



BaWang International (Group) Holding Limited

霸王國際(集團)控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code : 01338

股票代碼: 01338



Environmental, Social and Governance Report 2021

2021環境、社會及管治報告

\* for identification purposes only  
僅供識別

# Environmental, Social and Governance Report 2021

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## Scope and Reporting Year

This is the sixth Environmental, Social, and Governance (the “ESG”) report for BaWang International (Group) Holding Limited and its subsidiaries (collectively referred to as the “Group”), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group principally engaged in the manufacturing and sales of the household and personal care products. This ESG report covers the Group’s overall performance in two subject areas, namely, the environmental and social aspects of its operations in Baiyun District, Guangzhou, the People’s Republic of China (the “PRC”) from 1 January 2021 to 31 December 2021 (the “Reporting Year”), unless otherwise stated. The Reporting Scope is the same as for the previous Report, which is determined based on significance of operations to the Group’s revenue.

There has been no change to the methods or KPIs used or any other relevant factors affecting a meaningful comparison of the ESG report with the Group’s 2020 ESG Report.

The board of directors of the Company (the “Board”) acknowledges that it has overall responsibility for the Group’s ESG strategy and reporting and for evaluating and determining the Group’s ESG-related risks. On the basis of confirmation provided by the management of the Group and through on-going discussions with the management, management has confirmed to the Board, and the Board believes that the Group has in place appropriate and effective ESG risk management and internal control systems.

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

## Reporting Principles

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

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

*Quantitative* – key performance indicators (“KPI”s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

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

# Environmental, Social and Governance Report 2021 (Continued)

## The Group's Sustainability Mission and Vision

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

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

## Sustainability Governance

The Board has overall responsibility for the Group's sustainability strategy and reporting. Aside from pursuing business development, the Group assumes its corporate social responsibilities and bears in mind the environmental and social interests. In order to effectively apply the concept of sustainable development into our operations, the Group integrates our ESG strategies into its daily business operations and to elevate sustainable development to the level of corporate strategy, which are regularly subject to review by senior management.

Accordingly, the Board has committed to setting up an ESG task force team to assess and manage ESG-related issues during the Reporting Year. The ESG task force team is comprised of employees from different departments of the Group, who are in charge of overseeing the implementation of ESG policies across the Group's operations, as well as reporting any potential ESG issues to the Board.

The sustainability plan of the Group is developed based on results of ESG reports and regular reports from senior management of its subsidiaries. The Board reviews the annual ESG Report together with the sustainability plan and at the same time makes recommendations by reference to the latest business strategies of the Group. The Group believes that such measures would ensure sustainable and responsible growth and operations in its business development in the long run.

## The Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of the Group, I am pleased to present to you the ESG Report of the Group for the year ended 31 December 2021 ("FY2021").

In FY2021, the global community faced unprecedented challenges from the COVID-19, signs of an economic downturn, and a climate emergency. In the unusual times, the Group has upheld the core values and worked closely with the stakeholders to evolve and adapt to the new "normal", at the same time continued to strive for smart and sustainable living, greener environment and betterment of society.

# Environmental, Social and Governance Report 2021 (Continued)

We see climate change not only as a risk to mitigate, but also an opportunity for the Group to explore new market segments for our Chinese herbal products because of the shift in consumer preferences for trendy natural products which suit their healthy life style.

In recent years, our management approach towards ESG has anchored the focus on topics that are important to both the Group's operations and sustainability, including talent development, product quality, environmental awareness promotion and supplier management. We have invested more management efforts and resources to uncover value by paying more attention to details.

We are well aware of the importance of enhancing our own environmental and social responsibility in regards to the sustainable operation of the Group. We have incorporated sustainable development management into the corporate governance structure of the Group, from committees at the board level to management-level departments and business units. The Board and its three committees (Audit and Risk Management Committee, Remuneration Committee and Nomination Committee) regularly supervise and review the Group's overall strategy, risk management and control, financial status, corporate governance, sustainable development, and other issues. The heads of all departments are responsible for identifying, assessing, mitigating and monitoring their respective risks, and the internal auditors regularly report to the Board.

Developing and maintaining talents are also essential for the Group's business growth and sustainability. Guided by the Group's value of human orientation, we are committed to building our talent pool and nurturing talents through comprehensive training programmes and practical on-the-job training practice. We have set up a dedicated working group to support and provide regular feedback on employee training. Meanwhile, we regard the staff safety as top priority. During the COVID-19 outbreak, the Group demonstrated resilience and swiftly responded through effective cross-departmental collaborations to update and release epidemic prevention measures in a timely manner.

Our Group is committed to be a responsible corporate citizen and takes the initiative to support local activities, care for the underprivileged and improve the relationships with the communities in Guangzhou through provision of employee voluntary services to various charitable organizations and neighbourhoods.

During the Reporting Year under review, we continued to participate in community welfare events so as to enhance our public image as a responsible corporation. In particular, the Group made donations of Bawang-branded HPC and antiseptic sanitary products to the residents of COVID-19 infected areas in Guangzhou, and we donated our Bawang-branded products to impoverished families in north Guangdong and to impoverished children in Liupanshui, Guizhou.

