



Time Watch Investments Limited
時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2033

Environmental, Social and Governance Report 2022



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ABOUT TIME WATCH

WHO WE ARE

Time Watch Investments Limited (the “Company”, together with its subsidiaries, collectively the “Group” or “we”) is the leading manufacturer, brand-owner and retailer of domestic watches in the People’s Republic of China (the “PRC”).

Established in 1988, the core proprietary brand of the Group – Tian Wang (天王), has developed into a well-known and one of the top national watch brands in the PRC, positioning for the mid-end mass market. Another proprietary brand of the Group – Balco, initially registered in Switzerland in 1986 by an independent third party, was acquired by the Group in 2002, offering Swiss-made watches targeting younger middle-income consumers in the PRC.

Having a strong sales network and a long brand heritage and reputation in the PRC, we operate through over 2,000 self-operated points of sales and e-commerce sales channels.

ABOUT TIME WATCH

VISION

The Group is committed to providing watches with excellent quality and design at reasonable prices, and creating values to the Company, as well as our customers, shareholders, and employees:

Company:

Strengthen our leading position in the market.

Customers:

Provide stylish and high quality watches at reasonable prices.

Shareholders:

Deliver sustainable shareholders value.

Employees:

Help our employees to grow and share the success of the Group.

MISSION

We maintain and strengthen the overall competitiveness and sustainable business growth in the watch market in the PRC by expanding our customer base and increasing our market share in both mid-end and low-end watch segments.

The Group endeavors to:

- Improving our efficiency in production and point of sale (POS) operation through the implementation of strategic planning and strategically expanding sales networks as well as devoting greater effort to e-commerce;
- Focusing on achieving satisfactory financial performance and continuing to deliver stable returns and create long-term value for our shareholders;
- Delivering watches with reliable quality to our customers through the provision of excellent pre-sales and after-sales services;
- Hiring talents that participate in the success of the Group and investing in the development of our employees; and
- Focusing on climate-resilience building by creating more sustainable products with optimal working processes, innovative technologies, industrial symbiosis and greater energy efficiencies.

ABOUT SUSTAINABILITY

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interest of its shareholders.

An effective Board of directors (the “Board”) leads and oversees the business affairs of the Company. The Board has set up various committees to cover specific functions of the Board, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee. For more details on our corporate governance, please refer to the “Corporate Governance Report” of the Annual Report 2022.

SUSTAINABILITY GOVERNANCE

Over the past few years, Environmental, Social and Governance (“ESG”) has become an important issue around the world. Enterprises from various industries recognize the importance of ESG in long-term development and incorporate ESG concepts into strategic business planning. Additionally, the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, announced and introduced the 17 Sustainable Development Goals (“SDGs”), as a blueprint for sustainability.



ABOUT SUSTAINABILITY

As a responsible and caring corporate citizen, the Group not only focuses on profit maximization, but also contributes to the well-being and benefits of its employees, the prosperity of the community and society, as well as the environmental benefits by developing and implementing various ESG policies and measures. To build an ambitious, comprehensive and integrated framework and targets for sustainable development, the Group has formulated its own ESG policy and strategies with reference to the concerns and targets.

We believe sustainability should be a continuing task integrating into our business activities. Accordingly, the whole Group, from the Board level to Individual employees, are responsible for and contribute to the ESG development. The Group adopts the top-down approach in the ESG development and management.

Board of Directors

ESG Management Team

Internal Task Forces

ABOUT SUSTAINABILITY

Board of Directors

The Board of the Group has the overall responsibility for the Group's ESG strategy and reporting issues. The Board is responsible for formulating the Group's ESG strategies, supervising its environmental and social performances, ESG targets setting, as well as ensuring the effective internal control and risk management of the Group. The Group's ESG performance, business strategy and sustainability policies are evaluated, reviewed and approved by the Board to comply with the latest laws, regulations, and industry standards.

Given the dynamically changing market, the Board is also responsible for the identification, analysis, and evaluation of key risks, as well as formulation of relevant recommendations for the coming year in Board meetings. Being informed of the risks in advance, the Group gains an advantage in the resilience building and rational capital spending, which through equipment upgrade and application of more eco-friendly technologies in the business operations, preventing or mitigating the threats and paving the way for sustainable development in the aspect of low carbon economy. The Board is also responsible for the veracity, accuracy, and completeness of this ESG Report's contents. In addition, the Company has engaged Riskory Consultancy Limited, an independent ESG consultant, to assist the Group in the ESG reporting and provide ESG related advisory services.

ESG Management Team

A professional ESG management team, which is supervised by the Board, has been set up to enhance effectiveness of the execution of the proposed policies, monitor the progress made against ESG targets, as well as to prevent any adverse circumstances. The ESG management team is responsible for supervising the daily operational practices in the Group and directly reporting material ESG issues to the Board.

Internal Task Force

An internal task force has been appointed to be responsible for the implementation, monitoring, reviewing and reporting of the effectiveness of ESG measures.

With such a consolidated ESG management framework and a progressive governance procedure, the Board's oversight for ESG-related opportunities and risks within the Group can be efficiently implemented.

ABOUT THIS REPORT

The Group is pleased to present its sixth ESG Report (the “Report”) to demonstrate its ESG performance, strategies, initiatives, and ESG-related risks, challenges, and opportunities from 1 July 2021 to 30 June 2022 (the “Reporting Period”).

REPORTING SCOPE

During the Reporting Period, the businesses of the Group were principally engaged in Hong Kong and the PRC. Unless otherwise stated, the Report covers the key business operation of the Group that are considered as material:

- i. Manufacturing, distributing, and retailing of watches in the PRC; and
- ii. Trading of watch movements.

The performance evaluation and statistics disclosure summarize the performance of the Group’s main offices, factories, warehouses and point of sales.

REPORTING STANDARD AND PRINCIPLES

The Report has been prepared in accordance with the mandatory disclosure and the “Comply or explain” provisions of the “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”).

The following reporting principles underpinned the preparation of the Report.

