



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

股票代碼: 01338



Environmental, Social and Governance Report 2024

2024年環境、社會及管治報告

\* for identification purposes only  
僅供識別

# Environmental, Social and Governance Report 2024

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## Scope and Reporting Year

This is the ninth Environmental, Social, and Governance (the “ESG”) report for BaWang International (Group) Holding Limited 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 published by the HKEX (“HKEX”).

The Group is principally engaged in the manufacturing and sale 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 2024 to 31 December 2024 (the “Reporting Year”), unless otherwise stated. The Reporting Scope is the same as for the previous ESG Report, which is determined based on their significance of operations to the Group’s revenue.

There has been no change to the methods or key performance indicators (“KPIs”) used or any other relevant factors affecting a meaningful comparison of this ESG report with the Group’s 2023 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. The Environmental, Social and Governance Committee (the “ESG Committee”), which is a sub-committee of the Board, is responsible for reviewing ESG-related issues, advising the Board, and overseeing the Group’s ESG performance. Following comprehensive evaluations conducted by the Environmental, Social and Governance Working Group (the “ESG Working Group”), which is overseen by the ESG Committee, the Board is confident that the Group has established 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 significant stakeholders, the procedures and results of the engagement of which are presented in the section headed “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.

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*Balance* – the Group's performance is presented in an unbiased and impartial manner. Omissions, if unavoidable, are explained.

*Consistency* – consistent statistical methodologies and KPI formats are applied to facilitate meaningful historical comparisons.

## The Group's Sustainability Mission and Vision

Due to the enhanced living standard, people adhere more to a healthy and natural lifestyle. The Group strives to satisfy customers' needs and differentiates itself from other competitors by providing Chinese herbal health 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. The ESG Committee, under the governance of the Board, is tasked with evaluating and offering guidance to the Board on ESG-related matters and supervising the Group's ESG performance. 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 the ESG Working Group in dealing with the execution of the ESG strategies reviewed and approved by the ESG Committee and the Board. The main duties and responsibilities of the ESG Committee include:

- 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;

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- 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.

During the Reporting Year, the ESG Committee reviewed and monitored the ESG progress made against targets during the ESG meetings 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.

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 raw materials for the Group’s production. 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 Change Mitigation”. 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 explanations for current target statuses can be found in the section “A. Environmental”.



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Performance Review					
Indicator		Baseline	Target	Reporting Period Performance	Target Status
Air emission intensity	SOx	9.92*10 <sup>-6</sup> kg/RMB'000 revenue	To achieve 5% reduction by 2026	2.47*10 <sup>-6</sup> kg/RMB'000 revenue	In Progress
	NOx	4.97*10 <sup>-3</sup> kg/RMB'000 revenue		6.18*10 <sup>-3</sup> kg/RMB'000 revenue	In Progress
	PM	4.42*10 <sup>-4</sup> kg/RMB'000 revenue		5.72*10 <sup>-4</sup> kg/RMB'000 revenue	In Progress
GHG emission intensity		0.0157 tCO <sub>2</sub> eq./RMB'000 revenue	To achieve 5% reduction by 2028	0.0116 tCO <sub>2</sub> eq./RMB'000 revenue	Achieved  New target set: to achieve 5% reduction in 5 years from 2024, or by 2029
Energy use intensity		32.86 kWh/RMB'000 revenue	To achieve 10% reduction by 2033	22.98 kWh/RMB'000 revenue	Achieved  New target set: to achieve 10% reduction in 10 years from 2024, or by 2034
Waste generation intensity	Hazardous waste generation intensity	7.87 kg/m <sup>2</sup>	To achieve 30% reduction by 2032	6.26 kg/m <sup>2</sup>	In Progress
	Non-Hazardous waste	3.58 kg/m <sup>2</sup>		2.81 kg/m <sup>2</sup>	In Progress
Water use intensity		0.49 m <sup>3</sup> /RMB'000 revenue	To achieve 10% reduction by 2032	0.64 m <sup>3</sup> /RMB'000 revenue	In Progress

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## 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 2024 ("FY2024"). 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 FY2024, the implementation of the photovoltaic power generation plant on the roof-top of the company's primary production facility has been a significant milestone for our group, leading to a substantial decrease in our electricity usage from the power grid. This strategic move towards clean energy not only aligns with our commitment to sustainable practices but also showcases our dedication to reducing our environmental footprint. Plans for the Phase II project are currently in progress.

## Stakeholder Engagement

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 in which everyone can thrive.

## Governance and Ethics

We continued to uphold high standards of corporate governance and ethics in FY2024. We have incorporated sustainable development management into the corporate governance structure of the Group, from committees at the Board level to operational-level departments and business units. Our commitment to sound governance practices ensures that we maintain the trust and confidence of our stakeholders.

## Performance Highlights

The Group has set a target to reduce GHG emissions intensity by 5% in the five years between 2023 and 2028. We are pleased to state that the GHG emission intensity (per RMB'000 revenue) for 2024 showed a significant decrease of 26.12% in comparison to the baseline. During the Reporting Year, the Group also managed to significantly cut the energy use intensity (per RMB'000 revenue) by 30%.

## Future Commitments

Looking forward, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategies. This report sets out our sustainability practices and approaches throughout the Reporting 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.

