



2023

ENVIRONMENTAL,
SOCIAL & GOVERNANCE
REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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About This Report

Kwung's Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") is an original design manufacturer and supplier of home decoration products including home fragrance and home accessories. The Group has obtained the prestigious status of "High and New Technology Enterprise" and "National Cultural Export Key Enterprise" in 2020 in the People's Republic of China (the "**PRC**") in recognition of its research and development strengths and the quality and cultural elements of its products. The Group values cultural creativity, product innovation and technology research and development. The Group also adheres to the core values of creating benefits for its shareholders, seeking benefits for employees, as well as taking responsibility for society. The Group is committed to the long-term sustainability of its business, as well as protecting the environment and contributing to the communities in which it operates.

To summarize its sustainability performance during the year to internal and external stakeholders, the Group is pleased to present the Environmental, Social and Governance ("**ESG**") Report. The report details the Group's policies and practices in its operations with direct operational control in regards to its environmental and social performance for the year ended 31 December 2023 ("**the Year 2023**").

This report has been prepared in accordance to the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**ESG Guide**"). The Group has strictly complied with requirements of the ESG Guide during the Year 2023.

For the preparation of this report, the Group has adopted the reporting principles set out in the ESG Guide. The Group conducted a materiality assessment to identify material ESG matters, and focused on these identified material ESG matters when preparing this report. The standards and methods used to calculate the key performance indicators ("**KPIs**") data in this report, as well as the applicable assumptions, are provided in the notes. Unless otherwise stated, the preparation approach of this report is consistent with the year as at 31 December 2022 ("**Year 2022**") for comparison. Where there is any change in the scope of disclosure and calculation methods, which may affect the comparison with previous reports, explanations will be provided for the relevant data.

ESG Governance

The board (the "**Board**") of directors (the "**Directors**") of the Company is responsible for overseeing ESG issues, through regular meetings with the management, it assesses the potential impact of the ESG topics on the Group's overall operation, formulates related management directions and strategies, and monitors the Group's ESG issues and target progress.

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Stakeholder Engagement

Stakeholder engagement plays a core in the Group’s sustainability strategy. The Group maintains regular dialogue with its internal and external stakeholders, including shareholders, customers, employees, suppliers, regulatory authorities, as well as the general public. Through regular communication using online and offline communication channels, the Group seeks to incorporate the views, interests and concerns from different perspectives to help the Group maintain long-term business prosperity and to ensure stakeholder expectations can be met. A summary of the Group’s stakeholder engagement approach is presented in the table below:

Stakeholders	Expectations	Communication Channels
Shareholders	<ul style="list-style-type: none"> Positive financial performance Transparency of corporate governance Sound risk control 	<ul style="list-style-type: none"> Annual General Meeting (AGM) Financial Reports Meetings
Governments and Regulatory Bodies	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payment in accordance with applicable laws and regulations 	<ul style="list-style-type: none"> Meetings Financial Reports
Employees	<ul style="list-style-type: none"> Career development Competitive salary and benefits Safe working environment 	<ul style="list-style-type: none"> Staff performance appraisal Internal publications
Customers	<ul style="list-style-type: none"> Smooth logistics and good delivery service standards Security of privacy Protection of customer rights and interest 	<ul style="list-style-type: none"> Email Meetings Interviews
Suppliers	<ul style="list-style-type: none"> Business integrity Ethics and credibility 	<ul style="list-style-type: none"> Email Meetings Interviews
General Public	<ul style="list-style-type: none"> Environmental protection Employment opportunity Community contribution 	<ul style="list-style-type: none"> Financial Reports Announcements

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Materiality Assessment

The Group has performed a materiality assessment with its stakeholders to identify priority topics that are considered material to having significant impacts towards the operational, environmental and social aspects of the Group's operations. The materiality assessment consisted of a series of interviews and surveys with internal and external stakeholders, based on which the Company identified 21 priority ESG topics covering environment, training and development, occupational health and safety, supply chain labour standards, corporate governance, customer privacy, anti-corruption and community investments.

