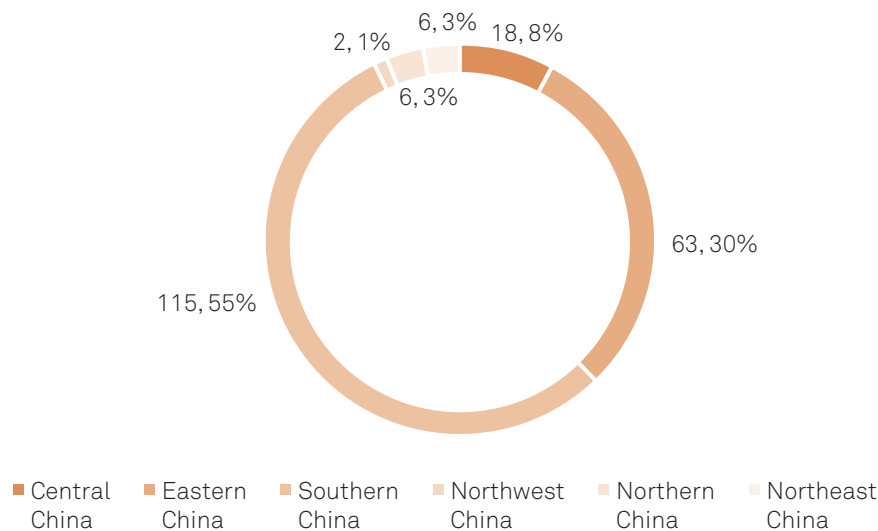
For official suppliers, the Group has established the Rules for the Daily Management of Suppliers. It appraises and controls the performance of contracts by suppliers through monthly appraisal and annual comprehensive appraisal on suppliers and proposes advices on and applications for eliminating or improving suppliers in time to ensure the capabilities of suppliers in the quality, cost, delivery and service of products supplied meeting its requirements.

Monthly Appraisal on Suppliers	Application of Monthly Appraisal Results	Annual Comprehensive Appraisal on Suppliers	Application of Annual Comprehensive Appraisal Results
Conducting analysis and appraisal on suppliers based on price negotiation on raw and packaging materials, returning of supply orders, timely arrival of goods, qualification rate of products, use process and quality rectification and feedbacks on significant accidents.	Requiring suppliers to carry out rectification and proposing improvement suggestions on disqualified items based on scoring, feedbacks on significant accidents and advices on adjustment to supply proportions and following results.	Preparing the Annual Comprehensive Management Report on Suppliers based the ranking in terms of comprehensive scoring, timely supply rate, qualification rate and other data of suppliers in each month of last year summarized at the beginning of the year and proposing advices and applications on eliminating or improving suppliers.	Based on the approved Annual Comprehensive Management Report on Suppliers, locking disqualified suppliers in the SAP system and closing ordering channels for disqualified suppliers. Updating the List of Qualified Suppliers simultaneously and eliminating disqualified suppliers.

Appraisal on Partner Suppliers

As of December 31, 2020, the Group had a total of 210 suppliers. During the Reporting Period, all of new suppliers of the Group have entered into the integrity cooperation agreement.

Number of Suppliers by Geographical Region (unit: number, %)



Number of Suppliers during the Reporting Period



V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

To strengthen business communications and interactions with partner suppliers, deepen the partnership between suppliers and demanders, accumulate more high-quality suppliers suitable for the Group and facilitate the business expansion of the Company, the Group conducted communications and training activities with suppliers to face up to and efficiently solve the problems in cooperation and promote the common growth, cooperation and win-win results between two parties.

High-level Communications and Visits with Suppliers

During the Reporting Period, the senior management of Yangnong, the biggest supplier of the Group, paid a visit to the Group for communications. The two parties reviewed the annual cooperation framework and learnt about the development conditions and trends of their industries. Under the background of surging prices of raw materials in 2020 and based on the sound strategic partnership between the two parties for years, the supply of products continuously remained stable.

