



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 2020 2020環境、社會及管治報告

* for identification purposes only
僅供識別

Environmental, Social and Governance Report 2020

Table of Contents

Scope and Reporting Period	1
The Group's Sustainability Mission and Vision	1
Stakeholder Engagement and Materiality	2
Stakeholders' Feedback	4
Accreditations and awards	4
A. Environmental	5
A1. Emissions	5
A1.1 Air Emissions.....	5
A1.2 Greenhouse Gas (GHG) Emissions	6
A1.3 Hazardous Waste	7
A1.4 Non-hazardous Waste	8
A1.5 Measures to Mitigate Emissions.....	8
A1.6 Wastes Reduction and Initiatives	8
A2. Use of Resources	9
A2.1 Energy Consumption	9
A2.2 Water Consumption	9
A2.3 Energy Use Efficiency Initiatives	10
A2.4 Water Use Efficiency Initiatives	10
A2.5 Packaging Materials.....	11
A3. The Environment and Natural Resources	11
A3.1 Significant Impacts of Activities on the Environment	11
B. Social	12
1. Employment and labour practices	12
B1. Employment.....	13
B2. Occupational Health and Safety	15
B3. Development and Training	16
B4. Labour Standards	19
2. Operating Practices	20
B5. Supply Chain Management.....	20
B6. Product Responsibility	20
B7. Anti-corruption	22
B8. Community Investment	22

Environmental, Social and Governance Report 2020 (Continued)

Scope and Reporting Period

This is the fifth 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 (the “Listing Rules”) set out by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is principally engaged in the manufacturing and sales of the household and personal care products. This ESG report covers the Group’s overall performance in two subject areas, namely, the environmental and social aspects of its operations in Baiyun District, Guangzhou, the People’s Republic of China (the “PRC”) from 1 January 2020 to 31 December 2020 (the “Reporting Period”), unless otherwise stated.

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 2019 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 Period.

The Group’s Sustainability Mission and Vision

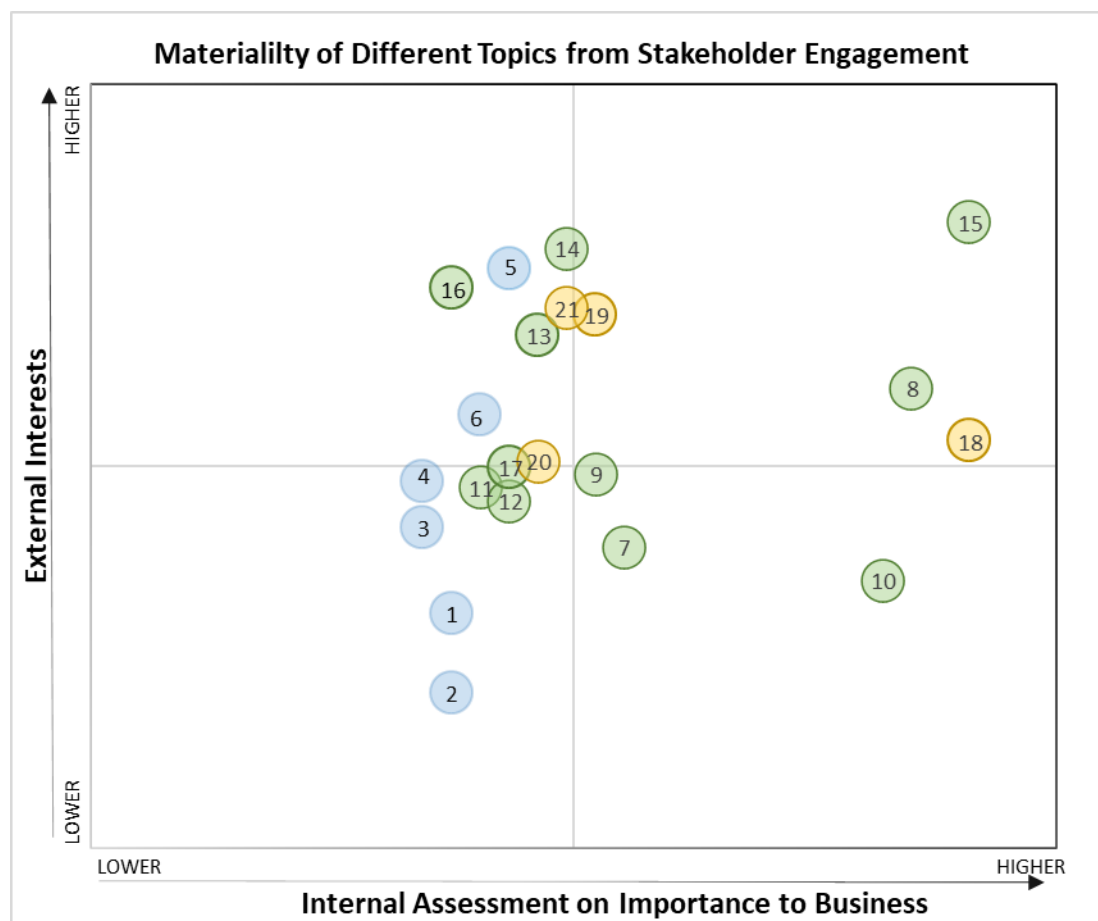
Due to the enhanced living standard, people are more adhered to a healthy and natural lifestyle. The Group strives to satisfy customers’ needs and differentiate from other competitors by providing Chinese herbal health and personal care products.