Reporting Principles	The Group’s response
Materiality	The Group has identified the material ESG issues through stakeholders engagement and considering business nature and development, and disclosed the material issues in the Report.
Quantitative	<p>This Report has disclosed key performance indicators (“KPIs”) in a quantitative manner where appropriate.</p> <p>The KPIs are calculated with reference to “Appendix 2: Reporting Guidance on Environmental KPIs” and “Appendix 3: Reporting Guidance on Social KPIs” of “How to Prepare an ESG Report” published by the HKEX.</p>
Consistency	The Group has adopted consistent reporting scope and statistical methodology to allow for meaningful comparisons of ESG data over time. Any changes to reporting scope or the methods used have been specified in the Report for stakeholders’ reference.

ABOUT THIS REPORT

ACCESS TO THIS REPORT

The Report is available in English and Chinese versions, and is uploaded to the website of the HKEX (www.hkexnews.hk) and the official website of the Group (www.timewatch.com.hk). If there is any conflict or discrepancy, the English version shall prevail.

FEEDBACK FROM STAKEHOLDERS

The Group attaches great importance to the valuable feedback of stakeholders on our ESG approach and performance. You are encouraged and welcomed to share your opinion with us through:

Tel: (852) 2945 0703

Email: ir@timewatch.com.hk

STAKEHOLDER ENGAGEMENT

The Group upholds the vision of creating values for all and emphasizes on maintaining an effective communication and good relationship with all stakeholders.

Stakeholders refer to groups and individuals who have a significant impact on our businesses or may be affected by our businesses, including but not limited to government and regulators, investors, shareholders, customers, employees and suppliers.

Through stakeholder engagement, the Group understands the stakeholders' genuine concerns and expectations and accordingly, the Group is able to incorporate the material environmental and social topics as well as the sustainability-related issues into its business strategy and process for sustainable development.



MATERIALITY ASSESSMENT

The Group values the expectations and concerns of all stakeholders, and communicates with stakeholders through a variety of effective channels:

<p style="text-align: center;">Customers</p>  <ul style="list-style-type: none"> • Face-to-face meetings and on-site visits • Customers' satisfaction surveys • Email and customer service hotline 	<p style="text-align: center;">Employees</p>  <ul style="list-style-type: none"> • Internal meetings and trainings • Employee activities • Performance appraisals
<p style="text-align: center;">Shareholders and Investors</p>  <ul style="list-style-type: none"> • Annual General Meeting • Annual reports and financial reports • Announcements and circulars • Websites 	<p style="text-align: center;">Suppliers</p>  <ul style="list-style-type: none"> • Supplier site visits • Business conference • Annual review
<p style="text-align: center;">Government and Regulatory Authorities</p>  <ul style="list-style-type: none"> • Direct communication • Qualification assessment 	<p style="text-align: center;">Community</p>  <ul style="list-style-type: none"> • Media conferences • Company website and publication

MATERIALITY ASSESSMENT

The Group has been conducting annual reviews to collect and identify its stakeholders' concerns and interests of ESG topics based on the actual business of the Group and industry characteristics and the requirements of the ESG Reporting Guide.

During the Reporting Period, the Group has diligently engaged internal and external stakeholders. Stakeholders are invited to complete an online questionnaire to express their concerns and views about the Group's sustainable development that have significant impacts on them or are considered important.

The Group will adjust its business strategies and sustainability initiatives with reference to the results of the materiality assessment in order to achieve the Group's sustainable development plans and goals.

MATERIALITY ASSESSMENT

The materiality assessment is conducted through:

1. Identification

Based on the assessment result of last year and with reference to the Environmental, Social and Governance Reporting Guide of the HKEX and SDGs, the Group has identified 24 ESG issues which are classified into 5 main categories:

- i. Environmental Protection;
- ii. Operating Practices;
- iii. Product Responsibility;
- iv. Human Rights and Employee; and
- v. Community Investment.

2. Assessment

Stakeholders are invited to rate the 24 issues through a questionnaire based on the materiality and influences on themselves and the Group.

3. Result Analysis

With the assistance of Riskory Consultancy Limited, an independent professional consultant, the Group conducted a materiality assessment on the issues according to the results of the questionnaire and mapped the analysis result into a materiality matrix to illustrate the importance of each issue to the business of the Group and its stakeholders.

MATERIALITY ASSESSMENT

According to the analysis result, the Group has prioritized 7 issues as the material ESG topics in the Reporting Period, which are shown in the outermost area of the materiality matrix below. The most concerning material issues were disclosed in the Report as the channels to respond to their opinions on the sustainable development of the Group.



Environmental Protection	Operating Practices	Product Responsibility	Human Rights and Employees	Community Investment
1. Air pollutants and greenhouse gas emission	6. Supply chain management	10. Product and service quality and safety	16. Equal opportunity, diversity and anti-discrimination	22. Participation or organization of volunteer activities
2. Waste management	7. Suppliers' environmental and social risk evaluation	11. Customer satisfaction	17. Employment relationship and employee benefits	23. Charitable donation
3. Effective use of resource	8. Green procurement (e.g. using environmental friendly materials, etc.)	12. Handling of complaint	18. Occupational health and safety	24. Community inclusive activities
4. Environmental impact of business activities	9. Crisis or emergency management	13. Intellectual property protection	19. Training and development	
5. Risk associated with climate change		14. Customer information privacy and data security	20. Prevent of child labour and forced labour	
		15. Marketing and advertisement	21. Anti-corruption and whistle-blowing system	

SOCIAL SUSTAINABILITY

OPERATING PRACTICES

Product Responsibility

Quality and safety of products and services are considered as one of the most effective ways to enhance customers' trust and corporate competitiveness in the market. Maintaining the consistency of high-quality products is our top priority.

Internal policies and procedures have been formulated by the Group in accordance with all the relevant rules, regulations and standards in Hong Kong and the PRC including but not limited to:

- Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong);
- Patents Ordinance (Cap. 514 of the Laws of Hong Kong);
- Product Quality Law of the People's Republic of China (中華人民共和國產品質量法);
- Law of the People's Republic of China on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法);
- Advertising Law of the People's Republic of China (中華人民共和國廣告法);
- Patent Law of the People's Republic of China (中華人民共和國專利法); and
- Trademark Law of the People's Republic of China (中華人民共和國商標法).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to health and safety, advertising, labelling and privacy matters with respect to its products and services that would have a significant impact on the Group.

Product Quality

The Group endeavours to provide innovative and top-quality products and services to its valued customers, and its concept for innovation has always remained market-oriented with pragmatic craftsmanship. The Group upholds the service principles of "Sincerity Wins Trust, Service Creates Value" and "Customer First". During the Reporting Period, the Group did not encounter any product recall due to safety and health reason.

