



HUISEN GROUP

Huisen Household International Group Limited
匯森家居國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 2127



2022

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS ESG REPORT

The board of directors (the “Board”) of Huisen Household International Group Limited (the “Company”), and its subsidiaries, (the “Group” and “We”) is pleased to present the environmental, social and governance (“ESG”) report (the “Report”) for the year ended 31 December 2022 (“FY2022”), summarises the ESG initiatives, plans and performances and demonstrates the commitment to sustainable development of the Group.

We are a manufacturer of furniture products based in the People’s Republic of China (“PRC”) with a primary focus on the design, development and manufacturing through the Original Design Manufacturing (“ODM”) of functional and economical panel-type furniture, upholstered furniture, sports-type furniture and other types of furniture, offering comprehensive manufacturing solutions to customers. Our products are mainly sold directly on a wholesale basis to overseas retail chains, and by furniture traders in the United States (the “U.S.”) and other markets. During FY2022, the Group had five self-owned production facilities located in Longnan and Nankang of Ganzhou, Jiangxi Province.

The Group implements the principles of sustainable development at all business levels including but not limited to daily operations, strategic planning and investments. Through adhering to the management policies of sustainable ESG development, the Group is committed to managing its ESG affairs effectively and responsibly. This has become a core part of the Group’s business strategy as we believe it is key to our continued success in the future.

The ESG Governance Structure

The Group has formulated an ESG governance structure to ensure that ESG is aligned with our business strategies and integrated into its business operations and decision-making processes.

The Board has overall responsibility for ESG-related matters of the Group and is required to set ESG management policies, strategies, priorities and objectives. The Board members have various ESG-related skills and experience. In order to better manage the Group’s ESG performance, related issues and potential risks, the Board regularly assesses and identifies the Group’s ESG risks and opportunities, and reviews its performance and progress against ESG-related objectives. The Board shall be responsible for setting the broad direction of the Group’s ESG strategy and hold at least one meeting each year to oversee ESG issues and to ensure that the objectives and progress set by the Board are consistent with the Group’s strategic direction to respond to the national carbon neutrality vision and enhance our corporate reputation. The Board is also responsible for ensuring the effectiveness of risk management and internal control systems and approval of the disclosures in this Report.

The Group has set up an ESG working group (the “Working Group”) which systematically manage ESG issues under the authority of the Board. The Working Group consists of core members from different departments of the Group, all of them have appropriate ESG-related skills and expertise. It is responsible for collecting relevant information on the ESG aspects of the Group for the preparation of the Report, and meets at least once a year to discuss relevant issues. The Working Group also examines, evaluates and presents the Group’s performance in various aspects of environmental, health and safety, labour standards, product and service responsibility in the ESG areas, thereby assisting in identifying, assessing, prioritizing and managing the Group’s key ESG issues, and evaluating the effectiveness of internal control mechanisms. The Working Group is required to report its findings, decisions and recommendations to the Board at least once a year.

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Reporting Scope

As the manufacture and sales of furniture is the principal business of the Group, unless otherwise stated, the Report mainly covers the business operations of the Group's five self-owned production facilities and one office in Jiangxi Province, PRC which the Group directly manages and controls. The Group continually assesses the significant ESG areas of its different businesses and major subsidiaries to determine whether they should be included them in its ESG reporting.

Reporting Framework

This Report is prepared according to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group's corporate governance practices are set out in the Corporate Governance Report of Annual Report 2022.

For the preparation of the Report, the Group has adopted the reporting principles set out in the ESG Reporting Guide, as follows.

Materiality: The Group has conducted materiality assessment to identify material issues in FY2022 and adopted the identified material issues as the focus of the preparation of this Report. The materiality of the issues has been reviewed and confirmed by the Board and the Working Group. For further details, please refer to the sections on "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT".

Quantitative: The criteria and methodology used to calculate the key performance indicators ("KPIs") data and the assumptions applied have been supplemented in the notes.

Consistency: Unless otherwise stated, this Report has been prepared in a manner consistent with the year ended 31 December 2021 (the "FY2021") for comparative purposes. If there are any changes in the scope of disclosure and calculation methods that may affect the comparison with previous reports, the Group will explain the corresponding data.

Reporting Period

This Report covers the ESG activities, challenges faced and measures taken by the Group for FY2022.

Contact and Feedback

The Group attaches great importance to stakeholders' opinions and suggestions. You are welcome to provide valuable advice and suggestions about the Report or the Group's performance in sustainable development using the following contact information:

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STAKEHOLDER ENGAGEMENT

The Group highly values stakeholders' opinions on the business or any ESG concerns accordingly. To understand and respond to stakeholders' concerns, the Group closely communicates with key stakeholders including shareholders and investors, the Board and management, employees, customers, suppliers, and the local community and the public. While formulating operational strategies and ESG measures, the Group considers the expectations of stakeholders and continuously improves its performance through cooperation, thus creating greater values for the community.

Through different stakeholder engagement and communication channels, the Group caters for stakeholder expectations in the Group's operation and ESG strategy. Stakeholder engagement and communication channels and their expectations are as follows:

Stakeholders	Communication Channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> Annual general meeting and other general meetings Financial reports Announcements and circulars 	<ul style="list-style-type: none"> Financial performance Corporate governance Enhanced risk management and internal control
The Board and management	<ul style="list-style-type: none"> Board meetings Regular meetings 	<ul style="list-style-type: none"> Corporate sustainable development Anti-corruption and integrity Talent retention Development and training
Employees	<ul style="list-style-type: none"> Training and seminars Internal announcements and communication 	<ul style="list-style-type: none"> Career development Competitive salary and benefits Equal promotion opportunities Healthy and safe working environment
Customers	<ul style="list-style-type: none"> Customers service hotline The Group's website 	<ul style="list-style-type: none"> Protection of customer rights and interests Customer privacy protection Quality products and services
Suppliers	<ul style="list-style-type: none"> Site visits Tele-conference 	<ul style="list-style-type: none"> Cooperate with integrity Responsible supply chain management Business ethics and reputation Fair and open competition
The local community and the public	<ul style="list-style-type: none"> ESG reports 	<ul style="list-style-type: none"> Perform environmental protection Provide employment opportunities Support charity activities Open and transparent information

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MATERIALITY ASSESSMENT

To better understand stakeholders' opinions and expectations about its ESG performance, the Group has adopted a systematic approach to conduct annual materiality assessment. Stakeholders of the Group are invited to participate in the materiality assessment survey and rate the potential material topics by referencing the Group's business development strategies and industry practices. Taking into account the expectations and opinions of stakeholders, as well as the impact of different ESG issues on the Group, the Working Group conducts re-evaluation and confirmation, and submits it to the Board for final confirmation.

ESG Issues

Material Topics		
Low	Medium	High
<ul style="list-style-type: none"> • Greenhouse Gas ("GHG") Emissions • Energy Management • Water Management • Climate Change 	<ul style="list-style-type: none"> • Waste Management • Prevention of Child and Forced Labour • Community Engagement and Investment 	<ul style="list-style-type: none"> • Use of Packaging Materials • Employees' Recruitment, Promotion and Dismissal • Employees' Compensation and Benefits • Occupational Safety and Health • Development and Training • Supply Chain Management • Quality Assurance • Customer Satisfaction • Anti-corruption

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A. Environmental

Environmental Targets

As climate change poses an increasing threat to the environment and society, all sectors are becoming aware of the importance of environmental protection. The Group places emphasis on sustainable development and incorporates it into its business strategies, thus reducing its environmental impact.