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.

Stakeholder Engagement and Materiality

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

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



Environmental, Social and Governance Report 2020 (Continued)

Environmental		Social		Others	
1	Energy	7	Employment	18	Product Health and Safety
2	Water	8	Occupational Health and Safety	19	Product Label
3	Air Emission	9	Development and Training	20	Promoting Society Health
4	Waste and Effluent	10	Labor Standards	21	Online Shopping
5	Other Raw Materials Consumption	11	Supplier Management		
6	Environmental Protection Measures	12	Intellectual Property		
		13	Data Protection		
		14	Customer Service		
		15	Product/Service Quality		
		16	Anti-corruption		
		17	Community Investment		

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

- Product/Service Quality
- Occupational Health and Safety
- Product Health and Safety
- Customer Service
- Product Label

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.

Environmental, Social and Governance Report 2020 (Continued)

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 Period, 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 Period:

- the permit for production of cosmetic products, which was issued by Guangdong Provincial Food and Drug Administration, remains valid until May 2021;
- 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;
- the Group was recognized as the “Excellent Partner” by the Panyu Branch of the Industrial & Commerce Bank of China in January 2020;
- the Group has been accredited as “Committee Unit” until December 2023 by Guangdong Food and Drug Association for Evaluation & Certification;
- the Group was awarded “Caring & Charitable Enterprise (愛心公益企業)” by Trend Setting Welfare Organization and Guangzhou Qianjin Street Social Welfare Service Station (廣州市前進街社工服務站) in September 2020;
- the Group was awarded “2019 Key Tax Payer — Silver Prize (2019年度江高鎮納稅大戶銀獎)” by the County Government of Jiangao Town, Baiyun District, Guangzhou in December 2020; and
- the Bawang brand was awarded “China Trend, China Product (國潮國貨)” certificate by the organizing committee of Jinmai awards(金麥獎) in December 2020.

Environmental, Social and Governance Report 2020 (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 Period, 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
- 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 Period.

A1. Emissions

A1.1 Air Emissions

During the Reporting Period, the manufacturing processes did not involve gaseous fuel consumption. Light goods vehicles and medium good vehicles have been used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM).

Mobile fuel source	Air emissions (non-GHG) from the vehicle operations		
	NO _x (kg)	PM (kg)	SO _x (kg)
Petrol and diesel	2,000.70	38.96	2.83

Note: Emission factors for calculations on environmental parameters throughout the report were referred in Appendix 27 to the Main Board Listing Rules and the referred documentation as set out by the Stock Exchange, unless stated otherwise.

