

# 2020

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ROYALE HOME HOLDINGS LIMITED  
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1198



## CONTENTS

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|  | Page |
|--|------|
| ABOUT THIS REPORT                                    | 2    |
| INTRODUCTION   | 3    |
| STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT   | 4    |
| A. ENVIRONMENTAL ASPECTS                             | 7    |
| A1. EMISSIONS  | 7    |
| A2. USE OF RESOURCES                                 | 10   |
| A3. THE ENVIRONMENT AND NATURAL RESOURCES            | 11   |
| B. SOCIAL ASPECTS                                    | 12   |
| EMPLOYMENT AND LABOUR PRACTICES                      | 12   |
| B1. EMPLOYMENT                                       | 12   |
| B2. HEALTH AND SAFETY                                | 14   |
| B3. DEVELOPMENT AND TRAINING                         | 15   |
| B4. LABOUR STANDARDS                                 | 17   |
| OPERATING PRACTICES                                  | 18   |
| B5. SUPPLY CHAIN MANAGEMENT                          | 18   |
| B6. PRODUCT RESPONSIBILITY                           | 19   |
| B7. ANTI-CORRUPTION                                  | 20   |
| COMMUNITY  | 20   |
| B8. COMMUNITY INVESTMENT                             | 20   |
| ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX | 21   |

## ABOUT THIS REPORT

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Royaume Home Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

## PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the rules governing the listing of securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate environmental and social responsibility, covering its operating activities which are considered as material by the Group – (i) manufacture and sale of furniture; and (ii) hotel operation business in the People’s Republic of China (the “PRC”). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## REPORTING PERIOD

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2020 to 31 December 2020.

## CONTACT INFORMATION

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to [info@royale.com.hk](mailto:info@royale.com.hk).

## INTRODUCTION

Established in 1997, with production bases in the heart of Guangdong's Pearl River delta, the Group has been one of the top-selling home furniture brands and a nationally recognised brand in the PRC. We specialise in the production of different types of furniture, from panel-based and solid wood products, to sofas, upholstery, hotel furniture and mattresses.

We value excellence and endeavour to provide all our business partners with world-class services. In recognition of quality products and excellent services, here is the list of awards:

- 2019年度中國家居產業品牌獎「消費者喜愛品牌」
- 2019第7屆世界軍人運動會
- 2019中國家具行業領軍企業榮譽稱號
- 2019中國家居業高質量發展示範企業
- 2019居然之家戰略合作伙伴
- 2019中國品牌影響力(行業)十大投資價值品牌
- 2019中國全屋定制十佳品牌
- 2019中國特色社會主義事業家居行業建設者優秀提名獎
- 2020廣東省櫥櫃業商會理事單位
- 2020廣州市家具行業協會第七屆理事會副會長單位
- 2020中國森林認證產銷監管鏈示範(試點)單位
- 2020中國家居品牌力量榜「消費者喜愛品牌」
- 2020年度廣州市仙村鎮統計工作先進企業
- 2020高新技術企業證書
- 2020廣州市社會組織聯合會及廣州市家具行業協會感謝狀
- 2020深圳國際家具展四星企業
- 2020廣東省定制家居協會成員單位
- 2020-2021碧桂園服務拎包入住戰略合作伙伴
- 2020-2021中國全屋定制行業經銷商大調查優秀品牌徵選活動全屋定制服務十佳品牌

Apart from engaged in the furniture manufacture business, we are currently engaged in hotel operation. Royal Palace Hotel Guangzhou, which is our Group's hotel in the PRC, has provided hotel accommodation services in Guangzhou since 2018. To become one of the most luxurious hotels in Guangzhou, the hotel has 400 rooms, five restaurants and bars, as well as three banquet halls in its existing and developing portfolio. By providing quality hospitality services, we have been able to attract talented employees and different categories of travellers from all over the world.

Currently, the Group regards sustainability as an important direction for development. The Group is committed to environmental and social responsibilities. The Group acknowledges the importance of responsible operation manner for the environment and community. We strive for excellence to make the right choices to serve the long-term interests of all our stakeholders, from customers, business partners and shareholders to employees, local communities and society at large. Various policies are established to help us manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas have been illustrated in this Report.

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

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The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives.

The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities.

