

**FOURACE**  
科利

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

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

Stock Code 股份代號：1455



**2022/23**

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Environmental, Social and Governance (“ESG”) Report issued by Fourace Industries Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we”). The ESG Report presents the corporate social responsibilities, principles and actions of the Group carried out during the business operation over the previous year. As for the information of corporate governance, please refer to the Corporate Governance Report of the 2023 Annual Report.

### 1.1 Reporting Scope

The ESG Report covers the environmental and social performance of the Group’s principal business in China and Hong Kong during the period from 1 April 2022 to 31 March 2023 (the “Year”). The key performance indicators (“KPIs”) for the environmental aspect as disclosed in the ESG Report mainly focus on the factory in Shenzhen, which is the only existing production base of the Group.

### 1.2 Reporting Standard

The ESG Report was prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), and in compliance with the “mandatory disclosure” requirements and “comply or explain” provisions thereof.

### 1.3 Reporting Principles

The Group attaches great importance to materiality, quantitative and consistency during the preparation for this ESG Report, the Group has applied these reporting principles listed in the aforementioned ESG Reporting Guide as the following:

**Materiality:** The content of the ESG Report is determined based on stakeholders participation and materiality assessments process, including identifying ESG-related issues, collecting and reviewing the opinions and recommendations from management and stakeholders, evaluating the relevance and importance of different issues and formulating and reviewing the contents reported. The ESG Report comprehensively covered the material issues concerned by different stakeholders.

**Quantitative:** The ESG Report discloses the quantitative environmental and social KPIs, enabling stakeholders to understand the ESG performance of the Group comprehensively. Information of the standards, methodologies, references and source of these KPIs are stated wherever appropriate.

**Consistency:** In order to facilitate the comparison of the ESG reports between years, the Group adopted the same reporting formats and calculation methodologies as far as reasonably practicable. If there is any change in methodology, the Group has also presented and explained it in details in the corresponding sections.

### 1.4 Information and Feedback

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

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## 2. ESG GOVERNANCE

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

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

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

### 2.1 Stakeholder Engagement

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

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

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Stakeholder	Requirement and Expectation	Communication and Response
<b>Government and Regulatory Bodies</b>	<ul style="list-style-type: none"> <li>Compliance with national policies, laws and regulations</li> <li>Support local economic growth</li> <li>Drive local employment</li> <li>Tax payment in full and on time</li> <li>Ensure production safety</li> </ul>	<ul style="list-style-type: none"> <li>Regular information reporting</li> <li>Regular meeting with regulatory organizations</li> <li>Dedicated reports</li> <li>Examinations and inspections</li> <li>Compliance with all regulations on safe production</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>Returns</li> <li>Compliant operations</li> <li>Rise in company value</li> <li>Transparent information and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders conferences</li> <li>Company announcements</li> <li>Emails, telephone communications and company websites</li> <li>Dedicated reports</li> <li>Interim and annual reports</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Operations with integrity</li> <li>Equal rivalry</li> <li>Lawful performance of contracts</li> <li>Mutual benefits and win-win results</li> </ul>	<ul style="list-style-type: none"> <li>Reviews and appraisal meetings</li> <li>Business communication</li> <li>Quotation comparison</li> <li>Exchange and discussion</li> <li>Engagement and cooperation</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Outstanding products and services</li> <li>Health and safety</li> <li>Lawful performance of contracts</li> <li>Operations with integrity</li> </ul>	<ul style="list-style-type: none"> <li>Customer service centre and hotline</li> <li>Customer feedback surveys</li> <li>Customers meetings</li> <li>Social media platform</li> <li>Return visits</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Compliance with emission standards</li> <li>Energy saving and emission reduction</li> <li>Ecosystem protection</li> </ul>	<ul style="list-style-type: none"> <li>Communicating with local environmental departments</li> <li>Communication with local residents</li> <li>Survey, research and inspection</li> <li>Report submission</li> </ul>
<b>Industry</b>	<ul style="list-style-type: none"> <li>Establishment of industry standards</li> <li>Promotion of industry development</li> </ul>	<ul style="list-style-type: none"> <li>Participation in industry forum</li> <li>Visits and inspections</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Protection of rights</li> <li>Occupational health</li> <li>Remunerations and benefits</li> <li>Career development</li> <li>Humanity cares</li> </ul>	<ul style="list-style-type: none"> <li>Employee communication meetings</li> <li>Company internal journal and intranet</li> <li>Staff mailbox</li> <li>Training and workshops</li> <li>Employee activities</li> </ul>
<b>Society and the Public</b>	<ul style="list-style-type: none"> <li>Improvement of community environment</li> <li>Participation in public welfare</li> </ul>	<ul style="list-style-type: none"> <li>Community donations</li> <li>Volunteer activities</li> <li>Company announcements</li> <li>Company website</li> <li>Social media platform</li> </ul>

