



BaWang International (Group) Holding Limited 霸王國際(集團)控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code : 01338
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Environmental, Social and Governance Report 2023 2023年環境、社會及管治報告

* for identification purposes only
僅供識別

Environmental, Social and Governance Report 2023

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Scope and Reporting Year

This is the eighth Environmental, Social, and Governance (the “ESG”) report for BaWang International (Group) Holding Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the manufacturing and sales of the household and personal care products. This ESG report covers the Group’s overall performance in two subject areas or aspects, namely, the environmental and social aspects of its operations in Baiyun District, Guangzhou, the People’s Republic of China (the “PRC”) from 1 January 2023 to 31 December 2023 (the “Reporting Year”), unless otherwise stated. The Reporting scope is the same as for the previous Report, which is determined based on significance of operations to the Group’s revenue.

There has been no change to the methods or key performance indicators (“KPI”)s used or any other relevant factors affecting a meaningful comparison of this ESG report with the Group’s 2022 ESG Report.

The board (the “Board”) of directors (the “Directors”) of the Company acknowledges that it has overall responsibility for the Group’s ESG strategy and reporting and for evaluating and determining the Group’s ESG-related risks. During the Reporting Year, the company also set up the Environmental, Social and Governance Committee (the “ESG Committee”) to review and advise the Board on ESG-related issues and to oversee the Group’s ESG performance. On the basis of confirmation provided by the management of the Group and through on-going discussions with the management, the management has confirmed to the ESG Committee and the Board, and the Board believes that the Group has in place appropriate and effective ESG risk management and internal control systems.

The Group has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide during the Reporting Year.

Reporting Principles

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the Report.

Quantitative – KPIs have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – performance of the Group was presented in an unbiased and impartial manner. Reasons for omission have been disclosed if the omission is inevitable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

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The Group's Sustainability Mission and Vision

Due to the enhanced living standard, people are more adhered to a healthy and natural lifestyle. The Group strives to satisfy customers' needs and differentiates itself from other competitors by providing Chinese herbal household and personal care products.

The Group aims to proactively engage with its stakeholders for enhancing business performance while reducing environmental and social risks, and to be prepared for future business development and challenges.

Sustainability Governance

The Board has overall responsibility for the Group's sustainability strategy and reporting. Aside from pursuing business development, the Group assumes its corporate social responsibilities and bears in mind the environmental and social interests. In order to facilitate an effective governance of sustainability, the Group has set up an ESG Committee in June 2023. The ESG Committee currently consists of four members, including three independent non-executive Directors and one executive Director. Staff members from various operational departments were selected to form an Environmental, Social and Governance Working Group (the "ESG Working Group") in dealing with the execution of the ESG strategies thus reviewed and approved by the ESG Committee and the Board. The main duties and responsibilities of the ESG Committee include¹:

- To review and advise the Board on ESG-related issues;
- To oversee the Group's ESG performance, particularly in regard to strategy and reporting as well as the governance structure for ESG matters;
- To review and approve ESG strategies, goals, and targets as presented by the ESG Working Group, monitor the progress and make recommendations to the Board for approval as appropriate;
- To oversee the assessment of the Group's environmental and social impacts and related risks of ESG issues, and report to the Board on any significant issues;
- To identify and evaluate ESG and climate-related risks and opportunities in the context of the Group's strategic objectives;
- To determine the ESG issues that are material to the Group and report on these issues to the Board;
- To resolve ESG-related matters escalated to the ESG Committee by the ESG Working Group;
- To review and endorse any proposed amendments to ESG-related policies submitted by the ESG Working Group on an annual basis;
- To work closely with other relevant committees of the Board; and
- To review the annual ESG Report and recommend it to the Board for approval.

Note 1: See the Company's announcement "Establishment of the Environmental, Social and Governance Committee and Appointment of Committee Members" in June 2023 for more information (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0602/2023060201516.pdf>)

During the Report Year, the ESG Committee reviewed and monitored the ESG progress made against targets during the ESG meeting and made recommendations to the Board. Ongoing targets were periodically readjusted and revised in accordance with the guidelines and the practical operating environments. The ESG meetings should be held at least twice a year. The Board reviews ESG strategies, goals, targets as well as ESG issues that are material to the Group once a year during the year-end Board meeting.

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During the Reporting Year, the Group conducted regular risk assessments of its business by adopting the Sustainability Accounting Standard Board (“SASB”) Standard which aims to assist companies in disclosing financially material, decision-useful sustainability information to investors. Relevant material issue identified by the ESG Committee and the Board after applying the SASB Standard is Environmental & Social Impacts of the Chinese Herbal Supply Chain. Chinese herbals such as polygonum multiflorum are the raw materials for the production, but the change of climate may reduce the supply of Chinese herbals, leading to higher market prices. The Group is therefore exposed to the risk of rising raw material costs. For more information on the mitigation measures, please refer to the section “Climate-Related Risks and Opportunities”. Other issues suggested by the SASB Standard such as water management and packaging lifecycle management are considered to have insignificant impacts on the Group’s business.

Targets and Performance Review

The Group has set clear targets for environmental protection as shown in the table below. During the Reporting Year, the Board and the ESG Committee have reviewed the targets and progress performance. Detailed explanation for current target status can be found in the section “A. Environmental” on page 8.

Performance Review					
Indicator		Baseline	Target	Reporting Period Performance	Target Status
Air emission intensity	SOx	9.92*10 ⁻⁶ kg/RMB’000 revenue	To achieve 5% reduction by 2026	2.53*10 ⁻⁶ kg/RMB’000 revenue	In Progress
	NOx	4.97*10 ⁻³ kg/RMB’000 revenue		6.76*10 ⁻³ kg/RMB’000 revenue	In Progress
	PM	4.42*10 ⁻⁴ kg/RMB’000 revenue		6.14*10 ⁻⁴ kg/RMB’000 revenue	In Progress
GHG emission intensity		Readjusted baseline to the current Reporting Year	To achieve 5% reduction by 2028	0.0157 tCO2eq./RMB’000 revenue	Performance to be reviewed in 2024
Energy use intensity		Readjusted baseline to the current Reporting Year	To achieve 10% reduction by 2033	32.86 kWh/RMB’000 revenue	Performance to be reviewed in 2024
Waste generation intensity	Hazardous waste generation intensity	7.87kg/m ²	To achieve 30% reduction by 2032	7.61 kg/m ²	In Progress

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	Non-Hazardous waste	3.58kg/m ²		2.72 kg/m ²	In Progress
Water use intensity		0.55m ³ /RMB'000 revenue	To achieve 10% reduction by 2032	0.49 m ³ /RMB'000 revenue	Achieved New target set: to achieve 10% reduction in 10 years from 2023, or by 2033

The Chairman's Statement

On behalf of the Board of the Group, I am pleased to present to you the ESG Report of the Group for the year ended 31 December 2023 ("FY2023"). Our Group's mission is to provide high-quality products to our customers while ensuring we do our part to protect the environment, promote social equity, and maintain strong governance practices.

In FY2023, we took a significant step forward by establishing the ESG Committee within our organization. This committee comprises dedicated individuals who are passionate about driving positive change and ensuring that sustainability is at the core of our business strategy. The ESG Committee has been actively engaged in identifying opportunities, setting targets, and implementing initiatives to address environmental, social, and governance challenges.

One notable achievement this year is the implementation and commencement of operations of our photovoltaic power generation equipment subsequent to the balance sheet date. This well-proven technology harnesses the power of solar energy and aligns with our commitment to reducing our carbon footprint. The photovoltaic power generation equipment will be fully operational in 2024, marking a significant milestone in our journey towards sustainable energy practices.

As an organization, we continued to foster strong relationships with our employees, customers, suppliers, and local communities. Through various initiatives focused on education and poverty alleviation, we have endeavoured to foster a positive and inclusive community where everyone can thrive.

We continued to uphold high standards of corporate governance and ethics in FY2023. We have incorporated sustainable development management into the corporate governance structure of the Group, from committees at the Board level to management-level departments and business units. Our commitment to sound governance practices ensures that we maintain the trust and confidence of our stakeholders.

Looking forward, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy. This report sets out our sustainability practices and approaches throughout the past year. We trust this report will provide our stakeholders an overview of our sustainability performance.