The Group has set a number of quantitative and qualitative environmental targets for FY2021. To this end, the Group has strengthened the management of relevant material issues and sustainability performance, optimised our business practices and continuously monitored and reviewed progress against the targets. The relevant data and year-on-year comparisons are set out in the subsequent sections. The following table summarises the environmental targets set by the Group and the progress made in achieving them:

Aspect	Environmental Targets	Progress
GHG Emissions	The Group will also actively respond to the national target of “carbon emission peak by 2030, carbon neutrality by 2060” and strive to complete its carbon emissions peak and emission reduction tasks within the target period to achieve the government’s emission reduction goals. Take FY2021 as the base year, the Group will reduce its total GHG emissions intensity (tonnes of carbon dioxide equivalent (“tCO ₂ e”)/million revenue) by 5% by the end of the year ended 31 December 2025 (“FY2025”) and review its progress every year.	In progress
Hazardous Waste	Take FY2021 as the base year, the Group will reduce its total hazardous waste disposal intensity (tonnes/million revenue) by 5% by FY2025 and review its progress every year.	In progress
Non-hazardous Waste	Take FY2021 as the base year, the Group will reduce its total non-hazardous waste disposal intensity (tonnes/million revenue) by 5% by FY2025 and review its progress every year.	In progress
	Conduct annual activities (e.g. seminars, exchange activities) to raise awareness of waste reduction among employees with the aim of reducing waste disposal more effectively.	The activities were originally scheduled to take place in December 2022, but due to some of our staff being infected with the coronavirus disease 2019 (“COVID-19”), the Group cancelled these activities. If circumstances permit, the Group will implement this target for the year ended 31 December 2023 (“FY2023”).
Energy Management	Take FY2021 as the base year, the Group will reduce its energy consumption intensity (MWh/million revenue) by 5% by FY2025 and review its progress every year.	In progress
Water Management	Take FY2021 as the base year, the Group will reduce its water usage intensity (Cubic meter/million revenue) by 3% by FY2025 and review its progress every year.	In progress

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A1. Emissions

In addition to GHG emissions and sewage discharge, the Group's business operations generate solid waste during the manufacturing process of furniture. These may potentially impact the environment and also create related compliance risks for the Group. The Group has therefore formulated the "Environmental Health and Safety Policy" (《環境健康安全政策》) to ensure that emissions generated during its business operations fulfil national safety standards, thereby preventing and reducing environmental pollution by pollutants, protecting and improving the environment, and safeguarding the health of employees. Its "Environmental Health and Safety Policy" requires all workshops to install an exhaust system to ensure that exhaust gases are discharged through a purification filtering device to comply with safety, environmental protection and hygiene standards. We have established a management committee to oversee the implementation and effectiveness of this policy, promote its implementation, encourage all departments to adopt the system, and formulate the corresponding targets, guidelines and policies.

During FY2022, the Group was not aware of any material non-compliance with the laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, relevant laws and regulations include but are not limited to the "Law on Environmental Protection of the People's Republic of China" (《中華人民共和國環境保護法》), the "Regulation on Prevention and Control of Environmental Noise Pollution of the People's Republic of China" (《中華人民共和國噪聲污染防治條例》), the "Law on Prevention and Control of Water Pollution of the People's Republic of China" (《中華人民共和國水污染防治法》), the "Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China" (《中華人民共和國大氣污染防治法》), the "Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China" (《中華人民共和國固體廢物污染環境防治法》) and the "Law on Environmental Impact Assessment of the People's Republic of China" (《中華人民共和國環境影響評價法》).

Dust Emissions

The Group's principal activities involve the manufacture of panel furniture. During wood processing (such as cutting, drilling and other processes), dust and gas emissions are inevitable. To monitor the potential environmental impact caused by such operations, and to ensure that the corresponding emission levels meet the requirements of all relevant laws and regulations, our factories have obtained the necessary emission permits and the quality of exhaust gases is checked at least once every month.

To reduce dust emissions during the manufacturing process, the Group has developed the following measures:

- Use a central vacuum cleaner or cloth bag to handle wood dust generated by cutting and drilling;
- Maintain good indoor ventilation;

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- Ensure ventilation systems operate normally;
- Clean dust on the floor at least once every week;
- Perform dust testing and keep detailed records of the results at least once every month; and
- Implement regional dust-proof management, which requires that the persons in charge of each region sprinkle, clean and maintain the operational efficiency of dust-proof facilities.

Exhaust Gas Emissions

The exhaust gas emissions generated during the business operations of the Group mainly come from vehicle emissions. The Group has developed “Emission Management Requirements” (廢氣排放管理規定) and adopted the following measures to reduce exhaust gas emissions, including:

- Switch off engines while idling;
- Use unleaded fuel and low sulphur fuel oil according to legal requirements;
- Eliminate non-compliant vehicles according to the national emission policies and standards; and
- Optimise operational procedures to increase loading speeds and reduce the idling rate of vehicles.

The Group's emissions of all three types of exhaust gases during FY2022 are lower compared to FY2021 due to a reduction in vehicle use as a result of lower production volumes.

During FY2022, the Group's exhaust gas emissions¹ performance was summarised as follows:

Types of Exhaust Gas	Unit	FY2022	FY2021
Nitrogen Oxide (NO _x)	kg	1,042.70	1,109.53
Sulfur Oxide (SO _x)	kg	2.27	2.76
Particulate Matter (PM)	kg	76.63	80.78

Note:

1. The exhaust gas emissions are prepared with reference to “How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs” published by the Stock Exchange.

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GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of diesel and petrol by vehicles (Scope 1) and energy indirect GHG emissions from purchased energy (Scope 2). The Group actively adopts electricity conservation and energy-saving measures to reduce GHG generation and emissions and has developed the "Mechanism for Reducing Greenhouse Gas and Other Pollutant Emissions" (減少溫室氣體及其他污染排放機制). Details are provided in the "Energy Management" section in aspect A2.

The Group's total GHG emissions decreased compared to FY2021 due to lower energy consumption as a result of lower production volumes. However, due to factors such as lower product prices and inventory, the decrease in revenue for the year exceeded the drop in production, the Group's total GHG emissions intensity in FY2022 increased when compared with FY2021.

The Group's GHG emissions performance was summarised as follows:

Indicator ²	Unit	FY2022	FY2021
Direct GHG Emissions (Scope 1)	tCO ₂ e	385.78	465.79
Energy Indirect GHG Emissions (Scope 2)	tCO ₂ e	17,749.22	22,572.51
Total GHG Emissions	tCO₂e	18,135.00	23,038.30
Total GHG Emissions Intensity³	tCO₂e/million revenue	6.01	4.48

Notes:

- The reporting unit of GHG emissions is tCO₂e and the calculation of GHG emissions is based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; "Emissions Factors from Cross-Sector Tools" published by the Greenhouse Gas Protocol; "Global Warming Potential Values" from the Fifth Assessment Report, (AR5) published by the Intergovernmental Panel on Climate Change in 2014; "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting for 2022" and "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the People's Republic of China. The Group has recalculated the relevant GHG emission data for the year 2021 due to the update of emission factors for the power grids.
- During FY2022, the total revenue of the Group was approximately RMB3,015,191,000 (FY2021: approximately RMB5,139,157,000). This data would also be used for calculating other intensity figures.

