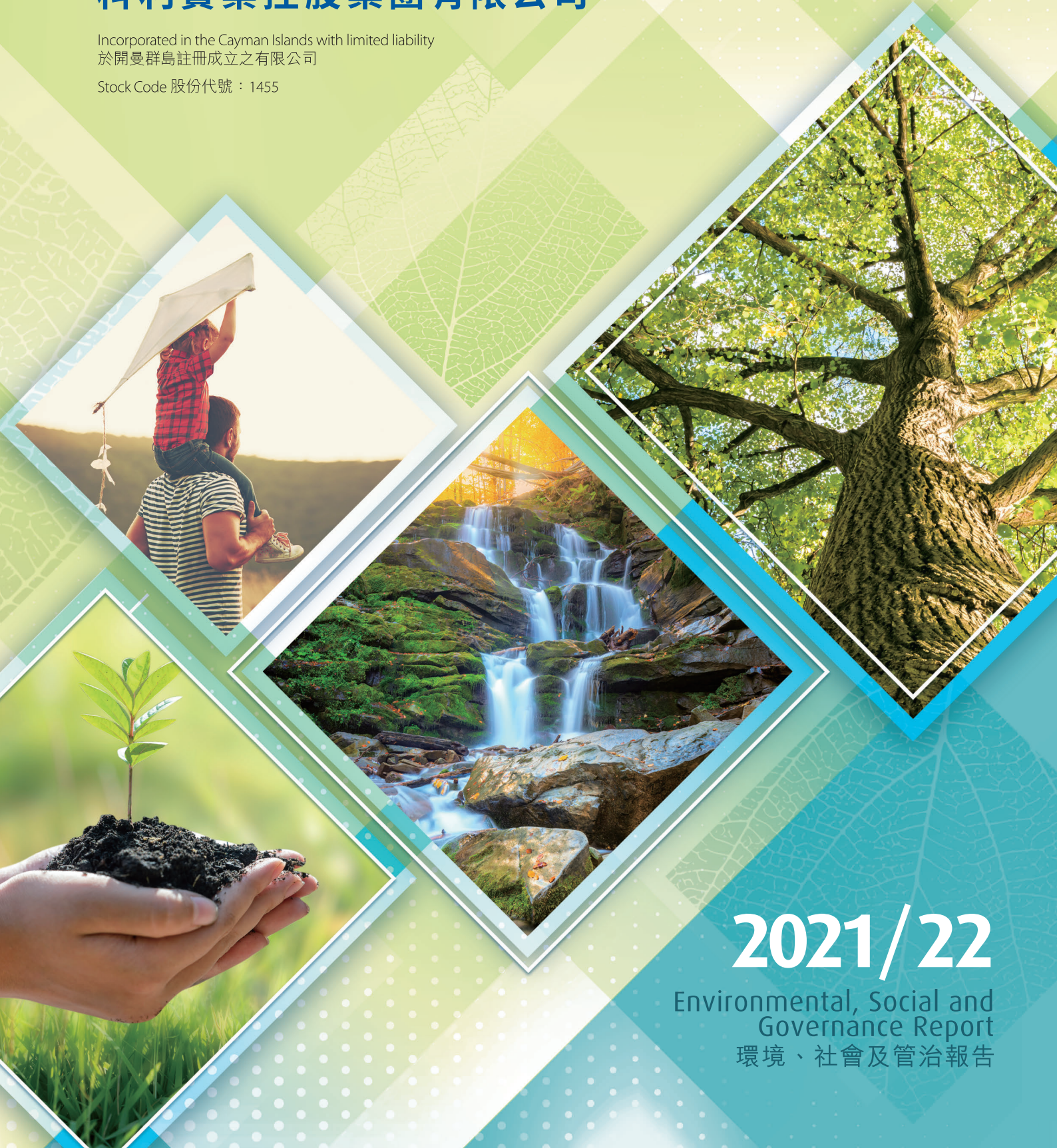


FOURACE
科利

FOURACE INDUSTRIES GROUP HOLDINGS LIMITED
科利實業控股集團有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

Stock Code 股份代號 : 1455



2021/22

Environmental, Social and
Governance Report
環境、社會及管治報告

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Environmental, Social and Governance (“ESG”) Report issued by Fourace Industries Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we”). The ESG Report presents the corporate social responsibilities, principles and actions of the Group carried out during the business operation over the previous year. As for the information of corporate governance, please refer to the Corporate Governance Report of the 2022 Annual Report.

1.1 Reporting Scope

The ESG Report covers the environmental and social performance of the Group’s principal business in China and Hong Kong during the period from 1 April 2021 to 31 March 2022 (the “Year”). The key performance indicators (“KPIs”) for the environmental aspect as disclosed in the ESG Report mainly focus on the factory in Shenzhen, which is the only existing production base of the Group.

1.2 Reporting Standard

The ESG Report was prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

1.3 Reporting Principles

The content of the ESG Report is determined through engaging stakeholders and conducting materiality assessments, including identifying ESG-related issues, collecting and examining the opinions from internal management and different stakeholders, evaluating the relevance and importance of the issues and formulating and reviewing the data reported. The ESG Report comprehensively covered the material issues concerned by different stakeholders. The ESG Report discloses the quantitative environmental and social KPIs, allowing stakeholders to understand the ESG performance of the Group comprehensively. Information of the standards, methodologies, references and source of key emission, and the conversion factor of these KPIs are stated wherever appropriate. In order to facilitate the comparison of the ESG performance between years, the Group adopted the same calculation methodologies as far as reasonably practicable. If there is any change in methodology, the Group will also present and explain it in details in the corresponding sections.

1.4 Information and Feedback

We value your opinions on the ESG Report. For any enquiry or advice, please feel free to send email to ir.contact@fourace.com.

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2. ESG GOVERNANCE

The Group believes that sound ESG governance can enhance the corporate investment value and bring long-term returns to stakeholders. To ensure the effective implementation of ESG management measures, the Board is responsible for formulating the overall ESG direction and management policy of the Group and, under the assistance of the management, overseeing the ESG-related issues and works of the Group, including the progress and quality of the ESG work, and striving to implement the ESG development strategies in daily operation.