Stakeholder Engagement and Materiality

The Group values input and feedback of its stakeholders as they bring potential impacts to the Group's business. Feedback and suggestions from stakeholders help the Group to identify potential ESG risks

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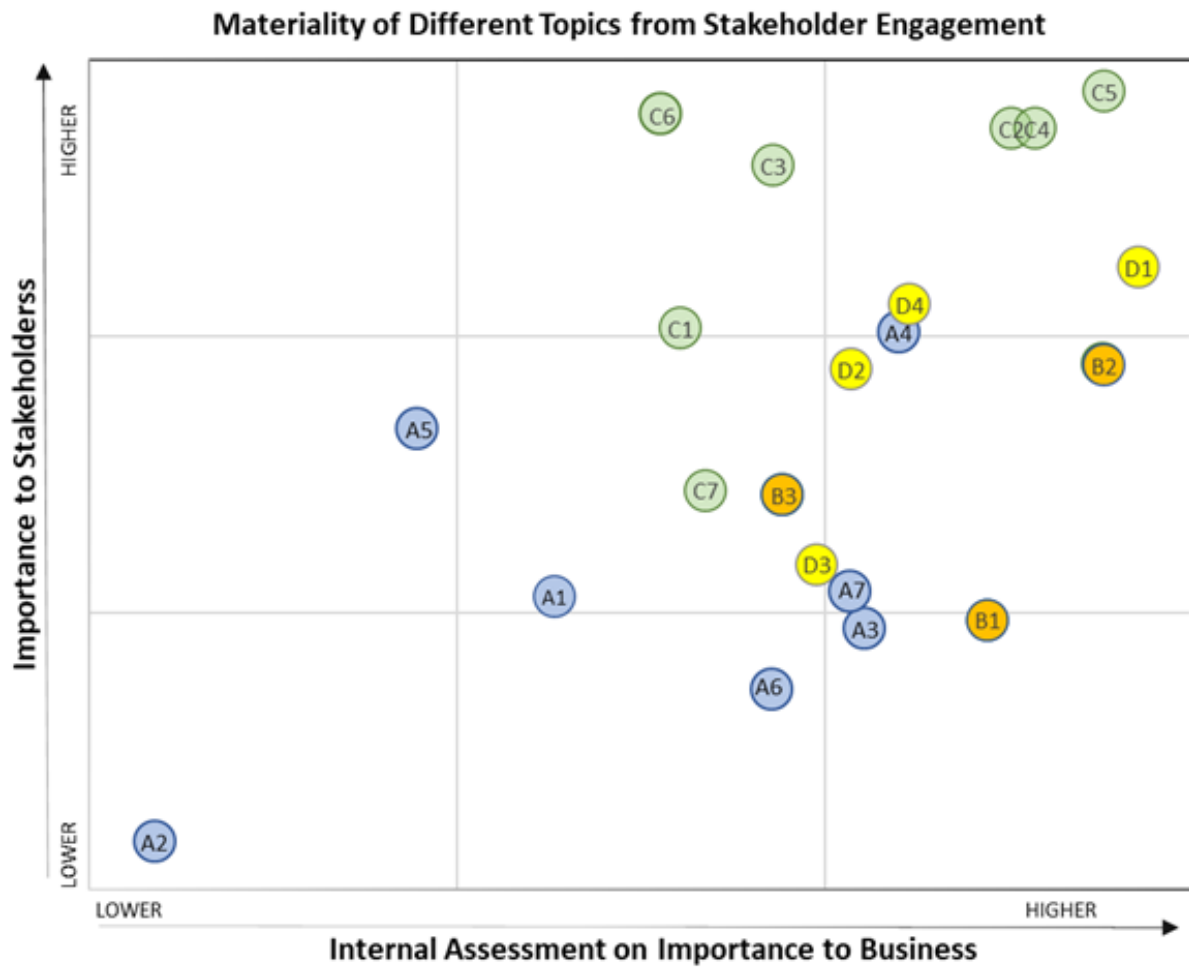
and continuously improve its ESG management. Stakeholder engagement channels are shown as follows.

Stakeholder Groups	Engagement Channels
Clients and Customers	<ul style="list-style-type: none"> - Annual and Interim Reports - Company Website - News Media - Customer Hotline - Scheduled Visits - Financial Verifications
Shareholders	<ul style="list-style-type: none"> - Shareholder Meetings - Annual and Interim Reports - Company Website - Postal correspondences, emails or telephone communications - News Media - Disclosures on Stock Exchange
Employees	<ul style="list-style-type: none"> - Employee Training Sessions - Employee Activities - Work Unions - Satisfaction Surveys
Suppliers	<ul style="list-style-type: none"> - Email/Phone Communication - Scheduled Visits - Satisfaction Surveys - Financial Verifications
Government and Regulatory Organisations	<ul style="list-style-type: none"> - Annual and Interim Reports - Scheduled Visits - Daily Communication
Non-Governmental Organisations	<ul style="list-style-type: none"> - Annual and Interim Reports - Scheduled Visits
Local communities	<ul style="list-style-type: none"> - Communal Activities - Public Welfare Activities

During the Reporting Year, the Group has specifically engaged members of the Board, shareholders, customers, managers, employees and business partners to gain further insights on material aspects and challenges on its ESG matters via interviews and questionnaires. Based on the feedback collected from different groups of stakeholders, a materiality matrix was developed.

Results show that the most material issues were on product and service quality, and other aspects regarding its operational, employee and other policies. The Materiality Matrix below illustrates the result of its materiality assessment process.

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A. Environmental		C. Operational	
Energy	A1	Supplier Management	C1
Water	A2	Intellectual Property	C2
Air Emission	A3	Data Protection	C3
Waste and Effluent	A4	Customer Service	C4
Other Raw Materials Consumption	A5	Product/Service Quality	C5
Environmental Protection Measures	A6	Anti-corruption	C6
Climate Change	A7	Community Investment	C7
B. Employees		D. Other	
Employment	B1	Product Health and Safety	D1
Occupational Health and Safety	B2	Product Labelling	D2
Development and Training	B3	Promotion of Community Healthy Living	D3
Labour Standards	B4	Online Shopping	D4

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According to the matrix, the most material aspects to the Group's stakeholders and its operations are,

- Product/Service Quality
- Customer Service
- Intellectual Property
- Product Health and Safety
- Occupational Health and Safety
- Online Shopping

The Group strictly complies with the statutory requirements in respect of the identified material aspects. The above aspects were strictly managed through the Group's policies and guidelines. The Group will continue to improve its ESG management and performance by actively communicating with its stakeholders and constantly improving its internal policies.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with the Group via email : ecomm@1338.hk.

Accreditations and awards

During the Reporting Year, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects. The Group also strives for the best industrial practices, especially promoting environmentally friendly and healthy household and personal care products. As a result of continuous improvement on the management excellence, the Group has the following notable achievements during the Reporting Year:

- the permit for production of cosmetic products, which was issued by Guangdong Medical Products Administration, which is valid until May 2027;
- the production process for haircare and skin-care products has been certified by SGS as to meet the requirements of
 - a) US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008 with a validity period until July 2025;
 - b) ISO22716 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2007 with a validity period until July 2025;
- our Chinese herbal hair care series shampoo, Chinese anti-dandruff series shampoo and Chinese herbal skin care series body wash series products have been recognized as "The 2022 Elite High-Tech Products in Guangdong Province" by the Guangdong Provincial New Hi-tech Enterprise Association (廣東省高新技術企業協會) in January 2023 and will remain valid for a period of three years until January 2026;
- the Group has been accredited as "Committee Unit" until December 2023 by Guangdong Food and Drug Association for Evaluation & Certification;
- the Group has been recognized as a "High-Tech Enterprise (高新技術企業)" by the Department of Science and Technology of Guangdong Province (廣東省科學技術廳), the Department of Finance of Guangdong Province (廣東省財政廳) and Guangdong Provincial Tax service, State Taxation Administration (國家稅務總局廣東省稅務局).

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Climate-Related Risks and Opportunities

Climate change is now one of the global issues and challenges, and the Group is fully aware of related risks and opportunities brought by the climate change.

In terms of the climate-related risks, the Group recognises that extreme weather events such as typhoons or heavy rain may negatively impact daily operations, thus impairing its productivity. The Board has therefore prepared corresponding measures for tackling these situations. For example, regular checks are performed on its warehouses to ensure that there is no roof leakage, and rainwater drainage is not blocked. Increased cost of raw materials such as Chinese herbals would be another concern to the Group, as it is largely affected by the fluctuation of the market supply that closely relates to the climate change. The Group keeps this in view as a climate-related risk and strives to mitigate the risk by building long-term stable relationships with suppliers, which may strengthen its bargaining power over the price.

