



僑雄國際控股有限公司
Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Towards

A BRIGHT FUTURE

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2023

Environmental, Social, and Governance Report 2023

INTRODUCTION

Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**We**”) is committed to achieving long-term sustainable development in the communities where it operates. The Group upholds a responsible attitude towards the environment, strives to comply with relevant environmental protection laws and regulations, and takes effective measures to achieve efficient use of resources, energy conservation, waste reduction, and serving the community.

REPORTING PERIOD

Unless otherwise stated, this ESG report covers the activities, challenges, and measures taken in the areas of Environment, Society, and Governance of the Group for the year ended 31 December 2023 (the “**Year**” or “**2023**”).

REPORTING SCOPE

The scope of this ESG report is determined based on the significance and contribution of business segments directly operated and controlled by the Group. This report covers the Environmental, Social, and Governance (“**ESG**”) performance of the Group’s primary business segments (i.e., Manufacturing and trading of toys and gifts items). Key performance indicators have been collected and covered for the Group’s directly operated factories, offices, and employee dormitories in Putian, Fujian Province, China, as well as its offices in Hong Kong. The Group will continue to assess key ESG issues for different businesses and expand the scope of disclosure as appropriate.

REPORTING PRINCIPLES

This ESG report is prepared in accordance with the Environmental, Social, and Governance Reporting Guide (“**ESG Reporting Guide**”) issued by The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) as set out in Appendix C2 of the Rules Governing the Listing of Securities (“**Listing Rules**”).

Materiality

The Board of Directors identify significant ESG issues based on the magnitude of their impact on the environment, society, and governance resulting from the Group’s business activities. The importance of each issue is determined through stakeholder engagement and materiality assessment processes. The Board has reviewed and confirmed the significance of the relevant issues. Please refer to the “Stakeholder Engagement” and “Materiality Assessment” sections for details.

Quantitative

This ESG report is prepared in accordance with the ESG Reporting Guide, discloses key performance indicators quantitatively. Information on the standards, methods and assumptions, calculation tools, and sources of conversion factors for key performance indicators has been appropriately disclosed.

Balance

This ESG report is prepared objectively and fairly to ensure that the disclosed information accurately reflects the overall performance of the Group in ESG aspects.

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Consistency

Unless there are changes to the scope of reporting, this ESG report should remain consistent with the previous year. Any changes that may affect comparisons with the previous year's report will be explained in the relevant sections by the Group.

This ESG report is prepared in accordance with the four reporting principles specified in the ESG Reporting Guide.

ESG MANAGEMENT SYSTEM

In fulfilling its corporate social responsibility, the Group strives towards achieving sustainable development goals. The ESG governance framework includes the Board of Directors, management, and functional departments.

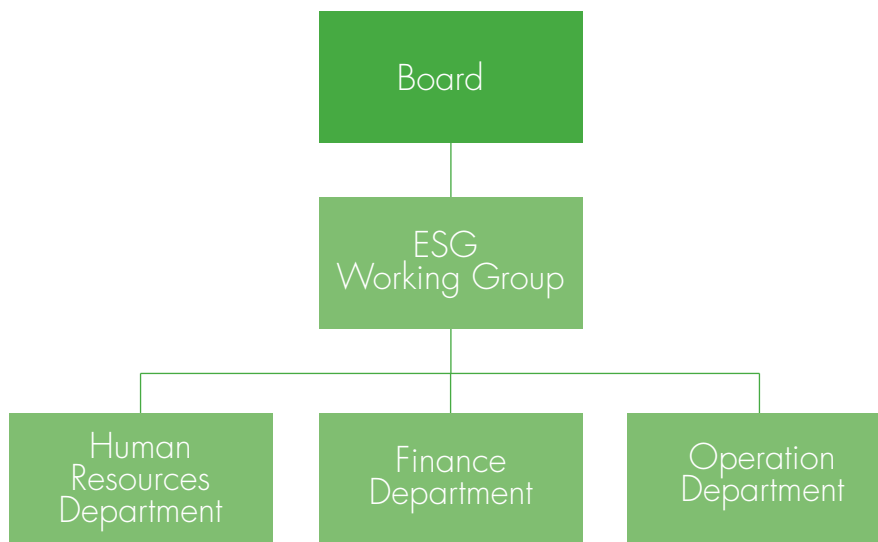
The Group has established a governance structure to ensure that the ESG management approach is consistent with our business strategy, and to integrate the relevant management into our business operations and decision-making processes.

The Board is solely responsible for the Group's ESG issues and is required to formulate relevant management policies, strategies, priorities and objectives. In order to better manage our ESG performance, issues and risks, the Board regularly assesses and determines relevant risks and opportunities and reviews the progress of the relevant goals under the assistance of ESG Working Group. In addition, the Board is also responsible for ensuring the effectiveness of risk management and internal control systems, as well as approving information for disclosure in the relevant reports.

