

DIWANG INDUSTRIAL HOLDINGS LIMITED

帝王實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

2024

Environmental,
Social and
Governance Report

Environmental, Social and Governance (ESG) Report

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ABOUT DIWANG INDUSTRIAL HOLDINGS

Diwang Industrial Holdings Limited (“**Diwang**” or the “**Company**”; or together with its subsidiaries as the “**Group**” or “**we**”) is principally engaged in 2 major businesses: the research and development, manufacturing and sale of coating agents and synthetic resins (the “**Faux Leather Chemicals Business**”); and the production and sales of liquor products (the “**Chinese Liquor Business**”).

Zhejiang Sunlight Material Technology Co. Limited, a wholly owned subsidiary of the Group, is an established faux leather chemicals manufacturer in the People’s Republic of China (“**PRC**”) principally engaged in the research and development, manufacturing and sale of coating agents, namely colourants, finishes, additives and synthetic resins. Our products for the manufacturing of synthetic leather have wide applications in different industries, including apparel, footwear, handbags, automobile interior decoration, home furnishings and sports equipment. The Chinese baijiu products of Guizhou Dichiwang Sauce And Wine Company Limited, a non-wholly owned subsidiary of the Company, comprise a comprehensive range of products with varied packaging, alcohol content, design, taste etc., targeting the young to middle-aged public to middle class consumer market in the PRC.

MAJOR CERTIFICATIONS AND ACHIEVEMENTS

In 2024, the subsidiary of Diwang – Zhejiang Sunlight Material Technology Co., Ltd. was awarded with



- Environmental Management Systems Certification GB/T 24001 – 2016/ISO 14001:2015



- Occupational Health and Safety Management Systems Certification GB/T 45001-2020/ISO 45001:2018

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- High-Tech Enterprise Certificate; and,



- Enterprise under the Hangzhou Province Patent Operation Pilot Program

ABOUT THE REPORT

This Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) aims to report the ESG related policies, measures and performance of the Group in 2024, including the Group’s overall performance in environmental protection, employee protection, work safety and social responsibility. It enables stakeholders to understand the Group’s progress and development direction on sustainability issues.

Reporting Period and Scope

The Report presents the Group’s sustainable development policy and performance from 1 January 2024 to 31 December 2024 (the “**Reporting Period**” or “**2024**”). Unless otherwise specified, the Report covered and focused on the segment in the PRC, relating to the Faux Leather Chemicals Business which has a relative significant impact to the environmental and social aspects .

Reporting Basis

The Report is prepared in accordance with the Mandatory Disclosure Requirements and “Comply or explain” Provisions in the “Environmental, Social and Governance Reporting Guide” (the “**Guide**”) set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reporting Principles

Preparation of the Report complies with the principles of materiality, quantitative and consistency as required by the Guide.

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Materiality	Quantitative	Consistency
<p>The Group collects opinions from stakeholders through different channels and conducts an internal materiality assessment to identify and determine the material ESG issues. Based on the actual business and industry characteristics of the Group, the Board identified and confirmed ESG issues that were most significant. The material issues are prioritized to disclose in the Report.</p> <p>The results of the material issues assessment will be used to guide the Group in formulating its future ESG work plans and objectives, with a view to create sustainable value for stakeholders.</p>	<p>The Group collected the environmental and social key performance indicators (the “KPIs”) data. Quantifiable disclosures are made in accordance with “Appendix 2: Reporting Guidance on Environmental KPIs” and “Appendix 3: Reporting Guidance on Social KPIs” of “How to Prepare an ESG Report” to monitor and evaluate the Group’s progress in implementing environmental and social responsibility initiatives.</p>	<p>The Report has adopted a consistent approach in data collection and calculation method. The reporting scope has been focused on the segment of the Faux Leather Chemicals Business, considering its impact to the environmental and social aspects.</p>

Access to the Report

The Report was prepared in both English and Chinese and has been uploaded to the website of the Stock Exchange. In the event of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Stakeholders’ Feedback

The feedback from stakeholders helps deepen our understanding of stakeholders and drives our continuous improvement. If you have any comments on the Report or the Group’s sustainable development strategy and performance, please contact us at email (ir@slkj.cn).

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SUSTAINABILITY GOVERNANCE

In conducting our business operations, the Group is attentive to the impacts of our daily activities on the environment and society. We strive to fulfill the interests of all stakeholders, encompassing economic, environmental, social, and corporate governance aspects, aiming to achieve optimal balance. We are dedicated to setting a positive example for society. We have established an ESG-related management system to manage environmental, social and governance issues systematically. The Board of Directors (the “**Board**”) of the Group has established a working group on ESG to assist the Board in making decisions on issues related to sustainable development.



Environmental, Social and Governance (ESG) Report

The Report provides an overview of the Group's governance structure and the relevant responsibility and accountability of the Board in relation to ESG. For information about the Group's corporate governance structure and other relevant information, please refer to the Corporate Governance Report in the Company's 2024 annual report.

