



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2 0 1 9

曠世控股有限公司

KWUNG'S HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability | Stock Code : 1925

KWUNG'S HOLDINGS LIMITED



CONTENTS

REPORTING PRINCIPLES AND SCOPE OF THE REPORT	2
STAKEHOLDER ENGAGEMENT	3
MATERIALITY ASSESSMENT	4
ENVIRONMENT	
Emissions	5
Use of Resources	7
The Environment and Natural Resources	9
SOCIAL	
Employment	10
Health and Safety	10
Development and Training	11
Labour Standards	11
Supply Chain Management	12
Product Responsibility	12
Anti-Corruption	13
Community Investment	14





REPORTING PRINCIPLES AND SCOPE OF THE REPORT

Kwung's Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) persistently strives to operate its business in an economic, social and environmentally sustainable manner.

The Group is an original design manufacturer and supplier of home decoration products including candles, home fragrance and home accessories. The Group's Ningbo Enterprise Engineering Technical Center has a professional design team and a technical research team. The Group obtained the status of “High and New Technology Enterprise” and the “National Cultural Export Key Enterprise”, a recognition of its research and development strengths and the quality and cultural element of their products.

The Group values cultural creativity, product innovation and technology research and development. The Group also adheres to the core values of creating benefits for shareholders, seeking benefits for employees and taking responsibility for society.

The Group is pleased to present the Environmental, Social and Governance Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report sets out the Group's policies and practices as well as certain major subsidiaries' policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Reporting Guide for the year ended 31 December 2019 (the “**Year 2019**”).

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and their business is managed prudently under sound decision-making processes by the Group. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. The board of directors of the Company (the “**Board**”) is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

For both environmental and social aspects, this report will focus on the material operating segment of the Group in mainland China and the Group's head office located in Hong Kong (the “**HK Office**”).

Stakeholder engagement plays a core role in the sustainability of the Group. The Group fully appreciates the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, the Group consults the stakeholders on their recommendations and propositions to ensure its business practices can meet the expectations of the stakeholders.

The stakeholders include the shareholders, governments and regulatory bodies, employees, customers, suppliers and society and the public. The Group discusses with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

Stakeholders	Expectations	Communication and feedback
Shareholders	<ul style="list-style-type: none"> • Financial results • Corporate transparency • Sound risk control 	<ul style="list-style-type: none"> • Improving profitability • Regular information disclosure • Optimizing risk management and internal control
Governments and regulatory bodies	<ul style="list-style-type: none"> • Compliance with laws and regulations • Tax payment in accordance with laws 	<ul style="list-style-type: none"> • Compliance operation • Tax payment in full and on time
Employees	<ul style="list-style-type: none"> • Career development platform • Salary and benefits • Safe working environment 	<ul style="list-style-type: none"> • Promotion mechanism • Competitive salary and employee benefits • Providing trainings for employees and strengthen their safety awareness
Customers	<ul style="list-style-type: none"> • Logistics and delivery service standards • Customer information security • Customer rights and interests protection 	<ul style="list-style-type: none"> • Getting delivery status through product tracking system • Customer privacy protection • Compliance marketing
Suppliers	<ul style="list-style-type: none"> • Integrity cooperation • Business ethics and credibility 	<ul style="list-style-type: none"> • Building a responsible supply chain • Performing the contract according to law
Society and the public	<ul style="list-style-type: none"> • Environmental protection • Employment opportunities 	<ul style="list-style-type: none"> • Putting into use of environmental protection and energy saving equipment • Providing employment opportunities



MATERIALITY ASSESSMENT

In Year 2019, the Company conducted a comprehensive materiality assessment. This involved conducting interviews and/or surveys with internal and external stakeholders to identify which areas have the most significant operating, environmental and social impacts towards their business.

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the corporate business characteristics, the Company has identified and confirmed 22 issues, which cover environment, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption and community investments.

Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of raw materials and packaging materials
7. Compliance with laws and regulations relating to environmental protection
8. Use of chemicals

Social issues

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operating issues

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

A1. EMISSIONS

Environmental protection is one of the core values of the Group. The Group has proactively looked for and implemented new technology at various stages of production in order to minimize its impact on the environment. Over the years, the Group has introduced energy-efficient equipment and streamlined operation processes to reduce consumption of resources, enhanced the efficiency of utilizing resources and strive to minimize the environmental impact on the communities around the production base.

