

ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370



2022/23 ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT FOR 2022/23

ABOUT THIS REPORT

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

Both English and Chinese versions of the Report are available on the Company’s website at www.qtbgj.com. If there is any conflict or inconsistency, the Chinese version shall prevail. Corporate governance section can be found in the Group’s Annual Report 2022/23.

This Report illustrates the Group’s initiative and performance regarding the environmental and social aspects during the reporting period covering the twelve months starting from 1 July 2022 to 30 June 2023 (the “**Reporting Period**”).

As the Reporting Period covers 12 months (vs 18 months in Previous Reporting Period), we show a pro-rata 12-month data, in addition to the comparative data for the Previous Reporting Period (with 18 months), for illustration purpose and easy comparison with those in the Reporting Period.

ESG GOVERNANCE

Board’s oversight of environment, social and governance (‘ESG’) issues

The board of directors (“**Board**”) has a primary role in overseeing the management of the Group’s sustainability issues. During the Reporting Period, the Board and its senior management spent significant time in evaluating the impact of ESG-related risks on operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the senior management have all the resources required to address the ESG issues in the context of strategy and long-term value creation.

To demonstrate commitment to transparency and accountability, the Group has established an ESG Task Force, which has clear terms of reference that set out the powers delegated to it by the Board. The Group highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group.

The ESG Task Force is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the ESG Task Force which worked together with the management on ESG governance and resolving different ESG issues.

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Management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, the Group conducted materiality assessment from time to time. We would ensure various platforms and channels of communication are used to reach, listen and respond to the key stakeholders so that it understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make wiser decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through industry benchmarking, prioritization with stakeholder engagement, and validation based on results of communication among stakeholders and the management. These will constantly enhance our understanding of the stakeholders' level of concern and change of focus to each ESG issue, and enable us to more comprehensively plan our sustainable development work in the future.

Board review progress against ESG-related goals and targets

The Group believes that effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to have participation throughout the implementation process, and to feel they are part of the change that the company aspires to achieve. In recent years, there has been a growing awareness among our employees of the importance of active engagement. Simultaneously, we have enhanced communication and collaboration with our business partners, including customers and suppliers. This has laid a solid foundation for us to achieve our ESG-related goals and targets.

REPORTING APPROACH

Reporting scope

The Group was engaged in two business segments, namely (i) manufacture and sale of office furniture products to the local market in the People's Republic of China ("PRC"), and (ii) provides data centre facilities and management services in the PRC. Sichuan Greenland furniture Co., Limited ("**Sichuan Greenland**") and Beijing Wannuotong Technology Company Limited ("**WNT**") are the operating arms of the Group in the two segments respectively.

Preparation basis

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

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

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Reporting principles

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

Materiality

We performed a materiality review based on peer review and stakeholder engagement which has determined the material ESG aspects to the Group and guided the focus of the Report.

Quantitative

We compare the year to year environmental and social data and discussed with the management of the business on its implications.

As the Reporting Period covers 12 months (vs 18 months in the Previous Reporting Period), we show a pro-rata 12-month data, in addition to the comparative data for the Previous Reporting Period, for easy and a more meaningful comparison.

Balance

The Board had reviewed the Report and confirmed that it had not omitted any information related to material ESG topics. This Report had been prepared without bias.

Consistency

The Group adopted consistent approach on environmental and social data treatment to allow a fair comparison of performance on different aspects over time.

Contact information

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

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STAKEHOLDERS ENGAGEMENT

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

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

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A. Environmental aspects

The Group is committed to continuously improving the environmental sustainability of its businesses and ensuring that environmental consideration remains one of the keys focuses in fulfilling its obligations to both the environment and community. Recognizing the potential impacts of its businesses on the environment, the Group has established relevant emission reduction and energy saving initiatives to manage the emissions and minimize environmental impacts of its operations.

The Group strictly complies with the relevant environmental laws and regulations in the PRC, including the Environmental Protection Law of the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Furthermore, we have made rectification and continuous improvement on any inadequate control measures identified in the Previous Reporting Period, to achieve the ESG-related goals set by the Board.