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

# Environmental, Social and Governance Report 2021 (Continued)

## Stakeholder Engagement and Materiality

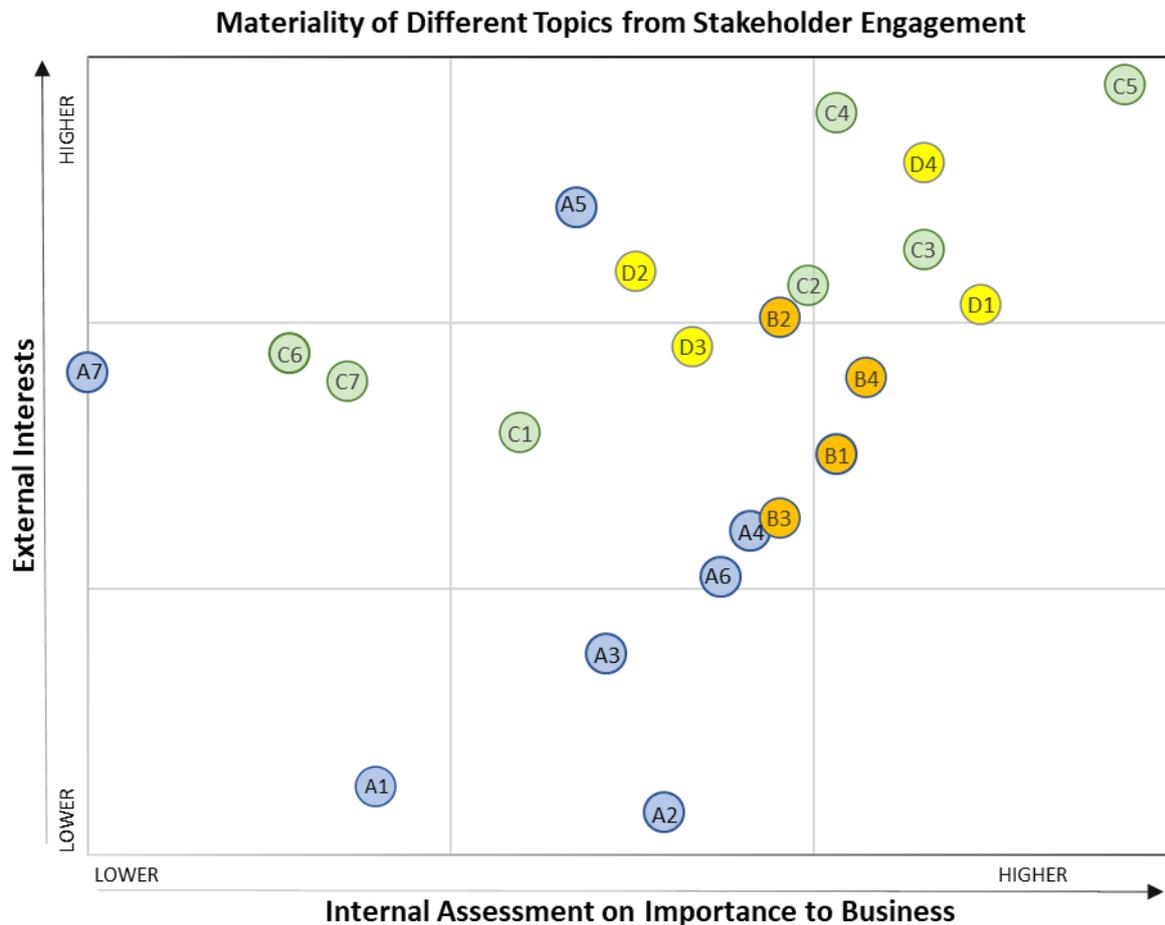
The Group values input and feedback of its stakeholders as they bring potential impacts to the Group's business. Feedback and suggestions from stakeholders help the Group to identify potential ESG risks and continuously improve its ESG management. Stakeholder engagement channels are shown as follows.

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

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

# Environmental, Social and Governance Report 2021 (Continued)

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



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

# Environmental, Social and Governance Report 2021 (Continued)

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

- Product/Service Quality
- Customer Service
- Online Shopping
- Data Protection
- Product Health and Safety

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

## Stakeholders' Feedback

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

## Accreditations and awards

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

- the permit for production of cosmetic products, which was issued by Guangdong Medical Products Administration, which is valid until March 2026;
- the production process for haircare and skin-care products has been certified by SGS with a validity period until July 2022 as to meet the requirements of
  - a) US FDA CFSAN by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2008 with a validity period until July 2022;
  - b) ISO22716 by reference to Cosmetic Good Manufacturing Practices (GMP) Guidelines 2007 with a validity period until July 2022;
- 10 Bawang branded Chinese herbal shampoos and hair-care series products have been recognised as "The 2019 New High-Tech Products in Guangdong Province (廣東省高新技術產品)" by the Guangdong Provincial New Hi-tech Enterprise Association (廣東省高新技術企業協會) in December 2019 for a period of three years until the end of 2022;

## Environmental, Social and Governance Report 2021 (Continued)

- we were accredited as Grade A credit rating taxpayer for 2020 by Guangzhou Municipal Tax Service of the State Taxation Administration on 8 June 2021;
- the Group has been accredited as “Committee Unit” until December 2023 by Guangdong Food and Drug Association for Evaluation & Certification;
- in October 2021, Bawang shampoo was awarded the “2021 Recommended Brand of the Mass Market of Traditional Chinese Medicine Healthy Products” by the Consumption Observation Office of Consumption Daily (消費日報社消費觀察辦公室); and
- in December 2021, Bawang shampoo respectively won two honors of “College Students Favorite Dynamic Brand” and “College Students Favorite Youth Product” in the 28th China International Advertising Festival Media Enterprise Exhibition Fair (第28屆中國國際廣告節媒企展示交易會).

# Environmental, Social and Governance Report 2021 (Continued)

## A. Environmental

The Group aims at improving its environmental performance by implementing various green initiatives which promote the sustainable use of natural resources and raise employees' environmental awareness. The Group is accredited with ISO 14001 Environmental Management System certification. During the Reporting Year, the Group has complied with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

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

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

### A1. Emissions

#### A1.1 Air Emissions

During the Reporting Year, the manufacturing processes did not involve gaseous fuel consumption. Light goods vehicles and medium goods vehicles that consume petrol and diesel fuel have been used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) and respiratory suspended particles (PM).

Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO <sub>x</sub> (kg)	PM (kg)	SO <sub>x</sub> (kg)
Petrol and diesel	1,359.00	120.94	2.71

Note: Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited ("HKEX"), unless stated otherwise.

# Environmental, Social and Governance Report 2021 (Continued)

## A1.2 Greenhouse Gas (GHG) Emissions

During the Reporting Year, the Group's business operation contributed to the GHG emission of 6,203 tonnes of carbon dioxide equivalent. The overall intensity of the GHG emissions for the Group was 0.124 tCO<sub>2eq</sub>/m<sup>2</sup> in terms of total floor area, and 0.023 tCO<sub>2eq</sub>/RMB'000 revenue.

