

*Environmental, Social
and Governance Report* **2021**



登輝控股有限公司
Town Ray Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1692

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Town Ray Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**we**” or “**our**”) are pleased to present the annual Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) of the Group for the financial year 2021 in accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“**HKEX**”) (“**Main Board Listing Rules**”) and the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) as set out in the Appendix 27 to the Main Board Listing Rules.

1.1 Scope of Reporting

The management and staff of the Group’s respective major functions have participated in the preparation of this ESG Report to assist the Group in identifying relevant and material ESG issues. With reference to the ESG Reporting Guide, the Group’s business operation and the material ESG issues identified, the scope of the ESG Report covers the environmental and social performances within the major operational boundaries of the Group which includes the production operation at Huizhou of the People’s Republic of China (the “**PRC**”), spanning over the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**” or “**FY2021**”).

The presentation of this ESG Report divides the relevant aspects and key performance indicators (“**KPIs**”), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and contributing to the well-being of the community. The Group welcomes and values each of your feedback.

1.2 Reporting Principles

- **Materiality** — Materiality assessment was conducted to diagnose material issues during the Reporting Period. Materiality of issues was reviewed by the board of directors (the “**Board**”) of the Company and senior management of the Group.
- **Quantitative** — The standards and methodologies used in the calculation of relevant data, as well as the assumptions used were disclosed in this ESG Report.
- **Consistency** — The preparation of this ESG Report was substantially consistent with the previous year. Explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.
- **Completeness** — Covered the relevant scope and information for material topics, for readers of this ESG report to have a good understanding of the Group’s sustainability performance during the Reporting Period.

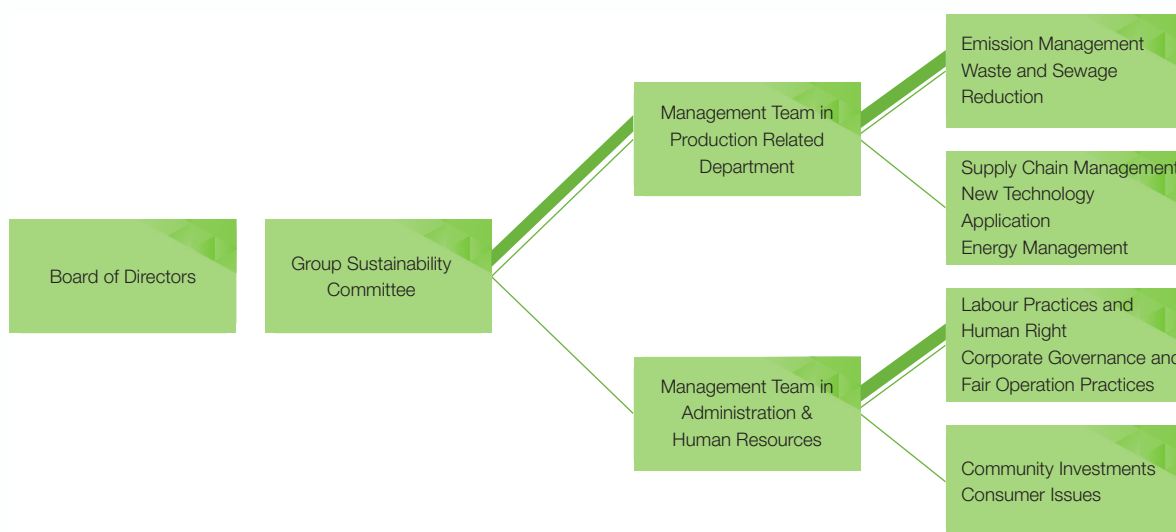
To ensure the quality of the content in this ESG Report, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability. The data has been obtained from reports generated from our internal systems and we have relied on internal data monitoring and verification to ensure its accuracy. The ESG data and information are reported in good faith and have not been verified by an independent third party.