Environmental, Social and Governance Report 2020 (Continued)

A1.2 Greenhouse Gas (GHG) Emissions

During the Reporting Period, the Group's business operation contributed to the GHG emission of 7,997 tonnes of carbon dioxide equivalent. The overall intensity of the GHG emissions for the Group was 0.16 tCO_{2eq}/m² in terms of total floor area, and 0.029 tCO_{2eq}/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 _{2eq})	Sub-total (in tCO _{2eq})	Total GHG emission (in percentage)
Scope 1 Direct emission ¹	Combustion of fuels in stationary sources	Diesel	0.65	510.90	6.4%
	Combustion of fuels in mobile sources	Petrol	478.78		
	Combustion of fuels in mobile sources	Diesel	31.47		
Scope 2 Energy indirect emission ²	Purchased electricity		7,380.14	7,380.14	92.3%
Scope 3 Other indirect emission	Paper waste disposed at landfills		3.53	105.94	1.3%
	Electricity used for processing fresh water by government departments/third parties		81.91		
	Electricity used for processing sewage by government departments/third parties		12.69		
	Business air travel by employees ³		7.81		
Total				7,996.98	100%

Note 1: Emission factors were made reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note 2: Combined margin emission factor of 0.80 tCO_{2eq}/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 2020 (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 operations of the Group generated 0.13 ton of hazardous waste during the Reporting Period. The hazardous waste production intensity was calculated at 2.66 g/m², or 0.48 g/RMB'000 revenue. Hazardous waste generated consists of waste rags, containers, activated carbon, 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 containers	0.086	ton
Waste activated carbon	0.012	ton
Waste mineral oil	0.035	ton
Waste fluorescent tubes	10	pieces

Environmental, Social and Governance Report 2020 (Continued)

A1.4 Non-hazardous Waste

The Group generated a total of 377.78 tonnes of non-hazardous waste during the Reporting Period. The non-hazardous waste production intensity was 7.57 kg/m², and 1.37 kg/RMB'000 revenue. Non-hazardous waste was mainly sludge, wastepaper and packaging materials. They were all collected by recyclers for downstream recycling.

Non-hazardous waste	Annual waste amount	Unit
Sludge	376.93	tonnes
Wastepaper	736.0	kg
Carton	74.43	kg
Plastic sheet and bags	25.89	kg
Paper core	9.10	kg
Stencil paper	2.06	kg
Iron	9.00	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.

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 wastes production:

- 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;
- Employed qualified contractors for collecting recyclables; and
- Used only durable food containers, cutlery and cups in the canteen.

Environmental, Social and Governance Report 2020 (Continued)

A2. Use of Resources

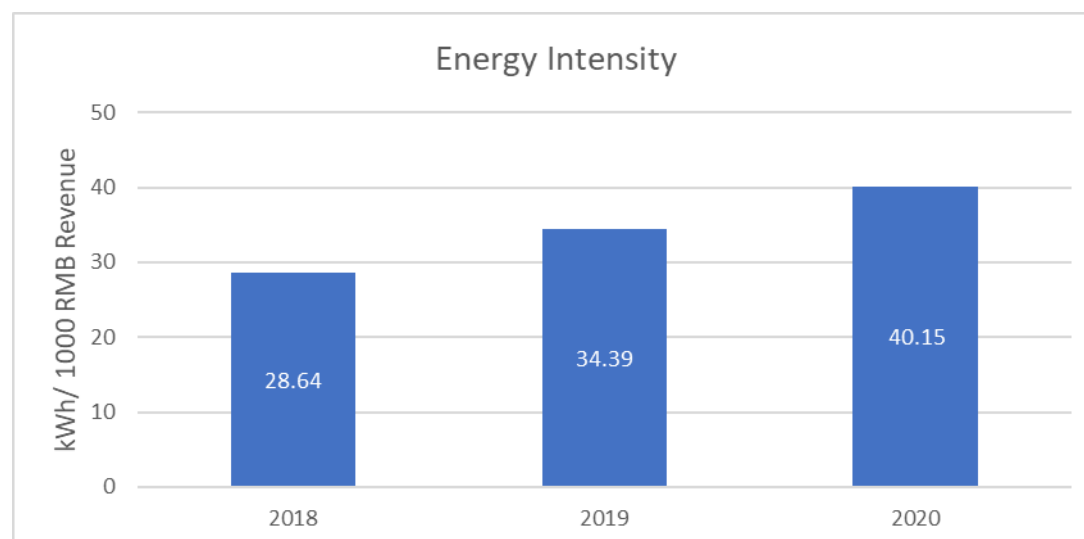
The Group upholds and promotes the principle of effective use of resources. To meet the Group's environmental commitments, various efficiency initiatives have been implemented to minimise the use of energy, water consumption and use of packaging materials.