Climate change will also create opportunities to the business. The Group expects to explore new market segments for Chinese herbal products due to the shift in consumer preferences for trendy natural products which suit their lifestyle. It would consequently yield higher revenue for the Group in the future. In addition, the Group has implemented various resource efficiency policies such as GHG emission control, and water and energy saving initiatives. These measures are expected to lower the operating costs in the long term.

A. Environmental

The Group aims at improving its environmental performance by implementing various green initiatives which promote the sustainable use of natural resources and raise employees' environmental awareness. During the Reporting Year, the Group has complied with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the PRC;
- Soil Pollution Prevention and Control Law of the PRC;
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste;
- Regulations on Environmental Protection in Guangdong Province;
- Discharge Limits of Water Pollutants (DB44/26-2001);
- Emission Standard of Air Pollutants for Boilers (GB13271-2014);
- Emission Limits of Air Pollutants (DB44/27-2001);
- Emission Standard of Cooking Fume (GB18483-2001); and
- Emission Standard of Noise at Boundary of Industrial Enterprises (GB 12348-2008).

No non-compliance with relevant laws and regulations which had a significant impact on the Group relating to air and greenhouse gas emissions, discharges of pollutants into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Year.

A1. Emissions

A1.1 Air Emissions

During the Reporting Year, the manufacturing processes did not involve gaseous fuel consumption. Light, medium, and heavy goods vehicles that consume petrol and diesel fuel have been used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NOx), sulphur oxides (SOx) and respiratory suspended particles (PM).

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Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO _x (kg)	PM (kg)	SO _x (kg)
Petrol and diesel	1621.38	147.31	0.61

Note: Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix C2 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

A1.2 Greenhouse Gas (GHG) Emissions

During the Reporting Year, the Group's business operation contributed to the GHG emission of 3777.86 tonnes of carbon dioxide equivalent. The overall intensity of the GHG emissions for the Group was 0.10 tCO₂eq./m² in terms of total floor area, and 0.0157 tCO₂eq./RMB'000 revenue.

The reported GHG emissions were attributed to the following activities:

- Direct (scope 1) emissions: combustion of petrol and diesel;
- Energy indirect (scope 2) emissions: purchased electricity; and
- Other indirect (scope 3) emissions: municipal freshwater and sewage processing, paper waste disposal at landfills, and business air travel.

The table below summarises the GHG emissions of the Group from different emission sources from 2021 to 2023.

Scope of GHG emissions	Emission sources		2023 GHG Emission	2022 GHG Emission	2021 GHG Emission
			(in tCO ₂ eq)	(in tCO ₂ eq)	(in tCO ₂ eq)
Scope 1 Direct emission ¹	Combustion of fuels in stationary sources	Diesel	593.64	660.00 ⁵	773.45 ⁵
	Combustion of fuels in mobile sources	Petrol	82.53	464.87	460.14
	Combustion of fuels in mobile sources	Diesel	25.45	21.30	28.91
Scope 2 Energy indirect emission	Purchased electricity		2994.06 ²	5258.21	5602.03
Scope 3 Other indirect emission	Paper waste disposed at landfills		2.69	2.69	2.69
	Electricity used for processing fresh water by government departments/third parties		52.20 ³	87.27	74.40
	Electricity used for processing sewage by government departments/third parties		20.43 ³	24.35	20.55

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	Business air travel by employees	7.86 ⁴	4.34	13.91
Total		3,777.86	6523.03 ⁵	6976.08 ⁵
GHG emission intensity (/RMB'000 revenue)		0.0157	0.0258 ⁵	0.0255 ⁵

Note 1: Emission factors were referred to Appendix C2 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor of 0.5703 tCO₂eq./MWh was used for purchased electricity in Guangdong Province, the PRC, according to the Ministry of Ecology and Environment of PRC.

Note 3: Emission factor of 0.435 kgCO₂eq./m³ and 0.21915 kgCO₂eq./m³ were applied for electricity used for processing fresh water and sewage by government departments/third parties.

Note 4: Emissions were calculated using the online tool provided by International Civil Aviation Organisation.

Note 5: Due to the clerical error, the amount of diesel used in stationary combustion sources was erroneously stated to be 1/1000 times the actual amount in 2022 and 2021. Please refer to the table detailing 2023 GHG emissions breakdown and comparisons to previous years for the correct figures of GHG emissions for 2021 and 2022. The following figures have been revised as such:

2022 Scope 1 Direct Emission from Combustion of fuels in stationary sources – Diesel: Revised Figure (660.00 tCO₂eq), Previous Figure (0.64 tCO₂eq)

2021 Scope 1 Direct Emission from Combustion of fuels in stationary sources – Diesel: Revised Figure (773.45 tCO₂eq), Previous Figure (0.67 tCO₂eq)

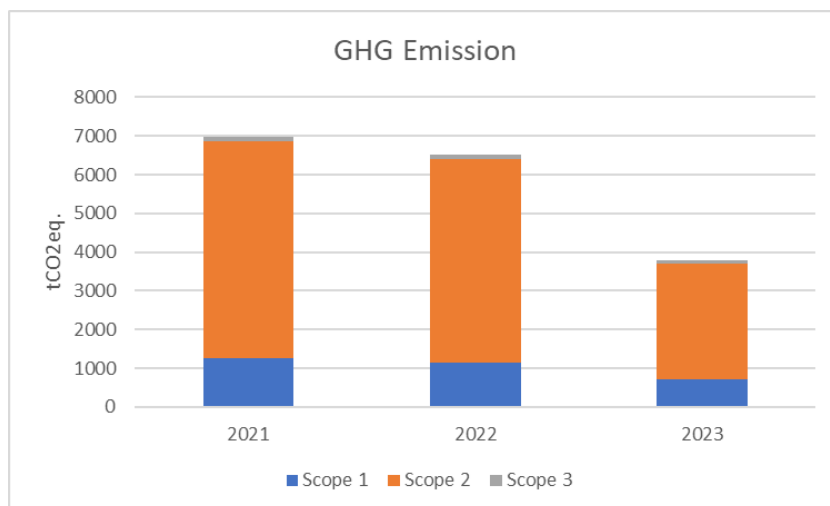
2022 Total GHG Emission: Revised Figure (6,523.03 tCO₂eq), Previous Figure (5,863.67 tCO₂eq)

2021 Total GHG Emission: Revised Figure (6,976.08 tCO₂eq), Previous Figure (6,203.30 tCO₂eq)

2022 GHG Emission Intensity: Revised Figure (0.0258 tCO₂eq/RMB'000 revenue), Previous Figure (0.0232 tCO₂eq/RMB'000 revenue)

2021 GHG Emission Intensity: Revised Figure (0.0255 tCO₂eq/RMB'000 revenue), Previous Figure (0.0227 tCO₂eq/RMB'000 revenue)

The figure below illustrates the annual changes for each scope: Scope 1 – direct GHG emissions, Scope 2 – energy indirect GHG emission and Scope 3 – other indirect GHG emissions.



Note: The figure is based on the revised numbers of emissions from the GHG emission table above.

A1.3 Hazardous Waste

The business operations of the Group generated 289.35 tonnes of hazardous waste during the Reporting Year. The hazardous waste production intensity was calculated at 7.61 kg/m² of floor space,

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or 1.21 kg/RMB'000 revenue. Hazardous waste generated consisted of sludge, waste packaging drums, laboratory waste liquids, waste mineral oil and waste light tubes. Designated areas with signages have been arranged for temporary storage of hazardous waste, which is then collected by registered recyclers.

Hazardous waste	Annual waste amount	Unit
Sludge	288,970	kg
Waste packaging drums	60	kg
Laboratory waste liquids	179.5	kg
Waste mineral oil	114.5	kg
Waste light tubes	27	kg

A1.4 Non-hazardous Waste

The Group generated a total of 103.21 tonnes of non-hazardous waste during the Reporting Year. The non-hazardous waste production intensity of was 2.72 kg/m² of floor space, or 0.43 kg/RMB'000 revenue. Non-hazardous waste was mainly cardboard, tape and wax paper. They were all collected by recyclers for downstream recycling.