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2. BOARD STATEMENT AND GOVERNANCE STRUCTURE

As one of the recognized electrothermic household appliances manufacturers in the industry, the Group values sustainable practices in its business operation. The Group believes that taking responsibility for the environment and society is the key to enhance the sustainability of the business and bring long-term value for both its shareholders and stakeholders.

The Board takes overall responsibilities for overseeing sustainability matters and their integration into the Group's strategies. The Board guides to form the Group Sustainability Committee. The Group Sustainability Committee manages and monitors sustainability performance and targets, and implements improvement processes. The operation management teams initiate, drive and monitor the sustainability practices in their respective departments. The Group's governance structure for its sustainability matters is as follows:



2021 was a year when the sustainability of many companies had been put to the test. The Company was recovering from the impacts of the COVID-19 pandemic. The Group moves towards reducing the impact of its operations on the environment through its environmentally friendly projects, including equipment upgrade and sewage management; conducting its business in an ethical and responsible manner; promoting the well-being of its employees; and making a difference to the communities it operates in.

3. STAKEHOLDERS ENGAGEMENT

The Group cherishes every feedback from key stakeholder groups, which comprise its customers, employees, shareholders, investors and the community (the “**Stakeholders**”), that is conducive to the continuous improvement of the Group and creates valued contribution to our business decisions that meets the Stakeholders’ needs and expectation. The Group provides a range of channels such as meetings, interviews, reporting, surveys, and feedback channel on intranet and/or corporate website to collect the views on ESG from the Stakeholders in order to review ESG-related goals and targets.

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4. MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. During the Reporting Period, the Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify ESG topics that are material and relevant to the Group's operation. This involved conducting interviews and/or surveys with internal and external stakeholders to identify the most significant environmental and social impacts on its business. To identify potential material topics for disclosure in the ESG Report, we took reference to the ESG Reporting Guide and set possible topics for assessment. According to the results of the materiality assessment, the items below demonstrated the ESG topics with high materiality to the Group, including:

- Employee welfare
- Inclusion and equal opportunities
- Talent attraction and retention
- Occupational health and safety
- Prevention of child and forced labour
- Supply chain management
- Labour standards in supply chain
- Economic value generation
- Protection of intellectual property rights
- Protection of customer privacy
- Corporate governance
- Anti-corruption
- Community investments

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5. ENVIRONMENTAL PROTECTION

5.1 Environmental Policy and Compliance

Climate change has been posing as a threat to over 7 billion people on the planet. The rising sea level, the melting glaciers and the gradual heating of earth's surface can cause devastating consequences for the environment and all species living in it. In an effort to combat global warming, the Group is committed to upholding a high environmental standard in its operation. In the future, the Group will continue to devote operating and financial resources to environmental compliance as required under applicable laws and regulations.

As a company that is principally engaged in the manufacture and sale of electrothermic household appliances, the Group is required to maintain various licenses, certificates and permits for the production facilities under the laws and regulations on environmental protection in the PRC.

The Group regularly follows the latest national and regional environmental protection laws and regulations, thereby focusing on minimizing the impact on the environment and implementing different measures to optimize workplace environment, continuing to address environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas (“GHG”) emission, as well as discharge of domestic waste and sewage and other pollutants.

During the Reporting Period, the Group strictly complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste, including “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》), “Law of the PRC on the Prevention and Control of Atmospheric Pollution” (《中華人民共和國大氣污染防治法》), and “Water Pollution Prevention and Control Law of the PRC” (《中華人民共和國水污染防治法》), etc.

The Group applied for the National Pollutant Discharge License in 2019 and successfully obtained the license on 18 September 2020.

5.2 Emission

5.2.1 Air Pollution

While air pollutants are inevitably produced during the manufacturing processes of the Group's operation, the Group works to ensure they are properly treated in ways that are friendly to the environment and human health before discharging into the air.