A2.1 Energy Consumption

During the Reporting Period, the total energy consumption by the Group was 11,081,303 kWh, with an intensity of 221.94 kWh/m² and 40.15 kWh/RMB'000 revenue. Types of energy consumed included electricity, petrol and diesel.

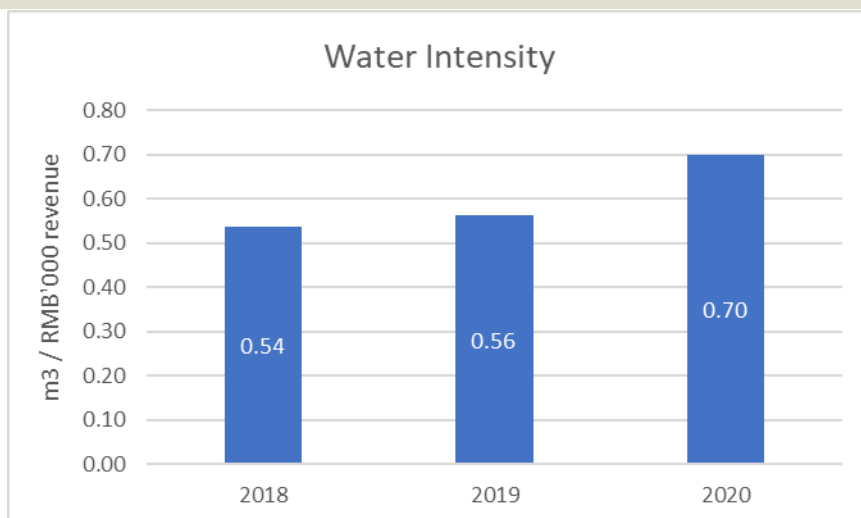
The detailed energy consumption is summarized in the table below.

Energy Consumption Sources	Direct Consumption	Consumption (in kWh)
Petrol (Stationary)	249 L	2,207
Petrol (Mobile)	180,000 L	102,122
Diesel (Mobile)	11,524 L	1,799,701
Electricity	9,177,000 kWh	9,177,000
TOTAL		31,955,274



A2.2 Water Consumption

During the Reporting Period, the total water consumption for the Group was 193,193 m³, with an intensity of 3.87 m³/m², and 0.70 m³/RMB'000 revenue. Freshwater consumed was sourced from the Guangzhou Water Supply Company. No issues on sourcing water were reported during the Reporting Period.



Wastewater

During the Reporting Period, 90,670 m³ wastewater was generated. The wastewater intensity was 1.82 m³/m², and 0.33 m³/RMB'000 revenue. The wastewater was treated onsite by dissolved air flotation, and anaerobic and contact oxidation processes.

Various wastewater indicators such as, pH, total suspended solids, chemical oxygen demand, biochemical oxygen demand, and sulphide, etc. 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 effluents generated by the Group. No exceedances were observed during the Reporting Period.

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.

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 pipes in water pipes are repaired promptly.

Environmental, Social and Governance Report 2020 (Continued)

A2.5 Packaging Materials

A total amount of 3,650 tonnes of packaging materials were consumed during the Reporting Period. The Group has reduced the amount of packaging materials used, and replaced the old packaging materials with polyethylene (PE) or Polyethylene terephthalate (PET), which are recyclable materials, for packaging.

Packaging materials	Annual consumption (in tons)
Packaging bottle & attachments	1,650
Graphic carton and label	900
Carton and paper board	800
Plastic wrapping	300

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's operations 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. The Group did not receive any complaints from the community regarding air pollution, odour, noise, or light nuisance.

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 Unions 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 Period.

B1. Employment

Employment Policies

During the Reporting Period, 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 employees 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 employees' job position.

Compensation and Benefits Package

The Group offers competitive remuneration packages to the employees in accordance with their performance, relevant skills, experience and contribution. The Group also offers other benefits including statutory holidays, basic social and housing insurance. 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 — meets 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.