Non-hazardous waste	Annual waste amount	Unit
Cardboard	59,930	kg
Tape	15,880	kg
Plastic bag	1,760	kg
Waste paper	8,350	kg
Iron	1,120	kg
Wax paper	16,170	kg

A1.5 Measures to Mitigate Emissions

The Group is aware of the emissions generated from its operation. Certain measures have been implemented to control emissions:

- Centralised the production process and optimised manufacturing efficiency;
- Partnered with professional logistics companies, which managed delivery service efficiently to reduce fuel consumption;
- Arranged shuttle bus service for employees to travel to metro stations, encouraging the use of public transports;
- Reduced the number of business trips through utilising electronic communication such as video conferences and online meetings; and
- Purchased an electric car for less usage of fuel.

The Group's objective was to reduce GHG emissions intensity by 5% between 2021 and 2026. By comparing to the restated baseline figure, GHG emission intensity (per RMB'000 revenue) for 2023 showed a significant decrease of 38.43%. This sharp reduction can be explained by the removal of public electricity usage (i.e. electricity consumed by other companies/sites sharing the public areas with the Company) in the current Reporting Year, while such electricity usage cannot be separately eliminated from the total electricity consumption in previous years. Scope 2 energy indirect emission is therefore largely reduced, causing lower amount of GHG emissions and intensity.

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During the Reporting Year, the Board and the ESG Committee have reviewed the progress made against the GHG emission reduction target. The Group has decided to revise the baseline year to the current Reporting Year since the Group has removed the public electricity usage from the total electricity consumption, which enabled consistent comparison in the future and led to a high accuracy. The readjusted target for the Group is to achieve 5% reduction in GHG emission intensity in 5 years starting from 2023, or by 2028.

The Group's objective is to reduce the overall air emission intensity by 5% between 2021 and 2026. During the Reporting Year, the Board and the ESG Committee have reviewed the progress made against the air emission reduction target. The air emission intensity of SOx displayed a significant reduction compared to the baseline while an increase has been observed in both NOx and PM intensity. The Group will continue with its efforts to reduce the intensity of GHG and air emissions on an ongoing basis.

The table below compares the intensity of air emissions and GHG emissions (per RMB'000 revenue) in 2021 (baseline) and in 2023.

Air and GHG emission intensity / Year	SOx (kg/RMB'000 revenue)	NOx (kg/RMB'000 revenue)	PM (kg/RMB'000 revenue)	GHG (tCO2eq./RMB'000 revenue)
2021	9.92*10 ⁻⁶	4.97*10 ⁻³	4.42*10 ⁻⁴	0.0255
2023	2.53*10 ⁻⁶	6.76*10 ⁻³	6.14*10 ⁻⁴	0.0157
	-74.5%	+36.02%	+38.91%	-38.43%

A1.6 Wastes Reduction and Initiatives

The Group has incorporated the 3R-principles (Reduce, Reuse and Recycle) in its operation procedures in the workplace and pledges to promote environmentally friendly behaviours among employees to improve overall waste management. Various initiatives have been implemented to reduce waste generation, including:

- Conducting sales through the online sales channel, which allows electronic confirmations, receipts, and newsletters through their e-mail and/or other electronic accounts to reduce paper consumption;
- Encouraging employees to use double-sided printing;
- Placing recycling facilities in the office and factory for waste separation ;
- Posting waste reduction posters throughout office and factory;
- Employing qualified contractors for collecting recyclables;
- Using only durable food containers, cutlery and cups in the canteen; and
- Promoting food waste minimisation in canteen and kitchen.

The Group's objective is to reduce overall waste generation intensity by 30% between 2022 and 2032. The Board and the ESG Committee have reviewed the progress made against the waste reduction targets during the Reporting Year. The Group was able to reduce the intensity of hazardous waste (per m²) by 3.30% and non-hazardous waste (per m²) by 24.02% compared to the baseline. The Group will continue its efforts to reduce the discharge and intensity of both hazardous and non-hazardous waste on an ongoing basis.

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A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources. To meet the Group's environmental commitments, various efficiency initiatives have been implemented to minimise the use of energy, water consumption and use of packaging materials.

A2.1 Energy Consumption

During the Reporting Year, the total energy consumption by the Group was 7,886,478.23 kWh, with an intensity of 207.55 kWh/m² of floor space and 32.86 kWh/RMB'000 revenue. Types of energy consumed included electricity, petrol and diesel.

The detailed energy consumption from year 2021 to 2023 is summarized in the table below.

Energy Consumption Sources	2023 Direct Consumption	2023 Consumption (in kWh)	2022 Consumption (in kWh)	2021 Consumption (in kWh)
Petrol (Stationary)	0.00 L	0.00	0.00	0.00
Petrol (Mobile)	30,926.00 L	274,070.54	1,548,845.06	1,533,880.68
Diesel (Stationary)	226,868.88 L	2,268,263.34	2,521,852.49 ¹	2,955,341.28 ¹
Diesel (Mobile)	9,419.00 L	94,172.34	78,145.34	105,845.43
Electricity	5,249,972.00 kWh	5,249,972.00	9,050,280.00	9,182,151.00
TOTAL		7,886,478.23	13,199,122.89¹	13,777,218.39¹
Energy Use Intensity (/RMB'000 revenue)		32.86	52.17¹	50.36¹

Note 1:

Due to the clerical error, the amount of diesel used in stationary combustion sources was erroneously stated to be 1/1000 times the actual amount for 2022 and 2021. The Figures for Energy Consumption from Diesel (Stationary) and Total Energy Consumption for the year 2022 and 2021 have been restated:

2022 Energy Consumption Energy Consumption from Diesel (Stationary): Revised Figure (2,521,852.49 kWh), Previous Figure (2,435.74kWh)

2021 Energy Consumption Energy Consumption from Diesel (Stationary): Revised Figure (2,955,341.28 kWh), Previous Figure (2,543.32kWh)

2022 Total Energy Consumption: Revised Figure (13,199,122.89 kWh), Previous Figure (10,679,706.14kWh)

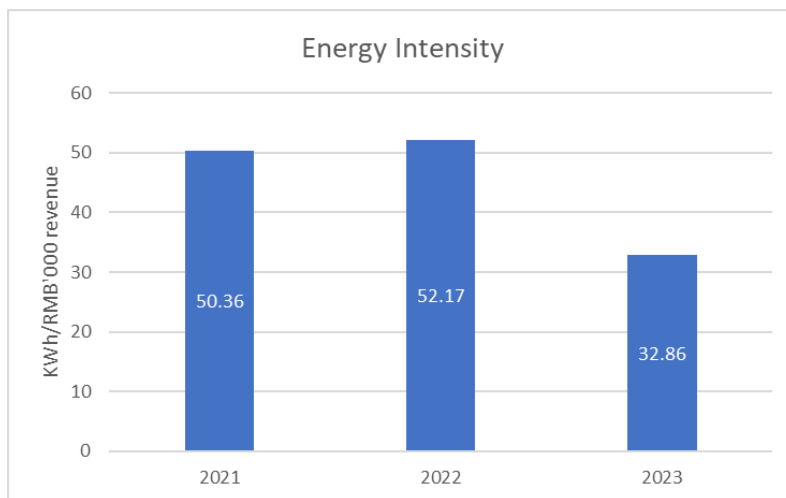
2021 Total Energy Consumption: Revised Figure (13,777,218.39 kWh), Previous Figure (10,824,420.43kWh)

2022 Energy Use Intensity: Revised Figure (52.17kWh/RMB'000 revenue), Previous Figure (42.21 kWh/RMB'000 revenue)

2021 Energy Use Intensity: Revised Figure (50.36kWh/RMB'000 revenue), Previous Figure (39.56 kWh/RMB'000 revenue)

Environmental, Social and Governance Report 2023 (Continued)

The figure below illustrates the annual changes for energy intensity in terms of revenue:

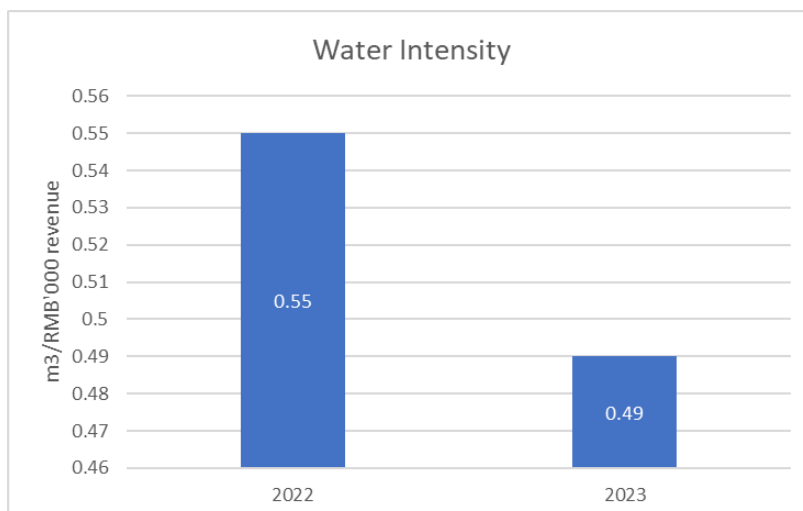


Note: The figure is based on the revised numbers of Energy Use Intensity displayed in the previous energy consumption table.

