



2022

Environmental, Social and Governance Report



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Dongguan Hongfu Biotechnology Co. Ltd.

CONTENTS

01

About Hongfu Biotechnology

Company Profile	- 05 -
Corporate Governance	- 09 -
ESG Governance	- 10 -

03

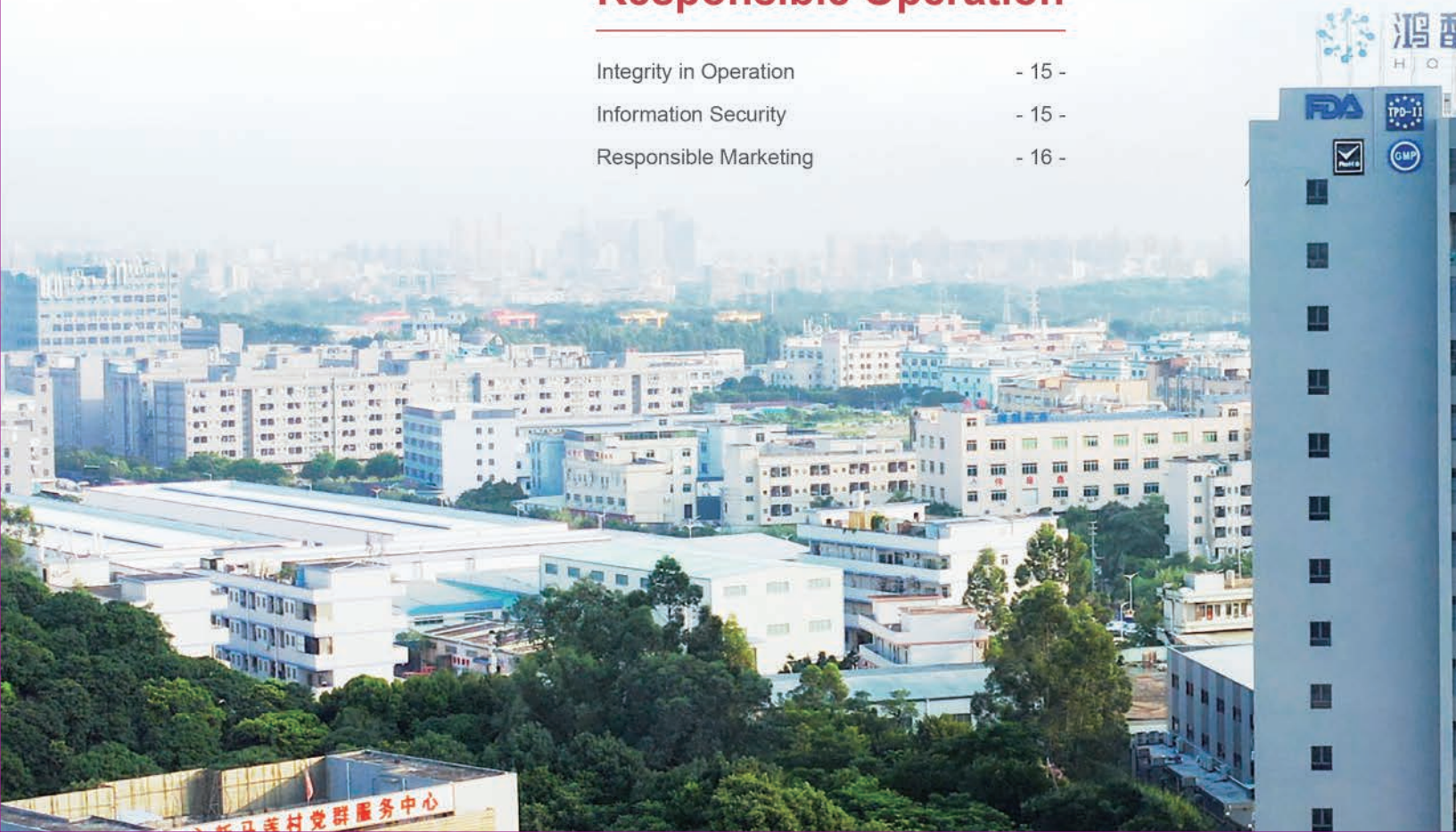
Pursuit of Quality Excellence

Quality Safety	- 19 -
Product Responsibility	- 21 -
R&D Innovation	- 22 -
Service Assurance	- 23 -

02

Practicing Responsible Operation

Integrity in Operation	- 15 -
Information Security	- 15 -
Responsible Marketing	- 16 -



About this Report - 01 -

Message from the Management - 02 -

04

Talent Development

Employment	- 27 -
Talent Development	- 29 -
Health and Safety	- 33 -
Employee Welfare	- 36 -

06

Work with Society

Responsible Procurement	- 47 -
Innovation and Cooperation	- 48 -
Public Service	- 48 -

05

Guarding the Green Environment

Environmental Management	- 39 -
Use of Resources	- 40 -
Response to Climate Change	- 42 -
Waste Management	- 43 -

Appendix

KPIs	- 49 -
GRI Standards Index	- 53 -

龍馥生物
LONGFU



About This Report

This report is the first environmental, social and governance report (the “Report” or the “ESG Report”) issued by Dongguan Hongfu Biotechnology Co. Ltd. (“Hongfu Biotechnology”, “We”, “us” or the “Company”), for the purpose of providing information on Hongfu Biotechnology’s economic, environmental, social system building and performance in 2022 and objectively disclosing Hongfu Biotechnology’s management and effectiveness in respect of sustainable development in response to the expectations of its stakeholders and the public.

Scope of Report

The objects of the Report cover Dongguan Hongfu Biotechnology Co. Ltd. and Dongguan Hongfu Biotechnology Co. Ltd. Shenzhen Branch, and otherwise will be explained separately if any object falling outside this scope occurs. In this Report, “Hongfu Biotechnology”, “We”, “us” or the “Company” refers to the above scope. The Report focuses on the management and performance of ESG-related issues for the period from January 1, 2022 to December 31, 2022 (the “Reporting Period” or the “Year”). As this is the first ESG Report of the Company, part of the information and data may date back to 2021 and earlier to enhance the comparability, completeness and consistency of the Report.

Basis of Compilation

This Report is in accordance with the *Sustainability Reporting Guidelines (GRI Standards)* (the “GRI Standards”) issued by the Global Sustainability Standards Board (GSSB) and the *United Nations’ Guide for Business Action on the Sustainable Development Goals (SDGs)*.

Source of Data

The information and data disclosed in the Report are based on the statistical reports and official documents of the Company and have been reviewed by the relevant departments. We confirm that there is no misstatement or misleading representation contained in the Report and take responsibility for the truthfulness, accuracy and completeness of the content in the Report. All monetary amounts in the Report are denominated in RMB.

Confirmation and Approval

This Report was approved on 28 February, 2023 after being confirmed by the management.

Access of the Report

The electronic version of this Report is available for viewing and downloading on the Company’s website (<http://www.hfflavor.com/Content/502923.html>).

Contact Us

We attach great importance to the suggestions and opinions of stakeholders, and welcome and encourage readers to give us feedback through the following contact methods. Your suggestions and opinions will help us further improve this Report and our ESG performance.

Contact information: 0769-83001870

Message from the Management

In recent years, the World Health Organization (WHO), the U.S. Food and Drug Administration (FDA), the European Union (EU) and its member countries have issued their tobacco control policies in succession. With deepened education on the harmful effects of traditional tobacco on the human body and people's increasing demand for health, smokers' health awareness is gradually raised. Accordingly, the e-cigarettes or vaping devices market has been rising rapidly, as these products have no toxic smoke but a fragrant taste. The smokers' huge demand has highlighted the industry's enormous potential worldwide. Relying on its foresight, deep technology accumulation, and broad market channels, Hongfu Biotechnology has become a strong force and has taken the lead in global market expansion, realizing its rapid development.

In 2022, Hongfu Biotechnology maintained high morale and pooled all forces to overcome difficulties and explore market opportunities. In this year full of opportunities and challenges, we took the initiative to research and develop new processes, technologies and products, increase investment in e-cigarette flavor innovation and product harm reduction, and continue to deliver high-end, diversified, green and healthy high-tech products and services to the market, to meet customers' personalized and multi-level needs.

Talents are strategic resources for enterprise innovation and development. We have fully leveraged our advantages to establish and improve the refined talent management system, and insist on promoting talent professionalization. We have built a three-dimensional training system for the management and employees at all levels according to our own needs, and strive to provide professional training courses and career development opportunities to improve the market competitiveness of employees.

Hongfu Biotechnology closely follows the national development strategies and contributes to achieving the goal of "carbon peaking and carbon neutrality". Based on the concept of green development, we strictly monitor emissions during production and operation, reduce the impact on the environment, energetically develop green and low-carbon raw materials production, and promote green, low-carbon and sustainable development.

With its rapid development, Hongfu Biotechnology vigorously practices its social responsibility, focuses on the health of teenagers, and strengthens the compliance management of its own and suppliers' products. It develops harm-reduction products, and actively participates in industry exchanges and the development of safety production standards. Through joint action in various channels, it spares no efforts to eradicate the risk of harm to minors caused by e-liquids and vaporized substances.

Looking ahead, Hongfu Biotechnology will stay true to the original aspiration of development, while upholding the corporate mission of "Grow together with customers, and continue to deliver maximum value to customers by capitalizing on our insight into the market and consumer preferences and help customers develop into a market-leading brand". Under the original aspiration of development promotion and our long-term goals, we have the faith to capture current opportunities and embrace any change. Based on the solid foundation and efforts, we will firmly push forward with sustainable development.



Huang Weixiong

01

About Hongfu Biotechnology

Company Profile - 05 -

Corporate Governance - 09 -

ESG Governance - 10 -

新马莲村党群服务中心

鴻馥生物
HONGFU

FDA

TPD-II

Pharma

GMP

HONGFU FLAVOR AND ESSENCE

招商局

宏富公館

Company Profile

Dongguan Hongfu Biotechnology Co. Ltd., founded in 2018, is a professional supplier engaged in R&D, customization, production, sales and service of high-quality essence, spices and e-liquid. Our products are sold worldwide and exported to 170 countries and regions such as the United States, Europe, Southeast Asia, South Korea, Japan and Australia. We cooperate with numerous well-known brands around the world, and continue to communicate and discuss with the world's top R&D teams, in a bid to provide customers with unique formula design, admirable quality and remarkable services.



R&D Lab

R&D Lab

Leveraging the Company's experienced high-quality technical R&D team, key core technologies and advanced R&D equipment for e-liquid research and development, Hongfu Biotechnology became one of the first batch of enterprises to obtain the e-liquid production license issued by the state. The Company has also been rewarded a number of qualifications and certifications, including National High-tech Enterprise, Guangdong Innovative Small and Medium-sized Enterprises, Guangdong Province Specialized and Special New Small and Medium-sized Enterprises and Dongguan Electronic Atomization Liquid Engineering Technology Research Center, in the leading position among peers.



With its excellent management and strong enterprise strength, Hongfu Biotechnology won the 2022 Vape Valley • Exporter Excellence Award of the Electronic Cigarette Professional Committee of China Electronic Chamber of Commerce, Dongguan “Doubling Plan” Enterprise, Top Ten Industrial Enterprises for Economic Contribution in Dalang Town in 2022, AAA Credit Enterprise in Enterprise Credit Evaluation and other honors.



>> Market Distribution of Hongfu Biotechnology

As one of the pioneers in the overseas e-liquid manufacturing industry, Hongfu Biotechnology takes the initiative to explore the overseas market. After years of efforts, it has established stable cooperative relations with well-known e-cigarette enterprises in the United States, Europe, Russia, Southeast Asia, South Korea, Japan, Australia and other countries and regions, and gradually expanded its global market. In 2022, the accumulated operating revenue of Hongfu Biotechnology exceeded RMB1.393 billion.

