



登輝控股有限公司
Town Ray Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1692



*Environmental, Social
and Governance Report*

2022



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Town Ray Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**we**” or “**our**”) are pleased to present the annual Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) of the Group for the financial year 2022 in accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“**HKEX**”) (“**Main Board Listing Rules**”) and the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) as set out in the Appendix 27 to the Main Board Listing Rules.

1.1 Scope of Reporting

The management and staff of the Group’s respective major functions have participated in the preparation of this ESG Report to assist the Group in identifying relevant and material ESG issues. With reference to the ESG Reporting Guide, the Group’s business operation and the material ESG issues identified, the scope of the ESG Report covers the environmental and social performances within the major operational boundaries of the Group which includes the production operation at Huizhou of the People’s Republic of China (the “**PRC**”), spanning over the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**” or “**FY2022**”).

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

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

1.2 Reporting Principles

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

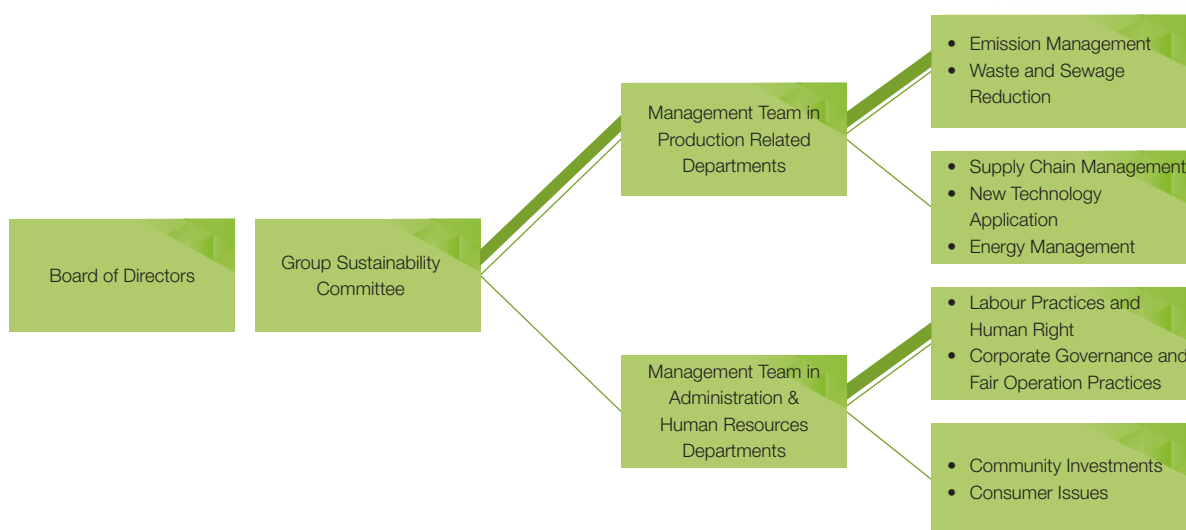
To ensure the quality of the content in this ESG Report, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability. The data has been obtained from reports generated from our internal systems and we have relied on internal data monitoring and verification to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

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2. BOARD STATEMENT AND GOVERNANCE STRUCTURE

As one of the recognized electrothermic household appliances manufacturers in the industry, the Group values sustainable practices in its business operation. The Group believes that taking responsibility for the environment and society is the key to enhancing the sustainability of its business and bringing long-term value for its Stakeholders (as defined below).

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



2022 was a year when the sustainability of many companies was put to test. The Company was recovering from the impacts of the COVID-19 pandemic. The Group moves towards reducing the impact of its operation on the environment through its environmentally friendly projects, including equipment upgrades and sewage management; conducts its business ethically and responsibly; promotes its employees' well-being; and makes a difference in the communities it operates in.

3. STAKEHOLDERS ENGAGEMENT

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

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4. MATERIALITY ASSESSMENT

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

- employee welfare;
- inclusion and equal opportunities;
- talent attraction and retention;
- occupational health and safety;
- prevention of child and forced labour;
- supply chain management;
- labour standards in supply chain;
- economic value generation;
- protection of intellectual property rights;
- protection of customer privacy;
- corporate governance;
- anti-corruption; and
- community investments.