Stakeholder Engagement

The Group is acutely aware that the perspectives of stakeholders provide a solid foundation for the long-term development and success of the Group, and is committed to maintaining the sustainable development of our business. We maintain a close relationship with various stakeholders. We are willing to understand the opinions and needs of internal and external key stakeholders through constructive communication so as to determine the direction of our sustainable development. The major communication channels between the Group and stakeholders are as follows:

Customers

- Business visits
- Customer service hotline
- Email
- Communication apps
- Company website

Employee

- Employee handbook
- Employee performance appraisals
- Induction and on-the-job training
- Annual congress, intranet, internal publications and seminars

Suppliers and Business Partners

- Site inspections
- Examination and assessment
- Information and experience sharing
- Business meetings

Investor/Shareholder

- Corporate communications
- General meetings
- Investor relations communication
- Company website

Community

- Phone call and emails
- Company website
- Participate in community activities

Government and Regulatory Organization

- Periodic reports and announcements
- Meetings
- Compliance assessment reports
- Site investigations

Environmental, Social and Governance (ESG) Report

MATERIALITY ASSESSMENT

The Board, integrating the views of various stakeholders and operational circumstances, conducted a review of the issues identified in prior years to assess their relevance during the Reporting Period, ensuring the effective identification of material ESG issues for the Group. The process of the materiality assessment is as follows:



Environmental, Social and Governance (ESG) Report

Materiality Issues

Environmental Protection

- | | |
|--|--|
| 1. Air and Greenhouse Gas Emissions | 4. Environmental Impact of Business Activities |
| 2. Waste Management | 5. Combatting Climate Change |
| 3. Effective Use of Resources | |

Employment and Labour Practices

- | | |
|---|--|
| 6. Equal Opportunity, Diversity and Anti-discrimination | 9. Training and Development |
| 7. Employment Relationships, Employee Welfare and Benefits | 10. Prevention of Child Labour and Forced Labour |
| 8. Occupational Health and Safety | |

Operating Practices

- | | |
|------------------------------------|--|
| 11. Anti-corruption | 13. Supply Chain Management |
| 12. Crisis or Emergency Management | 14. Supplier's Environment and Social Risk |

Products and Services Responsibility

- | | |
|--|--|
| 15. Quality and Safety of Products and Services | 17. Customer Satisfaction |
| 16. Protection of Customer Privacy | 18. Protection of Intellectual Property Rights |

Community Investment

- | |
|--|
| 19. Community Investment and Participation |
|--|

Note:

The highlighted issues are the issues classified as high materiality.

Environmental, Social and Governance (ESG) Report

INTEGRITY AND COMPLIANCE

The Group advocates a corporate culture of integrity, strictly prohibiting any form of bribery, extortion, fraud, money laundering, and other unethical behaviors, and continues to advance the construction of a corruption-free environment. The Group strictly complies with relevant laws and regulations, including but not limited to the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Criminal Law of the People's Republic of China (《中華人民共和國刑法》).

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering, which would have a significant impact on the Group.

Code of Conduct on Integrity

We formulated various internal policies, including "Code of Conduct on Anti-corruption (《反貪污政策行為守則》)", "Conflict of Interest Declaration and Management Policy (《利益衝突申報及處理制度》)" and "Environmental, Social and Governance Policy and Procedure Manual (《環境、社會及管治政策及程序手冊》)". we have made clear responsibility commitments to employees in each position to avoid behaviours that conflict with the Group's interests. When there is a conflict of interest, we require employees to report to the Company in a timely manner. Meanwhile, all directors, management and employees are subject to all national and local government laws and regulations in relation to the prevention of bribery, extortion, fraud, and money laundering in their daily work. It is the responsibility of all the employees to understand and comply with the above policies to prevent bribery, extortion, fraud, and money laundering and report violations to the appropriate persons.

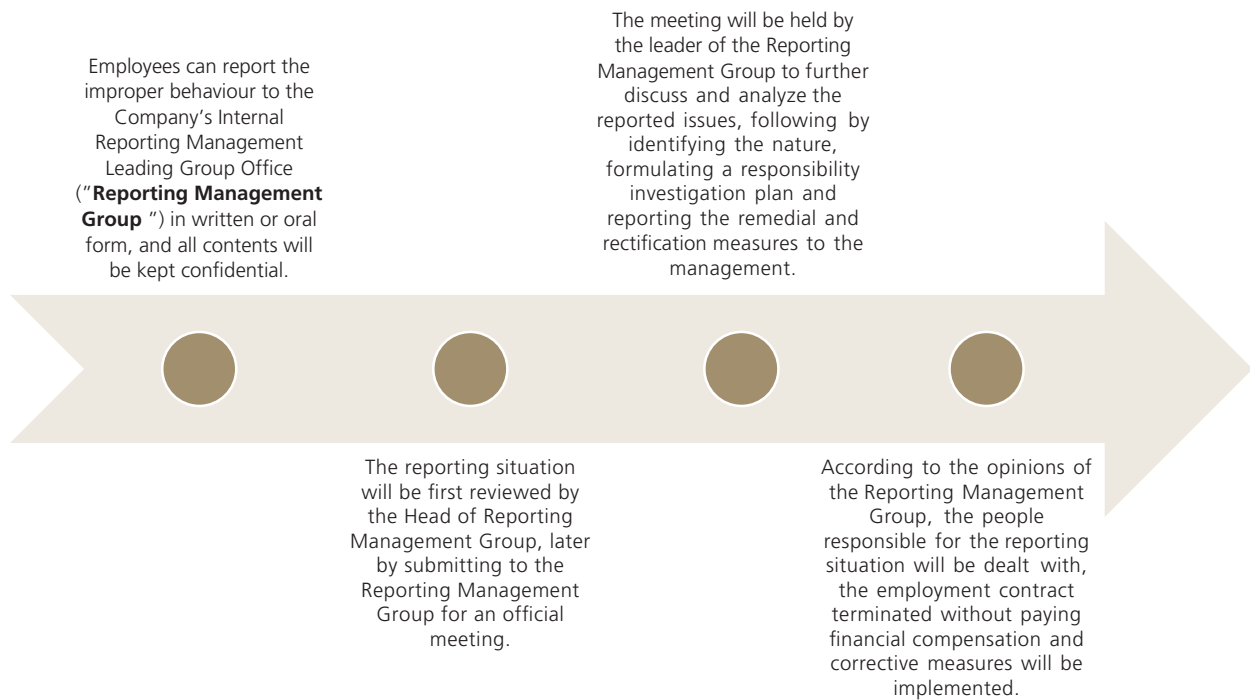
Cultivate Anti-corruption Awareness

In order to raise employees' awareness of potential corruption incidents in their daily work and operations, employees of the Group are required to participate in anti-corruption training upon entry. In addition, we provide the directors with training on connected transactions and anti-corruption. During the Reporting Period, the directors of the Group have completed the relevant training.

