



鷹美(國際)控股有限公司

EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

2023

Environmental, Social and Governance Report



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Section 1 About this Report

1.1 Foreword

Established in 1993, Eagle Nice (International) Holdings Limited (the “Company”) and its subsidiaries (collectively as the “Group”) have gone a long way growing into a pioneering force in the international garment manufacturing industry during the past 30 years, working closely with progressive global sports brands to make vigorous plans for sustainable corporate development.

Committed to the mission of “pioneer innovation, benefit to customers, empower staff and reward shareholders”, the Group has not only attained international standards in products, services and technologies, but has also placed a strong emphasis on environmental protection and community involvement and engagement, underpinned by “sustainability and contribution society” as the new direction for ongoing development.

During the year, the Group deepened its human resources policy, occupational health and safety (“OHS”) policy and environmental policy to foster a safety culture and enhance environmental awareness, while active efforts have been made to commence green procurement. A Green Team has also been established to promote environmental certification initiatives at the headquarters and the factories in fulfilment of its mission in sustainability.

1.2 Basis for the Compilation of the Report

The contents of this Environmental, Social and Governance report (the “Report”) is compiled in accordance with The Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), taking into account the conditions of the Company as applicable. The Report is published annually for each financial year.

1.3 Period and Scope of Reporting

This Report covers the Group’s environmental, social and governance (“ESG”) performance for the period commencing on 1 April 2022 and ending on 31 March 2023 (the “Reporting Period” or the “Year”). The Group is principally engaged in sportswear manufacturing. The scope of reporting of this report covers nine locations of operation set out below which accounted for the majority of the Group’s operating income during the Reporting Period and were materially related to the environment. Compared to the previous year, two operating locations have been added under the scope of reporting for the year, namely, Foshan Factory in China and PGG Factory in Indonesia.

- i. Hong Kong headquarters
- ii. Yumei (Shantou) Garments Co., Ltd. (“Shantou”)
- iii. Maitex Co., Ltd of Huilai (“Huilai”)
- iv. Eagle Nice (Yifeng) Garments Co., Ltd. (“Yifeng”)
- v. Hubei LPV Sports Co., Ltd. (“Hubei”)
- vi. Eagle Nice (Foshan) Garments Co., Ltd. (“Foshan”)
- vii. PT. Eagle Nice Indonesia (“ENI”)
- viii. PT. Gelindo Garmentama (“PGG”)
- ix. Pro Kingtex Vietnam Company Limited (“PKI”)

1.4 Reporting Principles

- **Materiality:** The Group regularly draws reference from the sustainability standards of local and international industry peers and strives to match such standards. Meanwhile, the Group communicates with the stakeholders on a regular basis to identify the most concerned and material sustainability issues for the Group. Such sustainability issues will be incorporated into the Group’s development objectives subject to its general operating principles. The Group also identifies the expectations of its major stakeholders’ through survey on their opinions on the Group’s ESG management performance and formulates appropriate strategy to address their views and needs.
- **Quantitative:** The Group is committed to quantifying and disclosing its key performance indicators and data in the environmental and social aspects and, where appropriate and practicable, explaining the methods of data collection and computation to enhance data transparency.
- **Balance:** To maintain the balance of the reporting content, the sustainability performances and challenges that the Group and its stakeholders are concerned with are disclosed in a fair manner, so as to provide the public with impartial information.
- **Consistency:** Disclosures are made by the Group in accordance with the ESG Guide. Under the same framework, the Group can make meaningful year-on-year comparisons of past performances and disclose the updated computational methods for relevant data where necessary.