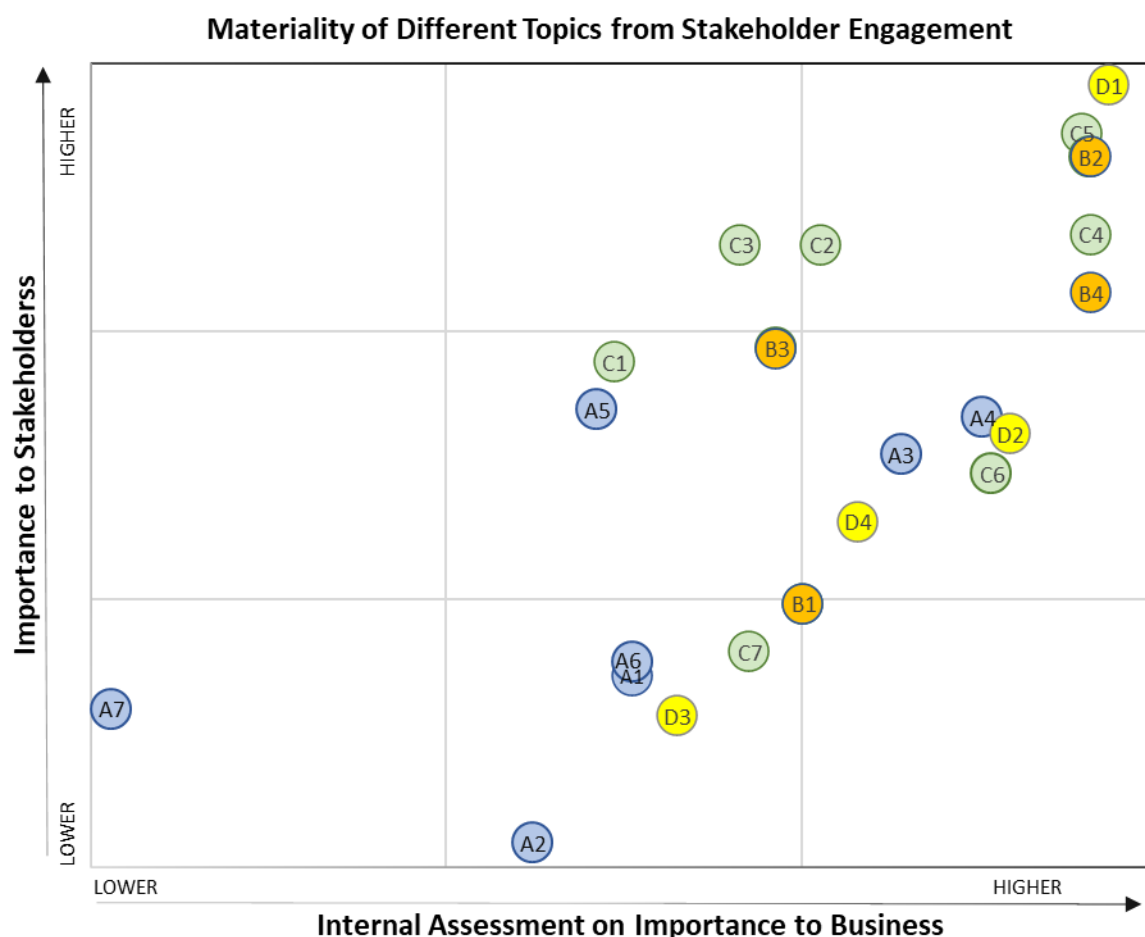
Stakeholder Groups	Engagement Channels
<b>Clients and Customers</b>	<ul style="list-style-type: none"> <li>- Annual and Interim Reports</li> <li>- Company Website</li> <li>- News Media</li> <li>- Customer Hotline</li> <li>- Scheduled Visits</li> <li>- Financial Verifications</li> <li>- E-commerce platforms: Taobao, Wechat, Vipshop, Pinduoduo, Kuaishou, Tencent Video, JD, Tiktok, Xiaohongshu, Dongfang Zhenxuan, Bank loyalty points</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>- Shareholder Meetings</li> <li>- Annual and Interim Reports</li> <li>- Company Website</li> <li>- Postal correspondences, emails or telephone communications</li> <li>- News Media</li> <li>- Disclosures on HKEX</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Employee Training Sessions</li> <li>- Employee Activities</li> <li>- Work Unions</li> <li>- Satisfaction Surveys</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Email/Phone Communication</li> <li>- Scheduled Visits</li> <li>- Satisfaction Surveys</li> <li>- Financial Verifications</li> </ul>
<b>Government and Regulatory Organisations</b>	<ul style="list-style-type: none"> <li>- Annual and Interim Reports</li> <li>- Scheduled Visits</li> <li>- Daily Communication</li> </ul>
<b>Non-Governmental Organisations</b>	<ul style="list-style-type: none"> <li>- Annual and Interim Reports</li> <li>- Scheduled Visits</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>- Communal Activities</li> <li>- Public Welfare Activities</li> </ul>

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.



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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.



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
- Labour Standards

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 at [IR@1338.hk](mailto:IR@1338.hk).

## Accreditations and awards

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

- the grant of permit for production of cosmetic products 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 to meet the requirements of
  - US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008 with a validity period until July 2025;
  - ISO 22716 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.

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## A. Environmental

The Group aims at improving its environmental performance by implementing various green initiatives that promote the sustainable use of natural resources and the reducing of emissions in the Group's operations, and raise employees' environmental awareness. During the Reporting Year, the Group has complied in all material respects 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 that have 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

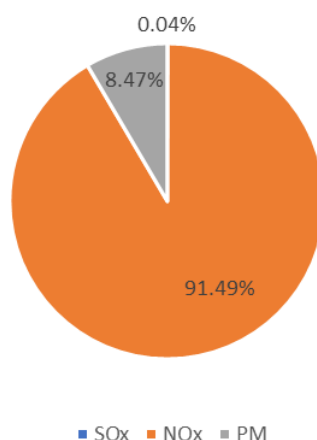
Light, medium, and heavy goods vehicles that consume petrol and diesel fuel have been used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) and respiratory suspended particles (PM).

Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO <sub>x</sub> (kg)	PM (kg)	SO <sub>x</sub> (kg)
Petrol and diesel	1605.73	148.67	0.64

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 the HKEX, unless stated otherwise.

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Percentage of Air Emissions



## A1.2 Greenhouse Gas (GHG) Emissions

During the Reporting Year, the Group's business operation contributed to the GHG emission of 3016.28 tonnes of carbon dioxide equivalent. The overall intensity of the GHG emissions for the Group was 0.08 tCO<sub>2</sub>eq./m<sup>2</sup> in terms of total floor area, and 0.0116 tCO<sub>2</sub>eq./RMB'000 revenue.

The reported GHG emissions were attributed to the following activities:

- Direct (scope 1) emissions: combustion of natural gas, 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.