Environmental, Social and Governance (ESG) Report

Whistle-blowing Channels

The Group has established the “Improper Behaviour Identification and Reporting Mechanism (《不當行為的辨識及舉報機制》)” to encourage employees to take the initiative in the management, supervision and reporting of irregularities. The reporting procedure is as follows:



Environmental, Social and Governance (ESG) Report

GREEN OPERATION

The Group is fully aware of the importance of environmental protection for sustainable operations and is committed to integrating green and eco-friendly principles into every business process. The Group continues to improve the environmental management system. We have established a safety and environmental protection division responsible for overseeing the implementation of our environmental protection policies in our business operation to ensure strict compliance with the relevant laws and regulations, policies, and industry standards. We have complied with the laws and regulations related to environmental protection, including but not limited to:

- The Norm of Energy Consumption Per Unit Throughput for Synthetic Leather (《合成革單位產品能源消耗限額》);
- The Technical Specification for Application and Issuance of Pollutant Permit Leather and Fur Making Industry – Fur Making Industry (《排污許可證申請與核發技術規範制革及毛皮加工工業-制革工業》);
- The Action Plan for Reducing Volatile Organic Compounds in Key Industries (《重點行業揮發性有機物削減行動計劃》);
- The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》);
- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》);
- The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》); and
- The Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, which would have a significant impact on the Group.

EMISSION MANAGEMENT

As the Group's operations involve production processes, the manufacturing activities generate air pollutants, greenhouse gases, wastewater, and solid waste. In order to comply with the requirements of relevant national laws and regulations, the Group actively implements measures to reduce adverse impacts on the environment. We are committed to continuously reviewing existing measures to reduce waste generation.

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Air and Greenhouse Gas ("GHG") Emission

The Group's major air pollutants are generated by motor vehicle gasoline and natural gas consumption. Air pollutants related to fossil fuel consumption include Nitrogen Oxides, Sulphur Oxides and Particulate Matters. In terms of greenhouse gas emissions, the Group's direct GHG emission comes from motor vehicle gasoline and diesel combustion, while energy indirect GHG emission comes from the use of purchased electricity, natural gas and purchased steam. During the Reporting Period, the data of air and greenhouse gas emissions of the Group is as follows:

Air and GHG Emission	Unit	2024
Air Pollutants		
Nitrogen Oxides	Kg	27.47
Sulphur Oxides	Kg	0.39
Particulate Matters	Kg	2.06
GHG Emissions		
Direct Emission (Scope 1)	tCO ₂ e	74.36
Energy Indirect Emission (Scope 2)	tCO ₂ e	1,096.78
Total GHG Emissions	tCO ₂ e	1,171.14
Intensity	tCO ₂ e/RMB100 million revenue ¹	446.16

¹ The revenue of the captioned segment was RMB262,495,000 for the Reporting Period.

The Group sets continuously reducing the emissions and greenhouse gases generated from its business operations as target. In order to reduce air pollutants, the Group has implemented the following measures:

-  Install soft curtains in the automatic batching area of the production workshop
-  Add gas collection covers to the packaging area
-  Add caps to the batching steel substrate to prevent the gas from
-  Install the packers in a closed room
-  Install exhaust gas collection facilities in hazardous waste depots and weighbridge batching areas

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The air pollutants generated in the factory area are mainly sourced from production process, wastewater treatment system and combustion of canteen stoves. Therefore, we have implemented emission reduction measures targeting these three emission sources.

Production Process	<ul style="list-style-type: none"> Collect the air pollutants from the suction hood to the treatment equipment Use the "Three-stage water spray + Activated carbon absorption + Catalytic combustion" method to remove the pollutants
Wastewater Treatment System	<ul style="list-style-type: none"> Mainly hydrogen sulfide and ammonia gas generated by microbial activities in the biochemical system Discharge after the closed oxidation absorption treatment once it reaches the standard
Combustion of Canteen Stoves	<ul style="list-style-type: none"> Since the amount is relatively small, it is uniformly led from the flue to the roof of the building, and is discharged after being processed by the flue gas purification device

Hazardous and Non-hazardous Waste

To appropriately handle waste disposal, the Group has established clear and specific guidelines, and strictly abide by the local waste classification standards and classify waste. During the Reporting Period, the data of hazardous and non-hazardous waste are as follows:

Type of Waste	Unit	2024
Hazardous Waste		
Waste Resin Solution	Tonnes	32.01
Filtered Colourant Residue	Tonnes	9.06
Packaging Waste and Cleaning Debris	Tonnes	50.7
Ink Cartridge and waste activated carbon	Tonnes	13.69
Total	Tonnes	105.46
Intensity	Tonnes/RMB100 million revenue	40.18

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Type of Waste	Unit	2024
Non-hazardous Waste		
Solid Waste generated during the production process	Tonnes	19.49
Daily and Office Waste	Tonnes	6.00
Total	Tonnes	25.49
Intensity	Tonnes/RMB100 million revenue	9.71

The Group is committed to the target of waste reduction at the source and the recycling of waste materials. We adhere to the principle of “Comprehensive Utilization and Recycling”, and implemented the following waste management and treatment measures:

Waste disposal management

- Separate laboratory wastes and domestic wastes;
- More detailed classification on the hazardous waste in the workshop;
- Entrust qualified entities to dispose of hazardous waste; and
- Establish an industrial solid waste management ledger and submit online declaration materials.