In 2022

the accumulated operating revenue of Hongfu Biotechnology exceeded



RMB **1.393** billion





>> Corporate Culture of Hongfu Biotechnology

Our Vision

To be China's first-class national brand and a high-growth enterprise with sustainable operation

Our Slogan

With great ambition and joint efforts, we deliver fragrance worldwide and create a bright future

Our Aspiration

Passionate, dedicated, enterprising, honest and collaborative, perseverance

Our Philosophy

Focusing on professionalism, goal targeting, quality first, continuous innovation

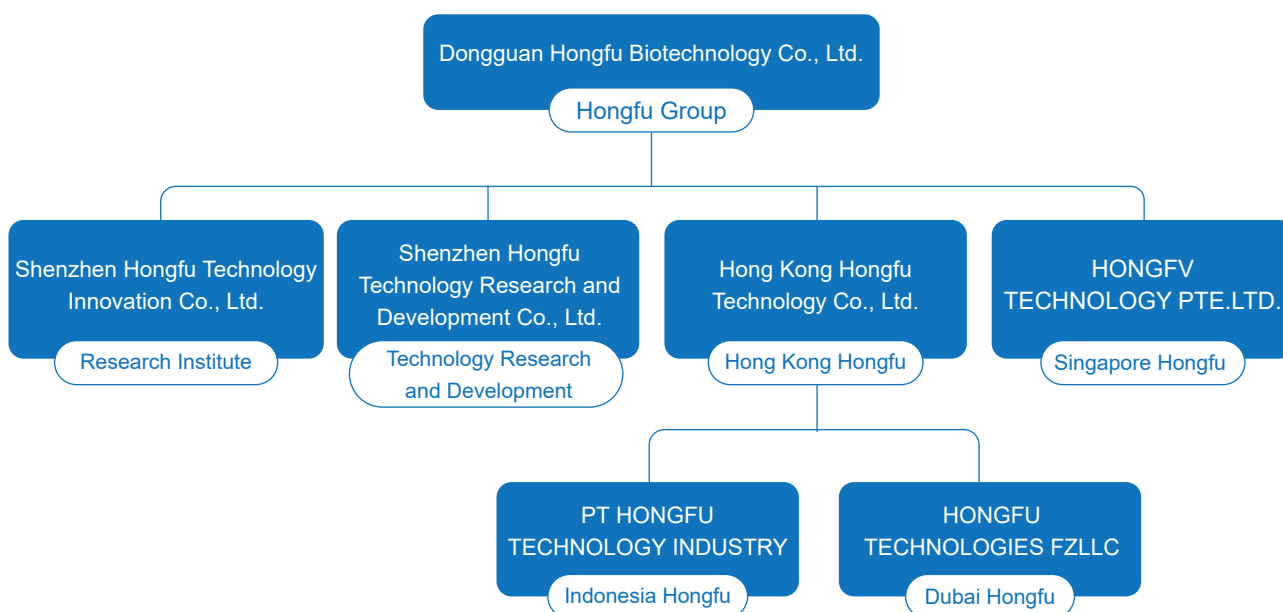
Our Values

People-oriented, adhering to integrity, striving for change, focusing on performance



Corporate Governance

Based on the actual situation of the Company, we have built a well-established governance structure, and further improved the Company's governance by formulating a clear system and workflow to ensure the Company's sustainable, stable and healthy development.



>> Risk Management

In order to promptly identify, systematically analyze and effectively respond to the relevant risks in business activities, the Company has developed the *Measures to Deal with Risks and Opportunities*, the *List of Unacceptable Risks*, the *Risk and Opportunity Analysis and Evaluation Form*, the *Control Procedures on Hazard Identification and Risk Evaluation*, etc., so as to clarify the risk factors in procurement, production, delivery, internal audit, system planning, human resources control and other aspects that could have a significant impact on the Company's operation, and determined the relevant responsibilities and control measures of each functional department of the Company.

Hongfu Biotechnology continues to improve risk management, optimize management processes, improve management systems, refine control details, and strive to form an effective management loop.

>> Compliant Operations

Hongfu Biotechnology has set up a top-down vertical compliance management system. The System Control Department and the Finance Department coordinate the legal compliance management of the Company. The other functional departments fully integrate the operational and management practices, strictly control high-risk business areas in the enterprise operation process, and carry out targeted compliance risk management. The Company will also actively promote the establishment of a professional compliance supervision team, put forward compliance risk management, and actively participate in compliance review, guidance and supervision of contract management, marketing risk management, business cooperation risk management, intellectual property risk management, data compliance management, and business ethics risk management, to build an effective compliance management mechanism.

ESG Governance

>> ESG Management

Since its inception in 2018, the Company has always adhered to the goal of “Delivering health and beauty for more people”, while taking efforts to improve the management and performance level in the fields of product quality and service, employee welfare, environmental protection, research and development and innovation. The Company has insisted on fulfilling social responsibilities, practiced ethical behavior, encouraged staff diversity, protected and cared about the community and surrounding environment, and achieved a win-win and balanced situation between social and commercial value.

We are fully aware of the importance of sustainable development for our long-term growth, constantly improve and optimize the review and decision-making process of ESG issues in our daily operation process, standardize the management and implementation of ESG issues by all departments, optimize the integration of ESG information, and deliver long-term value for stakeholders.

Our General Manager is responsible for leading the organization of the relevant work, coordinating ESG management and implementation of the Company, providing and coordinating ESG-related resources, and ensuring that all aspects of ESG work are properly managed and implemented.

Each functional department is directly responsible for the implementation and operation of the Company's ESG work, holding regular meetings to report on the progress of ESG work, and communicating and providing feedback on ESG matters, to promote the improvement of the Company's ESG governance and management capabilities.

>> Communication with Stakeholders

Hongfu Biotechnology attaches great importance to communication with stakeholders. We identified the Company's key stakeholders, including management, heads of departments, employees, government and regulators, customers, suppliers and partners, communities and the public, and non-governmental organizations, with reference to the GRI Standards and the Company's own business features, operational characteristics, industry development trends, and national policy guidelines, and based on the advanced experience of our peers. The Company has established diverse communication methods, to understand the suggestions and expectations of all parties in a timely and effective manner, respond to their needs, and integrate their suggestions into the Company's operations and governance, and strive for sustainable development.



Table 1.3.2-1 Stakeholder Concerns and Communication Channels

Stakeholders	Issues of Concern	Communication and Responses
 <p>Management</p>	<ul style="list-style-type: none"> • Corporate governance • Business ethics • Stakeholder engagement • Tackling of climate change • Protection of intellectual property rights 	<ul style="list-style-type: none"> • Corporate meetings • Information disclosure • Online communication • Reception of researchers
 <p>Heads of departments</p>	<ul style="list-style-type: none"> • Occupational health and safety • Use of packaging materials • Energy Management • Water Management 	<ul style="list-style-type: none"> • Employee meetings • Information disclosure • Policy implementation
 <p>Employees</p>	<ul style="list-style-type: none"> • Employee remuneration and benefits • Occupational health and safety • Employee training and development • Diversity and compliant employment • Privacy protection and information security 	<ul style="list-style-type: none"> • Employee meetings • Employee activities • Employee training
 <p>Government and regulatory authorities</p>	<ul style="list-style-type: none"> • Responsible marketing • Consumer health and safety • Emissions and waste management 	<ul style="list-style-type: none"> • Information disclosure • Reception of researchers • Exchange on documents • Policy implementation
 <p>Customers</p>	<ul style="list-style-type: none"> • Product quality assurance • Product R&D and innovation • Green procurement • Privacy protection and information security • Responsible marketing • Consumer health and safety • Customer satisfaction management 	<ul style="list-style-type: none"> • Customer satisfaction survey • Customer service hotline • Online communication (website)
 <p>Suppliers and partners</p>	<ul style="list-style-type: none"> • Product R&D and innovation • Supplier management • Green procurement 	<ul style="list-style-type: none"> • Supplier meetings • Supplier training • Supplier evaluation
 <p>Community and the public</p>	<ul style="list-style-type: none"> • Community engagement 	<ul style="list-style-type: none"> • Community activities • Public service activities
 <p>NGOs</p>	<ul style="list-style-type: none"> • Product R&D and innovation 	<ul style="list-style-type: none"> • Industry forums • Communication and interaction

>> Analysis of Material Issues

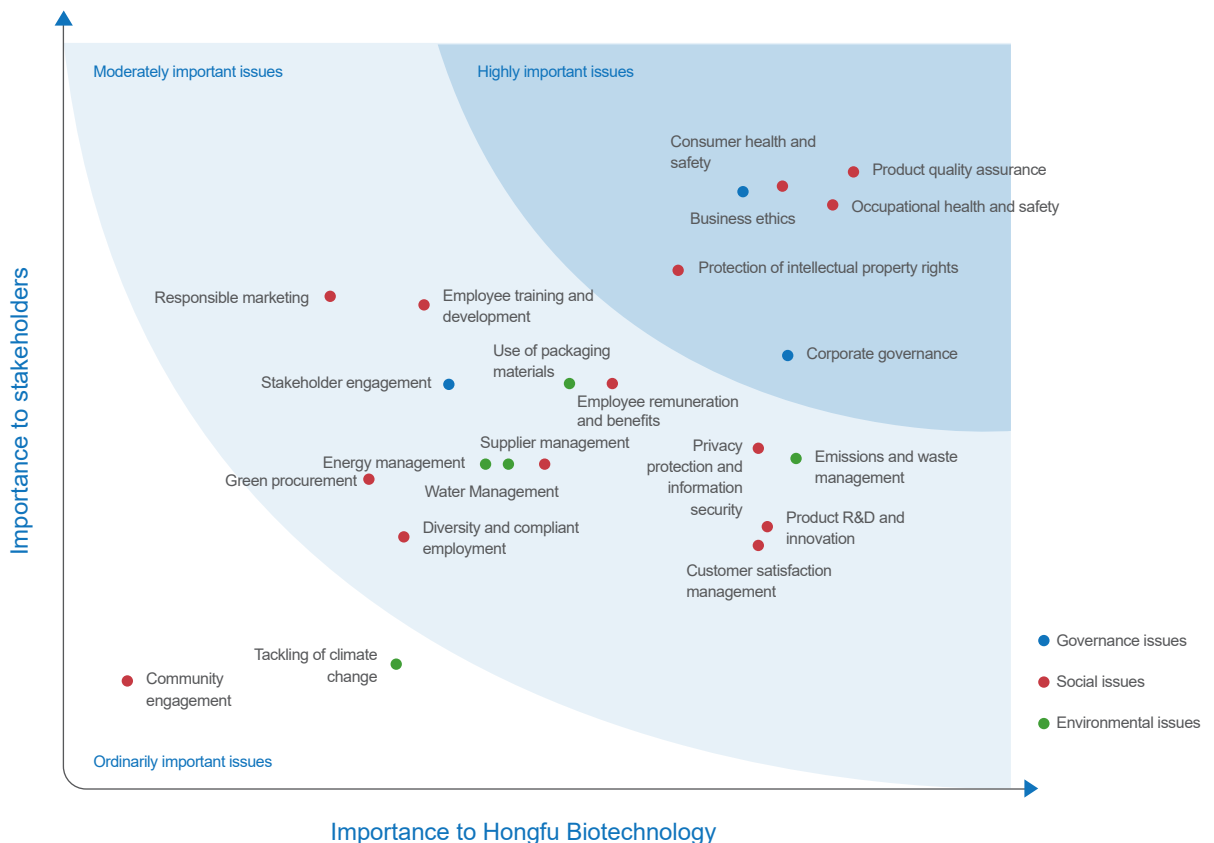


In order to truly understand the expectations and requirements of stakeholders and identify environmental, social and governance issues that are important to the Company, we have organized and conducted analyses for material issues, formed a database of material issues covering corporate governance, social and environmental domains based on domestic and foreign social responsibility trends and social hot issues, peer excellent enterprises, actual corporate conditions, GRI Standards and relevant requirements of the SDGs, and prioritized the issues from two dimensions, “impact on the Company’s business” and “impact on stakeholders” in combination with analysis and evaluation of the management, other major stakeholders, the Company’s own strategies and sustainability capabilities. Identification of Issue List: Based on the specific operations of the Company’s activities, products and services, we identified a total of 22 material issues in three major areas of environmental, social and governance with reference to the GRI Standards, SDGs and the advanced experience of peers, combined with the concerns of various stakeholders. After identifying the material issues, we developed a questionnaire and survey stakeholders such as the government and regulators, management, directors, heads of departments, employees, customers, suppliers/partners, communities/the public, NGOs. We invited them to rate and comment on each issue and rank key issues accordingly. A total of 145 valid responses were collected in this survey. We understood and collected information on the concerns of internal and external stakeholders on this year’s ESG issues of Hongfu Biotechnology.



Materiality analysis: We ranked the ESG issues from the dimensions of “importance to the Company” and “importance to stakeholders”, and drew a matrix of materiality issues.

Issue Materiality Analysis Matrix of Hongfu Biotechnology in 2022



02

Practicing Responsible Operation

Hongfu Biotechnology has always regarded practicing responsible operation as its key corporate value, and conducted business in a responsible and sustainable way. We have sound policies and compliance process, covering all aspects including integrity in operation, information security enhancement, responsible marketing. We are also committed to passing on Hongfu Biotechnology's values to employees, customers, suppliers and other stakeholders, trying our best to reduce operational risks, ensure corporate compliance and achieve long-term sustainable development.

Integrity in Operation - 15 -

Information Security - 15 -

Responsible Marketing - 16 -



序号	议题名称	主要内容	负责部门
01	项目启动会	明确项目目标、范围、时间表及各方职责。	项目经理部
02	需求调研	收集各方需求，明确业务逻辑和流程。	业务部门
03	系统设计	完成系统架构设计、数据库设计、接口定义。	技术部门
04	开发测试	进行代码开发、单元测试、集成测试、用户验收测试。	开发部门
05	部署上线	完成系统部署、数据迁移、正式上线。	运维部门

Integrity in Operation

Hongfu Biotechnology considers integrity as the cornerstone of development. On the basis of complying with laws and regulations such as the *Company Law of the People's Republic of China*, the *Anti-monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, it has established integrity culture, regulated business behaviors, practiced business ethics, and adopted a zero-tolerance attitude towards all corruption, bribery, insider trading, unfair competition and kickbacks.

Hongfu Biotechnology puts a new premium on integrity culture construction and has built an internal top-down integrity management system. The Human Resources Administration Department is responsible for daily integrity and anti-corruption management, and supervising all employees to meet the requirements of integrity in work. We sign the *Letter of Anti-Bribery and Anti-Corruption Commitment* with personnel in high-risk positions such as the Finance Department and the Procurement Department, requiring a clear statement and commitment on integrity in work. During the Reporting Period, the signing rate of the Letter of Anti-Bribery and Anti-Corruption Commitment is 100%. In the future, we plan to update the compliance supervision system and build a professional supervision team. We will conduct continuous supervision and assessment on the compliance practice of employees in high-risk positions, such as sales staff, and incorporate compliance-related indicators into the personal performance appraisal and evaluation system. We provide a solid institutional foundation and performance incentives to drive employee's fulfillment of compliance obligations.