A1. Emissions

- *Sichuan Greenland*

Being a responsible furniture manufacturer, Sichuan Greenland is committed to monitor and continuously improve all the emissions from environmental protection perspective, including but not limited to air pollutants, solid waste and waste water. The company discharges pollutants in strict compliance with the permitted items as stipulated in the "Pollution Discharge Permit", while strictly observing various management requirements outlined in the Permit. It cooperates with local ecological and environmental authorities for supervision and inspections, providing accurate information and relevant data. The company has established an environmental management system that meets regulatory requirements, and has obtained the environmental management system certification (GB/T 24001-2016/ISO 14001:2015) and product certification (China Environmental Protection Certification) from the China Quality Certification Centre, as well as other certifications, including the China Environmental Labeling Product Certification, China Environmental Labeling (Type II) Product Certification, Furniture Product Hazardous Substance Limitation Certification, and Low VOCs Furniture Product Certification issued by the China Environmental United Certification Center Co., Ltd. (中環聯合(北京)認證中心有限公司), as well as the Green Supply Chain Management System Certification (Five-Star Rating) and the Environmental Guardian Product Evaluation Certification from the Zhongtai Union Certification Co., Ltd.. The company maintains high standards for environmental protection throughout the stages of raw material procurement, production and manufacturing, as well as sales and transportation.

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

- ✓ engaged a qualified environmental testing company to carry out regular testing to ensure the air pollutant emissions comply with relevant national standards
- ✓ installed dust collector for every wood cutting and drilling table, and acquired 2 sets of new dust collection cabinets during the Reporting Period to reduce dust emission during wood cutting and drilling
- ✓ set up central vacuum and purification systems which were upgraded during the Reporting Period to constantly provide fresh air and reduce potential risks of fire or explosion as well as dilute air pollutants
- ✓ adopted a water curtain spraying booth and built a paint recycling tank to reduce the emission of volatile organic compounds with activated carbon and recycled water
- ✓ replaced all diesel-oil small trucks with electric truck to reduce GHG
- ✓ upgraded the treatment of paint waste gas treatment from a single activated carbon treatment to a plasma + VU photo-oxygenation + ionization + activated carbon composite treatment to reduce VOC emissions
- ✓ built a new UV roller coating line to minimize the usage of paint spraying
- ✓ established a dedicated collection room for general solid waste to centralize the disposal of non-recyclable waste materials

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

Apart from its manufacturing operation, the Company used to have its own vehicle fleet for transportation and delivery of small to medium size end products to clients. During the Reporting Period, the Company downsized its vehicle fleet and replaced all small trucks fueled by diesel oil with electric truck powered by electricity. For delivery of large size products, the Company outsourced to external logistic companies. This Report did not cover the relevant pollution caused by external logistic companies because relevant data was out of the Company’s radar.

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- *WNT*

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

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

Air pollutant emissions during the Reporting Period were as follows:

- *Sichuan Greenland*

Air Pollutants	Unit	2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)	2022 (pro-rated to 12 months)
Nitrogen oxides (NO _x)	g	6,495.8	69,816.0	46,544.0
Sulfur dioxide (SO _x)	g	116.3	381.0	254.0
Particulate matter (PM)	g	478.3	6,536.7	4,357.8

Subsequent to the Previous Reporting Period, the local government initiated stringent requirements on diesel- fueled vehicles with heavy penalty measures. With environmental concerns and to avoid violation of the said requirements, the Company downsized its vehicle fleets and replaced its small diesel-fueled trucks by electric truck. Due to downsizing of vehicle fleet and complete transition to electric trucks (no more diesel- fueled vehicle) during the Reporting Period as compared to the Previous Reporting Period, during which there was still a larger vehicle fleet size and the use of small diesel-fueled trucks for most of time, the emissions of air pollutants from Sichuan Greenland during the Reporting Period significantly decreased by 86% as compared to that in the Previous Reporting Period (calculated on a 12-month pro-rated basis).

Besides, the Group encourages its management team and employees to use video conferences and telephone conferences, to reduce the use of company vehicles and business travelling which will generate significant GHG emissions.

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The above data indicates that the air pollutant emission control target set for 2025, as established last year, has been significantly overachieved. In the next phase, the Company will continue to explore the potential for reducing emissions of air pollutants and greenhouse gases. However, the scope for further reductions is relatively limited. Nevertheless, the Company is confident that it can achieve a further reduction of over 5% in air pollutant emissions by 2025.

- WNT**
 By nature of its service-type business, WNT's operation with data centre does not directly generate industrial pollutants.