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## 2.2 Materiality Assessment

In order to clearly and effectively formulate the ESG management policy, the Group has engaged an independent consulting firm to help collect and analyze stakeholders' opinions about the Group's ESG issues. With the result of questionnaire survey, the Group works out ratings and rankings for each ESG issue based on the degree of concern of stakeholders. Meanwhile, in order to review the ESG issues that are material to the business of the Group in a more comprehensive way, the consulting firm also helps review internal and external documents with reference to the materiality maps provided by external authoritative organizations<sup>1</sup> so as to identify the ESG issues which are the key concern for the industry. In conclusion, based on the above ratings and the selection result, together with the professional opinions of the management and the consulting firm, the Group has identified 7 material ESG-related issues during the Year and will be discussed in this report.

Material Issues	Relevant Sections
Operation compliance	<ul style="list-style-type: none"><li>• Employment and labor practice</li><li>• Operating practices</li></ul>
Waste and wastewater management	<ul style="list-style-type: none"><li>• Environmental protection</li><li>• Operating practices</li></ul>
Employment compliance	<ul style="list-style-type: none"><li>• Employment and labor practice</li></ul>
Occupational health and safety	<ul style="list-style-type: none"><li>• Employment and labor practice</li></ul>
Supply chain management	<ul style="list-style-type: none"><li>• Operating practices</li></ul>
Intellectual property protection	<ul style="list-style-type: none"><li>• Operating practices</li></ul>
Business ethics	<ul style="list-style-type: none"><li>• Operating practices</li></ul>

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



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## 3. ENVIRONMENTAL PROTECTION

### 3.1 Environmental Targets and Progress

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

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

During the year, the Group has benefited from the various initiatives it has put in place to improve its progress on environmental targets, and is committed to achieve the main goal of environmental reduction. The progress of the Group's substantive environmental targets is disclosed and presented in more detail in sections below.

### 3.2 Emissions

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

#### Waste Disposal

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

Wastes	2023	2022
Total non-hazardous wastes (tonnes)	<b>112.98</b>	204.04
Intensity of non-hazardous wastes (kg/product)	<b>0.06</b>	0.07
Total hazardous wastes (tonnes)	<b>59.70</b>	71.10
Intensity of hazardous wastes (kg/product)	<b>0.03</b>	0.03

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The Group attaches great importance to the disposal of hazardous wastes and is mindful of the environmental objectives set for the disposal of wastes in compliance with the law, hence it handles all kinds of hazardous wastes in strict compliance with regulations and internal requirements. We collect and temporarily store hazardous waste according to the hazardous waste collection and transportation management regulations, and conduct follow-up and arrange disposal to avoid soil or water pollution. By entering into hazardous waste treatment agreements with qualified hazardous waste treatment units, we regularly deliver hazardous wastes such as sludge produced from water treatment, waste paint residue, waste activated carbon, waste empty barrels and waste diluent liquid to relevant units for harmless treatment and disposal to prevent environmental pollution. For non-hazardous wastes, the Group also arranges qualified waste disposal companies to regularly clean up the waste. The Group notes that qualified waste disposal companies resell or reuse the reusable wastes, only those that cannot be reused will end up in landfill. During the year, all hazardous and non-hazardous waste generated by the Group was disposed of in a compliant manner, and the Group will continue to place greater emphasis on and keep in mind the environmental objectives set for the future.