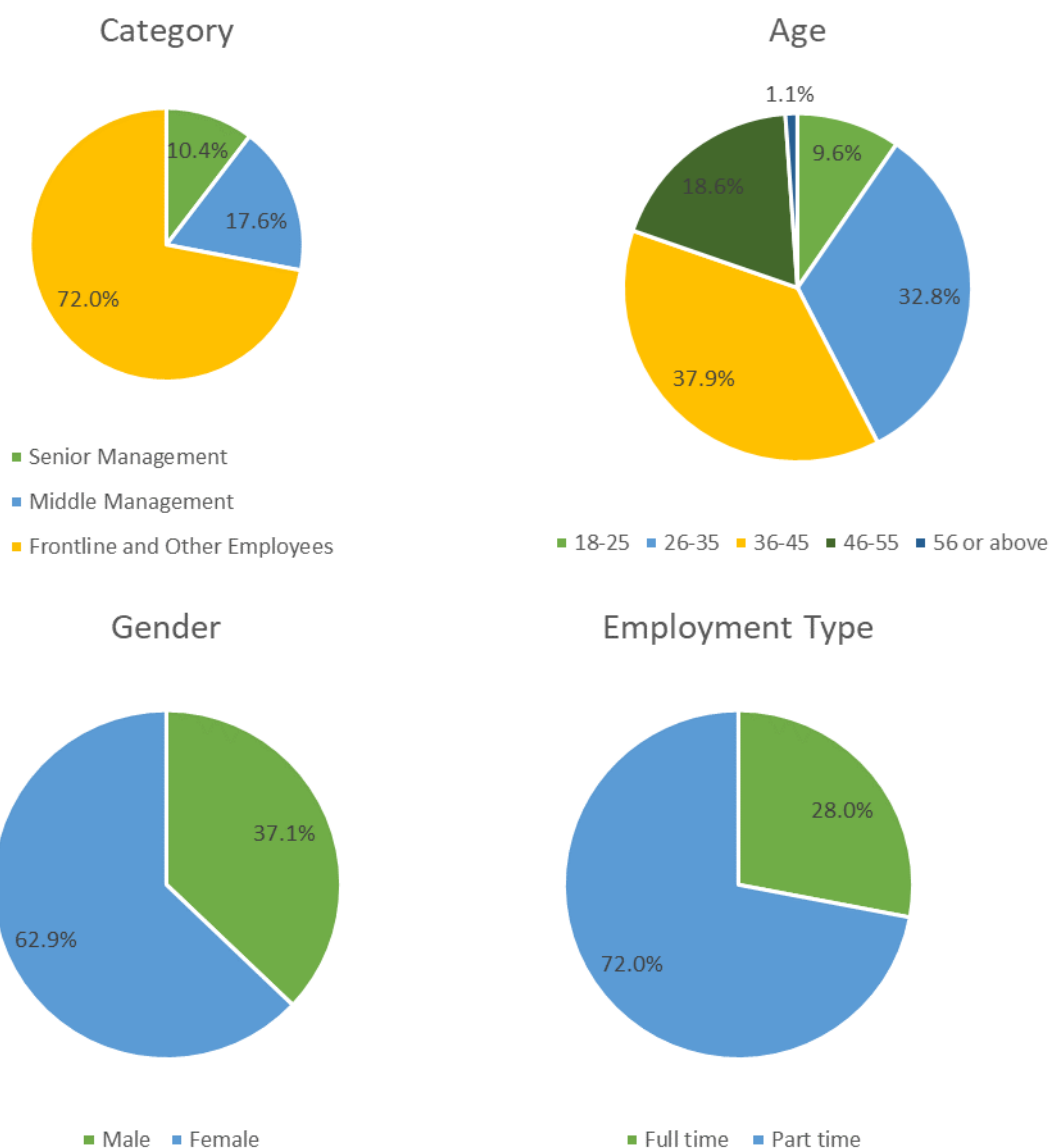
Environmental, Social and Governance Report 2020 (Continued)