The Board formulates our ESG direction and management approach based on the importance of ESG issues to the Group and its stakeholders. Therefore, an independent consultant has been engaged to conduct a materiality assessment on ESG issues. For details of the materiality assessment, please refer to the section “Materiality Assessment” in this report. The Board fully understands the results of the materiality assessment and will continue to review the engagement channels for materiality assessment to ensure that the Group maintains effective communication with its stakeholders.

For effective leadership on our ESG progress, the Board will continue to monitor the ESG-related work and ensure that all departments work closely together to achieve the goal of compliant operation and social responsibility. The Group shares our ESG progress with different stakeholders through the ESG Report. During the Year, environmental targets were set, with details included in the section “Environmental Targets and Progress” in this report. The Board will regularly review the achievement progress on the targets and continuously improve the environmental performance of the Group.

2.1 Stakeholder Engagement

The Group’s key stakeholders include the government and regulators, shareholders, business partners such as contractors and suppliers, customers, employees, as well as our industry, environment and community. We believe that the stakeholder engagement and their continuous support are important for the long-term development of an enterprise. The precious opinions provided by them allow us to continuously improve the Group’s ESG performance.

During the Year, the Group maintained close communication with stakeholders including people from different organizations and sectors of society who have provided various perspectives, opinions and expectations. We adopted a variety of communication methods to allow stakeholders from different sectors to express their opinions and suggestions. The opinions are helpful for us to determine the new potential risks in business operation, identify the ESG issues concerned by stakeholders and improve our ESG performance and the future development strategy.

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Stakeholder	Requirement and Expectation	Communication and Response
Governments and Regulatory Bodies	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Promotion of local economic development • Drive local employment • Tax payment in full and on time • Safe production 	<ul style="list-style-type: none"> • Regular information reporting • Regular meeting with regulatory organizations • Dedicated reports • Examinations and inspections
Shareholders	<ul style="list-style-type: none"> • Returns • Compliant operations • Rise in company value • Transparent information and efficient communication 	<ul style="list-style-type: none"> • General meetings • Company announcements • Emails, telephone contacts and company websites • Dedicated reports • Interim and annual reports
Partners	<ul style="list-style-type: none"> • Operations with integrity • Fair competition • Lawful performance of contracts • Mutual benefits and win-win results 	<ul style="list-style-type: none"> • Reviews and appraisal meetings • Business communication • Quotation comparison • Exchange and discussion • Engagement and cooperation
Customers	<ul style="list-style-type: none"> • Outstanding products and services • Health and safety • Lawful performance of contracts • Operations with integrity 	<ul style="list-style-type: none"> • Customer feedback surveys • Customers meetings • Return visits
Environment	<ul style="list-style-type: none"> • Compliance with emission standards • Energy conservation and reduction of emissions • Ecological protection 	<ul style="list-style-type: none"> • Communicating with local environmental departments • Communication with local residents • Survey, research and inspection
Industry	<ul style="list-style-type: none"> • Formulation of industry standards • Promotion of industry development 	<ul style="list-style-type: none"> • Participation in industry forum • Field visits and reciprocal visits
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares 	<ul style="list-style-type: none"> • Employee communication meetings • Company internal journal and intranet • HR department • Training and workshops • Employee activities
Society and the Public	<ul style="list-style-type: none"> • Improvement of community environment • Participation in public welfare • Open and transparent information 	<ul style="list-style-type: none"> • Charity and donations • Company website • Company announcements

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2.2 Materiality Assessment

In order to clearly and effectively formulate the ESG management methods, the Group has engaged an independent consulting firm to help collect and analyze stakeholders' opinions about the Group's ESG issues. With the result of questionnaire survey, the Group works out ratings and rankings for each ESG issue based on the degree of concern of stakeholders. Meanwhile, in order to review the ESG issues that are material to the business of the Group in a more comprehensive way, the consulting firm also helps review internal and external documents with reference to the materiality maps provided by external authoritative organizations¹ so as to identify the ESG issues which are the key concern for the industry. In conclusion, based on the above ratings and the selection result, together with the professional opinions of the management and the consulting firm, the Group has identified 8 material ESG-related issues during the Year and will be discussed in this report.

Material Issues	Relevant Sections
Compliance management	<ul style="list-style-type: none">• Environmental protection• Employment and labor practice• Operating practices
Waste management	<ul style="list-style-type: none">• Emissions
Wastewater management	<ul style="list-style-type: none">• Emissions
Health and safety	<ul style="list-style-type: none">• Health and safety
Supply chain management	<ul style="list-style-type: none">• Supply chain management
Quality control	<ul style="list-style-type: none">• Products responsibility
Intellectual property protection	<ul style="list-style-type: none">• Products responsibility
Anti-corruption	<ul style="list-style-type: none">• Anti-corruption

¹ The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

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3. ENVIRONMENTAL PROTECTION

3.1 Environmental Targets and Progress

The Group is committed to maintaining transparency and monitoring the progress of various measures to achieve the targets set during the Year. The table below sets out our environment-related targets in different aspects. The Group also ensures minimal impact of its production sites on the environment through constant improvement and undertakes ongoing supervision over the progress for its targets.

Aspects	Our Targets	Section in respect of Corresponding Measures
Emissions	To maintain or reduce greenhouse gas emissions and intensity	Emissions: Greenhouse Gas and Exhaust Emissions
Waste	To handle hazardous and non-hazardous waste according to regulations	Emissions: Waste Disposal
Energy	To reduce energy consumption and improve energy efficiency	Use of Resources: Energy Management
Water Consumption	To maintain or reduce water consumption	Use of Resources: Water Conservation

3.2 Emissions

The Group adheres to the ideas of environmental protection and clean production. The Group strives to enhance the efficiency of environmental protection in the production process and reduce environmental pollution and energy consumption in order to take up the responsibility of environmental protection amidst corporate development. During the Year, we strictly abide by the laws and regulations related to pollutant discharge and environmental protection promulgated by the national and local governments, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Promoting Clean Production, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, the Water Pollution Prevention and Control Law of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. We control each type of emission during the production process. The Group actively reviews its policies on environmental protection and will make efforts to improve the Group's environmental performance.