Priority ESG Issues Identified from Stakeholder Engagement		
Environmental Issues	Social Issues	Operating Issues
<ul style="list-style-type: none"> Greenhouse gas ("GHG") emissions Energy consumption Water consumption Waste Energy Conservation Measures Use of raw materials and packaging standards Compliance with laws and regulations related to environmental protection 	<ul style="list-style-type: none"> Local community engagement Community investment Occupational health and safety Labour standards in supply chain Training and development Employee welfare Inclusion and equal opportunities Talent attraction and retention 	<ul style="list-style-type: none"> Economic value generated Corporate governance Anti-corruption Supply chain management Customer satisfaction Customer privacy

Stakeholder Feedback

Stakeholders' valuable feedback can help us continuously improve with respect to our ESG strategy and performance. If you have any questions or comments regarding the contents of this report, please contact us through one of our communication channels.

Environmental Protection

One of the core values of the Group is to conserve the environment whilst performing its business activities. The Group's environmental policy emphasises both impact management and efficient utilization of resources, including the application of technology to help reduce its environmental impacts. The Group's environmental management strategy centralizes around the key pillars of waste management, energy efficiency enhancement, and GHG emissions reduction.

Over the years, the Group has introduced energy-efficient equipment and introduced streamlined operation processes to reduce the consumption of resources, enhance resource utilization efficiency and the Group has strived to minimize environmental impact.

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Impact Awareness

As part of the Group's Management Policy, the Group is committed to remain aware of environmental impacts associated with its operations, identifying impacts using a comprehensive lifecycle assessment approach perspective.

When determining which environmental factors are impacted by the Group's operations, the analysis should cover all changes resulting from the Group's developments, activities, products and services, in addition to potential accidental events and emergency situations that may arise. The Group's Technical Team performs an annual assessment of our environmental performance with reference to 8 criteria covering resource consumption, waste generation, and emissions. Scores are assigned to each category to support the identification of priority issues.

The Group has issued various internal procedures to address the management of issues related to its environmental performance, including "Water, Air and Noise Pollution Control Procedure" (水、大氣、噪音污染防護控制程序), "Control of Environmental Factors Procedure" (環境因素控制程序), "Energy & Resource Management Procedure" (能源、資源控制程序) and "Waste Control Procedure" (廢棄物控制程序). For example, regarding the management of waste disposal procedures, the Group has invested into the purchase of equipment that is better-suited for complying with national environmental regulations, and performed environmental assessments to address the environmental impacts associated with its operations. Environmental risks and opportunities are identified and communicated throughout the Group to maintain awareness.

Climate-related Issues

The Group acknowledges the imminent threat of climate-change and has established a dedicated Climate Management Task Force, with the objective of prioritizing climate issues with may have significant impact to the Group's business operations. The task force is led by the Group's senior management to ensure that the concept of climate resilience can be promoted to the entire staff population.

Operating a manufacturing business, the Group acknowledges that resource consumption, including fossil fuels and electricity, are closely related to climate management. To set forth the Group's ambitions to help mitigate climate change and contribute towards a net-zero society, the Group has set reduction targets for energy-efficiency and carbon emissions.

Also, with the increasing significance of carbon reduction, the Group will remain alert of regulatory trends and any significant policy changes related to climate which may impact the Group's business, such that to minimize any transition risks associated with the transition to a low-carbon society.

Use of Resources

The Group's operations consume significant quantities of electricity, fossil fuels and water. It is the Group's goal to drive continuous improvements for its resource consumption efficiency.

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Fossil Fuels

The Group consumes petrol for the operation of company vehicles. To reduce fuel usage, the Group only operates a small fleet of vehicles and their usage is minimized as much as possible. During the Year 2023, the Group consumed 11,525 litres of petrol and 518 litres of diesel.

Water

The Group consumes water as part of operations and actively promotes water conservation practices to its employees. Recycling of water is also performed at the Group's facilities to allow for efficient consumption of valuable water resources. This includes rainwater capture and use of seawater where possible. During the Year 2023, the Group's total water consumption is 58,870 m³. During the Year 2023, the Group did not encounter any issues in sourcing water for its operations.