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The ESG Working Group has been authorised by the Board to systematically manage the Group's ESG issues. The ESG Working Group is composed of core members from different departments, and assists the Board in supervising relevant issues, as well as collecting and analysing relevant data, monitoring the progress of the goals, and ensuring compliance with laws and regulations. Furthermore, the ESG Working Group also assists in conducting materiality assessments and prepares ESG reports. The ESG Working Group regularly schedules meetings to assess the effectiveness of policies and procedures and develops solutions to improve management performance. Moreover, the ESG Working Group reports the related issues to the Board on a regular basis.

ESG-related Organizational Structure of the Group



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STAKEHOLDER ENGAGEMENT

We firmly believe that the success of the Group's business depends on the support of its key stakeholders. These stakeholders (a) have invested or are about to invest in the Group; (b) have the ability to influence the performance of the Group; and (c) are interested in, or affected by, or may be affected by the activities, products, services, and relationships of the Group. The Group will continue to ensure effective communication with all key stakeholders and maintain good relationships.

The Group will prioritise the materiality of stakeholders based on their roles, responsibilities, strategic planning, and business plans. We communicate with stakeholders, establish mutually beneficial relationships, seek their opinions on business advice and plans, and promote sustainable development in markets, workplaces, communities, and the environment. In addition, we recognize the materiality of obtaining information and feedback from stakeholders' insights, inquiries, and ongoing interest in the Group's business activities. The Group has identified key stakeholders critical to our business and established various communication channels. The table below outlines the Group's key stakeholders and the various communication platforms and methods used for engagement, listening, and response.

Stakeholders	Engagement Channels	Concerns
Employees	<ul style="list-style-type: none"> • Training, seminars, and briefing • Email and internal memos • Regular meetings 	<ul style="list-style-type: none"> • Remuneration, compensation and benefits • Safe working environment
Customers	<ul style="list-style-type: none"> • Customer service hotline and email 	<ul style="list-style-type: none"> • Customer satisfaction • Products quality
Suppliers	<ul style="list-style-type: none"> • Site visits • Business meetings and discussion • Supplier assessment 	<ul style="list-style-type: none"> • Fair and open procurement • On-time payment • Sustainable relationship
Government and other regulatory authorities	<ul style="list-style-type: none"> • Written or electronic correspondences 	<ul style="list-style-type: none"> • Compliance with local laws and regulations • Stability in business operations
Shareholders and investors	<ul style="list-style-type: none"> • General meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website 	<ul style="list-style-type: none"> • Sustainable profitability • Corporate governance • Compliance with local laws and regulations
Media and the public	<ul style="list-style-type: none"> • ESG reports • Company website 	<ul style="list-style-type: none"> • Transparency of ESG issues and financial disclosure • Compliance with local laws and regulations • Corporate governance
Community	<ul style="list-style-type: none"> • Community activities • Company website 	<ul style="list-style-type: none"> • Active participation in worthy causes • Community development

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MATERIALITY ASSESSMENT

Through comprehensive communication with stakeholders, the Group understands their expectations and concerns. The feedback obtained enables the Group to make wiser decisions and better assess and manage its impacts.

This ESG report also includes the key performance for measuring its ESG issues, which are considered crucial to stakeholders of the Group. Our stakeholders include shareholders, suppliers, customers, regulators, and employees. The identification of significant ESG issues is essential to assess whether stakeholders' needs align with the Group's vision, which is vital to them. The assessment of significant ESG issues is based on their potential impacts on the environment and society, their impacts on stakeholders, and their impacts on the Group's operations. In accordance with ESG reporting guidelines, the Group has reported all significant ESG issues and related key performance indicators in the ESG report.

The Group prioritised those ESG topics for better strategic planning and resource allocation. The topics which fell in the category of "Most material" in the following table were defined as the topics that matter most to the Group's business operations and its stakeholders as far as they are concerned. Acknowledging the expectations of its stakeholders, the Group is committed to improving its ESG performance, management and policies.

A summary of the material ESG aspects of the Group is as follow:

Least material	Material	Most material
<ul style="list-style-type: none"> • Customer satisfaction • Supply chain management • Product quality assurance • Prevention of child and forced labour • Intellectual property rights • Anti-corruption 	<ul style="list-style-type: none"> • Waste management • Water management and sewage discharge • Energy efficiency • Use of packaging materials • Recruitment, promotion and dismissal • Remuneration and benefit • Occupational health and safety management • Development and training • Data privacy protection 	<ul style="list-style-type: none"> • Air emissions • Greenhouse gas ("GHG") emissions • Climate change • Equal opportunity, diversity and anti-discrimination • Community investment

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by email to info@kiuhung.com.