GHG Emissions

Giving the majority of the GHG emissions of the Group come from energy consumption, the Group tackles its carbon footprint by reducing energy consumption. Policies and procedures to encourage energy saving, are incorporated throughout the manufacturing process in order to reduce the GHG emissions.

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

The GHG emissions during the Reporting Period were as follows:

- Sichuan Greenland*

GHG Emission	Unit	2023	2022	2022
		(12 months up to 30/6/2023)	(18 months up to 30/6/2022)	(pro-rated to 12 months)
Scope 1 ¹	tonnes of CO ₂ -e	21.3	61.5	41.0
Scope 2 ²	tonnes of CO ₂ -e	355.4	657.6	438.4
Total GHG emission	tonnes of CO₂ -e	376.7	719.1	479.4
GHG emission intensity	tonnes of CO ₂ -e/ unit of production	8.48	10.34	10.19

- ¹ Scope 1: Direct emissions from sources that are owned or controlled by the Company
² Scope 2: Indirect emissions from the purchased electricity consumed by the Company

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Total GHG emissions decreased by 21.4%, and the GHG emission intensity decreased by 16.8% during the Reporting Period as compared to that in the Previous Reporting Period if calculated on a 12-month pro-rated basis. This was mainly due to:

- (i) the downsizing of vehicle fleet and use of electric trucks to replace small diesel- fueled trucks by the Company, resulting in a significant reduction in diesel consumption (Scope 1);
- (ii) recurrent power cuts by the local government from July to September during the Reporting Period, which resulted in production irregularities, including a one-month power cut in August when the Sichuan government implemented the policy of “prioritizing electricity supply to the public (讓電於民)”;
- (iii) the changes in sales mix, as Sichuan Greenland had a higher proportion of outsourcing/ purchasing of furniture products for the purpose of timely fulfillment of sales orders for furniture products during the Reporting Period.

The combined effect of (ii) and (iii) above resulted in a lower consumption of purchased electricity (Scope 2) during the Reporting Period as compared to the Previous Reporting Period.

The above data indicates that the control target set last year to reduce the GHG emission intensity by 3% to 5% by 2025 has been significantly overachieved. In the next phase, the Company will continue to explore the potential for further reducing the GHG emission intensity, and the Company sets a further reduction target by more than 5% reduction in the GHG emission intensity by 2025, subject to variation in sales mix from time to time.

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- WNT

GHG Emission	Unit	2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)	2022 (pro-rated to 12 months)
Scope 1 ¹	tonnes of CO ₂ -e	N/A	N/A	N/A
Scope 2 ²	tonnes of CO ₂ -e	5.53	8.79	5.86
Total GHG emission	tonnes of CO₂ -e	5.53	8.79	5.86
GHG emission intensity	tonnes of CO ₂ -e/ unit of production	N/A	N/A	N/A

For WNT, as a service provider it did not own any vehicle fleet and hence it did not consume any petrol nor diesel during the Reporting Period. As such neither GHG emission under scope 1 nor the GHG emission intensity is applicable.

Total GHG emissions for WNT come from its electricity consumption. In terms of tonnes of CO₂-e, it was reducing from 5.86 in the Previous Reporting Period to 5.53 in the Reporting Period if data is measured on a 12-month pro-rated basis. The 5.6% reduction was attributable by the company's green policy and increasing staff consciousness about environmental protection.

In the previous year, WNT set a further reduction target by 5% reduction in the GHG emission intensity by 2025, which has been achieved ahead of schedule. Currently, the company aims to further reduce its GHG emission intensity by 3% by 2025. A higher target may not be feasible as there is basic energy consumption level in running an office with current scale.