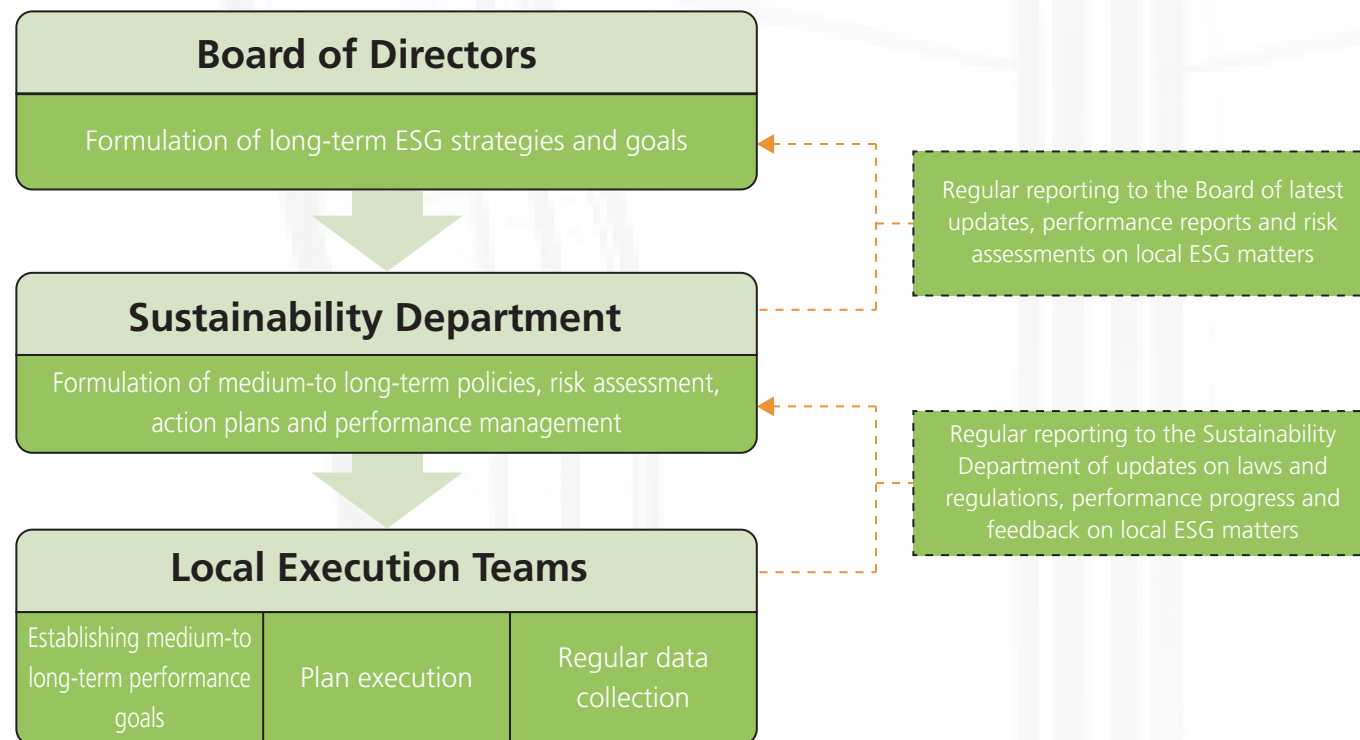
1.5 Board Supervision of Environmental, Social and Governance Matters

Under the framework of our current business development, the board of directors of the Company (the "Board") actively monitors relevant ESG matters and articulates long-term strategies and goals to ensure compliance with pertinent local laws and regulations of places where the Group operates rigorous protection of the Group's and its stakeholders' interests, so as to achieve the Group's goals of sustainable development.

Through the Sustainability Department, the execution teams of various local operations work closely with each other to implement performance goals and action plans for the respective locations, and track performance progress and review outcomes on a regular basis. Risk assessments are regularly conducted by the Sustainability Department and outcomes are reported to the Board so that response strategies could be formulated.

The Board convenes meetings each year to review the performance and compliance status disclosed in the ESG report and effectively identifies material sustainability issues that concern the stakeholders based on the feedback from survey questionnaires and the Sustainability Department, on the basis of which policies will be adjusted or formulated as appropriate.