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ENVIRONMENTAL

As a corporation committed to corporate social responsibility, the Group recognizes the importance of reducing its environmental impact. To fulfill its corporate social responsibility commitments and to provide the Group's stakeholders with a better understanding of the Group's progress in improving its ESG performance, the Group has formulated environmental goals covering energy conservation, emissions reduction, and waste management. These goals aim to align with the vision of achieving carbon neutrality of the government of the Group's operating locations and enhancing corporate reputation. To achieve these goals, the Group actively implements sustainable development principles and takes relevant measures at the operational level.

A1: Emissions

The Group is dedicated to complying with all applicable laws and regulations concerning the environment that have a significant impact due to our operations, including but not limited to the Waste Disposal Ordinance in Hong Kong (廢物處置條例), the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法), and 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).

We believe that it is our responsibility to achieve the best balance between cost, resource efficiency, and environmental friendliness to save energy. To minimize any adverse environmental impact, the Group has formulated Environmental Management Procedures to monitor the emissions of air pollutants, greenhouse gases, sewage, and waste generated during operations. Additionally, the Group provides training to relevant employees to enhance their knowledge of environmental protection and ensure that their work fully complies with regulations.

Air Emissions

The Group's air emissions primarily come from vehicle use. The Group is committed to improving roadside air quality, alleviating traffic congestion issues, and encouraging employees to commute by public transportation and to use environmentally friendly vehicles instead of those that heavily pollute the environment. In addition, the Group has adopted the following measures to control air emissions:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Switch off the engine whenever the vehicles is idling; and
- Conduct regularly vehicle inspection and maintenance to ensure optimal engine performance and fuel use.

Types of air emissions	Unit	2023	2022
Nitrogen oxides (NO _x)	Kg	28.19	20.34
Sulphur oxides (SO _x)	Kg	0.41	0.28
Particulate matters (PM)	Kg	0.62	0.39

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GHG Emissions

The major GHG emissions of the Group are the direct GHG emissions from petrol and diesel consumption of private cars and light goods vehicles and the diesel consumption of diesel stoves in cafeterias (Scope 1) and the indirect GHG emissions from purchased electricity (Scope 2). In line with the national strategy of overall GHG emissions reduction to achieve the sustainable development goal of energy conservation and carbon reduction, the Group has set a target to gradually reduce the intensity of GHG emissions for the next five years on a gradual basis.

During the Year, the Group's GHG emission performance is summarised as follows:

Indicators ¹	Unit	2023	2022
Scope 1 — Direct GHG emissions			
• Fuel consumption of vehicles and fuel consumption of cafeteria diesel stoves	tCO ₂ e	71.43	49.07
Scope 2 — Indirect GHG emissions from energy			
• Purchased electricity	tCO ₂ e	647.04	622.84
Total GHG emissions (Scopes 1 and 2)	tCO ₂ e	718.47	671.91
Total GHG emissions intensity	tCO ₂ e/HK\$ million revenue ²	2.74	2.29

Waste Management

In persisting with the waste management principle, the Group is committed to the rational management and disposal of waste generated from business activities. To reduce waste and improve the resource utilization ratio, the Group adopts three principles of "reduce," "reuse," and "recycle."

Hazardous Waste

Due to the Group's business nature, hazardous waste was generated by the Group's factory in the PRC. The major hazardous waste generated were chemical waste and chemical containers, which were generated during the production of toys and gifts items. The Group remains vigilant in proper waste disposal and management. Guidelines on the handling and storage of chemical waste disposal have also been formulated in the Environmental Management Procedure. Licenced waste collectors have been contracted to lawfully handle and dispose of its chemical waste and chemical containers.

¹. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Baseline Emission Factors for Regional Power Grids in China During 2019", the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, and the latest 2021 Sustainability Report published by the HK Electric Investments Limited.

². For 2022 and 2023, the Group recorded a revenue of approximately HK\$293 million and HK\$262 million, respectively, for the manufacturing and trading of toys and gift items business. This data is used for calculating other intensity data.

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The Group strives to minimise and avoid the use of hazardous materials during its production process. The Group has set a target to gradually reduce the intensity of total hazardous waste for the next five years.

During the Year, the Group's hazardous waste generation performance is summarised as follows:

Types of waste	Unit	2023	2022
Chemical waste and chemical containers	kg	3,210	620
Total hazardous waste generation	kg	3,210	620
Intensity of total hazardous waste generation	kg/HK\$ million revenue	12.25	2.12

Non-hazardous Waste

The principal non-hazardous waste generated by the Group were fabric scraps, paper and cardboard, and general waste. The Group has formulated clear and specific waste management guidelines. The Group records the amount of waste disposed of and compares it with reports from contractors to ensure proper disposal of all waste. Meanwhile, it has adopted several waste reduction measures, including but not limited to the following:

- Sort waste and recycle at the workplace;
- Reuse single-sided paper for draft documents;
- Ship the waste office paper to paper mills or scrap paper companies for recycling;
- Print electronic correspondences only when necessary;
- Reduce the use of single-use disposable items; and
- Recycle the leftover fabric scraps for other products.