In order to further strengthen employees' awareness of integrity, Hongfu Biotechnology actively organizes integrity culture training and promotes the concept of integrity and anti-corruption to all employees to raise their awareness of integrity and business ethics. Particularly, we set up regular integrity training for high-risk positions, further regulate sales and procurement practices, and clarify the bottom line of business ethics to ensure that the personnel in positions are fully aware of and comply with Hongfu Biotechnology's integrity policies and requirements.

Meanwhile, we extend the integrity concept to corporations with external value chains. In the process of cooperation with other customers and suppliers, we jointly sign the Integrity and Non-disclosure Agreement to regulate business conducts of both sides. We pay close attention to any risk of irregularities during the cooperation and eradicate all forms of bribery and unfair competition. In order to detect any possible misconduct and wrongdoing, Hongfu Biotechnology has set up unimpeded compliance reporting channels and encourages employees and partners to report. We support anonymous reporting through suggestion box and direct reporting to management personnel such as the sales director and the head of the Company. The Company's management will be responsible for timely follow-up and handling of reported incidents. Once a violation of the agreement is found, penalty(ies) will be imposed or the case will be handed over to law enforcement agency for investigation depending on the severity of the circumstance.

During the Reporting Period, the Company did not have any significant corruption litigation cases.



During the Reporting Period, the signing rate of the Letter of Anti-Bribery and Anti-Corruption Commitment is

100%



During the Reporting Period, the

Company **did not** have any significant corruption litigation cases.

Information Security

Protecting corporate business information and customer privacy has always been an important concern of Hongfu Biotechnology. We have established an information safety management system and created systems such as *Information Confidentiality Management System* and *File Management Regulations*, to clearly stipulate information confidentiality and file usage rights. It is required to properly preserve and manage confidential information files. There are accountability and punishment measures for violations.

In order to ensure that all confidential information is properly processed, we have established a strict information security accountability mechanism, and the head of each department is responsible for their departments' data. Meanwhile, we encrypt all confidential and important files involving customer privacy, and set up different permissions according to their confidentiality levels to ensure that only internal personnel have access to confidential information when necessary. We have appointed a data management specialist to process confidential information at different levels.

In order to reduce the risk of internal confidential information leakage by addressing its root causes, we have established a project team system to prevent overlap of members among project teams serving different customers, ensure the independence of members among projects and isolate information among project teams. The electronic information is managed by internal team members. We set up special file format for all customers, and stipulate that only project members and executives have access to the corresponding project files. For confidential information in paper form, the Company sets up a special confidential box for such documents, and the designated document officer has the only key and access to these files. In order to implement the main responsibility of information security, we have appointed a director and a deputy director for confidentiality-related affairs to each team to supervise team members.

We take dual means of internal supervision and external supervision to monitor the Company's intellectual property to ensure the safety of the Company's core intellectual assets. In addition to regular self-examinations by departments and cross-inspection by department heads led by the general manager, we will also employ external consultants and specialists to independently check the Company's data confidentiality. In order to enhance the confidentiality awareness of internal personnel, we will organize irregular information security training to continuously improve employees' sensitivity to the confidentiality of important data such as customer privacy.

Through the dual drive of institutional constraints and awareness enhancement, information security has been increasingly improved. During the reporting period, the Company did not receive any incidents related to information leakage or complaints about customer privacy information leakage.

Responsible Marketing

Hongfu Biotechnology scrupulously follows market transaction orders, safeguards customers' interests, and promises that all marketing promotions are based on real data and facts, with no exaggerated and false advertisement of products, ensuring products' ingredients and experience meet requirements of customers. We put more efforts in ensuring that the promotional content conforms to local laws and regulations and culture, print faithful and valid product ingredient certificates on outer packaging and provide valid qualification certificates in the promotion process. When products are delivered, we will simultaneously issue a composition report and a product delivery report and print such information on outer packaging as product name, specifications and ingredients, to ensure product traceability and composition meet the requirements of customers.

We also attach great importance to responsible marketing behavior management of sales staff. We have formulated the *Code of Conduct Management System*, which requires no usage of exaggerated rhetoric or negative words when sales staff deals with customers and that they should answer customers' questions truthfully in accordance with the Company's sales principles and regulations. False promises are not allowed so as to truly convey product characteristics and the Company's responsible marketing concept.

During the Reporting Period, Hongfu Biotechnology did not have any violation related to product identification information or marketing and promotions.

Hongfu Biotechnology Information Security Measures



03

Pursuit of Quality Excellence

Hongfu Biotechnology meticulously implements the requirements of the *Regulation on the Implementation of the Law of the People's Republic of China on Tobacco Monopoly*, the *Measures for E-Cigarettes Management* and relevant local laws and regulations, and follows the values of "focus, integrity, quality, innovation and win-win". It continuously strengthens quality management, improves quality controlling process, and pursues excellent quality. In addition, it has increased investment in research and development, and actively explores the infinite possibility of product and technology research and development. Meanwhile, we are also committed to fulfilling social responsibility and striving to achieve technological breakthroughs, so as to seek the optimal solution to minimizing harmful effects of products on human body.

During the Reporting Period, Hongfu Biotechnology set quality objectives in incoming material control, product quality, customer service and system improvement to guide the overall quality management.

Quality Safety	- 19 -
Product Responsibility	- 21 -
R&D Innovation	- 22 -
Service Assurance	- 23 -



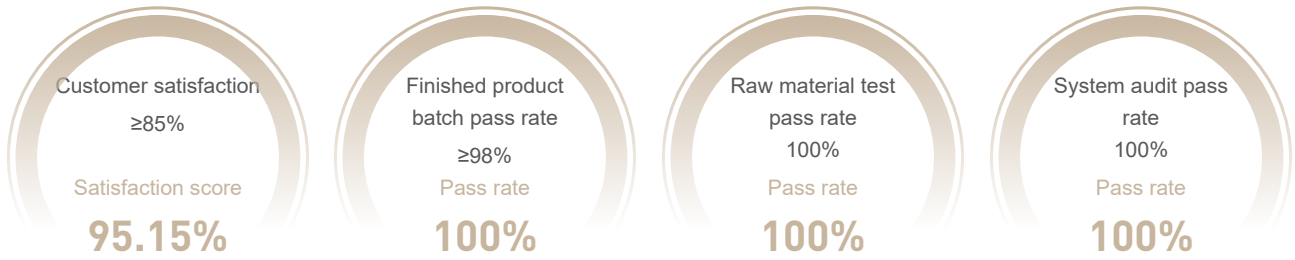
7693A Autosampler



7693A Autosampler



Hongfu Biotechnology's Quality Management Objectives during the Reporting Period



Quality Safety

The continuous expansion of the scale of Hongfu Biotechnology has posed higher requirements for our product quality. We continuously optimize our product quality management system and process, implement a dual-track mechanism of internal inspection and external audit and supervision to provide solid guarantee for Hongfu Biotechnology's product quality.

>> Quality Management System

In order to fully ensure Hongfu Biotechnology's product quality and safety, we have set up a special quality control team, which is responsible for monitoring the quality standards of products, implemented a series of quality control measures, and monitored product quality in the whole process from research and development to delivery. We have set down testing requirements in various aspects such as incoming materials, research and development, and production. Products must pass multiple testing procedures before final delivery to customers. To this end, Hongfu Biotechnology has set up an analysis laboratory to control the quality of materials, samples and finished products in each aspect. If any problem is found, the Testing Department will immediately give feedback to relevant responsible departments or suppliers, and the latter will scrap or re-adjust non-conforming products according to the actual situation.

Hongfu Biotechnology actively puts solid efforts in obtaining external certification and continuously improves its quality management system to meet the certification requirements of internationally recognized standards. As a producer of liquid spices and e-liquid, we have passed several national and international relevant quality certifications, such as ISO 9001 quality management system, ISO 14001 environment management system, ISO 45001 occupational health and safety management system, ISO 22000 food safety management system, HACCP (Hazard Analysis and Critical Control Point) system and GMP 110 certification.



ISO 9001

ISO 22000

ISO 45001

ISO 14001

GMP 110

HACCP

>> Quality Control Optimization

Hongfu Biotechnology has established comprehensive quality control process and complied procedures and systems such as the *Product Reliability Testing Plan*, the *Testing Control Procedure* and *Product Testing Standard* to ensure that there are clear system guidelines for every phrase of product quality testing for incoming materials, research and development and production.

We carry out strict quality control on incoming materials from suppliers. Incoming material suppliers shall provide delivery a test report for each batch of the goods and at least one test report from a third-party testing company per annum, so that we can monitor the level of harmful heavy metals, microorganisms and other indicators. Hongfu Biotechnology will also organize random inspection of incoming materials, and test sensory indicators and physicochemical indicators of the samples for each batch of incoming materials. If there were non-conforming materials, they would be scrapped or returned. During the cooperation period, suppliers must issue relevant certificates for qualified incoming materials as required, and accept our quarterly assessment. The assessment standards cover multiple quality standards such as incoming material pass rate and supplier's testing ability. The assessment result will be one of the determinants of our long-term cooperation with suppliers.

We test the R&D samples in the research and development process to ensure the content of the relevant restricted and prohibited substances conforms with regulations and meets customer requirements. To this end, we have also set up a regulatory analysis team to monitor the dynamics of national

laws and regulations in overseas markets in real time, and make timely adjustment to product ingredients and dosage in accordance with the latest requirements to ensure that products meet market requirements.

The Quality Control Department will conduct sample test for each batch of products in the finishing part, covering more complex and diverse indicators than the previous steps, involving monitoring of harmful substances content such as nicotine, heavy metals, formaldehyde and acetaldehyde, to comprehensively guarantee product quality and safety. For sensory indicators, which are subject to subjective standards, we strictly implement two-person testing method and try to avoid subjective judgment bias affecting testing results. We will also invite third-party institutions to test products in different phrases, and exchange and discuss the experience of additive testing to seek professional opinion from various parties. After the test is completed, the *Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment* (RoHs) and the Material Safety Data Sheet (MSDS) Chemical Safety Report will be issued for Hongfu Biotechnology's products.

In order to prevent non-conforming products from entering the market, we have set up a recall mechanism in accordance with the internal *Unsafe Product Recall Control Procedures* and meticulously implement it. The batch of which customers report or the Quality Control Department finds problems during sample inspection will be recalled in accordance with the regulation, and handed over to the Production Department and the Quality Control Department for scrapping, destruction and reprocessing.



Unsafe Product Recall Drill

On August 3, 2022, the Company organized an unsafe product recall drill. The recall process is as follows: the Quality Control Department found a wrong product standards certificate number on the label of a certain batch of products in the re-inspection process that morning. The head of the Quality Control Department reported it to the head of food safety team. After evaluation, we decided to recall the products and issue a recall notice, and synchronized the notification to the head of the Sales Department, who was responsible for informing customers to stop the use of this batch of products, seal products and count stock balance. Meanwhile, the Warehousing and the Quality Control Department checked product ingredient lists, raw materials & subsidiary materials & packaging feeding records, production batch, delivery records and raw and subsidiary material acceptance reports of this batch of products. The Sales Department collected customer stock statistics, and finally completed the raw materials & subsidiary materials & packaging warehousing records and acceptance records. This product recall drill verified the effectiveness of the *Unsafe Product Recall Control Procedures*.

In order to further improve the safety and quality of products, Hongfu Biotechnology also organizes routine tests from time to time to conduct comprehensive assessment of products, including sensory indicators, physicochemical indicators, microorganisms and testing items involved in European Union's mandatory standards such as the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and RoHS to strictly control product safety. In addition, we are highly concerned with cleanliness of the production environment. To ensure that the production workshops meet the standards of food-grade clean workshop, we regularly invite third-party institutions to conduct workshop cleanliness tests and present test reports. The test result during the Reporting Period showed that airborne particles, bacteria detected through sedimentation, airborne bacteria, temperature, relative humidity, illumination, static differential pressure and ventilation in our workshops have met the requirements of cleanroom level III of the Architectural and Technical Code for Cleanroom in Food Industry GB 50687-2011.



Product Responsibility

With the vision of “Creating China’s first-class national brand and to be a high-growth enterprise with sustainable operation”, Hongfu Biotechnology is committed to reducing potential harm to human body while improving product quality. We are highly concerned about adolescent health, contribute to the prevention of e-cigarette addiction among adolescents, and fulfill the Company’s social responsibility.

>> Product Harm Reduction

Hongfu Biotechnology has made great efforts to ensure product safety. On the basis of abiding by the local regulations and requirements, we strictly control the usage of substances of interest and the content of nicotine in products, and monitor the content of heavy metals and other substances in products in the whole process to minimize health and safety risks of our products.

Hongfu Biotechnology is also continuously seeking for technology breakthroughs to reduce the impact of products on users’ health from a technical perspective. We have developed and are applying for a patent for e-liquid and its preparation method. This technology can effectively reduce damage to lung ciliated cells, and its application will successfully reduce the health hazards of e-liquid to human body. In the future, Hongfu Biotechnology will also continue to commit itself to R&D of product harm reduction.