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

| Stakeholders                       | Issues of concern  | Engagement channels   |
|------------------------------------|--|---|
| <b>Government</b>                  | <ul style="list-style-type: none"> <li>– Compliance with laws and regulations</li> <li>– Proper tax payment</li> <li>– Promote regional economic development and employment</li> </ul>                           | <ul style="list-style-type: none"> <li>– On-site inspections and checks</li> <li>– Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>– Annual reports and other published information on website</li> </ul> |
| <b>Shareholders and Investors</b>  | <ul style="list-style-type: none"> <li>– Return on the investment</li> <li>– Transparent disclosure of information</li> <li>– Protection of interests and fair treatment of shareholders</li> </ul>              | <ul style="list-style-type: none"> <li>– Annual general meeting and other shareholder meetings</li> <li>– Annual report, announcements and other published information</li> <li>– Meeting with investors and analysts</li> </ul>  |
| <b>Employees</b>                   | <ul style="list-style-type: none"> <li>– Safeguard the rights and interests of employees</li> <li>– Career development opportunities</li> <li>– Health and safety</li> </ul>                                     | <ul style="list-style-type: none"> <li>– Conference</li> <li>– Training, seminars and briefing sessions</li> <li>– Cultural and sport activities</li> <li>– Intranet and emails</li> </ul>  |
| <b>Customers</b>                   | <ul style="list-style-type: none"> <li>– Safe and high-quality products</li> <li>– Stable relationship</li> <li>– Information transparency</li> <li>– Business ethics</li> <li>– After-sales services</li> </ul> | <ul style="list-style-type: none"> <li>– Website, brochures and annual reports</li> <li>– Email and customer service hotline</li> <li>– Customer feedback forms</li> <li>– Regular meetings</li> </ul>  |
| <b>Suppliers/Business Partners</b> | <ul style="list-style-type: none"> <li>– Long-term partnership</li> <li>– Honest cooperation</li> <li>– Fair, open tendering process</li> <li>– Risk reduction</li> </ul>  | <ul style="list-style-type: none"> <li>– Business meetings, supplier conferences, phone calls and interviews</li> <li>– Regular meeting</li> <li>– Review and assessment</li> <li>– Tendering process</li> </ul>  |
| <b>Peers/Industry associations</b> | <ul style="list-style-type: none"> <li>– Experience sharing and cooperation</li> <li>– Fair competition</li> </ul>   | <ul style="list-style-type: none"> <li>– Industry conference</li> <li>– Site visits</li> </ul>  |
| <b>Public and communities</b>      | <ul style="list-style-type: none"> <li>– Community involvement</li> <li>– Social responsibilities</li> </ul>   | <ul style="list-style-type: none"> <li>– Volunteering</li> <li>– Charity and social investment</li> </ul>   |

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the GRI Guidelines. The Group has evaluated the materiality and importance in ESG aspects through the following steps:

### Step 1: Identification – Industry Benchmarking

- Relevant ESG area was identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

### Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects were covered.

### Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured that all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2020, those important ESG areas to the Group were discussed in this Report.

## A. ENVIRONMENTAL ASPECTS

### A1. EMISSIONS

As a manufacturer, the Group recognises that it has obligation to reduce the operation impact on environment. The Group is committed to continuously improving the environmental sustainability and ensuring environmental consideration remains one of the top priorities in the operation.

The Group has established a set of management system on environmental protection, including “Environmental Facilities Operation and Management System” to monitor all the emissions, including air pollutants, solid wastes and waste water. Our environmental management system meets regulatory requirements and has ISO 14001:2015 environmental management system accreditation.

The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollutions and discharge of waste and water. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. For example, the Group has obtained emission permit from Guangdong Environmental Protection Department (廣東省污染物排放許可證), “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), the “Law of the People’s Republic of China on the Prevention and Control of Solid Wastes Pollution to the Environment” (《中華人民共和國固體廢物污染環境防治法》) and other relevant environmental laws and regulations for legal air pollutants, noise, waste and waste water emissions. During the reporting period, the Group had no non-compliance regarding environmental issues, including air and noise emissions and waste discharge.

#### Air Pollutant Emissions

Air pollutant emission control is essential to mitigate the impact on environment and to protect employees’ health. Our major air pollutants are generated from furniture manufacturing process. All the exhaust gas emission must comply with the Emission Limits of Air Pollutants (DB44/27-2001) and the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing Operations (DB44/814-2010).

The Group has taken initiatives to formulate plans to remediate air pollutant emissions. For example, the Group has engaged a qualified environmental testing company to carry out regular testing to ensure the air pollutant emissions complies with relevant national standards. To reduce the emission of volatile organic compounds (“VOCs”), water curtain spraying booth is adopted. VOCs are treated with activated carbon before emission. Dust collectors are installed to reduce dust emission during wood cutting and drilling.

For the Group’s hotel operation, air pollutants are mainly generated from combustion processes taken place inside the heating boilers, as well as kitchen exhaust and car exhaust emissions. Actions have been taken to enhance combustion for boilers, all the fuel combustible and material are burnt to minimize air pollutants generation. The fly ash generated by burning should be treated with a variety of dust removal methods (such as cyclones, tubes, wet dust, etc.) to conform to the “Emission Standard of Air Pollutants for Boiler (GB 13271-2014)” (《鍋爐大氣污染物排放標準》(GB 13271-2014)). Besides, we adopt low chemical fittings and furniture, as well as conduct regular maintenance of ventilation systems to maintain good indoor air quality of our factories.