ESG Governance Structure



In the assessment conducted by the Board during the year, it was ascertained that the major business risk was the slow economic recovery in the aftermath of the pandemic and inflation in multiple countries. The Group was required to deal with the impact of such negative factors on the global market and consumer confidences. Fortunately, we welcomed during the fourth quarter of 2022 the return of the World Cup, a major international sporting event which rekindled popular enthusiasm for sports, thereby driving up demand for sportswear and related products. On the back of longstanding cooperation with international brands over the years, the Group rendered support to the sales strategies of international brands in the supply chain, particularly in terms of the regional distribution of production capacity. As indicated in the scope of disclosure set out in the ESG report of the Year, Foshan Factory in China and PGG Factory in Indonesia have been newly added to the production teams of the Group. Such new production bases assist the Group to understand local government policies and gain geographic advantage in production, such that it could swiftly respond to the everchanging market and could provide customers with products and services with higher quality and efficiency.

While facing all sorts of challenges in the industry, the Board is mindful of making contributions to community welfare. The Group has organised Eagle Nice Volunteering Teams amongst all factories to offer care and support to local communities. Volunteering activities organised during the year included visits to elderly homes, orphanages and special schools, among others, to send our warm greetings and thoughtful gifts to the groups concerned. We have also donated anti-epidemic supplies, food and daily supplies to local community groups to assist underprivileged groups and give back to the society in response to the actual needs of the community.

Meanwhile, the Group is committed to the reduction of emission and conservation of resources in relation to controllable production segments, with a view to implementing the sustainability strategy in multiple aspects. Over the years, the Group has been installing automated equipment to reduce the discharge of waste. Moreover, two of our manufacturing facilities in China, Shantou Factory and Yifeng Factory, have completed construction and commenced operation of the solar power generation system during the year, for effective use of renewable energy that would reduce GHG emissions and mitigate the impact of climate change.

Notwithstanding uncertainties prevailing in the global economy and market, we remain fully confident in the sportswear industry. The Board believes that there are plentiful opportunities in the market, and the Group will focus its effort increasingly on the development of its core business, collaborating with international brand customers when appropriate to upgrade its green production technology and allocating regional production resources with flexibility and in a timely manner to fulfil customers' requirements and assist in their initiatives for new market development, whilst enhancing the Group's ability to counter risks and steady growth in its future business.

Section 2 Engagement with Stakeholders

2.1 Engagement with Stakeholders

We have fostered an engaging environment focused on transparent and open communications with stakeholders. Shareholders' meetings are convened by the Board to maintain engagement with stakeholders and actively exchange views with shareholders. The public are furnished with periodic reports on the business performance of the Group. We maintain close relations with customers, suppliers and other stakeholders through visits, proactive dialogue, social media and customer service.