Packaging Materials

Operating a manufacturing business, packaging materials is consumed as part of the Group's daily operations. The main types of packing materials consumed by the Group include paper boxes, glass, and plastics. A summary of packaging materials consumed during the Year 2023 is presented below:

Packaging Material	Amount Used (tonnes)
Paper boxes	465.9
Glass	246.7
Plastics	8.8

It is part of the Group's policy to adopt product packaging standards that are designed to avoid waste of resources and environmental pollution caused by excessive packaging. The Group strictly adheres to relevant national packaging standards, laws and regulations. The Group also does not design, produce, buy, or sell products with excessive packaging. Recyclable packaging materials are recycled as much as possible to improve their recycling rate.

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Electricity

During the Year 2023, the Group's total electricity consumption is 5,076,392 kWh. The Group has targeted to reduce energy consumption by 5% by year 2030.

With electricity being a significant contributor to the Group's energy consumption and GHG emissions, the Group has enforced a number of initiatives to reduce its electricity consumption:

- Light Conservation – Lighting fixtures at the Group's sites are tuned off outside of office hours and security patrols are set up to enforce the policy.
- Air-conditioner Control – The air conditioners at the Group's offices are configured at a set point of 26 degrees Celsius and 22 degrees Celsius for summer and winter respectively with the objective of reducing their usage. In addition, air conditioners are switched off when offices are unoccupied.
- Use of Energy Efficient Equipment – The Group continuously seeks opportunities to enhance the operational efficiency of its electrical equipment, including the adoption of equipment with new technologies. Energy-efficiency is incorporated into the decision-making process during the procurement of electrical equipment, where equipment or components with energy-saving labels are preferred.
- Use of Renewable Energy – The Group is actively using renewable energy in its daily operations to reduce its carbon footprint. For example, in 2023, the Group is using photovoltaics at its Binhai operations to reduce the amount of electricity used for daily lighting.

During the Year 2023, the Group was not involved with any violations associated with use of resources. No significant issues were identified regarding resource utilisation which may have material impact on the Group's operations.

Emissions

GHG Emissions

The Group's main sources of GHG emission from its operations originate from its electricity usage and petrol consumption. Electricity consumption is largely associated with the Group's production facilities, and is responsible for about 97% of the Group's GHG emissions.

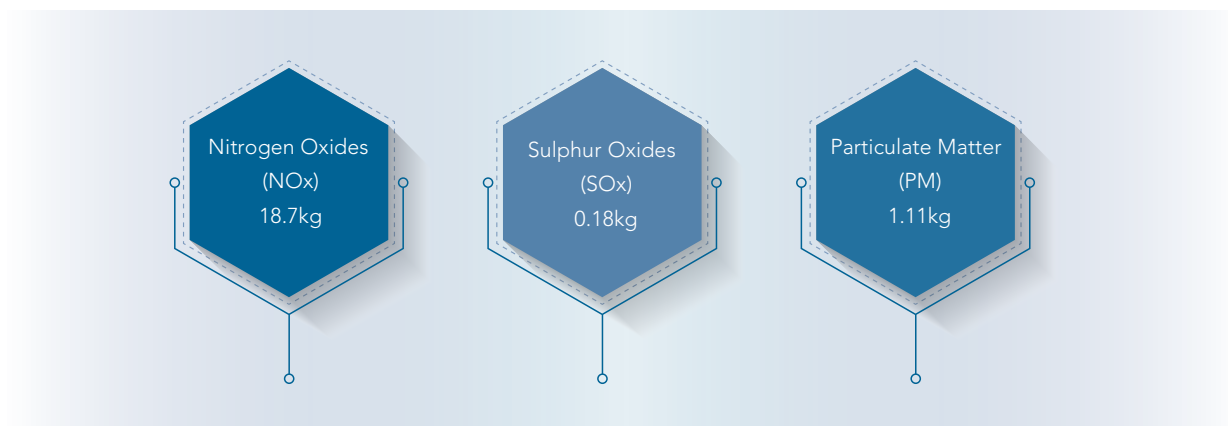
Indirect GHG emissions from business air travel are also material to the Group. The Group encourages its employees to reduce business travel as much as possible and make use of virtual meetings to reduce the need for travelling. Employees are also encouraged to use land transport options such as buses or trains as much as possible.