In the manufacturing operation, air treatment facilities are installed by the Group to filter air emissions leaving the plants. In order to meet the local government's emission standards of air pollutants, the Group has formulated the pollutant management system and conduct regular assessments to monitor and review the quantities of air pollutants. Equipments and measures were set up by the Group to manage exhaust gas emission, including:

- Use water spray and cyclone dust removal system as the dust control system;
- Adopt lye desulfurization method and use bag filter to cleanse the exhaust gas (including dust, SO₂ and NO_x) from curing furnace;

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- Use water spray and install organic filters (activated carbon) to control and process the volatile organic compounds (VOCs) released from the paints and organic solvents during the manufacturing operation; and
- Adopt activated carbon absorption method to process non-methane total hydrocarbon discharged from welding process and the injection workshop.

In the Group pollutant management system, VOCs process governance is one of its main eco-project. The Group has consulted relevant government departments and environmental experts to formulate the mitigation plans for the next few years, including:

- Low-concentration VOCs instead of High-concentration VOCs in several specific processes;
- Improve waste gas collection measures for VOCs process; and
- Refer to the practice of peers and discuss governance options with suppliers.

The Group also uses vehicles as a means of transportation in the business. The Group has implemented the following policies in order to mitigate the impact of air pollutants discharged from vehicles:

- Inspect and maintain vehicles regularly; and
- Require internal and external vehicles to switch off idling engines.

The emission data from the vehicles used by the Group during the Reporting Period are set out as follows:

Types of air pollutants (Note 1)	Unit	FY2021 (Note 2)
Nitrogen oxides (NO _x)	Kg	108.17
Sulphur dioxide (SO ₂)	Kg	0.16
Particulate Matter (PM)	Kg	10.36

Notes:

1. The Group has not disclosed annual quantities of air pollutant emissions directly emitted during the manufacturing processes. According to the current regulation in the PRC, production facilities are only required to measure air pollutant emission concentrations and rates once a year, but not total volumes emitted in the year. An annual total of air pollutant emissions could only be estimated and might deviate significantly from actual emissions. Such figures would not facilitate an understanding of the environmental performance of the Group.
2. The air pollutant emissions reported were primarily contributed by the use of vehicles.

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5.2.2 Greenhouse Gas Emissions

Due to the business nature of the Group, the Group generates exhaust gas during its operation. In daily operation and office administration, GHG emissions are generated indirectly through energy consumption. As a manufacturer, electricity serves as an important source of energy for the plant and machinery. To properly manage GHG emissions, the Group actively adopts energy saving and electricity conservation measures as well as other measures, including:

- Use pellet fuels, which is considered as a renewable fuel, in some of the manufacturing processes;
- Encourage employees to switch off IT devices, such as computers and monitors when not in use;
- Maintain indoor temperature at an optimal level for comfort; and
- Check and clean electrical appliances, such as refrigerator, air conditioning, ventilation and paper shredder regularly to ensure they are maintained at an efficient operating state.

The emission data of GHG during the Reporting Period are set out as follows:

Scope of GHG Emissions		FY2021 Emission <i>(in tCO₂e)</i>
Scope 1 ¹	Direct emissions	100
Scope 2 ²	Indirect emissions	10,875
Scope 3 ³	Other indirect emissions	74
Total		11,049
Intensity (per employee)		13.62 (tCO₂e/employee)

1. Scope 1: Direct emissions from sources that are owned or controlled by the Group.
2. Scope 2: Indirect emissions from the purchased electricity consumed by the Group.
3. Scope 3: Includes all other indirect emissions that occurred in the Group's value chain.

Notes:

- Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by HKEX, unless stated otherwise.
- The emission factor, the unit electricity consumption of fresh water, is based on "Energy for Conventional Water Supply and Wastewater Treatment in Urban China: A Review" published in 2017.

The Group's objective is to achieve a 15% reduction of emission per production unit by 2025 from the base year of 2020 (scope 1, 2 & 3). Accordingly, a Group Sustainability Committee has been established aiming to manage and monitor the upgrade of production facilities.

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5.2.3 Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all wastes generated during its operation.