The reported GHG emissions were attributed to the following activities:

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

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

Scope of GHG emissions	Emission sources	GHG Emission (in tCO <sub>2eq</sub> )	Sub-total (in tCO <sub>2eq</sub> )	Total GHG emission (in percentage)
Scope 1 Direct emission <sup>1</sup>	Combustion of fuels in stationary sources	Diesel 0.67	489.71	7.89
	Combustion of fuels in mobile sources	Petrol 460.14		
	Combustion of fuels in mobile sources	Diesel 28.91		
Scope 2 Energy indirect emission <sup>2</sup>	Purchased electricity	5,602.03	5,602.03	90.31
Scope 3 Other indirect emission	Paper waste disposed at landfills	2.69	111.55	1.80
	Electricity used for processing fresh water by government departments/third parties	74.40		
	Electricity used for processing sewage by government departments/third parties	20.55		
	Business air travel by employees <sup>3</sup>	13.91		
<b>Total</b>		<b>6,203.30</b>		<b>100.00%</b>

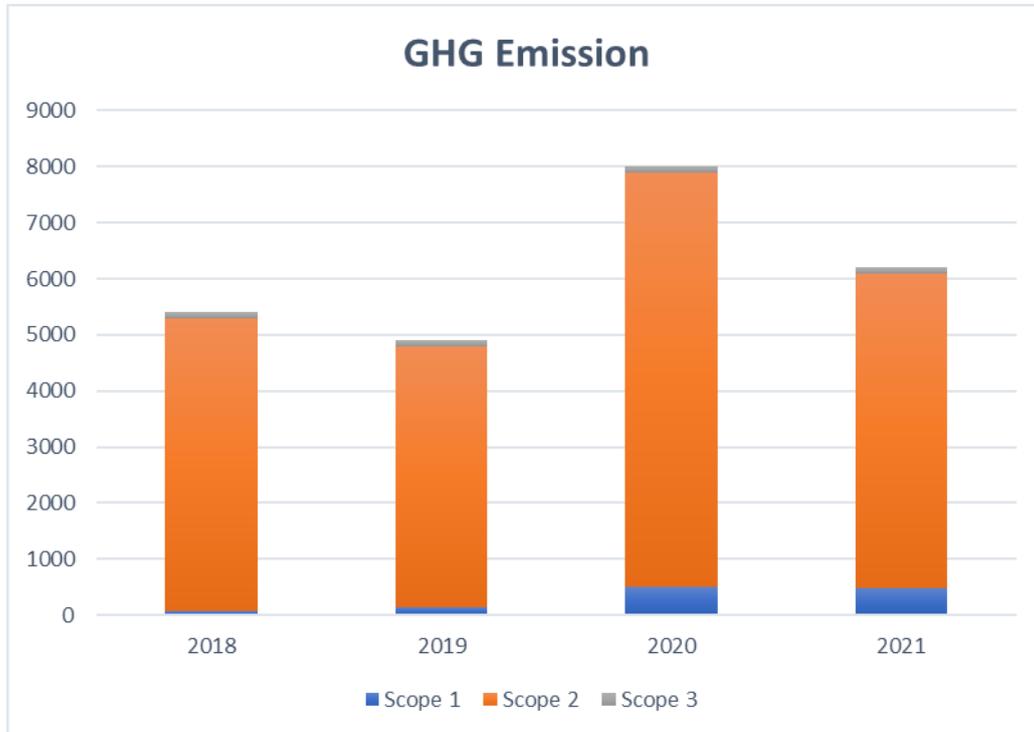
Note 1: Emission factors were made reference to Appendix 27 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor of 0.6101 tCO<sub>2eq</sub>/MWh was used for purchased electricity in Guangdong Province, the PRC.

Note 3: Emissions were calculated using the online tool provided by International Civil Aviation Organisation.

# Environmental, Social and Governance Report 2021 (Continued)

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



### A1.3 Hazardous Waste

The business operation of the Group generated 0.116 tonnes of hazardous waste during the Reporting Year. The hazardous waste production intensity was calculated at 2.32 g/m<sup>2</sup>, or 0.42 g/RMB'000 revenue. Hazardous waste generated consists of waste mineral oil and fluorescent tubes. Designated areas with signages have been arranged for temporary storage of hazardous waste, which is then collected by registered recyclers.

Hazardous waste	Annual waste amount	Unit
Waste mineral oil	65	kg
Waste fluorescent tubes	51	kg

### A1.4 Non-hazardous Waste

The Group generated a total of 155.95 tonnes of non-hazardous waste during the Reporting Year. The non-hazardous waste production intensity of was 3.12 kg/m<sup>2</sup>, or 0.57 kg/RMB'000 revenue. Non-hazardous waste was mainly cardboard, tape, and stencil paper. They were all collected by recyclers for downstream recycling.

# Environmental, Social and Governance Report 2021 (Continued)

Non-hazardous waste	Annual waste amount	Unit
Cardboard	81,940	kg
Tape	27,850	kg
Stencil Paper	21,420	kg
Iron	12,000	kg
Paper Carton	8,320	kg
Plastic Pellet Packaging	4,420	kg

## A1.5 Measures to Mitigate Emissions

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

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

With the above measures, the Group aims to achieve a 5% reduction in overall emissions intensity in 5 years, or by 2026.

## A1.6 Wastes Reduction and Initiatives

The Group has incorporated the 3R-principles in the operation procedures in the workplace and pledges to promote environmentally friendly behaviours among employees to improve overall waste management. Initiatives have been implemented to reduce waste generation:

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

With the above measures, the Group aims to achieve a 30% reduction in overall waste generation intensity in 10 years starting from the current Reporting Year of 2021, or by 2031.