With the consideration of the amount of water consumed by the Group, indirect emissions associated with the processing of freshwater has also been estimated and included as part of the Group's Scope 3 emissions. The Group's reduction efforts in water consumption is also expected to help reduce associated GHG emissions.

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Air Emissions

The combustion of petrol by company vehicles results in the air emissions, namely nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter (PM). A breakdown of the Group's air emissions during the Year 2023 is presented below:



Waste Generation

The Group endeavours to minimize the quantity of waste generated during manufacturing process. The Group has adopted a set of waste disposal procedures in its production facilities to ensure proper handling of produced waste and has taken measures to control the discharge of gases and wastewater to ensure compliance with relevant environmental standards and regulations.

The Group has invested in the upgrade of equipment to help reduce the waste generated from production and engaged authorized waste collectors for the disposal of waste for disposal, processing, or recycling.

The main types of hazardous waste generated by the Group include waste paraffins and activated carbon produced from the manufacturing process of the Group's candles and fragrance products.

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Non-hazardous generated by the Group are mainly office wastes and factory wastes.

Waste Generation Statistics	Amount (tonnes)
Hazardous Waste	
Paraffin	71.5
Activated carbon	13.8
Other	3.3
Non-hazardous Waste	
Domestic and factory wastes	612

Recycling

To drive reductions in waste generated from the Group's manufacturing activities, the Group has incorporated the concept of recycling into its production process. Recyclable raw materials or supplementary materials are used during the manufacturing process of the Group's products, which can help reduce virgin material consumption. The Group's production plants also include the use of equipment and process optimized for the recycling of materials and reducing waste residues produced.

Through active promotion of resource conservation practices amongst the Group's staff, environmental awareness is instilled into the Group's operations.

Compliance with Environmental Regulations

The Group consistently enforces strict measures to ensure compliance with all applicable environmental laws and regulations, including but not limited to:

- i) The Environmental Protection Law of the PRC;
- ii) The Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Wastes (2016);
- iii) Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation);
- iv) Law on the Prevention and Control of Water Pollution of the PRC; and
- v) Law on the Prevention and Control of Air Pollution of the PRC.

The Group is not aware of any material non-compliance with applicable environmental laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Year 2023.

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Environmental Performance Summary

Environmental Performance Summary

Category	Unit	2023	2022
Business Metric			
Production volume	t	45,227	34,134
Energy Consumption¹			
Total Energy Consumption	MWh	5,194	3,673
Petrol Consumption	MWh (L)	112	74
Diesel consumption	MWh (L)	6	N.A.
Electricity Consumption	MWh (kWh)	5,076	3,599
Total Consumption Intensity	MWh/t product	0.11	0.11
GHG Emissions²			
Total GHG Emissions	t CO ₂ e	2,978	2,146
Scope 1 – Direct Emissions	t CO ₂ e	32	21
Carbon Dioxide (CO ₂) Emissions	t	29	18
Methane (CH ₄) Emissions	kg	3	2
Nitrous Oxide (N ₂ O) Emissions	kg	13	8
Scope 2 – Energy Indirect Emissions	t CO ₂ e	2,895	2,053
Scope 3 – Other Indirect Emissions	t CO ₂ e	51.2	72.6
Fresh Water Processing	t CO ₂ e	25.6	36.2
Paper Waste Disposed At Landfills	t CO ₂ e	6.5	10.7
Employee Business Travel	t CO ₂ e	25.5	25.8
Total Greenhouse Gas (GHG) Emissions Intensity	t CO ₂ e/t product	0.066	0.063

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Category	Unit	2023	2022
Air Emissions			
Nitrogen Oxides (NOx) Emissions	kg	18.7	5.7
Sulphur Oxides (SOx) Emissions	kg	0.18	0.11
Particulate Matter Emissions	kg	1.11	0.42
Waste Management			
Total Hazardous Waste Produced	t	88.6	109.45
Total Non-Hazardous Waste Produced	t	612	601
Total Hazardous Waste Intensity	kg/t product	2.0	3.2
Total Non-Hazardous Waste Intensity	kg/t product	13.5	17.6
Use of Resources			
Total Water Consumption	m ³	58,870	39,731
Total Water Consumption Intensity	m ³ /t product	1.30	1.16
Packaging Materials			
Paper Boxes	t	721.4	364.1
Glass	t	465.9	173.7
Plastics	t	246.7	5.6