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Waste Management

The Group believes that waste is most effectively reduced at source. We strive to reduce waste generation from the product design stage to the selection of raw material, and optimise processes through production controls. The Group has also formulated the “Waste Management Plan” (廢物管理計劃) that sets out the precautions and treatment methods for disposing waste to minimise environmental impact. In addition, the Group rigorously manages waste treatment and has formulated specific treatment methods for hazardous and non-hazardous waste to comply with all relevant laws and regulations. The Group will conduct annual activities (e.g. seminars, exchange activities) to raise awareness of waste reduction among employees with the aim of reducing waste disposal more effectively.

Hazardous Waste

To handle hazardous waste in an appropriate manner, the Group has formulated the “Waste Management Plan” (廢棄物管理計劃) to ensure the health and safety of employees and protect the environment. The Group’s hazardous waste includes waste from production (such as used silicon rubber) as well as office waste (such as toner cartridges). To ensure that all hazardous waste is handled properly, “Waste Management Plan” and “Caring Room Medical Waste Management Procedures” provide employees with guidance on the classification, storage, transfer and disposal of hazardous waste. The responsible personnel from the Production and Manufacturing Department will classify hazardous waste and dispose such waste in the designated storage locations and engage qualified hazardous waste treatment units approved by the environmental protection authority for collection of such hazardous waste. Also, storage barrels for hazardous waste should include lids, lid hoops, and barrel plugs to prevent waste from leaking if they are overturned, and to prevent rainwater from entering.

To reduce waste generation, we strive to optimise production processes, strengthen management, and provide employee training. The Group has formulated the “Contingency Plan for Environmental Emergency” (突發環境應急預案) at each factory to prevent and handle accident involving any spillage or leakage of hazardous materials, thereby enhancing employee crisis consciousness when handling such materials.

The Group’s total hazardous waste disposal decreased compared to FY2021 due to lower production volumes. However, as the decrease in revenue for the year exceeded the drop in production, the Group’s hazardous waste disposal intensity in FY2022 increased when compared with FY2021.

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The hazardous waste disposal performance of the Group was summarised as follows:

Types of Hazardous Waste	Unit	FY2022	FY2021
Waste from Production	tonnes	1.40	1.84
Office Waste	tonnes	0.04	0.06
Total Hazardous Waste Disposal	tonnes	1.44	1.90
Hazardous Waste Disposal Intensity	tonnes/million revenue	0.0005	0.0004

Non-hazardous Waste

The Group has developed the “Waste Management Process” (廢棄物管理流程) to control non-hazardous waste management procedures. According to the “Waste Management Process”, all non-hazardous waste should be properly classified and placed in the appropriate recycling bins by category. Responsible personnel will conduct regular checking on the recycling performance.

The Group’s total non-hazardous waste disposal decreased compared to FY2021 due to a slight drop in number of our employees. However, as the decrease in revenue for the year exceeded the drop in number of our employees, the Group’s non-hazardous waste disposal intensity in FY2022 increased when compared with FY2021.

The Group’s non-hazardous waste disposal performance was summarised as follows:

Types of Non-hazardous Waste	Unit	FY2022	FY2021
Household Waste	tonnes	145.00	170.00
Total Non-hazardous Waste Disposal	tonnes	145.00	170.00
Non-hazardous Waste Disposal Intensity	tonnes/million revenue	0.05	0.03

Sewage Discharge

Due to the business nature, the manufacturing process of the Group does not involve the discharge of large amounts of sewage during its production processes. However, the Group actively manages domestic sewage in its operations and separates rainwater and sewage to avoid water pollution. At the same time, the Group strictly prohibits employees from disposing non-domestic sewage (such as used diesel, engine oil or edible oil) into domestic sewage and rainwater pipes.

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A2. Use of Resources

To actively promote using resources effectively, the Group monitors the potential impact of its business operations on the environment in real time and encourages a green office and operating environment that minimises environmental impact and improves environmental sustainability. The Human Resources Department of the Group is responsible for analysing the trends in the Group's usage of water, electricity and other resources to identify abnormal usage so as to adjust and improve in a timely manner and promoting environmental awareness among employees.

Energy Management

The Group is committed to optimising energy consumption in its business operations to reduce GHG emissions. To effectively reduce energy consumption, the Group has formulated the "Energy Use Policy" (能源使用政策) that enhances energy efficiency through various energy-saving measures. Measures formulated by the Group to reduce energy consumption include:

- Prioritising the purchase of energy conservation equipment or products with national certifications;
- Replacing traditional incandescent lights with energy-saving lights;
- Encouraging employees to get into the habit of always turning off lights in unoccupied areas; and
- Turning off power outside working hours to reduce standby power consumption.

The Group's total energy consumption decreased compared to FY2021 due to lower production volumes. However, as the decrease in revenue for the year exceeded the drop in production, the Group's total energy consumption intensity in FY2022 increased when compared with FY2021.

The energy consumption performance of the Group was summarised as follows:

Types of Energy	Unit ⁴	FY2022	FY2021
Direct Energy Consumption	MWh	1,503.15	1,826.53
Petrol	MWh	602.80	635.09
Diesel fuel	MWh	900.35	1,191.44
Indirect Energy Consumption	MWh	31,122.60	38,851.14
Electricity	MWh	31,122.60	38,851.14
Total Energy Consumption	MWh	32,625.75	40,677.67
Total Energy Consumption Intensity	MWh/million revenue	10.82	7.92

Note:

4. The calculation of the unit conversion is based on the Energy Statistics Manual published by the International Energy Agency.

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Water Management

The Group mainly consumes water for factory cleaning and daily use by employees. The Group has strengthened its water conservation campaign which encourages all employees to develop the habit of “reasonable and conscious water conservation”. To improve water efficiency, the Group has developed “Water Conservation Policy” (節約用水政策) that clearly set out the objectives and management methods. The Group actively implements the following measures:

- Replacing or modifying high consumption water taps;
- Conducting regular checks on water pipes and taps to prevent leakage;
- Promoting new technologies for water conservation such as reuse, efficient cooling, dry cleaning and spray cleaning, etc.; and
- Putting up water-saving signs in pantries and restrooms to remind employees to conserve water.

The Group’s water usage decreased compared to FY2021 due to lower production volumes and employee number. However, as the decrease in revenue for the year exceeded the drop in production volumes and employee number, the Group’s water usage intensity in FY2022 increased when compared with FY2021.

The Group’s water usage (i.e. sewage disposal) was summarised as follows:

	Unit	FY2022	FY2021
Water Usage	m ³	230,420.00	253,546.00
Water Usage Intensity	m³/million revenue	76.42	49.34

Due to the geographical location of its office and factories, the Group had no issues in obtaining suitable water sources during FY2022.