Reduce waste at source

- Post signs in the office to encourage and guide employees to reduce waste generation;
- Promote paperless office, reduce paper usage, and use administration system to reduce paper consumption;
- Sign an agreement with suppliers to recycle raw material packaging barrels to reduce the production of hazardous waste barrels; and
- Use recyclable stainless steel tanks and plastic tanks.

EFFECTIVE USE OF RESOURCE

To promote sustainable development, the Group is dedicated to enhancing energy efficiency by continually monitoring energy consumption data and optimizing energy management as means to achieve the energy conservation and emission reduction targets.

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Energy Efficiency

During the Reporting Period, the energy consumption data of the Group is as follows:

Type of Energy	Unit	2024
Direct Energy		
Natural Gas	MWh	38.35
Diesel Oil	MWh	234.07
Unleaded Petrol	MWh	23.10
Solar Energy	MWh	1,405.96
Indirect Energy		
Purchased Electricity	MWh	1,765.72
Purchased Steam	MWh	2.91
Total Energy Consumption	MWh	3,470.11
Intensity	MWh/RMB100 million revenue	1,321.97

We proactively implement the following environmental measures to enhance our energy efficiency:

- Installed solar power generation equipment on the rooftop of the faux leather chemicals manufacturing factory and use the electricity generated by solar energy our business operations;
- In the colour chips production line, we have invested a screw-discharging kneading machine to improve the heating and kneading efficiency; and
- Implemented measures to promote the effective use of energy in the production management system, such as saving electricity, to raise employees' awareness in energy conservation and environmental protection in production activities.

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Water Resource Management

During the Reporting Period, we did not have any issue in sourcing water that is fit for purpose. Due to the nature of our business, the Group consumes water resources in its production processes. The water consumption data of the Group is as follows:

Water Resource	Unit	2024
Water Consumption	m ³	32,890
Intensity	m ³ /RMB100 million revenue	12,529.76

We have established water conservation measures to enhance water use efficiency, with the ongoing target of reducing water consumption. We circulate the cooling process water of production equipment and use the water-based black pulp product for the recovery of the spray water treated by the spray tower. Besides, we also timely repair the leaking taps and pipes, adopt the production method and the device which can effectively save water. We conduct regular inspection of water consumption and lower the water pressure when it is possible.

Reduce Packaging Material

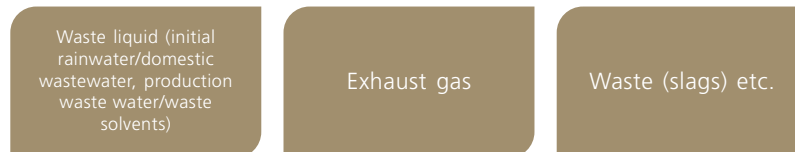
The Group mainly consumes packaging materials such as paper drums, paper bags, plastic drums, plastic bags, and metal drums in product manufacturing and sales. During the Reporting Period, the Group's consumption of packaging materials was as follows:

Type of Packaging Material	Unit	2024
Paper	Tonnes	10.00
Plastics	Tonnes	9.00
Metals	Tonnes	421.00
Wood	Tonnes	25.30
Total	Tonnes	465.30
Intensity	Tonnes/RMB100 million revenue	177.26

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CHERISH NATURAL RESOURCE

Due to the nature of our business, the Group generates pollutants during the production process, resulting in a certain degree of environmental impact. To reduce the impact of corporate emissions on the environment, the Group has formulated the “Three Wastes Management Policy 《「三廢」管理制度》”, which includes:



In addition, the Company has installed online monitoring equipment for exhaust emission data to monitor exhaust emissions in real-time.

“Three Wastes” Management Principles

- Separate pollution sources and pollutants according to environmental laws and regulations;
- Internally based on recycling, externally entrusted with qualified processing institutions; and
- Handling expenses are subdivided into responsible departments, combined with unified assessment of production and packaging consumption.

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COMBATTING CLIMATE CHANGE

As global climate change issues intensify, international attention to this matter continues to escalate. As a responsible corporation, we are acutely aware of the connection between corporate activities and climate change, as well as the risks that arise from it. In the face of an increasingly severe climate situation, environmental protection is not only a global challenge but also directly linked to the sustainability and development of our business.

The PRC has clearly set the “Dual Carbon” goals of achieving carbon peak by 2030 and carbon neutrality by 2060, providing us with a clear direction. Following this objective, the “14th Five-Year Plan” for ecological and environmental protection has identified carbon reduction transformation as a core mission, highlighting the urgency and importance of low-carbon development. We firmly believe that transitioning to energy saving, reducing energy consumption, and minimizing carbon footprint are imperative for the future growth of any enterprise. Therefore, the Group will align with the national green development objectives, continuously strengthening our response strategy to climate change by implementing more stringent environmental protection measures. To this end, the Group provides customers with water-based colour paste. Compared with oil-based colourants, water-based colourants use water as the medium and contain fewer volatile harmful substances. This reduces the overall consumption of energy and water resources in production and minimizes environmental pollution. In addition, we actively use renewable energy to reduce the impact of energy consumption on the environment. A solar power generation system has been installed on the rooftop of the faux leather chemicals production facility, and solar panels are erected to generate electricity. We store the generated electricity in batteries for subsequent production.