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Hazardous Waste and Non-Hazardous Waste

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

- *Sichuan Greenland*

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

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

Hazardous waste	Composition	2023 tonnes (12 months up to 30/6/2023)	2022 tonnes (18 months up to 30/6/2022)	2022 Tonnes (pro-rated to 12 Months)
Residual paint waste	Benzene, Xylene, Toluene	1.90	8.00	5.33
Organic solvent waste	Toluene, n-Hexane, Ortho Xylene	0.14	0.60	0.40
Organic mineral oil-based waste	PAHs, BTEX, Alkane, Alkene, phenol	0.01	0.02	0.01
Paint bucket waste	Benzene, Xylene, Toluene	1.08	3.20	2.13
Activated carbon waste	Benzene, Xylene, Toluene	0.37	0.60	0.40
Total Hazardous waste		3.50	12.42	8.28
Hazardous waste intensity	tonnes/unit of production	0.0008	0.0018	0.0018

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During the Reporting Period, hazardous waste intensity decreased by 55.5% year-on-year as compared with that in the Previous Reporting Period calculated on a 12-month pro-rated basis, mainly due to (i) the change in sales mixes and fewer orders for products using paints during the Reporting Period. Correspondingly, the Company reduced application of painting sprays on its furniture products. As a result, total tonnes for paints related items and organic solvent were reduced significantly; (ii) the addition of a UV roller coating line to minimize the usage of paint spraying; (iii) the upgrade of the paint waste gas treatment from a single activated carbon treatment to a plasma + VU photo-oxygenation + ionization + activated carbon composite treatment, leading to a reduction in VOC emissions and a certain degree of reduction in residual paint waste; (iv) a one-time centralized disposal of residual paint waste during the Previous Reporting Period (due to the unavailability of waste disposal capacity from qualified waste management companies, the Company faced difficulties in regular disposal, resulting in accumulation), and the delay in the disposal of some residual paint waste during the Reporting Period due to the hosting of the FISU World University Games in Chengdu. As a result, there is a significant difference in data for both years.

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

During the Reporting Period, Sichuan Greenland had produced non-hazardous waste of about 140 tonnes as compared with about 250 tonnes (167 tonnes if pro-rated to a 12-month basis) in last year, representing a decrease of 16.2% as compared to the data in Previous Reporting Period calculated on a 12-month pro-rated basis.

With the effective implementation of waste reduction policy by the Group, Sichuan Greenland has set a further reduction target by more than 5% reduction in both hazardous waste and non-hazardous waste generation by 2025.

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- **WNT**

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

A2. Use of resources

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

“Green Policy” is in place to encourage employees to take part in energy saving in office:

- **Energy Saving**
 - Energy efficiency guidelines and energy saving signs are in office and factory areas;
 - “Light-less policy” by turning off the lights during lunch hour and after office hour; and
 - Room temperature controls to reduce the use of air conditioner
- **Water saving**
 - Environmental friendly equipment is installed in the factory area to recycle processed water;
 - Water taps should be turned off right after use;
 - Running, dripping and long-flowing water are avoided to save water; and
 - Water pipes are checked regularly to prevent water leakage and wastage

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

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Energy

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

- *Sichuan Greenland*

Energy Usage	Unit	Usage			Density		
		Usage		2022 (pro-rated to 12 months)	Per unit of production in million		
		2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)		2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)	2022 (pro-rated to 12 months)
Purchased electricity	MWh	546.74	1,011.63	674.42	12.90	14.33	14.33
Petrol	Litre	7,278.77	10,147.16	6,764.77	171.80	143.74	143.74
Diesel	Litre	575.00	14,803.28	9,868.85	13.57	209.70	209.70

The Company consumed less purchased electricity during the Reporting Period if compared with that in the Previous Reporting Period calculated on a 12-month pro-rated basis, mainly attributable to (i) recurrent power cuts by the local government from July to September during the Reporting Period, which resulted in production irregularities, including a one-month power cut in August when the Sichuan government implemented the policy of “prioritizing electricity supply to the public (讓電於民)”; and (ii) the changes in sales mix, as Sichuan Greenland had a higher proportion of outsourcing/purchasing of furniture products for the purpose of timely fulfillment of sales orders for furniture products during the Reporting Period.

In terms of litre, the Company increased its petrol usages by 7.6% year-on-year during the Reporting Period as compared with that in the Previous Reporting Period calculated on a 12-month pro-rated basis, mainly due to the change in fleet mix (from diesel-fueled trucks to electric truck), as well as the increase in trips taken by the Company for its business operations as a result of the relaxation of the PRC’s pandemic lockdown and control policy. However, the Company reduced its diesel usages by 94.2% year-on-year during the Reporting Period, as the Company is currently using diesel fuel only in its forklift trucks within the plant premises.

The Company sets a further reduction target by more than 5% reduction in its energy usage by 2025.