>> Focus on Adolescent Health

As an e-liquid producer, Hongfu Biotechnology seriously holds fast to the requirements of the *Measures for E-Cigarettes Management* and the *Law of the People’s Republic of China on the Protection of Minors*, and avoids selling or guiding minors to purchase related products, so as to promote the healthy development of the society. We scrupulously treat publicly released production information, set an age restriction for browsing our official website to prevent minors from accessing e-cigarette products. Since the introduction of GB 41700-2022 *National Mandatory Standard on Electronic Cigarettes*, Hongfu Biotechnology has also followed the country to stop selling all flavored e-liquids except for the tobacco flavored one, in response to the national call to prevent adolescent from e-cigarette addiction and protect minors from e-cigarettes.



Age Restriction for Visiting Hongfu Biotechnology Website

R&D Innovation

Hongfu Biotechnology firmly believes that core technology is the primary productive force. We have continuously stepped up research and development, improved techniques, established a common technology R&D platform with multiple customers in Europe, the United States, Japan and other regions, and developed new products. At present, more than 60,000 kinds of e-liquid flavors have been developed. A total of 50 R&D projects have been established, covering the development and research of e-liquid, nicotine, filtering and other related technologies. During the Reporting Period, Hongfu Biotechnology invested more than RMB4.2 million in R&D and innovation.

We comply with each country's taste restrictions of electronic cigarette oil and at the same time, in order to improve the customer experience for the flavor of the products, we have put more efforts to seek new sweeteners, cooling agents and throat-soothing agents with good applicability in e-liquids and apply them in the R&D work of new flavors. Meanwhile, in the R&D process, we seriously take consumer preferences, popular trends and customer needs into consideration to continuously innovate the flavor of e-liquids. We conduct extensive market surveys to obtain first-hand information on consumers' flavor preference. We also learn from flavor production ideas for popular e-liquid flavors in the international market, and combining with Hongfu Biotechnology's R&D experience and flavor advantages, we have created new styles of flavors. Meanwhile, we fully respect customers' opinions, constantly communicate with customers about the adjustment of e-liquids, and actively make corresponding improvements.



E-liquid Flavors and Vaping Device Innovation

During the Reporting Period, Hongfu Biotechnology developed more than 400 kinds of new popular flavors, including those of food, fruit and beverage series for the international market, such as the beverage feijoa for South America, the well-received black knight jelly for Middle East and betel nut for India. In addition to R&D of e-liquid flavors, Hongfu Biotechnology was also vigorously exploring matching technology to help our products fit vaping devices better, so as to ensure best experience for flavors. At present, we have obtained two patents for e-cigarette mouthpiece.



Hongfu Biotechnology's Patents of E-Cigarette Mouthpiece



Developed more than

400

kinds of new popular flavors

We strictly comply with the *Intellectual Property Law of the People's Republic of China* and other laws and regulations related to intellectual property, and formulate the *Information Confidentiality Management System* to effectively protect the Company's designs and other intellectual property and prevent the Company's core trade secret from being leaked or plagiarized. By implementing information authorized management and confidentiality protection measures during R&D, production and other operating activities, we go to all lengths to eradicate all damage to the Company's intellectual property.

As of the end of the Reporting Period, Hongfu Biotechnology has applied for a total of 43 patents such as invention patents, utility model patents, and appearance patents, of which 17 have been authorized, and 2 trademarks have been obtained for its own brands.



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Service Assurance

We always aim to provide better services to customers, pursue common growth together with customers, continuously deliver maximum value to customers and help them develop into market-leading brands. To this end, we deepen our exchanges on technologies and products with customers, continue to improve the quality of products and services, improve customer service system and increase customer satisfaction.

>> Customer Service

Hongfu Biotechnology boasts a well-established customer service system and other systems such as the *Code of Conduct Management System* and the *Company Customer Service Management System*, to provide guidance for customer service work. We have developed customized service plans for different customers and products according to the diverse needs of customers in various countries and regions. Based on Hongfu Biotechnology's advanced sales experience and insight into customer preferences, we provide customers with a wide range of comprehensive and professional services, including technical training, technical services, after-sales, operation and promotion.

We attach great importance to exchange and communicate with customers. We regularly carry out customer satisfaction surveys, integrate and analyze customer feedback and make targeted improvements to the current deficiencies. In addition, we will regularly hold face-to-face meetings with customers in their workplaces and review service progress and service quality in the past period, so as to obtain customer feedback and make rectifications in a timely manner. Problems found in the process of communication with customers will be reported to relevant departments according to the liability division and we will urge them to present improvement measures and implement them.

Thanks to Hongfu Biotechnology's extensive experience in global market and its control over the details of raw materials, we have made remarkable achievements in customer services, and the customer satisfaction remains at a high level.

During the Reporting Period, the average score of Hongfu Biotechnology's customer satisfaction survey is 95.15.



The average score of Hongfu Biotechnology's customer satisfaction survey is

95.15



>> Complaint and Feedback

We have set up an unimpeded complaint and feedback channel for customers. The Sales Department that deals with customers is directly responsible for receiving complaints, and then reporting them to the Quality Control Department in charge of product quality control. We are committed to responding promptly to customer complaints within 24 hours, and proactively communicating with customers to seek further solutions.

In case of a complaint involving subjective judgment of sensory indicators, the Quality Control Department will proactively communicate with customers on the premise of ruling out quality problems, provide supporting evidence such as testing reports for the batch, and take the initiative to seek solutions.



Coke Flavor E-liquid Complaint Handling

During the Reporting Period, the Company had a complaint about a coke-flavored e-liquid. The customer reported that the aroma varied from previous batches. Responsible personnel began to investigate and analyze the cause immediately after receiving the complaint. After informing the customer to seal up this batch of goods, the Quality Control Department found the retention samples to conduct retesting of sensory and physicochemical indicators, made qualitative and quantitative analysis on ppm-level precision instruments for the reported products and control samples, and got the surveillance video for analysis. Based on the above analysis results, we found that the cause of this problem was forward and reverse curing reaction of some chemicals, resulting in the rough and acrid aroma of newly produced products, which differed from the aroma of products stored for a long time. It was a normal phenomenon for e-liquid products. Although it was not Hongfu Biotechnology's production or operation error, we still proactively communicated with customers to return this batch of goods to the factory for stirring and placement in accordance with customer request. After this incident, Hongfu Biotechnology further strengthened the control over the implementation of production specifications, and increased the communication and experience exchange with customers on sensory testing projects. We value our customers' opinions and consider them as a significant cornerstone of our way to improve the quality of products and services.

During the Reporting Period, Hongfu Biotechnology did not receive any significant complaint regarding product quality and services, and no product recall occurred due to safety and health issues.

04

Talent Development

Hongfu Biotechnology welcomes professionals with an open attitude; cares about diverse employees with inclusion; retains a passionate team with generous welfare. At work, we provide employees with a broad development platform and promotion space; outside work, we care about employees' physical and mental health and their life. Hongfu Biotechnology is committed to impressing employees with professionalism and sincerity, and seeking mutual growth together with employees by capitalizing on our resources and brand.

Employment

- 27 -

Talent Development

- 29 -

Health and Safety

- 33 -

Employee Welfare

- 36 -





Employment

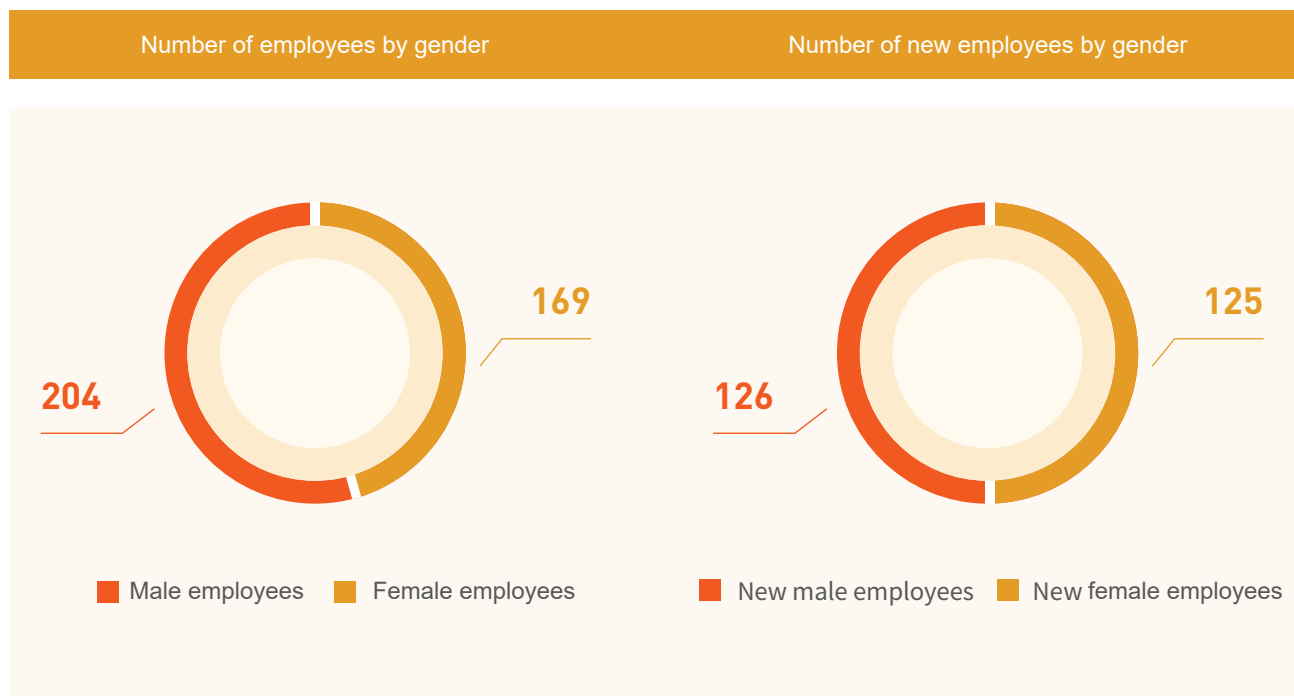
Hongfu Biotechnology incorporates the diverse and inclusive concept into employee management and respects the diversity of our staff; meanwhile, it also pays attention to the protection of employees' rights and interests to ensure stable and high-quality development of employees in a legitimate and fair workplace.

>> Compliant Employment

Hongfu Biotechnology strictly sticks to the laws and regulations such as the *Labor Law of the People's Republic of China*, *the Labor Contract Law of the People's Republic of China*. Besides, it has also formulated its internal systems such as the *Control Procedures for Human Resources*. We scrupulously ensure the compliance, legitimacy and fairness of the Company's recruitment process and prohibit child labor under the age of 16. We oppose discrimination against employees in terms of recruitment, remuneration, training opportunities, promotion, dismissal or retirement due to ethnics, race, nationality, religion, gender and age, provide equal employment opportunity for each candidate, and create a harmonious and cohesive working environment for employees. During the Reporting Period, we did not receive any report related to discrimination.

Hongfu Biotechnology practices the principle of "Hiring and promoting the right employee", attracts high qualified talents from all sectors of society through multiple recruitment methods such as talent market recommendation, campus recruitment and online recruitment, and builds a diverse workforce. As of the end of the Reporting Period, Hongfu Biotechnology has had a total of 373 employees, with 251 new employees. The specific distribution of different types of employees is as follows:

As of the end of the Reporting Period   Hongfu Biotechnology has had a total of **373** employees, with **251** new employees



>> Protection of Employees' Rights and Interests

Hongfu Biotechnology fully respects employees, gives ear patiently to their opinions, resolutely protects the right of employees to participate in the Company's decision-making and management in accordance with the Company's regulations, and safeguards the legitimate rights and interests of employees. The Company has formulated the *Employee Complaint System* to carefully listen to employees' opinions and suggestions and reinforce positive communication with them. It takes the initiative to improve deficiencies, continuously increases staff satisfaction, and spares no efforts to create a more harmonious cooperation environment.

The Company allows employees to complain through proper channels when they are subjected to unreasonable requirements, inappropriate remuneration, personal privacy infringement and other situations that they consider uncomfortable. The Human Resources Administration Department conducts a routine check of suggestion box every two weeks, fills in the *Suggestion Box and Employee Suggestion Inspection Reply Form*, supervises the timeliness of employee opinion handling, and ensure that the feedback is provided within seven working days.

The complaint methods are as follows:

- > Employees make oral complaints directly to their superiors/employee representatives;
- > Employees make written complaints directly to their superiors/employee representatives;
- > Employees submit written complaints directly to the suggestion box on the first floor of the Company.



During the Reporting Period, we

did not

receive any complaint from employees.



Talent Development

Talent development is not only the driving force for the Company's sustainable development, but also the need for personal growth of employees. Hongfu Biotechnology always feels responsible for employees, supports and encourages the development of personal professional skills, strictly implements multiple management systems, provides clear and diverse development paths and talent promotion channels for all employees such as production and technology staffs, and helps improve employees' professional skills.

Hongfu Biotechnology is committed to building a high-quality workforce. While encouraging employees to continuously improve their professional knowledge in chemistry, perfume blending, biology and medicine, the Company emphasizes the improvement of employees' management awareness and experience to promote their comprehensive development.

>> Compensation and Performance

Hongfu Biotechnology strictly holds on to the laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and the *Social Insurance Law of the People's Republic of China*, has formulated and continues to improve the *Compensation Management System and Procedures*, the *Compensation System and Employee Ranking*. Under the principles of fairness, competition, incentives, economic efficiency and legitimacy, it insists on the concept of distribution according to work and equal pay for equal work. The Company has a well-established compensation system, and provides all employees with a "fixed plus floating" salary system consisting of basic salary, duty allowance, housing allowance, meal allowance and merit pay (or overtime pay) to protect the rights and interests of the employees. The Company implements market-oriented dynamic compensation management. The Human Resources Administration Department proposes rational proposals for salary levels according to the Company's profits and the sectors' wage changes, which will be put into practice after the general manager and deputy manager's consideration.