A2.2 Water Consumption

During the Reporting Year, the total water consumption for the Group was 117,700 m³, with an intensity of 3.10 m³/m² of floor space, and 0.49 m³/RMB'000 revenue. Freshwater consumed was sourced from the Guangzhou Water Supply Company. No issues on sourcing water were reported during the Reporting Year.

The chart below illustrates the annual changes for water intensity in terms of revenue:



Wastewater

During the Reporting Year, 93,211 m³ wastewater was generated. The wastewater generation intensity was 2.45 m³/m² of floor space, and 0.39 m³/RMB'000 revenue. The wastewater was treated onsite by dissolved air flotation, and anaerobic and contact oxidation processes.

Various wastewater indicators such as pH, total suspended solids, chemical oxygen demand, biochemical oxygen demand, and Sulphide, etc. were measured. The monitoring reports presented

Environmental, Social and Governance Report 2023 (Continued)

that all effluents during the Reporting Period were within the permissible level of the Discharge Standard of Water Pollutants. The Environmental Monitoring Station of Guangzhou Baiyun District also monitors the effluent generated by the Group. No exceedances were observed during the Reporting Year.

A2.3 Energy Use Efficiency Initiatives

The Group continues to implement initiatives for promoting efficient energy consumption. It has swapped to LED lightings in the factory, offices and the car parks to save energy. The Group ensures rational use of energy resources. All employees shall turn off air-conditioners, printers, computers and monitors before leaving the workplace. Idling electrical appliances shall also be switched off. If there is serious violation of energy-saving practices, the department involved will be fined.

During the Reporting Year, the Group has implemented a photovoltaic power generation project with a total investment of more than RMB10 million. This power generation equipment will produce clean and renewable energy for our business and is expected to reduce the purchased electricity by more than 50% every year. Subsequent to the balance sheet date, the power generation equipment has commenced its operations since February 1, 2024.

The Group's objective is to reduce overall energy use intensity by 10% between 2021 and 2031. Based on the revised baseline intensity (per RMB'000 revenue), a decline of 34.75% in energy use intensity (per RMB'000 revenue) was achieved from 2021 to 2023. However, this significant reduction could be explained by the elimination of public electricity usage during the Reporting Year, while such electricity usage cannot be separately removed from the total electricity consumption in previous years.

During the Reporting Year, the Board and the ESG Committee have reviewed the progress made against the energy reduction target. The Group has decided to revise the baseline year to the current Reporting Year since the Group has removed the public electricity usage from the total electricity consumption, which enabled consistent comparison in the future and improved accuracy. The readjusted target for the Group is to achieve 10% reduction in overall energy use intensity in 10 years starting from 2023, or by 2033. With the implementation of the photovoltaic power generation project in 2024, The Group expects to lower its energy consumption consistently in the near future.

A2.4 Water Use Efficiency Initiatives

The Group preserves precious water resources and has implemented initiatives to minimise water consumption. It encourages the use of greywater for flushing toilets after onsite wastewater treatment. Water saving signage is placed in the bathrooms to remind employees to conserve water. Splits and leaks in hoses and water pipes are repaired promptly.

The Group's objective is to reduce overall water use intensity by 10% between 2022 and 2032. During the Reporting Year, the Board and the ESG Committee have reviewed the progress made against the water use reduction target during the Reporting Year. The overall water use intensity reduced by 10.91% compared to the baseline and the Group has therefore achieved the target set last year. In this case, the Board and the ESG committee have decided to set a new target, aiming to achieve a 10% reduction in overall water use intensity in 10 years starting from 2023, or by 2033.

A2.5 Packaging Material

A total amount of 2,250 tonnes of packaging materials were consumed during the Reporting Year. The Group has replaced the old packaging materials with polyethylene (PE) or polyethylene terephthalate (PET), which are recyclable materials, for packaging.

Environmental, Social and Governance Report 2023 (Continued)

Packaging materials	Annual consumption (in tonne)
Packaging bottle & attachments	1,200
Graphic carton and label	420
Carton and paper board	500
Plastic wrapping	130

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's operation did not cause significant adverse impacts on the environment and natural resources. The Group monitors air emission, wastewater discharge, and noise level, and also takes into consideration the environmental impacts from materials used in our operations. For example, the packaging materials used in our products are biodegradable and recyclable in accordance with relevant hygienic standard for cosmetics. During the Reporting year, the Group did not receive any complaints from the community regarding air pollution, odour, noise, or light nuisance.

A4. Climate Change

Climate change poses a huge threat to all businesses including the Group. In order to fully cope with the opportunities and challenges brought about by climate change, the Board has established an ESG Committee, which is mainly responsible for the management of the Group's ESG development strategy and the implementation and supervision of various activities. In response to climate change and its associated impacts, the ESG Committee has carefully assessed related risks and opportunities, developed corresponding strategies and targets for climate change, and reported regularly to the Board.

The ESG Committee has identified the following climate-related risks, their time horizons, potential financial impacts, and their overall risk levels. The overall risk level has been determined depending on the possibility of occurrence and impact of the risks.

Risk	Time Horizon	Potential Financial Impact	Probability of Occurrence	Level of Impact	Risk Level
Extreme Weather Events	Short-term	Disrupt the logistic and warehouse systems and negatively affect the revenue of the Group	Low	Medium	Low
Extreme Weather Events	Long-term	Disrupt the logistic and warehouse systems and negatively affect the revenue of the Group	Low	High	Medium
Change of	Short-term	Increase in the	Low	Low	Low

Environmental, Social and Governance Report 2023 (Continued)

Technologies		capital investments for the adaptation of new processes, increase in the R&D expenditures			
Change of Market Environment	Short-term	Reduction in the demand of products, leading to lower revenue	Medium	Medium	Medium
Reputation (Shift in the consumer preference)	Short-term	Reduction in the demand of products, leading to lower revenue	High	High	High

The ESG Committee considers that, based on the information currently available, the probability of occurrence for the extreme weather events that would have a large material adverse effect on the Group's operations is low in both the short-term and the long-term. This is because our production and sales are mainly concentrated in the southern China region where extreme weather events are less likely to happen. However, if extreme weather events occur, our production and logistic systems would be greatly disrupted, resulting in sharp reduction in the sales revenue.

Change of technologies is not likely to have any influence on the operation of our business. The Group has distinctive core technologies and stable R&D teams who would make improvements to products according to the market needs. Therefore, impacts on our financials would be manageable.

Sluggish market condition and shift in the consumer preference may pose medium to high risks to the business, notwithstanding their short-term effects. Consumer spending is likely to be dampened during the economy downturn and consumers are inclined to purchase lower-priced products, leading to a reduction of demand in products and shrinkage of sales revenue.

The ESG Committee has also identified climate-related opportunities. Section "Climate-related risks and opportunities" on page 7 provides more information regarding relevant risks/opportunities, mitigation methods and financial impacts.

During the Reporting Year, the Group has formulated various targets on GHG emission control, waste management, water and energy saving to manage the climate-related risks. These targets are disclosed in section "A. Environmental" on page 8.