Use of Packaging Materials

Sealing and protecting products with packaging materials is part of the manufacturing process of the Group, and “Packaging Materials Usage Policy” (包裝材料使用政策) has been developed. To optimise packaging methods, all production projects come with a list of materials that specify the most suitable and cost-effective packaging material to keep packaging materials at a minimal. The packaging materials used by the Group are mainly plastics and cartons for sealing and protecting products. In FY2022, due to lower production volumes, the Group consumed approximately 4,736.19 tonnes of packaging materials for its furniture products (FY2021: approximately 6,689.50 tonnes). However, as the decrease in revenue for the year exceeded the drop in production volumes, the Group’s packaging materials usage intensity in FY2022 has increased to approximately 1.57 tonnes/million revenue (FY2021: approximately 1.30 tonnes/million revenue).

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A3. Environment and Natural Resources

The Group strives to realise corporate social responsibility, sustainable development and creates long-term value for communities and stakeholders at the same time. The Group seeks to mitigate the potential impact on the environment from its operations, pursues best practices to reduce natural resources consumption and develops effective environmental management. In addition, the Group conducts environmental impact assessments on its operation to evaluate the environmental risks, continuously adopts preventive measures to reduce potential risks, and complies with the relevant laws and regulations.

Noise Management

The vehicles, machineries and equipment at the Group's production facilities inevitably produce noise during the operation process. By conducting monthly noise level checks, the Group strictly complies with the noise standards according to the laws and regulations. To reduce noise levels and disturbances to the surrounding area of the production facilities, the Group has developed a "Noise Management Policy" (噪音管理政策) which clearly state the relevant noise management measures. These measures include but not limited to:

- Reduce noise caused by improper operations when powering on the equipment by strictly following the operating procedures;
- Use, repair and maintain machineries and equipment strictly in accordance with management systems;
- Prohibit the use of sirens by external transportation vehicles at production sites;
- Monitor and minimise noise from any works conducted by external workers;
- Set up noise standards for soundproofing with soundproofing materials and soundproofing rooms;
- Operate equipment in proper condition and promptly resolve any problems to reduce noise; and
- Engage professional environmental monitoring agencies to conduct noise monitoring.

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A4. Climate Change

Climate change poses escalating risks and challenges to the global economy and may have a negative impact on the Group's business. Therefore, the Group understands the importance of identifying and mitigating any significant impact of climate change. In accordance with the international recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") established by the Financial Stability Board, the Group's management has assessed and is fully aware of the climate-related risks and opportunities that have an impact on the Group's business. Based on the results of the assessment, the Group has incorporated climate risks into its enterprise risk management process and has developed the "Hazard Identification and Risk Evaluation Process" (危害因素識別和風險評價流程) to manage and review climate-related risks and capture related opportunities. With reference to the risk classification of TCFD, the climate related risks identified by the Group and the corresponding management measures are as follows:

Physical Risks

The increasing frequency and severity of extreme weather events such as heavy rains in Jiangxi Province in recent years increased the risk of power shortages, disrupted the supply chain and damaged the Group's assets, disrupting the operations of the Group's offices and factories and resulting in reduced revenue, as well as increased the cost of repairing or restoring damaged sites. These events may also result in the temporary suspension of the production facilities and may even cause casualties. As a counter measure, the Group has established the "Emergency Response Control Procedures" (應急響應控制程序) and maintained insurance coverage for both staff and production facilities, so as to mitigate or avoid losses in the event of extreme weather affecting the Group. In the future, the Group will continue to optimise the emergency management process in response to extreme weather and conduct emergency drills when appropriate.

Transition Risks

To slow global warming and support the global vision of decarbonisation, local governments and regulators continue to tighten environmental regulatory requirements and implement policies related to climate change disclosure. For example, the Stock Exchange requires listed companies to enhance climate-related disclosures in their ESG reports. Failure to comply with the policies related to climate change may have negative impact on the reputation and corporate image of the Group. In view of this, the Group will regularly monitor existing and emerging trends, policies and regulations related to climate change to avoid compliance and reputational risk due to delayed response. In addition, to reduce the Group's impact on the environment and to comply with the requirements of the Stock Exchange, the Group has set targets to reduce energy consumption and greenhouse gas emissions. The Group will continue to evaluate the effectiveness of the Group's actions to address climate change and enhance its ability to respond to climate-related issues.

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B. Social

B1. Employment

The Group recognises that employees are its core asset and are essential to maintaining its competitive advantage. To enhance its ability to attract, develop and retain employees, the Group is committed to people-oriented employment, respecting and protecting the legitimate rights and interests of every employee, standardising the labour and employment management, and establishing a healthy and safe working environment. The Group fully respects and values the interests of employees and has developed “Employee Handbook” (員工手冊) in accordance with relevant laws and regulations to safeguard the interests of employees. This helps building harmonious labour relations and provide for a decent working atmosphere to help employees integrate into the Group’s blueprint for long-term development.

The Group complies with all laws and regulations relating to the remuneration and termination, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits, including but not limited to, the “Companies Law of the People’s Republic of China” (《中華人民共和國公司法》), the “Contract Law of the People’s Republic of China” (《中華人民共和國合同法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), and the “Labour Security Supervision Regulations” (《勞動保障監察條例》). In FY2022, the Group was not aware of any violations of local employment laws and regulations that had a material impact on it.

As of 31 December 2022, the Group employed 3,028 employees in total (31 December 2021: 3,223 employees), all of whom are full-time employees. The number and percentage of employees by gender, age, and region are as follows:

	FY2022	FY2021
By Gender		
Male	2,045 (67.54%)	2,186 (67.83%)
Female	983 (32.46%)	1,037 (32.17%)
By Age Group		
Below 30	423 (13.97%)	490 (15.20%)
30–50	2,039 (67.34%)	2,245 (69.66%)
Above 50	566 (18.69%)	488 (15.14%)
By Geographical Location		
China	3,024 (99.87%)	3,220 (99.91%)
Others	4 (0.13%)	3 (0.09%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Recruitment, Promotion and Dismissal

The Group firmly believes that employees are key to its success. To establish and improve the recruitment and selection system of talent, the Group has formulated the “Employment Agreement Model” (僱傭合約範本) and the “Staff Recruitment and Training Control Procedures” (員工招聘及培訓控制程序) to standardise the recruitment process and set benchmarks for professional knowledge, capabilities, work experience and presentation ability. This incorporates the principles of fairness, justice, equality and openness to continuously attract and hire talented employees.

The “Employee Handbook” (員工手冊) clearly sets out the rights and obligations of employees, promotion mechanisms, the transfer and demotion of management, and the rules for termination and dismissal to safeguard the interests of both employees and the Group.

Based on the appraisals of production, operation and management of various departments, the Group objectively assesses the performance, technical skills, work attitude, performance targets achieved and the annual merit/demerit record etc. of employees. According to performance and internal assessment results, the Group recognizes exceptional employees by offering them promotions and opportunities to grow their potential and excel.

Details of dismissal procedures are laid down in the “Employee Handbook” (員工手冊). All dismissal procedures must be completed as required by the relevant laws and regulations, as well as occupational regulations to complete the handover. The dismissal process will only take place in a reasonable manner and the issue is adequately communicated prior to the formal dismissal.