The Group will continue to invest substantial efforts in educating its staff about the importance of waste reduction and recycling. The Group will set a target to gradually reduce the intensity of total non-hazardous waste for the next five years.

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During the Year, the Group's non-hazardous waste generation performance is summarised as follows:

Types of waste	Unit	2023	2022
Fabric scraps	kg	1,100.00	1,000.00
Office paper	kg	1,448.20	1,485.00
General waste	kg	5,100.00	5,000.00
Total non-hazardous waste generation	kg	7,648.20	7,485.00
Total non-hazardous waste generation intensity	kg/HK\$ million revenue	29.20	25.55

A2: Use of Resources

The Group places utmost importance on the efficient utilization of resources. The primary resources we rely on in our operations include electricity, natural gas, water for office and factory use, as well as fuel for company vehicles. Therefore, we proactively develop environmental measures and implement related policies to enhance resource management and minimize the environmental impact of our business operations.

Energy Efficiency

The major sources of energy consumed by the Group are purchased electricity consumed in daily operations and petrol consumed for vehicles, as well as petrol and diesel consumed by cafeteria stoves. The Group strives to further reduce energy consumption by adopting the following energy-saving measures:

- Install auxiliary electricity meters to monitor electricity consumption;
- Encourage staff to switch off unnecessary lighting, equipment personal computers and monitors during lunchtime, after office hours, while away or in meeting;
- Select energy-efficient equipment electrical appliances and lighting for use in production and office areas;
- Post energy-saving reminders near lights switches and electrical appliances; and
- Deploy LED lighting and natural light as much as possible in the offices.

The Group will continue to control the use of energy and improve energy efficiency through daily management and monitoring of energy consumption. The Group has set a target to gradually reduce the total energy consumption intensity for the next five years.

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During the Year, the Group's energy consumption performance is summarised as follows:

Types of energy	Unit	2023	2022
Direct energy consumption ³	MWh	212.30	142.84
• Petrol	MWh	196.20	125.55
• Diesel	MWh	16.10	17.29
Indirect energy consumption			
• Purchased electricity	MWh	1,089.76	1,050.84
Total energy consumption	MWh	1,302.06	1,193.68
Total energy consumption Intensity	MWh/HK\$ million revenue	4.97	4.07

Water Consumption

The Group's water consumption mainly falls into two types, including the water used for manufacturing toys and gifts items in the factory and domestic water used in the offices and dormitory. To conserve water resources, the Group strives to achieve efficient water use and water recycling. In addition to closely monitoring the water use, the Group has implemented the following measures:

- Reuse water in the production processes after proper treatment;
- Inspect water pipes regularly to prevent water leakage;
- Promote water-saving behaviour to all staff;
- Conduct timely maintenance in case of water leakage to avoid wastage; and
- Install dual-flush water cistern in toilets.

The Group has set a target to gradually reduce the intensity of total water consumption for the next five years. In the future, the Group will continuously implement different measures to reduce water consumption.

During the Year, the Group's total water consumption was approximately 48,510 m³ (2022: approximately 47,583 m³) with an intensity of approximately 185.15 m³ per HK\$ million revenue (2022: approximately 162.40 m³).

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

³ The calculation method of energy consumption data is based on the "Energy Statistics Manual" published by the International Energy Agency.

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Use of Packaging Materials

The Group aims at operating its toy manufacturing business with maximum resource efficiency by minimising unnecessary waste of materials in the production process. Being a responsible OEM and ODM, the Group is committed to complying with the specifications of products stipulated in all contracts signed with its customers, including the nature and quality of the packaging materials for each of the designated products. In general, packaging materials, including cardbox and padding are used for packaging its products.

During the Year, the Group’s performance on the use of packaging materials is summarised as follows:

Types of packaging materials	Unit	2023	2022
Cardbox	Tonnes	44.00	45.00
Padding	Tonnes	21.00	20.00
Total use of packaging materials	Tonnes	65.00	65.00
Total use of packaging materials per unit produced	Tonnes/million unit produced ⁴	16.05	14.41

The Group has assigned a dedicated department to collect and maintain data on the consumption of the aforementioned resources on a monthly basis and compile monthly analysis reports for evaluation. If any significant fluctuations are identified, investigations will be initiated, and remedial measures will be taken.

A3: Environment and Natural Resources

While the nature of office operations has a limited impact on the environment and natural resources, the Group understands its responsibility to minimize its operational negative impact on the environment to the greatest extent possible in achieving sustainable development, thereby creating long-term value for stakeholders and the community. The Group strives to adopt industry best practices aimed at reducing natural resource consumption and implementing effective emission management to mitigate its activities’ environmental impact. The Group conducts regular assessments of environmental risks associated with its operations and takes preventive measures to mitigate these risks, ensuring compliance with relevant laws and regulations. Relevant measures taken by the Group have been mentioned in Aspects A1 and A2.