Waste Disposal

The non-hazardous wastes generated by the Group mainly consist of waste paper, metal and plastics disposed at landfills. The hazardous wastes mainly consist of waste paint residues, waste ink and oil paint, waste empty barrels and waste cloth/gloves generated from spraying, waste activated carbon generated after the use of waste gas treatment equipment, waste engine oil generated during machine operation, and sludge in water treatment and light tubes. The total amount and intensity of non-hazardous wastes and hazardous wastes from the Group during the Year are set out in the table below:

Wastes	2022	2021
Total non-hazardous wastes (tonnes)	204	227
Intensity of non-hazardous wastes (kg/product)	0.07	0.07
Total hazardous wastes (tonnes)	71	85
Intensity of hazardous wastes (kg/product)	0.03	0.03

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The Group attaches great importance to the disposal of hazardous wastes and handles all kinds of hazardous wastes in strict compliance with regulations and internal requirements. We collect and temporarily store hazardous waste according to the hazardous waste collection and transportation management regulations, and conduct follow-up and arrange disposal to avoid soil or water pollution. By entering into hazardous waste treatment agreements with qualified hazardous waste treatment units, we regularly deliver hazardous wastes such as sludge in water treatment, waste paint residue, waste activated carbon, waste empty barrels and waste diluent liquid to relevant units for harmless treatment and disposal to prevent environmental pollution. For non-hazardous wastes, the Group also arranges qualified waste disposal companies to regularly clean up the waste. The Group notes that qualified waste disposal companies resell and reuse the reusable wastes, while those which cannot be reused will end up in landfill.

Adhering to the concept of green office, the Group has adopted a series of measures to raise the environmental awareness of employees and reduce the amount of waste. We advocate the reuse of office stationeries such as envelopes, binders and file cards, and using changeable pen refills to reuse pens barrels. We also set up specific garbage bins to recycle waste batteries. During procurement, we select recyclable ink cartridges and reusable cutlery to reduce the use of disposable products and regularly evaluate the usage of materials to avoid waste caused by overstocking. In terms of paper consumption, we advocate using waste paper to jot notes, double-sided printing, and recycling paper documents, such as posters and letters, which to be sent to waste paper recycling companies for recycling. In addition, we make full use of electronic office systems and telecommunication technologies to transmit information, and regularly conduct paper use statistics to monitor paper consumption, so as to reduce paper consumption.

Wastewater Treatment

As a manufacturing enterprise, the Group's production process involves the consumption of water resources and also generates wastewater. There are a wide variety of pollutants and complex components in wastewater. The wastewater produced by the Group is mainly integrated wastewater and spray painting wastewater, therefore we have developed various wastewater treatment methods. In view of the characteristics of comprehensive wastewater, we have established a wastewater treatment facility with a treatment capacity of 12m³ per day and obtained the "Pollutant Discharge Permits of Guangdong Province" (廣東省污染物排放許可證), which has corresponding treatment tanks, such as oil removal pool, phosphorus removal pool and cleaning pool, to ensure that the concentration of pollutants in wastewater is effectively reduced before being discharged. In addition, we have built a buried wastewater collection tank with a volume of approximately 20m³ to collect paint wastewater, which is treated to meet the discharge standard and therefore will not affect the surrounding surface water environment. The total amount and intensity of hazardous wastewater (paint wastewater) during the Year are set out in the table below:

Hazardous Wastewater ¹	2022
Total hazardous wastewater (tonnes)	4.99
Hazardous wastewater intensity (g/product)	1.81

Note:

- 1 During the Year, the Group handed over hazardous wastewater to qualified hazardous waste treatment units for harmless treatment and disposal in accordance with the requirements of the local government.

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Meanwhile, we strictly monitor wastewater discharge. A third-party testing institute is engaged to monthly check and monitor the water quality at the discharge outlets so as to ensure the discharged water meets the recycling standard and is in compliance with the related requirements set out in the Discharge Limits of Water Pollutants and the Emission Standard of Water Pollutants for Electroplating, which are local standards of the Guangdong Province. The Group records the status of wastewater, analyzes and improves the non-compliance situation. In addition, the Group has formulated emergency measures for accidents, set up emergency pools in the wastewater treatment station area, and implemented anti-leakage measures to effectively store accidental wastewater to reduce the risk of loss to the enterprise. Test results of sewage discharge of the Group have met the standards required by the relevant regulations during the Year. Data of sewage discharge is set out in the following table:

Emission Intensity ¹	Emission Standard ²	2022	2021
Chemical oxygen demand (mg/liter)	50	36.75	30.00
Ammonia nitrogen (mg/liter)	8	0.08	0.75
Suspended matter (mg/liter)	30	10.00	7.00

Notes:

- 1 Emission intensity is the unit of sewage test and there is no statistics data for the weight of pollutants.
- 2 Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015), the local standard of the Guangdong Province, is used as the emission standards of chemical oxygen demand, ammonia nitrogen and suspended matter.