Notes:

- The change in energy consumption is mainly due to the newly added Wuhu factory and the expansion of data collection coverage for Ninbo Zhiyuan production sites. To facilitate data comparison, the unit for energy consumption is reported in MWh.
- GHG calculation method is based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025" issued by the Ministry of Ecology and Environment of the PRC, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.
 - Scope 1 emissions include direct emissions from operations that are owned or controlled by the Group;
 - Scope 2 emissions include energy indirect emissions associated with generation of purchased energy consumed by the Group, including electricity, heating, cooling and steam;
 - Scope 3 emissions include other indirect emissions that occur within the Group's value chain, including both upstream and downstream emissions.

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Environmental Targets

With gradual resumption to normal business following COVID impact, the Group's business production has increased during the Year 2023, along with some increases in resource consumption and emissions figures. The Group's consumption intensity and emission intensity figures have improved as compared to Year 2022. We look forward to continuing our positive progress in reducing our environmental impacts.

With the consideration of the post-COVID business considerations, the Group has revised its long-term environmental targets, as summarized below:

- Reduce 5% energy and water consumption by 2030
- Reduce 5% carbon emissions and waste generation by 2030

Social

Employment and Labour Practices

Employment

In order to accommodate the Group's rapid business growth, the Group places great importance in human resource management and recruitment of talented team members. To expand the Group's talent attraction coverage, various recruitment channels incorporated into the Group's recruitment strategy, such as recruitment websites, labour markets, recruitment agencies, staff referrals, and campus recruitment. The Group's "Human Resource Management Policy" details specific recruitment procedures to be adopted for each recruitment channel to ensure a systematic process is followed for candidate assessment.

Remuneration

The Group regularly reviews its remuneration and incentives schemes to perform necessary optimizations required to maintain competitive remuneration for employees. Promotion and salaries for employees are determined according to the performance of employees, their experience and current market conditions.

The Group's "Human Resource Management Policy" details the remuneration basis of employees, including factors considered for determining nominal salary and performance bonuses.

Equal Opportunities and Anti-discrimination

The Group values providing equal employment opportunities for all of its employees, regardless of race, gender, ethnicity, and other factors. The Group's employment process adheres to this principle.

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Health and Safety

The Group is committed to providing employees with a healthy and safe working environment. Safety guidelines are enforced at the Group's sites to help protect the safety of employees, promote occupational health, and ensure compliance with applicable laws and regulations. Employees are supplemented with safety trainings and drills organized by the Group, in addition to complementary annual health examinations to safeguard the wellbeing of employees.

The Group strictly adheres to the "Fire Protection Law of the PRC", "Law of the PRC on Prevention of Occupational Disease" and "PRC Production Safety Law" for its operations in the PRC, and "Occupational Safety and Health Ordinance" for its Hong Kong operations. During the Year 2023, the Group did not identify any serious violations of relevant laws in the PRC and Hong Kong with regards to occupational hazards and employee safety that have a significant impact on the Group. During the Year 2023, the total lost days in the Group due to work injuries was 66, involving 3 incidents. The Group did not have any work-related fatalities in the past 3 years of operations.

Development and Training

The Group believes that continuous development and nurturing of its quality staff is vital for the long-term development of the enterprise, and has established policies to ensure adequate training is provided to its employees. Employees are provided with training and development programs tailored to equip them with necessary skills and knowledge relevant to their positions and functions.

To help foster a harmonious working environment, the Group also promotes work-life balance for its employees and encourages employees to participate in extracurricular activities to help team-building, strengthen their sense of belonging, and enhance employee morale.

The effectiveness of training programmes are assessed by the training participants through feedback forms and surveys, to collect feedback and continuous refinement of the training curriculum to better suit the needs of the Group's employees.