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

## Wastewater Treatment

As a manufacturing enterprise, the Group's production process involves the consumption waster resources and wastewater generation. There are a wide variety of pollutants and complex components in wastewater. The wastewater produced by the Group is mainly integrated wastewater and spray painting wastewater, therefore we have developed various wastewater treatment methods. In view of the characteristics of comprehensive wastewater, we have established a wastewater treatment facility with a treatment capacity of 12m<sup>3</sup> per day and obtained the "Pollutant Discharge Permits of Guangdong Province" (廣東省污染物排放許可證). Treatment facility has corresponding treatment tanks, such as oil removal pool, phosphorus removal pool and cleaning pool, to ensure that the concentration of pollutants in wastewater is effectively diluted before being discharged. In addition, we have built a buried wastewater collection tank with a volume of approximately 20m<sup>3</sup> to collect spray painting wastewater, and is treated to meet the discharge standard, henceforth not polluting the surrounding surface water and the environment. The total amount and intensity of hazardous wastewater (paint wastewater) during the Year are set out in the table below:

Hazardous Wastewater <sup>1</sup>	2023	2022
Total hazardous wastewater (tonnes)	5.09	4.99
Hazardous wastewater intensity (g/product)	2.79	1.81

Note:

- 1 The hazardous wastewater produced by the Group comes from paint spraying wastewater and is handover to qualified hazardous waste treatment units for harmless treatment and disposal annually. The volume of hazardous wastewater is determined based on the Company's wastewater concentration.

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Meanwhile, we strictly monitor wastewater discharge. A third-party testing institute is engaged to conduct monthly checking and monitor the water quality at the discharge outlets so as to ensure the discharged water meets the recycling standard and is in compliance with related local Guangdong Province requirements, such as the Discharge Limits of Water Pollutants and the Emission Standard of Water Pollutants for Electroplating. The Group records wastewater discharge date, if any non-compliance is found, timely analysis and improvement will be made. In addition, the Group has formulated emergency measures for accidents, set up emergency pools in the wastewater treatment station area, and implemented anti-leakage measures to effectively store accidental wastewater to reduce the risk for the Company. Test results of sewage discharge of the Group have met the standards required by the relevant regulations during the Year. Data of sewage discharge is set out in the following table:

Emission Intensity <sup>1</sup>	Emission Standard <sup>2</sup>	2023	2022
Chemical oxygen demand (mg/liter)	50	<b>28.13</b>	36.75
Ammonia nitrogen (mg/liter)	8	<b>0.12</b>	0.08
Suspended matter (mg/liter)	30	<b>7.64</b>	10.00

Notes:

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

## Greenhouse Gas and Exhaust Emissions

The greenhouse gas ("GHG") emission emitted during the Group's operations mainly comes from (i) direct GHG emission generated from fuel consumption of vehicles, air-conditioning refrigerant and reduction in tree planting; (ii) indirect GHG emission generated from purchased electricity; and (iii) other indirect GHG emission generated from waste paper disposal and electricity consumption for fresh water and sewage treatment. Due to the environmental measures and targets set by the Group, the Group has effectively reduce its total annual greenhouse gas emissions during the Year. The GHG emissions data of the Group is set out in the table below:

GHG <sup>1</sup>	2023	2022
Total GHG emissions (tonnes CO <sub>2</sub> e)	<b>3,331</b>	5,230
Scope 1 — Direct GHG emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>	<b>23</b>	44
Scope 2 — Indirect GHG emissions (tonnes CO <sub>2</sub> e) <sup>3</sup>	<b>3,275</b>	5,160
Scope 3 — Other indirect GHG emissions (tonnes CO <sub>2</sub> e) <sup>4</sup>	<b>32</b>	27
GHG emission intensity (kg CO <sub>2</sub> e/product)	<b>1.83</b>	1.90

Notes:

- 1 The GHG emissions of the Group includes carbon dioxide, methane and nitrous oxide. GHG emissions are presented in carbon dioxide equivalent.
- 2 Direct GHG emissions include vehicle fuel combustion and refrigeration and air-conditioning equipment refrigerants. The GHG emission data of vehicle fuel combustion are calculated in accordance with "Guidelines on Greenhouse Gas Emission Accounting and Reporting — Land Transport Enterprise (Trail)" provided by the National Development and Reform Commission ("NDRC") of the People's Republic of China ("PRC") and "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. The GHG emission data of refrigerants for refrigeration and air-conditioning equipment were calculated based on the Sixth Assessment Report provided by the Intergovernmental Panel on Climate Change (IPCC) of the United Nations.