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- *WNT*

Energy Usage	Unit	Usage		
		2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)	2022 (pro-rated to 12 months)
Purchased electricity	MWh	8.5	13.5	9.0
Petrol	Litre	NA	NA	NA
Diesel	Litre	NA	NA	NA

As mentioned in previous section, WNT did not own any data centres and hence it did not have any separate record about its electricity usage at data centres. The electricity consumption of WNT's office (back office for the data centres) was minimal and hence the computation of the relevant density per unit of production (or service unit) was not prepared. Besides, WNT did not have its own vehicle fleet and hence it did not consume any petrol nor diesel during the Reporting Period.

WNT had reduced its electricity consumption by 5.6% during the Reporting Period if compared with the data in the Previous Reporting Period calculated on a 12-month pro-rated basis, and beating the target set last year. It reflected the effectiveness of the company's green policy and increase in staff awareness about energy savings. WNT sets a further reduction target by 3% reduction in its electricity use by 2025.

Water

During the Reporting Period, water consumptions were as follows:

- *Sichuan Greenland*

Water	Unit	2023	2022	2022
		(12 months up to 30/6/2023)	(18 months up to 30/6/2022)	(pro-rated to 12 months)
Total water consumption	m ³	4,184.00	10,540.80	7,027.20
Water consumption intensity	m ³ /unit of production in million	98.76	149.32	149.32

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During the Reporting Period, the water consumption intensity of Sichuan Greenland decreased by 33.9% as compared with that in the Previous Reporting Period calculated on a 12-month pro-rated basis. In the Previous Reporting Period, Sichuan Greenland had experienced two accidental leakage of water pipes due to the aging of water pipes, which caused severe water usage (waste). As the Company strengthened its water management, no similar accident repeated during the Reporting Period and the water consumption level became normal again.

As the factory is located in an industrial zone with proper infrastructure provided by the local government, the Company does not have any issue in sourcing water that is fit for purpose. Environmental-friendly equipment is installed with water curtain spraying booth in the factory area to filter and recycle processed water, which allows the Company recycle and not to discharge the processed water away to the waste water drainage.

The Company will strive to further reduce its water consumption intensity by more than 3% by 2025.

- **WNT**

Water	Unit	2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)	2022 (pro-rated to 12 months)
Total water consumption	m ³	2.20	3.64	2.43
Water consumption intensity	m ³ /unit of production in million	NA	NA	NA

For WNT, water consumed was mainly for daily drinking water, management office use and the consumption level dropped slightly during the Reporting Period. Water consumption intensity was not applicable to WNT given its back-end office use nature.

As mentioned, WNT operated a small office and its water consumption was stable and minimal. It aims to maintain current water consumption level in the next 3 years.

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Packaging Materials

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

- *Sichuan Greenland*

The breakdown of packaging materials usage was as follows:

Packaging Materials	Quantity (piece)			Density piece/cost of production in million		
	2023	2022	2022	2023	2022	2022
	(12 months up to 30/6/2023)	(18 months up to 30/6/2022)	(pro-rated to 12 months)	(12 months up to 30/6/2023)	(18 months up to 30/6/2022)	(pro-rated to 12 months)
Woven bags	14,376	57,335	38,224	339.32	812.18	812.18
Corner articles	33,028	39,489	26,326	779.58	559.38	559.38
Rolls for binding	5,128	3,489	2,326	121.05	49.42	49.42
Cardboard boxes	63,610	60,035	40,023	1,501.41	850.43	850.43

During the Reporting Period, consumption of woven bags decreased by 62.4% while the other packaging materials increased as compared with data in the Previous Reporting Period calculated on a 12-month pro-rated basis. It was attributable to the change in furniture sales mix which different packaging materials were applied. Additionally, the Company is committed to implementing its environmental principles through concrete actions, such as increasing the utilisation of recyclable paper boxes and reducing the reliance on non-recyclable woven bags in the packaging process.

The Company will strive to reduce the density of packaging materials by 5% by 2025 compared to the Reporting Period.