Scope of GHG emissions	Emission sources		2024 GHG Emission	Sub-total	Total GHG Emission
			(in tCO <sub>2</sub> eq)	(in tCO <sub>2</sub> eq)	(in %)
Scope 1 Direct emission <sup>1</sup>	Combustion of fuels in stationary sources	Diesel	161.14	560.31	18.58
		Natural Gas	284.78		
	Combustion of fuels in mobile sources	Petrol	86.59		
		Diesel	27.80		
Scope 2 Energy indirect emission	Purchased electricity		1,924.63	1,924.63	63.81
Scope 3 Other indirect emission	Paper waste disposed at landfills		4.01	531.34	17.61
	Electricity used for processing fresh water by government departments/third parties		72.48		
	Electricity used for processing sewage by		24.65		

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	government departments/third parties		
	Business air travel by employees	430.20	
Total		3,016.28	100

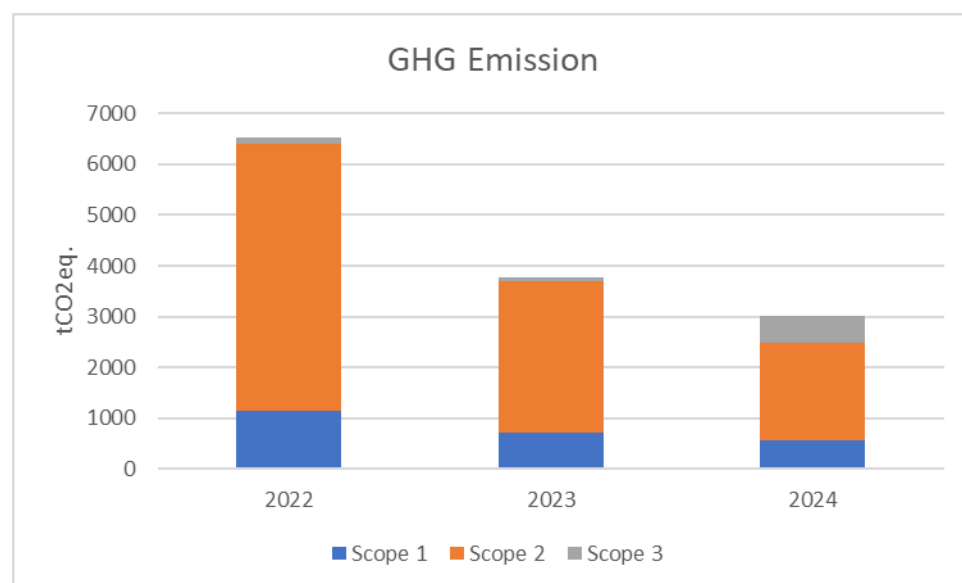
Note 1: Emission factors were referred to Appendix C2 to the Listing Rules and their referred documentation as set out by the HKEX, unless stated otherwise.

Note 2: Emission factor of 0.5366 kgCO<sub>2</sub>eq./kWh 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 0.437 kgCO<sub>2</sub>eq./m<sup>3</sup> and 0.21672 kgCO<sub>2</sub>eq./m<sup>3</sup> 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.

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.



## A1.3 Hazardous Waste

The business operation of the Group generated 237.70 tonnes of hazardous waste during the Reporting Year. The hazardous waste production intensity was calculated at 6.26 kg/m<sup>2</sup> of floor space, or 0.91 kg/RMB'000 of revenue. Hazardous waste generated consisted of sludge, waste packaging drums, laboratory waste liquids, waste mineral oil, waste light tubes and waste activated carbon. Designated areas with signages have been arranged for temporary storage of hazardous waste, which is then collected by registered recyclers.

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Hazardous waste	Annual waste amount	Unit
Sludge	237,480	kg
Waste packaging drums	10	kg
Laboratory waste liquids	100	kg
Waste mineral oil	10	kg
Waste light tubes	1.2	kg
Waste activated carbon	100	kg

## A1.4 Non-hazardous Waste

The Group generated a total of 106.67 tonnes of non-hazardous waste during the Reporting Year. The non-hazardous waste production intensity of was 2.81 kg/m<sup>2</sup>, or 0.41 kg/RMB'000 revenue. Non-hazardous waste was mainly cardboard, wood, tape and wax paper. They were all collected by recyclers for downstream recycling.

Non-hazardous waste	Annual waste amount	Unit
Cardboard	47,890	kg
Tape	15,630	kg
Plastic bag	1,940	kg
Waste paper	5,990	kg
Iron	5,580	kg
Wax paper	12,720	kg
Wood	16,120	kg
PET bottles	800	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; and
- Reduced the number of business trips through utilising electronic communication such as video conferences and online meetings.

The Group's objective was to reduce GHG emissions intensity by 5% between 2023 and 2028. The Board and the management have reviewed the progress made against the emission reduction targets during the Reporting Year. The GHG emission intensity (per RMB'000 revenue) was reduced by 26.12% compared to the baseline and the Group has therefore achieved the target set last year. The significant decrease) in intensity was mainly attributed to the recent installation of the photovoltaic plant. In this case, the Board and the ESG committee have revised the target, aiming to achieve a 5% reduction in GHG emission intensity in five years starting from 2024 to 2029.



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The Group's objective was 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 (per RMB'000 revenue) in 2021 (baseline) and in 2024.

Air and GHG emission intensity / Year	SOx (kg/RMB'000 revenue)	NOx (kg/RMB'000 revenue)	PM (kg/RMB'000 revenue)
2021	$9.92 \times 10^{-6}$	$4.97 \times 10^{-3}$	$4.42 \times 10^{-4}$
2024	$2.47 \times 10^{-6}$	$6.18 \times 10^{-3}$	$5.72 \times 10^{-4}$
	-75.10%	+24.26%	+29.37%

## 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:

- Conducted sales through the digital sales channel, which allows electronic confirmations, receipts, and newsletters through e-mail and/or other electronic accounts to reduce paper consumption;
- Encouraged employees to use double-sided printing;
- Placed recycling facilities in the office and factory for waste separation ;
- Posted waste reduction posters throughout the office and factory;
- Employed qualified contractors for collecting recyclables;
- Used only durable food containers, cutlery and cups in the canteen; and
- Promoted food waste minimisation in the canteen and kitchen.

The Group's objective was 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 m<sup>2</sup>) by 20.46% and non-hazardous waste (per m<sup>2</sup>) by 21.51% 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.

