

Zhi Sheng Group Holdings Limited

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370

Environmental, Social and Governance Report

For 2020

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ABOUT THIS REPORT

Zhi Sheng Group Holdings Limited (“**Zhi Sheng**” or the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to present this report (the “**Report**”) which provides an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

OUR STRATEGY

The board of directors (the “**Board**”) has overall responsibility for the Group’s Environmental, Social and Governance (“**ESG**”) strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

With the objective to better managing the Group’s ESG performance, corresponding issues and potential risks, the Board formulates policies with reference to the best practices from other benchmarked companies. Senior management is accountable for the collection and analysis of ESG data, tracks and evaluates internal ESG performance, reports major issues to the Board on an annual basis.

REPORTING APPROACH

REPORTING PERIOD

This Report illustrates the Group’s initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”).

REPORTING SCOPE

From this year and onwards, the Group was engaged not only in a single business segment that manufacture and sale of office furniture products to the local market in the People’s Republic of China (“**PRC**”), but also involved in another business segment that provides data centre facilities in the PRC. The data centre business was acquired by the Company in January 2020. Sichuan Greenland furniture Co., Limited (“**Sichuan Greenland**”) and Beijing Wannuotong Technology Company Limited (“**WNT**”) are the operating arms of the Group in the two aforesaid segments respectively.

PREPARATION BASIS

This Report is prepared in accordance with Appendix 20 to the rules governing the listing of securities on GEM (the “**GEM Listing Rules**”) on The Stock Exchange of Hong Kong Limited – Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) and has complied with “comply or explain” provision in the GEM Listing Rules.

The Group will continue to optimize and improve the disclosure of KPIs by keeping records of the relevant data and monitoring the measures throughout the year. This Report summarizes the key performance indicators (“**KPIs**”) which are considered as material during the Reporting Period. It will be published in both English and Chinese. In case of any discrepancy or inconsistency, the English version shall prevail.

Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Report of the Company’s 2020 Annual Report.

REPORTING PRINCIPLES

During the preparation process, the Group adheres to the fundamental reporting principles outlined in the ESG Reporting Guide.

Materiality	Quantitative
We performed a materiality review based on peer review and stakeholder engagement which has determined the material ESG aspects to the Group and guided the focus of this report.	We compare the year to year environmental and social data and discussed with the management of the business on its implications.
Balance	Consistency
The Board had reviewed the Report and confirmed that the ESG Report had not omitted any information related to material ESG topics. This Report had been prepared without bias.	The Group adopted consistent environmental and social data treatment approach to allow a fair comparison of performance on different aspects over time.

CONTACT INFORMATION

The Group welcomes your feedback on this Report for its sustainability initiatives. Please contact us through email at admin@qtbj.com.

STAKEHOLDERS ENGAGEMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders. Continuous communication with key stakeholders is crucial for corporate development. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Issues of concern	Engagement channels
Government	<ul style="list-style-type: none"> • Compliance with laws and regulations • Proper tax payment • Promote regional economic development and employment 	<ul style="list-style-type: none"> • On-site inspections and checks • Regular dialogue and filings • Annual reports and other published information on website
Shareholders and Investors	<ul style="list-style-type: none"> • Return on investment • Transparent disclosure of information • Protection of interests and rights of shareholders 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Annual report, announcements and other published information • company contact details on website and in reports and ensured all communication channels available and effective
Employees	<ul style="list-style-type: none"> • Safeguard the rights and interests of employees • Career development opportunities • Health and safety in working environment • Corporate data security 	<ul style="list-style-type: none"> • Direct electronic communication • Training, seminars and briefing sessions • Cultural and sport activities • Intranet and emails
Customers	<ul style="list-style-type: none"> • Safe and high-quality products • Dedicated asset management • Stable relationship • Information transparency • Data privacy and security 	<ul style="list-style-type: none"> • Website, brochures and annual reports • Email and customer support hotline • Customer feedback forms
Suppliers/Business Partners	<ul style="list-style-type: none"> • Long-term partnership • Honest cooperation • Fair, open tendering process • Risk reduction • Compliance with environmental policies 	<ul style="list-style-type: none"> • Business meetings, supplier conferences, phone calls and interviews • Regular meeting • Review and assessment • Tendering process
Public and communities	<ul style="list-style-type: none"> • Community involvement • Social responsibilities 	<ul style="list-style-type: none"> • Employee volunteering • Charity and social investment