- *WNT*

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

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A3. The Environment and natural resources

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

Source of raw materials

As a furniture manufacturer, the raw material of our end products is mainly artificial wood. To show our commitment in protecting forest and mitigating environmental impacts, the Company exclusively procures wood raw materials from suppliers who possess qualifications and licenses that comply with current government regulations. Our commitment to green and environmental principles is evident in our stringent selection process for raw material suppliers. We require suppliers to provide environmental management system certificates or product environmental reports, quality management system certificates, and quality inspection reports for evaluation. Prior to admission of materials to our warehouses, product qualification certificates and quality inspection reports are carefully examined. Our aim is to minimize environmental impact right from the stage of raw materials sourcing.

For further details on raw materials management, please refer to the section headed “B5: Supply Chain Management”.

Enhancement on environmental awareness

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

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Air pollutant control and noise control

In order to monitor the emission of pollutants, the Group engages qualified third-party professionals to conduct annual testing of air pollutants and noise levels. Samples are taken from various areas such as the machinery zone and paint booths for air pollutant and noise testing. While we are not required to engage qualified third parties for testing domestic wastewater according to the regulations of the "Pollution Discharge Permit", nevertheless, we discharge pollutants in strict compliance with the permitted items as stipulated in the "Pollution Discharge Permit", while strictly observing various management requirements as stipulated therein.

The testing results for the Reporting Period indicate that the particulate matter emissions concentration and emission rate from the DA001 organic waste gas exhaust pipe and DA002 particulate matter exhaust port of Sichuan Greenland Furniture Co., Limited met the maximum permitted emission concentration and the maximum permitted emission rate of Class II emission as specified in Table 2 under the category of "Others" of the "Integrated Emission Standards for Air Pollutants" (GB 16297-1996). Furthermore, the emissions concentration and emission rate of benzene, toluene, xylene, and non-methane total hydrocarbons (VOCs) from the DA001 organic waste gas exhaust pipe met the maximum permitted emission concentration and the maximum permitted emission rate as specified in Table 3, "Household Manufacturing Industry" of the "Emission Standards of Sichuan Province for Atmospheric Volatile Organic Compound from Fixed Pollution Sources" (DB 51/2377-2017).

The monitoring concentrations of benzene, toluene, xylene, and non-methane total hydrocarbons (VOCs) for unorganized emissions met the monitoring concentration limits for unorganized emissions as specified in Table 5 under the category of "Others" of the "Emission Standards of Sichuan Province for Atmospheric Volatile Organic Compound from Fixed Pollution Sources" (DB 51/2377-2017). The particulate matter emissions met the monitoring concentration limits for unorganized emissions as specified in Table 2 under the category of "Others" of the "Integrated Emission Standards for Air Pollutants" (GB 16297-1996).

The measured daytime equivalent sound levels at the monitoring points (1# to 4#) met the standard limits under Class 3 as specified in Table 1 of the "Emission Standard for Industrial Enterprises Noise at Boundary" (GB 12348-2008).

According to the above testing, assessment result of these tests for the Reporting Period was satisfactory.

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A4. Climate change

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

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

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

There are several ways to address these risks which include:

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

During the Reporting Period, Sichuan Greenland, a subsidiary of the Group, implemented following energy-saving and emission reduction measures, which have achieved satisfactory results:

- (i) upgraded the treatment of paint waste gas treatment from a single activated carbon treatment to a plasma + VU photo-oxygenation + ionization + activated carbon composite treatment to reduce VOCs emissions
- (ii) built a new UV roller coating line to minimize the usage of paint spraying
- (iii) installed 2 sets of additional dust collection cabinets in the polishing workshop to reduce dust emissions
- (iv) retrofitted the central vacuum system to minimize dust emissions, resulting in satisfactory emission reduction
- (v) established a dedicated collection room for general solid waste to centralize the disposal of non-recyclable waste materials
- (vi) built a paint recycling tank to enable the reuse of wastewater without external discharge

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B. Social aspects

Employment and labour practices

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

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

B1. Employment

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

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

Promotion and Performance Appraisal

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

Employee composition

As at 30 June 2023, total number of employees of the Group was 174, in which 162 (30 June 2022: 174) was under Sichuan Greenland and 12 (30 June 2022: 16) was under WNT. The above data for both years did not include the six members of the Board at the Hong Kong headquarters. The decrease in employee numbers was primarily due to natural attrition. In the Chongqing and Beijing regions, the reduction was related to adjustments in the Company's business strategy. In order to control labour costs, no new employees are required to replenish the workforce.