Greenhouse Gas and Exhaust Emissions

The greenhouse gas ("GHG") emission of the Group during operations mainly comes from (i) direct GHG emission generated from fuel consumption of vehicles and air-conditioning refrigerant and reduction in tree planting; (ii) energy indirect GHG emission generated from purchased electricity; and (iii) other indirect GHG emission generated from waste paper disposal and electricity consumption for fresh water and sewage treatment. The GHG emissions data of the Group during the Year is set out in the table below:

GHG ¹	2022	2021
Total GHG emissions (tonnes CO ₂ e)	5,231	5,339
Scope 1 — Direct GHG emissions (tonnes CO ₂ e) ²	44	43
Scope 2 — Energy indirect GHG emissions (tonnes CO ₂ e) ³	5,160	5,269
Scope 3 — Other indirect GHG emissions (tonnes CO ₂ e) ⁴	27	28
GHG emission intensity (kg CO ₂ e/product)	1.90	1.61

Notes:

- 1 The GHG inventory of the Group includes carbon dioxide, methane, nitrous oxide, hydrochlorofluorocarbons and hydrofluorocarbons. GHG emissions are presented in carbon dioxide equivalent.
- 2 It is calculated based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions for China Electronic Equipment Manufacturing Enterprises (Trial)" published by the National Development and Reform Commission of the People's Republic of China ("PRC") and "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong.
- 3 It is calculated based on the "Average Carbon Dioxide Emission Factors of China Regional Power Grid 2011 and 2012" published by the National Development and Reform Commission of the PRC.
- 4 It is calculated using the data provided by Shenzhen Water Group Co., Ltd. and "Reporting Guidance on Environmental KPIs" issued by Stock Exchange of Hong Kong.

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Exhaust gas is generated during the production process of personal care and lifestyle electrical appliances. In view of this, the Group uses special equipment for exhaust gas treatment to remove the hazardous substance of the exhaust gas of production workshop by the process of scrubbing towers. Exhaust gas will be emitted if statutory standards are met. We strictly observe the related requirements of regulations, including but not limited to the Emission Limits of Air Pollutants. We regularly engage environmental protection institutes to check and monitor the emission of controlled emission and fugitive emission in the factory area. Test results of exhaust gas emissions of the Group have met the standards of relevant regulations during the Year. Data of emissions is set in the following table:

Emission Concentration ¹	Emission Standard ²	2022	2021 ³
Benzene (mg/m ³)	12	0.01	0.11
Toluene (mg/m ³)	40	0.00	0.03
Xylene (mg/m ³)	70	0.01	0.45
Volatile organic compounds (mg/m ³)	–	1.77	1.35

Notes:

- 1 Emission concentration is the unit of gas emission monitoring and there is no statistics data for the weight of pollutants.
- 2 The Emission Limits of Air Pollutants (DB44/27-2001), the local standard of the Guangdong Province, is used as the emission standard of benzene, toluene and xylene.
- 3 During the Year, the Group reviewed the data collection of emission concentration in the previous year, and therefore the data is restated.

In addition, air pollutants including nitrogen oxides, sulfur oxides and particulate matters are emitted by the vehicles during operations of the Group and the emission data is set out in the table below:

Emissions ¹	2022	2021
Nitrogen oxides (kg)	48.48	38.21
Sulfur oxides (kg)	0.16	0.19
Particulate matters (kg)	2.54	1.97

Note:

- 1 It is calculated based on "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong.

The Group strives to minimize exhaust emission during the production and operation process. To ensure the effectiveness of exhaust gas treatment and improve the management system of exhaust gas emissions, the Group checks and maintains the equipment regularly. In terms of vehicles, we have purchased some hybrid electric vehicles and electric vehicles. We conduct regular check and maintenance for the vehicles, keep tires inflatable in a timely manner, maintain appropriate tire pressure, and ensure that there is no idling engine to maintain the efficiency of vehicles.

In addition, we have formulated emergency handling procedures as well as corresponding measures for emergencies including fire incidents, leakage of hazardous chemicals, leakage of hazardous waste and wastewater and excessive emission of exhaust gas, so as to effectively address the incidents and reduce the risk of losses to the company and the risk of environmental pollution.

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3.3 Use of Resources

Resources are the foundation of enterprise production and the Group places its emphasis on energy-saving and reduction of resources consumption. In the production and daily operations of personal care and lifestyle electrical appliances, the main resources that the Group needs to use include (i) direct consumption arising from consumption of vehicle fuel; (ii) indirect consumption arising from purchased electricity; (iii) water consumption; and (iv) packaging materials. The Group's development goal of continuously improving the effectiveness of resource use gradually enhances the resources utilization efficiency. The below table sets out the data on the use of resources by the Group during the Year:

Resources Consumption	2022	2021
Total energy consumption (MWh)	9,905	10,120
Direct energy consumption (MWh) ¹	115	125
Indirect energy consumption (MWh)	9,790	9,996
Energy consumption intensity (MWh/product)	3.60	3.06
Total water consumption (m ³)	77,345	82,765
Water consumption intensity (m ³ /product)	0.03	0.03
Total weight of packaging materials (tonnes)	1,012	961
Packaging materials consumption intensity (kg/product)	0.37	0.29

Note:

- 1 It is calculated based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions for China Electronic Equipment Manufacturing Enterprises (Trial)" published by the National Development and Reform Commission of the PRC.

Energy Management

As energy consumption is closely linked to global warming, the Group has been striving to improve energy management. Therefore, we have implemented electricity saving measures in the office to raise the awareness of all our employees on environmental protection. The Group issues notices on saving electricity and promotes the environmental protection spirit of "shut down the machines and turn off the power when he or she leaves" to prevent waste. We encourage our staff to turn off all unnecessary lighting systems and other electronic devices, such as printers, computers, etc., to avoid idling of electrical appliances. Meanwhile, we set up light switches that can be controlled independently and adopts highly efficient light fixtures in different areas of the office, and use daylight illumination as much as possible to save energy. We also clean the lights and air-conditioning filters regularly to ensure their efficient operation. In addition, we set the air-conditioning temperature reasonably at approximately 25.5 degree Celsius, and conduct regular inspections to reduce the possibility of refrigerant leakage. The employees are allowed not to wear ties and full suits to reduce the use of air-conditioning.

The Group appoints department managers and supervisors to be the first responsible person of electricity conservation, and arranges inspectors to conduct irregular inspection on electricity consumption to strengthen the supervision. If there is any violation of rules, the relevant department will be notified for rectification, and the department head, manager and relevant personnel may be subject to warning and punishment, such as deducting performance bonus.