Communication

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

Workforce

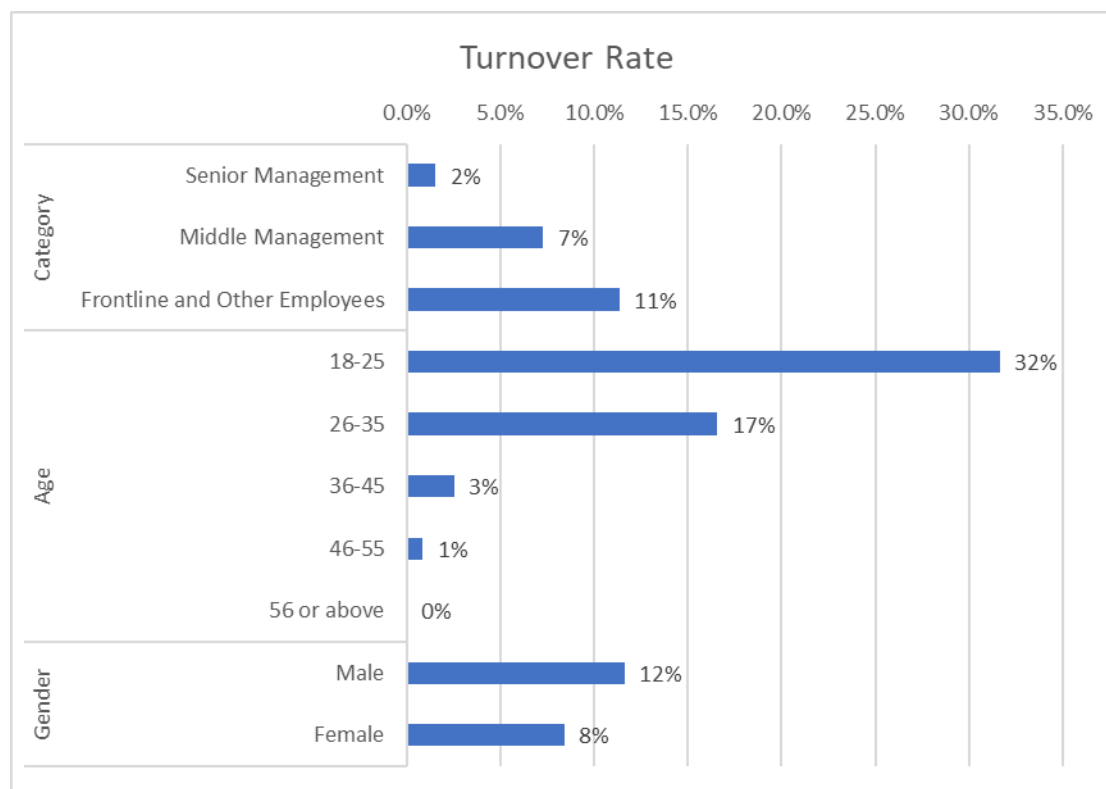
The Group had a total number of 625 employees as of 31 December 2020. The tables below present the distribution of workforce.



Environmental, Social and Governance Report 2020 (Continued)

Turnover

During the Reporting Period, 60 employees left the Group, representing a 9.6% turnover rate. The details of turnover rate is shown in the table below.



B2. Occupational Health and Safety

The Group is committed to providing a healthy and safe working environment for all employees. It undertakes to safeguard the health and safety of its employees and requires all employees to strictly observe the health and 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 Period, 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.

Environmental, Social and Governance Report 2020 (Continued)