Environmental, Social and Governance Report 2023 (Continued)

B. Social

1. Employment and labour practices

The Group stringently complies with the national and local laws and regulations concerning employment and labour practices, including but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law of the PRC on the Protection of Rights and Interests of Women;
- Law of the PRC on the Protection of Minors;
- Law of the PRC on the Protection of Disabled Persons;
- Trade Union Law of the PRC;
- Social insurance Law of the PRC;
- Regulation on Paid Annual Leave for Employees; and
- Provisions on the Prohibition of Using Child Labour.

No non-compliance with relevant laws and regulations which had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Year.

B1. Employment

Employment Policies

During the Reporting Year, there were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination and other benefits and welfare for the Group.

The Group prescribes the policies and procedures relevant to employees benefits, welfare and compensation. The Group rewards its employee with competitive remuneration packages and welfare benefits which are commensurate with their experience and responsibilities. Working hours are arranged in accordance with the law and the employee's nature of work.

Compensation and Benefits Package

The Group offers competitive remuneration packages to the employee in accordance with their performance, relevant skills, experience and contribution. The Group also offers other benefits including statutory holidays, basic social insurance and housing provident funds. Employees can apply for time-off for overtime work.

The Group fully realises the value of talents which is the main driver of the productivity, thus placing a great importance on the improvement of working environment and working condition for employees. Accommodation, free meals, shuttle bus services and annual check-ups are provided to employees. The Group also endeavours to continuously enhance its medical training and development mechanism in order to meet the needs of professional development for individuals.

In the case of layoffs, the Group provided appropriate compensation for those who were made redundant in the Guangzhou office.

Environmental, Social and Governance Report 2023 (Continued)

Award and Penalty System

The appraisal, promotion, and reward and penalty systems were outlined in the Employment Contract and Employment Handbook. The Group carries out annual performance appraisal for employees according to the work assignments and duties, which mainly focuses on two areas: (1) result — meeting the target; (2) process — in alignment with the Group’s policies, values and requirements/expectations stated in the Employment Handbook. Bonus distribution, salary adjustment, training, promotion, and transfer of job position may be considered and discussed in line with individual employee’s work performance.

The Group offers opportunities for career advancement for its employees. Employees are notified and given priority for application when job vacancies arise. The Group’s Promotion Management System provides standardised terms and conditions regarding promotion.

Equal Opportunity

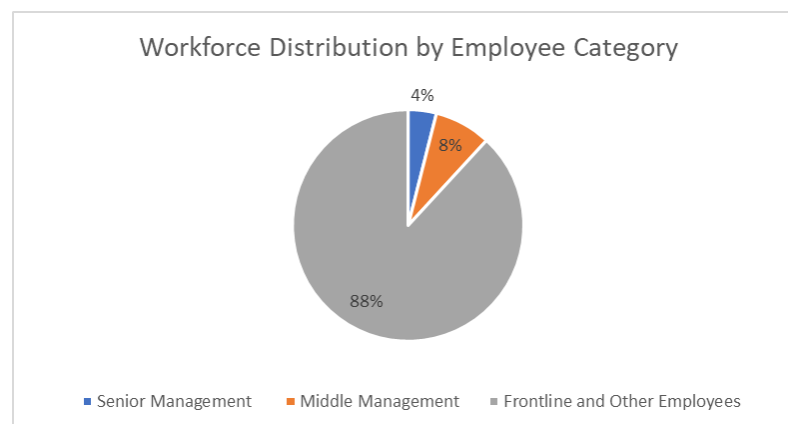
Believing in the concept of “work in harmony despite our differences”, the Group encourages diversity among the workforce. The principle of equal opportunities is applied in all employment policies, in particular to recruitment, training, career development and promotion of employees. The Group promotes fair competition and prohibits discrimination or harassment against any employee on their gender, age, marital status, religion, race, nationality, disability or any status protected by law.

Communication

The Group encourages communication between the management team and employees. During the Reporting Year, the Group regularly organises birthday parties and staff meetings, and arranged tea parties from time to time. Gifts are prepared for employees during the public holidays and monthly internal discounts are offered, allowing staff to purchase any products of the company. In addition to that, a basketball court has been put up for employees and basketball matches are held from time to time which enhance communication among the teams.

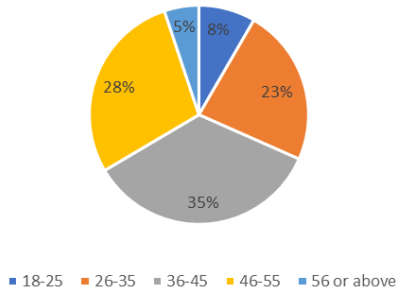
Workforce

The Group had a total number of 430 employees as of 31 December 2023. The charts below present the distribution of workforce.

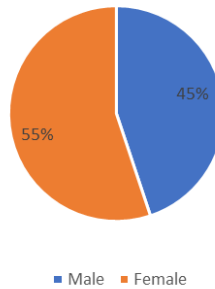


Environmental, Social and Governance Report 2023 (Continued)

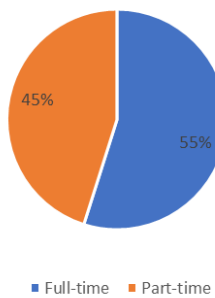
Workforce Distribution by Age Group



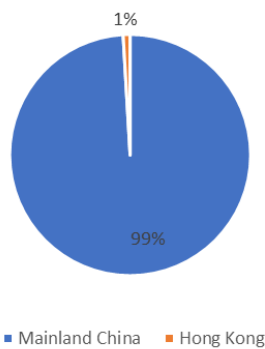
Workforce Distribution by Gender



Workforce Distribution by Employment Type



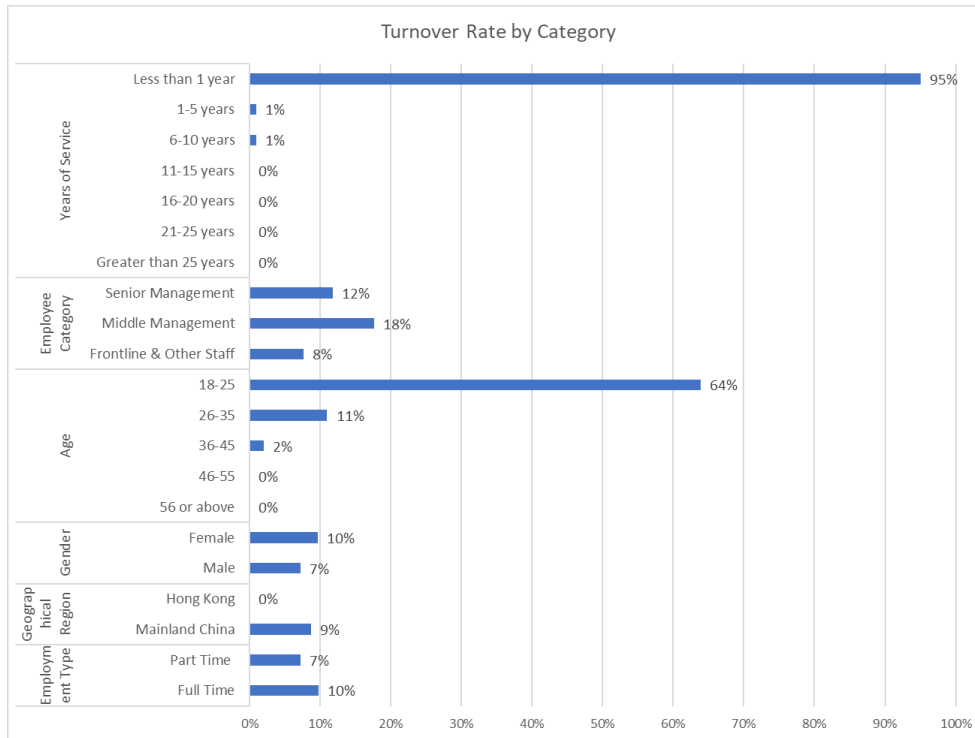
Workforce Distribution by Geographical Region



Environmental, Social and Governance Report 2023 (Continued)

Turnover

During the Reporting Year, 37 employees left the Group, representing an annual turnover rate of 8.60% or an employee retention rate of 91.40%. The details of turnover rate is shown in the table below.



B2. Occupational Health and Safety

The Group is committed to providing a healthy and safe working environment for all employees. It undertakes to safeguard the health and safety of its employees and requires all employees to strictly observe the health & safety measures stated on the Employment Handbook.