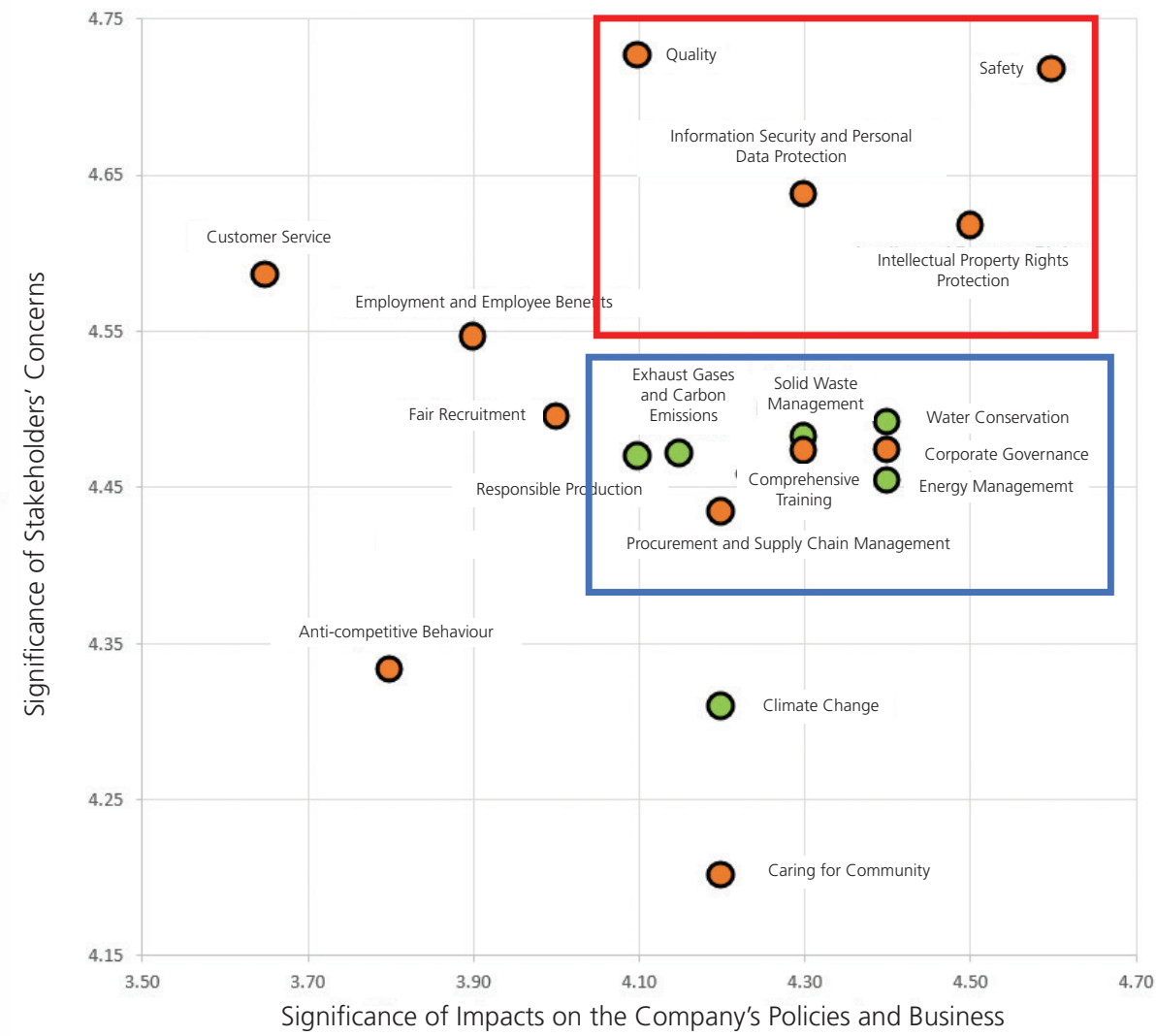
2.2 Materiality Assessment

At the beginning of the year, the Group conducted an assessment on its business nature, operating locations, as well as the Group's products and services that the stakeholders were concerned. As compared with the previous year, it confirmed that there was no material change in its scope of reporting and key stakeholders involved. Therefore, following an internal assessment, the Group has determined to adopt for the current year the outcomes of materiality assessment in the previous reporting year. The Group will review the outcomes of the materiality assessment at an interval of two to three years to determine whether it is necessary to conduct a new materiality assessment.

The following diagram illustrated the outcomes of materiality assessment adopted from the previous year, for the purposes of managing the Group's ESG risks and addressing stakeholders' concerns and expectations, in accordance with the three steps shown below:

Step One Identifying the ESG topics	In accordance with the ESG Guide as the framework for materiality assessment and taking into account factors such as the Company's development strategy, industry development trends, regulatory and market requirements, stakeholders' questionnaires have been formulated comprising of questions in the four areas covering environmental protection, employment and labour management, operating practices and community investment, 18 sustainability topics have been identified.
Step Two Confirming stakeholders and setting survey questionnaires	Our customers, suppliers and staff have been confirmed as stakeholders who are extremely important to the Group; specific questions relating to the topics have been set in the survey questionnaires according to their respective perceptions and expectations; thereafter the completed questionnaires had been sent to sampled stakeholders, and their feedback had been collected within a stipulated period.
Step Three Assessing and confirming material topics	Through statistics and analysis of stakeholders feedback in the survey, and conducting management review on the Group's ESG strategy and its business impacts, we culminated in the formulation of a "ESG materiality analysis matrix" by consolidating data on the aforesaid external and internal demands. Out of the 18 ESG topics initially identified as described above, extremely material and material topics relevant to the Group have been confirmed and highlighted within the red and blue frames at the upper right corner of the matrix underneath.