A. ENVIRONMENTAL ASPECTS

A1. Emissions

- **Sichuan Greenland**

Being a responsible office furniture manufacturer, Sichuan Greenland is committed to monitor and continuously improve all the emissions from environmental protection perspective, including but not limited to air pollutants, solid waste and waste water. It has established an environmental management system that meets regulatory requirements and has obtained ISO 14001 accreditation.

Sichuan Greenland has also taken initiatives to formulate actions to remediate emissions of air pollutant and greenhouse gas emissions (“GHG”), such as:

- ✓ engaged a qualified environmental testing company to carry out regular testing to ensure the air pollutant emissions comply with relevant national standards
- ✓ installed dust collector for every wood cutting and drilling table to reduce dust emission during wood cutting and drilling
- ✓ set up central vacuum and purification systems which constantly provide fresh air and reduce potential risks of fire or explosion as well as dilute air pollutants
- ✓ adopt a water curtain spraying booth to reduce the emission of volatile organic compounds with activated carbon and recycled water

Sichuan Greenland has other air pollutant emissions such as the release of noxious gases generated during paint spraying, dust generated during sanding, and solid hazardous waste including discarded paint buckets and used of activated carbon.

Apart from its manufacturing operation, Sichuan Greenland has its vehicle fleet for transport use and delivery of small to medium size end products to clients. These vehicles fueled by diesel oil and unleaded gasoline released air pollutants and GHG which contribute to and exacerbate climate change. Sichuan Greenland outsources the delivery of large size products to external logistic company and eventually the relevant pollution was out of the Company’s radar.

- **WNT**

Due to the nature of its business, WNT’s operation does not directly generate industrial pollutants and hence it did not incur direct cost of compliance with applicable environmental protection laws. The main sources of GHG will be the electricity and water used for its back office.

As the master lease agreement of the data centres signed between WNT and the landlord covered both rental cost and certain level of electricity usage, WNT did not have any separate record about its electricity usage at data centres. This Report therefore did not cover the incidental emission incurred by data centres.

Air pollutant emissions during the Reporting Period were as follows:

- **Sichuan Greenland**

Air Pollutants	Unit	2020	2019
Nitrogen oxides (NO _x)	g	68,915.1	89,657.3
Sulfur dioxide (SO _x)	g	327.1	373.7
Particulate matter (PM)	g	6,498.6	8,452.3

Sichuan Greenland increased outsourcing its delivery to external logistic company during the Reporting Period because (i) more sales were related to large-size furniture products that its own vehicle fleet could not cater for; and (ii) the tight delivery timeline during the regional lockdown under COVID-19. As the relevant air pollutant emission by the external logistic company was off from our records, Sichuan Greenland had achieved an average 30% decrease in air pollutant emissions during the Reporting Period, which was not only contributed by the above mentioned preventive measures, but also the decrease in using its own vehicle fleet.

- **WNT**

BY nature of its service type business, WNT's operation does not directly generate industrial pollutants.

GHG Emissions

GHG emissions by the Group mainly come from consumption of energy. This includes activities such as using gasoline for transportation and non-renewable electricity for manufacturing and office use. The Group recognizes that GHG emission can pose a risk to climate change which can threaten the environment and natural resources that we all share.

Giving the majority of the GHG emissions of the Group mainly come from energy consumption, the Group tackles its carbon footprint by reducing energy consumption. Policies and procedures, which are detailed in A.2 Use of Resources of this Report, to encourage energy saving are incorporated throughout the manufacturing process in order to reduce the GHG emissions.