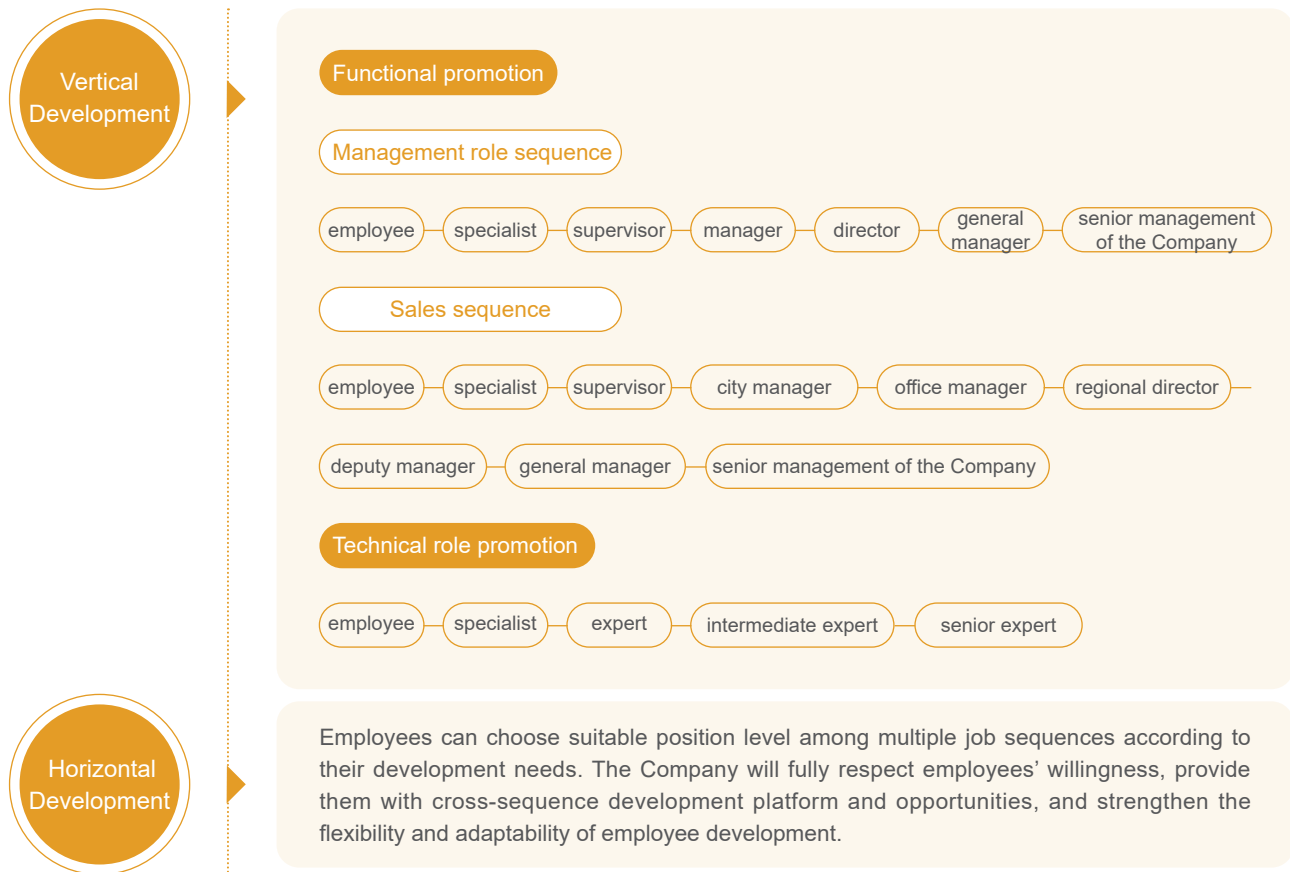
In addition, Hongfu Biotechnology regularly conducts employee performance appraisals, requiring all departments to formulate appraisal plans based on position characteristics, and make monthly, quarterly and annual performance appraisal for regular employees; based on the results of performance appraisal, it provides salary adjustment incentives to stimulate employees' passion for work, and further attract and retain talents, so that they can promote the Company's development with excellent professional skills. If employees have any objection to the performance appraisal results, they can appeal to the Human Resources Administration Department.

>> Talent Promotion

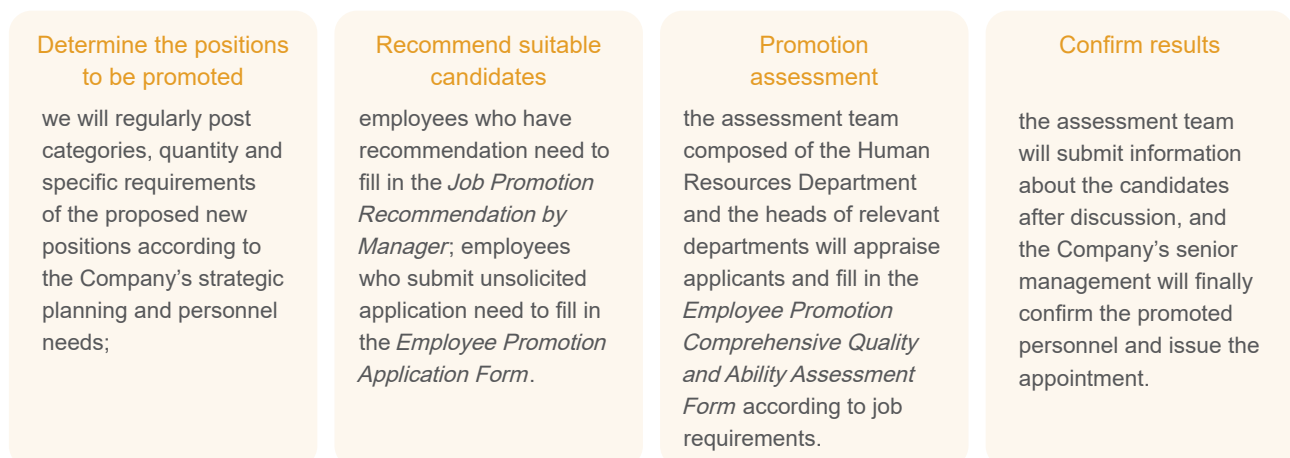
In order to reinforce the Company's talent echelon construction, Hongfu Biotechnology has developed relevant approval processes such as the *Employee Career Path and Promotion Management System*, to clearly stipulate the promotion path and promotion process, further regulate the management of position promotion and internal transfer and provide institutional guarantee for career advancement of all employees. Meanwhile, we have set up diverse promotion channels. Employees can apply for positions through unsolicited application and recommendation by department heads. It provides employees with sufficient growth space and development opportunities, cultivates employees' personal core competitiveness, stimulates employee engagement and promotes the common growth of talents and the Company.



Promotion Path



Promotion Process



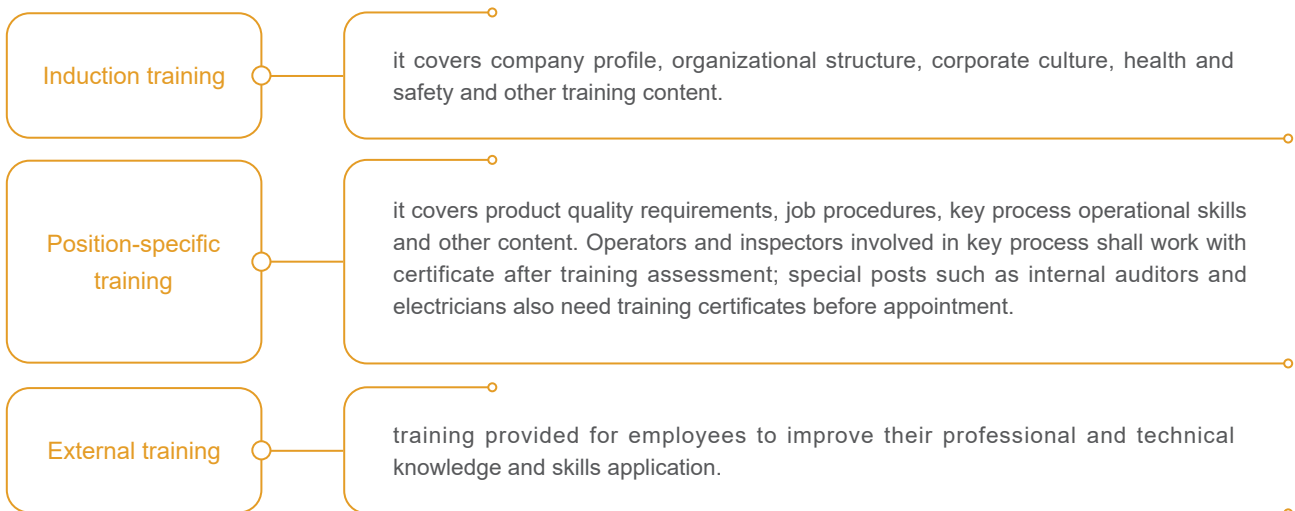
In addition, the Company places a high value on leadership-building, emphasizing the continuous progress and improvement of management leadership. In order to enhance leadership and corporate competitiveness, and urge the Company's management to improve management quality and leadership, the Company has developed and implemented a leader optimization system to empower leaders to grow and develop.



>> Employee Training

Hongfu Biotechnology supports the development of talent team. The Company has set down the *Control Procedures for Human Resources* to carry out comprehensive training for employees, provides them with sufficient learning resources and an open learning environment, and continuously steps up support for education and skill improvement to enhance employees' professionalism and competence, so as to align with the parallel development of employees and the Company.

The Company adopts a combination of internal and external training. In addition to induction training, the Company provides position-specific training contents such as production, technical and sales training according to the professional and technical categories of employees. Besides, we regularly hire external lecturers or organize external training to help employees improve their professional skills and obtain occupational qualification certificates such as the Food Safety Manager Certificate, the Practicing Certificate for Junior Accountant and the Toxic (Nicotine) Qualification Certificate, so as to increase their competitiveness in workplace for personal promotion.



We are committed to forming a complete training system to meet the training needs of multiple departments and the requirements of the Company's development. At the end of each year, each department is required to propose a training plan that meets the needs of the departments' talent development. After being reviewed by department heads, the Human Resources Administration Department will prepare and determine the Company's annual training plan.



Table 4.2.3-1 Hongfu Biotechnology 2022 Annual Training Plan Example



Meanwhile, we have set up a training assessment system and goals to evaluate the training effect of employees through written and oral exams, practice and other manners, and require a 100% position-specific training rate. After the training, we will prepare an *Employee Training Resume* to customize differentiated training for employees and improve the quality of employee training.

During the Reporting Period, the Company conducted a total of 55 training sessions, with 285 participants; and the rate of new employees entering the factory and receiving on-the-job training reached 100%.



Health and Safety

Hongfu Biotechnology attaches great importance to the health of employees and pays attention to the safety of production and operation. The Company scrupulously follows the local laws and regulations in relation to occupational health and safety where it operates. It has developed a complete occupational health and safety management system to ensure the safety of employees.

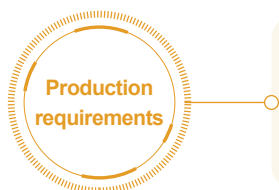
>> Production Safety

Hongfu Biotechnology follows the production safety guideline of “safety first, prevention-focused and comprehensive management”, augments production safety management, roots out production safety accidents and realizes safe, healthy and rapid development of the Company.

In accordance with the *General Rules on Production Safety Standard of E-Cigarettes and Related Products* issued by the China Safety Industry Association in 2021, the Company has put forward detailed requirements for production sites, production process and emergency management. Based on the prevention and control of safe production risks and investigation and governance of hidden hazards, the Company has built a corporate production safety system with a model of “planning, execution, inspection and action”.



- **Production environment management:** the production environment of food grade products shall comply with standard requirements of the *National Food Safety Standard - General Hygienic Regulation for Food Production* (GB14881-2013)
- **Fixation management:** work station apparatus shall be placed by category; raw materials shall be stored according to corresponding temperature and humidity requirements of their components
- **Equipment management:** clear safety alert symbols shall be used according to the safety risks of the workplace; fire-fighting equipment shall be equipped, and regular inspections and maintenance are required



- **Traceability control:** the retention time of product shall be consistent with product life cycle in the product inspection records
- **Delivery requirements:** the package of ex-factory products shall have manufacturer, origin, expiration date, storage condition and other information



- **Emergency management:** we have prepared emergency rescue plans and organize the employee to carry out regular emergency drills

We have formulated the *Employee Production Safety Responsibility*, in which safety goals and safety management indicators are explicitly set forth. In order to achieve 100% signing rate of the *Employee Production Safety Responsibility*, we adopt the principle that it shall be signed by the general manager, department heads and employees, so as to guarantee comprehensive production safety.



Signing rate of the *Employee Production Safety Responsibility*

100%



- Ensure no fatal accident in production safety throughout the year
- Ensure no severe injury in production safety throughout the year
- Potential hazard rectification rate 100%



- Strengthen the maintenance of equipment, be familiar with the characteristics of hazardous substances related to the job, and be familiar with first aid methods.
- Employees are required to dress in accordance with regulations and work with certificate.
- Strictly follow the process, and the production safety situation must be clearly noted during handover.