# Environmental, Social and Governance Report 2021 (Continued)

## A2. Use of Resources

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

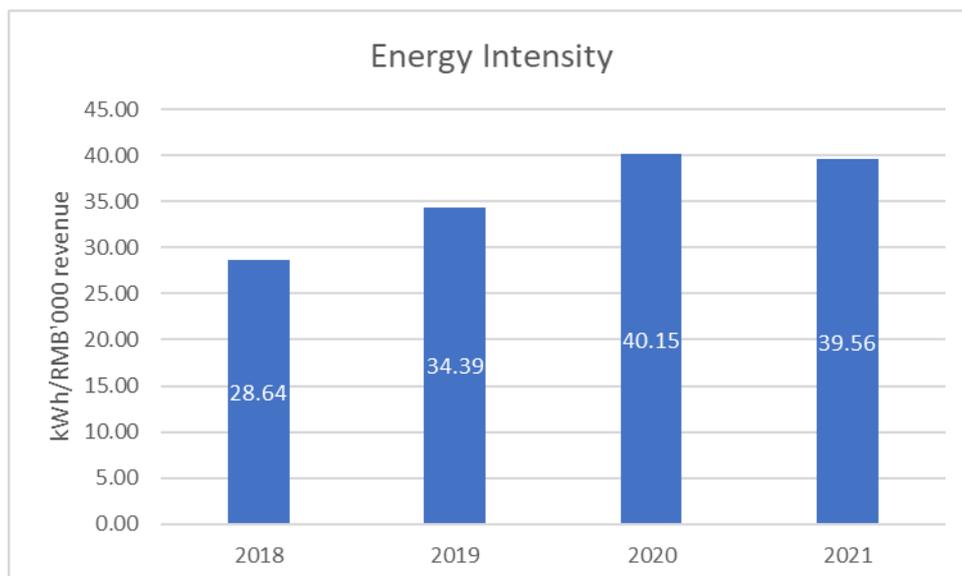
### A2.1 Energy Consumption

During the Reporting Year, the total energy consumption by the Group was 10,824,420 kWh, with an intensity of 216.80 kWh/m<sup>2</sup> and 39.562 kWh/RMB1'000 revenue. Types of energy consumed included electricity, petrol and diesel.

The detailed energy consumption is summarized in the table below.

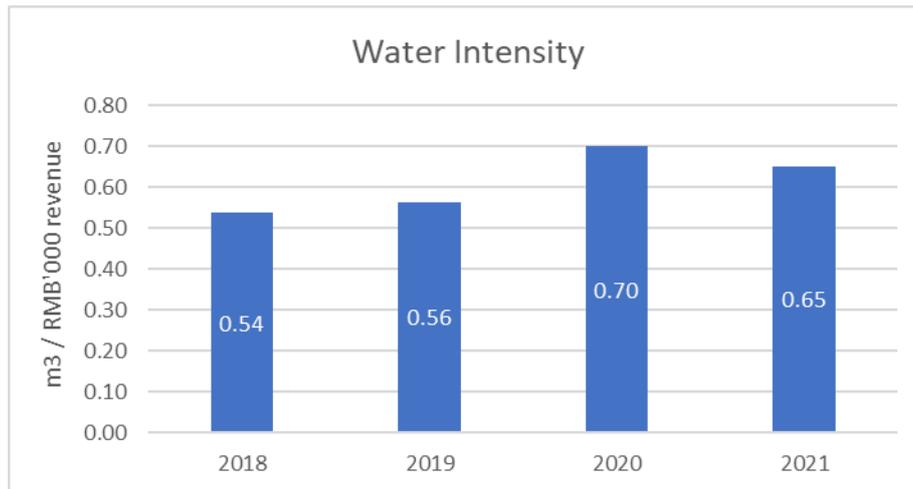
Energy Consumption Sources	Direct Consumption	Consumption (in kWh)
Petrol (Stationary)	0.00 L	0.00
Petrol (Mobile)	173,082.43 L	1,533,880.68
Diesel (Stationary)	254.38 L	2,543.32
Diesel (Mobile)	10,586.53 L	105,845.43
Electricity	9,182,151 kWh	9,182,151.00
<b>TOTAL</b>		<b>10,824,420.43</b>

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



## A2.2 Water Consumption

During the Reporting Year, the total water consumption for the Group was 178,415 m<sup>3</sup>, with an intensity of 3.57 m<sup>3</sup>/m<sup>2</sup>, and 3,499.10 m<sup>3</sup>/million pieces of products sold. Freshwater consumed was sourced from the Guangzhou Water Supply Company. No issues on sourcing water were reported during the Reporting Year.



## Wastewater

During the Reporting Year, 102,770 m<sup>3</sup> wastewater was generated. The wastewater intensity was 2.06 m<sup>3</sup>/m<sup>2</sup>, and 2,015.54 m<sup>3</sup>/million pieces of products sold. The wastewater was treated onsite by dissolved air flotation, and anaerobic and contact oxidation processes.

Various wastewater indicators such as, pH, total suspended solids, chemical oxygen demand, biochemical oxygen demand, and Sulphide, etc. are measured. The monitoring reports presented that all effluents are within the permissible level of the Discharge Standard of Water Pollutants. The Environmental Monitoring Station of Guangzhou Baiyun District also monitors the effluent generated by the Group. No exceedances were observed during the Reporting Year.

## A2.3 Energy Use Efficiency Initiatives

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

With the above measures, the Group aims to achieve a 10% reduction in overall energy use intensity in 10 years, or by 2031.

# Environmental, Social and Governance Report 2021 (Continued)

## A2.4 Water Use Efficiency Initiatives

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

With the above measures, the Group aims to achieve a 10% reduction in overall water use intensity in 10 years, or by 2031.

## A2.5 Packaging Material

A total amount of 3,730 tonnes of packaging materials were consumed during the Reporting Year. The Group has replaced the old packaging materials with polyethylene (PE) or polyethylene terephthalate (PET), which are recyclable materials, for packaging.

Packaging materials	Annual consumption (in tonne)
Packaging bottle & attachments	1,780
Graphic carton and label	850
Carton and paper board	820
Plastic wrapping	280

## A3. The Environment and Natural Resources

### A3.1 Significant Impacts of Activities on the Environment

The Group's operation did not cause significant adverse impacts on the environment and natural resources. The Group monitors air emission, wastewater discharge, and noise level to minimise impacts on the surrounding environment and create a healthy environment for its employees. During the Reporting year, the Group did not receive any complaints from the community regarding air pollution, odour, noise, or light nuisance.

## A4. Climate Change

Climate change poses a huge threat to all businesses, and that of the Group's is not an exception. The Group recognises that extreme weather events may negatively impact daily operations and has accordingly prepared contingency plans for these situations.

In cases of extreme weather such as typhoons or heavy rain, the Board shall execute procedures to resume production and maintain operations as soon as possible. Furthermore, the Group has also enlisted services to carry out regular checkings on its warehouses to ensure that there is no roof leakage, and that rainwater drainage is not blocked.

However, the Group views climate change not only as a risk to mitigate, but also an opportunity for the Group to explore new market segments for Chinese herbal products because of the shift in consumer preferences for trendy natural products which suit their healthy life style.