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The Hangzhou Municipal People's Government established the "Hangzhou City Heavily Polluted Weather Emergency Plan" (《杭州市重污染天氣應急預案》) with the aim to mitigating the impact of heavy pollution weather, establishing and improving Hangzhou's heavily polluted weather emergency response mechanism, and enhancing early warning and emergency response capabilities. We recognize the potential physical risks that climate change poses to our business operations. Therefore, we have set up the "One factory, One policy" Notice Board for Emergency Response Measures to Heavily Polluted Weather of Industrial Enterprises in Hangzhou (《杭州市工業企業重污染天氣應急響應措施「一廠一策」公示牌》) in accordance with "Hangzhou City Heavily Polluted Weather Emergency Plan" (《杭州市重污染天氣應急預案》) which enables our Group to take different emergency measures for different climate response levels.

Emergency Response Measures for Heavily Polluted Weather Warning

Liquid Colourant Process

- Stop 1 liquid colourant process

PU Resin Process

- Stop 1 PU resin process

Surface Treatment Agent Process

- Stop 1 surface treatment agent process production line

Solid Colourant Process

- Stop 1 solid colourant process production line

Transportation

- Stop using heavy-duty trucks with National IV or below standard for transportation

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SUPPLY CHAIN MANAGEMENT

The Group is fully aware that procurement and supply chain management are critical to our business operations. Hence, we uphold a commitment to integrity in operational practices and adherence to business ethics. To ensure product quality, we select high-quality suppliers nationwide. As at 31 December 2024, the Group had a total of 298 suppliers, which all of them are from the PRC.

Supplier Screening and Evaluation

In order to review supplier qualifications and identify environmental and social risks associated with our suppliers, the Group has established a comprehensive supplier assessment mechanism, and conduct audits by third-party organizations when necessary. We outlined seven requirements for the selection of suppliers:

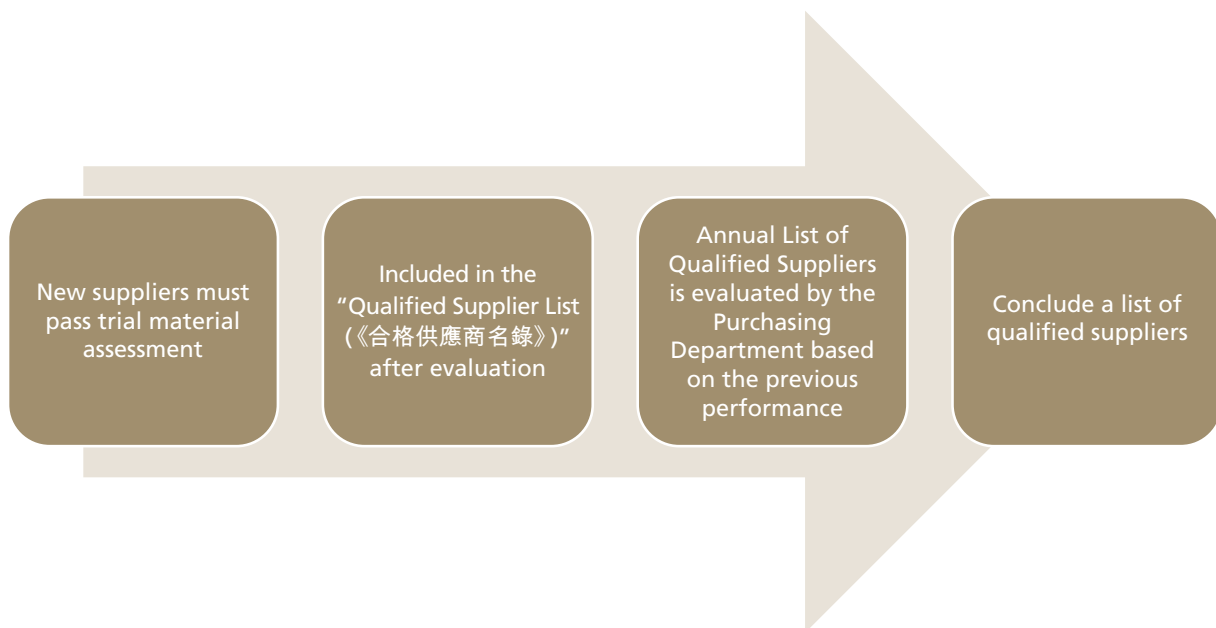
1. Require an independent legal entity to be able to provide relevant legal and financial documents (including business license and bank information); If special qualifications are required, qualifications and certificates are also needed;
2. Abide by the laws and regulations in the PRC and the relevant social responsibilities and ethics, in particular, those relating to the protection of labour rights, health and safety, environmental protection and business ethics;
3. Have adequate capital strengths and supply capacities to meet the Group's supply sizes and the ability to deliver on schedule;
4. Acknowledge the procurement needs of the Group and is capable of providing corresponding technical indicators and safety and environment certificates when supplying materials;
5. Capable of arranging business personnel who are familiar with the material supplied thereof to contact us so as to ensure that their material supplied meets our requirements;
6. Operate with processes that meet the management requirements of the Group, as well as comply with the relevant regulations and rules; and
7. Abide by business ethics and therefore shall not disclose any business or technical information of the Group to any entity or individual without the consent of the Group.

When a supplier is inconsistent with the Group's policies or contract requirements, the Group will terminate future cooperation until the situation improves.

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In January of each year, the Procurement Department is responsible for conducting supplier evaluations to verify the validity of various supplier certifications, ensuring compliance with our requirements. The Procurement Department evaluates the supplier's annual situation based on the data registered daily in the database. During the Reporting Period, we have evaluated all of the major suppliers.