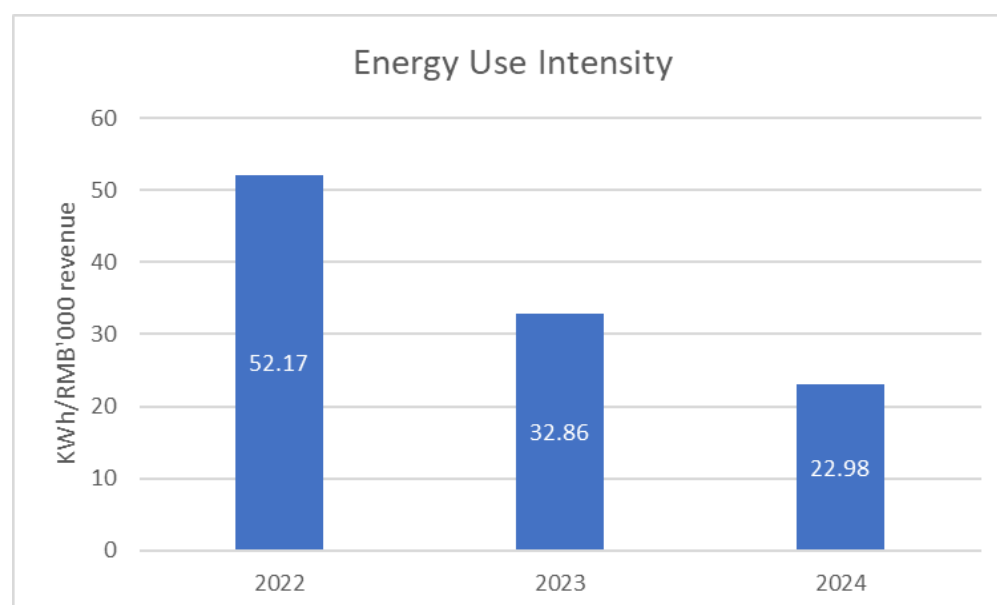
### A2.1 Energy Consumption

During the Reporting Year, the total energy consumption by the Group was 5,974,461.96 kWh, with an intensity of 157.23 kWh/m<sup>2</sup> of floor space and 22.98 kWh/RMB'000 of revenue. Types of energy consumed included electricity, natural gas, petrol and diesel.

The detailed energy consumption is summarized in the table below.

Energy Consumption Sources	2024 Direct Consumption	2024 Consumption (in kWh)
Natural Gas (Stationary)	139,799.00 m <sup>3</sup>	1,381,835.45
Petrol (Mobile)	32,447.00 L	287,549.85
Diesel (Stationary)	61581.24 L	615,696.92
Diesel (Mobile)	10,268.00 L	102,660.74
Electricity	3,586,719.00 kWh	3,586,719.00
<b>TOTAL</b>		<b>5,974,461.96</b>
<b>Energy Use Intensity (/RMB'000 revenue)</b>		<b>22.98</b>

The figures below illustrate the annual changes for energy intensity in terms of revenue:



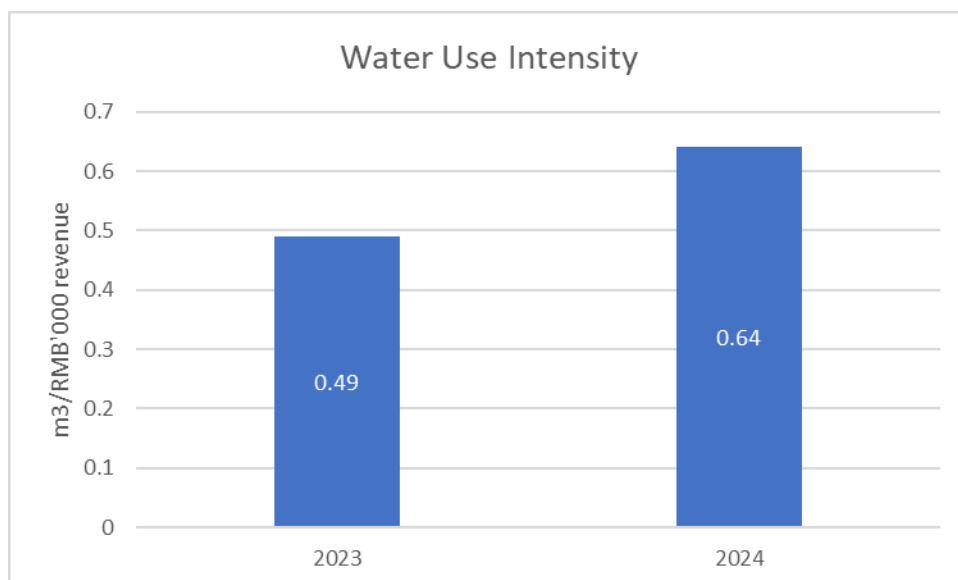
### A2.2 Water Consumption

During the Reporting Year, the total water consumption for the Group was 165,849 m<sup>3</sup>, with an intensity of 4.36 m<sup>3</sup>/m<sup>2</sup> of floor space, and 0.64 m<sup>3</sup>/ RMB'000 revenue. Freshwater consumed was

# Environmental, Social and Governance Report 2024

sourced from the Guangzhou Water Supply Company. No issues on sourcing water were reported during the Reporting Year.

The figures below illustrate the annual changes for water use intensity in terms of revenue:



Please see A2.4 below for explanation of the increase in water consumption in 2024 and various water use efficiency initiatives implemented by the Group.

## Wastewater

During the Reporting Year, 113,752 m<sup>3</sup> wastewater was generated. The wastewater intensity was 2.99 m<sup>3</sup>/m<sup>2</sup> of floor space, and 0.44 m<sup>3</sup>/ RMB'000 revenue. The wastewater was treated onsite by dissolved air flotation, 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 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 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 involved department will be fined.

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During the Reporting Year, a newly established photovoltaic power generation project became fully operational, with an annual generation capacity of approximately 3,500,000kWh. This green energy initiative not only helped to reduce the Group's carbon footprint, but also replaced around 46% of its conventional electricity purchases. Plans for phase II project are also underway, which is expected to further reduce the Group's energy consumption.