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

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

	Total Workforce (Number/Percentage)		Turnover Rate	
	2023	2022	2023	2022
	(12 months up to 30/6/2023)	(18 months up to 30/6/2022)	(12 months up to 30/6/2023)	(18 months up to 30/6/2022)
By gender				
• Male	128/74%	125/66%	11%	10%
• Female	46/26%	65/34%	14%	12%
Total	174/100%	190/100%	-	-
By age group				
• Age 35 or below	19/11%	27/14%	15%	26%
• Age 36–45	50/29%	73/38%	8%	5%
• Age 46–55	84/48%	77/41%	14%	9%
• Age 56 or above	21/12%	13/7%	15%	15%
By geographical region				
• Sichuan	148/85%	156/82%	10%	12%
• Chongqing	14/8%	18/9%	22%	6%
• Beijing	6/3%	10/5%	40%	0%
• Shanghai	6/3%	6/4%	0%	0%

B2. Health and Well-being

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

During the Reporting Period, Sichuan Greenland did not record any work-related accidents nor loss of working days due to work injury. In the Previous Reporting Period, Sichuan Greenland recorded two work-related accidents and lost 38 staff working days due to work injury.

Due to the nature of the furniture manufacturing industry, dust and chemical gases are emitted during the production process and they are harmful to employee's health. The Company will prioritise safety education and training for employee training each year, so that every employee has a strong awareness of safety measures and precautions. Masks or gas masks are provided to workers in factory site for protection during the production. Department heads will conduct site investigations from time to time. The Company has also obtained environmental management system certification (GB/T 24001-2016/ISO 14001:2015) and occupational health and safety management system certification (GB/T 45001:2020/ISO 45001:2018) from the China Quality Certification Centre, signifying that the Company has received recognition from professional organizations for its expertise in environmental management and occupational health and safety management.

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Work-life balance

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

Diversified communication channels

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

Maternity leave and childcare leave

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

Measures targeted at COVID-19

The outbreak of COVID-19 epidemic has raised consciousness on health and safety impacts that may bring to our employees and customers. Apart from strengthening sanitization at the Group's head office, factory areas and data centres, the Group has also adopted precautionary measures such as temperature screening before entering the premises and providing employees with sufficient epidemic prevention supplies, including face masks and hand sanitizers. With the easing of the PRC's pandemic lockdown and control policy, interpersonal communications have gradually returned to normal. However, the Company remains vigilant regarding other highly contagious diseases, so that the necessary precautions can be taken when required, aiming to minimize health and safety risks for employees.

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B3. Development and Training

The Group provides apprentice training for workers that have no manufacturing and production experience. Respective mentors are assigned to every apprentice for providing technical knowledge and guidance to make them capable of taking charge on their own soon.

The Group also provides employees with trainings on safety knowledge and environmental knowledge to establish a solid safety and environmental protection awareness. To safeguard employees' health and enhance awareness of disease prevention, we also organize health talks. The Group has provided employees with approximately 39 hours of on-the-job training.

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

- *Sichuan Greenland*

The factory provides internal training on environmental regulations and systems to its staff working in the factory, including the following aspects:

- ✓ (i) Hazardous Waste Management Plan and Management Ledger Technical Guidelines;
- ✓ (ii) Law of the People's Republic of China on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法);
- ✓ (iii) Technical Specifications for Hazardous Waste Labeling (危險廢物標誌設置技術規範);
- ✓ (iv) Law of the People's Republic of China on the Environmental Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法);
- ✓ (v) Weather Emergency Response Plan for Heavy Ozone Pollution in Wenjiang District, Chengdu City;
- ✓ (vi) Management Measures for the Transfer of Hazardous Waste;
- ✓ (vii) Guidelines for Establishing General Industrial Solid Waste Management Ledger.

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The management team of the factory participates in external training, including:

- ✓ (i) Knowledge training on the substitution of low (zero) VOC raw materials for industrial enterprises in Wenjiang District, organized by the Economic and Information Bureau of Wenjiang District, Chengdu;
- ✓ (ii) Training workshop on improving the performance rating of emergency emission reduction for enterprises above designated size in Chengdu, organized by the Ecology and Environment Bureau of Chengdu.