Supplier Evaluation Procedure



Regarding the Faux Leather Chemicals Business, we are a founding member of China Synthetic Leather Green Supply Chain Industrial Innovation Strategic Alliance (中國合成革綠色供應鏈產業創新戰略聯盟). The Group adheres to eco-friendly, environmental protection and sustainable development, as well as integrate green environmental protection concepts into supply chain management and procurement. During the procurement process, we actively consider the impact of products or raw materials on the environment and prefer suppliers with closer geographical locations to reduce carbon emissions during transportation. Moreover, we carefully select suppliers that strictly prohibit unethical labour practices, including child labour and forced labour.

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PRODUCT RESPONSIBILITY

Product responsibility is a core element of the Company's sustainability strategy within our corporate philosophy. Therefore, the Group places great importance to product quality and continues to improve the quality management system. We also actively listen to the opinions of our customers, adopt their suggestions, and make improvements to enhance the quality of our products and services. The Group strictly complied with the relevant laws and regulations, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, which would have a significant impact on the Group.

Product Quality Management

We continuously implement a rigorous quality control system to ensure that each product meets the highest standards of environmental protection and social responsibility before it is released to the market, reflecting our unwavering commitment to high standard of product quality. To comply with different quality control laws, regulations, and standards, we have developed a quality management system, which sets out three principles for quality management, including (1) determining work objectives and sorting out management process; (2) a practical and realistic attitude shall be adopted for day-to-day work, which shall be carried out based on facts and well-documented; and (3) the management shall be engaged in monitoring, giving feedback and continuous improvement. Additionally, we set up a quality management section in the Manufacturing Department which is mainly responsible for managing the quality work of the Manufacturing Department, as well as sorting out the relevant quality management process of the Company. The chief engineer of the Business Department is responsible for the quality management of the relevant Business Department. The technical team of the Business Department is responsible for formulating testing methods, testing standards and samples. The production section of the Business Department is responsible for monitoring the process of daily raw materials, intermediates, products, and packaging products. At the beginning of each year the Group will determine the quality goals for the year and conduct assessments based on the following goals at the end of each year.



To adopt the most suitable materials, all new materials or similar materials provided by different suppliers must first obtain samples for testing. Before the bulk procurement for mass production, all new materials, products, and formulas must undergo pilot tests. In addition, the number of batches for the pilot test is controlled where we commence production with the smallest amount of materials to prevent a large number of experimental defects during the test. To maintain strict control over the product quality appraisal process, the Company has formulated a complete set of sampling and sample retention principles.

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To handle product return, the Company has developed a standard product-returning procedure, covering the workflows of product inspection, registration and cost accounting. During the Reporting Period, the Group did not have any products sold subject to recalls for safety and health reasons.

Customer Complaint Management

The Group is well aware that customer feedback is crucial for the continuous improvement of our business governance. Therefore, we firmly believe in the “Market-centred, Customer-oriented” business philosophy. To meet the ever-changing needs of our customers, we strengthen product after-sales service to improve customer satisfaction. We have a systematic policy in place to deal with customer complaints.

Complaint Management Policy (《投訴管理制度》)

- The complaints and unusual situations of the Group are all managed by the chairman of the Board.
- If a customer’s complaint involves product quality, of which the production batch number has been generated for one month or below, the Sales Department shall examine the inventory and sales of the whole batch of products and fill out the record accordingly.
- In connection with the complaint, the chairperson of the Board determines the loss of the Group and the responsible persons, while the responsible department conducts an analysis and makes improvements.
- If it is determined that the complaint on the product is attributable to the deficiency of raw materials, a raw material report is to be completed separately.
- In the process of handling, the Administrative Department tracks the progress, registers it in the monthly quality complaint report and uploads it to the server of the Group for use among employees.

During the Reporting Period, the Group was not aware of any significant complaints related to products and services.

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Customer Privacy Protection

The Group ensures that customer privacy information is properly protected in all business activities, thereby demonstrating our commitment to building customer trust. We strictly abide by relevant laws and regulations. In order to strengthen the protection, we use the ERP system and set permissions for the users. At the same time, we have set up an encryption system to encrypt all electronic documents. The materials can only be obtained or sent after approval and decryption by supervisor.

Advertisement, Labelling and Intellectual Property Right

The Group deeply understands the importance of intellectual property rights in promoting innovation and maintaining a fair competitive environment. The Group obtained a patent for the invention of a preparation method for an organosilicon emulsion. The Group established detailed patent management policies in accordance with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), including general principles for patent management, patent application, patent awards, responsibilities, and penalties, as well as patent transfer, so as to effectively standardize the Company's mechanism for use and protection of patents.

Furthermore, the Company has established an intellectual property protection policy aimed at encouraging innovation and respecting intellectual achievements, while also ensuring the fairness and sustainability of our commercial activities:

- Labour contract contains confidentiality clause and stipulates that all of the inventions, designs, technologies, and any other intellectual property that the employees develop or obtain during their employment belong to the Group;
- Install encryption software on the computers of all the employees, and the approval of its department head is required if encrypted documents need to be decrypted and sent to external parties;

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- Passwords encrypt the key research and development records, and only a limited number of key personnel have access to such information; and
- Certain key chemical formulas, manufacturing procedures and technical knowledge are stored on password-protected computer hard drives, which are only accessible by the relevant key employees and personnel of the Research and Development Department.

When promoting products and services, the Group strictly abides by relevant laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) to ensure the authenticity of all promotional content so as not to mislead consumers.