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Water Conservation

Water is a precious resource. The Group understands the importance of water conservation so we are committed to reducing unnecessary production and domestic water consumption and proactively carrying out water conservation measures. We have posted water saving notices in every lavatory and employees are reminded to turn off the faucet tight after use to raise employees' awareness of water conservation. We also conduct regular leakage tests and will notify the property management company at once to arrange repair and check if water leakage is found in the water supply facilities. During the Year, the Group had no issues in sourcing water.

Promotion and Training

Staff support and participation is the key to implementation of environmental protection policies. By ways of quarterly offline training, the Group promotes the knowledge of energy-saving, emission reduction and environmental protection to its employees. The Group held trainings on environmental management and substance standards during the Year, and is committed to incorporating the concept of environmental protection into all of its operational decision-making processes in manufacturing and sales, keeping encouraging and leading its employees to take part in the continuous improvement of the environment, and integrating the concept of energy-saving and emission reduction into daily operations.

3.4 Response to Climate Change

The Group recognizes the importance of identifying and managing risks related to climate change, and has taken different measures to assess and mitigate the risks. The Group has identified different transition risks, such as enhanced emissions-reporting obligations and increased pricing of GHG emissions, which may result in increased operating costs, including increased compliance costs, accountability fines and judgements, costs for new practices and implementation of new processes, etc.

The Group reviews the latest policies and regulations in the regions where it operates to identify and understand potential climate-related risks. The Group also consults with an independent consultant on compliance obligations or recommendations for improvements in reporting GHG emissions to mitigate climate-related risks. To cope with the more frequent extreme weather caused by climate change, the Group adopts special work arrangements according to special weather conditions, and issues safety warnings under special weather conditions to notify employees of the relevant special work and safety arrangements to protect employees' health and safety. In addition, the Group continues to review and improve its climate change and energy policies.

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4. EMPLOYMENT AND LABOR PRACTICE

4.1 Employment

Staff is the foundation of enterprise development and the Group strives to provide its employees with a good working environment to enhance their sense of belonging, safeguard their rights and interests, and establish a business platform that conduces to the development of employees' talents and the realization of their values. We continue to protect the legitimate rights and interests of our employees by formulating the internal human resources management procedures in strict compliance with employment-related laws and regulations, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and the Employment Ordinance of Hong Kong. Also, we keep attracting experienced and quality talents and constantly foster the formation of a harmonious labor relationship. The number of employees and turnover rate of the Group as of 31 March 2022 are as follows:

Number of employees	2022	2021
Total number of employees	778	781
By gender		
Male	360	361
Female	418	420
By employment type		
Full-time	778	781
Part-time	0	0
By age group		
Aged below 30	171	187
Aged 30-50	566	551
Aged 50 above	41	43
By region		
Mainland China	766	768
Hong Kong	12	13
Employee turnover rate ¹ (%)	2022	2021
Total	45	38
By gender		
Male	48	38
Female	43	37
By age group		
Aged below 30	72	66
Aged 30-50	39	30
Aged 50 above	12	14
By region		
Mainland China	46	38
Hong Kong	8	0

Note:

1 Employees who did not pass the probation are not included.

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Recruitment Practices

The Group adheres to the principle of “fair competition and merit-based admission”, seeking to recruit and nurture outstanding employees to build an elite team and provide talent reserve for enterprise development. During the recruitment, the Group focuses on individual’s morality, professional skills, work experience and suitability for relevant job requirements and prohibits any form of discrimination. The Group strictly prohibits the employment of child labor in accordance with the relevant laws and regulations such as the Provisions on the Prohibition of Using Child Labor of the PRC, and has developed management procedures to prevent the use of child labor and forced labor. Applicants’ identification documents, relevant certificates and work experience would be checked and reviewed during the recruitment process to verify their age and prohibit the employment of child labor. Before the formal entry of employees, the Group will enter into an employment contract with employees, which explicitly specifies the terms such as working hours, rest period, remuneration, insurance and benefits of employees, so as to safeguard the freedom and interests of employees, and avoid forced labor. In order to completely eliminate such incidents, once child labor or forced labor is found, we will immediately stop their work and conduct investigations to identify loopholes and implement remedies to prevent recurrence. The Group has also formulated an employee withdrawal management system listing out proper resignation, termination and dismissal procedures. When an employee submits a resignation, the responsible personnel of human resources department will meet with the employee, understanding the reasons of resignation.

Remuneration and Promotion

The Group offers a clear career pathway and competitive salary for employees to attract and retain talents. The Group implements a minimum wage guarantee system, under which employees’ wages shall not be lower than the local minimum wage standard. If overtime work is required, we will pay overtime pay to employees in accordance with relevant regulations. In terms of career development, the Group has established a monthly performance appraisal system to evaluate employees’ work performance, execution ability and communication and coordination ability comprehensively, and assess the work performance of each employee in an objective and comprehensive manner. The Group arranges promotion and demotion based on employees’ assessment performance, career development planning and position vacancies. We give priority to internal promotion, then consider external recruitment, providing a broader development path for employees. We also have full attendance awards and annual performance awards, and conduct remuneration reviews and adjustments with reference to factors such as employee position, job performance, work experience and capabilities to motivate employees to continuously improve themselves.

Employee Benefits

As a way to care about employees, and at the same time stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. The Group provides social insurance and housing provident fund for the employees in accordance with local government’s regulations. We also purchase medical insurance for all our employees and provide benefits on employees’ birthday and various festivals, such as Women’s Day, etc. Meanwhile, the Group cares about both physical and mental health of its employees and adopts a five-day work week with eight-hour working system arrangement to ensure that employees have sufficient rest time. Employees are also entitled to marriage leave, maternity leave, sick leave, funeral leave, annual leave and other statutory holidays, and long-term incentive will be given to workers who provided long-term service to the Group. To enhance the sense of belonging of employees to the enterprise, we provide late night suppers subsidies for our night-shift employees and high-temperature subsidies in the hot season.