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- 3 The Group's indirect greenhouse gas emissions include purchased electricity. The data is based on the "Guidance for Accounting and Reporting Corporate Greenhouse Gas Emissions for Power Generation Facilities "(2022 revised) published by the National Development and Reform Commission of the PRC, and "Average Carbon Dioxide Emission Factor of China Regional Power Grid in the PRC" and "Greenhouse Gas Emission Accounting Methodology and Reporting Guidelines" provided by the National Development and Reform Commission.
- 4 The Group's other indirect GHG emissions include methane generated from waste paper disposal and electricity consumption for water treatment. The data is calculated in accordance with the data provided by Shenzhen Water Group Co., Ltd. and "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

Exhaust gas is generated during the production process of personal care and lifestyle electrical appliances. In view of this, the Group uses special equipment, the scrubbing towers, to remove the hazardous substances of the exhaust gases generated from the production workshop. Exhaust gas will be emitted if statutory standards are met. We strictly observe the related requirements of regulations, such as the Emission Limits of Air Pollutants. We regularly engage environmental protection institutes to check and monitor the emission of controlled emission and fugitive emission in the factory area. Test results of exhaust gas emissions of the Group have met the standards of relevant regulations during the Year. Data of emissions is set in the following table:

Emission Concentration <sup>1</sup>	Emission Standard <sup>2</sup>	2023	2022
Benzene (mg/m <sup>3</sup> )	12	<b>0.02</b>	0.01
Toluene (mg/m <sup>3</sup> )	40	<b>0.01</b>	0.00
Xylene (mg/m <sup>3</sup> )	70	<b>0.00</b>	0.01
Volatile organic compounds (mg/m <sup>3</sup> )	–	<b>1.37</b>	1.77

Notes:

- 1 Emission concentration is the unit of gas emission monitoring and there is no statistics data for the weight of pollutants.
- 2 The Emission Limits of Air Pollutants (DB44/27-2001), the local standard of the Guangdong Province, is used as the emission standard of benzene, toluene and xylene.

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

Emissions <sup>1</sup>	2023	2022
Nitrogen oxides (kg)	<b>14.89</b>	48.48
Sulfur oxides (kg)	<b>0.06</b>	0.16
Particulate matters (kg)	<b>0.92</b>	2.54

Note:

- 1 The emission factor is calculated based on the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission ("NDRC") of the PRC and the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

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

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

### 3.3 Use of Resources

Resources are the foundation of Company's production and the Group places high emphasis on energy-saving and reduction of resources consumption. In the production and daily operations of personal care and lifestyle electrical appliances, the main resources consumption of the Group include (i) direct energy consumption from vehicle fuel consumption; (ii) indirect energy consumption from purchased electricity; (iii) water consumption; and (iv) packaging materials. The Group will continuously improve its resources efficiency development goal use gradually enhances the resources utilization efficiency. The Group made significant progress in resource consumption during the year, with a reduction in the use of energy, water and packaging materials compared to previous years. The below table sets out the data on the use of resources by the Group during the year:

Resources Consumption	2023	2022
Total energy consumption (MWh)	<b>6,213</b>	9,904
Direct energy consumption (MWh) <sup>1</sup>	<b>37</b>	115
Indirect energy consumption (MWh) <sup>2</sup>	<b>6,213</b>	9,790
Energy consumption intensity (KWh/product)	<b>3.43</b>	3.60
Total water consumption (m <sup>3</sup> )	<b>58,810</b>	77,345
Water consumption intensity (m <sup>3</sup> /product)	<b>0.03</b>	0.03
Total weight of packaging materials (tonnes)	<b>591</b>	1,012
Packaging materials consumption intensity (kg/product)	<b>0.32</b>	0.37

Notes:

- 1 Direct energy consumption includes vehicle fuel consumption. The data is calculated based on the "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission ("NDRC") of the PRC, the national standard "Gasoline for Motor Vehicles" (GB17930-2016) issued by the State General Administration of the PRC for Quality, and Appendix II "Reporting Guidance on Environmental KPIs" ("Appendix II") provided by the Stock Exchange.
- 2 Indirect energy consumption includes purchased electricity. The data is based on the Group's actual consumption of purchased electricity.