ESG Materiality Analysis Matrix



● Environmental aspects of the ESG Guide ● Social aspects of the ESG Guide

Materiality	Environmental Protection	Employment and Labour Management	Operational Practices	Community Investment
High	Extremely material topic	<ul style="list-style-type: none"> Safety 	<ul style="list-style-type: none"> Intellectual property rights protection Information security and personal data protection Quality 	—
↑ ↓	Material topic	<ul style="list-style-type: none"> Exhaust gases and carbon emissions Energy management Solid waste management Water conservation 	<ul style="list-style-type: none"> Comprehensive training Corporate governance Procurement and supply chain management Responsible production 	—
	General topic	<ul style="list-style-type: none"> Climate change 	<ul style="list-style-type: none"> Employment and employee benefits Fair recruitment 	<ul style="list-style-type: none"> Customer service Anti-competitive behaviour Caring for Community

Section 3 Environmental, Social and Governance Performance

3.1 Environmental Aspect

3.1.1 Environment and Natural Resources

In addition to the aforesaid emission reduction and resource conservation measures, the Group also monitors the environmental impact of its operations on a continuous basis, enhances staff awareness and skills in environmental matters to ensure that they have the ability to implement such measures, and addresses the environmental concerns of the community and its customers.

3.1.1.1 Management of the Environment and Natural Resources

Wastewater discharged from the Group's factories was mainly domestic sewage. Despite industrial wastewater generated by a minority of its operations, such as the printing process, which would have a relatively significant impact on the environment, such wastewater is only discharged after effluent treatment and fulfillment of the relevant regulatory limits. Hence, the wastewater discharge would not have any negative impact on the environment.

Furthermore, paper represents another form of natural resources which the Group's business is more frequently associated with. Therefore, the feasibility of recycling and reuse in the production process has been sought, and methods for the separation and collection for related solid waste have been determined. Current measures include the recycling and reuse of old paper boxes and the recycling of paper tubes for suppliers to reuse. In addition, the use of electronic files in office operations has been enhanced to replace printed documents wherever possible; staff are also required to reuse paper which has been printed on a single side where appropriate, in a bid to reduce the consumption of paper resources.

3.1.1.2 Directional Targets in Environmental Protection

To fulfill the corporate social responsibility, the Group actively incorporates environmental principles into its day-to-day operation to ensure that the process of its operations is environmentally accountable and to prevent pollution and reduce consumption of resources. The following goals have been formulated with the aim of mitigating the impacts of factory operations on the environment.

Environmental Targets	Directional statements	Measures adopted during the year
Emission reduction	<ol style="list-style-type: none"> 1. Use of equipment that reduce emission of exhaust gas/ greenhouse gas ("GHG") 2. Use of appropriate filtration equipment to reduce the impact of exhaust gas emission during the production process on the environment 3. Formulation of emission reduction plans with suppliers in relation to shipment of products, such as reducing the number of shipments through combined procurement wherever possible 	<ol style="list-style-type: none"> 1. Use of electric and manual forklifts in place of fuel-powered tools at factories. 2. Exhaust gas was filtered through relevant equipment before emitting outside the plants; for example: at Yifeng Factory, additional activated carbon filtration devices were installed; at Hubei Factory, "photocatalytic oxidation air purifier" was installed. 3. Yifeng Factory requested the shuttle bus service contractor to continue to replace fuel-powered vehicles with electric vehicles.

Environmental Targets	Directional statements	Measures adopted during the year
Waste reduction	<ol style="list-style-type: none"> 1. Use of automated equipment to reduce the generation of scrap materials 2. Reduction of paper waste 	<ol style="list-style-type: none"> 1. Use of automated cutting table/automated cutting machine for optimal pattern arraying to reduce the generation of leftover materials (scraps from trimming); in addition, new automated suspension system was installed to save conveying time so that workers could focus more on the sewing process with better quality control to reduce the generation of waste products. 2. Reuse of paper boxes as turnover boxes; teaching staff on the methodology to optimise paper use, such as two-sided printing and use of recycled paper for printing.