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During the Year 2023, the Group's employees received a total of 206 man-hours of training. The average training received per employee was 0.4 hours during the Year 2023. A breakdown of training statistics is presented below:

Training Statistics

Total Training Hours

Male Employees	98
Female Employees	108
Senior Management Staff	45
Middle Management Staff	65
Other Employees	96

Average Training Hours

Male Employees	0.5
Female Employees	0.3
Senior Management Staff	3.8
Middle Management Staff	2.4
Other Employees	0.2

Percentage Employees Trained

Male Employees	46%
Female Employees	37%
Senior Management Staff	100%
Middle Management Staff	100%
Other Employees	35%

In addition to training courses, the Group also adopts a mentoring system for new employees, to help streamline the staff orientation process and reduce the time needed to adapt to their job position. In order to be selected as a mentor, employees are required to demonstrate outstanding work performance, to serve as a role model for new employees.

Operational Practices

The Group highly values the importance of safety, quality and environmental control, and has formulated and implemented a comprehensive management system. The Group has obtained certifications in ISO 9001: 2015 (Quality Management System) and ISO 14001: 2015 (Environmental Management System).

Labour Standards

The Group strictly complies with the labour standards in the local jurisdictions of its operations, including but not limited to: "Labour Law of the PRC", "Social Insurance Law of the PRC", "Labour Contract Law of the PRC", "Provisions and Prohibition of Using Child Labour", "Law of the PRC on the Protection of Minors" in addition to "Hong Kong Employment Ordinance" and "Hong Kong Employee Compensation Ordinance".

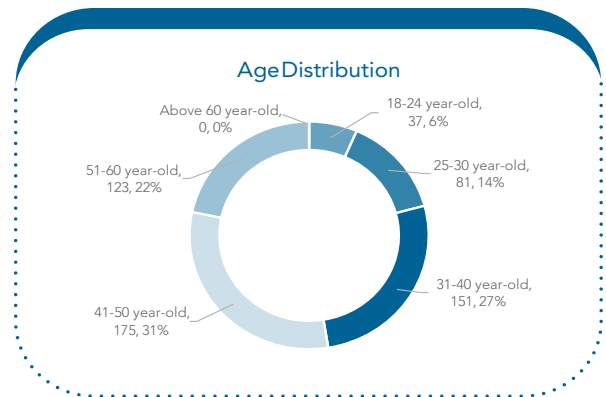
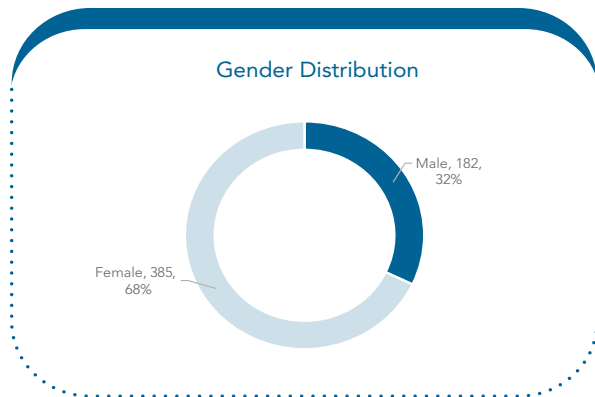
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The Group conducts recruitment in using an open process and performs thorough background checks of candidates to ensure only qualified personnel can be hired. Use of child or forced labour in our operations is strictly prohibited, and is enforced through verification of identity information of job candidates.

In the event of the discovery of child or forced labour within our operations, the concerned staff members will be prevented from performing further work at our facilities. During the Year 2023, the Group did not find any serious violations of relevant labour laws and regulations in its regions of operations.