Occupational Health and Safety Data

	2020	2019	2018
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

COVID-19

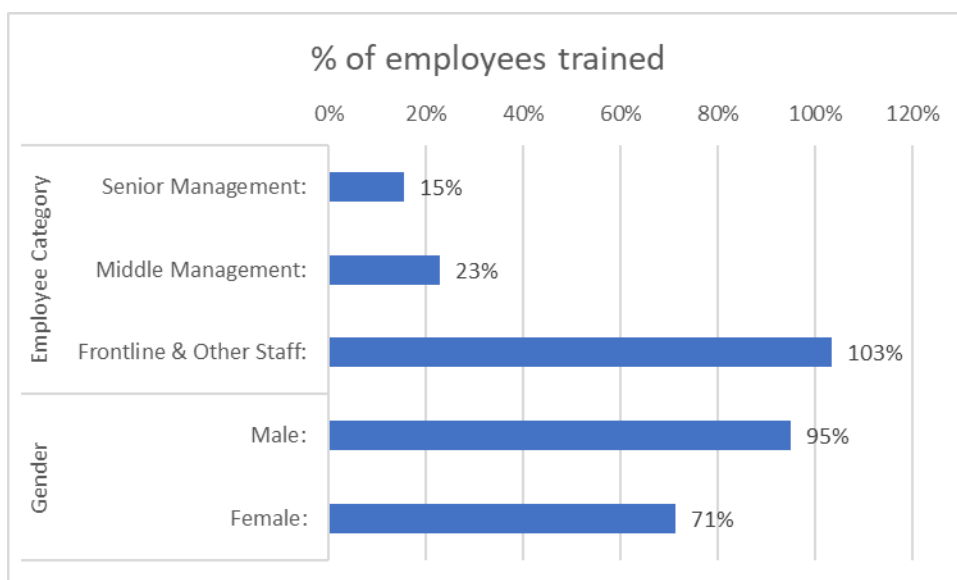
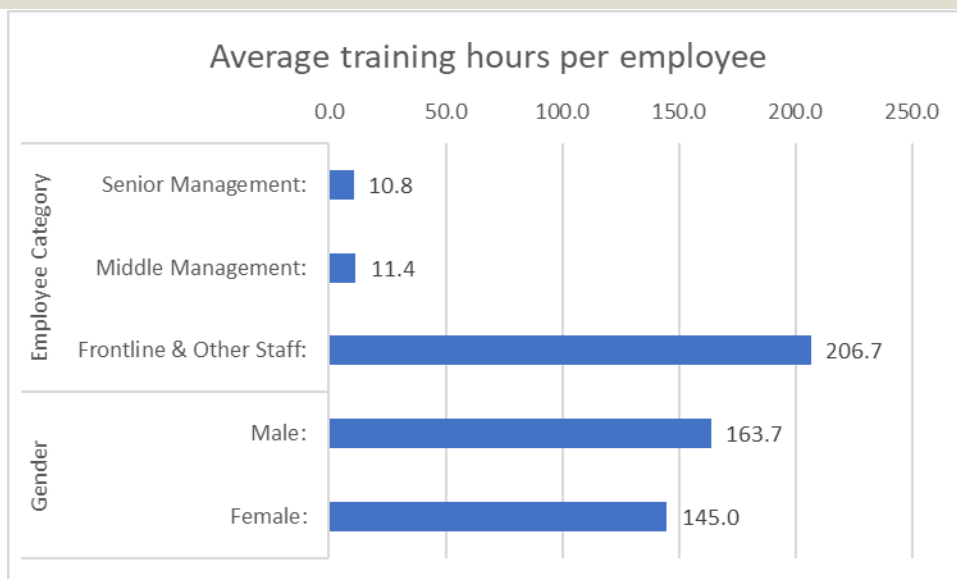
The Group's production facility and supply chain centre located in Guangzhou have resumed production and service on 10 February 2020 after the statutory holidays for Chinese New Year and the suspension period prescribed by the government authorities. Prior to the resumption, inspections on the Group's anti-infection measures had been made by the local township authorities and the Group was permitted to resume its business operation.

Anti-epidemic items such as masks and disinfectant are regularly distributed to employees. Employees are required to measure body temperature daily and maintain social distance. The plant and office are sanitized regularly.

B3. Development and Training

The Group provides comprehensive career development and training to Directors and 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 Period, the Group has provided various training sessions for all employees as illustrated in the following table. During the Reporting Period, 80% of the employees received training and the average training hour per employee were 151.92 hours.

Environmental, Social and Governance Report 2020 (Continued)



In addition to the career development provided for employees, the Group continues to invest in the professional development 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 ESG practices and participated in the directors' training internally and/or offered by external professional bodies. During the Reporting Period, Directors received a total of 246.5 hours of training, with an average of 41 hours per Director.