Hazardous Wastes

The Group's business, by nature, generates hazardous wastes throughout the production process. With reference to the List of National Hazardous Waste announced by Ministry of Ecology and Environment of the People's Republic of China, the identified hazardous wastes include used activated carbon, waste light tubes, screen washing wastewater, surface treatment waste, alkali cleaning wastewater, oily wastewater, ink scum, waste oil drums and discarded bakelite. During the Reporting Period, approximately 41 tonnes of hazardous wastes was generated by the Group and the intensity is 0.05 tonnes/employee during the year.

The Group has implemented a stringent policy to control the disposal of hazardous wastes. All of them are further processed by licensed environmental service providers in the PRC.

The Group has purchased non-hazardous water-based paints for anticorrosion coatings and looking for specific methods for the classification of rubbish with an aim to improve the utilization of resources and reduce the total amount of hazardous wastes.

The Group's objective is to achieve a 15% reduction of hazardous wastes per production unit by 2025 from the base year of 2020.

Non-hazardous Wastes

In the Group's operation, the non-hazardous wastes generated are corrugated fiberboard and plastic bag. The waste management practice of the Group is compliant with the laws and regulations relating to environmental protection in the PRC. During the Reporting Period, approximately 64 tonnes of non-hazardous wastes was generated by the Group and the intensity is 0.08 tonnes/employee during the year.

With respect to wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment. Wastewater from the canteen is processed through grease trap and sedimentation before discharging into the urban sewage pipe network.

The Group strives to maintain a high standard of requirement on waste reduction, which includes actively encouraging its employees to appreciate the significance of sustainable development through continuous training.

The Group is committed to promoting a paperless office environment by constantly encouraging all employees to "think before print" and to reduce paper usage through duplex printing, paper recycling and frequent use of electronic information systems for material sharing or internal administrative documents.

The Group's objective is to achieve a 15% reduction of non-hazardous wastes per production unit by 2025 from the base year of 2020.

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5.3 Use of Resources

The Group considers the conservation of natural resources as an indispensable component of its sustainable business. Through actively promoting various environmentally friendly measures, the Group encourages an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout its daily operation as elaborated in **Section 5.2.2 Greenhouse Gas Emissions** and **Section 5.2.3 Waste Management**.

5.3.1 Water Consumption

With respect to water conservation, the Group encourages all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employees of the importance and urgency of water conservation.

Water is an important resource used by the Group during its operations and the Group actively seeks ways to minimise water consumption and endeavours to conserve water effectively in its operations.

In the production process, water curtain cabins are employed by the Group so that wastewater can be recycled for the purpose of controlling air pollution in the spraying procedure.

We acknowledge the importance of protecting valuable water resources. As such, we promote the concept of water saving. Water tap is frequently inspected to prevent dripping. Employees are encouraged to turn off the water taps when they are not in use. Besides, in case of leaking faucet or pipe, we will promptly report to relevant authority in order to reduce unnecessary water consumption.

During the Reporting Period, the total water consumption of the Group was approximately 146,860 m³ and the intensity is 181.09 m³/employee. There is no issue in sourcing water, and the Group's objective is to achieve a 15% reduction of water consumption per production unit by 2025 from the base year of 2020.

5.3.2 Packaging Material

Due to the nature of production, products' packaging materials mainly include EPS foam, kraft paper, corrugated fiberboard, paper and plastic bags. During the Reporting Period, approximately 1,762 tonnes of packaging materials were used by the Group.

5.3.3 Energy Consumption

The direct and indirect energy consumption by type during the Reporting Period are set out as follows:

Energy and Resources Use	Total Energy Consumed FY2021 <i>(in kWh)</i>	Intensity FY2021 <i>(in kWh/employee)</i>
	Purchased Electricity	13,522,720
Pellet Fuel	403,333	497
Petrol	102,976	127

Note: Conversion factors reference to the Energy Statistics Manual issued by the International Energy Agency, unless stated otherwise.