## A. ENVIRONMENTAL ASPECTS

Oil fume is one of the major exhausts from the kitchen in our hotel operation. Oil fume treatment equipment has been installed to ensure the air pollutants discharged can comply with the emission standards. In addition, relevant remote monitors have been installed at the discharge outlets to enable real-time monitoring to ensure that it meets the requirements as stipulated in the "Emission Standard of Cooking Fume (GB 18483-2001)" (《飲食業油煙排放標準》(GB 18483-2001)). The decrease in air pollutant emissions in 2020 was mainly attributable to the reduction in the factories vehicles usage as a result of the COVID-19 outbreak during the year. The air pollutant emissions during the reporting period were as follows:

| Air Pollutants                     | Unit | 2020     | 2019                  |
|------------------------------------|------|----------|-----------------------|
| Nitrogen oxides (NO <sub>x</sub> ) | kg   | 3,320.51 | 4,606.14 <sup>1</sup> |
| Sulfur dioxide (SO <sub>2</sub> )  | kg   | 97.64    | 110.68 <sup>1</sup>   |
| Particulate matter (PM)            | kg   | 327.96   | 507.13 <sup>1</sup>   |

### Greenhouse Gas ("GHG") Emissions

The Group recognises that climate change can pose a risk to its business and it is committed to mitigating the effects of climate change. GHG is considered as one of the major contributors to climate change. The Group has a large greenery area to increase oxygen content and mitigate carbon dioxide emission. Regarding GHG emissions of the Group, direct emissions (scope 1<sup>2</sup>) result from combustion of fuels in mobile sources (vehicles) in our furniture products segment and consumption of liquified petroleum gas ("LPG") in the hotel operation. The GHG (scope 2<sup>3</sup>) emissions result from the purchased electricity in both of the furniture products segment and hotel operation business.

Giving the majority of the GHG emissions of the Group come from energy consumption, the Group tackles its carbon footprint by reducing energy consumption. Policies and procedures (as mentioned in the section "Use of Resources") to encourage energy saving are incorporated throughout the manufacturing process in order to reduce the GHG emissions. Since more tourists stayed in our hotel for the COVID-19 quarantine arrangement, the increase in LPG consumption for meal preparation led to the slight increase in the GHG scope 1 emission in 2020. On the other hand, the decrease in GHG scope 2 emission in 2020 was mainly due to the effective implementation of electricity saving strategies by our Group, as well as the decrease in the production volume owing to the increase in the outsourcing activities during the year. The GHG emissions during the reporting period were as follows:

| GHG Emission              | Unit  | 2020            | 2019                         |
|---------------------------|---|-----------------|------------------------------|
| Scope 1                   | tonnes of CO <sub>2</sub> -e                        | 1,323.96        | 1,233.13 <sup>1</sup>        |
| Scope 2                   | tonnes of CO <sub>2</sub> -e                        | 5,378.60        | 8,845.53 <sup>4</sup>        |
| <b>Total GHG emission</b> | tonnes of CO <sub>2</sub> -e                        | <b>6,702.56</b> | <b>10,078.66<sup>4</sup></b> |
| GHG emission intensity    | tonnes of CO <sub>2</sub> -e/<br>unit of production | 0.03            | 0.03                         |

<sup>1</sup> The 2019 data has been restated for comparative purposes.

<sup>2</sup> Scope 1: Direct emissions from sources that are owned or controlled by the Group.

<sup>3</sup> Scope 2: Indirect emissions from the purchased electricity consumed by the Group.

<sup>4</sup> The 2019 data has been restated as the latest emission model is adopted.

## A. ENVIRONMENTAL ASPECTS

### Solid Waste Management

Wastes generated are classified and handled with care to mitigate environmental impact. Each type of waste has specific handling procedure.

For hazardous waste, it is handled according to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》. The Group has engaged a qualified waste collection company to handle and collect the hazardous waste produced so as to minimise the impact on environment.

For the manufacture and sale of furniture business, the non-hazardous waste mainly consists of wood waste generated from the manufacturing unit, and domestic waste, which is the waste generated from staff quarters and offices. The Group promotes waste sorting. Domestic wastes are collected and handled by the local environmental and hygiene department. All of the paper waste was recycled. For the hotel operation business, the non-hazardous wastes mainly consist of food waste generated from the dining area and domestic waste generated from the hotel guest rooms.

We continue to focus on reducing food waste in our operations by the cooperation with local partners with various upcycling capabilities, such as the production of nutrient-rich compost from food waste, as fertiliser in our gardens, or sent to local agricultural partners. We also partnered with local food banks to create meals and ingredient packs for local communities. Furthermore, we worked on minimising other waste types from entering landfills unnecessarily, such as the donation of soap bars and bottled amenities, with the aim of lessening hygiene-related illnesses in our local communities. In light of the effective implementation of waste management policies, the amount of non-hazardous waste generated decreased during the year. During the reporting period, the wastes generated by the Group were as follows:

| Non-hazardous Waste Generated              | Unit                  | 2020          | 2019            |
|--|-----------------------|---------------|-----------------|
| Wood waste                                 | tonnes                | 800.00        | 1,100.00        |
| Food waste                                 | tonnes                | 16.50         | 23.15           |
| Domestic waste                             | tonnes                | 150.80        | 130.70          |
| <b>Total non-hazardous waste generated</b> | tonnes                | <b>967.30</b> | <b>1,253.85</b> |
| Non-hazardous waste generated intensity    | kg/unit of production | 2.78          | 4.04            |

### Wastewater

The Group has wastewater treatment facilities in our furniture manufacturing factories to ensure that the wastewater discharged complies with the Discharge Limits of Water Pollutants (DB44/26-2001). The Group has engaged qualified environmental testing company to carry out regular testing on the wastewater discharged. Wastewater is strictly forbidden to be mixed with rainwater. Wastewater discharge and rainwater collection systems are separately managed.