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## **Energy Management**

As energy consumption is closely linked to global warming, the Group has been striving to improve energy management. Therefore, we have implemented electricity saving measures in the office to raise the awareness of all our employees on environmental protection. The Group issues notices on saving electricity and promotes the environmental protection spirit of “shut down the machines and turn off the power when he or she leaves” to prevent waste. We encourage our staff to turn off all unnecessary lighting systems and other electronic devices, such as printers, computers, etc., to avoid idling of electrical appliances. For office lighting and electricity consumption, apart from using highly efficient light fixtures (such as T5 fluorescent lamps and LEDs), the Group has also adopted a series of energy-saving measures, including setting up light switches that can be controlled independently in different lighting zones, installing motion sensors in less frequently used areas, reducing the number of lights in areas with brightness level higher than required, and use daylight illumination as much as possible to save energy consumption. We also clean the lights and air-conditioning filters regularly to ensure their operational efficiency.

In addition, we set the air-conditioning temperature reasonably at approximately 25.5 degree Celsius, and conduct regular inspections to reduce the possibility of refrigerant leakage. Apart from the above, we have replaced old air conditioners with split type air conditioners that obtained Tier 1 Energy Efficiency Label this year, and adopted a variable refrigerant flow system to optimise the refrigerant flow for further energy saving and emission reduction. In the meantime, employees are allowed to wear in casual wears to reduce the use of air-conditioning.

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

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## **Water Conservation**

Water is a precious resource. The Group understands the importance of water conservation thus committed to reduce unnecessary production and domestic water consumption and will proactively carry out water conservation measures. We have installed infra-red sensor faucets and urinals, and posted water saving labels in every lavatory to remind employees turn off the faucet tight after use to raise awareness of water conservation. We also conduct regular leakage tests and will at once give notification to and make arrangement with relevant departments for inspection and repair if water leakage is found in the water supply facilities. During the Year, the Group had no issues in sourcing water.

## **Promotion and Training**

Staff support and participation is the key to implementation of environmental protection policies. By ways of e-mail, posters, intranet and trainings, the Group promotes the knowledge of energy-saving, emission reduction and environmental protection to its employees and enhance their sense of responsibility on environmental protection. The Group held trainings on environmental management and substance standards during the Year, and is committed to incorporate the concept of environmental protection into all of its operational decision-making processes in manufacturing and sales. The Group will keep encouraging and leading its employees to take part in the environmental protection and continuous environmental improvement initiatives organised by green groups, and integrating the concept of energy-saving and emission reduction into daily operations.

### **3.4 Response to Climate Change**

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

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

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## 4. EMPLOYMENT AND LABOR PRACTICE

### 4.1 Employment

Staff is the foundation of corporate development and the Group strives to provide its employees with a good working environment to enhance their sense of belonging, safeguard their rights and interests, and establish a business platform that conduces to the development of employees' talents and the realization of their values. We continue to protect the legitimate rights and interests of our employees by formulating the internal human resources management procedures in strict compliance with employment-related laws and regulations, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and the Employment Ordinance of Hong Kong. Also, we keep attracting experienced and quality talents and constantly foster a harmonious labor relationship. The number of employees and turnover rate of the Group as of 31 March 2023 are as follows:

Number of employees	2023	2022
<b>Total number of employees</b>	<b>541</b>	778
By gender		
Male	<b>257</b>	360
Female	<b>284</b>	418
By employment type		
Full-time	<b>541</b>	778
Part-time	<b>0</b>	0
By age group		
Aged below 30	<b>104</b>	171
Aged 30-50	<b>388</b>	566
Aged 50 above	<b>49</b>	41
By region		
Mainland China	<b>528</b>	766
Hong Kong	<b>13</b>	12
<b>Employee turnover rate<sup>1</sup> (%)</b>	<b>2023</b>	<b>2022</b>
<b>Total number of employees turnover</b>	<b>34%</b>	45%
By gender		
Male	<b>32%</b>	48%
Female	<b>35%</b>	43%
By age group		
Aged below 30	<b>41%</b>	72%
Aged 30-50	<b>36%</b>	39%
Aged 50 above	<b>24%</b>	12%
By region		
Mainland China	<b>34%</b>	46%
Hong Kong	<b>0%</b>	8%

Note:

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Recruitment Practices**

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

## **Remuneration and Promotion**

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

## **Employee Benefits**

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

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## 4.2 Health and Safety

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

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

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

During the Year, the number of work-related injury within the Group was 2 and recorded 33 working days lost and there was no work-related fatality for the past three years.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Response to the epidemic**

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

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

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

## **4.3 Development and Training**

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

The Group provides employees with comprehensive training resources and a learning environment, and provides them with orientation, pre-job, professional, management, quality and safety trainings. The Group also provides orientation training for new employees, in which the content covers company introduction, rules and regulations systems, ISO basic knowledge and fire safety, ensuring all new employees are familiar with the corporate culture and systems, master working techniques and skills, thus adapting to work quickly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Average hours of employees training (hour) and training percentage (%)	2023	2022
<b>Total</b>	<b>11.7 (97.2)</b>	11.5 (99.6)
By gender		
Male	<b>10.7 (95.3)</b>	10.4 (99.7)
Female	<b>12.5 (98.9)</b>	12.5 (99.5)
By function		
Senior executives	<b>20.4 (88.2)</b>	14.9 (100)
Technicians	<b>12.8 (100)</b>	10.9 (100)
Management executives	<b>11.9 (100)</b>	13.8 (100)
Manufacturing personnel	<b>11.0 (96.8)</b>	11.4 (100)

## 5. OPERATING PRACTICES

### 5.1 Supply Chain Management

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Number of Suppliers	2023	2022
<b>Total number of major suppliers</b>	<b>262</b>	269
By region		
Guangdong	<b>224</b>	231
Hong Kong	<b>22</b>	20
Other domestic regions <sup>1</sup>	<b>13</b>	18
Japan	<b>3</b>	0

Note:

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5.2 Product Responsibility

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

### Testing and Examination

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

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

### Customers' Feedback

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations to ensure the legitimate rights and interests of customers. We also have set up comprehensive procedures for handling customers' complaints, which provide methods for handling customers' feedback information and procedures for taking corrective and preventive actions to effectively respond to customers' complaints. The sales department of the Group is responsible for collecting and translating customers' feedbacks, sending them to relevant departments and referring them to the quality assurance department for handling. Based on the type and seriousness of the feedbacks, the quality assurance department manager is then responsible to classify the severity of the warnings, incidents, and major incidents. Then the manager would have to arrange corresponding personnel to conduct a comprehensive investigation and propose solutions in a timely manner. The Group attaches great importance to quality-related complaints. Once we receive such complaints, we will immediately report them to the quality assurance department to analyze the causes and formulate countermeasures to improve future production. The Group has also formulated product notices and recalled procedures to promptly take corrective and preventive measures in case of quality issues, notify customers and relevant management departments, recall defective products and protect customers' safety. In addition, The ISO department will be responsible for organizing the rectification and preventive measures to be taken in the daily operation of the quality management system to continuously and effectively improve quality issues. During the Year, the Group received a total of 32 complaints relating to the appearance, functionality or quality of the products. Each complaint was handled properly and customer feedback in each case was followed up with an individual response improvement initiative report, in the hopes of providing quality after-sales service to each customer and improving the Group's performance.