The Group's production bases are located in Ningbo and Shaoxing industrial regions in Zhejiang province, People's Republic of China ("PRC"). During Year 2019, the Group has complied with all relevant local environmental laws in the nations where it operates. Gaseous emissions during Year 2019 were as follows:

Gaseous Emissions from the Use of Motor Vehicles

Indicator	Unit	Discharge
NO _x	Kilogram ("Kg")	276.06
SO _x	Kg	0.27

Greenhouse Gas ("GHG") Emissions from Operations

Indicator	Unit	Discharge
GHG emission (Scope 1)	Kg of carbon dioxide equivalent ("Kg of CO ₂ e")	47,124
GHG emission (Scope 2)*	Kg of CO ₂ e	2,369,148
GHG emission (Scope 3)	Kg of CO ₂ e	<u>45,967</u>
Total	Kg of CO₂e	<u>2,462,239</u>
Production unit	Tonne	22,966
GHG intensity	Kg of CO ₂ e/Tonne	0.11

Scope 1: It represents the town gas, liquefied petroleum gas, diesel oil from consumption of motor vehicles.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

* The emission factor is sourced from the [emissionfactors.com](http://www.emissionfactors.com). The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs" issued by The Stock Exchange of Hong Kong Limited.



ENVIRONMENTS

In order to minimize the gas emissions arisen from energy consumption, the Group has adopted certain sustainable measures to bear environmental responsibility in daily operation process, including but not limited to:

- (i) Use energy-saving technology and equipment in the plants;
- (ii) Encourage employees to turn off electronic equipment, lighting and air conditioners after using the room or leaving the office for a period of time;
- (iii) Strictly control the air-conditioning temperature of the plant in summer and winter;
- (iv) Strengthen energy-saving publicity, education and training.

As a result of adopting the above energy-saving and emission-reducing measures, fuel energy consumption, exhaust gas and GHG emissions are reduced and employees' energy-saving awareness is also enhanced. During Year 2019, the Group had no major non-compliance issues relating to environmental issues.

Hazardous wastes produced by the Group are mainly paraffin and essence from the manufacturing of candle and fragrance products. Non-hazardous wastes of the Group are mainly domestic wastes and packaging materials.

In Year 2019, the production of hazardous and non-hazardous wastes by the Group were as follows:

Environmental Performance from Operations

Indicator	Unit	Emissions
Hazardous waste produced		
Paraffin	Tonne	77
Essence	Tonne	2
Non-hazardous waste produced		
Domestic wastes	Tonne	64
Packaging materials	Tonne	2

The Group attaches great importance to environmental protection in its business operations. The Group has adopted an internal policy to manage waste emissions and produce a small amount of waste during the manufacturing process. The Group has also adopted a set of waste disposal procedures in production facilities to prevent or reduce pollution and has taken measures to control the discharge of gases and wastewater during the production process to comply with applicable environmental standards. The Group spent approximately RMB1.8 million to purchase environmental protection equipment in production facilities and has engaged external industrial waste collectors to collect such waste for further processing or recycling.

The Group has taken measures to ensure compliance with all applicable environmental laws and regulations, including but not limited to:

- (i) the Environmental Protection Law of the PRC;
- (ii) the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (Revised in 2016);
- (iii) the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation);
- (iv) the Law on the Prevention and Control of Water Pollution of the PRC;
- (v) the Law on the Prevention and Control of Air Pollution of the PRC.

The Group is not aware of any material non-compliance with applicable laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during Year 2019.

A2. USE OF RESOURCES

The Group's operation and production mainly employs resources such as electricity, diesel, petrol, natural gas, coal and water. The Group is committed to improving energy efficiency and promoting comprehensive utilization, while gradually reducing energy consumption.

The Group's energy and packaging material consumption in Year 2019 are as follows:

Relevant Consumptions from Operation

Resources	Unit	Consumption	Density (based on production in tonnes)
Diesel oil	Litre	7,613	0.003
Petrol	Litre	21,420	0.009
Natural gas	Cubic metre ("M ³ ")	1,150	0.001
Electricity	kWh	3,653,555	0.159
Water	M ³	51,573	2.25

Packaging Materials	Unit	Consumption	Density (based on production in tonnes)
Paper boxes	Kg	4,787	0.208
Plastic Packaging Bags	Kg	105	0.005



ENVIRONMENTS

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption, GHG emissions and wastes disposed of its factory. Every year, the factory is required to set its respective energy and carbon reduction targets and come up with feasible measures to achieve them.