During FY2022, the employee turnover rate⁵ was approximately 14.30% (FY2021: approximately 15.48%). The percentage of employee turnover rate⁶ by gender, age group and geographical location was summarised as follows:

	FY2022	FY2021
By Gender		
Male	13.45%	15.14%
Female	16.07%	16.20%
By Age Group		
Below 30	18.91%	14.69%
30–50	12.95%	15.99%
Above 50	15.72%	13.93%
By Geographical Location		
China	14.29%	15.50%
Others	25.00%	—

Note:

- Total employee turnover rate is calculated by dividing the total number of employees who left in the financial year by the total number of employees at the end of the financial year and multiplied by 100%.
- Employee turnover rate is calculated by dividing the number of employees in the category who left in the financial year by the number of employees in the category at the end of the financial year and multiplied by 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Compensation and Benefits

The Group has established a fair, just, reasonable and competitive compensation system and paid employees according to the principles of fairness, competition, incentive, reasonableness and legality. Remuneration of the Group's employees consists of basic wages, overtime pay, full-time awards and various bonuses and subsidies. Furthermore, the Group conducts an annual assessment of macroeconomic factors such as national policies, price levels, industry and regional pay scales, as well as changes in the Group's development strategy and overall business performance. Subsequently, the Group makes necessary adjustments to employee compensation based on the evaluation results.

In accordance with the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》), the Group has fulfilled the labour contracts with its employees. The labour contract signing rate is 100%. The Group pays "Five Insurances and One Housing Fund" (五險一金) to employees in accordance with the law, namely, endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure that employees are fully protected with social insurance.

As required by the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and other relevant national and local laws and regulations, the Group strive to protect the legitimate rights and interests of employees, respects the rights of employees to rest and vacation, and regulates the working hours and the rest days and holiday of employees. In accordance with the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the Group has formulated a leave system that is written in the "Employee Handbook" (員工手冊). This provides the details of paid and unpaid leave to which employees are entitled. The Group also pays overtime wages for any work that exceeds the statutory working hours in accordance with national laws and regulations.

Equal Opportunities, Diversity and Anti-discrimination

The Group strictly abides by national and local government regulations to adopt a fair, just and open recruitment process. It formulates relevant systems to eliminate discrimination in the recruitment process against race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality etc. At all stages of recruitment, remuneration, training, promotion, termination of labor contracts and retirement, etc., employees are entitled to equal treatment. The Group gives its best efforts to attract talents and is committed to providing equal opportunities and diversity in all areas. Any unfair treatment is strongly prohibited.

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B2. Occupational Safety and Health

The Group is committed to creating and maintaining a safe working environment for its all employees. The Group has developed the “Safety Production Management Rules” (安全生產管理制度) and the “Health and Safety Inspection Control Procedures” (健康與安全檢查控制程序) and included the occupational health and safety chapter in the “Social Responsibility Handbook” (社會責任手冊) to manage all operational practices involving safety risks, health and hygiene, and regulations. The Group also conducts an annual risk assessment at least once a year to conduct occupational risk factor screening and identify any potential health and safety issues. In the presence of occupational hazards, the Group will promptly issue an “Occupational Hazard Notice” and implement necessary improvement measures. The Group has set up a Health and Safety Management Committee to conduct periodic inspections of health and safety practices in various departments and to ensure safety at work is being properly implemented.

The Group complies with all laws and regulations relating to the provision of a safe working environment and the protection of the employees from occupational hazards in mainland China, including but not limited to, the “Occupational Disease Prevention and Control Law of the People’s Republic of China” (《中華人民共和國職業病防治法》), the “Safety Production Law of the People’s Republic of China” (《中華人民共和國安全生產法》) and the “Declaration and Administration of Occupational Disease Hazards Projects” (《職業病危害項目申報管理辦法》). In FY2022, the Group was not aware of any significant violations of local health and safety regulations that could have impacted the Group, nor were there any working days lost due to work-related injuries. The Group has not recorded any work-related fatalities in the past three years, including FY2022.

COVID-19 Pandemic Prevention and Control

The Group is extremely concerned about the potential impact of COVID-19 on employees and customers. In view of the continuous outbreak of COVID-19 worldwide, the Group closely monitored the situation and took a number of preventive measures to minimise the risk of cross infection and enhance employees’ awareness of epidemic prevention. During FY2022, the Group formulated “Guidelines on COVID-19 Pandemic Prevention and Control” (新冠病毒的防疫指引) to strengthen preventive measures. All cases of COVID-19 infection were closely monitored. In FY2022, only a few employees at all production facilities were infected. During the COVID-19 outbreak, the Group continued to provide sufficient pandemic prevention and disinfection materials at all production facilities and offices and required all personnel to wear masks at the production facilities and offices. Visitors must have their temperatures taken and registered before entering the production facilities and offices.

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Occupational Safety Training

The Group aims to prevent, control, and eliminate occupational hazards and diseases, and safeguard the health and safety of its employees. To achieve this, the Group provides annual occupational safety education and training to its employees. This training is designed to enhance their awareness of occupational safety and minimize the risk of accidents or injuries at work. The Group formulated the “Occupational Safety and Health Management Programme” (職業安全衛生管理方案) to standardise safety education and training, and enhance the safety awareness of employees. The Group provides on-the-job training for all employees every year, and ensures that all employees have access to safe and hygienic working environment to reduce the risk of accidents. The Group provides health and safety training for new recruits and transferred employees to ensure that all employees have knowledge of safe production in their relevant departments. The Group conducts fire drills on a regular basis to enhance the staff’s safety and fire prevention awareness, and the ability to coordinate and cooperate in case of fire accidents.

B3. Development and Training

The Group promotes the values of loyalty, responsibility, gratitude and service. The Group believes that the professional level of employee skills and knowledge is closely related to the growth of the business. Apart from recruiting talent, the Group is also committed to establishing an internal management training and development system. From on-boarding to in-house training and technical skills development through other diversified training models, the Group meets the needs of employees at all levels to advance skills, ensures our employees keep abreast of latest development and to continuously provide quality service, supporting the Group’s sustainable development.

Training Management

The Group established the “Staff Recruitment and Training Control Procedures” (員工招聘及培訓控制程序) to manage training procedures and specify the rights and responsibilities to the Administration Department and the Human Resources Department. The Administration Department is responsible for establishing and maintaining training records, providing induction and training for new recruits, as well as overseeing, maintaining, and monitoring the annual training plan. The Human Resources Department is responsible for providing and tracking technical skills, and safety operations training for the respective departments. The Group also specified that the Administration Department must prepare the “Annual Training Programme” (年度培訓計劃) at the beginning of the year as per the training needs of each department to establish the procedures and management of employee training. The Group will provide appropriate training courses for employees at different levels according to the programme. Management regularly reviews the effectiveness of the training courses and programmes to keep the Training System up to date.

Newly recruited staff must undergo induction training, which covers the Group’s business, rules and regulations, basic health and safety knowledge, and code of conduct. All newly recruited staff engaged in special operational procedures are required to complete additional pre-employment training and guidance approved by the respective department head before they officially commence for work safety reasons.