Convening Suppliers Meeting

During the Reporting Period, the Supply Chain Operation Center of the Group convened the meeting on production initiation of the disinfection factory in Meishan, Sichuan. Over ten suppliers were invited to attend the meeting. It publicized the cooperation requirements on disinfection products in the new year and the plans for 2021, proposed requirements on production, quality and cooperation and working plans for the new year.



V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

5.3 Fight against the Pandemic

In early 2020, the COVID-19 pandemic spread across the world. The Group actively responded to calls and arranged the prevention of the pandemic. At the early stage of the pandemic, the Group and Liby Group donated materials for fighting the pandemic to the Red Cross Society of China and delivered them to more than 2,000 targeted hospitals for the COVID-19 disease in more than 300 cities across China.

Actively Providing Materials for Fighting the Pandemic

During the Reporting Period, the Group arranged and coordinated the work and operation resumption by the upstream and downstream parties, to produce and donate disinfection products as soon as possible and delivered them to more than 2,000 targeted hospitals for the COVID-19 disease in more than 300 cities across China through its cloud office systems, logistics systems and integrated delivery capabilities of distributor channels to provide assistance to fight against the epidemic. The materials include Vewin 84 disinfectant liquid for effectively cleaning sheets in hospitals with inactivation function on novel coronavirus, Vewin sterilization packages, Vewin floor disinfectants, Vewin household disinfectant liquid, Vewin floor disinfectant liquid, Rikiso disinfectant hand sanitizers, Vewin toilet cleaners, Naughty Buddy deodorizing and sterilizing spray, Cyrin masks for children as well as other products.



Initiating the "First Class for Fighting the Pandemic and Resumption of Study" with Brand Distributors

During the Reporting Period, the Group and brand service suppliers across China initiated the public donation of sterilization and disinfectant products with the theme of "safeguarding campus safety and facilitating students" at the beginning of the new semester. The brand service suppliers of the Group in eight provinces and regions, including Zhejiang, Hubei, Hunan, Heilongjiang and Jilin, Jiangxi, Anhui, Guangxi and western Shandong donated 2,685 items of disinfectant fluid to 41 schools and education institutes, providing material guarantees to about 420,000 teachers and students for resumption of study.



Materials of the Group for Fighting the Pandemic on Campus

Vewin 84 disinfectant liquid, Vewin sterilization packages, Rikiso disinfectant hand sanitizers and other disinfectant branded products of the Group constituted core products for fighting the pandemic in the donation for fighting the pandemic on campus.



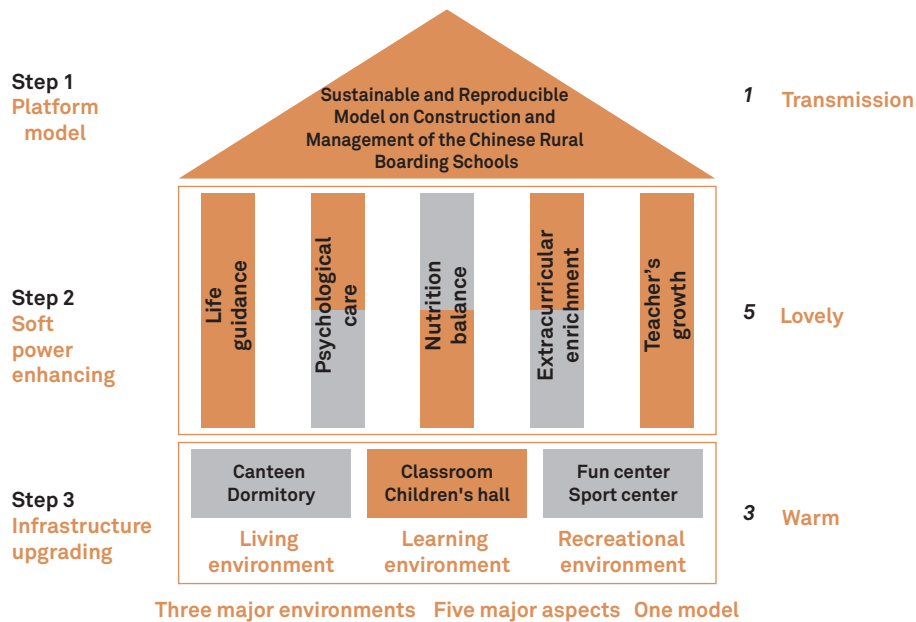
V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER

5.4 Charity

The Group always believes that the progress of an enterprise is closely related to social development. While achieving the rapid development of the enterprise, we also vigorously support and participate in the development of social and public welfare activities and devote to returning the society with practical actions and promoting the sound interaction between the enterprise and society.