## A. ENVIRONMENTAL ASPECTS

### Noise

During furniture manufacture process, noise and vibration are inevitably generated by the use of machines. We strive to minimise noise produced and disturbances to the nearby through sound insulation, sound absorption and vibration reduction. For example, we choose to use low-noise equipment. All the noise emission must comply with the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008).

For the hotel operation, noise is generated by all fans, equipment rooms, water towers, boilers and other equipment. The Group adopts silencing method, sound insulation method, sound absorption method and other sophisticated methods, uses low-noise equipment to ensure that noise emissions meet the “Noise Emission Standard for Community Noise (GB 22337-2008)” 《社會生活環境噪聲排放標準》(GB 22337-2008)).

## A2. USE OF RESOURCES

The Group has adopted a set of guidelines to achieve efficient use of energy, water and other materials for long-term sustainability.

### Energy

To manage energy use and reduce energy consumption, the Group has established “Energy Resources Control Procedure” (能源資源控制程序). The Group believes that increasing environmental awareness is the basis for energy reduction initiative. The Group carries out educational activities in order to enhance employees’ energy-saving awareness. Every employee has the responsibility to save energy, they are encouraged to switch off all the electronic appliances when leaving the office.

Besides, we explore energy-saving measure in production process by choosing energy-saving equipment. For the manufacture and sale of furniture business, energy efficiency performance of the machines is one of the key considerations for procurement department when buying new equipment. We will consistently seek ways to improve energy efficiency and reduce energy consumption in our operation in future. For example, low-efficient equipment will be phased out gradually. For the hotel operation business, we began to undertake our LED lamp replacements of our back-office operations and guest rooms, which is an effective measure for cost and energy reduction.

The Group’s energy consumption consists of four types – (i) purchased electricity; (ii) petrol; (iii) diesel; and (iv) LPG. The decrease in total energy consumption in 2020 was mainly due to the effective implementation of energy saving strategies and the reduction in the production volume as a result of the increase in the outsourcing activities during the year. During the reporting period, the energy consumption of the Group was as follows:

| Energy                          | Unit                   | 2020            | 2019             |
|---------------------------------|------------------------|-----------------|------------------|
| Purchased electricity           | MWh                    | 6,435.73        | 10,564.92        |
| Petrol                          | MWh                    | 668.00          | 848.08           |
| Diesel                          | MWh                    | 1,183.76        | 1,147.89         |
| LPG                             | MWh                    | 447.65          | 199.61           |
| <b>Total energy consumption</b> | <b>MWh</b>             | <b>8,735.14</b> | <b>12,760.50</b> |
| Energy consumption intensity    | MWh/unit of production | 0.04            | 0.04             |

## A. ENVIRONMENTAL ASPECTS

### Water

Water is another important natural resource. For saving water, water taps should be turned off right after using. Running, dripping and long-flowing water are avoided. Water pipes are checked regularly to identify any cracks or leakage to prevent water wastage. For the hotel operation services, water flow rate across our hotel operations is reviewed, and we installed low-flow sanitary fittings and faucet applications where possible. Owing to the temporary closure of the swimming pool in the hotel for the COVID-19 outbreak and the effective implementation of water saving policies by our furniture manufacture factories, the water consumption decreased during the year. During the reporting period, the water consumption of the Group was as follows:

| Water                          | Unit                               | 2020           | 2019           |
|--------------------------------|------------------------------------|----------------|----------------|
| <b>Total water consumption</b> | m <sup>3</sup>                     | <b>294,491</b> | <b>558,133</b> |
| Water consumption intensity    | m <sup>3</sup> /unit of production | 0.85           | 1.80           |

### Packaging Materials

The major packaging materials used in our furniture manufacturing business mainly include expanded polystyrene foam, expanded polyethylene foam and paper box. The decrease in total packaging materials in 2020 was mainly attributable to the effective implementation of the packaging materials saving strategies, and the decrease in the production volume due to the increase in the outsourcing activities during the year. The consumption of packaging materials by the Group was summarised as below.

| Packaging Materials                          | Unit                  | 2020          | 2019          |
|--|-----------------------|---------------|---------------|
| Expanded polystyrene foam                    | tonnes                | 85.10         | 103.00        |
| Expanded polyethylene foam                   | tonnes                | 19.50         | 22.20         |
| Paper box                                    | tonnes                | 219.09        | 254.88        |
| <b>Total packaging materials consumption</b> | tonnes                | <b>323.69</b> | <b>380.08</b> |
| Packaging materials consumption intensity    | kg/unit of production | 0.93          | 1.23          |

## A3. THE ENVIRONMENT AND NATURAL RESOURCES

As a furniture manufacturer, our manufacturing activities involve the consumption of valuable natural resource which is wood. To show our commitment in protecting forest and mitigating environmental impacts, the Group has obtained Chain of Custody Certification from Forest Stewardship Council. This certification demonstrates that our forest-based materials and products are originated from well-managed forests, controlled sources and reclaimed materials.