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In FY2022, approximately 186 employees of the Group received training, representing approximately 6.14%⁷ of all employees and the average training hours was approximately 0.49 hours⁸ (FY2021: approximately 17.90%⁷ of the employees received training, with an average of approximately 1.40 training hours⁸). The percentage of the Group's employees trained and the average training hours decreased with a purpose of reducing gatherings due to some employees caught with COVID-19 in December 2022. The Group's breakdown of employees trained and average training hours by gender and employee category are summarised as below:

	Breakdown of Employees Trained ⁹		Average Training Hours ¹⁰	
	FY2022	FY2021	FY2022	FY2021
By Gender				
Male	59.14%	66.55%	0.43	1.39
Female	40.86%	33.45%	0.62	1.48
By Employee Category				
Senior Management	0.54%	0.69%	0.53	1.33
Middle Management	4.30%	1.39%	1.05	2.67
General Staff	95.16%	97.92%	0.48	1.41

Notes:

7. The total percentage of employees trained is calculated by dividing the total number of employees trained in the financial year by the total number of employees at the end of the financial year and multiplied by 100%
8. The average training hours per employee is calculated by dividing the total number of training hours in the financial year by the total number of employees at the end of the financial year.
9. The breakdown of employees trained is calculated by dividing the total number of employees trained in the category in the financial year by the total number of employees trained in the financial year and multiplied by 100%
10. The average training hours is calculated by dividing the number of training hours in the category in the financial year by the number of employees in the category at the end of the financial year.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group complied with all laws and regulations on the prevention of child or forced labour in mainland China, including but not limited to, the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Provisions on the Prohibition of Child Labour of the People's Republic of China" (《中華人民共和國禁止使用童工規定》) and the "Convention on the Abolition of Forced Labour" (《廢除強迫勞動公約》). In FY2022, the Group was not aware of any non-compliance with the laws and regulations relating to the employment of child or forced labour that has a significant impact on the Group.

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The Group strictly prohibits the use of any child or forced labour. The Group has formulated the “Staff Recruitment and Training Control Procedures” (員工招聘及培訓控制程序) which stipulates that only employees of legal age are employed. It requires that new recruits provide authentic and accurate personal data when joining the Group. The Recruitment Team diligently reviews various documents such as identity card, and graduation certificate to ascertain their authenticity to prevent any child labour in the workforce. In the event of any violations, the Group will take appropriate measures in line with its internal requirements.

The Group complies with employment laws and enters into employment contracts with its employees. These contracts clearly outline the work contents and obligations, and ensure that no forced labor is imposed on the employees. If any employee is found to have used false data or violated the Group’s labour provisions, the Group will immediately terminate their probation or employment contract according to the policies.

Furthermore, employees work overtime on a voluntary basis to avoid any violation of labor standards and effectively safeguard their own rights and interests. The Group also prohibits punitive management practices and behaviours such as verbal abuse, physical punishment, and violence and mental oppression against employees for any reason.

B5. Supply Chain Management

The Group’s suppliers mainly comprise suppliers of production materials, packaging materials and furniture components. Apart from its own production, the Group also sources materials from suppliers such as medium density fiberboard, particle boards, steel pipe and plastic components etc. Managing potential environmental and social risks in the supply chain is extremely important to the Group. The Group has established a rigorous, standardised procurement system and supplier selection process, and developed the “Supplier, Subcontractor Assessment Control Procedure” (供應商、分包商評估控制程序) to systematically assess the suppliers and had long-term, stable compliance with the Group’s requirements for the implementation of the SA8000 system.

The Group also has a list of approved suppliers and selects suppliers according to a number of criteria such as pricing, product quality and ability to deliver production materials on time. In addition, the Group prepared the “Social Responsibility Questionnaire for Suppliers” (供應商社會責任調查表), the Business Department will evaluate suppliers against the social responsibility performance to determine adding or removing them from the list and encourages suppliers to take measures aiming at improving their social responsibilities. Selected suppliers are added to the SA8000 Qualified Suppliers, Subcontractors List (SA8000合格供應商、分包商一覽表). The Business Department also arranges an onsite audit at least once a year to follow up on the improvement progress in term of social responsibility measures. During FY2022, the Group had 177 suppliers (FY2021:217). All suppliers have passed the above supplier audit process/practice and are all located in the PRC

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Supply Chain Environmental and Social Risk Management

The Group expects suppliers to meet the Group's standards in environmental, quality, social, corporate governance, business ethics and other areas. The Group has developed a procurement management process with environmental, social and ethical standards that requires suppliers to generate positive impacts on the environmental and social issues to ensure that they are consistent with the Group's direction and objectives in operational compliance, human rights protection, employee health and safety, social responsibility, business ethics, and environmental protection. In addition, the Group developed the "Pledge of Social Responsibility" (社會責任承諾書) that lays down the basic guidelines for assessing suppliers, including but not limited to, compliance with all provisions of social responsibility standards and local labour laws and regulations (e.g. prohibition of child or forced labour, provision of healthy and safe working environment, respect for workers' freedom of association, collective bargaining rights and basic human rights, provision of an equal and fair working environment, etc.). The suppliers also need to accept on-site inspection, and actively cooperate with the Group to implement remedial procedures to correct any non-compliance of social responsibility standards and are subject to the performance assessment. The Group also established the "Supplier Quality Management and Green Procurement Procedures" (供應商品質管理和綠色採購程序) to ensure that the selection process gives priority to suppliers who will use environmentally friendly products and services.

The procurement process of the Group is conducted in an open, fair and impartial manner in strict reference to the provisions of the "Tendering Law of the People's Republic of China" (《中華人民共和國招標投標法》). The Group treats its suppliers fairly and does not engage in any discriminatory practices. Furthermore, the Group does not tolerate any act of corruption or bribery. Employees and other individuals who have interests in the relevant supplier are not allowed to participate in the relevant procurement activities.

The Group recognises the importance of maintaining good relationships with its suppliers. The Group has been working with its suppliers, particularly their major suppliers, for many years. Despite having a long-term relationship with its suppliers, the Group does not compromise on quality standards for raw materials. The Group treats all suppliers equally to ensure the safety of its products at the source. The purchase price of production materials is generally negotiated by the Group and suppliers according to the current market price. The Group generally identifies, pre-approves several suppliers of major production materials, and compares fee quotation from different supplier for specific categories of production materials. The Group also verifies the suppliers' business licenses and other permits or approvals related to their operations. Furthermore, the Group conducts on-site visits to the production facilities of its main suppliers before placing an order with them. The responsible personnel of the Group evaluates and reviews all approved suppliers every three months and for any pre-approved suppliers who fail to meet the Group's standards are removed from the list. The Group places great importance on the integrity of its suppliers and partners. As a result, the Group only selects those with good business records and without any serious violations or breaches of business ethics. In FY2022, 57 suppliers were removed from the Group's list of suppliers. To avoid over-dependence on any single supplier, the Group generally maintains more than one supplier for the main raw materials.

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B6. Product Responsibility

Product and service quality, as well as corporate reputation, are of paramount importance to the Group. The Group constantly ensures product quality through internal controls and is dedicated to providing products that meet industry standards. The Group maintains regular communication with its customers to ensure that their needs and expectations are understood and met. The Group also wants to understand the satisfaction level of customers to continuously improve product quality.

The Group strictly abides by relevant laws and regulations, including but not limited to, the provisions of consumer protection laws and regulations in mainland China such as the “Consumer Rights and Interests Insurance Law of the People’s Republic of China” (《中華人民共和國消費者權益保法》) and the “Advertising Law of the People’s Republic of China” (《中華人民共和國廣告法》). In FY2022, the Group was not aware of any material violations of laws and regulations relating to the quality of its products and services.