With its extensive experience in the watch manufacturing industry, the Group has formulated the internal product quality assurance policy according to the Quality Management Systems (ISO 9001:2015) to ensure that safe, reliable and good quality final products are delivered to customers.

A set of internal policies and procedures in different stages of watchmaking have been formulated to ensure the quality of final products. The Group strives to ensure that the manufacturing process is in strict compliance with the procedures stipulated in the Quality Control Manual.

SOCIAL SUSTAINABILITY



Inventory Control

The material quality and operation process are considered to affect the product quality to large extents. To optimize the operation process in the warehouse as well as material storage and management, all raw materials are tested and checked by the Quality and Engineering Department to ensure that they are qualified for production. Furthermore, the Raw Material Storage and Management Policy has been established to fulfil the following requirements:

- Accuracy of inventory;
- Efficiency of goods placement;
- Clarity of accounts; and
- Standardization and timeliness of products entering and existing the warehouse.



Production Process

Regular inspections of machinery and equipment are carried out by factory managers during the production process to prevent machinery breakdown.



Quality Control and After Sales Services

A set of quality assurance measures are strictly conducted by qualified experts after production, such as size and water-proof tests. The manager of the Quality and Engineering Department has overall responsibility for product quality and is required to sign off all the tests.

The Quality and Engineering Department is also responsible for following up the complaints received associated with marketing and after-sales quality issues.

SOCIAL SUSTAINABILITY

Handling of Complaints

The Group strives to maintain open and efficient communication channels with customers. Opinions from customers are valued by the Group to achieve continuous improvements in its product and service quality. During the Reporting Period, the Group received 29 complaints concerning product and service quality, all complaints were properly handled.

The Customer Service Department is responsible for after-sales services and dealing with customers' feedback through customer satisfaction surveys. A set of standard procedures have been formulated by the Group to manage and handle customer complaints about product defects and service quality:

1. Complaints Received

Customer Service Department is responsible for

- Identifying the authenticity of complaints;
- Following up with customers about the progress; and
- Communicating with the Office.

2. Investigation and Response

Office is responsible for

- Reviewing the complaint and initiating rectification process;
- Making proposals for return, exchange or repair of defective products; and
- Preventing recurrence of similar incidents through summary, meetings and warning.

3. Follow up measures

Customer Service Department is responsible for

- Receiving feedback from customers about complaint-solving process and result through customer satisfaction surveys.

All inquiries and substantiated complaints are required to be responded and handled in a timely and efficient manner according to the Group's Customer Complaint Handling Process (客訴流程). Strict requirements have been adopted for dealing with substantiated complaints. The solutions are required to be raised within 24 hours after receiving the relevant complaints and the complaints are needed to be resolved with the satisfactory outcome within 48 hours.

Intellectual Property Rights

Intellectual property rights (the "IP" rights) is considered an intangible and valuable asset. We believe that the promotion and protection of the IP rights are pivotal to its sustainable business development and enhance its international competitiveness. The Group has complied with relevant intellectual property rights laws and regulations to safeguard the interest of the Group and its customers. During the Reporting Period, the Group did not encounter any material claims for IP rights infringement.

SOCIAL SUSTAINABILITY

The Group believes that IP development and protection will be one of its key issues in future when considering the intensified global competition of innovation. We currently own and have successfully registered several trademarks, patents, and domain names. During the Reporting Period, the Group's IP management system covering the research and development, production and sales of watches were certified to conform to GB/T29490-2013 Enterprise Intellectual Property Management.

The Group has entered into the confidentiality agreements and non-competition agreements with relevant employees who are obliged to keep trade secrets and prevent the infringement of its IP rights. Staff who are suspected of violating relevant regulations of corporate IP rights will be investigated and appropriate actions will be taken according to the Trade Secret Protection Policy (公司商業秘密保護) of the Group. Besides, its suppliers are also required to strictly respect the IP rights of the Group.

Privacy

The Group understands the importance of protecting the privacy and confidentiality of its customers' information, and believes that data protection and security are crucial to its long term business development and corporate reputation.

All the data from its customers, employees, suppliers as well as other business partners is strictly managed and protected by the Group to ensure the privacy and confidentiality. Internal policies have been formulated by the Group to comply with and strictly follow the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety, including but not limited to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

To safeguard all information collected, the Group endeavours to maintain a secure environment. For instance, company servers and computers being protected with access passwords to prevent unauthorized access and possible information leakage. Besides, the Employee handbook clearly stated that employees are made aware of their responsibility to respect the privacy of customers and to protect any customer data from external parties. Offending employees will be liable for the direct or indirect information leakage.

The Group did not encounter any breaches of customer privacy or loss of customer data or any private information leakage during the Reporting Period.

Advertising and Labelling

Any misrepresentation made in marketing materials or exaggeration of offerings is strictly prohibited by the Group. To ensure the Marketing Department provides precise product descriptions and information that both comply with the relevant local laws and regulations, and conform to the code of ethics to its customers, the Group has established the internal policies to regulate the practice in brand promotion with celebrities, marketing and planning, and graphic design.

The Group has strictly complied with relevant laws and regulations in the regions where it operates, including but not limited to the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong) and the Advertising Law of the People's Republic of China (中華人民共和國廣告法). During the Reporting Period, the Group did not have any material non-compliance with laws and regulations in relation to advertising and labelling of its products and services.

SOCIAL SUSTAINABILITY

Supply Chain Management

The Group strives to maintain an effective supply chain management and a sustainable relationship with various suppliers for watch components and materials, electronic parts, equipment and services procurement. As watchmaking is a complicated process due to the involvement of assembling tiny and sophisticated parts, stable supply chain and standardized working procedure are required to ensure the quality of watches being manufactured can be consistently maintained at a high standard.

With reference to the international normative frameworks and global best practices in the industry, the Group has established comprehensive internal policies and a robust management system to communicate with the suppliers and ensure that the trading of products and services is competitive, fair and transparent. A systematic supplier management system has been established by the Group to provide clear criteria on identifying, analyzing, selecting, and managing its suppliers. Quality and cost performance are two crucial indicators of supplier evaluation.



During the Reporting Period, the Group had 125 key suppliers, of which 102 of the suppliers were from the PRC, 22 were Hong Kong suppliers and 1 was an overseas supplier adhering to the principle of the "Green Procurement" policy.