Employee Statistics

As of 31 December 2023, the Group has a total of 567 employees, with 566 full-time employees and 1 part-time employees. The breakdown of our workforce distribution is presented in the following charts:



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The Group's employees are predominantly located in the PRC, with the exception of 2 employees located in other regions. The turnover statistics the Group during the Year 2023 is presented in the table below;

Employee Category	Turnover Rate
Overall	33%
By Gender	
Male	34%
Female	33%
By Age	
18-24 years old	76%
25-30 years old	43%
31-40 years old	36%
41-50 years old	31%
51-60 years old	11%
Over 60 years old	0%
By Geographical Region	
China	33%
Other Regions	50%

Supply Chain Management

The Group's operations involve procurement of raw materials from external suppliers and the Group has put in place a number of measures governing the supplier selection procedure, with the objective of driving better sustainability performance across its value chain. Some of the Group's key measures for managing the sustainability performance of its raw material suppliers include the followings:

- The Group adopts standardized evaluation process, including assessment criteria, for raw material suppliers and contract manufacturers. Detailed scoring schemes are clearly defined, specifying individual aspects to be evaluated for each type of supplier. The standardized assessment procedure is applied for all existing and new suppliers.
- The assessment criteria contain a dedicated section with regards to the environmental management performance of suppliers, covering environmental management standards adhered to by suppliers, and assessment of their environmental management capabilities.
 - o For materials with environmental requirements mandated by laws and regulations, suppliers are requested to provide relevant credentials for review, and site visits will be performed to ensure compliance with environmental requirements. For new materials and materials which have potential for contamination, suppliers are requested to provide REACH reports to confirm compliance with requirements related to toxicity/heavy metals.

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- Strict and clear delegation of duties is in place to maintain check and order through the supply chain management process:
 - A professional and experienced Procurement Team is responsible for the assessment of suppliers, and the evaluation of suppliers with reference to the quality, price and efficiency of the supplied raw materials
 - The Quality Control Team performs regular tests of purchased raw materials.
 - Technical and compliance requirements are handled by the Technical Team
- A “Supplier Management and Quality Assurance System” is set up to manage all supplier– related information and records, such as product quality, production capacity, delivery time and other important indicators relevant to the Group’s evaluation of supplier performance.

As of 31 December 2023, the Group had a total of 1,529 suppliers, all located in the PRC.

Product Responsibility

The Group actively explores, introduces and applies new concepts in its designs and material usage. Its Marketing, Design and Technical teams work in a collaborative manner, maintaining close coordination to integrate latest trends across various disciplines into the development of new products, including new technology, market trends, and consumer preferences.

To maintain timely responses to changes in market demand, the Group performs continuous research to improve the ingredients of core products, including optimizing the composition of aroma formulations to enhance their attractiveness to different consumer groups. The Group’s candles made from natural plant ingredients and other environmentally friendly products have good reception for being consistent with the concept of healthy living, which have strong market potential that aligns well with consumers’ growing environmental awareness. The preference of sourcing products that have better environmental performance is consistently applied across our supply chain, through the use of standard procurement procedures and quality assessments.

The Group regularly performs quality control and monitor the performance of its products in accordance with industrial standards. Since most of the Group’s products are exported and sold internationally, the Group adopts relevant international standards for its products, such as BS EN 15493-2019: “Candle Fire Protection Specifications”, BS EN 15426-2007: Specifications for Sooting Behaviour, and “Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)” EC1907/2006.

During the Year 2023, the Group’s perfume and scented candle obtained the “Top Fragrance” and “Top Candle Design” respectively from the China Household Chemicals Industry Association (中國日用化工協會).

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With regards to the use of raw materials, the Group only purchases materials from suppliers that satisfy requirements for quality, capability, production capacity, and delivery schedule. The Group has stipulated internal quality standards and policies, including "Inspection Specifications for Outsourcing Services", "Quality Inspection Standards", "Sample Inspection Standards for Finished Products" and "Inspection Requirements" to establish the framework for proper control and monitoring of product quality.

To enhance the traceability of various materials handled in our operations and address any special handling requirements, the Group established a set of standard labelling framework which guides the handling of the products at various phases. Essential information such as the type of material (e.g., raw material, intermediate product, final product), quantity, batch number, date of inspection and best before dates are thoroughly documented. Materials are also attached with visible colour-coded labels based on their results from product quality tests to ensure that only compliant items are allowed in our manufacturing facilities.

Product Recall Policy

The Group has set up an Emergency and Recall Procedure for Products which lays out the specific process for the handling of situations which require recall of the Group's products. This includes products associated with potential safety hazards, and/or products that failed to meet customer requirements. The Group's sales department has established multiple channels for customers to report substandard products.