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The Group is committed to instilling the awareness of resources conservation and environmental protection into the work and life of every employee. The Group seeks business partners who also share the philosophy and commitment to environmental conservation and compliance with the applicable environmental laws and regulations. The Group believes that these initiatives are capable of reflecting its commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

With the aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of our business development and operation and implements different energy saving measures. Regarding energy consumption, the use of electricity accounts for the Group's major energy consumption. In view of the scarcity of energy, the Group has advocated various energy conservation strategies to increase energy efficiency and reduce energy consumption. The major strategies include the followings:

- The temperature of air conditioners is maintained at an energy-efficient level at around 25 Degree Celsius
- Arranging regular check and cleaning of air conditioners
- A standby mode is set for computers when they are not in use for a long period of time
- All lighting and power supply in the area are switched off while leaving
- Preferring the purchase of high energy efficiency appliances and lighting
- Energy saving reminder notices are posted near the switches and sockets to encourage our employees to increase their environmental awareness
- Installing solar photovoltaic system
- Upgrading the facilities for energy efficiency and conservation

The Group's objective is to achieve a 15% reduction of energy consumption per production unit by 2025 from the base year of 2020.

5.4 The Environment and Natural Resources

The Group is highly aware of the adverse impact of the Group's operations on the environment and natural resources. The air pollutants, greenhouse gas and hazardous wastes generated from the business can be destructive to the ecosystem. Therefore, the Group is committed to integrate the concept of environmental protection into its production management and daily operation.

Through the measures elaborated in **Section 5.2 Emission** and **Section 5.3 Use of Resources**, the Group endeavors to minimize the negative environmental footprint and the potential environmental impacts of its operation.

In the future, the Group will continue its commitment in environmental protection and strive to build a greener and healthier environment to fulfil the responsibilities as a member of the community we all live in.

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5.5 Climate Change

Climate change can significantly affect our business operations if the climate-related risks are not appropriately assessed. According to the Task Force on Climate-related Financial Disclosure (the “TCFD”), climate-related risks are divided into two major categories: transition risks and physical risks.

In line with the mega-trend, there is a global transition to a lower-carbon economy which refers to transition risks. Policies, technologies and market changes in mitigating and adapting a low-carbon economy may lead to changes to the Group. The Group Sustainability Committee is proactively looking for new technologies and equipments to respond to low-carbon economy . There is no significant impact on operations at the present stage.

Physical risks can be caused acutely (event driven) or chronically (long-term shift) in climate patterns. Due to the nature of the core business, climate change has a limited impact on the daily operations of the Group so there is no significant impact at the present stage.

6. EMPLOYMENT AND LABOUR PRACTICES

6.1 Employment Policy

The Group fully understands that the business development is largely driven by the continued quality services delivered by experienced and competent workforce. It is therefore of paramount importance to proactively manage the talent pipeline and career development for the employees of the Group. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with the employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

In the recruitment process, the appointment of employees at all levels of the Group was based on academic qualifications, integrity, abilities, experience and physical fitness required for the position. Recruitment was conducted mainly through job posting. Candidates are vetted by human resources department and reviewed by the heads of the hiring department. All appointments are submitted to general manager for approval to ensure the decisions are fair and reasonable.

The Group encourages differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to the operations; but discourages all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. The Group is committed to supporting the employees to maintain a family-friendly work environment and strives to make sure employees and business partners comply with the laws and regulations, follow ethical business practices and respect equal opportunity in employment.

During the Reporting Period, the Group continues to strictly observe the applicable laws and regulations and follow the employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