## **B. Social**

### **1. Employment and labour practices**

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

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

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

### **B1. Employment**

#### **Employment Policies**

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

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

#### **Compensation and Benefits Package**

# Environmental, Social and Governance Report 2021 (Continued)

The Group offers competitive remuneration packages to the employee in accordance with their performance, relevant skills, experience and contribution. The Group also offers other benefits including statutory holidays, basic social insurance and housing provident funds. Employees can apply for compensatory leave for overtime work. Free shuttle bus, meals, accommodation and annual health check are provided to all employees.

## **Award and Penalty System**

The appraisal, promotion, and reward and penalty system were outlined in the Employment Contract and Employment Handbook. The Group carries out annual performance appraisal for employees, which mainly focuses on two areas: (1) result — meeting the target; (2) process — fits with the Group's policies, values and requirements/expectations stated in the Employment Handbook. Bonus distribution, salary adjustment, training, promotion, and transfer of job position may be considered and discussed upon reviewing the performance results.

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

## **Equal Opportunity**

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

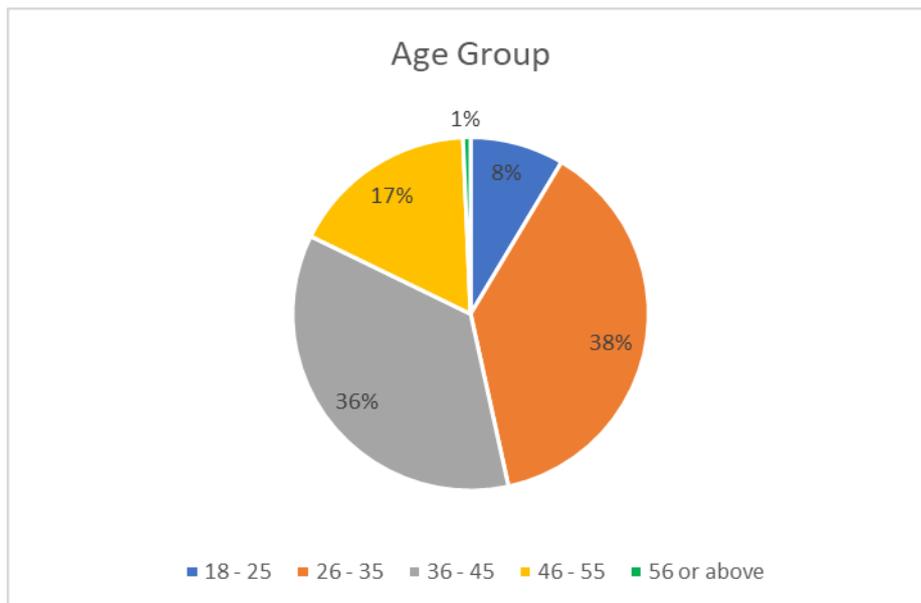
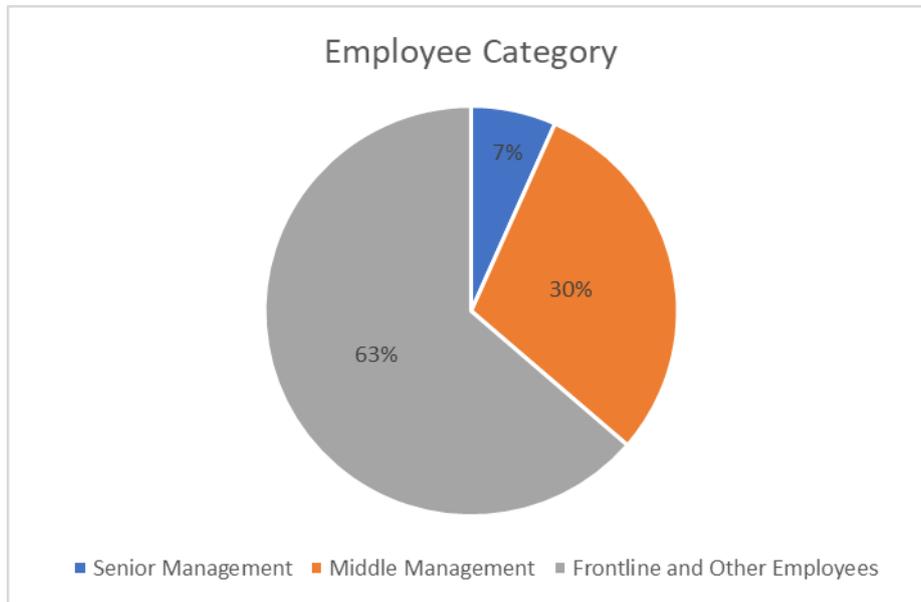
## **Communication**

The Group encourages communication between the management team and employee. It organised activities, such as sports competition and annual outing, to enhance communication among the teams.

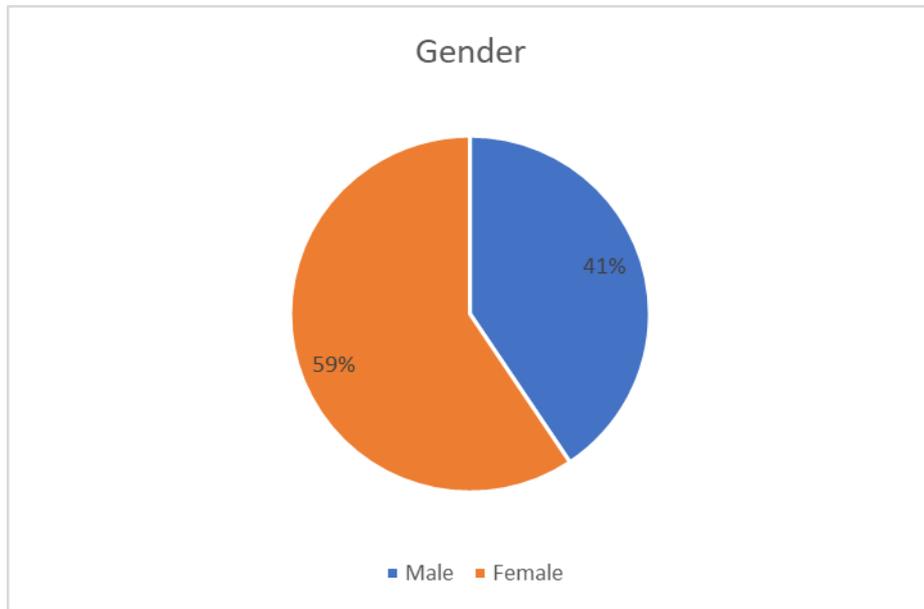
## **Workforce**

The Group had a total number of 596 employees as of 31 December 2021. The charts below present the distribution of workforce.