SOCIAL SUSTAINABILITY

Strict Selection Criteria

Suppliers are assessed and selected in strict criteria following the Group's internal procedures. In light of this, a set of selection criteria has been established by the Group according to the requirements and recommendations in the Quality Management Systems (ISO 9001:2015). For instance, the "Supplier Audit Report" is used to regulate supplier selection and management procedures through providing and specifying the standards for supplier evaluation, such as delivery time, quality, and price.

Following the internal policies, such as Quality Management System Control Policy, Intellectual Property Certification Requirements, and Supplier Quality/Price Management Policy, the Procurement Department, Project Department, and other relevant departments jointly conduct supplier assessments under normal circumstances. A set of supplier selection criteria is as follows:



SOCIAL SUSTAINABILITY

Only suppliers who have fulfilled all requirements under above the criteria can be selected to be a qualified partner as the Group believes that they are competent to provide reliable and quality products with excellent performance.

Quality Assurance and Control

Effective communication with suppliers in a competitive, fair and transparent manner is maintained in order to ensure suppliers' performances, environmental and social risks management capability. The Group periodically monitors the overall performance of its suppliers to ensure the stability of the supply chain and the consistency of high-quality products. Specifically, inspections and on-site audits with documented reports have been conducted for continuous improvement and on-going cooperation with suppliers. During the Reporting Period, 68 suppliers of the Group have been assessed.

To maintain and regulate the quality of products, the Group enters a "Supplier Quality Assurance Agreement" (供應商質量保證協議) with its selected suppliers to verify the following documents provided by suppliers:

- Material Certificate;
- Material Safety Data Sheet;
- Shipment Inspection Report;
- Indicators of quality product rate, packaging process and transportation; and
- Unqualified supplies treatment and solutions.

Furthermore, in accordance with Sampling procedures for inspection by attributes-Part1: Sampling schemes indexed by acceptance quality limit (AQL) for lot-by-lot inspection (GB/T 2828.1-2003 計數抽樣檢驗程序第1部分：按接收質量限(AQL)檢索的逐批檢驗抽樣計劃), the Group has formulated the detailed procedures on incoming goods inspections to minimize the risks of using defective raw materials. The Group also monitors and manages its suppliers' operational processes to ensure product quality. Besides, unless a formal written document such as PCN/ECN/ECR sheet is submitted and approved by the Group, the suppliers cannot modify the product design, processing techniques and major raw materials at all production stages.

In future, the Group will place greater concerns and consider devoting more resource in the due diligence of its supply chain to enhance the transparency of its governance. The Group may also consider engaging with an independent third-party to improve the credibility of the due diligence assessment.

SOCIAL SUSTAINABILITY

Environmental and Social Risk Consideration

The environmental and social performances of its business partners within the supply chain are considered. Suppliers that promote environmentally preferable products and services are prioritized during the supplier selection and assessment processes. Environmental and social risk considerations have been incorporated into the supplier selection and management procedures.

1. *Environmental risks*

According to the "Supplier Quality Assurance Agreement" (供應商質量保證協議), all suppliers are required to provide the Environmental Protection Test Report to ensure that environmentally friendly products are supplied, so as to minimize the environmental risks in the supply chain.

2. *Social risks*

Any child labour or forced labour is strictly prohibited. The Group has also scrutinized its business partners in terms of the compliance with relevant labour standards and the respect of human rights to reduce social risks.

Anti-Corruption

We are committed to maintaining the highest level of business ethics and integrity in carrying out its business activities. The Group has complied with the local laws and regulations relating to anti-corruption and bribery, including but not limited to Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法).

All employees are expected to perform their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery or any activities which might exploit their positions against the Group's interests. The Group has also formulated its code of conduct and internal policies to ensure that business activities are conducted honestly, transparently, and legitimately, as well as to abstain from all forms of misconduct, including corruption, extortion and money-laundering within the Group. For instance, the anti-corruption policies such as "Company rules on the acceptance of benefits by employees" (有關僱員收受利益之公司規則) have been established and enforced. All employees are required to abide by the relevant codes of professional ethics. Relevant departments and staff are appointed to monitor and handle the related cases.

To prevent conflicts of interest, the Group clearly states that employees are strictly prohibited to solicit any benefits and advantages from customers, suppliers or any business partners in the policy. Employees have to report to the management for approval if they or their immediate family members have interests in business dealings with the Group. Besides, employees are required to obtain written consent from the Group before taking part-time jobs.

During the Reporting Period, the Group reported no cases in relation to bribery, extortion, fraud and money laundering, nor concluded legal cases were reported regarding corrupt practices against the Group or its employees.

SOCIAL SUSTAINABILITY

Whistle-blowing Mechanism

The Group has established a whistle-blowing mechanism. Employees can report verbally or in writing to the Group via the whistle-blowing document collection box for any suspected misconduct with full details and supporting evidence. To safeguard its interests, the Group will conduct an investigation against any suspicious or illegal behaviour once receives any report.

All reported incidents will be handled properly and kept in strict confidence to protect the complainants' identity as well as the content of the complaint. Once criminality is suspected, a report will be made promptly to the relevant regulators or law enforcement authorities when the management considers necessary.

The Group regularly reviews the mechanism and procedures to ensure its effectiveness in protecting the whistle-blowers from any unfair dismissal or victimization.

Anti-corruption Training

During the Reporting Period, the Group provided e-learning opportunities and organize other training programmes in relation to the Group's internal policies, anti-corruption initiatives and the latest updates of the relevant laws and regulations for directors and employees to enhance their understanding of the corporate policies, strengthen their awareness and compliance with the code of conduct.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group views employees as its most valuable and important asset. The Group has developed and upheld the concepts of “People-oriented”, “Selection and training of talents are in the first place” and “Respect and trust every employee”. The Group respects the rights of its employees and considers the employees empowerment as one of its core management philosophies. Employees are encouraged to reach their full potentials, strength in position and take the initiative to lead various projects. The Group believes that this could help our employees to build a sense of belonging with a shared future with the Group and enable the organization to be continuously competitive and energized in the market.