The Group's objective was to reduce overall energy use intensity by 10% between 2023 and 2033. During the Reporting Year, the Board and the ESG Committee have reviewed the progress made against the energy reduction target. Aided by the clean energy generated from the photovoltaic power generation project, the Group was managed to reduce the energy use intensity (per RMB'000 revenue) by 30% compared to the baseline and has therefore effectively met 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 energy use intensity in 10 years starting from 2024, or by 2034.

## A2.4 Water Use Efficiency Initiatives

The Group recognizes the importance of preserving 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 was 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. The overall water use intensity (per RMB'000 revenue) increased around 30% compared to the baseline, primarily due to the expansion of our production operations. Moving forward, the Group will continue its ongoing efforts to control water usage intensity.

## A2.5 Packaging Material

A total amount of 2,480 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.

Packaging materials	Annual consumption (in tonne)
Packaging bottle & attachments	1,350
Graphic carton and label	450
Carton and paper board	520
Plastic wrapping	160

## 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,

# Environmental, Social and Governance Report 2024

the packaging materials used in our products are biodegradable or 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 Mitigation

### A4.1 Governance

Climate change poses a huge threat to all businesses including the Group. In response to climate change and its associated impacts, the ESG Working Group identified relevant risks and opportunities, which were subsequently reported to the ESG Committee. The ESG Committee conducted a thorough assessment of these risks and opportunities, formulated corresponding strategies and targets to address climate change, and provided regular updates to the Board on progress and developments.

### A4.2 Strategy and Risk Management

The ESG Committee has identified the following climate-related risks, their time horizons, risk levels, current and anticipated impacts on financials, value chain and business model, and current and anticipated adaptation and mitigation efforts.

Time horizon	Year	Definition
Short-term	1-5	During a period characterized by severe and rapidly evolving climate risks, the Group must concentrate on short-term strategies aimed at mitigating the most critical threats and implementing quick recovery measures.
Medium-term	5-10	In this timeframe, the Group needs to strengthen its short-term climate risk management efforts and enhance their influence across the value chain and business operations.
Long-term	Longer than or equal to 10	During this period, the Group needs to tackle long-term climate risks effectively by making structural changes for mitigation and adaptation.

Risk levels	Definition of the overall risk levels
-------------	---------------------------------------

# Environmental, Social and Governance Report 2024

High	Risks at this level may have serious consequences. It is highly likely that there will be some impacts to the Group and hindrance for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

Risk	Description	Time Horizon	Risk Level	Current and Anticipated Impacts and Potential Improvement areas			Current and Anticipated Adaptation and Mitigation efforts
				on Financials	on Value Chain	On Business Model	
Physical Risks							
Extreme Weather Events	The severity of extreme weather events is increasing	Short-term	Low	Negatively affect the revenue of the Group;	-Disruption in the logistic and warehouse systems may affect production schedules and cause delays in product delivery;  -Reduction in the supply of Chinese herbal medicine may cause increased production costs;	-May need to upgrade logistic and warehouse systems;  -May need to find sustainable alternatives to raw materials;	-Regular checks on its warehouses to ensure that there is no roof leakage, and rainwater drainage is not blocked;
Extreme Weather Events	Long-term changes in climate	Long-term	Medium	Rise in the cost of raw materials, negatively affect the revenue of the Group;			-To build long-term stable relationships with suppliers, which may strengthen its bargaining power regarding the reliability of supply and services in case the risk is materialized;  -Formulation of a business continuity plan;
Transition Risks							
Change of Technologies	The cost of transitioning to low-emission technologies	Short-term	Low	Increase in the capital investments for the adaptation of new processes, increase in the R&D expenditures;	-Consumers may become more environmentally conscious, current products may not fully satisfy the customer’ needs, resulting in lower demand and lost in market share;  -The necessity	-Upgrade the production line to meet the growing consumer demands for sustainable goods;  -Redesign products using eco-friendly materials and packaging to meet the	-Ownership of distinctive core technologies;  -Stable R&D teams who would make improvements to products according to the market needs and regulation and policy changes.
Regulatory and Policy Changes	The implementation of new environmental and carbon-related	Long-term	High	Increase in production costs, leading to lower revenue;			-Enhance product line with innovative low-carbon solutions



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	regulations				of introducing new products to comply with the new environmental regulations.	regulatory requirements.	
Reputation	Shift in the consumer preference	Medium-term	High	Reduction in the demand of products, leading to lower revenue.			

The ESG Committee has identified the following climate-related opportunity, its time horizon, current and anticipated impacts on financials, value chain and business model, and current and anticipated strategies/responses to address the opportunity.

Opportunity	Time Horizon	Current and Anticipated Impacts			Current and Anticipated strategies/responses to address the opportunity
		on Financials	on Value Chain	On Business Model	
Explore new market segments for Chinese herbal products due to the shift in consumer preferences for trendy natural products which suit their lifestyle.	Long-term	Yield higher revenue for the Group in the future.	-Increase the market share and strengthen the brand value.	-May take the opportunity to transition itself into a sustainable enterprise.	-R&D team continues to innovate and develop new products;  -Implemented various resource efficiency policies such as GHG emission control, and water and energy saving initiatives, which are expected to lower the operating costs in the long term.

As depicted in the table above, the Group's business model and value chain climate-related risks and opportunities are mainly concentrated in the following areas: 1) logistic systems, 2) supply of raw materials, and 3) production lines. In the light of these climate considerations, the Group intends to allocate more resources to the above areas in the future.

The Group made reference to the scenario analysis outlined in the HKEX guidelines<sup>1</sup> to evaluate the major impacts on consumer goods industry.