Environmental Targets	Directional statements	Measures adopted during the year
Energy efficiency	<ol style="list-style-type: none"> 1. Use of equipment that requires a lower level of energy consumption 2. External purchase of renewable energy, such as supply endorsed by renewable energy certificate (REC) 3. Installation of solar power generation equipment 	<ol style="list-style-type: none"> 1. At ENI Factory, air-conditioners with evaporative cooling pads were installed to achieve relative reduction in electricity consumption. 2. ENI Factory purchased energy supply with renewable energy certificate (REC) from local power company PLN (for details please refer to the REC certificate shown in Section 3.1.3.1.2 of this report). 3a. Shantou Factory installed solar panels during the year. Electricity generated was supplied to the entire factory and achieved annual savings in grid electricity consumption of approximately 710,000 kWh.

Environmental Targets	Directional statements	Measures adopted during the year
		<p>3b. At Huilai Factory, streetlamps within the factory area were phased out and replaced by solar-powered lamps, which reduced power consumption by approximately 5,000 kWh annually.</p> <p>3c. Yifeng Factory commenced solar panels in December 2022 and generated approximately 149,500 kWh of solar power electricity from January to March 2023, for electricity supply to 3 factory buildings and production equipment therein, such as sewing machines and cutting table.</p> <p>3d. Hubei Factory installed solar power generation equipment with 10 solar-powered floodlights in the peripheral of the factory area, which saved power consumption by approximately 3,600 kWh annually.</p>

Environmental Targets	Directional statements	Measures adopted during the year
Water efficiency	<ol style="list-style-type: none"> Reuse of duly processed wastewater for non-production purposes after sewage treatment Installation of water-saving equipment 	<ol style="list-style-type: none"> Treated wastewater from production processes could be used in gardening or as bathroom flushing water at residential quarters for reducing use of fresh water <ol style="list-style-type: none"> Installation of sensor-activated water taps Use of equipment compatible with recycled water, such as water being used and recycled in the evaporative air conditioning system

3.1.1.3 Monitoring of Environmental Requirements

When capacity expansion or equipment procurement is required by production operations, the Group's factories will firstly conduct internal environmental assessment. The Group will also conduct external environmental assessment on a regular basis in accordance with applicable laws on criteria such as boundary noise level and the discharge of wastewater, exhaust gas, dust and specified pollutants. Such tests can monitor the environmental impact of the Group's business to facilitate implementation of necessary improvements in a timely manner.

Moreover, the Group is also concerned with stakeholders' monitoring of environmental matters. This includes regular monitoring of environmental compliance of the Group and stakeholders' enterprises through viable information collection (for example: the IPE website). In respect of products to be delivered to customers, requirements on the restriction of use of substances hazardous to the human body and the environment (for example: the RSL requirements) are strictly implemented in accordance with customers' standards to ensure that our products are in compliance with required health and environmental specifications. The MRSL requirements are strictly implemented for suppliers of chemicals to ensure no chemicals with negative impacts on health and the environment are used in the production processes and daily maintenance.

In 2022, the factories of the Group passed the evaluation under the Higg Facility Environmental Module (Higg Index FEM) formulated by the Sustainable Apparel Coalition (SAC), in a solid manifestation of the Group's competence and performance in controlling the environmental impact of its operations.



Hubei

Yifeng

ENI



PKI

Shantou

Huilai

Furthermore, the Shantou Factory and Hubei Factory have obtained the Supplier to Zero (Foundational Level) certificate awarded by ZDHC regarding zero emission of hazardous chemicals.



Hubei



Shantou



To enhance internal environmental management, some of our factories have actively strengthened the implementation of their relevant systems and measures by obtaining the internationally recognised ISO 14001 certification for environmental management system.