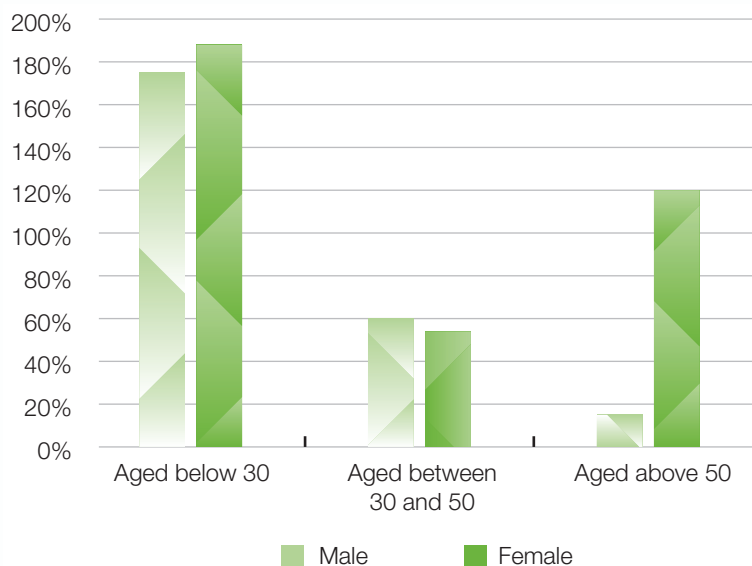
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The Group had a total number of 811 employees in the PRC as at 31 December 2021. All the employee data is from one core operation unit, so there is no breakdown based on geographical regions. The employee compositions by gender, age group, and employment category were as follows:

Employee Structure		Number of employees in the PRC as at 31 December 2021	Number of employees in the PRC as at 1 January 2021
Total Number of Employees		811	740
By Gender	Male	335	303
	Female	476	437
By Age Group	Aged below 30	136	100
	Aged 30–50	619	582
	Aged over 50	56	58
By Employment Category	Senior Management	81	73
	Middle Management	243	208
	General Staff	487	459

Turnover

The Group was expanding its business and the overall employee turnover rate was 72% in the Reporting Period. For staff retention, the Group regularly reviews staff benefits and has increased leave entitlement for existing employees during the Reporting Period. The employee turnover rates by gender and age group during the Reporting Period were as follows:



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6.2 Employment and Labour

The Group's employees are located in Hong Kong and the PRC. The Group safeguards the rights of the employees by complying with the Labour Law in Hong Kong and the PRC in all material aspects, and employment regulations related to anti-child labour and anti-force labour. In 2021, the Group continued to participate in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC. The Hong Kong office provides medical insurance, disability and invalidity coverage, maternity leave, Mandatory Provident Fund (MPF) Scheme, incentive and bonus to all the applicable full-time employees.

6.3 Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for the employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety are of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policies to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. The Group has taken the following measures:

- Maintaining air ventilation system in the workplace regularly;
- Arranging dust prevention measures to protect the well-being of the workers;
- Regularly participating in occupational health and safety related seminars;
- Prohibiting smoking and abuse of alcohol and drugs in the workplace;
- Providing clean and tidy rest area such as corridors and pantry;
- Providing adjustable chairs and monitors for eye protection;
- Setting up posters or warning labels at near areas of potential hazards in the office;
- Conducting fire drills and emergency evacuation simulations to raise employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- Providing first aid kits and fire extinguishers in the workplace in response to emergencies.

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Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with the corporate policies in relation to health and safety matters upon joining our Group.

Occupational Health and Safety Data:	FY2021	FY2020
Work injury cases ≤ 3 days	5	5
Work injury cases > 3 days	2	3
Lost days due to work injury	30	33

During the Reporting Period, the number of workplace accidents was seven. These accidents were investigated and reported to the relevant authorities and measures have been put in place to prevent the recurrence of the same. During the past three years, the Group did not record any work-related fatality of employees.

6.4 Development and Training

The Group sees each position of the Group to be of unique professional and technical needs. Thus, a comprehensive training scheme of the Group is in place to provide support and coaching to the employees.

For every new joiner, the Group provides proper orientation training and mentoring in order to help them adapt to the new working environment quickly. Mentoring and guidance in relation to the operating procedures and technical production requirements are provided by senior staff or supervisor in each production unit.