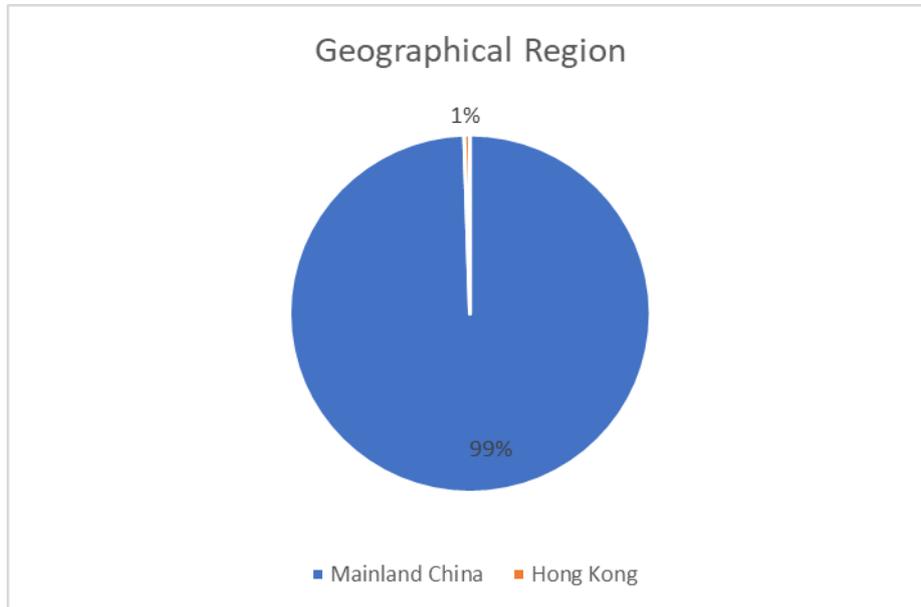
# Environmental, Social and Governance Report 2021 (Continued)



# Environmental, Social and Governance Report 2021 (Continued)

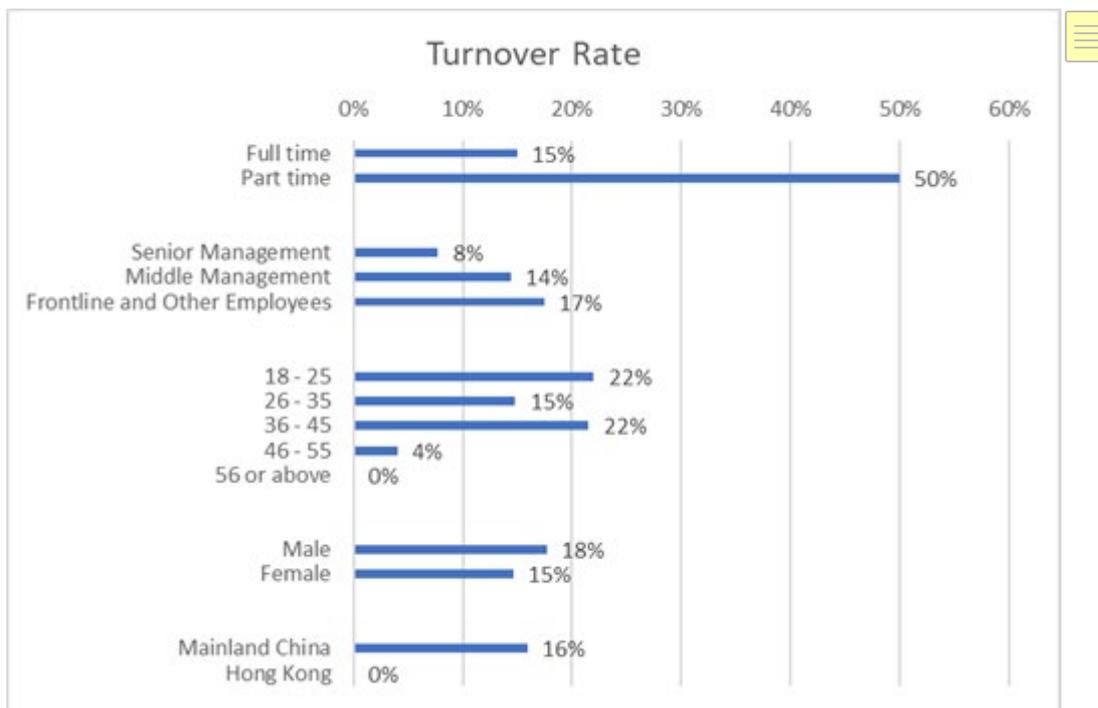


# Environmental, Social and Governance Report 2021 (Continued)



## Turnover

During the Reporting Year, 93 employees left the Group, representing a 15.60% turnover rate. The details of turnover rate is shown in the table below.



# Environmental, Social and Governance Report 2021 (Continued)

## B2. Occupational Health and Safety

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

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

During the Reporting Year, the Group has continued to carry out occupational health and safety supervision with a focus on the management and control of personnel unsafe behavior, and received more than 20 behavioral safety observation results submitted by employees. As a response, the Group promoted standard working procedures among its employees to reduce unsafe behaviour. In addition, the Group has organised regular health inspections for its employees at hospitals, with testing focus on occupational disease hazards such as noise, butanone, acetone, etc. At the same time, the Group has also performed work hazard analysis, with core safety concerns placed on machinery operations that violate safety protocols, safe use of electricity, fire prevention, risk assessment, and hidden workplace hazards. The Group has conducted monthly special safety inspections on the workshop to clarify the operational risks of each operation flow, and safety precaution measures for each work unit were improved accordingly as per results of the inspections.