It promotes safety practices and enhances employees' awareness through regular training and safety drills. Employees are familiarised with the Group's Health and Safety Policy, system operation, operating procedures, and emergency response. Health and safety standards are given prime consideration in operation and regulatory compliance is strongly upheld. Appropriate measures are taken to continuously improve the health and safety in the workplace.

During the Reporting Year, the Group has continued to carry out occupational health and safety supervision with a focus on the management and control of personal unsafe behaviour and promoted standard working procedures among its employees to reduce unsafe behaviour. In addition, the Group has organised regular health inspections for its employees at hospitals, with testing focusing on occupational disease hazards such as noise, butanone, acetone, etc. At the same time, the Group has also performed work hazard analysis, with core safety concerns placed on machinery operations that violate safety protocols, safe use of electricity, fire prevention, risk assessment, and hidden workplace hazards. The Group has conducted monthly special safety inspections on the workshop to detect the operational risks of each operation flow, and appropriate safety precaution measures have been implemented as per results of the inspections.

Environmental, Social and Governance Report 2023 (Continued)

During the Reporting Year, the Group complied with relevant laws and regulations, such as the Law of the PRC on the Prevention and Control of Occupational Diseases, Fire Protection Law of the PRC, and Law on Safety Production. No material non-compliance of laws and regulations relevant to health and safety of employees was found.

Occupational Health and Safety Data

	2023	2022	2021
Number of work fatalities	0	0	0
Fatality rate	0%	0%	0%
Cases that contributed to >3 lost working days	0	0	0
Work injury cases that contributed to ≤3 lost working days	0	0	0
Lost days due to work injury	0	0	0

B3. Development and Training

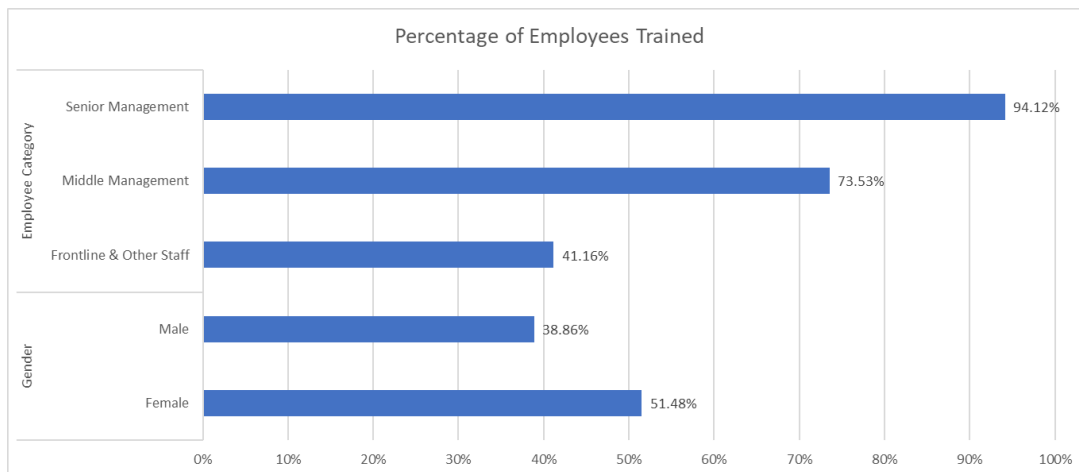
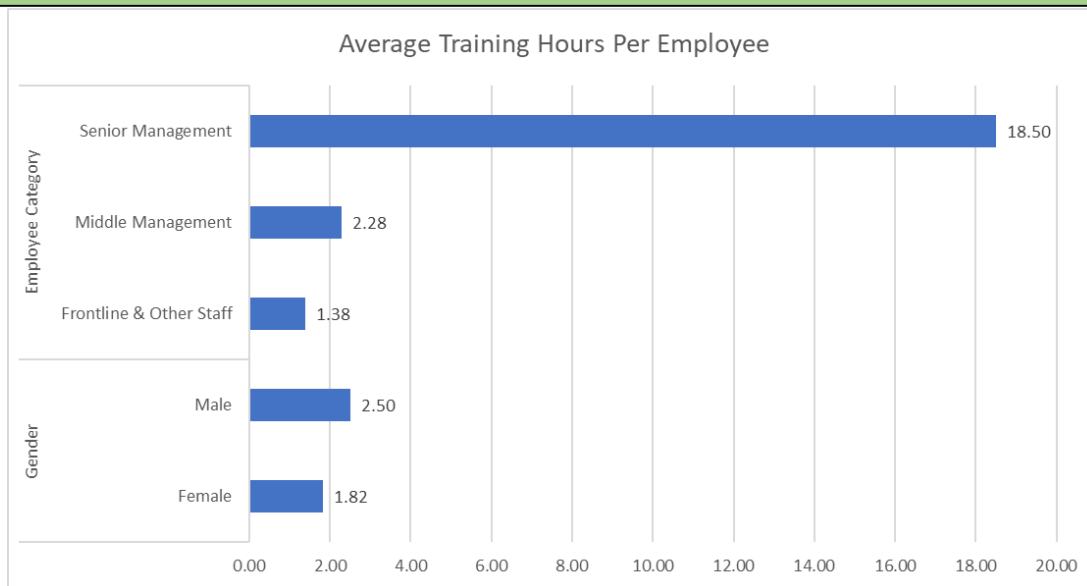
The Group provides comprehensive career development and training to employees. Training needs are identified through various channels such as performance evaluation and employees' feedback, and are also assessed from time to time to ensure that current development and training activities are effective in upgrading employee skills. During the Reporting Year, the Group has provided various training sessions for employees including Directors. Each new employee would receive orientation training at the company level and on-the-job training at the departmental level. Different departments arranged regular internal and external training for staff on a variety of topics including anti-bribery, production safety, quality control, brand development, etc. Employees who have participated in external training would conduct an internal sharing session to discuss what they have learnt.

In addition to the career development provided for employees, the Group continues to invest in the professional developments for Board members to ensure that their contribution to the Board remains informed and relevant, and that they are kept abreast of the latest development of the rules and regulations which are applicable to their duties as Directors. The Board receives regular updates on the Group's business, operations, risk management, corporate governance matters, and participated in the Directors' training internally and/or offered by external professional bodies.

During the Reporting Year, the Directors received an aggregate of approximately 229 hours of training in various fields, representing an average of approximately 38.17 hours of training per Director.

During the Reporting Year, 197 employees, or 45.81% of employees received training, and the average training hour per employee (inclusive of employees who did not receive training) was 2.13 hours.

Environmental, Social and Governance Report 2023 (Continued)



B4. Labour Standards

The Group strictly observes relevant laws and regulations such as the Labour Law of the PRC, the Labour Contract Law of the PRC, and the Provisions on the Prohibition of Using Child Labour. The Group has established policies relating to child labour and forced labour prevention.

The Group requires all applicants to provide true and accurate personal information. The Human Resources Department stringently verifies the information provided against documents that include identity card and academic certificates, during the recruitment process to guard against child labour. No teenagers under 16 years old shall be employed by the Group according to the recruitment guideline of the Group. Any employee caught with a borrowed ID will be reprimanded or dismissed from his/her job, depending on the situation.

The Group prohibits unauthorised overtime work. It states clearly the number of working hours on the employment contract. Employees working overtime must get prior approval from line managers and they are eligible for compensation in the form of compensatory leave in lieu. When any overtime work or forced labour is discovered, the Group would act immediately to stop such violation and investigation procedures will be commenced immediately.

Environmental, Social and Governance Report 2023 (Continued)

The Group did not note any cases of material non-compliance relating to labour laws and regulations which had a significant impact on the Group during the Reporting Year.

2. Operating Practices

B5. Supply Chain Management

The Group believes that the suppliers' responsible practices are critical to its business excellence. To ensure the suppliers' capabilities in providing qualified raw materials, the Group's supply chain management system assesses both the product and service quality and social responsibility of the suppliers. Suppliers are required to provide certificates and samples for investigation and quality check.

The Group has no standardised policy on managing the environmental and social risks of the extend suppliers of its supply chain. Nevertheless, the Group encourages suppliers to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance, and the Group carries out unscheduled visits to inspect the environmental and social performance of its suppliers and assess any environmental and social risks in its supply chain. The Group selects and evaluates distributors and suppliers with designated assessment criteria with a view to engaging only qualified distributors and suppliers. For instance, the Group screens out vendors who are known to employ child or forced labour in their operations.