The Group is responsible to track and report various metrics to ensure that these policies and procedures are effective, including GHG emission, direct emissions (scope 1) and indirect emissions (scope 2), and emission intensity.

The GHG emissions during the Reporting Period were as follows:

- **Sichuan Greenland**

GHG Emission	Unit	2020	2019
Scope 1 ¹	tonnes of CO ₂ -e	52.8	66.3
Scope 2 ²	tonnes of CO ₂ -e	408.9	461.8
Total GHG emission	tonnes of CO₂ -e	461.7	528.2
GHG emission intensity	tonnes of CO ₂ -e / unit of production	9.22	13.94

¹ Scope 1: Direct emissions from sources that are owned or controlled by Sichuan Greenland

² Scope 2: Indirect emissions from the purchased electricity consumed by Sichuan Greenland

Total GHG emission decreased by over 10% during the Reporting Period, mainly due to (i) the Company increased outsourcing its delivery to external logistic company, (ii) decrease in use of electricity in factory area due to the lockdown under COVID-19 and (iii) to comply with the government policy in limiting electricity usage.

- **WNT**

GHG Emission	Unit	2020	2019*
Scope 1 ¹	tonnes of CO ₂ -e	N/A	-
Scope 2 ²	tonnes of CO ₂ -e	2.93	-
Total GHG emission	tonnes of CO₂ -e	2.93	-
GHG emission intensity	tonnes of CO ₂ -e / unit of production	N/A	-

* As the Group acquired WNT's business in early 2020, we did not keep track of its past record before 2020.

For WNT, measurement in scope 1 and emission intensity are not applicable due to the service nature of its business.

Hazardous Waste and Non- Hazardous Waste

The Group's hazardous waste and non-hazardous waste mainly come from the furniture manufacturing business with Sichuan Greenland. They are generally categorized into hazardous waste, production waste and domestic waste, each with its specific handling procedures.

- **Sichuan Greenland**

For hazardous waste, Sichuan Greenland handled it with due care and according to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》. It has engaged a qualified waste collection company to handle and collect the hazardous waste produced so as to minimize the impact on environment.

During the Reporting Period, the storage of hazardous wastes was as follows:

Hazardous waste	Composition	2020 tonnes	2019 tonnes
Residual paint waste	Benzene, Xylene, Toluene	6.00	5.00
Organic solvent waste	Toluene, n-Hexane, Ortho Xylene	1.80	1.60
Organic mineral oil-based waste	PAHs, BTEX, Alkane, Alkene, phenol	-	0.02
Paint bucket waste	Benzene, Xylene, Toluene	3.00	3.00
Active carbon waste	Benzene, Xylene, Toluene	0.15	0.30
Total Hazardous waste		10.95	9.92
Hazardous waste intensity	tonnes/unit of production	0.0021	0.0021

During the Reporting Period, increasing hazardous wastes were stored, given the limited services provided by the qualified waste collection company during the lockdown caused by COVID-19. The accumulated hazardous wastes were obviously not desirable. To reduce the potential harms caused to staff and the environment, Sichuan Greenland had expanded its isolated storage area and concealed the area with strict entry control. Besides, Sichuan Greenland had engaged another qualified waste collection company in late 2020 and expected to remove the accumulated hazardous wastes shortly.

For non-hazardous waste, Sichuan Greenland has production wastes such as wooden debris and packaging materials which are by-products of the manufacturing process. For domestic wastes, they are collected and handled after waste sorting, through local environmental and hygiene department. Besides, Sichuan Greenland has set up a recycling materials control center in the factory area to collect statutory hazardous waste and recyclable wastes.

During the Reporting Period, Sichuan Greenland had produced non-hazardous waste of about 160 tonnes, which has decreased by 13.5% compared to last year because less packaging materials were used.