The details and results achieved are listed as follows:

Projects	Details and results achieved
Light conservation	Turn off the lighting fixtures during non-office hours and arrange patrol security to supervise. These measures effectively reduce power consumption.
Water conservation	<p>Carry out water-saving and pollution-reducing activities, fully utilize water for multiple uses and recycle water to improve the comprehensive utilization rate of water.</p> <p>Offshore factories try to adopt seawater desalination and use seawater directly, also accumulate rainwater for usage to save water resources. These measures effectively reduce water consumption.</p>
Air-conditioners	The temperature of office air conditioners in summer is controlled at not less than 26 degrees Celsius, and the temperature of office air conditioners in winter is controlled at not higher than 22 degrees Celsius to reduce the related power consumption. Do not use air conditioners during non-working hours. These measures effectively reduce power consumption.
Use energy-saving electrical equipment	Eliminate high-power-consuming equipment and actively adopt new power-saving technologies and equipment. When purchasing critical electrical equipment or components, try to purchase electrical equipment or components with energy-saving labels. These measures effectively reduce power consumption.
Packaging materials conservation	<p>Product packaging standards should be designed to avoid waste of resources and environmental pollution caused by excessive packaging. The company strictly implements the national packaging standards, relevant laws and regulations and does not design or produce excessive packaging products, nor does it purchase or sell excessive packaging products.</p> <p>For the packaging materials that can be recycled, try to recycle them as much as possible to improve the recycling rate of the packaging materials.</p>
Recycle of raw materials	<p>During production, the plant uses recyclable raw materials or supplementary materials. The plant also adopts advanced or applicable recycling technology, processes and equipment to recycle and comprehensively use the waste residue, wastewater, waste gas, waste heat and residual pressure, etc. to minimize the impact on the environment.</p> <p>Strengthen the publicity and education of the staffs 'waste utilization. Raise the staffs' awareness of environmental protection and conservation to reduce waste discharge.</p>

During Year 2019, the Group did not have any material non-compliance in the use of resources.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The business of manufacturing of candle products is closely related to environmental protection and the usage of natural resources. In addition to complying with relevant environmental laws and regulations and properly protecting the natural environment, the Group also incorporates the concept of environmental protection into its internal management and implementation process.

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to ensure the sustainable development and operation of the Group. Actions taken by the Group on environment and natural resources conservation includes:

1. The Group is committed to improving energy efficiency, saving electricity and supervising GHG emission.
2. The Group adopts measures to increase utilization and reduce discharge of natural resources, so as to reduce waste of resources.
3. For solid wastes, the Group endeavours to reuse them and make them to become reusable resources, so as to reduce the impact of emissions on the environment.

During Year 2019, the Group's energy use is strictly in accordance with national laws and regulations and is implemented in accordance with our internal system without violations. There is no significant impact on the environment and natural resources from the operations of the Group.

B1. EMPLOYMENT

In line with the rapid development of the Group's business, human resource management and the introduction of talents are particularly important to the Group. The Group regularly analyzes the existing remuneration system and incentive mechanism to optimize the remuneration structure and ensure that the remuneration of employees is at a reasonable level in the market and is competitive. The promotion and rewards of employees are determined based on their performance, experience and current market condition. In addition to striving to attract and retain outstanding employees, the Group also explores recruitment channels to recruit talents to ensure the sustainability of the business development of the Group.

According to the provisions of applicable laws and regulations in China, the Group contributes to social insurance and housing provident fund accounts of employees in mainland China. The Group has contributed to the retirement funds of Australian employees in accordance with applicable laws and regulations in Australia. The Group has complied with relevant laws and regulations in China and Australia on social insurance and housing provident fund and retirement fund contributions in major respects.

The Group values equal employment opportunities that employees should enjoy. Employee recruitment adheres to equality between men and women and ethnic equality. The Group has set up a trade union and promised to maintain the independence of the trade union. During Year 2019, it did not encounter any major labor disputes or other labor waves.