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5. ENVIRONMENTAL PROTECTION

5.1 Environmental Policy and Compliance

Climate change has been posing a threat to over 8 billion people on the planet. The rising sea level, the melting glaciers and the gradual heating of the earth's surface can cause devastating consequences for the environment and all species living in it. In an effort to combat global warming, the Group is committed to upholding a high environmental standard in its operation. In the future, the Group will continue to devote operating and financial resources to environmental compliance as required under applicable laws and regulations.

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

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

With the goal of reducing energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for sound and effective management of energy consumption, greenhouse gas (“GHG”) emissions, and discharge of domestic wastes, sewage, and other pollutants.

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

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

5.2 Emission

5.2.1 Air Pollution

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

Air treatment facilities are installed by the Group to filter air emissions leaving the plant during the manufacturing operation. In order to meet the local government's emission standards of air pollutants, the Group has formulated a pollutant management system and conducts regular assessments to monitor and review the quantities of air pollutants emissions. The Group sets up equipment and measures to manage exhaust gas emissions, including:

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

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

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

- using low-concentration VOCs instead of high-concentration VOCs in several specific manufacturing processes;
- improving waste gas collection measures for the VOCs process; and
- referring to the practice of peers and discussing governance options with suppliers.

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

- inspect and maintain vehicles regularly; and
- require internal and external vehicles to switch off idling engines.

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

Types of air pollutants (Note 1)	Unit	FY2022 (Note 2)
Nitrogen Oxides (NO _x)	kg	82.48
Sulphur Dioxide (SO ₂)	kg	0.12
Particulate Matter (PM)	kg	7.90

Notes:

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

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5.2.2 Greenhouse Gas Emissions

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

- using pellet fuels, which are considered renewable fuels, in some of the manufacturing processes;
- encouraging employees to switch off IT devices, such as idle computers and monitors;
- maintaining indoor temperature at an optimal level for comfort; and
- checking and cleaning electrical appliances, such as refrigerators, air conditioners, ventilation and paper shredders regularly to ensure they are maintained efficiently.

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

Scope of GHG Emissions		FY2022 Emission <i>(in tCO₂e)</i>
Scope 1 ¹	Direct emissions	157
Scope 2 ²	Indirect emissions	8,595
Scope 3 ³	Other indirect emissions	120
Total		8,872
Intensity (per employee)		8.97 (tCO₂e/employee)

Notes:

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

Notes:

- Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by HKEX, unless stated otherwise.
- The emission factor for pellet fuels is based on "Greenhouse gas emissions from burning US-sourced woody biomass in the EU and UK, published in 2021.
- The energy intensity of supplying fresh water and treating wastewater, respectively, is based on "Energy for Conventional Water Supply and Wastewater Treatment in Urban China: A Review", published in 2017.

The Group's objective is to achieve a 15% reduction of emissions per production unit in Scope 1, 2 and 3 mentioned above by 2025 from the base year of 2020. Accordingly, a Group Sustainability Committee has been established to manage and monitor the upgrade of production facilities.

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5.2.3 Waste Management

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

Hazardous Wastes

The Group's business, by nature, generates hazardous wastes throughout its production process. With reference to the List of National Hazardous Waste announced by the Ministry of Ecology and Environment of the PRC, the identified hazardous wastes include used activated carbon, waste light tubes, screen washing wastewater, surface treatment sludge, alkaline cleaning wastewater, grease wastewater, ink residue, waste oil barrels, waste bakelite (Phenol formaldehyde resins) and aluminium residue wastes. During the Reporting Period, approximately 56 tonnes of hazardous wastes were generated by the Group and the intensity was 0.06 tonnes/employee.