Cheerwin Charity Services – Supporting Rural Education

Ms. Chen Danxia, chairman of the Company, is the president of the Hupan Shanqi Charity Foundation and cooperated with the Jack Ma Foundation (馬雲公益基金會) and successfully built the first rural boarding school model in China in 2019. The whitepaper on the Chinese rural boarding school standard was released, which is dedicated to solving the problems relating to the schooling difficulties for left-behind children in remote areas.





V. TO BUILD A RESPONSIBLE SYSTEM TOGETHER



Cheerwin Accelerating the Development Progress of Children's Science Education and Spreading Knowledge on the Prevention and Control of Mosquito-borne Infectious Diseases

The Group actively utilized its professional advantages to promote the improvement in China's household hygiene field, advocated new concepts of children's hygiene, safety and health, and widely spread new knowledge on healthy life to promote the overall development of children's hygiene and health. The Group's Superb and Babeking have cooperated with the China Woman's Development Foundation (中國婦女發展基金會) to organize science popularization activities of harmful mosquitoes specifically for children for six consecutive years. Superb and Babeking have sponsored the "Good Principals Growth Plan (好校長成長計劃)" for two consecutive years and arranged mosquito repellents classes, to raise principals' awareness on mosquito repellent, thereby helping principals to carry out science popularization on personal and school safe repellents for children after returning to schools.





APPENDIX I: LAWS AND REGULATIONS APPLICABLE TO CHEERWIN AND A LIST OF OUR INTERNAL POLICIES

Scope	Major Laws and Regulations	Major Internal Policies
Environmental	<p>Environmental Protection Law of the People's Republic of China</p> <p>Law of the People's Republic of China on the Prevention and Control of Water Pollution</p> <p>Administrative Measures for Pollutant Discharge Permitting (Trial)</p> <p>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste</p> <p>Law of the People's Republic of China on the Prevention and Control of Air Pollution</p> <p>Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution</p> <p>Regulations on Urban Drainage and Sewage Disposal</p>	<p>Environmental Protection Management System</p> <p>Procedures for the Treatment of Solid Waste and Wastewater from Washing and Sterilization</p>
Social	<p>Labor Law of the People's Republic of China</p> <p>Labor Contract Law of the People's Republic of China</p> <p>Social Insurance Law of the People's Republic of China</p> <p>Provisions on Minimum Wages of the People's Republic of China</p> <p>Work Safety Law of the People's Republic of China</p> <p>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</p> <p>Fire Prevention Law of the People's Republic of China</p> <p>Patent Law of the People's Republic of China</p> <p>Trademark Law of the People's Republic of China</p> <p>Copyright Law of the People's Republic of China</p> <p>Advertisement Law of the People's Republic of China</p> <p>Anti-Unfair Competition Law of the People's Republic of China</p> <p>E-Commerce Law of the People's Republic of China</p> <p>Criminal Law of the People's Republic of China</p> <p>Anti-Money Laundering Law of the People's Republic of China</p> <p>Law of the People's Republic of China on the Protection of Consumers' Interests</p> <p>Product Quality Law of the People's Republic of China</p>	<p>Human Resources Planning Management System</p> <p>Recruitment Management System</p> <p>Training Management System</p> <p>Administrative System on Induction and Probation Period of New Employees</p> <p>Employee Performance Management System</p> <p>Employee Code Management System</p> <p>Employee Attendance Management System</p> <p>Administrative System on Social Insurance and Housing Fund</p> <p>Employee Handbook of Cheerwin (2019 Version)</p> <p>Employee Welfare Management System</p> <p>Code of Safe Conduct for Employees</p> <p>Administrative Measures for Labor Contracts</p> <p>Administrative System on Occupational Health Protection of Laborers and their Archives</p> <p>Accountability System on Prevention of Occupational Diseases</p> <p>Publicity, Education and Training Systems on Prevention of Occupational Diseases</p> <p>Disposal and Reporting Systems on Harms and Accidents of Occupational Diseases</p> <p>Emergency Rescue and Management System on Harms of Occupational Diseases</p>