Scenario	Global Mean Temperature Increase	Global Mean Sea Level Increase	Major Impacts
Turquoise Scenario	About 1.7°C by 2060 and 1.8°C by 2100	Likely at 0.3m by 2065 and 0.50m by 2100	-Shift towards green production;  -A large increase in the use of renewable energy;

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Brown Scenario	About 2.4°C by 2060 and 4.4°C by 2100	Likely at 0.4m by 2065 and 0.80m by 2100	-High probability of flooding that may disrupt the supply chain;  -Increase in frequency of extreme weather which cause the rise of production costs
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Note 1: HKEX. (2021). Guidance on climate disclosures. [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance\\_climate\\_disclosures.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_climate_disclosures.pdf)

To effectively address climate-related risks, the ESG Committee plans to collect and analyse historical data, including the frequency and associated damages, of severe climate-related incidents – such as typhoons, floods, hill fires and earthquake, which have impacted the Group’s business locations and its surrounding areas in recent years. For the major climate-related risks identified, preventative and mitigating measures will be implemented to minimize the disruptions to the Group’s daily business operations. More importantly, our business continuity plan will regularly be reviewed to ensure that the Group can maintain its critical business functions in the event that any of these risks materializes. As part of the business continuity planning process, business impact analysis will be conducted to identify the critical business functions and determine the time frames within which these functions must be restored. The above procedures and measures will be subject to periodic reviews by the ESG Committee on annual basis or as needed. Additionally, preventative and mitigating measures will be tested regularly to ensure their effectiveness.

During the Reporting Year, an ESG Committee meeting was held to address the latest climate-related disclosure issued by the HKEX. This meeting was designated to ensure that all committee members fully understand the new regulations related to the climate change.

Moving forward, the ESG committee will develop and implement corresponding climate-related policies to effectively address and mitigate the impacts of climate change and intends to formulate a climate-related transition plan. In the long term, the Group would also consider integrating carbon neutrality goals into its future strategic planning.

## A4.3 Metrics and Targets

To measure the level and impact of the Group’s climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, and Scope 3 GHG emissions (in tCO<sub>2eq.</sub>), total GHG emissions (in tCO<sub>2eq.</sub>) and the GHG emission intensity (in tCO<sub>2eq.</sub>/RMB’000 revenue) regularly. The GHG emission data and information about target setting are shown in the section “A1. Emissions” of this report.

# Environmental, Social and Governance Report 2024

## 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 that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Year.

### B1. Employment

#### Employment Policies

During the Reporting Year, there were no major changes in employment 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 employee benefits, welfare and compensation. Working hours are arranged in accordance with the law and the individual employee's job position.

#### Compensation and Benefits Package

The Group offers competitive remuneration packages to the employees in accordance with their performance, relevant skills, experience and contribution. The Group also offers other benefits including statutory holidays, high-temperature allowance, basic social insurance and housing provident funds. Employees can apply for compensatory leave 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

# Environmental, Social and Governance Report 2024

employees. The Group also endeavours to continuously develop its education and training mechanism in order to meet the needs of professional development for individuals.

In the case of layoffs, the Group will provide appropriate compensation for those who are made redundant.

## Award and Penalty System

The appraisal, promotion, and reward and penalty systems are 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; and (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 noticed 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 regardless of any 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

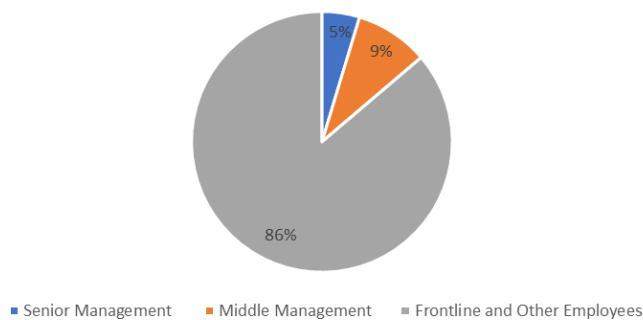
The Group encourages communication between the management team and employees. During the Reporting Year, the Group regularly organised birthday parties and staff meetings, and arranged tea parties from time to time. Gifts were prepared for employees during the public holidays and monthly internal discounts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

## Workforce

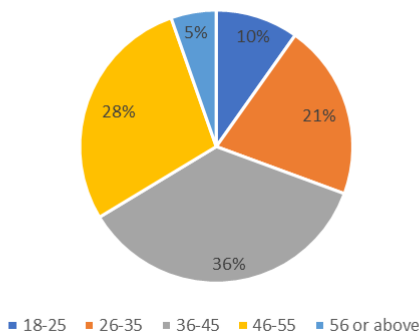
The Group had a total number of 428 employees as of 31 December 2024, all of whom were full-time employees. The charts below present the distribution of workforce.

# Environmental, Social and Governance Report 2024

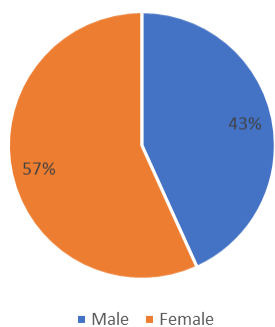
Workforce Distribution by Employee Category