We have equipped personnel handling highly toxic substances with more than 30 pieces of safety gear such as protective clothing and gas masks that meet safety standards. Meanwhile, employees who will be exposed to toxic chemicals are required to work with certificate, such as nicotine operators, nicotine warehousing keepers and nicotine administrators. They have the Qualification Certificate for Employee Engaged in Toxic Substance Operation issued by Guangdong Chemical Association, so as to ensure the operation of employees in the production process complies with standards to the greatest extent.



Protection of Employees Engaged in Toxic Substance Operation



>> Fire Safety

Hongfu Biotechnology has formulated the *Management Procedures for Emergency Preparation and Response* and set up a closed-loop management procedure from contingency preparation to contingency response, and finally to correction and improvement, so as to effectively prevent and control the Company's potential environmental accidents or emergencies. Meanwhile, the Company has a clear division of labor for safety management. The Administration Department shall develop contingency plans and organize regular fire safety training and drills, and department heads shall make unified command and arrangement of the drill site. It endeavors to ensure smooth operation of the Company's safety work.



Themed Drill of "Focus on Fire Control and Put Life Safety First"

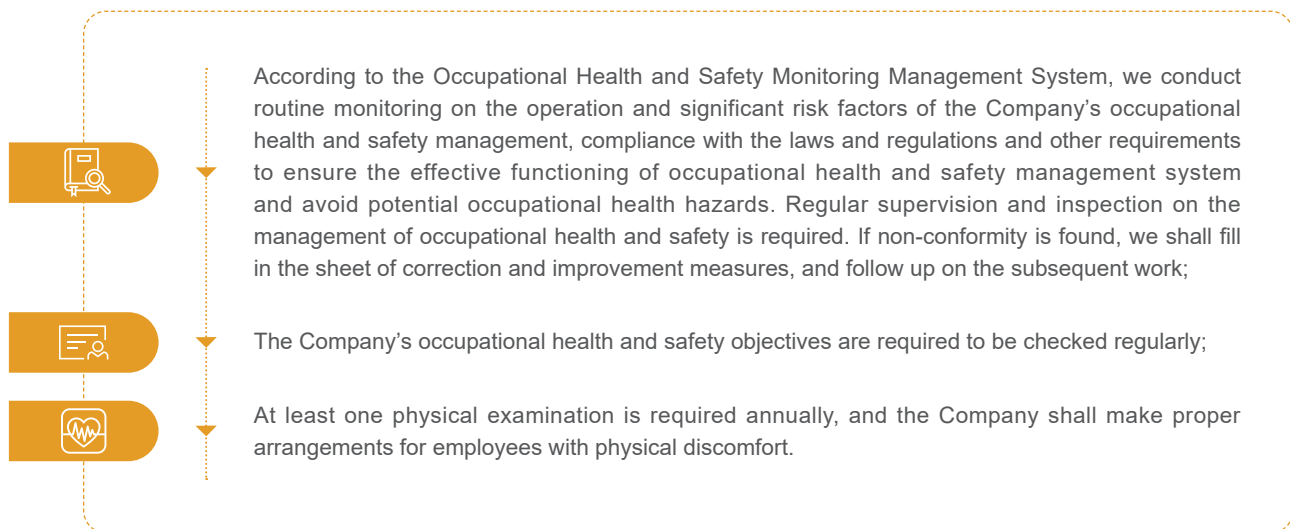
The Company proactively held fire drills to enhance employees' fire safety awareness and improve their response capacity to emergencies. In October 2022, we held a fire drill for all employees with the theme of "Focus on fire control and put life safety first". The drill was led by the Company's factory director in cooperation with the property management department. A total of 249 employees participated in the drill. The alert team, the evacuation team and the fire-fighting team focused on learning knowledge of fire safety and how to use fire-fighting equipment such as fire extinguisher. After the drill, we made a comprehensive summary and reviewed systematically on problems including slow actions, slack disciplines and inadequate preparation of extinguishers. Based on the drill, we further intensified the training and publicity of fire safety, and improved the response speed and ability of employees to deal with emergencies.



>> Occupational Health

Hongfu Biotechnology sticks to the occupational health policy of “Safety first, people-oriented, compliance, keep improving”, conscientiously fulfills the responsibility to protect the health of employees, and control and practice it at all levels. The Company scrupulously observes the requirements of the *Occupational Health and Safety Management Systems* (ISO 45001), has developed the *Occupational Health Management Manual* and an occupational health and safety management system. It clearly divides occupational health responsibility of each department and selects representatives from managers and employees for various matters regarding occupational health management. The manager representative(s) shall undertake work such as reporting the operation of occupational health and safety management system to the general manager and assisting the general manager in preparing the occupational health and safety management review meeting; and the employee representative(s) shall participate in the Company’s hazard source identification and risk assessment measures formulation. Meanwhile, the Company has also set an overall objective for occupational health and safety of 0 fire and safety accident. It spares no efforts to ensure safe work for employees.

In addition, the Company has issued the *Hazard Source Identification and Risk Assessment Management Procedures*, to meticulously classify hazard sources according to the accident categories, the direct causes of occupational hazards and the occupational disease categories of the *Regulations on the Scope of Occupational Disease and the Treatment of Patients with Occupational Disease*. It also has graded the hazard level and formulated the Hazard Source Identification and Risk Assessment Form, to provide evidence for employees’ occupational disease prevention and identification.



During the Reporting Period, Hongfu Biotechnology

did not have

any case of work-related accident and occupational disease.



>> Publicity and Training

In order to improve employees' health and safety, we have formulated the *Occupational Health and Safety Education and Training Management Procedures*, and strive to prevent accidents and reduce their impact through detailed health and safety training.

In accordance with the occupational safety and health plan, the Human Resources Administration Department prepares an annual education and training plan and promotes relevant training. Special operators and special posts are required to complete occupational safety training and pass assessment, in a bid to protect their health in the working environment to the greatest extent.



During the Reporting Period, the Company conducted a total of **13** occupational health and safety training sessions.



Health and Safety Training

Employee Welfare

Employee welfare reflects the Company's care about its staff. Hongfu Biotechnology pursues human-based management to enhance cohesion between the Company and employees, so as to enhance their passion and sense of belongings.

Apart from compensation, Hongfu Biotechnology promises a number of benefits that meet employees' demands, resolutely fulfills basic benefits such as social security, provident funds, official holidays, annual leave, parental leave and annual health examination, and grants duty allowance, housing allowance and meal allowance as required.

In addition, the Company provides employees with a variety of benefits, including annual travel, routine team building activities, afternoon tea and holiday gifts, to create a harmonious corporate culture and atmosphere so that employees can feel the Company's sincere care and love.



The Company held a pleasant annual meeting for employees to exchange their annual work experience and expectations.

05

Guarding the Green Environment

Hongfu Biotechnology holds fast to the idea of “Environmentally-friendly, healthy, safe, energy-saving and lean” sustainable development, and has embedded green development into its business philosophy, and constantly optimized its environmental management mechanism; in addition, it has proactively promoted the recycling of resources, protected and considered the needs of communities and the surrounding environment, and developed an eco-friendly model for sustainable development.

Environmental Management - 39 -

Use of Resources - 40 -

Response to Climate Change - 42 -

Waste Management - 43 -



Environmental Management

Environmental management is an effective means to maintain ecological balance. Hongfu Biotechnology upheld and practiced environmental protection. By sticking to the concept of environmental protection, establishing the environmental management system, and taking environmental management measures, it coordinated the harmony between corporate development and environmental protection, and moved toward the green growth of an environmentally friendly enterprise.

>> Refining Environmental Management System

Hongfu Biotechnology strictly complies with the *Environmental Protection Law of the People's Republic of China*, adheres to the environmental policy of "Compliance with regulations and laws, green production, pollution prevention and continuous improvement"; on the premise of compliant production, it stamps out the waste of energy and resources in the production process and advocates the use of environmentally-friendly raw materials for production, so as to ensure up-to-standard discharge of production wastewater and reduce waste generation while continuously improving and refining the environmental management system.

In November 2022, the Company passed the ISO14001 Environmental Management System Certification for the first time.



ISO 14001: 2015 Environmental Management System Certification Certificate of Hongfu Biotechnology

>> Establishing Emergency Response Management System

Hongfu Biotechnology is highly concerned with risk prevention and control. To ensure prompt and efficient handling of environmental accidents, the Company constantly refines the environmental risk management system and has established the emergency mechanism for environmental pollution incidents, enhancing its capability of coping with environmental pollution incidents and minimizing environmental impacts. The Company has formulated such management policies as the *Management Procedures for Emergency Preparation and Response* and the *Management Procedures for Incident Reporting, Investigation and Handling*, so as to identify potential environmental risks through risk assessment and manage the prevention of and response to risk incidents through prevention, correction and emergency drills, handling and support. The Company has also set up a professional emergency response team, improved emergency aid materials and facilities, and enhanced its capability of emergency handling step by step.

>> Environmental Compliance

Hongfu Biotechnology upholds the environmental policy of "Compliance with regulations and laws, green production, pollution prevention and continuous improvement"; it has devoted itself to implementing the green concept in all aspects of production and operation, strictly abode by national and local laws and standards including the *Environmental Protection Law of the People's Republic of China*, *Regulations on the Administration of Pollutant Discharge Permits* and *Regulations on Environmental Protection of Guangdong Province*, and intensified and implemented environmental compliance management in an all-around manner. During the Reporting Period, Hongfu Biotechnology passed the ISO14001 Environmental Management System Certification, continued to refine the internal procedures and measures for environmental management, improved the *List of Environmental Laws and Regulations*, and formulated the environmental policies applicable to the Company's business development, such as the *Procedures for Waste Management*, to meet the requirements for environmental compliance. Moreover, it registered the discharge of fixed pollution sources with the national information platform for pollutant discharge permit management, and reported its pollutant discharge information with environmental authorities.

In addition, the Company has formulated the *Management Procedures for Management Reviews* and the *Management Procedures for Organizational Environment and Related Party Requirements*, and has been putting forward requirements for the regular review of the environmental management system, so as to ensure that the environmental management system will constantly and effectively meet internal and external standards. For example, the Company reviewed environmental performance and tracked the completion and attainment of environmental objectives and indicators on a regular basis.

During the Reporting Period, no environmental pollution or violation incident was reported.

Use of Resources

Resource shortage is the bottleneck for achieving sustainable development, and limits corporate development. Hongfu Biotechnology has kept optimizing the production process and strengthening promotion on resource conservation, intending to continuously contribute to resources management.

>> Energy Consumption

In business operation, the Company mainly consumes electricity, gasoline and diesel. In strict compliance with the Energy Conservation Law of the People's Republic of China and other national and local laws and regulations, Hongfu Biotechnology has stepped up refined energy management and strove to build itself into a resource-saving and environmentally-friendly enterprise.

By making quantitative production plans and carrying out scheduled production, the Company minimized energy consumption of production lines while ensuring work efficiency. In order to improve the efficiency of electricity use, the Company also takes the initiative to carry out energy conservation transformation of production lines, tracks the energy consumption per unit product in a directional manner, and adjusted electricity use in real time.

In addition, training on basic energy knowledge was provided to employees to improve their awareness of energy conservation in daily work so that they can reduce energy consumption in work.

Table 5.1.1 Energy Use and Greenhouse Gas Emissions during the Reporting Period

Indicator	Unit	2022
Consumption of outsourced electricity	kWh	6.00×10^5
Consumption of gasoline	Liter	3.41×10^3
Total greenhouse gas emission	tCO _{2e}	3.59×10^2
-Scope I greenhouse gas emission	tCO _{2e}	1.73×10^1
-Scope II greenhouse gas emission	tCO _{2e}	3.42×10^2

>> Use of Water Resources

Based on the *Water Law of the People's Republic of China* and other national and local laws and regulations, Hongfu Biotechnology advocates the on-demand use of water resources in production and office work, as well as water conservation, and takes the initiative to implement the water conservation policy, enhance employees' awareness of water conservation and reduce the waste of water resources.

Municipal water is the main source for Hongfu Biotechnology. During the Reporting Period, the Company consumed 8,422m³ of municipal water, and discharged water of 2,508m³.



During the Reporting Period

the Company consumed 8,422m³ of municipal water

8,422m³

and discharged water of




2,508m³

>> Packaging Materials

In light of the characteristics of its products, Hongfu Biotechnology designs no outer packaging of finished products, and packs its products in plastic barrels only, so as to minimize packaging materials. It collects statistics on the consumption of packaging materials on manufactured products.

During the Reporting Period, Hongfu Biotechnology used a total of 531,864 plastic barrels.



During the Reporting Period
Hongfu Biotechnology used a total of

531,864

plastic barrels

>> Chemical Management

To avoid fire, leakage and other disasters in the process of chemical purchase, transportation, storage, use and scrapping, the Company has formulated the *Management Procedures for Chemicals* to define the work processes of different departments and put forward detailed safety requirements for different work procedures.

Table 5.1.4 Division of Responsibilities for Chemical Management



Application for purchase of chemicals

Departments to use chemicals are required to fill in the *Purchase Application* based on the actual use in production and the safety stock, and to state the names and quantities of the chemicals to be purchased, and the procurement personnel shall purchase them according to approval. The procurement personnel shall check the valid business qualification of the supplier and, for hazardous chemicals or toxic substances, shall require the supplier to present a valid “Business License for Hazardous Chemicals” and “Safe Production License for Hazardous Chemicals”.