Apart from Chain of Custody Certification, our products are also certified with China Environmental Labelling (中國環境標誌) and China Ecolabelling (中國環保產品認證). These certifications show that our products meet the specific national requirement of environmental protection during production process. They have environmental advantage of low toxicity, low harm and saving resources when comparing with other similar products.

## B. SOCIAL ASPECTS

### EMPLOYMENT AND LABOUR PRACTICES

#### B1. Employment

The Group recognises that employees are the most important asset. Hence, we are committed to establishing a close relationship with our employees and providing a favourable working environment where our employees can thrive. We have established a set of human resources management policies in order to comply with relevant labour laws and regulations including the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labor Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》) and other applicable laws and regulations. During the reporting period, no non-compliance regarding employment was noted.

##### *Equal Opportunities*

The Group strives to create a diverse and equitable workplace where all individuals are treated equally in every aspect of their employment. For example, our hiring process is unbiased. The candidates are selected solely based on their performance, experience and skills. We have zero tolerance to any discriminatory act or harassment based on gender, age, nationality, race, religion, marital status and physical ability, etc.

##### *Competitive Employment Terms*

The Group is committed to offering competitive remuneration and benefits in attracting, retaining and motivating high performing employees. The Group’s remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees or persons of the Group.

##### *Work-life Balance*

The Group recognises that a proper balance between work and rest can help employees to release their full potential. Hence, the Group is dedicated to help employees to maintain a work-life balance through reasonable contractual working hours and vacation entitlements.

Employees are entitled to statutory holidays, paid annual leave, marriage leave and maternity leave, etc. to balance their work and life.

## B. SOCIAL ASPECTS

As at 31 December 2020, the total number of employees of the Group was 1,313 (2019: 1,702). Below is the detailed breakdown of the number of employees by gender, age group, employment category and geographical region.

| Employee Compositions         | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| <b>By gender</b>              |              |              |
| • Male                        | 828          | 1,054        |
| • Female                      | 485          | 648          |
| <b>By age group</b>           |              |              |
| • Age 30 or below             | 220          | 398          |
| • Age 31–40                   | 438          | 500          |
| • Age 41–50                   | 439          | 546          |
| • Age 51 or above             | 216          | 258          |
| <b>By geographical region</b> |              |              |
| • The PRC                     | 1,305        | 1,694        |
| • Hong Kong                   | 8            | 8            |
| <b>By employment type</b>     |              |              |
| • Senior management           | 36           | 35           |
| • Middle management           | 218          | 178          |
| • General staff               | 1,059        | 1,474        |
| • Contract/short term staff   | –            | 15           |
| <b>Total</b>                  | <b>1,313</b> | <b>1,702</b> |

## B. SOCIAL ASPECTS

The employees' turnover rate during the reporting year by gender, age group and geographical region were as follows:

| Turnover Rate                 | 2020 | 2019 |
|-------------------------------|------|------|
| <b>By gender</b>              |      |      |
| • Male                        | 41%  | 31%  |
| • Female                      | 49%  | 22%  |
| <b>By age group</b>           |      |      |
| • Age 30 or below             | 94%  | 65%  |
| • Age 31–40                   | 27%  | 10%  |
| • Age 41–50                   | 33%  | 17%  |
| • Age 51 or above             | 34%  | 26%  |
| <b>By geographical region</b> |      |      |
| • The PRC                     | 45%  | 28%  |
| • Hong Kong                   | –    | –    |
| <b>Overall</b>                | 44%  | 27%  |

### B2. Health and Safety

Upholding the belief that safety is the first priority in our workplace, we are committed to providing a healthy and safe working environment for all our employees by establishing a comprehensive "Safety Production and Occupational Health Working System" (安全生產與職業衛生工作制度).

Our safety management system for furniture production meets regulatory requirements and has received OHSAS 18001:2007 occupational health and safety management accreditation. The Group complies with related health and safety laws and regulations such as the "Work Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》) and the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (《中華人民共和國職業病防治法》). During the reporting period, the Group was not aware of any non-compliance with laws and regulations related to health and safety.

#### *Cares for Employees*

The Group cares about employees' health and safety. We believe that safety education is essential to ensure employees are well-equipped with knowledge and skills to handle the machineries. For example, safety training is arranged for every new employee to raise their awareness of emergency responses and procedures. Apart from training, all employees are informed with the potential occupational hazards in workplace by signing "Occupational Hazards Notification" (職業危害因素告知書) before working with us.

We provide employees with necessary protective equipment such as helmets, masks, gloves, safety shoes, goggles, etc to minimise the risks of work-related injuries during operation. The protective equipment and machineries are checked regularly for maintenance to prevent deterioration that may lead to incident. We also arrange pre-placement body checks for new employees and annual body checks for existing employees. Occupational hazards assessment is conducted regularly by qualified third party to detect and evaluate the occupational hazards in workplace.