Compliance with relevant laws and regulations

During Year 2019, the Group did not find any serious violations of the "Labor Law of the PRC", the "Social Insurance Law of the PRC", the "Hong Kong Employment Ordinance" and the "Hong Kong Employee Compensation Ordinance" and related remuneration and dismissal, recruitment and promotion matters concerning working hours, vacations, equal opportunities, diversification, anti-discrimination and other applicable laws and regulations of other benefits and benefits that have a significant impact on the Group.

B2. HEALTH AND SAFETY

The Group is committed to providing employees with a healthy and safe working environment. It has implemented safety guidelines applicable to all employees. It aims to further promote occupational health and workplace safety and ensure compliance with applicable laws and regulations. The Group provides employees with adequate training on occupational safety and organizes annual health examinations for qualified employees in accordance with applicable laws and regulations.

To ensure that employees strictly abide by internal regulations, the Group has issued and registered internal labor regulations that require workplace order, occupational safety, asset protection, crisis management, and fire safety, and strictly abide by the "Fire Protection Law of the PRC" and "The Law of the PRC on Prevention of Occupational Disease" and "The PRC Production Safety Law".

Compliance with relevant laws and regulations

During Year 2019, the Group did not find any serious violations of China's occupational health and safety laws and regulations, the "Hong Kong Occupational Safety and Health Ordinance" and other applicable laws and regulations that provide a safe working environment and protect employees from occupational hazards or any regulations and matters that have a significant impact on the Group.

B3. DEVELOPMENT AND TRAINING

The Group believes that nurturing quality staff is particularly important for the long-term development of the enterprise, so it has a policy to provide employees with sufficient training to ensure that they can carry out their work safely and with due diligence. Employees in different positions and functions are provided with various training and development programs related to their necessary skills and knowledge.

Each production base of the Group provides necessary training for relevant operation positions every year. The training content includes pre-employment training for new employees, post functions, technical operations, safety knowledge and regulations training and counselling. Through effective employee training programs, the professional skills of employees can be enhanced. In Year 2019, certain external training expenses recommended to employees are borne by the Group to improve the quality of employees and ensure that employees' professional skills, technology and knowledge keep pace with the times.

The Group values work-life balance and encourages employees to participate in leisure activities to enhance team spirit, sense of belonging and morale, and to create a harmonious working environment.

B4. LABOUR STANDARDS

The Group strictly follows the requirements of relevant labor laws, and the ages of all job applicants must be over the local legal requirements. The Group strictly prohibits the use of child labor and adopts a comprehensive selection and recruitment process in this regard. When recruiting new employees, the Group conducts recruitment openly according to the qualifications of different positions and so qualified personnel can be hired. At the same time, the Group has appropriate internal policies to ensure that underage or coerced persons are never employed.

The Group attaches great importance to the development of human capital and provides employees with competitive remuneration and benefits. Employees can also enjoy various other benefits in accordance with local regulations. The Group provides support to employees in all aspects, strives to retain talents and care for the development of employees.

Compliance with relevant laws and regulations

During Year 2019, the Group did not find any serious violations of the "Special Protection Regulations of Juvenile Workers of the PRC", "Prohibition of the Use of Child Labor in the PRC" and other laws and regulations of Australia and Hong Kong relating to the prevention of child labor or forced labor, or any relevant matters that have a significant impact on the Group.

B5. SUPPLY CHAIN MANAGEMENT

The raw materials of the Group's production bases are mainly purchased externally, so there are corresponding inspection and selection procedures for raw material suppliers. In terms of supply chain management, the Group has taken several sustainable development measures, including but not limited to:

- (i) Formulate supplier evaluation policies applicable to raw material suppliers and contract manufacturers. Select, evaluate and follow up standardization of actions of suppliers. Adopt a supplier evaluation system for selecting new suppliers and evaluating the performance of existing suppliers;
- (ii) The professional and experienced procurement team is responsible for selecting and evaluating suppliers, the quality control team is responsible for testing raw materials, and the technical team is responsible for technical and compliance requirements;
- (iii) Implement policies to monitor the quality of incoming raw materials provided by suppliers. The procurement team evaluates the raw material suppliers with reference to the quality, price and efficiency of the raw materials supplied;
- (iv) "Supplier management and quality assurance system" is set up to record all supplier information, such as product quality, production capacity, delivery time and other important indicators.