APPENDIX I: LAWS AND REGULATIONS APPLICABLE TO CHEERWIN AND A LIST OF OUR INTERNAL POLICIES

Scope	Major Laws and Regulations	Major Internal Policies
	Provisions on the Protection of Personal Information of Telecommunication and Internet Users	Administrative System on Labor Protection Items
	Administrative Measures for Online Transactions	Safe Operating Procedures for Site Operations
		Administrative Procedures for High-risk Operation
		Occupational Health Management System
		Administrative System on Source of Dangers
		Safety Inspection System
		Chemicals Management System
		Commitment System on Safety Production
		Rules for the Management of Supplier Development and Access
		Rules for the Daily Management of Suppliers
		Administrative System on Procurement and Bidding
		Administrative System on Development and Access of OEM Factories
		Administrative System on Appraisal of OEM Factories
		Administrative Measures for Introduction of and Appraisal on ODM Products
		Administrative Measures for Brand Service Suppliers
		Rules on Control and Management of Technical Standards of Factories
		Objectives for Product Quality Management
		Guarantee Plan on the Quality of Disinfectant Products
		Integrity Cooperation Agreement
		Patent Management Rules
		Trademark Management Rules
		Copyright Management Rules
		Measures for Handling Quality Accidents of Cheerwin Company
		Measures on Management of Information Security



APPENDIX II: ESG REPORTING GUIDE INDICATORS

INDEX TABLE

Subject Areas, Aspects, General Disclosures and KPIs		2020 Environmental, Social and Governance Report
A. Environmental		
Aspect A1	Emissions	
General	Information on:	4.1 Environmental
Disclosure	(a) the policies; and	Management
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	The types of emissions and respective emissions data.	4.4 Environmental Performance
KPI A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.2 Green Production 4.3 Green Office
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.2 Green Production
Aspect A2	Use of Resources	
General	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Green Production 4.3 Green Office
Disclosure	Resources can be used in production, storage, transportation, buildings and electronic equipment.	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.4 Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.4 Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2 Green Production
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Green Production
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.4 Environmental Performance



APPENDIX II: ESG REPORTING GUIDE INDICATORS INDEX TABLE

Subject Areas, Aspects, General Disclosures and KPIs		2020 Environmental, Social and Governance Report
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.1 Environmental Management 4.2 Green Production
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.1 Environmental Management 4.2 Green Production
B. Social		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Employment Overview
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	3.1 Employment Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	3.1 Employment Overview
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3 Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	The Group recorded no significant safety accidents with fatalities or injuries during the Reporting Period
KPI B2.2	Lost days due to work-related injuries.	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Health and Safety



APPENDIX II: ESG REPORTING GUIDE INDICATORS INDEX TABLE

Subject Areas, Aspects, General Disclosures and KPIs		2020 Environmental, Social and Governance Report
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Trainings refer to vocational trainings. It may include internal and external courses paid by the employer.	3.2 Employee Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2 Employee Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	3.2 Employee Development
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	3.1 Employment Overview
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employment Overview
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group recorded no violation of labor standards during the Reporting Period
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.2 Supplier Management
KPI B5.1	Number of suppliers by geographical region.	5.2 Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supplier Management
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Quality as Top Priority



APPENDIX II: ESG REPORTING GUIDE INDICATORS INDEX TABLE

Subject Areas, Aspects, General Disclosures and KPIs		2020 Environmental, Social and Governance Report
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group recorded no recall of products during the Reporting Period
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	2.1 Quality as Top Priority
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.2 Responsible Marketing
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	About Us
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Group was not involved in any lawsuits on corruption or fraud during the Reporting Period
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	About Us
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	/
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.3 Fight against the Pandemic 5.4 Charity
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	5.3 Fight against the Pandemic 5.4 Charity