Quality Assurance

The Group provides high-quality and efficient products and services to its diverse customer base in various ways, actively creating value for them. The Group pays close attention to, explores, and responds to customer needs, and is committed to providing services that exceed expectations.

To maintain product quality, the Group has developed the “Quality Management Manual” (質量管理手冊) and established a quality management system according to the ISO9001:2015 Quality Management System Certification to ensure that all stages of production comply with the quality standards as per the “Product Quality Inspection and Control Procedures” (產品質量檢驗控制程序) and the “Labelling and Traceability Control Procedures” (標識和可追溯性控制程序) to implement strict quality assurance procedures and labelling traceability. All products must pass the Group’s internal quality tests prior to delivery in accordance with the “Quality Records Control Procedures” (質量記錄控制程序). The Group has objective of preventing defects and continuously improving.

As to product safety, the Group procures particle boards and MDFs from California Air Resources Board (“CARB”) certified suppliers to ensure its panel-type furniture sold to the United States complies with the relevant formaldehyde emission requirements, and that products comply with the relevant local product safety regulations and tests accredited by third-party testing laboratories in relation to, among others, use of toxic and/or hazardous substances and flammability.

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Product Recall Procedure

The Group has established the “Product Recall Procedures” (產品召回程序) to retrieve defective and/or potentially unsafe products. This is done to prevent potential harm to end-customers and ensure that relevant parties are promptly informed. The procedures are implemented when delivered products fail to comply with the quality standards of the Group or represent a safety hazard. The “Product Recall Procedure” (產品召回程序) also sets out the responsibilities of different departments and employees whereby the Quality Control Department monitors and implements the recall, while the general manager of the Group is responsible for approving the recall plan. If the Group discovers non-conforming products that are no longer under its control, such as those that have already been shipped or delivered, or upon receiving customer complaints, the sales department will promptly convene a meeting to evaluate the situation and initiate a product recall if deemed necessary. Senior management, legal counsel, and department heads may be invited to participate in the decision-making process.

The review primarily considers information sources, credibility, degree of harm, and past product safety records to determine whether to initiate the emergency recall process. It also involves treating the recall product corresponding to the batch of products or even adjacent batches for product review, and confirming the reasons for the unsafe product to avoid any recurrence of the same incident. When supported by accurate information, the recall should not be reviewed for more than half a working day. To ensure the effectiveness of the procedures, the Group validates them by using validation tests, simulated recalls or actual recalls, and uses the results to correct and take precautions. In addition, the Group has developed the “Non-conforming Products Control Procedures” (不合格品控制程序) to supervise the procurement of raw materials and products arising from the disposal of non-conforming products, and to standardise the disposal of non-conforming products and responsibilities in the event of non-conforming products or customer complaints to handle in a timely manner and minimise the impact on the customers, and to avoid the recurrence non-conforming products. In FY2022, the Group did not recall any products for safety and health reasons.

Customer Satisfaction

To maintain customer satisfaction and protect our corporate image, the Group places great importance on extending customer service and communication. In order to ensure that customers’ complaints are resolved quickly and securely, the Group has developed the “Customer Complaints Handling Process” (客戶投訴處理流程程序), which standardizes the process for handling customer complaints. Through this process, customers can experience and regain confidence in the products and services we provide. The Group is committed to identifying gaps and areas for improvements in the process that we can improve by correcting or remedying. After receiving customer complaints, the Sales and Marketing Department is responsible for collecting feedback, tracking various information, providing timely feedback to the relevant departments, and furnishing monthly analysis reports based on the returned information. The department manager in charge is responsible for ensuring the effectiveness of the settlement measures and for confirming customer satisfaction. They must also fill out and sign the “Customer Complaint Information Feedback Form” (客戶投訴信息反饋單), and report the results back to the Sales and Marketing Department. After receiving the feedback form, the designated personnel from the Sales and Marketing Department will contact the customer to understand the customer’s satisfaction with the outcome of the complaint handling to ensure the customer is satisfied with the results before the complaint is closed.

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In FY2022, the Group received 2 minor complaints about defective products which do not have a material adverse effect on the business and operation. The Group immediately investigated the complaints and implemented quality improvements to avoid any recurrence of sub-standard products (FY2021:5). All the complaints had been properly resolved by the Group.

Customer Data Protection

To prevent the leakage of customer data, the Group implements rigorous and careful management of customer files. The Group strictly abides by laws and regulations such as the “Law of the People’s Republic of China on the Protection of State Secrets” (《中華人民共和國保守國家機密法》), the “Regulations on the Confidential Management of State Secrets Carriers” (《國家秘密載體保密管理的規定》) and undertakes to implement strict security measures against the personal information of the customers collected through business operations being disclosed and abused.

To safeguard the rights and interests of the Group, respect the privacy of customers and ensure the confidentiality of customer information, the Group has formulated the “Customer Privacy Handling Procedures” (客戶隱私處理程序) laying down strict access permission management to query, use and download information and effectively prevent disclosing and abusing. The Group also provides incentives to employees who take the initiative in protecting data and improving security technology and take measures to protect customer privacy. Customer information cannot be sold, shared or disclosed for any purpose. All employees must protect customer information in accordance with the Group’s policies. The Group’s communications, transaction history, documents and reports with customers (if not made public) are kept confidential. Employees are strictly prohibited to disclose customer information to third parties without the customer’s consent. In case of any privacy concerns or complaints, victims are encouraged to directly call the Group’s Working Group. The Group is firmly committed to protecting the privacy of customers, gaining their trust and maintaining the Group’s competitiveness in the market. In FY2022, no customer’s privacy was disclosed from the Group.

Intellectual Property (“IP”) Rights

The Group’s expertise in research and development of furniture products allows us to transform intricate ideas into finished products that cater to the requirements of our customers. In addition to original equipment furniture manufacturing, the Group also has an Internal Design Team that creates new products. The Group will actively promote the development of formaldehyde-free panel boards and seek development through technological innovation. In FY2021, the Group established Huisen Home Design & Development (Dongguan) Co., Ltd. which includes a research, design, and testing center as well as a showroom for commercializing furniture products. This includes the development of functional and smart furniture products, as well as collaboration with academic institutions such as the Chinese Academy of Sciences Lihua Institute of Technology, Jiangxi University of Science and Technology, and Jiangxi Environmental Engineering Vocational College. The Group considers R&D on new materials and smart furniture products as a crucial foundation for its future business growth. Ongoing product development will serve as a revenue driver for the Group.

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The Group believes that IP rights in trademarks, technical knowledge, product formulation and processes are invaluable business assets. The Group therefore strives to protect its brand, the rights and the interests of the business. The Group has registered a number of patents in the PRC to prevent potential infringement of third-party intellectual property rights. As of 31 December 2022, the Group has been awarded over 200 furniture-related patents. The Group also entered into non-disclosure agreements with its employees to clarify the scope, means and liability for breach of contract to prevent IP leakage after the resignation of employees .

IP is part of the enterprise's intangible assets. The Group respects the IP rights of third parties and is committed to protecting both ours and theirs from infringement. To exercise consistent and effective control and management of IP rights, the Group has developed the "IP Control Procedures" (知識產權控制程序), which set out the guidelines and procedures for the exchange and sharing of IP within the company, the management of external IP and the rights of the enterprises, and clearly set out the responsibilities of IP management of each department. The responsibilities of the R&D Department mainly include coordinating IP management, procedural documents and data management, intangible assets management, information systems construction, and management and project documents management. All procedural documents and data are archived in the R&D Department.