To follow the employment principles and values, the Group has formulated the Employee Handbook to provide an effective tool in assisting the management and the employees to define their expectations, roles and responsibility, as well as to improve employees’ work efficiency, sense of responsibility, and sense of belonging. The Employee Handbook acts as the primary regulation and work ethics, which provides internal guidelines for employees and covers all aspects of operations, company management practices, employment, benefits and welfare, rights, obligation and responsibilities.

The Employee Handbook and employment policies have been reviewed and updated by the Human Resources Department of the Group on an ongoing basis to adapt to social changes and comply with all the relevant laws and regulations in Hong Kong and the PRC, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), Labour Law of the People’s Republic of China (中華人民共和國勞動法) and Social Insurance Law of the People’s Republic of China (中華人民共和國社會保險法).

During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

SOCIAL SUSTAINABILITY

Total Workforce

As at 30 June 2022, the total full-time employee of the Group was approximately 3,848. The relevant data was as follows:

Workforce in 2022

By gender	
– Male	460
– Female	3,388
By age group	
– 18-25	121
– 26-35	1,176
– 36-45	1,796
– 46-55	702
– 56 or above	53
By geographical location	
– Mainland China	3,808
– Hong Kong	40

Recruitment and Promotion

The Group is committed to developing and supporting equality and diversity. As talent acquisition is considered as essential element in maintaining the Group's energetic competitiveness in the market, the Group values every employee and emphasizes recruitment, retention and development of human resources. To this end, the Group has established a set of clear policies and procedures for the recruitment:

- 1 Qualified candidates will be selected by the Human Resources Department for the first-round interview with departmental managers.
- 2 Background screening and scrutinization will be conducted by the Human Resources Department to ensure the candidate is suitable, eligible and lawful for the role after selection interviews.
- 3 Multiple rounds of examinations led by the Human Resources Department and department supervisor are performed before the candidate is accepted and employed.

In relation to promotion, any promotion within the Group is based on established procedures in accordance with the Employee Handbook. The Group refers to market benchmarks and provides equal opportunities for promotion and development for eligible employees who have shown outstanding performance and potential in their positions.

SOCIAL SUSTAINABILITY

Remuneration and Dismissal

Human resources are an essential pillar supporting the Group's sustainable growth. We attach great importance to employee remuneration issues. Competitive remuneration and benefits are offered by the Group in accordance with the applicants' educational backgrounds, personal attributes, job experiences and career aspirations to attract high-caliber talents. To comply with local and national laws and regulations, provident fund and social insurance are provided to employees, including endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance.

In accordance with the Employee Handbook and internal policies, the Group periodically reviews its compensation packages and performs probationary and regular evaluations on employees' capability and performance to enable all employees' efforts and contributions can be acknowledged appropriately. Staff Performance Appraisal is performed in December every year. The Performance Appraisal Sheet is completed by the department's directors to evaluate employees' work performance. Adjustment of compensation and termination of employment are determined by various factors, such as performance of the relevant employee and the Group.

Any kind of unfair or illegitimate dismissal is strictly prohibited. Pursuant to the relevant laws and regulations in Hong Kong and the PRC, the Group has established stringent policies to regulate and govern the procedures of employee dismissal.

During the Reporting Period, the turnover rate was as follows:

	2022
By gender	
– Male	16%
– Female	33%
By age group	
– 18-25	53%
– 26-35	42%
– 36-45	26%
– 46-55	21%
– 56 or above	13%
By geographical location	
– Mainland China	31%
– Hong Kong	10%

SOCIAL SUSTAINABILITY

Equal Opportunity and Anti-discrimination

The Group strives to provide an equal, diverse and respectful work environment for its employees. We uphold zero tolerance for any workplace discrimination, harassment or vilification. The Group has formulated equal opportunity policies in accordance with local ordinances and regulations, including but not limited to Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong).

As an equal opportunity employer, the Group strives to regulate and monitor corporate daily practice to avoid any circumstances contrary to the principles of equal opportunity and anti-discrimination. Training and promotion opportunities, as well as dismissal policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other discriminatory elements.

Employee Benefits and Welfare

The Group believes that employee's benefits and welfare are essential to our business sustainability, therefore, employees' interests and wellness should be considered and prioritized. Employees' working hours and rest periods are clearly stated in the Employee Handbook. Employees who have worked overtime can take alternative days off once the application is approved. In addition to basic annual leaves and statutory holidays, a wide range of additional benefits are provided to employees, such as attendance award, overtime allowances, festival gifts and performance bonuses.

Moreover, the Group has provided various benefits to its employees, such as recreational activities during festivals and tour packages. Besides, to keep all employees feel motivated and engaged in the business, the Group strives to develop a corporate culture that enables smooth and effective communications between colleagues and facilitates a sense of belonging for employees.

Employee Communication

The Group believes effective employee communication and suggestions from staff can create a more cooperative workplace. The corporate grievance mechanism has been adopted by the Group and employees are encouraged to report any incidents involving discrimination to the Human Resources Department. The Human Resources Department is responsible for the assessment, recording and implementation of any necessary disciplinary actions on the incidents once any relevant report is received.

SOCIAL SUSTAINABILITY

Health and Safety

The Group is committed to building a safe and healthy working environment for all employees. The work injury rate and work-related fatalities rate of the Group remained at zero.

The Group has strictly complied with applicable safety and health policies, laws and regulations in the PRC and Hong Kong, including but not limited to Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) and Regulation on Work-Related Injury Insurance (工傷保險條例).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to workplace safety that have a significant impact on the Group.

Maintaining a Safe Workplace

The Group carefully maintains a safe, hygienic, and productive workplace to prevent potential work-related accidents or injuries. The Group has implemented different health and safety measures as to provide and maintain a safe, hygienic and environmentally friendly working condition for employees:

- Work environment condition evaluation;
- Safety equipment installation;
- Appropriate lighting and ventilation;
- Safety briefing and notice; and
- Noise level monitoring.

Staff engaged in the production process are provided with personal protective equipment ("PPE"), such as uniforms, face masks and gloves, for protection. The Group also requires its suppliers to provide relevant testing certificates, conduct functional and safety checks, and arrange maintenance on a regular basis to ensure the safety of the equipment in the manufacturing facilities. Besides, an independent testing agency will conduct regular inspection on potential occupational hazards that may exist in the workplace.

No lost days due to work injury were reported in the Reporting Period, and no work-related fatalities were reported in the past three years (including the Reporting Period).