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

### Occupational Health and Safety Data

	2021	2020	2019
Number of work fatalities	0	0	0
Fatality rate	0%	0%	0%
Cases that contributed to >3 lost working days	0	0	0
Work injury cases that contributed to ≤3 lost working days	0	0	0
Lost days due to work injury	0	0	0

# Environmental, Social and Governance Report 2021 (Continued)

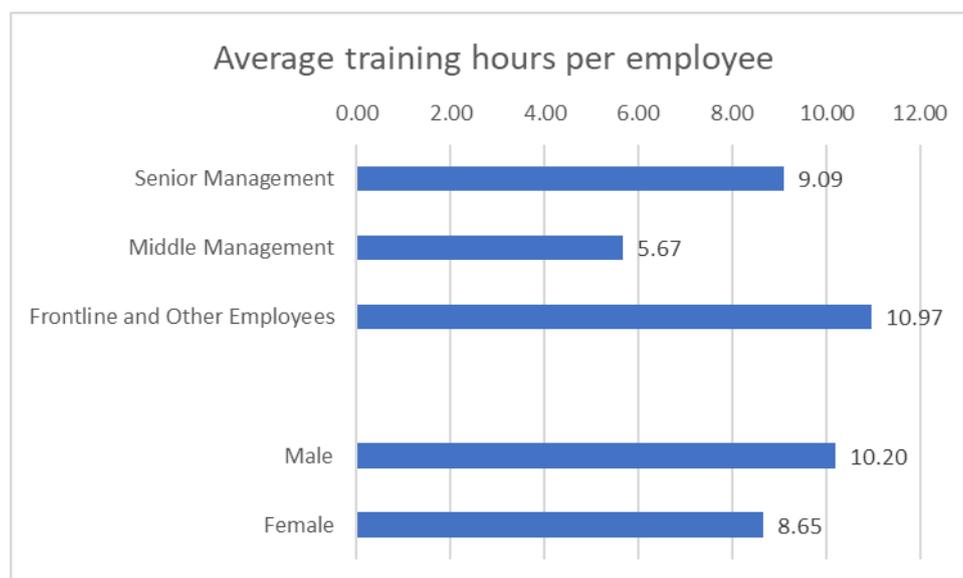
## COVID-19

During the Reporting Year, the Group's production facility and supply chain centre located in Guangzhou have maintained normal production and service outside of the statutory holidays for Chinese New Year and the suspension period prescribed by the government authorities. Prior to the resumption, inspections on the Group's anti-infection measures had been made by the local township authorities and the Group was permitted to resume its business operation.

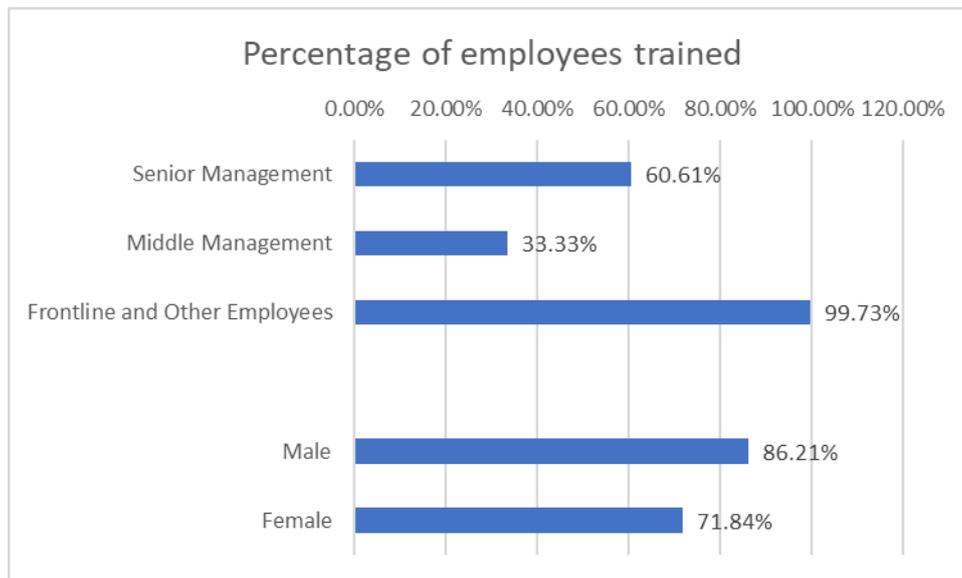
During the Reporting Year, anti-epidemic items such as masks and disinfectant are regularly distributed to employees by the Group. Employees are required to measure body temperature daily and maintain social distance, and transport to office is provided by the Group to minimize chances of infection on public transport. The plant and office are sanitized regularly. All visitors must have a green Health Declaration Code to enter the Group's premises.

## B3. Development and Training

The Group provides comprehensive career development and training to employees. Training needs are identified through various channels such as performance evaluation. Employees who have participated in external training would conduct an internal sharing session to discuss that they have learnt. During the Reporting Year, the Group has provided various training sessions for all employees as illustrated in the following table. During the Reporting Year, 450 employees, or 76.27% of all employees received training, and the average training hour per employee (inclusive of employees who did not receive training) was 9.12 hours.



# Environmental, Social and Governance Report 2021 (Continued)



In addition to the career development provided for employees, the Group continues to invest in the professional developments for board members to ensure that their contribution to the Board remains informed and relevant. Directors have received regular updates on the Group's business, operations, risk management, corporate governance matters, and participated in the directors' training internally and/or offered by external professional bodies.

Training details are presented below:

# Environmental, Social and Governance Report 2021 (Continued)

Targeting Group	Training courses attended	Training frequency	Training type	Training purposes
Directors	<ul style="list-style-type: none"> <li>Hong Kong legislative/regulatory compliance;</li> <li>Directors' duties and ESG practices;</li> <li>Financial reporting/taxation;</li> <li>Risk management;</li> <li>Economy/financial markets updates;</li> <li>Business management/investor relationships</li> </ul>	Regularly	Internal and external	<ul style="list-style-type: none"> <li>To develop and refresh directors' knowledge and skills to ensure that their contribution to the Board remains informed and relevant.</li> </ul>
Senior management	<ul style="list-style-type: none"> <li>Management consultancy training course, including leadership, management and strategies training</li> </ul>	1-2 times per month	External	<ul style="list-style-type: none"> <li>To understand the industry dynamics;</li> <li>To expand the professional networks through sharing the management experiences from senior managers of the industry.</li> </ul>
Middle management	<ul style="list-style-type: none"> <li>External training courses including professional and team management training.</li> <li>Online courses and internal lectures also offered.</li> </ul>	1-5 times per month	Internal and external	<ul style="list-style-type: none"> <li>To meet compliance through external professional skills training;</li> <li>To improve the performance of duty for department managers;</li> <li>To equip managers to organise internal trainings.</li> </ul>
Frontline and other staff	<ul style="list-style-type: none"> <li>Frontline workers attend a four-hour workshop at least once per month;</li> <li>Marketing staff working outside the company should attend a one-day training quarterly;</li> <li>Technical staff in headquarter should join the course from the Bawang Online College of Commerce for no less than eight hours per month;</li> <li>Promotion team should attend a training course in headquarter with no less than 3 days, and half-day or full-day lectures would be held in site offices occasionally; Bawang Lessons are held every Friday, targeting staff from various departments, e.g., the marketing department;</li> <li>Skill station (技能加油站) was organised on alternative Thursdays</li> </ul>		Internal	<ul style="list-style-type: none"> <li>To enhance the professional skills of the technical staffs, including labour law knowledge, financial knowledge, recruitment, Photoshop skills, graphic design, etc.</li> </ul>