The Group is aware of the importance of safety, quality and environmental control, so it has formulated and implemented a comprehensive management system for safety, environment and quality management. The Group has obtained a certificate of registration certifying that the Group currently meets the standards of ISO 9001: 2015 (Quality Management System) and ISO 14001: 2015 (Environmental Management System).

B6. PRODUCT RESPONSIBILITY

The Group actively explores, introduces and applies new design concepts, ingredients and materials for products. The marketing team, design team and technical team maintain close coordination and communication to integrate the latest market trends, consumer preferences, brand-new designs and concepts of each department into product development work.

To respond to changes in market demand in a timely manner, the Group researches and improves the ingredients of core products, optimizes the mixing ingredients and aroma formulations required to produce core products to attract different consumer groups. According to the Frost & Sullivan Report, since the Group's natural plant candles and other environmentally friendly materials are manufactured, it is in line with the concept of healthy living and consumers' growing environmental awareness and has strong market potential.

The Group understands the importance of product safety and quality. The Group's production system has obtained ISO 9001: 2015 (quality management) certification and ISO 14001: 2015 (environmental management) certification. It also conducts quality control on product performance in accordance with industrial standards. In addition, since most of the Group's products are exported overseas, the

Group has adopted relevant international standards, such as BS EN 15493–2007: candle-fire protection specifications, BS EN 15426–2007: candle-blackening behavior specifications and REACH regulations EC1907/2006: Chemical registration, evaluation, authorization and restrictions.

In terms of raw materials, the Group only purchases raw materials from suppliers that meet requirements regarding quality, capability, production capacity and delivery schedule. The Group has also stipulated internal quality standards and policies, such as “Inspection Specifications for Outsourcing Services”, “Quality Inspection Standards”, “Sample Inspection Standards for Finished Products” and “Inspection Requirements” to better control and ensure product quality.

Compliance with relevant laws and regulations

During Year 2019, the Group did not find any serious violations of the “Product Quality Law of the PRC”, “Advertising Law of the PRC”, “Protection of Consumer Rights and Interests Law of the PRC”, and “Product Quality Law of the PRC”, “Trademark Law of the PRC”, “Patent Law of the PRC”, “Copyright Law of the PRC”, “Australian Consumer Rights Law”, “British Consumer Protection Law”, “Dutch Packaging Act”, “German Packaging Law”, “German Product Liability Law”, “EU Council Directive 85/374/EEC”, “Article 1245 of the French Civil Code” and other applicable laws and regulations relating to health and safety, advertising, labeling and privacy or remedies of the products and services provided which have a significant impact on the Group.

B7. ANTI-CORRUPTION

In order to promote business activities in a down-to-earth manner, the Group attaches great importance to anti-corruption work. The Group’s anti-corruption and anti-bribery management regulations lists the standards of conduct that all employees must abide by in details, hoping to strengthen the Group’s internal control mechanism, so as to establish a business philosophy with law-abiding integrity and quality service as the core and so build up a good image for the Group.

The Group has also developed an internal control and monitoring system. If any violation is found, the Group will immediately take action and severely punish employees who violate the regulations.

Compliance with relevant laws and regulations

During Year 2019, the Group did not find any serious violations of the “Company Law of the PRC”, the “Tendering and Bidding Law of the People’s Republic of China”, the “Hong Kong Bribery Prevention Ordinance” and other applicable laws and regulations relating to bribery, extortion, fraud and money laundering which also have significant influence to the Group.

The Group or its employees did not have any legal proceedings related to corruption in Year 2019.

B8. COMMUNITY INVESTMENT

The Group believes that building good relationships with the local communities is the key factor for the enterprise to succeed in business. The Group is keen to provide necessary support for the community around the production base, which mainly includes assisting vulnerable groups, participating in voluntary work and actively supporting the charity business of the surrounding communities. The Group has made charitable donations of RMB400,000 for the community in Year 2019.

The Group respects the basic value and dignity of individuals, encourages employees to actively participate in work-life balance activities and community services to establish a good relationship with the community. Related activities include various cultural activities, employee outdoor activities, community voluntary work and activities organized by charitable organizations.