- **WNT**

Due to the nature of its service-type business, WNT did not directly generate hazardous waste. For non-hazardous waste like domestic wastes found in office, the company sorted them by category using different rubbish bins. Domestic wastes after sorted will be collected and handled by local environmental and hygiene department.

A2. Use of resources

Efficiency in use of resources will significantly affect resources preservation and the indirect emission of gases to the environment. The Group has adopted a set of guidelines to efficiently use of energy, water and other materials for long-term sustainability.

<< Green Policy>> is in place to encourage employees to take part in energy saving in office:

Energy Saving	<ul style="list-style-type: none"> • Energy efficiency guidelines and energy saving signs are in office and factory areas; • “Light-less policy” by turning off the lights during lunch hour and after office hour; and • Room temperature controlling to reduce the use of air conditioner
Water saving	<ul style="list-style-type: none"> • Environmental friendly equipment is installed in the factory area to recycle processed water; • Water taps should be turned off right after use; and • Running, dripping and long-flowing water are avoided to save water

The Group believes that increasing environmental awareness is the basis for energy reduction initiative. Therefore, trainings and educational activities are provided to enhance employees’ energy-saving awareness. Going forward, the Group will consistently seek ways to improve energy efficiency and reduce energy consumption in the operation.

Energy

During the Reporting Period, the energy consumption was summarized in the table below.

- **Sichuan Greenland**

Energy Usage	Unit	Usage		Density Per unit of production in million	
		2020	2019	2020	2019
Purchased electricity	MWh	629.13	706.22	12.34	18.64
Petrol	Litre	10,835.36	11,602.23	212.46	306.26
Diesel	Litre	10,423.48	12,615.92	204.38	333.02

The decrease in total energy consumption in the Reporting Period was mainly attributable to (i) increase in outsourcing of delivery service while the relevant energy consumption of the external logistic company was off our record; and (ii) decrease in use of electricity in factory area due to the lockdown under COVID-19 and to comply with the government policy in limitation on electricity usage.

- **WNT**

Energy Usage	Unit	Usage	
		2020	2019*
Purchased electricity	MWh	4.5	-
Petrol	Litre	NA	-
Diesel	Litre	NA	-

* As the Group acquired WNT's business in early 2020, we did not keep track of its past record before 2020.

For WNT, its electricity consumption was minimal and hence the computation of the relevant density per unit of production (or service unit) was not prepared. Besides, it did not have its own vehicle fleet and hence it did not consume any petrol nor diesel during the Reporting Period.

Water

During the Reporting Period, water consumptions were as follows:

- **Sichuan Greenland**

Water	Unit	2020	2019
Total water consumption	m ³	7,248	5,230
Water consumption intensity	m ³ /unit of production in million	150.65	138.06

Increase in water consumption in Sichuan Greenland was mainly due to the accidental leakage of water pipe during the Reporting Period. The company had arranged repairs of the water pipe immediately to stop further water wastage.

- **WNT**

Water	Unit	2020	2019*
Total water consumption	m ³	2.83	-
Water consumption intensity	m ³ /unit of production in million	NA	-

* As the Group acquired WNT's business in early 2020, we did not keep track of its past record before 2020.

For WNT, water consumed was mainly for office use and the amount was insignificant. Water consumption intensity was not applicable to WNT given its back office business nature.

Packaging Materials

Package materials are mainly used during the process of production, packaging and transporting the furniture goods.

- **Sichuan Greenland**

The breakdown of packaging materials usage was as follows:

Packaging Materials	Quantity (piece)		Density	
			piece/cost of production in million	
	2020	2019	2020	2019
Woven bags	18,541	78,179	364	2,064
Corner articles	77,408	61,880	1,518	1,633
Rolls for binding	11,801	10,039	231	265
Cardboard boxes	58,001	66,911	1,137	1,766

During the Reporting Period, the total amount of packaging materials used decreased by 23.6%, although sales revenue had increased by around 70%, because the sales of soft furniture products which required more packaging materials decreased.