## B. SOCIAL ASPECTS

The Group strictly abides by the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases (《中國人民共和國傳染病防治法》), and stringently implements relevant regulations for the pandemic prevention and control. During the COVID-19 epidemic, in accordance with relevant pandemic prevention requirements, our hotel stored sufficient prevention and disinfection products, strictly implemented the disinfection and pandemic prevention policies in the public areas and guest rooms, and adopted several pandemic prevention measures for all employees and visitors, such as temperature testing and entry-exit registration.

During the reporting period, there were 50 employees (2018: 84 employees, 2019: 51 employees) injured and 91 lost days (2018: 1,207 lost days, 2019: 448 lost days) due to work-related injuries. There was no fatality case (2018: nil, 2019: nil) during the year. The Group will continue to improve the safety management system in order to protect employees' health and safety in workplace.

### B3. Development and Training

The Group considers the development of employees as a key contributor to the success of sustainable growth of the Group. We recognise changes take place in the market and industry which necessitate continuous learning of employees.

The Group's "Training Management System" (培訓管理制度) is in place to provide training for employees to improve their knowledge, skills, attitude and behaviour. In general, internal and external trainings are provided for employees.

Internal training includes orientation training for new employees and on-the-job training for existing employees conducted by human resources department and individual department. For external training, the Group arranges trainings for employees in professional institutions based on operation and management needs. The trainings are provided through different means, including lectures, media and site visits.

During the reporting period, we launched a series of training programmes for our employees as below:

- Warehouse planning and management training was provided for staff working in warehouse.
- Orientation training for new employees was organised to help them to understand the corporate culture and their job duties.

Assessment is conducted after the training for the Group to understand the effectiveness of the training and performance of the employees.

The Group's human resources department is responsible for formulating annual training plan in accordance with the Group's development objectives and employees' needs. The plan is reviewed regularly with reference to the employees' feedback and assessment to ensure continuous improvement. All employees have equal access to training and development opportunities.



## B. SOCIAL ASPECTS

During the reporting period, the percentage of employees trained by gender and employee category was as follows:

| Percentage of employees trained | 2020 | 2019 |
|---------------------------------|------|------|
| <b>By gender</b>                |      |      |
| • Male                          | 55%  | 31%  |
| • Female                        | 56%  | 32%  |
| <b>By employee category</b>     |      |      |
| • Senior management             | 100% | 100% |
| • Middle management             | 73%  | 86%  |
| • General staff                 | 47%  | 22%  |
| <b>Overall</b>                  | 55%  | 32%  |

The detailed breakdown of the percentage of employees trained by gender and employee category was as follows:

| Employees trained           | 2020 | 2019 |
|-----------------------------|------|------|
| <b>By gender</b>            |      |      |
| • Male                      | 62%  | 55%  |
| • Female                    | 38%  | 45%  |
| <b>By employee category</b> |      |      |
| • Senior management         | 10%  | 10%  |
| • Middle management         | 20%  | 31%  |
| • General staff             | 70%  | 59%  |

## B. SOCIAL ASPECTS

Besides, the average training hours by gender and employee category during the reporting period were as follows:

| Average training hours (hours/employee) | 2020 | 2019 |
|---|------|------|
| <b>By gender</b>                        |      |      |
| • Male                                  | 1    | 32   |
| • Female                                | 1    | 26   |
| <b>By employee category</b>             |      |      |
| • Senior management                     | 3    | 26   |
| • Middle management                     | 1    | 17   |
| • General staff                         | 1    | 31   |
| <b>Overall</b>                          | 1    | 26   |

### B4. Labour Standards

The Group respects human rights and strives to prohibit the use of child and forced labour in its operation. According to "Recruitment Management" (聘用管理) section in the staff handbook, only candidates aged 18 or above are provided with equal employment opportunities. Candidates are required to give identity proof for verification to prevent child labour recruitment. Apart from prohibition of child labour, the Group also upholds the elimination of forced labour.

All works should be performed voluntarily and shall not involve forced labour. Our suppliers and other business partners are expected to follow the same standard of labour practices when working with us.

The Group strictly complies with the Labour Law of the PRC and the Labour Contract Law of the PRC. During the reporting period, the Group was not aware of any non-compliance in relation to child and forced labour in its operation.

## B. SOCIAL ASPECTS

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### OPERATING PRACTICES

#### B5. Supply Chain Management

The Group relies on suppliers to supply different raw materials for furniture manufacture, including woods, paints, etc. We are aware of the potential environmental and social risks associated with our supply chain. In order to manage and mitigate these risks, the Group has implemented “Procurement Department Management System” (採購部管理制度). We select suppliers carefully and maintain stable relationship with qualified suppliers through strict selection criteria and supplier assessment.

##### ***Selection Criteria***

The Group chooses suppliers based on a list of criteria, including compliance and raw material price. On-site inspection is carried out during the selection process to assess the scale of production, production management, productivity and quality control of suppliers.

We also strive to work with suppliers with environmental, quality and social certifications, such as ISO 14001 environmental management and ISO 9001 quality management. Suppliers with the highest performance-to-price ratio and the best overall performance would be selected.