Advertising and Labelling

The Group's business as a furniture manufacturer does not have huge involvement in advertising and labeling. Therefore, the Group is committed to ensuring that any labels on the Group's products pertain to the product facts. The Group strictly abides by the relevant laws and regulations on advertising marketing such as the "Advertising Law of the People's Republic of China" (《中華人民共和國廣告法》). The Group has established and implemented relevant policies to regulate advertising and marketing. It strictly reviews all promotional materials and sales propositions before they are publicly released to prevent false or misleading content and protect consumers' rights and interests from being violated.

B7. Anti-corruption

Prevention of Corruption and Fraud

The Group complies with all laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to, the "Companies Law of the People's Republic of China" (《中華人民共和國公司法》), the "Tendering Law of the People's Republic of China" (《中華人民共和國招標投標法》) and the "Interim Provisions on the Prohibition of Commercial Bribery" (《關於禁止商業賄賂行為的暫行規定》). In FY2022, the Group was not aware of any material breaches or offences relating to the prevention of bribery, extortion, fraud and money laundering, nor was it convicted of any violation of corruption.

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As the Group believes that a corporate culture of integrity is key to business success, it attaches great importance to establish anti-corruption practices and corporate policies. The Group is committed to build a culture of integrity, openness and transparency, as well as reinforce the professional ethics of its employees. In FY2022, the Group has provided a total of approximately 8 hours and approximately 64 hours of anti-corruption training to the executive directors and the employees of the Group respectively (FY2021: a total of approximately 8 hours and approximately 98 hours respectively). As the Group attaches great importance to its corporate culture of integrity, the anti-corruption awareness of internal staff and executive directors has been maintained at a high level.

Further to the Code of Conduct stipulated in the “Employee Handbook” and “Code of Conduct for Staff”, the Group formulated the “Anti-Fraud and Bribery Management Procedures” (反腐敗反賄賂管理程序) to strengthen internal controls against corruption and fraud. The procedure strictly requires that all business interactions meet the highest standards of integrity and expressly prohibits any form of corruption, extortion, misappropriation of company funds or the provision or acceptance of bribes. The Group established the Ethics Committee to monitor the Group’s operations to ensure compliance with national and industry regulations. The Group adopted a zero-tolerance policy for any corruption and fraud committed by any employee. Such employee will be dismissed and held liable in accordance with the law in cases of violating the Group’s policies including engaging in corruption, extortion, misappropriation of company funds, acceptance or offering of bribes, excessive gifts or gifts. The Group promotes an environment of integrity by encouraging employees to report any instances of corruption or bribery through the general manager’s hotline or other appropriate channels. The Group has established policies to protect the identity of whistleblowers and the Ethics Committee oversees the implementation and enforcement of these policies to ensure the Group’s integrity corporate culture.

B8. Community Investment

Community Engagement and Investment

The Group firmly believes that it is responsible for contributing to the community while pursuing business development. As part of our strategic development to be a responsible corporate citizen, the Group is committed to supporting and participating in public welfare and community activities and formulated the “Community Investment Policy” (社區投資政策) with the hope of giving back to the community professionally. The Group actively fosters a sense of social responsibility among its employees by encouraging them to participate in social welfare activities during their working hours and private time, and to make greater contributions to the community. The Group is committed to participating in community outreach activities to enhance the civic awareness of its employees and promote a positive value system.

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The Group has been committed to giving back to the society through active participation in social welfare activities. In FY2022, the Group donated approximately RMB500,000 and materials in the amount of RMB1,483,000 to the Red Cross of Longnan City (FY2021: approximately RMB300,000). Its resources were focused on flood prevention and relief activities. Looking ahead, the Group will continue to take its social responsibility and strive to serve the community by expanding its contribution to the voluntary work for employees, education, medical, health and elderly care, arts and culture, sports and epidemic prevention sponsorship as well as other social welfare activities.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Mandatory Disclosure Requirements	Chapter/Explanation	
Governance Structure	The ESG Governance Structure	
Reporting Principles	Reporting Framework	
Reporting Boundary	Reporting Scope	
Major Scopes, Aspects, General Disclosures and KPIs		
KPIs	Description	Chapter/Explanation
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — Exhaust Gas Emissions, GHG Emissions,
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Major Scopes, Aspects,
General Disclosures and
KPIs**

KPIs	Description	Chapter/Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
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).	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources — Noise Management
Aspect A4: Climate Change		
General Disclosure	Policy for identifying and responding to significant climate-related issues that have and may have an impact on the issuer.	Climate Change
KPI A4.1	Describe significant climate-related issues that have impacted and may impact the issuer, and actions to address them.	Climate Change — Physical risk, Transition risks

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scopes, Aspects, General Disclosures and KPIs

KPIs	Description	Chapter/Explanation
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had 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.	Employment
KPI B1.1	Total workforce by gender, employment type (e.g. Full-time or Part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — Employee Recruitment, Promotion and Dismissal
Aspect B2: Health and Safety		
General Disclosure	Information on providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Occupational Safety and Health
KPI B2.1	Number and rate of work-related fatalities for the last three years (including the reporting year).	Occupational Safety and Health
KPI B2.2	Lost days due to work injury.	Occupational Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety — COVID-19 Pandemic Prevention and Control, Occupational Safety Training
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	Percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Development and Training — Training Management
KPI B3.2	Average number of hours of training completed per employee, by gender and employee category.	Development and Training — Training Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scopes, Aspects, General Disclosures and KPIs

Description	Chapter/Explanation
Aspect B4: Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had a significant impact on the issuer relating to preventing child and forced labour.
Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.
Labour Standards – Prevention of Child and Forced Labour	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.
Labour Standards – Prevention of Child and Forced Labour	
Aspect B5: Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.
Supply Chain Management	
KPI B5.1	Number of suppliers by geographical region.
Supply Chain Management	
KPI B5.2	Description of practices relating to engage suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.
Supply Chain Management – Supply Chain Environmental and Social Risk Management	
KPI B5.3	Describe practices for identifying environmental and social risks at each point in the supply chain and how they are implemented and monitored.
Supply Chain Management – Supply Chain Environmental and Social Risk Management	
KPI B5.4	Describe practices to promote the use of environmentally friendly products and services in the selection of suppliers, and related implementation and monitoring methods.
Supply Chain Management – Supply Chain Environmental and Social Risk Management	
Aspect B6: Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had 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.
Product Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
Product Responsibility – Product Recall Procedure	
KPI B6.2	Number of products and services related complaints received and how they are dealt with.
Product Responsibility – Customer Satisfaction	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights
Product Responsibility – IP Rights	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scopes, Aspects, General Disclosures and KPIs

KPIs	Description	Chapter/Explanation
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Customer Data Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
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.	Anti-corruption – Prevention of Corruption and Fraud
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption – Prevention of Corruption and Fraud
KPI B7.3	Describe the anti-corruption training provided to directors and employees.	Anti-corruption – Prevention of Corruption and Fraud
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 have been taken into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment – Community Engagement and Investment



HUISEN GROUP

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