The Group's objective is to achieve a 15% reduction of hazardous wastes per production unit by 2025 from the base year of 2020. The following measures have been implemented in order to achieve the goal. Firstly, the Group has implemented a stringent policy to control the disposal of hazardous wastes and which all of them are further processed by licensed environmental service providers in the PRC. Secondly, the Group has purchased non-hazardous water-based paints for anticorrosion coatings and is looking for specific methods for classifying rubbish to improve resources utilization and reduce hazardous wastes.

Non-hazardous Wastes

In the Group's operation, the non-hazardous wastes generated are corrugated fiberboards and plastic bags. The waste management practice of the Group is compliant with the laws and regulations relating to environmental protection in the PRC. During the Reporting Period, approximately 70 tonnes of non-hazardous wastes were generated by the Group and the intensity was 0.07 tonnes/employee.

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

The Group strives to maintain a high standard of requirement on waste reduction and has set a goal to achieve a 15% reduction of non-hazardous wastes per production unit by 2025 from the base year of 2020. The following measures have been implemented in order to achieve the goal. The Group actively encourages its employees to appreciate the significance of sustainable development through continuous training. Moreover, the Group is committed to promoting a paperless office environment by constantly encouraging all employees to "think before print" and to reduce paper usage through duplex printing, paper recycling and frequent use of electronic information systems for information sharing or internal administrative documents.

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5.3 Use of Resources

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

5.3.1 Water Consumption

With respect to water conservation, the Group encourages all employees and visitors to develop the habit of conserving water consciously. There are posters with water-saving messages in pantries and washrooms to remind employees and visitors of the importance and urgency of water conservation.

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

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

The Group acknowledges the importance of protecting valuable water resources. As such, the Group promotes the concept of water-saving. The water taps are frequently inspected to prevent dripping. Employees are encouraged to turn off the water taps when they are not in use. Besides, in case of a leaking faucet or pipe, the Group will promptly report to the relevant authority in order to reduce unnecessary water consumption.

During the Reporting Period, the total water consumption of the Group was approximately 163,585 m³ and the intensity was 165.40 m³/employee. There is no issue in sourcing water, and the Group's objective is to achieve a 15% reduction in water consumption per production unit by 2025 from the base year of 2020.

5.3.2 Packaging Material

Due to the nature of production, products' packaging materials mainly include EPS foam, kraft paper, corrugated fiberboard, paper and plastic bags. During the Reporting Period, approximately 1,770 tonnes of packaging materials were used by the Group, and with an intensity of 1.79 tonnes/employee.

5.3.3 Energy Consumption

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

Energy and Resources Use	Total Energy Consumed FY2022 <i>(in '000 kWh)</i>	Intensity FY2022 <i>(in kWh/employee)</i>
Purchased electricity	14,088	14,245
Pellet fuels ¹	518	524
Petrol ²	81	82

Notes:

1. The conversion factor of pellet fuels is derived from the calorific value of pellet fuels, of which the later data is based on "Heating values of wood pellets from different species" published in 2011.
2. Conversion factors were made reference to the Energy Statistics Manual issued by the International Energy Agency, unless stated otherwise.

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

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

- maintaining air conditioners at an energy-efficient level, with a temperature of around 25 degrees Celsius;
- arranging regular checks and cleaning of air conditioners;
- setting standby mode for computers when they are not in use for a long period of time;
- switching off all lights and power supply when there is no employee working in the workplace;
- selecting and purchasing high energy-efficient appliances and lights;
- posting energy-saving reminder notices near the switches and sockets to encourage our employees to increase their environmental awareness;
- installing solar photovoltaic system; and
- upgrading the facilities for energy efficiency and conservation.

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

5.4 The Environment and Natural Resources

The Group is highly aware of the adverse impact of its operation on the environment and natural resources. The air pollutants, GHG emissions and hazardous wastes generated by its business can destroy the ecosystem. Therefore, the Group is committed to integrating the concept of environmental protection into its production management and daily operation.