Every supplier needs to sign an environmental quality commitment (環保質量承諾書) on taking environmental responsibility before starting the cooperation with us. This is to ensure that the raw materials supplied should meet relevant national standards to reduce the impact on the environment and our customers.

##### ***Supplier Assessment***

The Group undertakes regular review on supply chain to ensure the product quality and environmental performance of suppliers meet our expected standards. Annual assessment is carried out to evaluate the suppliers' performances on supply stability, product quality and after-sales services. The Group maintains a long-term relationship with suppliers based on the results of annual assessment.

## B. SOCIAL ASPECTS

### B6. Product Responsibility

As one of the top-selling home furniture brands in the PRC, maintaining a high-quality product standard is the utmost importance for the Group's sustainable growth.

Apart from pursuing product quality, the Group understands that our consumers are increasingly concerned with choosing products that are responsibly sourced and made. The Group and its products attained the following certifications and awards which recognised our effort in achieving product environmental and social responsibility while upholding product quality during the reporting period.

- 全國質量信譽3.15放心承諾單位－中國品質萬里行
- Chain of Custody Certification – Forest Stewardship Council
- China Ecolabelling (中國環保產品認證) – China Quality Certification Centre (中國質量認證中心)
- China Environmental Labelling (中國環境標誌) – China Environmental United (Beijing) Certification Center (中環聯合(北京)認證中心)

The Group is in strict compliance with the laws and regulations related to product responsibility, including the Product Quality Law of the PRC, the Trademark Law of the PRC and the Advertising Law of the PRC. During the reporting period, we had no violation record on relevant laws and regulations that had significant impact on the Group relating to product responsibility issues.

#### **Quality Management**

The Group has established "Quality Control Process Management Procedure" (品質控制過程管理程序) to maintain product quality. Our product quality management system for furniture production meets regulatory requirements and has ISO 9001:2015 quality management system certification. Inspections are carried out in different stages of the production line, including the testing on raw materials, semi-finished products and finished products to ensure high product quality. Procedures for control of nonconforming products (不合格品控制程序) shall apply to protect our customers against safety risks for any products which are inspected to be unqualified. Analysis is carried out for quality improvement.

For the hotel operation, the Group strictly abides by the "Food Safety Law of the People's Republic of China" (《中華人民共和國食品安全法》), to establish and improve a public hygiene and food safety management system and a long-term mechanism for food safety and epidemic prevention, and adopts a food safety responsibility system.

#### **Complaint Handling**

The Group adheres to stringent customer compliant operational procedures as stipulated in "Customer (Distributor) Complaint Handling System" (客戶(經銷商)問題處理制度) to ensure the customers' opinions are handled and responded. All customers' complaints are considered and carefully followed up by responsible departments within a reasonable timeframe. Relevant investigation is carried out and improvement measure is implemented to improve the product and service quality and customer experience. During the reporting period, no customer complaint was received. The Group believes that complaints are valuable opportunities to obtain feedback from customers so as to identify the need for quality and policy improvements.

## B. SOCIAL ASPECTS

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### ***Customer Data Protection***

The Group takes privacy issues seriously. According to the staff handbook, we have established “Confidentiality System” (保密制度) in order to demonstrate our firm commitment to privacy issue. The system provides guidance to employees on data control and usage. We limit the collection and use of personal information to that which is necessary to administer our business, and the collected data are accessible by authorised personnel only. Documents containing confidential information are required to be kept with the strictest standards of security and confidentiality. During the reporting period, no substantial complaints regarding breaches of customer data and privacy were received.

### **B7. Anti-Corruption**

The Group operates with a high standard of integrity and ethics. Our commitment to preventing any forms of corruption is stipulated in the “Integrity System” (廉政制度), which can be found in our staff handbook. The Group strictly prohibits employees to solicit and accept advantages without prior approval by the Group. Every employee is required and has the responsibility to adhere to this system. We take disciplinary actions to combat against any violation of this system. Our customers and suppliers are expected to follow the same standards when working with us.

The Group strictly complies with laws and regulations related to anti-corruption, including the Criminal Law of the PRC and the Customs Law of the PRC. During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees.

## COMMUNITY

### **B8. Community Investment**

As a socially responsible company, the Group is committed to supporting the community by implementing related policies and participating in different community activities. Contribution to and maintaining harmonious relationship with the community in the region of operation are crucial for the sustainable development of the Group.