Emphasizing Mental Health

The Group believes that it is imperative to keep all employees mentally healthy. To promote work-life balance, improve employees' awareness of maintaining good mental health and better stress management, as well as minimize the potential illness caused by accumulated fatigue, the Group has been planning to carry out different forms of initiatives, such as conducting regular stress check, setting up external counselling desk and organizing seminars.

SOCIAL SUSTAINABILITY

Development and Training

The Group strives to provide concrete training opportunities for employees to achieve workplace excellence and personal development as employee training and development are considered as paramount importance to the sustainable development of the Group.

The Human Resources Department is responsible for organizing and arranging various types of training programmes to ensure all employees obtain relevant and sufficient training, especially professional training for staff in designated positions to improve their specialized skills.

During the Reporting Period, employees from different position levels including the senior management, middle management and general staff attended a set of internal and external training courses. The relevant training data was as follows:

	Percentage of employees trained (%)	Average training hours per employee (hour)
By gender		
– Male	83%	29
– Female	96%	85
By employee category		
– Senior management	14%	1
– Middle management	73%	22
– General staff	96%	81

To ensure employees have sufficient job knowledge and skills, the Group's senior employees have conducted the following in-house training programs for new and existing staff:

Internal Courses	Course Objectives
<ul style="list-style-type: none"> • Induction Training 	To introduce the corporate history and culture of the Group to new employees.
<ul style="list-style-type: none"> • Pre-job Training • After-probation Training • Watch Knowledge and Updates 	To ensure employees are familiar with the Group's products and technological procedures.
<ul style="list-style-type: none"> • Fire Safety Knowledge • Garbage Classification 	To raise employees' awareness of workplace safety and environmental protection knowledge.

SOCIAL SUSTAINABILITY

In addition, The Group also arranged public courses held by external organizations and professional consultants for employees to strengthen their future career progression and development, such as DISC Team Leadership and Management, and Cross-Department Communication and Cooperation.

In future, the Group will continue to focus on exploring different training and education programmes to ensure employees have sufficient job-related knowledge, as well as maintain and enhance the Group's competitiveness in the market and adhere to its vision of sustainable development.

Labour Standard

The Group has complied with all the relevant labour laws and regulations in Hong Kong and the PRC, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and the Labour Law of the People's Republic of China (中華人民共和國勞動法). During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to the prevention of child and forced labour that would have a significant impact on the Group.

We strictly prohibited child and forced labour. To prevent illegal employment of child labour, underage workers or forced labour, all job applicants are required to provide valid identity documents by the Human Resources Department to ensure that they are lawfully employable, prior to the confirmation of any employment. The employment will be immediately terminated if any case in breach of the labour standards is found. In addition, the Group will promptly check for any loopholes in the human resources recruitment process to avoid recurring similar issues in the future.

ENVIRONMENTAL SUSTAINABILITY

As a member of the society and one of the leading national watch brands in the PRC, the Group believes that it has the corporate responsibility in mitigating its environmental impacts and demonstrating its determination in supporting sustainable development.

With the rapid economic and social development in recent years, sustainability and environmental issues have become one of the most urgent problems for all human beings. Thus, environmental protection is one of the key areas in the Group's sustainable strategy directions.

The Group strictly complied with applicable laws and regulations in the PRC and Hong Kong, including but not limited to:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法);
- Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法);
- Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法); and
- Atmosphere Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

ENVIRONMENTAL SUSTAINABILITY

EMISSIONS

To achieve the aim of reducing air, greenhouse gas emissions and waste as well as enhancing resources utilization, the Group has incorporated its environmental code and targets into the internal management policies and conducted periodically reviews to improve the daily operating practices. Besides, the Group also actively participates in environmental-related corporate activities and campaigns to increase employees' environmental awareness.

Air Emissions

During the Reporting Period, vehicle fuel used for transportation is the main source of air emissions generated by the Group in daily operations. The emission data was as follows:

Air emissions	Unit	2022	2021
Nitrogen Oxides (NO _x)	Kg	73.67	121.70
Sulphur Oxides (SO _x)	Kg	1.54	1.51
Particulate Matters (PM)	Kg	5.92	10.57

Greenhouse Gas Emissions

During the Reporting Period, greenhouse gas ("GHG") emitted from the Group was mainly from the use of vehicle during the daily operations of the Group (Scope 1 – Direct Emissions) and consumption of electricity (Scope 2 – Energy Indirect Emission). The emission data was as follows:

GHG emissions	Unit	2022	2021
Scope 1 (Direct Emissions)	Tonnes of CO ₂ e	320.57	332.49
Removal (Tree Planting) (Scope 1)	Tonnes of CO ₂ e	0.00	23.32
Scope 2 (Energy Indirect Emissions)	Tonnes of CO ₂ e	664.82	897.73
Total Emissions	Tonnes of CO ₂ e	985.39	1,206.90
Intensity	Tonnes of CO ₂ e/ million revenue (HKD)	0.70	0.63

Energy indirect (Scope 2) emission was the main contributor of the Group's GHG emissions, accounting for approximately 67% of its total GHG emissions during the Reporting Period. The use of electricity for lighting, air conditioning, and electrical appliances and equipment during the manufacturing process and the office area were the primary sources of Scope 2 energy indirect emission.

ENVIRONMENTAL SUSTAINABILITY

Compared to the previous year, the total GHG emissions of the Group decreased by 18%. In order to fulfil our responsibility as a good corporate citizen to do all we can to protect the environment, the Group targets to continuously reduce the air and GHG emissions and enhance the employees' energy conservation awareness. Different energy conservation strategies and measures have been designed and implemented:

- Adopt energy-saving lighting fixtures;
- Switch off idle air-conditioning, lighting, and equipment; and
- Post energy-saving slogans at the office, production facilities entrances and besides power control switches.

Solid Waste

Due to our business nature, the operation of the production facilities does not directly generate any hazardous waste. Despite this, we will continue to achieve the target of avoiding hazardous waste generation.

Only non-hazardous waste was produced by the Group from its business activities during the Reporting Period. Major non-hazardous wastes such as wastepaper, food waste, other domestic waste and watch components were produced. The relevant data was as follows:

Non-hazardous waste	Unit	2022	2021
Total non-hazardous waste produced	Tonnes	42.41	45.47
Intensity	Kg/million revenue (HKD)	30.12	23.71

To achieve the target of complying with relevant environmental laws and regulations and zero waste generation, the Group will continue to reduce process residuals, minimize management costs, streamline operations as well as develop sustainable waste stewardship through implementation of different measures, such as making use of technological innovation.

i. Reducing at Source

The Group attaches great importance to the generation and handling of waste from production process. "Source reduction of waste" is one of the Group's focuses and targets. Therefore, raw materials that can be reused and recycled are preferred in the procurement stage.