EMPLOYMENT RELATIONSHIP

The Company is keenly aware that employees are the most valuable asset of the enterprise, and their well-being and growth are directly related to the overall sustainable development of the Company. Therefore, we are committed to creating a supportive and inclusive work environment, ensuring that employees can work and develop under healthy, safe, and fair conditions. The Group strictly abided by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), formulated a comprehensive system including the "Employee Employment Regulations (《員工僱用規章制度》)", "Employee Handbook (《員工手冊》)" and "Administrative and Human Resources Management System (《行政人事管理制度》)", and implemented the principle of equal and voluntary employment of both parties.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, which would have a significant impact on the Group.

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Employee Overview

As at 31 December 2024, there were 191 full-time employees based in the PRC within the reporting scope. The data of employees by gender, age group and employment type is as follows:

Employee Distribution	Unit	2024
By Gender		
Male	Person(s)	151
Female	Person(s)	40
By Age Group		
35 or below	Person(s)	52
36-45	Person(s)	56
46-55	Person(s)	49
56 or above	Person(s)	34
By Employment Type		
Full-time	Person(s)	191
Part-time	Person(s)	–

During the Reporting Period, the turnover rate of the reporting scope by gender, age group and geographical region is as follows:

Turnover Rate	Unit	2024
By Gender		
Male	Percentage	17
Female	Percentage	18
By Age Group		
35 or below	Percentage	33
36-45	Percentage	9
46-55	Percentage	10
56 or above	Percentage	12
By Geographical Region		
PRC	Percentage	17
Employee Turnover Rate	Percentage	17

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Employment Management Policy

The Company is deeply aware of the importance of retaining talent for maintaining competitiveness and ensuring continuous development. Therefore, the Group has a comprehensive employment management system in place, dedicated to building a high-quality team of professionals.

Rights and Benefits

The Group has made clear provisions for employee rights and benefits in the Employee Handbook and labour contracts, ensuring that all employees are guaranteed their rightful entitlements and benefits. We provide employees with basic salary, bonuses and various allowances, including cars, lunch, high temperature, business travel, dormitories, etc., and provide employees with benefits such as working meals, social activities, travel, and free medical examinations. Meanwhile, in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Group ensures timely payment of social insurance fees such as housing provident fund, endowment insurance, medical insurance and unemployment insurance for our employees, who are also entitled to any legal provisions such as salary, benefits, and holidays, such as industrial injury leave, sick leave, marriage leave, etc.

Recruitment and Remuneration

We recruit employees through, various channels, including, posting recruitment notices on our recruitment website. We determine the remuneration of our employees based on factors such as qualifications, responsibilities, contributions, and work experience. The key principle of the remuneration policy is to remunerate employees in a market-competitive manner. We will do our best to recruit and retain the right people. We continuously evaluate our available human resources and will determine whether we need to recruit additional staff to match our business development.

Female Employee Pregnancy Protection

The Group makes every effort to ensure that female employees are entitled to various holidays and insurance according to relevant laws, so as to create a good working environment for female employees. During pregnancy, the time spent on prenatal check-ups by female employees will be treated as work. If a female employee needs to take a rest during the pregnancy protection period, the treatment during the pregnancy protection period shall be handled in accordance with the company's relevant regulations on sick leave.

Promotion Management

We promise that all employees have equal opportunities for work and promotion and will not be discriminated against due to age, gender, physical health, marital status, family status, race, colour, nationality, religion, political affiliation and other factors. The Group conducts annual appraisals based on the performance of employees. We have listed the evaluation criteria in the "Administrative and Human Resources Management System (《行政人事管理制度》)", and the evaluation is carried out according to the actual situation. For outstanding employees, priority is given to promotion.

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Working Hours and Holiday

We implement a standard working hour system in accordance with the law. The relevant regulations on working hours and holidays are outlined in the Employee Handbook. We arrange for employees to work overtime according to work needs and relevant laws and regulations and protect employees' right to rest in accordance with the law.

OCCUPATIONAL HEALTH AND SAFETY

The Company is acutely aware that the safety and health of our employees are vital to achieving sustainable operations. Therefore, we are committed to establishing a robust work environment and implementing an effective safety and health management system to ensure that every employee can work in a safe and healthy environment. In order to ensure the health and safety of employees, the Group strictly abided by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and has formulated the "Occupational Health Management Policy (《職業衛生管理制度》)", which stipulates a series of occupational health-related responsibilities and safety measures, including:



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards, which would have a significant impact on the Group.

Occupational Protection

The Group attaches great importance to employee safety and occupational disease protection. According to relevant national laws and regulations, we have established a safety production system and require employees to abide by the Group's labour safety system strictly. We stipulate labour protection, working conditions and occupational hazard protection clauses in the labour contract, and strictly prohibit illegal operations to prevent accidents in the labour process and reduce occupational hazards. During the Reporting Period, the work injury rate and work-related fatalities rate of the Group remained at zero. No work-related fatalities were reported in the past three years (including the Reporting Period). There are no lost days due to work injury reported during the Reporting Period.

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Depending on the job nature, employees will be informed of the possible occupational hazards and their consequences during the work process so as to enhance their occupational safety awareness. Under the high-temperature conditions in summer, we will moderately adjust the work intensity and issue subsidies. Depending on the needs of production positions, we will provide employees with necessary safety protection measures and distribute necessary labour supplies in accordance with national regulations on labour safety and health. In addition, the Company provides annual occupational health examinations to technicians and production personnel, provides non-occupational health examinations to other employees, and organizes employees to participate in online and offline safety training.

Safety Training and Fire Drill

The Group has formulated and implemented policies to ensure employee safety, actively conducting safety training and fire drill activities, which include:

Safety Training and Fire Drill

- Fire safety training and drills;
- Typical accident and emergency rescue case training;
- National safety laws and regulations training;
- Confined space knowledge training in special operations; and
- Summer heatstroke prevention safety knowledge training.