The Group has always advocated for “Green Environmental Protection,” promoting a culture of recycling, reusing, and reducing usage, aiming to prevent further harm to the environment and restore it to its natural state. To create and maintain a healthy work environment, the Group has started planting more trees and flowers around the office premises.

Furthermore, the Group has established the Emergency Preparedness Plan for the employees as a guideline to respond to potential incidents arising from its operations, including natural disasters, chemical spillage, explosions and more. Any adverse environmental impact would be minimised with effective follow-up actions. The Group also has the Environmental, Health and Safety Committee in place to formulate emergency response plans to minimise the likelihood of accidents and emergency situations. The Environmental, Health and Safety Committee is responsible for coordinating drills and preparing reports for the Group’s management to review. When emergencies occur, the emergency team will carry out appropriate emergency procedures. Root causes and any preventive actions are identified and accident reports are submitted to the management afterwards.

⁴ During the Year, the Group has produced a total of approximately 4.05 millions pieces (2022: approximately 4.51 millions pieces) of toys and gifts items.

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A4: Climate Change

The Group is aware that climate change is one of the most urgent challenges facing the world today. As a responsible enterprise, the Group is committed to assisting in addressing this global challenge. The Group strives to strengthen its resilience to climate change by identifying climate risks and formulating relevant strategies to mitigate and adapt to the impacts of climate change on its operations. To more effectively manage climate-related risks and opportunities, the Group has incorporated climate-related issues into its enterprise risk management framework. Additionally, the Group has adopted the recommendations of the TCFD and conducted climate risk assessments to identify climate-related risks and opportunities closely related to its operations.

Physical Risks

Increasingly frequent and severe extreme weather events such as typhoons, floods, and heatwaves may lead to employee injuries during work or commuting, damage to building structures, increased risk of power shortages, and hindrance to the Group's operations and business activities. To better manage these physical risks, the Group has developed a business continuity plan and regularly reviews and updates the plan to ensure that it can maintain normal operations and fulfill core business functions in any major event.

Transition Risks

The trend towards a low-carbon economy also poses risks to the Group's business. The Group anticipates more aggressive climate policies, laws, and regulations to support carbon reduction goals. Stricter environmental laws and regulations may expose businesses to higher claims and litigation risks. Corporate reputations may also be affected by failure to meet compliance requirements related to climate change. As a listed company on the Stock Exchange, the Group must enhance disclosure of climate-related information and regularly monitor existing and emerging trends, policies, and regulations related to climate change, reminding senior management when necessary to avoid reputation risks resulting from delayed responses.

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EMPLOYMENT AND LABOUR PRACTICE

B1: Employment

The Group believes that employees are fundamental to the enterprise and strives to create a safe and healthy working environment to attract talent. The Group is also committed to safeguarding the rights of employees. The Group has established corresponding rules and procedures in recruitment, promotion, compensation, benefits, leave, and termination to protect the rights of employees. The Directors confirm that the Group continually reviews and improves its policies to ensure that the rights of employees are upheld. In the recruitment and promotion process, the Group follows the principle of "Hiring based on merit" and considers the performance, work experience, and capabilities of applicants or employees. The Group advocates for a diverse and equal work culture, ensuring that applicants and employees are not discriminated against based on gender, age, race, family status, or physical disabilities. The Group strictly prohibits any form of unfair or unreasonable dismissal and sets out conditions for terminating employees. The Group determines employee compensation based on job performance and market salary standards. The Group also provides employee benefits such as overtime pay and holiday work allowances (where applicable). Employees are entitled to statutory holidays, annual leave, sick leave, and maternity leave. Unpaid leave, paternity leave, marriage leave, and personal leave may be provided based on individual circumstances.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations concerning compensation and dismissal, recruitment and promotion, working hours, rest days, equal opportunities, diversity, anti-discrimination, other benefits and welfare, including but not limited to the Employment Ordinance (僱傭條例), the Sex Discrimination Ordinance (性別歧視條例) and the Minimum Wage Ordinance (最低工資條例) of Hong Kong, the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法).

As of 31 December 2023, the Group had a total of 342 employees (2022: 335 employees) within the reporting scope of this Report. The breakdown of employees of the Group according to gender, age group, employment type and geographical region is as follows:

Employee breakdown	2023	2022
By Gender		
Male	73	68
Female	269	267
By Age Group		
Under 30 years old	61	91
30 to 50 years old	201	168
Above 50 years old	80	76
By Employment Type		
Full-time	342	335
Part-time	–	–
By Geographical Region		
The PRC	314	308
Hong Kong	28	27

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During the Year, the Group's overall employee turnover rate⁵ was approximately 97.66% (2022: approximately 33.13%) within the reporting scope of this Report. The following table shows the employee turnover rate by gender, age group and geographical region:

Employee turnover rate ⁶	2023 Turnover rate (%)	2022 Turnover rate (%)
By Gender		
Male	90.41	32.35
Female	99.63	33.33
By Age Group		
Under 30 years old	101.64	15.38
30 to 50 years old	102.99	32.74
Above 50 years old	81.25	55.26
By Geographical Region		
The PRC	106.37	35.06
Hong Kong	-	11.11

General Employment Policy

The Group has established human resources management policies that outline the employee recruitment process and human resources recruitment procedures. The policy upholds values of equal opportunity, diversity, and non-discrimination throughout the recruitment process.