3.1.1.4 Environmental Training

Staff training sessions and activities relating to environmental protection are organised by the factories to raise the environmental awareness of staff. Environmental trainings held by the Group's factories during the reporting year covered topics such as general environmental knowledge, waste sorting, hazardous waste management, energy conservation measures, the handling of leakage and drills, among others.

Environmental Training



**Number of participants in training
for the year¹**
641



**Total number of training hours
for the year**
4,879

3.1.2 Emissions

The Group's objective is to accelerate the mitigation of climate change and gradually attain the goal of carbon-free operation.

3.1.2.1 Solid Waste Management

The Group aims to minimise waste and convert waste into resources through active efforts in waste recycling and sorting to reduce our impact on the environment. Whilst achieving cost reduction, we also adopt the recycling and reuse of waste for conversion into energy or return to nature in a safe way.

Solid waste generated in the manufacturing process, including discarded papers and plastics, as well as production wastes such as fabric scraps and cotton wastes, are sorted for recycled use.

The Group has established and implemented internal management procedures for the handling of hazardous waste. Wastes are centrally stored in an isolated location before they are delivered to qualified recycling agencies for processing. To lower the risk of accidents, waste management awareness training has been provided to employees.

In the product development stage, the Group is committed to the adoption of automated and advanced technologies to increase the level of precision and reduce the generation of production wastes. During the year, the Group's manufacturing facilities implemented the measures for reducing waste emission using different equipment according to their individual conditions:

- o Automated computerised cutting table
- o Automated cutting machine
- o Cotton template cutting machine

During the year, the Group carried out waste sorting in each manufacturing facility and collected data via online platforms to systematically manage and dispose of waste.

¹ The figure represents the average number of participants in training for the year. It was calculated by averaging the number of training participants each month during the reporting year amongst all operating locations.

Analysed by weight, hazardous wastes generated by the Group's operations were mainly comprised of discarded chemical containers, machine oil and sludge after sewage treatment. Non-hazardous wastes included mainly scrap fabric, cotton waste, paper waste, plastic waste (including plastic bags, plastic cores and plastic plates) as well as domestic waste (including kitchen waste). Statistics on the weight and emission intensity of wastes generated during the reporting year are shown in the table below:

Type of Wastes		Annual emission volume	
		2022	2023
Hazardous waste	(tonne)	6.53	9.76
Non-hazardous waste	(tonne)	1,544.96	1,806.93
Annual production volume	(piece)	24,958,284	26,777,171
Emission intensity of hazardous waste (per production unit)	(gram/piece)	0.26	0.36
Emission intensity of non-hazardous waste (per production unit)	(gram/piece)	61.90	67.48

3.1.2.2 Wastewater Management

Industrial wastewater discharged by the Group is processed through the internal treatment and purification facilities or sewage treatment facilities of the industrial areas where its manufacturing plants are located and thereafter subject to monitoring and test to ensure that legally permissible limits are not exceeded before such wastewater could be discharged externally.

3.1.2.3 Exhaust Air Management

The Group manages emissions of air pollutants in accordance with government regulations. Filtration devices are installed on the relevant exhaust emission outlets and compliance tests on such outlets are conducted regularly to ensure that the filtered exhaust gas is in compliance with relevant emission standards. During the year, the Group's manufacturing facilities used different types of equipment as follows according to their individual conditions to avoid air pollution:

- o Filtration devices using activated carbons and negative ion high voltage technologies
- o Photocatalytic equipment for decomposing volatile organic compound (VOC)
- o Electrostatic oil and fume purifier installed at the exhaust pipes of the cafeteria
- o Laser exhaust UV photolysis

Where necessary, the Group would also consider the engagement of sub-contracted inspection and testing service providers to assist in the monitoring of parameters relating to environmental emissions. Foshan Factory, for example, appoints an inspection and testing service provider to conduct annual tests on the compliance of exhaust gas emissions from the fume outlet of the factory cafeteria using an automated smoke and flue gas comprehensive testing equipment.