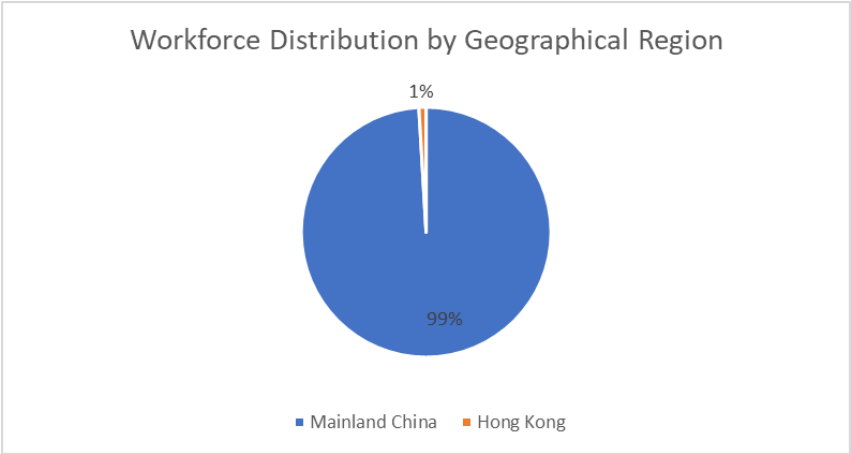
Workforce Distribution by Age Group



Workforce Distribution by Gender

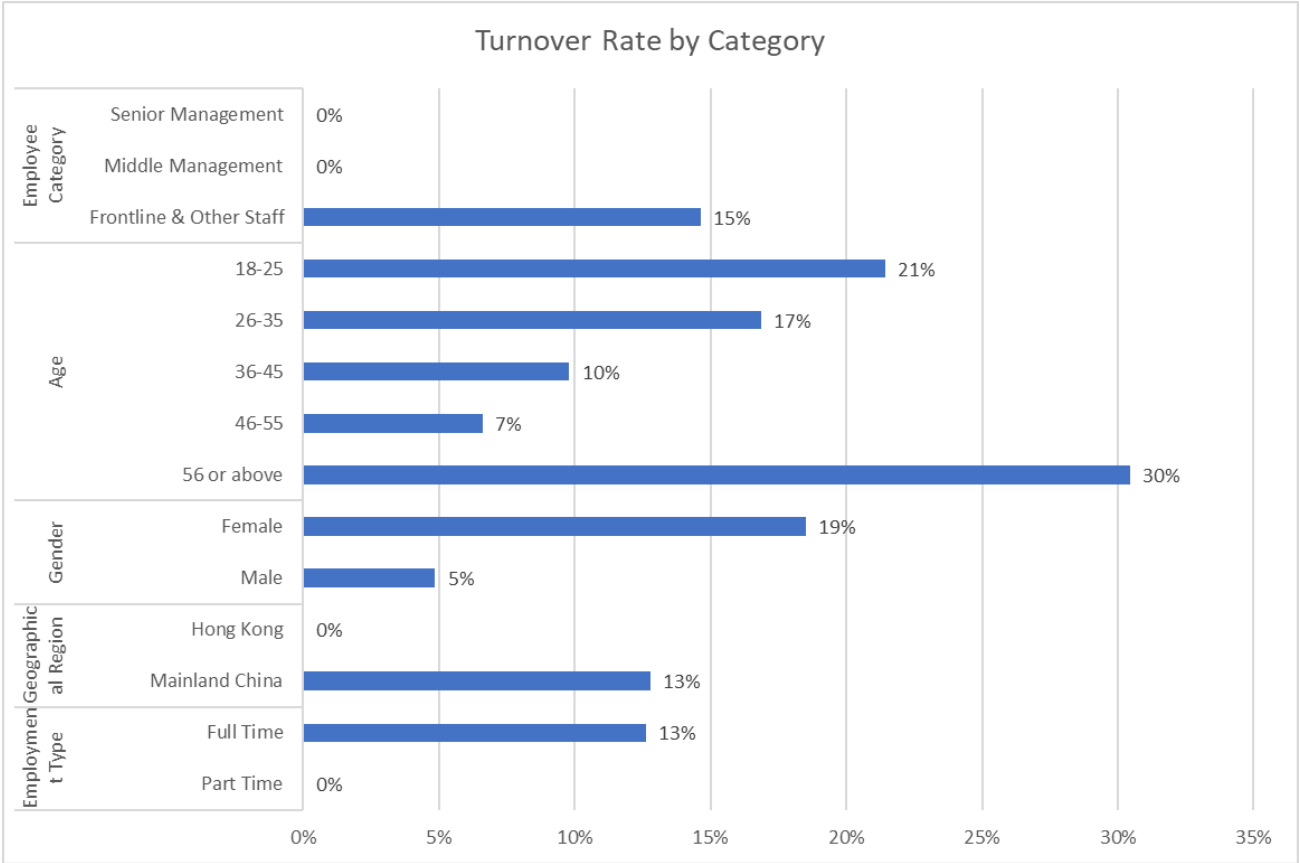


# Environmental, Social and Governance Report 2024



## Turnover

During the Reporting Year, 54 employees left the Group, representing an overall turnover rate of 12.62%. Further details of various turnover rates in their respective categories are shown in the table below.





# Environmental, Social and Governance Report 2024

## 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 responses. 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 at hospitals for its employees, 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 were implemented as per results of the inspections.

During the Reporting Year, the Group complied in all material respects 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

	2024	2023	2022
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

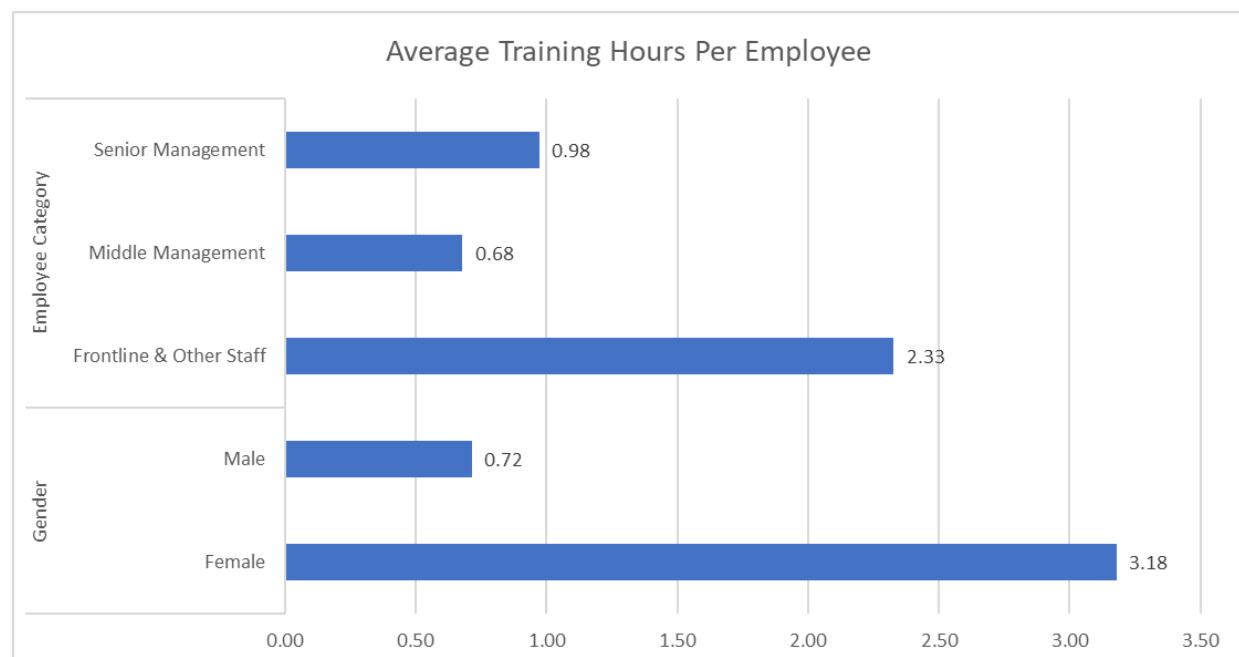
# Environmental, Social and Governance Report 2024

are effective in upgrading employee skills. During the Reporting Year, the Group has provided various training sessions for staff members and 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 members on a variety of topics including anti-bribery, occupational health and safety, quality control, new product introduction, etc. Those staff members who have participated in external training would conduct an internal sharing session on what they have learnt.