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

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

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5.5 Climate Change

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

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

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

6. EMPLOYMENT AND LABOUR PRACTICES

6.1 Employment Policy

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

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

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

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

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

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The Group had a total number of 989 employees in the PRC as at 31 December 2022. All the employee data is from one core operation unit, so there is no breakdown based on geographical regions. The employee compositions by gender, age group and employment category were as follows:

Employee Structure		Number of employees in the PRC as at 31 December 2022	Number of employees in the PRC as at 31 December 2021
Total Number of Employees		989	811
By Gender	Male	403	335
	Female	586	476
By Age Group	Aged below 30	197	136
	Aged between 30–50	728	619
	Aged over 50	64	56
By Employment Category	Senior management	93	81
	Middle management	247	243
	General staff	649	487

6.1.1 Turnover Rate

The Group was expanding its business and the overall employee turnover rate was 81.2% in the Reporting Period. For staff retention, the Group regularly reviews staff benefits and has increased leave entitlement for existing employees during the Reporting Period. The employee turnover rates by gender and age group during the Reporting Period were as follows:

Turnover Rate		Number of Employees	Percentage (%)
Total		731	81.2%
By Gender	Male	335	90.8%
	Female	396	74.6%
By Age Group	Aged below 30	250	150.2%
	Aged between 30–50	455	67.6%
	Aged over 50	26	43.3%

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6.2 Employment and Labour

The Group's employees are in Hong Kong and the PRC. The Group safeguards the rights of the employees by complying with Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law of the PRC in all material aspects, and employment regulations related to anti-child labour and anti-forced labour. In 2022, the Group continued to participate in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC. All eligible full-time employees in Hong Kong are entitled to medical insurance, disability and invalidity coverage, maternity leave, Mandatory Provident Fund (MPF) Scheme, incentive and performance-based bonuses.

6.3 Health and Safety

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

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

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

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

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

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Occupational Health and Safety Data:	FY2022	FY2021	FY2020
Work injury cases ≤ 3 days	6	5	5
Work injury cases > 3 days	1	2	3
Lost days due to work injury	23.5	30	33

During the Reporting Period, there were total 7 cases of workplace accidents. These accidents were investigated by the Group and reported to the relevant authorities and measures have been put in place to prevent the recurrence. During the past three years, the Group did not record any work-related fatality of employees.

6.4 Development and Training

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

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

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

At the end of the Reporting Period, 60.2% of the total employees have participated in various training. The average training hours per employee was 3.9 training hours, with a total of 3,532 training hours conducted. The breakdown of training hours (categorized by gender and employee category) is shown below:

Occupational Training Data		FY2022
Training Hours of Employees by Gender	Male	1,747
	Female	1,785
Training Hours of Employees by Employee Category	Senior management	687
	Middle management	1,062
	General staff	1,783
Average Training Hours of Employees by Gender	Male	4.7
	Female	3.4
Average Training Hours of Employees by Employee Category	Senior management	7.9
	Middle management	4.3
	General staff	3.1
Percentage of Employees Trained by Gender	Male	44%
	Female	56%
Percentage of Employees Trained by Employee Category	Senior management	14%
	Middle management	29%
	General staff	57%

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6.5 Labour Standards

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

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

7. OPERATING PRACTICES

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

7.1 Supply Chain Management

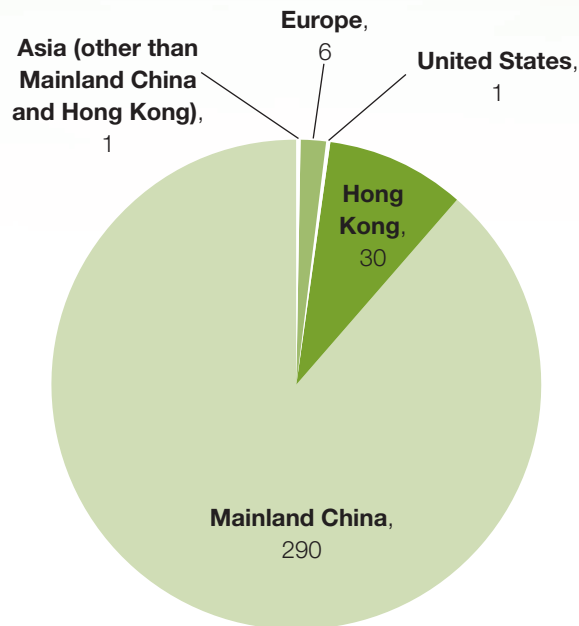
The Group understands that supply chain management has always been one of the key aspects of the Group's operation. The supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track records relating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