The Group also gives preference to suppliers that are more environmentally friendly. The Group has implemented procurement policies for purchasing products or materials with environmental certification, as well as choosing suppliers which have been certified under ISO14001 or other equivalent certifications. Finally, the Group conducts annual assessment of its suppliers.

During the Reporting Year, the Group has engaged with 146 suppliers from various provinces and municipalities in the PRC to supply raw materials, packaging materials and transport services, of which details are as follows:

Supplier Region	Numbers
Guangdong	132
Shanghai	4
Zhejiang	2
Guangxi	1
Fujian	1
Hunan	1
Shandong	1
Shanxi	1
Chongqing	1
Jiangsu	1
Beijing	1

Environmental, Social and Governance Report 2023 (Continued)

B6. Product Responsibility

Product Labelling and Advertising

The Group provides clear and reliable information regarding its products, such as information on the Chinese herbal medicine ingredients, safe consumption advice and inspected shelf lives on product labels. Product details are also available in printed promotional materials and on its website.

The Group strictly follows applicable laws and regulations such as the Advertising Law of the PRC, Trademark Law of the PRC and Anti-unfair Competition Law of the PRC. No non-compliance with relevant laws and regulations relating to product labelling and advertising which had a significant impact on the Group had been identified during the Reporting Year.

Product Quality Assurance

Producing safe and high-quality products is one of the primary considerations of the Group. Its production plants in PRC are ISO22716 Cosmetics - Good Manufacturing Practices certified. Adhering to a strict quality control approach, the Group has also devised a quality control system for constantly examining and testing products by scientific methods, ensuring the product quality. Measures and procedures for product quality and safety control include:

- The Group strictly monitors the use of Chinese herbs in the health and personal care products based on the Cosmetics Safety Technical Specification (2015 Edition);
- The Group conducts tests and risk assessments on the active ingredients, pesticide residues, and heavy metals of raw materials according to the Chinese Pharmacopoeia;
- The Group sends final products to the third-party testing organisation (government designated) for inspection and product registration under the National Medical Products Administration.

As per product recall procedures, the Group has implemented three stages of product recall based on the level of severity to public health and safety. For the lowest stage (product only contains labelling violations), the Group shall recall products that have been shipped out to dealers. For the middle stage (product contains dangers or defects that may cause temporary health issues to consumers), the Group shall recall products that have been shipped to retail and/or placed on shelves. For the highest stage (product contains dangers or defects that may cause severe harm or death to consumers), the Group shall recall products that have been sold to consumers, as well as publish a recall announcement in news media. During the Reporting Year, the Group did not recall any product because of safety and health reasons.

The Group did not have any material non-compliance of the relevant laws and regulations regarding product safety and health. In addition, the Group also had not received any products nor service-related complaints during the Reporting Year.

Data Protection

The Group understands that it has an indispensable responsibility for personal data privacy protection. The Group highly respects personal data privacy and is firmly committed to preserving the following data protection principles:

- Only collecting personal data that is believed to be relevant and required for its business operations;
- Using personal data only for the purpose for which the data is collected or for a directly related purpose, unless consent by the data owner is obtained;

Environmental, Social and Governance Report 2023 (Continued)

- Not transferring or disclosing personal data to any entity that is not a member of the Group without consent by the data owner, unless it is required by law; and
- Maintaining security systems and implementing measures to prevent unauthorised access to personal data.

Due to the extensive expanding of e-commerce, the Group has established controlling schemes to protect customer data privacy:

- Anyone who needs to access the back end of the database to extract customer information should apply through submitting a form to the Department Head and fully explain the reasons. Each staff member has a corresponding account number for tracing purposes in case of any information leakage found; and
- The Group provides information security training to all employees, especially new employees, to raise their awareness of customer data privacy protection.

There were no non-compliance cases noted in relation to data privacy which had a significant impact on the Group during the Reporting Year.

Intellectual Property

The Group extensively invests in research & development activities and prides itself on introducing innovative household and personal care products. As of December 31, 2023, the Group has obtained a total number of 32 patent rights, regarding invention, utility, design and appearance. During the Reporting Year, the Group was granted 3 new patent rights. As of December 31, 2023, the Group holds a total of 199 officially registered trademarks, which of 159 are registered in PRC and 40 of which are registered in Hong Kong or overseas. During the Reporting Year, the Group registered 22 new copyrighted trademarks in the PRC.

As stated in the Employment Contract, disclosure of operation-related management and technology, market or financial information, confidential information of customers, products, business operations, designs, inventions, services, and any other trade secrets are strictly prohibited. All new employees must sign the Non-Disclosure and Confidentiality Agreement together with the Employment Contract.

B7. Anti-corruption

The Group stresses on maintaining high ethical standards and integrity in its business operations. It strictly follows the Anti-unfair Competition Law of the PRC, Company Law of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery.

As stated in the Employment Handbook, all employees are required to carry out the Group's business operations with integrity. Potential or actual bribery, extortion, fraud and money laundering are strictly prohibited. Employees violating such prohibition will be subject to warnings and disciplinary action, including dismissal. In addition to the code of conduct on anti-bribery and anti-corruption mentioned in the Employment Handbook, the Group has issued relevant whistle-blowing channel for stakeholders to report any suspected fraudulent actions to the Group's management directly. Further investigation would be conducted to determine the appropriate course of action if necessary.

Stakeholders can report any suspected fraudulent actions through multiple channels to the Group's management directly. Whilst anonymous complaints are permitted, stakeholders are encouraged to disclose their identity in case further information is required and/or feedback on the complaints can be provided. All complaints will be treated confidentially and will be acknowledged receipt if contact details are provided. The Group will not divulge the identity of stakeholders unless it is required by

Environmental, Social and Governance Report 2023 (Continued)

the relevant regulators or enforcement authority. Upon receipt of specific information about the case, the management will make a preliminary assessment of the validity the complaint. If it is genuine, the responsible executive Director will promptly organize an internal investigation into the matter and report the findings to the Board for determination.

Furthermore, the Group has implemented the following preventive measures to fight against anti-bribery and anti-corruption in the work-place:

- clear business management and approval process;
- specific guidelines on gift and entertainment;
- convenient whistle-blowing procedures; and
- declaration of conflict of interest.

As one of the preventative measures for bribery and money laundering, the Group prepares relevant documents as requested by the bank as well as the BVI registered agent on an annual basis. These documents are signed, sealed and delivered to them for record keeping.

To combat corruption in the business operations and avoid any misconduct incidents, the Group acknowledges the significance of providing anti-corruption training to its employees. During the Reporting Year, a total of 128 staff members including all Directors were arranged to attend an anti-corruption training. This training session covered essential topics of anti-bribery and anti-corruption on relevant regulations.

In order to avoid the situation of conflicts of interest, the Group has enforced relevant rules in the selection of staff members and/or Directors in dealing with related party transactions. These transactions are reviewed and examined by internal auditors twice a year.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering had been identified during the Reporting Year. During the Reporting Year, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations which had a significant impact on the operations of the Company. There were no proven or suspected legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Year.

B8. Community Investment

The Group endeavours to implement corporate social responsibility and proactively participates in public welfare activities to promote society health. When making contributions or donations, the Group gives priority to the fields of education and poverty alleviation. In the case of hiring staff, priority is given to those who live nearby, for the purpose of promoting the employment in the local community.

During the Reporting Year, the Group participated in community engagement events and made donations to support the community, highlights of which are as follows:

Environmental, Social and Governance Report 2023 (Continued)

Activity Highlights in the Reporting Year

Events	Details
Charity sale	Partnered with Service Station of Guangzhou Qianjin Street to conduct a charity sale event on 20 May 2023.
Donation to women	Partnered with Service Station of Guangzhou Qianjin Sub-district to conduct a visitation activity, donating Bawang holiday gift packs to women in poverty during International Women's Day.
Easy Run for Marathon Public Welfare Activity	As the event sponsor, participated in the event of Easy Run for Marathon Public Welfare Activity organized by the People's Government of Jianggao Town on 3 December 2023.
Charity event during Christmas	HPC products including 300 bottles of shampoo and 300 bottles of shower gel were sold at cost to Tung Wah Group of Hospitals in Christmas time of 2023.

Understanding that promoting society health is a material topic to its stakeholders, the Group will consider putting more resources to further enhance its performance in the coming years.