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4.2 Health and Safety

The Group places its highest priority on the health and safety of employees. To prevent accidents and minimize occupational hazards, the Group strictly abides by the national and local laws and regulations with regard to labor safety, including but not limited to the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Emergency Response Law of the People's Republic of China and the Occupational Safety and Health Ordinance of Hong Kong, to assure the personal safety of employees and create a safe and hygienic work environment for all of them. During the Year, the Group commissioned a third-party inspection company to conduct an annual safety inspection on the production equipment in the factory area to ensure that it meets the relevant standards and requirements, so as to maintain the safety in the workplace.

The Group upholds a "safety production and prevention-based" approach for safety production and formulates a comprehensive safety production management system and safety operating procedures. We require our new employees to undergo three levels of safety training and participate in safety training and assessment at the plant level, workshop level and team level after the training. We also stipulate that employees in special positions must have received relevant professional trainings and obtained certificates before they can formally work to ensure those employees possess relevant capabilities and safety knowledge. For positions that may be exposed to occupational hazards, the Group will notify its employees of their risks of occupational hazards involved in their positions through the notification letter of occupational hazard factors, and employees must wear or use personal protection equipment as required by the Group's management. For the sake of safeguarding employees' safety more effectively, the Group implements a safety production responsibility system and requires the responsible persons of each department to sign a safety management responsibility statement to strengthen the leadership and management of safety work during production. We have set up a safety management committee and designated safety officers to handle issues such as safety production management as well as work injuries and illnesses of our employees for medical treatment. They are also responsible for optimizing medical assurance measures and relevant requirements on occupational health and safety and are fully in charge of labor safety and hygienic matters in the entire factory area. In order to protect employees from occupational diseases and occupational hazards at work, we arranged regular physical examination and conducted occupational health education and safety training for our employees during the Year to enhance employees' self-protection awareness and ability.

In order to strengthen the safety management of hazardous chemicals, the Group has formulated a safety management system for hazardous chemicals which requires all chemicals to be accompanied with chemical safety technical specifications provided by suppliers and all packages to comply with the packaging safety requirements for dangerous chemicals to strengthen the management of hazardous chemicals. We also implemented and complied with relevant Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) requirements to reduce the use of harmful ingredients and minimize the safety risks of employees' work. In addition, we have formulated the management system of emergency plans for safety production accidents in accordance with relevant laws and regulations, and carried out safety production accident drills and fire drills regularly to enhance employees' emergency response capabilities.

During the Year, the number of work-related injury within the Group was 9 and recorded 26 working days lost and there was no work-related fatality for the past three years.

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Response to the epidemic

During the Year, COVID-19 has caused a continuous impact on society. The Group attached great importance to the control and prevention of the COVID-19 epidemic and implemented various precautionary measures. We actively cooperated with the local government in epidemic prevention. The Group established an internal working group for controlling and preventing the epidemic and arranged designated staff to be responsible for the management of publicity and patrol, disinfection of factory, logistics support, emergency handling and other management matters. Also, the Group formulated and implemented a contingency plan and precautionary measures for the epidemic, including but not limited to:

- Require all employees to wear protective masks;
- Check employees' body temperature;
- Regular disinfection of office areas and workshops;
- Register the travel trajectory of the vehicle after travelling;
- Ensure sufficient epidemic prevention materials;
- Employees will be sent to the dormitory quarantine area and reported to the local health authorities and the disease control center once they are found with abnormal body temperature; and
- Implement work-from-home arrangements for certain applicable employees.

The Group's business involves cross-border cargo between Guangdong and Hong Kong and therefore has the risk of COVID-19 being introduced along with containers and goods. In response to the relevant risks, the Group actively follows the local prevention and control requirements to disinfect the inner wall of imported containers, the door handles with high-frequency contact and the packaging of incoming goods, and records the disinfection work in detail, including the disinfection time, disinfection items, name, concentration and duration of action of disinfectants. In addition, the Group also requires employees who are exposed to cross-border goods to wear protective equipment, including masks, gloves and work clothes, to protect their safety.

4.3 Development and Training

The Group pays constant attention to the growth and development of its employees and strives to realize their values. The Group develops appropriate annual training programs according to the needs of employees based on its annual operation plans and objectives. We implement employee training policies constantly to fulfill the strategic development needs of the Group's talent structure. The Group records the training projects, time, hours and assessment results as a basis for promotions and transfers of its employees.

We offer comprehensive training resources and learning environment, and provide our employees with orientation, pre-job, professional, management, quality and safety trainings. The Group provides orientation training for new employees, in which the content covers company introduction, rules and regulations systems, ISO basic knowledge and fire safety, to ensure employees know more about the corporate culture and systems, master working techniques and skills and adapt to work quickly.

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In order to enhance the work capabilities of employees, the Group provides internal trainings for them. The internal trainings we organized during the Year encompass areas such as raising safety awareness, enhancing quality management requirements on internal standard procedures and strengthening professional skills according to their positions, to let employees have a better understanding of their work and related skills required at work. In addition to internal training, we also encourage employees to participate in external training. The Group provides study allowances to subsidize the cost of employees' participation in external training courses, which not only enhance their professional knowledge and skills, but also enable the Group to maintain its advantages in competition. We also encourage experienced employees to serve as internal lecturers to share personal knowledge, experiences and skills and create a learning atmosphere in the enterprise. Lecturers who have passed the training certification of the human resources department can receive corresponding compensation according to the certification level and teaching hours. During the Year, the Group's employees training are as follows:

Average hours of employees training (hour) and training percentage (%)	2022	2021
Total	11.5 (99.6)	16.6 (99.6)
By gender		
Male	10.4 (99.7)	16.7 (99.7)
Female	12.5 (99.5)	16.6 (99.5)
By function		
Senior executives	14.9 (100)	15.0 (100)
Technicians	10.9 (100)	14.4 (100)
Management executives	13.8 (100)	16.9 (100)
Manufacturing personnel	11.4 (99.5)	17.0 (99.5)

5. OPERATING PRACTICES

5.1 Supply Chain Management

The Group puts emphasis on maintaining sound cooperation relationships with suppliers. It also constantly explores opportunities for deeper and wider cooperation so as to provide our wide range of customers with products and services of the highest quality. We establish and carry out a transparent and fair procedure for the selection of suppliers, and actively promote socially responsible and sustainable procurement activities.