## **B4. Labour Standards**

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

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

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

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

## **2. Operating Practices**

### **B5. Supply Chain Management**

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

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

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

# Environmental, Social and Governance Report 2021 (Continued)

During the Reporting Year, the Group has engaged with 161 suppliers from various provinces and municipalities in the PRC to supply raw materials, packaging materials and transport services, of which details are as follows:

Supplier Region	Numbers
Guangdong	137
Shanghai	5
Zhejiang	3
Beijing	3
Hunan	2
Jiangsu	2
Shandong	2
Yunnan	1
Guangxi	1
Tianjin	1
Anhui	1
Fujian	1
Chongqing	1
Shaanxi	1

## B6. Product Responsibility

### *Product Labelling and Advertising*

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

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

### *Product Quality Assurance*

Producing safe and high-quality products is one of the primary considerations of the Group. Its production plants in PRC are ISO9001 Quality Management Systems and ISO22716 Cosmetics - Good Manufacturing Practices certified. Adhering to a strict quality control approach, the Group has also devised a quality control system for constantly examining and testing products by scientific methods,

ensuring the product quality. Measures and procedures for product quality and safety control include:

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

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

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

### **Data Protection**

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

- Only collect personal data that is believed to be relevant and required for its business operation;
- Using personal data only for the purpose for which the data is collected or for a directly related purpose, unless consent is obtained;
- Not transferring or disclosing personal data to any entity that is not a member of the Group without consent, unless it is required by law; and
- Maintaining security systems and implementing measures to prevent unauthorised access to personal data.

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

# Environmental, Social and Governance Report 2021 (Continued)

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

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

## *Intellectual Property*

The Group extensively invests in Research & Development activities and prides itself on introducing innovative health and personal care products. As of December 31, 2021, the Group has obtained a total number of 52 patent rights, regarding invention, utility, design and appearance. During the Reporting Year, the Group was granted 1 new patent right. As of December 31, 2021, the Group holds a total of 359 officially registered trademarks, 165 of which are registered in PRC and 194 of which are registered overseas. During the Reporting Year, the Group has registered 3 new copyrighted trademarks in PRC.

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

## **B7. Anti-corruption**

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

As stated in the Employment Handbook, all employees are required to carry out the Group's business operation with integrity. Potential or actual bribery, extortion, fraud and money laundering are strictly prohibited. Employees violating such prohibition will be subject to warnings and disciplinary action, including dismissal.

In addition to the code of conduct on anti-bribery and anti-corruption mentioned in the Employment Handbook, the Group has issued relevant whistle-blowing channel for stakeholders to report any suspected fraudulent actions to the Group's management directly. Further investigation would be conducted to determine the appropriate course of action if necessary.

# Environmental, Social and Governance Report 2021 (Continued)

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

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

To ensure that its employees familiar with relevant topics, the Group had carried out anti-corruption training during the Reporting Year for over 50 employees, with an average training hour of 2.00 hours per employee.

Stakeholders can report any suspected fraudulent actions through multiple channels to the Group's management directly. Whilst anonymous complaints are permitted, stakeholders are encouraged to disclose their identity in case further information is required and/or feedback on the complaints can be provided. All complaints will be treated confidentially and will be acknowledged receipt if contact details are provided. The Group will not divulge the identity of stakeholders unless it is required by the relevant regulators or enforcement authority. Upon receipt of specific information about the case, the management will make a preliminary assessment of the validity the complaint. If it is genuine, the responsible executive Director will promptly organize an internal investigation into matter and report the findings to the Board for determination.

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

## **B8. Community Investment**

The Group endeavours to implement corporate social responsibility and proactively participates in public welfare activities to promote society health. When making contributions or donations, the Group gives priority to the fields of education and poverty alleviation, details as can be seen in the table below. Since the Group is mainly engaged in household and personal hygiene and care products, the Group has also donated cleaning and health supplies to Yuexiu District and Liwan District of Guangzhou during the Reporting Year, when COVID-19 severely impacted those regions.

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

# Environmental, Social and Governance Report 2021 (Continued)

## Activity Highlights in the Reporting Year

Events	Details
2021 Spring Festival visit to elderly	Donated cleaning materials and festive package with an estimated value of more than RMB\$60,000 to 386 elderly people from Qian Jin Street of Tian He District, Guangzhou.
2021 park activity for the Day for Helping the Disabled	Organised park activities and donated personal care product gift packs with an estimated value of RMB\$36,000 to disabled residents from Bai He Dong Street.
“Road of Righteousness, Moving Forward with Love” Event	Donated personal care product gift packs with an estimated value of RMB\$18,000 to 60 frontline workers from Qian Jin Street of Tian He District, Guangzhou. The Group also organised a charity sale of its products as the event, with all proceeds going to communities in need.
Donation to anti-pandemic communities of Yue Xiu District	Donated daily cleaning and disinfection materials to anti-pandemic residents of Yue Xiu District, Guangzhou.
“Warmth from Society, Love from BaWang” Event	Donated personal care product gift packs with an estimated value of more than RMB\$35,000 to school children from poor mountainous areas of Liu Pan Shui.
Donation to frontline workers of Tian He District	Donated daily cleaning and disinfection materials with an estimated value of RMB\$76,000 to frontline workers of Tian He District, Guangzhou.
Donation to disabled and elderly of Nan Sha District	Donated personal care product gift packs with an estimated value of RMB\$20,000 to disabled and elderly residents of Nan Sha District, Guangzhou. The Group also contributed to reconstruction of communal bathroom for the disabled and elderly.

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