Compensation is an important means of attracting, retaining, and motivating talent to achieve the key goals of the Group. We provide competitive compensation to employees based on their performance, experience, and relevant skills to recognize their valuable contributions to the Group.

The Group is committed to creating competitive benefits systems for employees. Employees are entitled to health benefits, employee discounts, holiday benefits, and other allowances. The Group promotes a balance between work and life for employees, and therefore, we organize a wide range of leisure activities for employees, such as holiday gatherings and annual dinners, to promote a healthy work style and enhance employee sense of belonging. Additionally, the Group provides competitive compensation packages for employees, the details of which are outlined in the Employee Manual and reviewed annually to ensure compliance with the latest laws and regulations and alignment with industry standards.

The Group also signs labor contracts with all Chinese employees in accordance with the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法). The Group pays "five social insurance and one housing fund" for its employees in mainland China in accordance with the law, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees enjoy social insurance benefits.

⁵. The turnover rate is calculated by dividing the number of departed employees by the number of employees as at the end of the year.

⁶. The turnover rate is calculated by dividing the number of departed employees in the specified category during the year by the number of employees in the specified category as at the end of the year.

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The Group is an equal opportunity employer committed to creating a diverse and inclusive workplace where all our employees are treated with dignity and respect. The principle of equal opportunity applies to all employment policies, especially in employee recruitment, training, career development, and promotion. The Group promotes fair competition and prohibits any discrimination or harassment based on employee gender, age, marital status, religious beliefs, race, nationality, disability, or any other protected status under the law. The Group hires, appoints, promotes, and compensates employees based on objective criteria such as qualifications, experience, skills, abilities, and contributions.

The Group provides fair promotion opportunities to promote continuous learning and improvement in job performance for employees. We conduct regular performance evaluations of employees' abilities, behaviors, and development potential to classify and adjust job positions. We are committed to helping employees demonstrate their abilities to align with their career aspirations and the Group's business goals. Additionally, to reward their contributions, we have developed several incentive programs to promote and encourage employees to achieve business goals, thereby increasing their job satisfaction.

B2: Health and Safety

The Group endeavours to provide and maintain a safe and healthy working environment for all its employees. The Group has established the Environmental, Health and Safety Management Procedure and the Employee Health and Working Environment Management Procedure in compliance with the latest statutory requirements to strengthen its management and to ensure a safe and healthy working environment for its employees.

To ensure the equipments and facilities in the factory are kept in good condition and to control risk and prevent incidents from happening, the Group has established the Personal Protective Equipment Management Procedure. The Group inspects production equipments, manufacturing facilities, and fire facilities (including fire extinguishers and fire hose, etc.) according to the procedure on a regular basis. Regular inspection and maintenance records are properly kept and immediate repair is arranged for reported abnormalities. In particular, the Group pays attention to fire safety in its factory and has established the Fire Management Procedure in this area. Fire drills are also organised regularly so as to raise employees' awareness of fire safety. Furthermore, other potential emergency measures such as the Emergency Preparedness Plan and the Unexpected Event Handling Procedure are established to minimise structural damage and severe employee injuries during accidents.

For the health and safety management of the offices, the Group has adopted a preventive approach to prevent the occurrence of illness and injury. For example, working arrangement during extreme weather has been clearly specified by the Group to avoid any confusion which might lead to safety issue.

During the Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance (職業安全及健康條例), the Employees' Compensation Ordinance (香港僱員補償條例) of Hong Kong, the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Law of the People's Republic of China on Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法). In the past three years (including the Year), the Group did not record any material safety incidents and work-related fatalities or injuries, as well as no lost working day was recorded and no claims or compensation was paid to its employees due to such incidents.

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B3: Development and Training

The Group aims at creating a learning environment and ensure that all employees have growth opportunities. The Group continues to promote a culture of learning and sharing by providing high-quality and comprehensive training through various channels, including face-to-face training, departmental sharing, as well as internal and external training sessions.

Therefore, the Group has implemented the Employee Training Management Procedure and the Human Resource (“HR”) Management System specifically addressing the Group’s responsibility to encourage sustainable learning of its employees through coaching and further studies in order to align the staff career development with the Group’s long-term corporate business plan. The Group’s HR Department is responsible for carrying out related employee assessment and training.