The Group has established a relevant supply chain management system and procurement management requirements in strict accordance with the relevant laws and regulations such as the Civil Code of the People's Republic of China, following the principles of openness, fairness, impartiality, honesty and credibility, and scientific selection of merits to implement supplier evaluation and procurement control procedures. During the selection of suppliers, we require them to submit a company introduction, legal business license and tax payment certificate to ensure their compliance. Meanwhile, we consider a number of factors, including the supplier's quality system and control, customer complaint management, warehousing control, document data control, employee quality, technical capabilities and delivery assurance capabilities. We also conduct on-site investigation and assessment according to the needs to further understand the business operation of suppliers. Only qualified suppliers satisfying our requirements will be admitted into the list of qualified suppliers. We will enter into a contract with the entrusted suppliers, setting out the requirements of all aspects and tracking and monitoring their performance and progress. In addition, we conduct annual comprehensive review for suppliers, and if we find that they fail to meet the standards required by the Group, we will terminate the cooperation until the situation has been improved to ensure that the service quality meets the requirements, so as to optimize the supply chain management.

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The Group establishes and implements relevant assessment and management policies to identify the environmental and social risks relating to the supply chain. Our suppliers are required to fill in the RoHS compliance information form, submit the RoHS test report and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) test report from third-party testing institutes and sign the absence of environmental hazardous substances guarantee. We conduct on-site investigation for suppliers with RoHS requirements to ensure that their operation process will not cause harm to the environment. The ISO department also closely monitors relevant information on product safety and environmental protection laws and regulations, including Electromagnetic Compatibility (EMC) certification, Underwriters Laboratory (UL) certification and RoHS requirements, timely updates and informs the Group's suppliers, and provides corresponding training to our employees. In order to reduce social risks, suppliers cooperating with the Group are required to sign a letter of commitment on social responsibility and integrity and anti-terrorism to ensure that the materials purchased are from legitimate labor and the partners comply with relevant legal systems such as counter-human trafficking and slavery to protect human rights. We will directly disqualify our suppliers once they are found to have any business conduct in relation to unethical behaviour, bribery, corruption and other prohibited business practices by local and international laws and regulations.

While striving for corporate development, the Group takes the responsibility to protect the environment. Therefore, the concept of environmental protection is incorporated into its supply chain management and procurement. The Group gives preference to suppliers that are geographically close to the Group during the procurement process to reduce the carbon footprint in the transportation. Also, the Group would consider the products with less impact to the environment, such as the products with eco-friendly labels, provided that such products can satisfy our production demand. We also have a comprehensive warehouse control procedure in place to record materials and products in the warehouse, and encourage employees to pay attention to the shelf life of materials and products, and give priority to those purchased earlier to avoid unnecessary waste. During the Year, the number of major suppliers of the Group is as follows:

Number of Suppliers	2022	2021
Total number of major suppliers	269	284
By region		
Guangdong	231	241
Hong Kong	20	27
Others ¹	18	16

Note:

- 1 Other regions during the Year include Beijing, Zhejiang, Jiangsu, Hubei, Fujian, Henan and Shanghai, and other regions last year include Beijing, Zhejiang, Jiangsu, Hubei, Shaanxi, Fujian, Henan and Shanghai.

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5.2 Product Responsibility

Provision of quality products is one of the major competitive advantages of the Group. The Group has always adhered to its objective of paying attention to details and perfection to provide customers with quality products that cater to their needs. The Group has adopted a series of assessment measures to achieve its goal of providing products with the best quality. We also value feedback from customers and have set up an internal procedure related to customer service to offer timely and effective solutions regarding their complaints and provide them with satisfactory aftersales services at our best endeavor. During the Year, no product recall occurred due to safety and health reasons.

Testing and Examination

To ensure that all products are in line with the relevant laws including the Product Quality Law of the People's Republic of China and the Regulations on Quality Responsibility for Industrial Products, the Group has formulated a quality policy and set up a quality control department to check and test the product quality at each stage, from the purchase of raw materials, product manufacturing to product delivery, and has established management procedures for unqualified products. For new products in the development process, the Group will arrange various inspections and tests based on the research and development progress of the products, including appearance and equipment structure, leakage of electric current, insulation and pressure resistance, normal functions, etc. Design review meetings with the joint participation of various departments will be held to identify the quality problems of the products under research and implement improvement measures to ensure the quality and safety of the final products. We also conduct internal audits and management review of the quality system on an annual basis to assess the legitimacy and effectiveness of the current quality system with an objective to identify potential improvements and improve the quality system level. Meanwhile, we have established a sound quality system document management procedure to systematically control the formulation, approval, distribution and destruction of quality system documents to ensure the applicability and traceability of relevant documents and records. The Group has passed ISO 9001:2015 Quality Management System Certifications.

For the sake of ensuring that the material quality meets production requirements, the Group will examine the raw materials and externally-processed products to avoid receiving any unqualified materials. Raw materials are passed to the incoming quality control department for testing so as to guarantee the incoming materials are in line with our quality requirements before transferring the same to the designated qualified storage area by the warehouse control programme. We also continue to implement stringent quality control procedures throughout the production process and regular calibration is performed to ensure each of the production activity is conducted according to standard procedures and that all production parameters are consistent. Before delivery of products, quality assurance department will be responsible for finished product quality inspection procedures, spot checks on products, and safety specification and life-cycle tests. Products that fail the test will be returned or scrapped according to the quality control procedures of unqualified products. The Group will package and deliver the products only after ensuring the finished products meet the required quality requirements.

Customers' Feedback

The Group always adheres to the customer-oriented service concept and attaches great importance to customer evaluation and suggestions. Therefore, we regularly conduct surveys on customer satisfaction regarding our products quality, service attitude, delivery arrangement, etc. Through the statistics and analysis of customer satisfaction results, we will formulate quality objectives and management review standards, continuously improve products or production processes according to the needs, provide customers with high-quality and suitable products, as well as establish good relationships with customers.