The Group acknowledges the importance of continuous training and development of employees and encourages on-the-job training in each production unit. At the end of each year, all production units are required to draw up a training plan for the next year based on the specific need and nature of the production procedures in the unit. Based on the nature and need of job duties, employees of certain positions will receive professional training from external institutes so that they can master the knowledge and skills required in the position. The Group also provides training subsidy to employees attending approved training courses related to the job.

A total of 1,304 training hours were conducted in the Reporting Period, and training hours (categorized by gender and employee category) are shown below:

Occupational Training Data	FY2021	
Training Hours of Employees by Gender	Male	495
	Female	809
Training Hours of Employees by Employee Category	Senior Management	83
	Middle Management	383
	General Staff	838
Average Training Hours of Employees by Gender	Male	3.2
	Female	3.5
Average Training Hours of Employees by Employee Category	Senior Management	1.9
	Middle Management	3.4
	General Staff	3.7
The Percentage of Employees Trained by Gender	Male	46%
	Female	48%
The Percentage of Employees Trained by Employee Category	Senior Management	54%
	Middle Management	46%
	General Staff	47%

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6.5 Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. If use of child labour or forced labour is discovered, the Group will terminate the employment contract and investigate if further action is needed. New employees are required to provide true and accurate personal data when they join the Group. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group consciously selects suppliers and contractors in order to avoid the employment of any child labour or forced labour in the supply chain.

During the Reporting Period, no material non-compliance with the relevant laws and regulations, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law of the PRC, the prevention of child labour or forced labour have been found by the Group.

7. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into its core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures have been developed in alignment with the Corporate Governance requirements required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in pursuit of sustainable development.

7.1 Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. The supply chain management team does not only consider economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

Suppliers are evaluated according to not only conformance to all applicable statutory and regulatory requirements, but also on their social responsibility and related environmental requirements. For example, we require suppliers to fill out a social responsibility declaration form and we also require suppliers to declare their materials fulfill the requirement of Restriction of Hazardous Substances (RoHS), if applicable. If a supplier is deemed to be in non-performance of its social and environmental obligations, it will be asked to rectify the failure as soon as is practical. If non-conformance continues, the supplier will be removed from the supply chain.

The Group believes in sourcing from local suppliers where possible and where procurement from overseas suppliers is required, it will be based on the suppliers' availability and capability. During the Reporting Period, 299, 28 and 8 of suppliers sourced in China, Hong Kong and other countries, respectively.

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7.2 Product Responsibility

The Group places a high priority on product and service excellence for its customers. To fulfill product responsibility, the Group actively communicates with the suppliers, employees and customers and prevents any product defects through quality assurance and control measures such as safety test, usability and performance tests, reliability tests, etc. In order to mitigate the customers' exposure of product risk, product liability insurance is maintained by the Group as well. Further, the warning or caution is legible and placed in a conspicuous position on the product and the package of the goods. The Group strictly complies with the laws and regulations relating to health and safety, advertising, labelling and privacy matters of products and services provided and methods of redress.

The Group had formulated customer complaint follow-up process as follow:



The Group conducts a customer satisfaction survey once a year, and takes corrective and preventive correspondence based on the survey results to meet customers' requirements and expectations. During the Reporting Period, there were no material recalls, significant complaints against the products, or any material amount of sales return for safety and health reasons.

7.3 Privacy Protection and Intellectual Property

The Group is committed to comply with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and local legislations, to ensure that all data are securely kept in the internal system with access control. The Group has separated the customer data from other ordinary information to protect customers' privacy. Meanwhile, only authorized personnel can access the personal data collected from the Group's customers. Through the internal training and confidential agreements with employees, the Group emphasizes confidentiality obligations and the legal consequences of the breaches of relevant rules.

While striving for excellent quality and high-tech quality, the Group complies with the requirements of Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the national intellectual property protection and application norms part in the 14th Five-Year Plan (「十四五」規劃), focusing on protecting original designs and legally obtaining copyrights. To improve productivity and market competitiveness, the Group has obtained relevant patents for its products and has used them in its operations, such as thermodynamics and coffee brewing systems.