During the Year, approximately 97.08% (2022: approximately 90.15%) of employees of the Group participated in training⁷. The average training hours⁸ was approximately 7.77 hours (2022: approximately 7.21 hours) per employee. A summary of the Group’s training data is presented as follow:

Employee training	Percentage of employees trained ^{9, 10} (%)		Average training hours per employee ¹¹	
	2023	2022	2023	2022
By Gender				
Male	90.41	89.71	7.23	7.18
Female	98.88	90.26	7.91	7.22
By Employee Category				
Senior management	66.67	66.67	2.67	5.33
Middle management	63.64	63.64	5.09	5.09
General staff	99.37	91.99	7.95	7.36

⁷. Percentage of total trained employees is calculated by dividing the number of trained employees during the Year by the number of employees as at the end of the year.

⁸. The average training hours per employee is calculated by dividing the total training hours by the number of employees as at the end of the year.

⁹. Percentage of trained employees is calculated by dividing the number of trained employees in the specified category during the Year by the total number of trained employees in the specified category as at the end of the year.

¹⁰. Is calculated by dividing the number of trained employees in the specified category during the Year by the total number of trained employees during the year.

¹¹. The average training hours per employee is calculated by dividing the training hours of the employees in the specified category during the year by the number of employees in the specified category as at the end of the year.

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B4: Labour Standards

The Group has implemented the Underage Labour Management Procedure to ensure that all employees recruited by the Group are above the legal working age of respective jurisdictions.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong (香港僱員條例), the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法).

Child and Forced Labour

The Group firmly opposes the employment of any child labor and forced labor, and strictly complies with local labor laws and employment regulations concerning employee recruitment. The Group's policies explicitly specify the minimum hiring age, and all personal information of job applicants will be verified. Should there be any suspected infringement regarding child labor, the Group will investigate and, if necessary, dismiss the relevant personnel. The Group highly promotes a culture of self-fulfillment, where work should be conducted voluntarily and should not involve coercion. In the event of any suspected infringement related to forced labor, the Group may investigate and discipline the employees responsible for the incident.

Labour Practice

To implement good labor standards practices, the Group has formulated the Employee Manual to ensure that every employee has the right to equal and fair treatment. The Group will review this manual annually to ensure its compliance with applicable laws and regulations.

The Group maintains an open, fair, and equal environment for all employees. Employment policies regarding wages, remuneration, working hours, overtime, performance evaluations, recruitment, reimbursement, and statutory holidays are listed in the Employee Manual. The implementation of equal opportunity and anti-discrimination policies ensures that no one is discriminated against based on gender, age, disability, or race. Additionally, we have a whistleblowing policy that allows anyone, including employees, to express any grievances and report unethical or illegal behavior to the Group. This will be disclosed in detail under Aspect B7 "Anti-corruption."

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OPERATIONAL PRACTICE

B5: Supply Chain Management

The Group understands the importance of maintaining good relationships with suppliers to achieve its short-term and long-term business objectives. The Group's procurement policy outlines the processes and procedures for supplier selection, product planning, ordering, receiving, and payment. The Executive Directors are fully responsible for the overall supervision and management of the policy, while the Procurement Director ensures its adherence. All related suppliers must comply with practices associated with supplier engagement.

Environmental and Social Risk Management in Supply Chain

In the process of selecting and evaluating suppliers, the Group incorporates environmental and social performance into the assessment criteria to identify environmental and social risks within the supply chain. When selecting suppliers, the Group follows established policies to ensure that nominated suppliers meet the Group's various requirements, including service provision capabilities, market reputation, and compliance with laws regarding occupational health and safety, environmental impact reduction, anti-discrimination codes concerning sexual orientation and gender, and codes preventing harassment and abuse of authority. The Group regularly reviews the policies and procedures related to supplier engagement and selection to ensure their effectiveness.

Additionally, we evaluate whether suppliers consider environmental and social standards, including whether the products and services provided contribute to environmental protection and comply with the Group's internal environmental regulations while minimizing negative impacts on the natural environment, and whether they strictly adhere to legal requirements.

The majority of the Group's suppliers are local suppliers to reduce its carbon footprint. During the Year, the Group engaged 220 (2022: 237) suppliers, 3 of which were geographically located in Hong Kong while 217 of which were located in the PRC.

B6: Product Responsibility

The Group is acutely aware of the importance of product quality and corporate reputation and is committed to continuous improvement of its products and services. The Group maintains communication with customers to ensure understanding and fulfillment of their needs and expectations. The Group has formulated the Management Manual to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements.

During the Year, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance (個人資料(私隱)條例) of Hong Kong, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), the Product Quality Law of the People's Republic of China (中華人民共和國產品質量法), the Patent Law of the People's Republic of China (中華人民共和國專利法) and the Advertising Law of the People's Republic of China (中華人民共和國廣告法).