Safety and environmental knowledge training is provided to employees in relevant positions within the factory, covering the following topics:

- ✓ (i) Knowledge of environmental management practices (equipment operation management and maintenance, daily recordkeeping, hazardous waste management, environmental operations and materials management, and waste classification management);
 - ✓ (ii) Hazardous chemical management (characteristics and hazards of hazardous chemicals, transportation safety, storage safety, and safe usage);
 - ✓ (iii) Guidelines for establishing general industrial solid waste management ledger.
 - ✓ Orientation training for new employees was organised to help them to understand the corporate culture and their job duties.
- *WNT*
 - ✓ (i) Introducing employees to the development opportunities and prospects of the data center.
 - ✓ (ii) The digital economy and artificial intelligence.
 - ✓ (iii) Internet connection and trouble-shooting.

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

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

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

	2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)
Employees trained		
By gender		
• Male	70%	66%
• Female	30%	34%
By employee category		
• Middle to Senior management	7%	7%
• General	93%	93%

Average training hours	Unit	2023 (12 months up to 30/6/2023)	2022 (18 months up to 30/6/2022)
By gender			
• Male	hours per employee	39	30
• Female	hours per employee	39	30
By employee category			
• Middle to Senior management	hours per employee	45	40
• General	hours per employee	38	30

B4. Labour Standards

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

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

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Operating practices

B5. Supply Chain Management

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

Sichuan Greenland has more than 300 suppliers/sub-contractors during the Reporting Period (the Previous Reporting Period: more than 300) who are all local companies of varieties of supplies including top plates, marble/stones, hardware glasses, cloth/leather types, chemicals, software and hardware accessories and supplementary furniture. They are all from Mainland China.

Selection Criteria

The Group chooses suppliers based on a list of criterion. Except price and quality, suppliers are required to provide qualification certificates that comply with current national regulations. Also, they have to provide their credentials on the last operation with clients. On-site inspection is carried out during the selection process to assess the scale of production, production management, productivity and quality control of suppliers.

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

Supplier Assessment

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

We have obtained the Green Supply Chain Management System Certification (Five-Star Rating) from ZhongTai Union Certification Co., Ltd, as well as the CQTA (China Quality Technology Center) Quality Verification Certificate from Zhongjian Huana (Beijing) Quality Technology Centre Co., Ltd. These certifications serve as comprehensive evidence that the materials used by our Company meet the requirements of quality verification.

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B6. Product Responsibility

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

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

Quality Management

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

We have obtained the Quality Control System Certification (GB/T 19001:2016/ISO 9001:2015) from the China Quality Certification Center; the CQTA Quality Verification Certificate from Zhongjian Huana (Beijing) Quality Technology Centre Co., Ltd.; the Green Supply Chain Management System Certification (Five-Star Rating), the CZTCS After-sales Service System Excellence Certification (Seven-Star Rating), and the Environmental Guardian Product Evaluation Certification issued by Zhongtai Union Certification Co, Ltd, as well as the China Environmental Labeling Product Certification, China Environmental Labeling (Type II) Product Certification, Furniture Product Hazardous Substance Limitation Certification, and Low VOCs Furniture Product Certification issued by the China Environmental United Certification Center Co., Ltd. (中環聯合(北京)認證中心有限公司). In addition to these certifications, we have been included in the "2022 Sichuan Provincial Local Excellent Office Furniture Product Recommended Catalog" and recognized as a trustworthy and contract-abiding enterprise by Chengdu City. Furthermore, we received the honorary certificate "2023 Recommended Enterprises for Local Excellent Furniture Products in Sichuan Province".

These certifications demonstrate the recognition of our Company's product quality by various authoritative institutions.

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

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Customer Data Protection

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

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

B7. Anti-Corruption

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

During the Reporting Period, there was no incident of corruption, bribery, extortion, fraud and money laundering involved by the Group and its staff. The Group provided around 2.5 hours of special training on anti-corruption matters to the officers and staff in key positions of Sichuan Greenland and WNT during the Reporting Period.

Community

B8. Community Investment

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

During the Reporting Period, Sichuan Greenland actively participated in environmental protection publicity activities organised by the local government. Simultaneously, the Company organized employees to participate in tree-planting activities around the factory premises to enhance the purification of the surrounding environment. The Human Resources department also arranged personnel to visit the families of sick employees and show care to the elderly in nursing homes. By taking various practical actions, the Company actively participates in community activities, contributing to the harmonious coexistence of humans and nature in modern development.