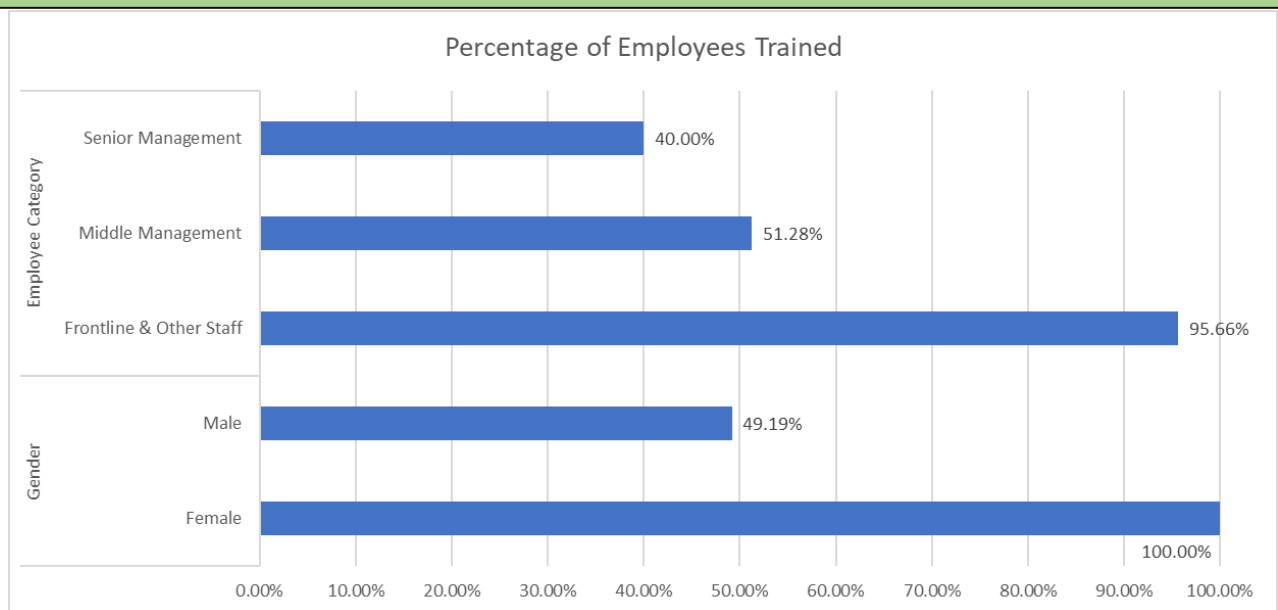
In addition to the career development provided for employees, the Group continues to invest in the professional developments for Board members to ensure that their contribution to the Board remains informed and relevant, and that they are kept abreast of the latest development of the rules and regulations which are applicable to their duties as Directors. The Board receives regular updates on the Group's business and operations, director's obligations and duties, risk management and internal control, corporate governance and ESG matters, and participates in the Directors' training internally and/or offered by external professional bodies or institutions. The framework for Director's training will regularly be reviewed by reference to the latest Listing Rules and guidance published by the regulatory authorities.

During the Reporting Year, the Directors received an aggregate of approximately 289.8 hours of training in various fields, representing an average of approximately 48.3 hours of training per Director.

During the Reporting Year, 334 employees, or 78.04% of employees received training, and the average training hour per employee (inclusive of employees who did not receive training) was 2.11 hours.



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## 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.

The Group did not note any cases of material non-compliance relating to labour laws and regulations that have 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.

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The Group has no standardised policy on managing the environmental and social risks of the 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 147 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	133
Shanghai	3
Zhejiang	3
Guangxi	2
Fujian	1
Hunan	1
Shanxi	1
Jiangsu	1
Beijing	2

## 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 that have a significant impact on the Group had been identified during the Reporting Year.

### *Product Quality Assurance*

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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 organisations (government designated) for inspection and product registration under the National Medical Products Administration.

As for 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 retailers 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 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 collect personal data that is believed to be relevant and required for its business operation;
- 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;
- 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:

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- 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 entrant 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 was no non-compliance case noted in relation to data privacy that 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 health and personal care products. As of December 31, 2024, the Group has obtained a total number of 38 patent rights, regarding invention, utility, design and appearance. During the Reporting Year, the Group was granted 2 new patent rights. As of December 31, 2024, the Group held total of 199 officially registered trademarks, 159 of which were registered in the PRC and 40 of which were registered in Hong Kong or overseas. During the Reporting Year, the Group had registered 1 new copyrighted trademark 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 is 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 operation 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.

If any employee or third party suspects any misconduct within the Group, they are encouraged to report promptly to the Chairman of the Group and the Audit and Risk Management Committee. Reports can be made in writing or via email. Upon receiving reports of impropriety, fraud, or violations, all business units must escalate them to the Chairman for appropriate action. Certain business units may have internal reporting channels, which will be periodically forwarded to the Chairman for review.

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



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- 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 107 staff members including all Directors were mandated to attend an onsite guided anti-corruption training through video-replay. This video is produced by the Independent Commission against Corruption of Hong Kong, which covers the essential topics of ethical governance, anti-bribery and anti-corruption on relevant regulations.

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 audited 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 that have a significant impact on the operations of the Company. There were no proven 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 has participated in one community engagement event.

### Activity Highlight in the Reporting Year

Events	Details
Donation to environmental sanitation workers	Partnered with People's Government of Jianggao Town, donating Bawang holiday gift packs to environmental sanitation workers during the Labor Day

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.