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The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations to ensure the legitimate rights and interests of customers. We also have set up comprehensive procedures for handling customers' complaints, which provide methods for handling customers' feedback information and procedures for taking corrective and preventive actions to effectively respond to customers' complaints. The sales department of the Group is responsible for collecting and translating customers' feedbacks, sending them to relevant departments and referring them to the quality assurance department for handling. The manager of the quality assurance department is responsible for the classification such as quality warnings, quality incidents and major quality incidents on the basis of the type of feedback and its seriousness immediately after receiving the feedbacks, and arranging corresponding personnel to conduct a comprehensive investigation and propose solutions in a timely manner. The Group attaches great importance to quality-related complaints. Once we receive such complaints, we will immediately report them to the quality assurance department to analyze the causes and formulate countermeasures to improve future production. The Group has also formulated product notices and recalled procedures to promptly take corrective and preventive measures in case of quality issues, notify customers and relevant management departments, recall defective products and protect customers' safety. In addition, The ISO department will be responsible for organizing the rectification and preventive measures to be taken in the daily operation of the quality management system to continuously and effectively improve quality problems. During the Year, the Group received a total of 35 complaints in relation to its services provided and they were all properly handled.

Protection of Intellectual Property Rights and Privacy

The Group values intellectual property rights and fully complies with the laws and regulations related to the intellectual property rights, including but not limited to the Specifications for the Administration of Intellectual Property Rights of Enterprises and the Copyright Ordinance of Hong Kong. The Group establishes a sound intellectual property management system, actively carries out intellectual property registration, and timely applies for patents for inventions that meet the conditions for granting patents to obtain legal protection. We require new employees to sign the intellectual property statement and conduct intellectual property investigations for new employees to understand their work experience and avoid infringing the intellectual property rights of others. We also provide intellectual property related trainings to our employees to enhance their awareness of risk identification and prevention and control, and encourage them to develop new products and procedures through an incentive system. When cooperating with other companies or individuals, the terms of intellectual property protection are included in the contracts we enter into. To safeguard the Group's intellectual property rights, we require our employees to keep all information relating to the technologies, operation and management confidential in accordance with Confidentiality and Intellectual Property Protection Agreement (保密及知識產權保護協議). During the Year, we obtained a total of 5 patents.

The Group attaches great importance to information security and privacy protection and strictly follows the relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong. New employees are required to sign a confidentiality agreement when they report duty, while employees are not allowed to disclose confidential information during and after employment as clearly stipulated in the Employee Handbook. Once an employee is found to have violated the confidentiality terms, the Group will conduct a comprehensive investigation and terminate his/her labor contract immediately. In addition, the Group provides relevant training to employees of various departments to guide them protecting information and privacy information, ensuring that employees always keep in mind the importance of customer privacy.

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5.3 Anti-corruption

The Group has zero tolerance on corruption and strictly observes relevant laws and regulations of anti-corruption, including but not limited to the Criminal Law of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. During the Year, there were no legal cases regarding corrupt practices brought against the Group.

In order to effectively prevent corruption, clauses of integrity are listed in the Employee Handbook, employees are required to sign a letter of commitment to integrity, and anti-corruption notices are posted in corridors to remind employees at all times. The Group requires employees to handle incentive and gifts according to relevant guidelines. In case of any conflict between personal interest and job duties, employees must report such conflict, so that the Company can fully and accurately consider potential issues and take appropriate measures. The Group has formulated a comprehensive whistle-blowing policy. In case of corruption, employees can report to the management through email and complaint hotline. We will keep the information of whistleblowers' strictly confidential to protect the whistleblowers and conduct comprehensive investigation.

Apart from employees, suppliers are also subject to the anti-corruption regulations set by the Group. Before entering into a contract, the Group also requires the suppliers to execute an honest cooperation undertaking, which sets out the ways of reporting corruption cases to the Group. If the supplier violates the terms of the undertaking, it will make an unconditional default payment to the Group after investigation and verification. Meanwhile, we reserve the right to cease the business relationship and seek to enforce our legal right to hold the defaulting party responsible.

In order to promote good governance and ensure effective internal control of the Group, the Group invited the Independent Commission Against Corruption of Hong Kong to meet with 8 directors and management personnel during the Year to learn about the anti-corruption service provided by the Independent Commission Against Corruption, including review of the Company's code of conduct, advise on anti-corruption plans and arrange of anti-corruption prevention training on specific business functions or areas, so as to enhance the directors' and management's awareness of managing corruption risks and increase their awareness of anti-corruption.

6. COMMUNITY INVESTMENT

The Group attaches great importance to corporate social responsibility and regards the prosperity and stability of society as the cornerstone of its development. The Group pays attention to the people in need, helps social development by supporting charity projects, fulfils social responsibility and promotes charity. During the Year, the Group actively participated in the "Guangdong Poverty Alleviation Day" and donated RMB 30,000 to Shenzhen Guangming District Charity Association to support the national poverty alleviation and rural revitalization.

Since the outbreak of COVID-19, the Group has continued to pay attention to the progress of epidemic prevention and control and contributed to the epidemic prevention and control. In view of the severe situation of the fifth wave of the COVID-19 epidemic in Hong Kong, the number of infected cases was high, which caused a severe impact on the health of the public, the economy and people's livelihood. During the Year, the Group demonstrated its social responsibility by donating RMB 20,000 to Shenzhen Guangming District Charity Association to help Hong Kong fight against the epidemic and support the epidemic prevention work with practical actions.

In the future, the Group will continue to support charitable projects and public welfare activities. We also encourage employees to participate in voluntary activities to comprehensively enhance employees' sense of social responsibility.

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APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

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A. Environment			
A1 Emissions			
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A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity.	Emissions: Greenhouse Gas and Exhaust Emissions	7–8
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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.	Response to Climate Change	10
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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	13–14
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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	15–16

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ESG KPIs	Summary	Reference Sections	Page
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B7 Anti-corruption			
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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	19
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