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7.4 Anti-corruption

Insisting on the honesty, integrity and fairness in all aspects of the business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed the related laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the “Prevention of Bribery Ordinance of Hong Kong” (Chapter 201 of the Laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and there were no cases of anti-corruption.

Under the Group’s whistleblowing policy, employees may anonymously report any suspected or actual event of bribery and corruption to their supervisor or management of higher level, including to an appropriate Board committee or member, without the threat of dismissal or retaliation. The supervisors, managers and/or Board members who receive the reports shall promptly act to investigate the issue. The whistleblower shall receive a report within five business days of the initial report, regarding the investigation results.

To ensure full compliance with the Group’s anti-fraud and anti-bribery policies, the Group had conducted anti-corruption briefing and training sessions for its employees. 66 employees, including directors and staff, received training for anti-corruption in the Reporting Period. If employees have any concern in relation to accounting controls and audit matters, they may report to the Audit Committee as well. The Audit Committee will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Group did not received any complaint from employees.

8. COMMUNITY INVESTMENTS

Being a socially responsible company, the Group actively strives to contribute to a better society through active involvement in the community, by putting the best effort in helping the employees and local communities through company events and outdoor activities.

The Group recognizes the importance of contributing to the society through advocating employees to participate in volunteering activities. The Group believes engaging and taking care of employees’ well-being is also an important element to the success of its business. Employees are encouraged to participate in volunteer work and improve their well-being to unlock their full potential.

In 2021, our employees being one of the charity teams participated in the “Olympic Games for The Community Chest Charity Invitational Race” to raise funds for The Community Chest and promote the Olympic spirit. Our employees also participated in Yan Oi Tong Charity Walk Day to raise funds for the disadvantaged groups in the community. The Company has garnered a renowned award of “The Best Corporate Social Responsibility” by a financial magazine in Hong Kong in 2021. These were creating a positive impact in our shared community.

The Group believes that a good corporate culture and harmonic working environment will help to achieve the work-life balance of the employees. For example, the Group holds a birthday party for employees whose birthday falls during the month. In the coming future, the Group will continue to attach great importance to the well-being of the staff and community.

During the Reporting Period, the charitable contributions made by the Group was approximately HK\$1.2 million.

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ESG REPORT INDEX

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A. Environmental			
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.	Environmental Policy and Compliance	5
KPI A1.1	The types of emissions and respective emissions data.	Emission The Group has not disclosed annual quantities of air pollutant emissions directly emitted during the manufacturing processes. According to the current regulation in the PRC, production facilities are only required to measure air pollutant emission concentrations and rates once a year, but not total volumes emitted in the year. An annual total of air pollutant emissions could only be estimated and might deviate significantly from actual emissions. Such figures would not facilitate an understanding of the environmental performance of the Group.	6
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emission — Greenhouse Gas Emissions	7
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emission — Waste Management	8
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emission — Waste Management	8
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emission	5–8

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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.	Emission — Waste Management	8
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	9
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources	9
KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Consumption	9
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Consumption	10
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.	Use of Resources — Water Consumption	9
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Packaging Material	9
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	10
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	10

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Aspect A4: Climate Change			
General Disclosure	Policies on minimising the issuer’s significant impact on climate-related issues.	Climate Change	11
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.	Climate Change	11
B. Social			
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 Policy	11
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Policy	12
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Policy – Turnover	12

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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.	Employment and Labour Health and Safety	13
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the Reporting Year.	Health and Safety	14
KPI B2.2	Lost days due to work injury.	Health and Safety	14
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	13–14
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	14
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KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training	14

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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.	Supply Chain Management	15
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	15
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	15

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Aspect B6: Product Responsibility			
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KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility	16
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility	16
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Privacy Protection and Intellectual Property	16
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	16
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection and Intellectual Property	16

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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.	Anti-corruption	17
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	17
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	17
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 Investments	17
KPI B8.1	Focus areas of contribution.	Community Investments	17
KPI B8.2	Resources contributed to the focus areas.	Community Investments	17