- **WNT**

Due to the service-type business nature, WNT did not use any packaging materials during the Reporting Period.

A3. The Environment and natural resources

The Group is committed to further minimizing negative environmental impacts in its business operations, save for the previously mentioned aspects. It regularly assesses the environmental risks of its business model, adopts preventive measures to reduce risks and ensures compliance with relevant laws and regulations.

Source of raw materials

As a furniture manufacturer, the raw material of our end products is mainly wood. To show our commitment in protecting forest and mitigating environmental impacts, Sichuan Greenland acquired the wood based raw materials only from vendors who had obtained the Production License of Industrial Products (全國工業產品生產許可證) and Timber and Bamboo Operation and Processing License (木竹材經營加工許可證).

Enhancement on environmental awareness

To enhance the environmental management system, the Group provides related training to its employees, including environmental awareness, standards and guidelines, so that employees can understand and are able to conduct environmental management system implementation and maintenance work. The main objectives are to reduce generation and emission of pollutants, promote the conservation of energy sources and raw materials, and achieve the goal of effective use of resources and environmental protection.

Air pollutant control and noise control

In order to monitor the emission of pollutants, the Group engages qualified third party professionals to perform annual testing on the waste water, air pollutants and noise level. Samples are taken from the machinery area, water pipe and paint spray room for noise test, waste water test and air pollutant test respectively. Assessment result of these tests for the Reporting Period was satisfactory.

A4. Climate change

Climate change is a risk to the businesses and it is also an opportunity for long-term value creation. It will continuously act as a key driver in our long-term strategic business decisions.

Potential risks associated with the climate change that might impact our business include:

- Laws and regulations which could lead to increased costs for electricity that we require to conduct business operations.
- Potential physical impacts of climate change on our operations, which might include changes in rainfall and storm patterns and intensity.

There are several ways to address these risks which include:

- Robust enterprise risk management and strategic planning: the governance structure provides the necessary opportunities for the Board of Directors to exercise their oversight responsibilities with respect to strategy and risk, including impact of climate change on the businesses.
- Environmental initiatives as mentioned in the A1.Emission section to reduce our contribution to global carbon emissions that potentially exacerbate climate-related risks. Continuous efforts are to be made to the existing environmental protection policy and the <<Green Policy>> including improving energy and water efficiency the group, reducing air pollutant emission, protection of natural resources etc.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

The Group believes that people play a vital role in the company growth and profitability, and we are deeply committed to those who affect or are affected by our business. We are powered by people and we are committed to enable our employees with appropriate tools and support to be successful in each of their respective roles.

Employment policies are formally documented in the Employee Handbook, covering recruitment, remuneration and benefits, promotion and dismissal, equal opportunities and anti-discrimination, etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards.

B1. Employment

The Group is committed to establish a close relationship with employees and provide a favourable working environment where our employees can thrive. We have established a set of human resources management policies in order to comply with relevant labour laws and regulations including the Labour Law of the PRC.

During the Reporting Period, no non-compliance regarding employment was noted.

Promotion and Performance Appraisal

The Group assesses performance of employees on an annual basis, the results of which are used in their annual salary review and promotion appraisal. The Group also gives preference to internal promotion to encourage consistent and continuous effort.

Employee composition

As at 31 December 2020, total number of employees of the Group was 199, in which 183 (2019: 192) was under Sichuan Greenland and 16 was under WNT. The decrease in number of employees in Sichuan Greenland was mainly due to natural attrition.

All employees of the Group are full time workers. Below is the detailed breakdown of the number of employees by gender, age group and work location.