Transportation and handling of chemicals

The procurement personnel shall negotiate with the supplier and the warehousing personnel to determine the means and time of chemical transportation, while the personnel of the supplier with the “Business License for Hazardous Chemicals” shall be responsible for the transportation and handling of hazardous chemicals.

Response to Climate Change

>> Greenhouse Gas Emissions

Risks brought by climate change mainly include direct risks and indirect risks. Direct risks are caused by extreme weather or rising temperature, while indirect risks are caused by the changes in markets, supervision and policies. Hongfu Biotechnology takes the initiative to promote green operation and development of green products and actively responds to the risks and opportunities brought by climate change, thus reducing the adverse impacts of climate change on business and finance.



Policy and legal risks: With the extensive implementation of the 14th Five-year Plan, China further promotes the realization of carbon peaking and carbon emission reduction objectives, and puts forward higher requirements for enterprises' energy conservation and emission reduction.

Market risk: Users are increasingly aware of environmental protection, and are paying more attention to the environmental impact of products during the whole life cycle, as well as the environmental performance of enterprises and products. They prefer green and low-carbon products, such as those packed with recycled plastic materials or with better management at the late stage of the life cycle.

Extreme weather risk: Extreme weather events such as typhoons and rainstorms may bring safety management risks.

Advocate green operation: Hongfu Biotechnology has developed green products, optimized product design and product performance, improved resource recycling, advocated green production, actively promoted technological innovation, energy conservation and consumption reduction in daily production, and reduced greenhouse gas emissions.

Resist the risks brought by extreme weather: The Company has established an emergency management system, determined the divisions of emergency management and their responsibilities, and reserved emergency supplies and rescue teams, so as to reduce the impact of extreme weather on production and operation. It has also carried out regular emergency rescue drills and refined emergency plans.

Receipt and storage of chemicals

Receipt of chemicals: The names, specifications and quantities of chemicals shall be carefully verified, and the outer packaging, labels and validity information of chemicals shall be checked.

Storage of chemicals: The ways and methods to store and quantities of hazardous chemicals shall conform to national standards such as the General Rules for Storage of Common Hazardous Chemicals. Toxic chemicals shall be stored in special counters, and shall be received and delivered, booked, locked, transported and used by two persons, namely the "Five Two-person Policy".

Keeping of chemicals: Keepers shall be trained on the corresponding chemical safety knowledge, work with certificate, and be equipped with personal protective supplies.

Use of chemicals

Chemicals shall be distributed on a "First In, First Out" basis. Users are required to wear appropriate protective supplies and abide by safe operation procedures.

Waste Management

Hongfu Biotechnology strictly abides by national and local laws and regulations, strictly controls the waste gas, wastewater and solid waste generated in production and operation, and keeps improving the measures for emissions treatment; meanwhile, it has monitored wastewater and waste gas emissions on a regular basis, and entrusted professional institutions with compliant treatment of solid waste, so as to ensure up-to-standard discharge of pollutants, minimize the impact of emissions on environment, and effectively relieve the pressure of environmental governance.

>> Management of Waste Gas

In accordance with the *Law on the Prevention and Control of Atmospheric Pollution*, the *Regulations on Air Pollution Prevention and Control of Guangdong Province* and other laws and regulations, the Company has monitored, managed and controlled the waste gas, such as odor, ammonia and hydrogen sulfide, generated during the stirring and filling processes in production and from sewage treatment stations, so as to ensure that gas emissions meet national standards such as the *Standards for Odor Pollutant Emissions*.

>> Management of Wastewater

In strict accordance with the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Water Law of the People's Republic of China*, the *Regulations on Prevention and Control of Water Pollution of Guangdong Province* and other relevant laws and regulations, Hongfu Biotechnology has employed the corresponding treatment systems for differential treatment of domestic sewage and production wastewater generated in the operation process, and developed strict regulations on the relevant measures for wastewater treatment by formulating the *Operation Instructions for Wastewater Treatment*, so as to ensure that wastewater pollutants will be discharged in compliance with the *Water Quality Standards for Sewage Discharged to Municipal Sewers (GB/T31962-2015)* and *Discharge Limits of Water Pollutants (DB44/26-2001)*, whichever is stricter.



Process
of water
treatment

- Wastewater discharged from the rinsing process will first pass through the cleaning and drainage point of the workshop and then be collected to the wastewater barrel through pipelines. After being treated by the coagulation reaction system, the sludge precipitated in the primary and secondary sedimentation tank will be eluted by the filter press and transported out.
- Domestic wastewater will be treated in a tertiary septic tank and then be discharged to the municipal sewage pipeline network.

Table 5.4.2 Wastewater Pollutant Discharge during the Reporting Period

Indicator	Unit	Data in 2022
Five-day biochemical oxygen demand (BOD ₅)	Tonne	4.40×10 ⁻¹
Chemical oxygen demand (COD)	Tonne	1.05×10 ⁰
Suspended solids (SS)	Tonne	2.29×10 ⁻¹
Ammonia nitrogen	Tonne	1.35×10 ⁻²
Total phosphorus	Tonne	4.50×10 ⁻³
Petroleum	Tonne	8.55×10 ⁻⁴
Animal and vegetable oil	Tonne	8.06×10 ⁻⁴



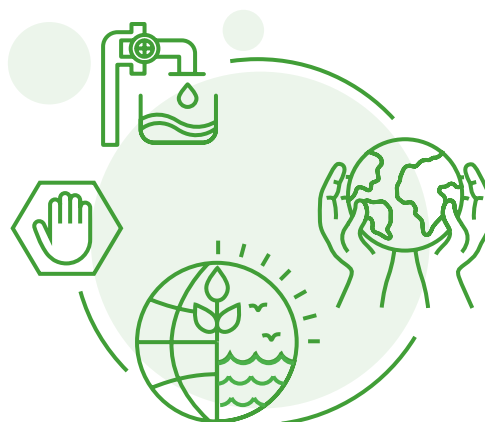
>> Solid Waste Management

In accordance with the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Measures for the Prevention and Control of Environment Pollution by Discarded Dangerous Chemicals* and other relevant laws and regulations and in reference to the Standard for Pollution on the *Storage and Disposal Site for General Industrial Solid Wastes* and the *Directory of National Hazardous Wastes (Version 2021)*, Hongfu Biotechnology has formulated the Management Procedures for Waste, divided the waste generated in production, office work and other activities into general waste and hazardous waste based on the nature and actual conditions of the waste, and tracked and supervised the whole process of waste generation, confirmation, classification, warehousing and exiting, relocation, storage, recycling, treatment and disposal; in the meantime, it has carried out waste management in an orderly manner, so as to ensure legal waste treatment and disposal while reducing waste generation and discharge.

For general waste generated from office work or production, the recyclable part, such as carton, mercury-free batteries and others, will be recycled by designated recyclers after collection, and the non-recyclable part, such as lights, will be collected by sanitation companies. Hazardous waste such as waste (waste containers and waste liquids) generated from the use of chemicals will be collected to the warehouse of hazardous waste by users, and the Human Resources Administration Department will arrange qualified recycling units for regular and overall recycling based on the amount of hazardous waste stored in the warehouse.

Table 5.4.3-1 Waste Emissions of Hongfu Biotechnology during the Reporting Period

Indicator	Unit	Data in 2022
Total amount of general waste	Tonne	1.40×10^1
Total amount of hazardous waste	Tonne	6.00×10^{-1}



06

Work with Society

Hongfu Biotechnology actively fulfills its social responsibilities and its corporate missions. Together with customers, the Company has promoted the construction of a sustainable supply chain, and encouraged suppliers to assume social responsibilities and eradicate forced labor, child labor, discrimination and harassment. In this era of rapid development of the e-cigarette industry, the Company takes the initiative to facilitate intra-industry communication and exchange, and participates in the formulation of industry standards. Meanwhile, it has kept in mind giving back to the society, lent a hand to vulnerable groups, and contributed to promoting the harmonious development of the society.

Responsible Procurement - 47 -

Innovation and Cooperation - 48 -

Public Service - 48 -



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Responsible Procurement

The Company has worked at full stretch to maintain a sustainable cooperation with suppliers, and thus formulated the Procedures for Supplier Management and Control and required suppliers to sign the Product Quality Assurance Agreement. By investigating the production capacity, product quality, production environment and technical process of suppliers, the Company has selected high-quality suppliers and assessed suppliers from time to time during the cooperation period, so as to ensure the compliance of our suppliers with the Company's requirements. Moreover, the Company preferred local suppliers for the purpose of promoting the development of local industries.

The Company has signed contracts or purchase agreements with all suppliers to provide a solid guarantee for cooperation, and also laid down supplier audit and inspection standards covering multiple dimensions. Candidate suppliers will be required to fill in the supplier audit and inspection form provided by Hongfu Biotechnology and attach their corresponding certificates. Hongfu Biotechnology has made a detailed list of the requirements for suppliers' qualification, workshop layout, incoming material inspection method, warehousing environment, production process control procedure and internal management improvement, and has been requiring suppliers to fill them in truthfully. Only the suppliers fulfilling the attainment rate as verified by Hongfu Biotechnology will become Hongfu Biotechnology's partners.



During the cooperation with suppliers, the Company has attached importance to the inspection of suppliers' product quality and safety and their performance of responsibilities. Once every quarter, it has assessed part of the suppliers, and communicated with them face to face to learn the latest status of their internal management, including their performance of social responsibilities.



The Company has established an on-site supplier assessment mechanism. Hongfu Biotechnology will send personnel to visit suppliers' factories to investigate their real production environments and quality management, so as to learn the latest status of their management. Besides, it also acquires the relevant information from public channels including suppliers' official websites.



For the problems identified in the assessments, the Company will first carry out communication and negotiation, urge suppliers to make corresponding remediation and, if the remediation is inadequate and thus affects the quality of products delivered or there are other violations, the Company will impose penalties accordingly as appropriate, such as reducing the number of business orders or terminating contracts.

During the Reporting Period, Hongfu Biotechnology implemented field assessment programs in eight suppliers, all of which passed the assessment.

In order to facilitate the construction of a sustainable supply chain, the Company has preferred environmental-friendly and low-carbon products as its raw materials, which also applies when we select the products of suppliers. In the future, Hongfu Biotechnology will continue to explore the use and R&D of green materials and environmentally friendly technologies, and will join hands with customers and suppliers to build a sustainable green supply chain.



During the Reporting Period,

8 suppliers were implemented with field assessment programs



Assessment passing rate reached

100%

Innovation and Cooperation

Hongfu Biotechnology is fully aware that upper limits can be further explored through cooperation and development only. During business operation, the Company has carried out extensive cooperation with customers, suppliers and other partners in such aspects as technology and business, and took the initiative to participate in the discussion of industry standards and propose suggestions for the formulation of industry policies.

The Company has also developed a common technology R&D platform with multiple global customers, and has been pushing forward positive discussions and communication on technology R&D on the platform. In routine product testing, Hongfu Biotechnology has engaged in exchanges on testing technologies with third parties and drawn on the advanced experience from them.



Hongfu Biotechnology has Participated in the Formulation of Industry Standards Such as the *Safety Production Standards of Electronic Cigarettes and Related Products*

Among the first batch of enterprises granted the production license for e-cigarette oil in China, Hongfu Biotechnology took the initiative to provide professional advice from the industry to the government in the drafting stage of e-cigarette related policies. It also participated in the formulation of industry standards, such as the *Safety Production Standards of Electronic Cigarettes and Related Products* that has been approved and in force, promoting the standardized operation of the industry.



Safety Production Standards of Electronic Cigarettes and Related Products



The Drafting Unit of Association Standards

Public Service

Hongfu Biotechnology has shouldered social responsibilities, invested resources in a variety of social areas, and cooperated with local charities. It has participated in community investment, and contributed to poverty alleviation.

Hongfu Biotechnology is always ready to lend a hand to people in need. On June 30, 2022, Hongfu Biotechnology donated a total of RMB3,000 at the Guangdong Poverty Alleviation Day and Dongguan Charity Day campaign held in Dalang Town, Dongguan, with the theme of "Consolidating poverty alleviation achievements and boosting rural revitalization". The donation is mainly used for targeted poverty alleviation and elimination and rural revitalization and funding the daily life of disadvantaged groups.