We believe that this can nurture great corporate culture and practices in the Group. During the reporting period, we actively and continually took part in community activities and encouraged our employees to participate in these activities. In 2020, to cope with the COVID-19 pandemic, we made a donation of RMB80,000 (2019: RMB123,000) to the Shitan Chamber of Commerce (石灘商會). Besides, our hotel rooms were offered to tourists and people in need for quarantine purpose. We continuously take part in different community activities for the benefit of the community.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Section   | Page |
|---|--|---|------|
| <b>A. Environmental</b>   |  |   |      |
| <b>A1: Emissions</b>  |  |   |      |
| General Disclosure  |  | "Emissions"   | 7    |
| KPI A1.1  | The types of emissions and respective emissions data   | "Emissions – Air Pollutant Emissions"   | 8    |
| KPI A1.2  | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity                              | "Emissions – Greenhouse Gas Emissions"  | 8    |
| KPI A1.3  | Total hazardous waste produced and, where appropriate, intensity   | No hazardous waste was generated during the year  | –    |
| KPI A1.4  | Total non-hazardous waste produced and, where appropriate, intensity   | "Emissions – Solid Waste Management"  | 9    |
| KPI A1.5  | Description of measures to mitigate emissions and results achieved   | "Emissions – Air Pollutant Emissions"<br>"Emissions – Greenhouse Gas Emission"<br>"Emissions – Noise" | 7–8  |
| KPI A1.6  | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved                          | "Emissions – Solid Waste Management"<br>"Emissions – Wastewater"                                      | 9    |
| <b>A2: Use of Resources</b>   |  |   |      |
| General Disclosure  |  | "Use of Resources"  | 10   |
| KPI A2.1  | Direct and/or indirect energy consumption by type in total and intensity   | "Use of Resources – Energy"   | 10   |
| KPI A2.2  | Water consumption in total and intensity   | "Use of Resources – Water"  | 11   |
| KPI A2.3  | Description of energy use efficiency initiatives and results achieved  | "Use of Resources – Energy"   | 10   |
| KPI A2.4  | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | "Use of Resources – Water"  | 11   |
| KPI A2.5  | Total packaging material used for finished products and, if applicable, with reference to per unit produced                            | "Use of Resources – Packaging Materials"  | 11   |
| <b>A3: The Environment and Natural Resources</b>                                  |  |   |      |
| General Disclosure  |  | "The Environment and Natural Resources"   | 11   |
| KPI A3.1  | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them     | "The Environment and Natural Resources"   | 11   |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Section                                       | Page  |
|---|--|---|-------|
| <b>B. Social</b>  |  |   |       |
| <b>Employment and Labour Practices</b>  |  |   |       |
| <b>B1: Employment</b>   |  |   |       |
| General Disclosure  |  | "Employment"                                  | 12    |
| KPI B1.1  | Total workforce by gender, employment type, age group and geographical region  | "Employment"                                  | 13    |
| KPI B1.2  | Employee turnover rate by gender, age group and geographical region  | "Employment"                                  | 14    |
| <b>B2: Health and safety</b>  |  |   |       |
| General Disclosure  |  | "Health and Safety"                           | 14    |
| KPI B2.1  | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year   | No Fatality case was recorded during the year | –     |
| KPI B2.2  | Lost days due to work injury   | "Health and Safety"                           | 15    |
| KPI B2.3  | Description of occupational health and safety measures adopted, how they are implemented and monitored   | "Health and Safety"                           | 14–15 |
| <b>B3: Development and Training</b>   |  |   |       |
| General Disclosure  |  | "Development and Training"                    | 15    |
| KPI B3.1  | The percentage of employee trained by gender and employee category   | "Development and Training"                    | 16    |
| KPI B3.2  | The average training hours completed per employee by gender and employee category  | "Development and Training"                    | 17    |
| <b>B4: Labour Standards</b>   |  |   |       |
| General Disclosure  |  | "Labour Standards"                            | 17    |
| KPI B4.1  | Description of measures to review employment practices to avoid child and forced labour  | "Labour Standards"                            | 17    |
| KPI B4.2  | Description of steps taken to eliminate such practices when discovered   | –   | –     |
| <b>Operating Practices</b>  |  |   |       |
| <b>B5: Supply Chain Management</b>  |  |   |       |
| General Disclosure  |  | "Supply Chain Management"                     | 18    |
| KPI B5.1  | Number of suppliers by geographical region   | –   | –     |
| KPI B5.2  | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | "Supply Chain Management"                     | 18    |

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

| Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs) |  | Section   | Page |
|---|--|---|------|
| <b>B6: Product Responsibility</b>   |  |   |      |
| General Disclosure  |  | "Product Responsibility"                            | 19   |
| KPI B6.1  | Percentage of total products sold or shipped subject to recalls for safety and health reasons  | –   | –    |
| KPI B6.2  | Number of products and service related complaints received and how they are dealt with   | "Product Responsibility – Complaint Handling"       | 19   |
| KPI B6.3  | Description of practices relating to observing and protecting intellectual property rights   | –   | –    |
| KPI B6.4  | Description of quality assurance process and recall procedures   | "Product Responsibility – Quality Management"       | 19   |
| KPI B6.5  | Description of consumer data protection and privacy policies, how they are implemented and monitored   | "Product Responsibility – Customer Data Protection" | 20   |
| <b>B7: Anti-corruption</b>  |  |   |      |
| General Disclosure  |  | "Anti-corruption"                                   | 20   |
| 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 case | "Anti-corruption"                                   | 20   |
| KPI B7.2  | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored  | –   | –    |
| <b>Community</b>  |  |   |      |
| <b>B8: Community Investment</b>   |  |   |      |
| General Disclosure  |  | "Community Investment"                              | 20   |
| KPI B8.1  | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)   | "Community Investment"                              | 20   |
| KPI B8.2  | Resources contributed (e.g. money or time) to the focus area   | "Community Investment"                              | 20   |