Policies to Safeguard the Safety of Employees

- Establish safety procedure for the work that identified as hazardous;
- Provide and ensure a hygienic and safe office and working environment, machinery and equipment are regularly inspected;
- Establish emergency procedures in case of an emergency such as a fire or explosion; and
- Establish a mechanism to record and analyze the occurrence and causes of work-related accidents.

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TALENT DEVELOPMENT AND TRAINING

The Group deeply understands the central role of employee training and development in driving business growth. We continually invest in our employees' professional growth and skills enhancement, believing it to be key to achieving the group's long-term success. In order to enhance the growth of employees, we provide various forms of on-the-job and off-job training. During the Reporting Period, we conducted several special trainings, including induction training for new employees, fire drills, three-level safety education and training for new employees, safety production management and production technology knowledge training, post-knowledge training, and safety education for management staff. During the Reporting Period, the training data within the reporting scope by gender and employee category is as follows:

Employee Training Data	Unit	2024
Percentage of Employees Trained		
By Gender		
Male	Percentage	100
Female	Percentage	100
By Employee Category		
Senior Management	Percentage	100
Middle Management	Percentage	100
Other	Percentage	100
Average Training Hours Completed Per Employee		
By Gender		
Male	Hour(s)	8
Female	Hour(s)	8
By Employee Category		
Senior Management	Hour(s)	8
Middle Management	Hour(s)	8
Other	Hour(s)	8

LABOUR STANDARDS

The Group has a zero-tolerance policy for any form of child labour and forced labour, ensuring that all business activities comply with human rights legislation, demonstrating our firm commitment to business ethics. The Group strictly adheres to legal requirements to prevent the use of child or forced labour in our business operations, including but not limited to the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

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For the Human Resources Department, particularly those in charge of recruitment, we conduct training on the prevention of child labour and forced labour and establish measures to avoid the employment of illegal labour. The Human Resources Department has effective procedures in place to verify the age of any candidate before hiring. The Human Resources Department check documents that can prove the applicant's age, including government-issued photo ID, birth certificate, driver's license, household registration booklet, academic certificate or any other valid documents that can prove the date of birth and ensure the photo on the ID card matches the applicant's appearance.

If any child labour or forced labour under the legal minimum age of employment is found in the Group, we proceed from the perspective that best suits their interests and take the following measures in accordance with the requirements of relevant laws:

1. Remove the employee from the workplace to ensure the safety of the employee;
2. Immediate notify the Human Resources Department to verify all relevant information, confirm whether the employee is child labour or forced labour and terminate the employment contract;
3. If the employee is a child labour, we will notify the local social welfare agency and take remedial measures to protect the interests to the greatest extent;
4. Send the employee to occupational labour health inspection institutions for body check on the physical and mental health;
5. Conduct investigations and visits to fully understand their situation; and
6. Immediately identify problems with the recruitment procedure and take measures for improvement.

COMMUNITY INVESTMENT

The Company firmly believes that proactive community investment is essential for establishing positive relations between the corporation and society and for fostering mutual prosperity. We are dedicated to supporting public services such as healthcare, education, and poverty alleviation, thereby fulfilling our corporate citizenship responsibilities and achieving sustainable social impact. We also encouraged employees to participate in voluntary projects and/or community services. The Group has adopted relevant policies to meet such commitments.

During the Reporting Period, the Group did not make any donation. Looking forward, the Group will make full use of its business advantages to contribute the community.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject area	Content	Chapter/Disclosure
Mandatory Disclosure Requirement		
Governance Structure	A Statement from the board containing the following elements: (i) disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's business); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's business.	Sustainability Governance
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (materiality, quantitative, and consistency) in the preparation of the ESG Report.	About the Report – Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About the Report – Reporting Period and Scope
A. Environmental Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operation

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Subject area	Content	Chapter/Disclosure
KPI A1.1	The types of emissions and respective emissions data.	Emission Management – Air and Greenhouse Gas (“GHG”) Emission
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Emission Management – Air and Greenhouse Gas (“GHG”) Emission
KPI A1.3	Total hazardous waste produced (tonnes) and where appropriate, intensity.	Emission Management – Hazardous and Non-hazardous Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emission Management – Hazardous and Non-hazardous Waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission Management – Air and Greenhouse Gas (“GHG”) Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emission Management – Hazardous and Non-hazardous Waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Effective Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in ‘000s) and intensity.	Effective Use of Resources – Energy Efficiency
KPI A2.2	Water consumption in total and intensity.	Effective Use of Resources – Water Resource Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Effective Use of Resources – Energy Efficiency

Environmental, Social and Governance (ESG) Report

Subject area	Content	Chapter/Disclosure
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s), and steps taken to achieve them.	Effective Use of Resources – Water Resource Management
KPI A2.5	Total packing material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Effective Use of Resources – Reduce Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Cherish Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Combatting Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Relationship
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Environmental, Social and Governance (ESG) Report

Subject area	Content	Chapter/Disclosure
Aspect B2: Health and Safety		
General	Information on:	Occupational Health and Safety
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
Aspect B3: Development and Training		
General	Policy on improving employees' knowledge and skills for	Talent Development and Training
Disclosure	discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category.	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		
General	Information on:	Labour Standards
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

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Subject area	Content	Chapter/Disclosure
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Supplier Screening and Evaluation
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Supplier Screening and Evaluation
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Supplier Evaluation Procedure
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality Management
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Complaint Management

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Subject area	Content	Chapter/Disclosure
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Advertisement, Labelling and Intellectual Property Right
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Integrity and Compliance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution.	
KPI B8.2	Resources contributed to the focus area.	



DIWANG INDUSTRIAL HOLDINGS LIMITED
帝王實業控股有限公司