To ensure the quality of its supply chain, the Group has been implementing supplier screening and inspection mechanisms regularly. In 2021, the Group established a new position called 'Supplier Management Engineer' to strengthen the partnership between the quality assurance department and the procurement department. These departments work together to develop the supplier inspection mechanism and evaluate the performance of previous suppliers. The goal of the mechanism is to identify suppliers who can meet the Group's quality requirements and provide value to the Group while managing risks effectively.

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

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The Group sources from local suppliers based on the suppliers' availability and capability where possible and procuring from overseas suppliers when required. During the Reporting Period, there were total 328 suppliers sourced worldwide. The breakdown of suppliers by their geographical regions is shown below:



7.2 Product Responsibility

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

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



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

In the event of a product recall, the quality assurance department will typically review the products' sales records and execute a product recovery plan. This plan will include details about the recovered products, the reason for the recall, the number of products being recalled, the method of recall, and the recall deadline. The quality assurance department will then notify marketing department and other relevant parties to begin the recall process immediately. Recovered products will be inspected by relevant staff and any products that fail to meet quality standards will be disposed of according to proper procedures. The quality assurance department will also work with the production department to identify the reasons behind the product failure and take steps to prevent future incidents. Finally, the quality assurance department will evaluate the effectiveness of the product recall and provide a report to the internal audit department.

7.3 Privacy Protection and Intellectual Property

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

While striving for excellent quality and advanced technologies, the Group complies with the requirements of the Patent Law of the PRC (《中華人民共和國專利法》) and the national intellectual property protection and application norms part in the 14th Five-Year Plan (「十四五」規劃), focusing on safeguarding original designs and acquiring copyrights through legal means. To enhance productivity and remain competitive in the marketplace, the Group has obtained relevant patents for its core technologies, such as thermodynamics and coffee brewing systems, and utilized them in its product development and operation.

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7.4 Anti-corruption

Insisting on honesty, integrity and fairness in all aspects of the business and upholding high standards of ethical conduct by prohibiting all forms of bribery and corrupt practices, the Group has established a series of anti-fraud and anti-bribery policies as part of its corporate governance practices.

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

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

To ensure full compliance with the Group’s anti-fraud and anti-bribery policies, the Group conducted anti-corruption briefings and training sessions for its employees. Up to the date of this ESG report, a total of 66 employees, including directors and staff, received training for anti-corruption. If employees have any concerns in relation to accounting controls and audit matters, they may report to the Audit Committee as well. The Audit Committee will review each complaint and decide on the appropriate investigation. During the Reporting Period, the Group did not receive any complaints from its employees.

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8. COMMUNITY INVESTMENTS

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

The Group has made adequate efforts to fulfil corporate social responsibility and to care for its employees, the community and the environment. The Group has been awarded as a Caring Company by the Hong Kong Council of Social Service for 14 consecutive years since 2009. In 2022, the Group was conferred the Caring Certificate (Enterprise Group) by the Federation of Hong Kong Industries, signed the ESG+ Pledge Scheme organized by The Chinese Manufacturers' Association of Hong Kong and Hong Kong Brand Development Council, has been awarded the Partner Employer Award by The Hong Kong General Chamber of Small and Medium Business, and has been awarded as EcoPartner in the Corporate Environmental Leadership Awards by the Bank of China (Hong Kong) for its contributions to creating a better community.