The Group has formulated the Waste Material Recycling Policy to provide strict and comprehensive guidance throughout the whole process of the recycling and disposal of waste materials, from making disposal plans, counting and packaging, to the reviewing of reports. The Group has also formulated a proper treatment for handling packaging wastes generated from materials and components such as watch movement, strap and bezel.

In addition, the Group has taken a further step to reduce unnecessary waste. Ongoing monitoring and reviewing on the consumption of materials and the forms of product packaging materials and containers are conducted to obtain more detailed data, such as waste generation and recycling. Innovative reusable materials and containers are highly preferred by the Group.

ENVIRONMENTAL SUSTAINABILITY

ii. "Green" Life – Classification Approach

The Group has promoted "Green" life in daily operation and encouraged employees to improve their operating practices to reduce waste as well as handle disposals in a more environmental-friendly manner. A classification approach has been adopted by the Group for solid waste collection, including but not limited to the separation of wastepaper, glass containers, disposed cans and plastics.

For special solid waste such as watch components, they will be recycled and collected by third parties. Besides, the installation of collection bins with prominent labels as instructions for waste classification has also been placed next to the cargo lift in order to strengthen employees' environmental awareness. The non-recyclable solid wastes, such as general refuse, were normally transported to local waste disposal plants for further treatment.

iii. Wastepaper Management

Wastepaper was one of the primary sources of the non-hazardous waste. Wastepaper was collected either by the designated service supplier for recycling or by the property management office for further disposal.

To achieve its core target of paper consumption reduction, the Group has also introduced and promoted the concept of "paperless office" in recent years. Accordingly, the scheme has achieved significant progress. To further reduce paper consumption, the Group has applied the concept of "Reduce" and "Reuse", and adopted the following effective initiatives in the Reporting Period to improve the operating practices and strengthen employees' environmental awareness:



REDUCE

- Embrace the concept of the paperless office and office automation, and disseminate information by electronic means (i.e. emails or e-bulletin boards) if possible;
- Spread the idea of 'think before you print' by placing posters and stickers in the offices to remind the staff to avoid unnecessary printings; and
- Utilize digital technology for operations instead of paper.



REUSE

- Prioritize to use recycled paper; and
- Use the back of old single-sided documents for printing or as draft paper.

ENVIRONMENTAL SUSTAINABILITY

USE OF RESOURCES

Energy

Diesel, gasoline and gas oil for ship and electricity were the major energy consumption by the Group during the Reporting Period. The relevant data was as follows:

Energy consumption	Unit	2022	2021
Direct energy			
– Diesel	kWh	30,674.91	39,069.80
– Gasoline	kWh	925,698.71	894,117.76
– Gas oil for ship	kWh	166,732.61	241,992.36
– Sub-total	kWh	1,123,106.23	1,175,179.92
Indirect energy			
– Electricity	kWh	1,154,217.24	1,472,665.19
Total energy consumption	kWh	2,277,323.47	2,647,845.11
Intensity	kWh/million revenue (HKD)	1,617.31	1,380.52

i. **Fossil fuel**

Diesel, gasoline and gas oil for ship during transportation of products were the primary attribution of direct energy consumption. Compared to the previous year, the direct energy consumption of the Group has decreased by 4%. It demonstrated the Group's determination and effort in maintaining sustainable vehicle management.

ii. **Electricity**

During the Reporting Period, electricity accounted for around 51% of total energy consumption, which was the largest consumption among all kinds of energy uses. Compared to the previous year, the electricity consumption of the Group has decreased by 22%.

The Group strives to increase its energy efficiency and continues to focus on developing the Environmental Management System (EMS) in order to systematically manage and monitor its energy consumption. In order to achieve the target of energy saving and effective use of energy of the Group, the Group has implemented various measures in different aspects of the operation in its factories and offices to reduce our energy consumption and hence further reduce the GHG emissions:

ENVIRONMENTAL SUSTAINABILITY

Green design and adaptation of new technologies and equipment

- Utilized natural sunlight to light up the workplace during daytime;
- Adopted energy-saving technologies and equipment for production in the factories and administrative operations in the offices;
- Strictly followed maintenance schedules of appliances with reference to the instruction manual; and
- Adopted natural ventilation or ventilation fans for areas where air-conditioning is not required.

Improvement in operating practices

- Encouraged employees to change their electricity consumption habits during working hours; and
- Switched off office equipment after office hours.

Strived to increase employee's environmental awareness

- Provided relevant training and communication to ensure employees understand and engage in energy-saving practices.

In addition to the above measures, the Group is committed to achieving a better logistic management by improving the overall logistic process to further reduce the energy consumption.

Water

The Group recognizes the value of water and focuses on water utilization efficiency. We did not experience any issues related to water sourcing that fit the Group's purpose. The Group's water consumption during the Reporting Period has decreased by approximately 38% compared to the previous year.

The water consumption of the Group was as follows:

	Unit	2022	2021
Total water consumption	m ³	16,932.54	27,496.87
Intensity	m ³ /million revenue (HKD)	12.03	14.34

The Group strives to further achieve the target of enhancing water utilization efficiency through increasing employees' water conservation awareness. We have reminded employees to turn off water taps after use through emails and notices, and placed 'Saving water resources' posters in prominent places in the factories and offices. Furthermore, to prevent any unnecessary waste, dripping taps are fixed immediately once any leakage is found.

The Group will continue its optimization of operation process to enhance the accuracy of water usage measurement and encourage water utilization in a more eco-friendly manner.

ENVIRONMENTAL SUSTAINABILITY

Packaging Materials

Packaging are essential for storage and protection of our products. The packaging materials consumed by the Group mainly include watch boxes, bags, paper products and others.

Since different kinds of materials and components such as watch movement, strap and bezels, were purchased and used in the manufacturing process, the Group has also formulated a proper treatment for handling packaging wastes generated from those components, such as carton boxes and plastic bags.