Environmental, Social and Governance Report 2020 (Continued)

Training details are presented below:

Targeting Group	Training courses attended	Training frequency	Training type	Training purposes
Directors	Hong Kong legislative/regulatory compliance; Directors' duties and ESG practices; Financial reporting/taxation; Risk management; Economy/financial markets updates; and Business management/investor relationships	Regularly	Internal and external	To develop and refresh directors' knowledge and skills to ensure that their contribution to the Board remains informed and relevant.
Senior management	Management consultancy training course, including leadership, management and strategies training, and business ethics	1-2 times per month	External	To understand the industry dynamics; To expand the professional networks through sharing the management experience from senior managers of the industry.
Middle management	External training courses including professional and team management training; and Online courses and internal lectures are also offered.	1-5 times per month	Internal and external	To meet compliance through external professional skills training; To improve the performance of duty for department managers; To equip managers to organise internal training.
Frontline and other staff	Frontline workers attend a four-hour workshop at least once per month; Marketing staff working outside the company should attend a one-day training quarterly; Technical staff in headquarters should join the course from the Bawang Online College of Commerce for no less than eight hours per month; 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 department, e.g., marketing department; and Skill station (技能加油站) was organised on alternative Thursdays		Internal	To enhance the professional skills of the technical staffs, including labour law knowledge, financial and taxation knowledge, recruitment, Photoshop skills, graphic design, etc.

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 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 preventing labour laws and regulations that have a significant impact on the Group during the Reporting Period.

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. 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.

During the Reporting Period, the Group has engaged more than 160 suppliers to supply raw materials, packaging materials and transport services. All of them were from various provinces in the PRC.

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 Period.

Product Health and Safety

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);

Environmental, Social and Governance Report 2020 (Continued)

- The Group conducts tests and risk assessments on the active ingredients, pesticide residues, and heavy metals of raw materials according to the Chinese Pharmacopoeia;
- The Group sends final products to the third-party testing organisation (government designated) for inspection and product registration under the State Food and Drug Administration;

During the Reporting Period, 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.

Data Protection

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

- Only collecting personal data that is believed to be relevant and required for its business 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 measures to protect customer data privacy:

- 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 Period.

Intellectual Property

The Group extensively invests in research & development activities and prides itself on introducing innovative health and personal care products. The Group has obtained a total number of 51 patent rights, regarding invention, utility, design and appearance.

Environmental, Social and Governance Report 2020 (Continued)

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

B7. Anti-corruption

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

As stated in the Employment Handbook, all employees are required to carry out the Group's business operation with integrity. Potential 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.

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 Period.

B8. Community Investment

The Group endeavours to implement corporate social responsibility and proactively participates in public welfare activities to promote society health. During the Reporting Period, the Group has participated in community engagement events and make donations to support the community.

Activity Highlights in the Reporting Period

Events	Details
Donation to Wuhan Fangcang Hospital	Donated 6,620 pieces of Bawang shampoo, shower gel, toothpaste and other personal care products to the Fangcang shelter hospitals in Hongshan District, Wuhan, Hubei, providing protection and support to medical workers and patients.
Online public welfare activities	Donated personal care product gift packs to more than 2,000 healthcare workers.
Caring for frontline anti-epidemic personnel	Donated personal care product gift packs to more than 200 frontline workers.
Donation to the Guangzhou	Donated daily cleaning and disinfection materials with an estimated total value of approximately RMB\$40,000 to the

Environmental, Social and Governance Report 2020 (Continued)

Nursing Home	Guangzhou Nursing Home.
Changle Primary School Visit	Joined the Yuancun Trade Union to visit the Tianhe Changle Primary School to show care and sent gift packages with an estimated total value of approximately RMB\$50,000 to more than 50 teachers and staff members and 935 students.
Courtesy visit to the soldiers on the Army's Day	Sent caring package with an estimated value of approximately RMB\$20,000 to soldiers.
Qianjin Community Sharing Activity	Joined the director of Qianjin Community Street Office to present medals and Bawang washing gift packages with an estimated value of approximately RMB\$50,000 to community volunteers who made outstanding contributions during the epidemic.
Donation to Shenzhen Radio and Television Charity Foundation for a charitable project	Donated personal care products for charity sale. Money collected will be used to help children with special needs and promote integrated education, provide household items to children in remote areas, and support education in remote mountainous areas.

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