The Group recognizes the importance of contributing to society by advocating its employees to participate in volunteer services. The Group believes that promoting employees' well-being is essential to the success of its business and to unlocking their full potential. Being a regular participant in Walk for Millions held by the Community Chest, the Group encouraged employees to actively participate in The Community Chest New Territories Walk for Millions in November 2022 to raise funds to support "Family and Child Welfare Services". During the outbreak of COVID-19, the Group made donations to support the Community Chest's Virtual Walk for Millions 2021/2022.

In order to support the grassroots and educational organizations in combatting the outbreak of COVID-19, monetary and anti-epidemic items donations were made to back up people in need in Hong Kong and Huizhou. Besides, the Group has reached out to help and support the disadvantaged in the community. During the Reporting Period, the charitable contributions made by the Group amounted to approximately HK\$1.1 million.

To promote sports and a healthy lifestyle, the Group sponsored the "Rural Revitalization Cup" Basketball Competition (「鄉村振興盃」籃球賽) held in August and September 2022. The competition welcomed all the basketball lovers in Xiaojinkou Residential District, Huicheng District to participate and aimed to enhance community cohesion and belonging.

The Group believes that a good corporate culture and harmonic working environment will help to achieve the work-life balance for its employees. During the Reporting Period, the Group held a flower-giving activity on International Women's Day, a tug-of-war competition, a short video contest on the positive impact of the outbreak of COVID-19, and a singing contest in order to strengthen the bonds and connections between employees. Other than these, the Group elects 10 outstanding employees each year to act as role models to other employees. Employees who have been served the Group for over 10 years will be awarded honorary certificates and service awards to appreciate their contribution to the Group. In 2022, the Group was awarded as "Happy Company" by the Promoting Happiness Index Foundation.

The Group also provides opportunities for academic qualification advancement to its employees. The Group cooperated with Guangdong Polytechnic College (廣東理工學院) (the "College") and plans to invest RMB230,000 in the coming three years to subsidize employees to further their studies in the College. In 2022, there were already 30 employees who had passed the examination and got admitted by the College.

In the future, the Group will continue to prioritize the employee's well-being and the community, and contribute to creating a better society.

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Ten staff from factory in Huizhou were awarded for the 10th anniversary of service in 2022.

Mr. Yu Kwok Wai, executive director of the Company, delivered a speech on the topic of “the development and innovation of Hong Kong Industries” during the “Academic Week 2022” held by the Department of Business Administration of the Hong Kong Shue Yan University in October 2022.



“The development and innovation of HK industries”

Ms. Wong Fook Chi, Gigi
Executive Director and COO, King's Flair;
Member, HK Young Industrialists Council)

Mr. Yu Kwok Wai
Executive Director, Town Ray Holdings
Executive Committee Member, HK
Young Industrialists Council)

香港樹仁大學
HONG KONG SHUE YAN UNIVERSITY
工商管理學系
DEPARTMENT OF BUSINESS ADMINISTRATION



The Group sponsored its business partners, employees and their families to participate in the Community Chest New Territories Walk for Millions 2022.

The Group continuously participates in the Corporate Environmental Leadership Award organised by the Bank of China (Hong Kong).



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Team building activity "Hiking" held in December 2022.

Tug-of-war competition held in May 2022.



Tug-of-war competition held in May 2022.



Team building activity "Picnic" held in December 2022.

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

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KPI A2.3	Description of energy efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Consumption	10
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Consumption	9
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Packaging Material	9
Aspect A3: The Environment and Natural Resources			
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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	10
Aspect A4: Climate Change			
General Disclosure	Policies on minimizing the issuer's significant impact on climate-related issues.	Climate Change	11
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	11

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KPI B1.1	Total workforce by gender, employment category, age group and geographical region.	Employment Policy	12
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Policy — Turnover Rate	12
Aspect B2: Health and Safety			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Health and Safety	13
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the Reporting Year.	Health and Safety	14
KPI B2.2	Lost days due to work injury.	Health and Safety	14
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	13
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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management	15
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	15
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	15
Aspect B6: Product Responsibility			
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General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investments	19
KPI B8.1	Focus areas of community contribution.	Community Investments	19
KPI B8.2	Resources contributed to the focus areas.	Community Investments	19