## **Protection of Intellectual Property Rights and Privacy**

The Group values intellectual property rights and fully complies with the laws and regulations related to the intellectual property rights, including but not limited to the Specifications for the Administration of Intellectual Property Rights of Enterprises and the Copyright Ordinance of Hong Kong. The Group establishes a sound intellectual property management system, actively carries out intellectual property registration, and timely applies for patents for inventions that meet the conditions for granting patents to obtain legal protection. We require new employees to sign the intellectual property statement and conduct intellectual property investigations for new employees to understand their work experience and avoid infringing the intellectual property rights of others. We also provide intellectual property and privacy related trainings to our employees to enhance their awareness of risk identification and prevention and control, and encourage them to develop new products and procedures through an incentive system. To safeguard the Group's intellectual property rights, we require our employees to keep all information relating to the technologies, operation and management confidential in accordance with Confidentiality and Intellectual Property Protection Agreement (保密及知識產權保護協議). When collaborating with other companies or individuals, the terms of intellectual property protection are included in the contracts we enter into. During the Year, we obtained a total of 1 patent.

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

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## 5.3 Anti-corruption

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

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

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

In order to promote good governance and ensure effective internal control of the Group, the Group organized trainings on policies such as anti-corruption, anti-bribery and bribery reporting for all managerial staff during the year, so as to enhance the directors' and management's awareness of managing corruption risks and increase their awareness of anti-corruption.

## 6. COMMUNITY INVESTMENT

The Group attaches great importance to corporate social responsibility and regards the prosperity and stability of society as the cornerstone of its development. The Group pays attention to the people in need, helps social development by supporting and promoting charity projects. The Group organises and supports its staff to participate in volunteer services every year, such as regular visits to the needy, arranging outdoor activities for the disabled and holding blood donation days, in order to fulfil its social responsibility. In the future, the Group will continue to support charitable projects and public welfare activities. We also encourage employees to participate in voluntary activities to comprehensively enhance employees' sense of social responsibility.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

ESG KPIs	Summary	Reference Sections	Page
<b>A. Environment</b>			
<b>A1 Emissions</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection	5-7
A1.1	The types of emissions and respective emissions data.	Environmental Protection	6-7
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity.	Environmental Protection	7
A1.3	Total hazardous waste produced and intensity.	Environmental Protection	5
A1.4	Total non-hazardous waste produced and intensity.	Environmental Protection	5
A1.5	Description of emission target (s) set and steps taken to achieve them.	Environmental Protection	5-9
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and the steps taken to achieve them.	Environmental Protection	6
<b>A2 Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources.	Environmental Protection	9-11
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection	9
A2.2	Water consumption in total and intensity.	Environmental Protection	9
A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	Environmental Protection	5
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.	Environmental Protection	5, 10-11
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Environmental Protection	9

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ESG KPIs	Summary	Reference Sections	Page
<b>A3 The Environment and Natural Resources</b>			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection	9–11
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	9–11
<b>A4 Climate Change</b>			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection	11
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.	Environmental Protection	11
<b>B. Social</b>			
<b>B1 Employment</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labor Practice	12–13
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment and Labor Practice	12
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labor Practice	12
<b>B2 Health and Safety</b>			
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 Labor Practice	14
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employment and Labor Practice	14
B2.2	Lost days due to work injury.	Employment and Labor Practice	14
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employment and Labor Practice	14



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG KPIs	Summary	Reference Sections	Page
<b>B3 Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labor Practice	15–16
B3.1	The percentage of employees trained by gender and employee category.	Employment and Labor Practice	16
B3.2	The average training hours completed per employee by gender and employee category.	Employment and Labor Practice	16
<b>B4 Labor Standards</b>			
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B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment and Labor Practice	13
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<b>B5 Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices	16–17
B5.1	Number of suppliers by geographical region.	Operating Practices	17
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.	Operating Practices	17
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices	17
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices	17

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ESG KPIs	Summary	Reference Sections	Page
<b>B6 Product Responsibility</b>			
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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices	18
B6.2	Number of products and services related complaints received and how they are dealt with.	Operating Practices	18–19
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices	19
B6.4	Description of the quality assurance process and recall procedures.	Operating Practices	16–18
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices	19
<b>B7 Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices	20
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating Practices	20
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating Practices	20
B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practices	20
<b>B8 Community Investment</b>			
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B8.1	Focus areas of contribution.	Community Investment	20
B8.2	Resources contributed to the focus area.	The Group's community investment does not involve utilization of resources.	20



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