Appendix

KPIs

Indicator	Unit	2022
Economic indicators		
Number of suppliers	/	74
Number of suppliers from Mainland China	/	74
Number of suppliers from Hong Kong, Macao and Taiwan, and overseas	/	0
Total number of employees trained on anti-corruption	Person	72
Number of employees trained on anti-corruption (technical staff)	Person	0
Number of employees trained on anti-corruption (professional staff)	Person	10
Number of employees trained on anti-corruption (sales staff)	Person	16
Number of employees trained on anti-corruption (management staff)	Person	23
Number of employees trained on anti-corruption (senior management)	Person	8
Number of employees trained on anti-corruption (middle management)	Person	15
Number of employees trained on anti-corruption (ordinary employees)	Person	0
Number of employees trained on anti-corruption (interns)	Person	0
Total attendance of each employee trained on anti-corruption	/	72
Total number of anti-corruption training sessions	/	2
Total hours of anti-corruption training received	Hours	36
Environmental indicators		
Cleaning agent	Tonnes	1.40×10^0
Product plastic bucket	Unit	5.32×10^5
Office paper	Tonnes	2.07×10^0
Toner cartridge	Tonnes	7.20×10^{-2}
Gasoline consumption	Liter	3.41×10^3
Diesel consumption	Liter	0.00
Production power consumption	kWh	4.20×10^4
Domestic power consumption	kWh	5.58×10^5
Comprehensive energy consumption	Tonnes of standard coal	7.74×10^1
Density of Comprehensive energy consumption	Tonnes of standard coal/RMB million of revenue	5.55×10^0
Industrial wastewater discharge	CBM	1.50×10^3
Five-day biochemical oxygen demand (BOD ₅) emission concentration in industrial wastewater	Tonnes/CBM	1.89×10^{-4}
The total amount of five-day biochemical oxygen demand (BOD ₅) emissions from industrial wastewater	Tonnes	2.84×10^{-1}

Indicator	Unit	2022 年数据
Chemical oxygen demand (COD) discharge concentration in industrial wastewater	Tonnes/CBM	4.67×10^{-4}
Total chemical oxygen demand (COD) discharge from industrial wastewater	Tonnes	7.01×10^{-1}
Suspended solids (SS) discharge concentration in industrial wastewater	Tonnes/CBM	1.40×10^{-5}
Total amount of suspended solids (SS) discharge from industrial wastewater	Tonnes	2.10×10^{-2}
Ammonia nitrogen emission concentration in industrial wastewater	Tonnes/CBM	5.98×10^{-6}
Total ammonia nitrogen discharge in industrial wastewater	Tonnes	8.97×10^{-3}
Petroleum discharge concentration in industrial wastewater	Tonnes/CBM	5.70×10^{-7}
Total petroleum discharge in industrial wastewater	Tonnes	8.55×10^{-4}
Phosphorus discharge concentration in industrial wastewater	Tonnes/CBM	1.85×10^{-6}
Total phosphorus discharge in industrial wastewater	Tonnes	2.78×10^{-3}
Industrial wastewater pH	Dimensionless	7.20×10^0
Domestic sewage discharge	CBM	1.01×10^3
Five-day biochemical oxygen demand (BOD5) discharge concentration in domestic sewage	Tonnes/CBM	1.55×10^{-4}
The total amount of five-day biochemical oxygen demand (BOD5) discharge in domestic sewage	Tonnes	1.56×10^{-1}
Chemical oxygen demand (COD) discharge concentration in domestic sewage	Tonnes/CBM	3.49×10^{-4}
Total chemical oxygen demand (COD) discharge from domestic sewage	Tonnes	3.52×10^{-1}
Suspended solids (SS) discharge concentration in domestic sewage	Tonnes/CBM	2.06×10^{-4}
Total amount of suspended solids (SS) discharge in domestic sewage	Tonnes	2.08×10^{-1}
Ammonia nitrogen emission concentration in domestic sewage	Tonnes/CBM	4.50×10^{-6}
Total ammonia nitrogen discharge in domestic sewage	Tonnes	4.54×10^{-3}
Concentration of animal and vegetable fats discharge in domestic sewage	Tonnes/CBM	8.00×10^{-7}
Total discharge of animal and vegetable fats in domestic sewage	Tonnes	8.06×10^{-4}
Total phosphorus discharge concentration in domestic sewage	Tonnes/CBM	1.71×10^{-6}
Total phosphorus discharge in domestic sewage	Tonnes	1.72×10^{-3}
Domestic sewage pH	/	7.10×10^0
Total water consumption	CBM	8.42×10^3
NH ₃ (ammonia) emissions	Tonnes	1.60×10^{-1}
H ₂ S (hydrogen sulfide) emissions	Tonnes	1.30×10^{-2}
Direct (Scope 1) greenhouse gas emissions	tCO ₂ e	1.73×10^1

Indicator	Unit	2022
Indirect (Scope 2) greenhouse gas emissions	tCO2e	3.42×10^2
The total amount of general industrial solid waste generated	Tonnes	1.45×10^1
Total amount of hazardous waste generated	Tonnes	6.00×10^{-1}
Total amount of domestic waste generated	Tonnes	5.72×10^1
Total amount of general industrial solid waste transferred	Tonnes	1.40×10^1
Total amount of hazardous waste transferred	Tonnes	0.00
Total amount of domestic waste transferred	Tonnes	5.72×10^1
Social indicators		
Total number of new employees	Person	251
Number of new employees under the age of 30	Person	151
Number of new employees aged 30-50	Person	97
Number of new employees over 50 years old	Person	3
Number of new male employees	Person	126
Number of new female employees	Person	125
Number of people covered by employee social insurance	Person	381
Number of male employees who actually took paternity leave in 2022	Person	2
Number of female employees who actually took maternity leave in 2022	Person	2
Total number of employees trained	Person	285
Total training hours of employees	Hours	1,884.8
Total training attendance of employees	Times	1,996
Total numbers male employees trained	Person	204
Total training hours of male employees	Hours	1,019.5
Total number of female employees trained	Person	169
Total training hours of female employees	Hours	865.3
Total number of ordinary employees trained	Person	132
Total training hours of ordinary employees	Hours	443.2
Total number of middle management employees trained	Person	15
Total training hours of middle management employees	Hours	318
Total number of senior management employees trained	Person	6
Total training hours of senior management employees	Hours	147
Total number of technical employees trained	Person	138
Total training hours of technical employees	Hours	463.6
Total number of professional employees trained	Person	71
Total training hours of professional employees	Hours	261
Total number of salespersons trained	Person	16

指标名称	单位	2022 年数据
Total training hours of salesperson	Hours	48
Total number of managers trained	Person	23
Total training hours of managers	Hours	465
Total training expenditure	RMB '0,000	2.8
Total number of employees subject to regular performance and career development appraisal	Person	148
Number of employees under the age of 30	Person	203
Number of employees aged 30-49	Person	171
Number of employees aged 50 or above	Person	7
Number of employees of ethnic minorities	Person	5
Number of employees from Hong Kong, Macao, Taiwan and overseas	Person	0
Number of employees with disabilities	Person	0
Number of employees with education of high school/secondary technology/secondary occupational school and below	Person	217
Number of employees with junior college degree	Person	101
Number of employees with undergraduate degree	Person	53
Number of employees with postgraduate degree or above	Person	2
Number of senior management employees	Person	9
Number of male senior management employees	Person	8
Number of female senior management employees	Person	1
Number of middle management employees	Person	15
Number of male middle management employees	Person	8
Number of female middle management employees	Person	7
Number of ordinary employees	Person	132
Number of male ordinary employees	Person	62
Number of female ordinary employees	Person	70
Number of technical employees	Person	138
Number of professional employees	Person	71
Number of salespersons	Person	16
Number of managers	Person	24
Total number of occupational health and safety training sessions	Time	4
Number of employees trained in occupational health and safety training (including on-the-job and internship)	Person	376
Attendance of employees received occupational health and safety training	Times	376
Total hours of occupational health and safety training	Hours	2
Number of emergency and fire drills conducted	Time	1
Number of participants in emergency and fire drills (including on-the-job and internship)	Person	249
Number of employees covered by the occupational health and safety management system	Person	230

GRI Standard Index

Disclosure Content		SDGs	Chapter
GRI 2 General Disclosure 2021	The organization and its reporting practices	2-1 Organizational details	 1.1 Company Profile;
		2-2 Entities included in the organization's sustainability reporting	Scope of Report;
		2-3 Reporting period, frequency and contact point	Scope of Report; Contact Us;
	Activities and workers	2-6 Activities, value chain and other business relationships	 1.1 Company Profile;
		2-7 Employees	  4.1.1 Compliant Employment;
		2-8 Workers who are not employees	  4.1.1 Compliant Employment;
	Governance	2-19 Remuneration policies	  4.2.1 Compensation and Performance;
	Strategy, policies and practices	2-23 Policy commitments	2.1 Integrity in Operation;
		2-24 Embedding policy commitments	2.1 Integrity in Operation;
		2-25 Processes to remediate negative impacts	2.1 Integrity in Operation; 3.4.2 Complaint and Feedback;
Stakeholder engagement	2-29 Approach to stakeholder engagement	1.3.2 Communication with Stakeholders	
GRI 3 Material Issues 2021	Material topics	3-1 Process to determine material issues	1.3.3 Analysis of Material Issues
		3-2 List of material issues	1.3.3 Analysis of Material Issues
		3-3 Management of material issues	
GRI 201 Economic Performance 2016	Issue management disclosures	GRI 3-3 Management of economic performance	
	Issue disclosures	201-1 Direct economic value generated and distributed	   1.1 Company Profile
GRI 204 Procurement Practices 2016	Issue management disclosures	GRI 3-3 Management of procurement practices	  6.1 Responsible Procurement;
	Issue disclosures	204-1 Proportion of spending on local suppliers	6.1 Responsible Procurement;
GRI 205 Anti-corruption 2016	Issue management disclosures	GRI 3-3 Management of anti-corruption	 2.1 Integrity in Operation
	Issue disclosures	205-2 Communication and training about anti-corruption policies and procedures	 2.1 Integrity in Operation

Disclosure Content		SDGs	Chapter
GRI 206 Anti-competitive Behavior 2016	Issue management disclosures	GRI 3-3 Management of anti-competitive behavior	 2.3 Responsible Marketing
GRI 301 Materials 2016	Issue management disclosures	GRI 3-3 Materials management	 5.2.1 Energy Consumption
	Issue disclosures	301-1 Materials used by weight or volume	 5.2 Use of Resources
GRI 302 Energy 2016	Issue management disclosures	Energy management	   5.2.1 Energy Consumption
	Issue disclosures	302-1 Energy consumption within the organization	   5.2.1 Energy Consumption
		302-3 Energy intensity	   7.1 KPIs
GRI 303 Water and Effluents 2018	Issue management disclosures	GRI 3-3 Water management	 5.2.2 Use of Water Resource
	Topic disclosures	303-1 Interactions with water as a shared resource	 5.2.2 Use of Water Resource
		303-2 Management of water discharge-related impacts	 5.2.2 Use of Water Resource; 7.1 KPIs; 5.4.2 Management of Wastewater
		303-3 Water access	7.1 KPIs;
		303-4 Water discharge	7.1 KPIs;
		303-5 Water consumption	 7.1 KPIs;
GRI 305: Emissions	Issue management disclosures	GRI 3-3 Emissions management	  5.2.1. Energy Consumption 7.1 KPIs;
	Issue disclosures	305-1 Direct (Scope 1) GHG emissions	  5.2.1. Energy Consumption 7.1 KPIs;
		305-2 Energy indirect (Scope 2) GHG emissions	  5.2.1. Energy Consumption 7.1 KPIs;
		305-4 GHG emissions intensity	  7.1 KPIs;
		305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant gas emissions	7.1 KPIs;

Disclosure Content		SDGs	Chapter
GRI 306: Waste	Issue management disclosures	GRI 3-3 Waste management  	5.4 Waste Management
	Topic disclosures	306-1 Waste generation and significant waste-related impacts  	5.4.3 Solid Waste Management
		306-2 Management of significant waste-related impacts  	5.4.3 Solid Waste Management
		306-3 Waste generated  	5.4.3 Solid Waste Management
		306-5 Waste directed to disposal  	5.4.3 Solid Waste Management
GRI 401: Employment	Issue management disclosures	GRI 3-3 Employment management   	4.1.1 Compliant Employment
	Issue disclosures	401-1 New employee hires and employee turnover	4.1.1 Compliant Employment
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees   	4.4 Employee Welfare
GRI 403 Occupational Health and Safety 2018	Issue management disclosures	GRI 3-3 Management of occupational health and safety  	4.3 Health and Safety
	Issue disclosures	403-1 Occupational health and safety management system  	4.3 Health and Safety
		403-2 Hazard identification, risk assessment, and incident investigation  	4.3 Health and Safety
		403-3 Occupational health services  	4.3 Health and Safety
		403-5 Worker training on occupational health and safety  	4.3 Health and Safety
		403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business  	4.3 Health and Safety
		403-8 Workers covered by an occupational health and safety management system  	4.3 Health and Safety
GRI 404 Training and Education 2016	Issue management disclosures	GRI 3-3 Management of training and education   	4.2 Talent Development
	Issue disclosures	404-1 Average hours of training per year per employee   	7.1 KPIs
		404-3 Percentage of employees receiving regular performance and career development reviews	4.2 Talent Development

Disclosure Content			SDGs	Chapter
GRI 405 Diversity and Equal Opportunity 2016	Issue management disclosures	GRI 3-3 Management of diversity and equal opportunity		4.1.2 Protection of Employees' Rights and Interests
GRI 406 Non- discrimination 2016	Issue management disclosures	GRI 3-3 Management of non- discrimination		4.1.1 Compliant Employment
GRI 408 Child Labor 2016	Issue management disclosures	GRI 3-3 Child labor management		4.1.1 Compliant Employment
GRI 409 Forced or Compulsory Labor 2016	Issue management disclosures	Management of forced or compulsory labor		4.1.1 Compliant Employment
GRI 413 Local Communities 2016	Issue management disclosures	GRI 3-3 Management of local communities		6.3 Public Service
GRI 416 Customer Health and Safety 2016	Issue management disclosures	GRI 3-3 Management of customer health and safety		3.2 Product Responsibility
GRI 417: Marketing and Labeling	Issue management disclosures	GRI 3-3 Management of marketing and labeling		2.3 Responsible Marketing
	Issue disclosures	417-1 Requirements for product and service information and labeling		2.3 Responsible Marketing
GRI 418 Customer Privacy 2016	Issue management disclosures	GRI 3-3 Management of customer privacy		2.2 Information Security