The employees' turnover rate during the Reporting Period was as follows:

	Total Workforce		Turnover Rate	
	2020	2019	2020	2019
By gender				
• Male	65%	65%	10%	13%
• Female	35%	35%	15%	14%
By age group				
• Age 35 or below	19%	17%	16%	52%
• Age 36–45	32%	45%	10%	8%
• Age 46–55	42%	34%	15%	9%
• Age 56 or above	7%	4%	9%	40%
By geographical region				
• Sichuan	81%	89%	12%	12%
• Chongqing	11%	11%	9%	22%
• Beijing	5%	-*	0%	-*
• Shanghai	3%	-*	0%	-*

* These figures related to WNT's offices in Shanghai and Beijing. As the Group acquired WNT's business in early 2020, we did not keep track of its past record before 2020.

B2. Health and Well-being

The safety and well-being of employees are our core concern. For safety at workplace, we provide staff with driving safety and fire prevention courses. These courses were to ensure that all employees are familiar with fire emergency procedures and hold fire drills.

During the Reporting Period, Sichuan Greenland did not record any industrial accident, work-related accident nor lost days due to work injury.

Due to the nature of the furniture manufacturing industry, dust and chemical gases are emitted during the production process and they are harmful to employee's health. Masks or gas masks are provided to workers in factory site for protection during the production. Department heads will conduct site investigations from time to time.

Work-life balance

The Group provides a range of facilities to ensure balanced and healthy lifestyle of its employees. Sports grounds and canteens are offered in the factory site. For those who are far away from their hometown, we also provide them with dormitories. In addition, we organize activities to enhance employees' loyalty and to promote harmony among employees.

Diversified communication channels

All employees and management of the Group can conduct horizontal or vertical communications through multi-communication channels, such as emails, forums, bulletin boards and other channels. If employee has complaints about work, the company will arrange face-to-face communication with department heads while complaints can be submitted to relevant parties or departments as well. If the person or the department being complained cannot provide satisfactory solutions, the complaints will be submitted to higher level to ensure explicit feedbacks.

Maternity leave and childcare leave

The Group continuously provides fully support to pregnant staff. We offer maximum 98 days of maternity leave to pregnant employees. In addition, the Company prohibits its pregnant employees from performing heavy duties during pregnancy to ensure safety of both children and mother. Furthermore, male employees enjoy maximum 7 days of childcare leave.

Measures targeted at COVID-19

The outbreak of COVID-19 epidemic has raised consciousness on health and safety impacts that may bring to our employees and customers. Apart from strengthening sanitization at the Group's head office, factory areas and data centres, the Group has also adopted precautionary measures such as temperature screening before entering the premises and providing employees with sufficient epidemic prevention supplies, including face masks and hand sanitizers.

B3. Development and Training

The Group provides apprentice training for workers that have no manufacturing and production experience. Respective mentors are assigned to every apprentice for providing technical knowledge and guidance to make them capable of taking charge on their own soon. The Group also provides employees with trainings on safety knowledge and environmental knowledge to establish a solid safety and environmental protection awareness. To safeguard employees' health and enhance awareness of disease prevention, we also organize health talks. The Group has provided employees with approximately 40 hours of on-the-job training.

During the Reporting Period, the Group has launched a series of training program for our employees as below:

- **Sichuan Greenland**
 - ✓ Factory safety training was provided for staff working in factory.
 - ✓ Solid waste handling and management training was provided to management.
 - ✓ Waste sorting training was provided to staff working in factory.
 - ✓ Orientation training for new employees was organised to help them to understand the corporate culture and their job duties.

- **WNT**
 - ✓ 5G and artificial intelligence.
 - ✓ Leadership, communication and management.
 - ✓ Internet connection and trouble-shooting.

Assessment is conducted after the training for the Group to understand the effectiveness of the training and performance of the employees.

The Group's human resources department is responsible for formulating annual training plan in accordance with the Group's development objectives and employees' needs. The plan is reviewed regularly with reference to the employees' feedback and assessment to ensure continuous improvement. Different training and development opportunities are provided to different category of employees to satisfy their needs.