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Product Quality Assurance

The Group is committed to providing quality services to its customers. The production process of its factory is certified with ISO 9001 Quality Management System and the Global Standard for Consumer Products of Société Générale de Surveillance (“**SGS**”). Meanwhile, it applies stringent quality controls in its production lines by adopting the Environment for Production Process Management Procedure, the China Compulsory Certificate (“**3C**”) Conformity of Certified Products Control Procedure, the Non-conformance Control Procedure and the Quality Assurance & Safety Control Process. Its Quality Assurance and Quality Control Department manages and ensures quality inspections are being conducted at all stages of its production process from incoming materials to finished goods. Besides, quality tests are carried out for its products before shipping to its warehouse.

Furthermore, the Group has formulated the Product Recall & Withdrawing Management Procedure to manage any potential recall procedures and define the roles of related personnel and departments during the recall procedure. During the Year, the Group had achieved zero product recall for safety and health reasons.

Data Privacy

The Group has its own data privacy policy to protect customer privacy. The Group has formulated a policy, that outlines how the Group maintains and uses such data to safeguard the privacy of personal data it holds. All confidential data related to the Group’s business and customer information are securely protected and for internal use only. Disclosure of confidential information to third parties is strictly prohibited. The Group will regularly review the relevant policies and procedures to ensure their effectiveness.

B7: Anti-corruption

To ensure operational efficiency and that employees develop in a fair and honest working environment the Group has formulated the Integrity/Gifts and Hospitality Policy in accordance with relevant laws and regulations to outline the standard of behaviours on anti-corruption and handling of conflict of interest that employees must abide by. The Group strictly prohibits its employees from accepting any forms of gifts and benefits beyond what has been prescribed.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance (防止賄賂條例) of Hong Kong, the Anti-Unfair Competition Law of the People’s Republic of China (中華人民共和國反不正當競爭法) and the Criminal Law of the People’s Republic of China (中華人民共和國刑法). During the Year, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

The Group provided anti-corruption training to help the Directors and staff to adhere to the anti-corruption policies and prevent misconduct. During the Year, 289 employees underwent an approximately 4-hour training on the topic of business ethics and business integrity to improve their anti-corruption awareness.

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Whistleblowers can report any suspected misconduct orally or in writing to the Audit Committee of the Company, providing evidence. The Audit Committee of the Company will investigate any suspicious or illegal activities to protect the interests of the Group. The Group has established an effective grievance mechanism to prevent whistleblowers from facing unfair dismissal or harm. If any criminal activity is detected, the Group will immediately report it to the relevant regulatory or law enforcement authorities when deemed necessary by the Group's management. The Group's management is responsible for overseeing and monitoring the implementation of anti-bribery, extortion, fraud, and money laundering prevention, as well as the whistleblowing procedures.

The Group regularly reviews the relevant policies and procedures for anti-corruption and whistleblowing to ensure their effectiveness.

COMMUNITY

B8: Community Investment

The Group has always been committed to giving back to the communities where it operates. The Group believes that fulfilling corporate responsibility helps create a positive cycle, allowing the Group to contribute to establishing and developing a sustainable environment, benefiting the public greatly. The Group hopes that in the future, everyone will be able to enjoy a good life and live in harmony with nature. The Group continuously seeks opportunities to benefit the entire community in terms of employment opportunities, environmental awareness, and social responsibility. Moving forward, the Group will continue to focus on community care and employee development, aiming to improve society by participating in community activities.

During the Year, the Group has donated approximately HK\$450,000 to the Xu A Qiong Foundation Committee in Putian City as a way to contribute to the community. The Group seeks to collaborate with various public welfare and charitable organizations, consistently addressing societal challenges and needs, with the aim of promoting social harmony.

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THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section
Governance Structure	The ESG Governance Structure
Reporting Principles	Reporting Principles
Reporting Scope	Reporting Scope

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES, AND KPIS

A. Environmental

Aspects	General Disclosure/KPIs	Index/Reference
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions Pages 6 to 9
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	

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Aspects	General Disclosure/KPIs	Index/Reference
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources can be used for production, storage, transportation, building, electronic devices, etc.	Use of Resources Pages 9 to 11
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on reducing the material impact from the issuer on the environment and natural resources.	Environment and Natural Resources Page 11
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
KPI Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Page 12
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

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B. Society

Employment and Labour Practice

Aspects	General Disclosures/KPIs	Index/Reference
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Pages 13 to 15
KPI B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety Page 15
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	

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Aspects	General Disclosures/KPIs	Index/Reference
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training, which may include internal and external courses paid for by the employer.	Development and Training Page 16
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to preventing child and forced labour.	Labour Standards Page 17
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

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Labour Practice

Aspects	General Disclosures/KPIs	Index/Reference
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management Page 18
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility Pages 18 to 19
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

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Aspects	General Disclosures/KPIs	Index/Reference
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Pages 19 to 20
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	

Community

Aspects	General Disclosures/KPIs	Index/Reference
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment Page 20
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	