Upon confirmation of product recall requirements, the Technical Team will compile key information related to the recall, including the batch number, date of manufacture, and reasons for recall. Based on this information, the Sales Team will contact relevant staff responsible for the distribution of the affected products as soon as possible, such that impact to end-users of the products can be minimized. The process of each recall shall be documented for record purposes. An annual drill is organized by the Group's Sales Team to simulate the product recall process to ensure relevant teams are familiar with the process.

To ensure the traceability of the Group's products, all raw materials, intermediate and final products that have potential safety concerns are thoroughly logged and tracked, such that recalls can be performed effectively in case any substandard conditions are identified.

During the Year 2023, the Group did not encounter any situations which require product recalls related to safety issues.

During the Year 2023, the Group did not identify any serious violations regarding health and safety, advertising, and labelling of products which have a significant impact on the Group. This includes, but not limited to: "Product Quality Law of the PRC", "Advertising Law of the PRC", "Protection of Consumer Rights and Interests Law of the PRC", "Trademark Law of the PRC", "Patent Law of the PRC", "Copyright Law of the PRC", "Australian Consumer Rights Law", "British Consumer Protection Law", "Dutch Packaging Act", "German Packaging Law", "German Product Liability Law", "EU Council Directive 85/374/EEC" and "Article 1245 of the French Civil Code".

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Customer Feedback

Customer satisfaction is of utmost importance to the Group and it has issued a dedicated policy detailing the procedure of handling customer complaints. Upon receipt of a customer complaint, relevant departments will be notified to initiate formal investigation on the issue to identify possible causes and parties responsible for the issue. This includes reviewing the quality assurance records associated with the product batch, and follow-up on the quality control process to identify potential room for improvement. During the Year 2023, the Group did not receive any material complaints with regards to its products and services.

Privacy and Intellectual Property Rights

The Group is committed to protecting customer privacy and has established relevant policies and procedures to safeguard customer data.

Development and innovation are crucial to the Group's businesses and the Group pays significant attention to the management of intellectual property rights, this includes the management of patents and trademarks owned by the Group, as well as avoiding any infringement of intellectual property rights of other parties. As of 31 December 2023, the Group owns 275 trademarks, 2 copyrights and has obtained 59 patents, covering inventions, utility model and appearance design.

Anti-corruption

In order to promote business activities in a down-to-earth manner, the Group attaches great importance to anti-corruption work. The Group's anti-corruption and anti-bribery regulations details the internal standards of conduct that must be abided by all employees. This is part of the Group's internal control mechanism, which serves to maintain the Group's good image, with a business philosophy rich in law-abiding integrity and the delivery of quality service as the core.

The Group has also developed an internal control and monitoring system. If any violation is found, the Group will immediately take action and apply disciplinary actions to employees who violate any policies or regulations.

During the Year 2023, anti-corruption training was incorporated into our regular professional curriculum for our staff and senior management. During the Year 2023, there are 6 Directors and 224 employees of the Group attended 7.5 hours and 224 hours of anti-corruption training respectively.

During the Year 2023, the Group did not identify any serious violations of laws and regulations relating to bribery, extortion, fraud and money laundering which have significant influence to the Group. This includes, but not limited to, the "Company Law of the PRC", the "Tendering and Bidding Law of the PRC" and "Hong Kong Bribery Prevention Ordinance". The Group did not have any legal proceedings related to corruption and was not aware of any legal proceedings of its employees in the Year 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment

The Group believes that building good relationships with local communities is a key factor for its success and it has been keen in providing necessary support for communities around its production base, including providing assistance to vulnerable groups, participating in voluntary work and actively supporting charity activities.

During the Year 2023, the Group has made charitable donations of RMB2,050,000 to local charitable organizations.

The Group also encourages its employees to actively participate in charitable activities and community services to help establish work-life balance, as well as to help form a good relationship with the local community. Examples of extracurricular community activities that the Group's employees are active in include cultural activities, voluntary work, and activities organized by charitable organizations.