During the Reporting Period, the relevant consumption data was as follows:

Packaging Materials	Unit	2022	2021
Watch boxes	Tonnes	327.48	496.99
Bags	Tonnes	42.88	75.82
Paper	Tonnes	51.38	80.63
Others	Tonnes	112.13	217.79
Total amount of packaging materials	Tonnes	533.87	871.23
Intensity	Tonnes/million revenue (HKD)	0.38	0.45

Compared to the previous year, the total amount of packaging materials consumed by the Group has decreased by 39%.

The Policy of Procurement, Management and Use of Product Packaging Materials has been formulated to standardize the process in the control of packaging materials. The Group regularly reviews and updates the policy to include the latest relevant regulation and policy where applicable. Besides, to further mitigate packaging materials consumption and minimize its environmental impact, the Group has continuously introduced new and innovative ideas such as using environmentally friendly materials in the packaging process, through ongoing research and discussions.

ENVIRONMENTAL SUSTAINABILITY

THE ENVIRONMENT AND NATURAL RESOURCES

Given our particular working operations, the Group did not violate any laws and regulations in relation to environmental protection or identify any significant impacts that it caused on the environment and natural resources during the Reporting Period. Nevertheless, the Group believes that the environment and natural resources are valuable and precious to human beings, and we strive to minimize the potential adverse impacts of our business activities on the environment.

To lower our adverse impacts on the environment and better use of natural resources, the Group has implemented several measures:

Enhancement of energy efficiency and better use of resource

- Consistently optimize the production process and improve daily operating practices;
- Monitor and control the consumption of natural resources;
- Explore feasible application of innovative and eco-friendly technologies and design;
- Shift from traditional energy supply to the renewable alternatives for its daily operations; and
- Phase out outdated equipment that may jeopardize the environment.

Increase in employees' environmental awareness and improvement of daily operation practices

- Organize numerous seminars and activities to encourage its employees to be more aware of environmental protection and energy conservation;
- Promote electricity conservation in its factories and offices through posters, emails and in a variety of formats in order to reduce the GHG emission; and
- Adopt paper saving initiatives to reduce the paper consumption.

The Group will continue to explore more effective approaches in optimizing its production process and to mitigate any adverse impacts on the environment and natural resources during the daily operation in future.

ENVIRONMENTAL SUSTAINABILITY

CLIMATE CHANGE

Climate change is one of the world's most significant and urgent challenges in recent years. As a responsible corporate citizen and with reference to the recommendations of the Task Force on climate-related Financial Disclosures ("TCFD"), the Group strives to optimize its business operations, achieve greater energy efficiency and secure alternatives in the value chain to further curb global warming and contribution to achieving the goal of limiting global temperature increase to well below 2°C compared to pre-industrial levels developed in the Paris Agreement. With the rise of decarbonization movement, the Group is aware that various climate-related trends have become more conceivable, including increasingly stringent energy-saving regulations and the recent change in customers' expectations and behaviours.

The Group strives to evaluate its business model from time to time and strengthen staff's knowledge of climate change, daily practices and hidden climate-related risks together with opportunities alongside the corporate growth, in order to establish its inherent interconnections with the environment.

Besides, the Group believes that international policies and regulations on climate change will be more stringent in the near future, and considers environmental compliance and building climate resilience as one of its major tasks and challenges. The Group has been identifying related risks and opportunities affecting the business development in accordance with the recommendations of the TCFD from the perspective of Governance, Risk Management, Strategy and Metrics and Targets. The Group will also set appropriate environmental goals and develop a progress management system in response to the globally recognized initiatives of environmental conservation and tightened local regulatory requirements.

Furthermore, various measures described in "Use of Resources" section of the Report have been adopted by the Group to reduce and monitor its carbon dioxide emissions as to mitigate the rising level of GHG. In the meantime, the Group is on the way to set appropriate emission targets based on an in-depth analysis of its business impacts in combination with the latest climate science.

In addition, the Group will continue to maintain and strengthen the robustness of the governance structure and emphasize the conformance assessment in its corporate ESG management to enable the Board to be timely updated on the emerging regulatory changes and make prompt responses.

COMMUNITY

COMMUNITY INVESTMENT

The Group believes that community investment is one of the essential elements for sustainable development as the community strengthening is also beneficial to the Group's business development. As a well-known Chinese watch brand, the Group prioritizes and places great concerns on the community investment to fulfil its corporate social responsibility, as well as to build positive corporate culture and reputation. The Group focuses on the three main areas in its community investment, including (i) public hygiene and health, (ii) education, and (iii) helping the disadvantaged.

i. Public Hygiene and Health

Flooding occurred in Henan Province in July 2021. As a responsible corporate, the Group has immediately donated emergency supplies, which amounted to approximately RMB100,000 to Weihui City of Xinxiang, the severely affected area. The Zhengzhou team of the Group has distributed daily necessities and food to around 1,000 households.



In addition, the Group was greatly concerned about the public health issues due to unstable pandemic situation in the PRC. To this end, the Group has donated to different organizations to contribute in fighting against the pandemic for a total of around RMB20,000.

ii. Education

The Group considers education as the significant route and element for achieving a prosperous future for the country and one of the key areas in its social welfare activities. To support education in rural areas of the PRC, the Group has donated to different educational projects, such as book donation, for a total of around RMB32,000.

COMMUNITY

iii. Helping the Disadvantaged

The Group continue to support the Guangxi Yuncai Social Service Center (廣西雲彩社會服務中心) in Dahua county, which is a non-profit organization dedicated to providing rehabilitation, education, sponsorship and other services for orphans, disabled and disadvantaged children. The project "Yuncai Care for Children in Difficulties" (雲彩關懷困境兒童) is a poverty alleviation activity in Dahua Yao Autonomous County. The Group donated more than RMB300,000 to the caring project to help the children in need living in poverty-stricken villages in the past two years and more than 4,000 children are supported.



Besides the community investment in the PRC, helping the disadvantaged in Hong Kong is another focus of the Group. The Group has actively participated in various charitable activities to support individuals and groups in need through different channels and actions for years. During the Reporting Period, the Group gifted HKD150,000 to Youth Outreach which helps more than 70,000 youngsters who run away from home every year.

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Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG Report.	About This Report – Reporting Standard and Principles	7
Reporting Boundary	A narrative explaining the Reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report.	About This Report – Reporting Scope	7

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