Detailed breakdown of the percentage of employees trained and the average training hours by gender and employee category during the Reporting Period were as follows:

Employees trained	2020	2019
By gender		
• Male	88%	61%
• Female	48%	39%
By employee category		
• Middle to Senior management	92%	12%
• General	73%	88%

Average training hours	Unit	2020	2019
By gender			
• Male	hours per employee	27	30
• Female	hours per employee	33	30
By employee category			
• Middle to Senior management	hours per employee	40	40
• General	hours per employee	30	30

B4. Labour Standards

The Group strictly complies with the Labour Law of the PRC and the Labour Contract Law of the PRC. It is required to provide Identity card, resume and social insurance card to apply for new position in the Company. During the Reporting Period, the Group was not aware of any non-compliance in relation to child and forced labour in its operation.

All works should be performed voluntarily and shall not involve forced labour. Our suppliers and other business partners are expected to follow the same standard of labour practices when working with us.

OPERATING PRACTICES

B5. Supply Chain Management

The Group relies on suppliers to supply different raw materials for furniture manufacture, including woods, paints, etc. We are aware of the potential environmental and social risks associated with our supply chain. In order to manage and mitigate these risks, the Group has implemented procurement management system with vendor selection criteria to ensure the raw materials are purchased from qualified vendors.

Selection Criteria

The Group chooses suppliers based on a list of criterion. Except price and quality, vendors are required to provide Production License of Industrial Products (全國工業產品生產許可證) and Timber and Bamboo Operation and Processing License (木竹材經營加工許可證). Also, they have to provide their credentials on the previous operation with clients. On-site inspection is carried out during the selection process to assess the scale of production, production management, productivity and quality control of suppliers.

We also strive to work with suppliers with environmental, quality and social certifications, such as ISO 14001 environmental management and ISO 9001 quality management. Suppliers with the highest performance-to-price ratio and the best overall performance would be selected.

Supplier Assessment

The Group performs annual review on supply chain not only to ensure the product quality, but also to ensure the suppliers meet our expected standard on environmental protection. The Group maintains a long-term relationship with suppliers based on the satisfied results in the annual assessment.

B6. Product Responsibility

The Group is in strict compliance with the laws and regulations related to product responsibility, including the Product Quality Law of the PRC, the Trademark Law of the PRC and the Advertising Law of the PRC.

During the Reporting Period, we had no violation record to the relevant laws and regulations that had significant impact on the Group relating to product responsibility issues.

Quality Management

To improve customers' experience for products, the Group has established an after-sales service team, which is responsible for following up customer enquiries and providing customers with maintenance service. The after-sale services team responds to maintenance requests within one working day. In case where products are damaged by its customers' own use instead of its inherent defects, the Group will charge a certain fee for maintenance services.

During the Reporting Period, the Group did not receive any complaints about the quality of products, nor encounter any product recalls for safety and/or health reasons.

Customer Data Protection

The Group takes privacy issues seriously. As covered in the staff handbook, we have established "Confidentiality System" (保密制度) in order to demonstrate our firm commitment to privacy issue. The system provides guidance to employees on data control and usage. We limit the collection and use of personal information to which is necessary to administer our business, and the collected data are accessible by authorised personnel only. Documents containing confidential information are required to be kept with the strictest standards of security and confidentiality.

During the Reporting Period, no substantial complaints regarding breaches of customer data and privacy were received.

B7. Anti-Corruption

The Group has formulated a system to prevent commercial bribery and corruption, which requires the employees, during the course of business engagement, not to (whether directly or indirectly) provide, undertake, request or receive any improper benefits, or take any other actions which are in violation of integrity, illegal or dishonest behaviors which are in breach of national provisions. Whistleblowers can report to the administrative center and the administrative center will initiate investigation when the complaints are accepted.

During the Reporting Period, there was no incident of corruption, bribery, extortion, fraud and money laundering involved by the Group and its staff.

COMMUNITY

B8. Community Investment

As a socially responsible company, the Group is committed to supporting the community by implementing related policies and participating in different community activities. Contribution to and maintaining harmonious relationship with the community in the region of operation is crucial for the sustainable development of the Group.