Moreover, at appropriate venues, electricity is used in substitution for natural gas to provide energy for relevant equipment in order to reduce direct exhaust emission from natural gas consumption.

3.1.2.4 Strategy for Reducing Greenhouse Gases (GHG) Emission

Apart from exhaust emission generated in the production process, GHG is also generated in the consumption of fuel for transportation and municipal electricity supply in the Group's operations. Hence, the Group has adopted the following measures to reduce GHG emission in addition to formulation of the aforesaid environmental goals:

- o Reducing the deployment of corporate vehicles and encouraging the use of public transport to control fuel consumption
- o Enhancing management of lighting by prohibiting the switching on lights in areas where work has not yet started
- o Enhancing maintenance of air-conditioning temperature control
- o Increasing the efficiency of machinery utilisation
- o Increasing the use of video conferences and reducing business trips

The Group was not aware of any emissions in violation of pertinent environmental laws and regulations during the Reporting Period. Major GHG sources and their emission volumes for the period are summarised in the following table:

Major sources of GHG emission		Total annual consumption	
		2022	2023
Diesel consumption	(litre)	40,928	47,298
Gasoline consumption	(litre)	60,584	82,584
Natural gas consumption	(cubic metre)	97,391	0 ²
Electricity consumption	(kWh)	25,648,064	24,776,684
Annual production volume	(piece)	24,958,284	26,777,171
Total GHG emission (tonne CO2 equivalent)		15,976	15,244
GHG emission intensity (gram CO2 equivalent/ piece)		640.12	569.31



**Total GHG emission³
15,244 tonnes
CO2 equivalent**

**Direct GHG
(Scope 1)⁴ emission
316 tonnes
CO2 equivalent**

**Energy Indirect GHG
(Scope 2)⁵ emission
14,928 tonnes
CO2 equivalent**

² Natural gas consumption in 2022 was mainly derived from Hubei Factory. Since the demolition of all natural-gas boilers and the switch to electrical inverter equipment by Hubei Factory in May 2021, no natural gas consumption has been recorded at any factories within the scope of this report during the year.

³ Global warming potential (GWP) adopted in GHG calculation is based on data set out in the Sixth Assessment Report (AR6) published by The Intergovernmental Panel on Climate Change (IPCC).

⁴ Direct GHG was mainly generated from gasoline / diesel consumption of vehicles; the computational method was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

⁵ Energy Indirect GHG was mainly generated from indirect emissions of externally sourced electricity; electricity indirect emission in Mainland China was computed by reference to the "Benchmark Emission Factors for Regional Power Grids" published by the National Development and Reform Commission of the People's Republic of China (NDRC); emissions in Hong Kong was computed by reference to emission factors published by the power company in its sustainability report; emissions in Vietnam and Indonesia were computed by reference to the average emission factors for the region published by the Institute for Global Environmental Strategies (IGES).

3.1.3 Use of Resources

The Group appreciates that the Earth's resources are limited and has adopted appropriate policies to promote the conservation of resources.

3.1.3.1 Energy Management

Employees must assume responsibility in energy conservation and emission reduction. The Group requires them to switch off equipment when not in use and ensure that all energy-consuming equipment are disconnected from power supply before the end of the day. Energy conservation and environmental protection are advocated among employees to foster eco-friendly practices in their daily work habits.

3.1.3.1.1 Energy-saving Equipment

Energy conservation and emission reduction represent the strategic direction with which the Group seeks to achieve sustainability and enhance competitiveness. When procuring new equipment, the Group will give priority to equipment with energy-saving features, especially LED lightings. When purchasing the latest models of automated production equipment, the procurement department will first and foremost consider their energy-saving features. During equipment maintenance, in event of any component or wear-and-tear condition causing an increase in energy consumption, the department in-charge will repair or replace such components in a timely manner. Moreover, the Group regularly monitors the duration of use of energy-consuming equipment and the deployment of any equipment that consumes excessive energy (including lightings), in order to increase the efficiency of energy use.

During the year, the Group's factories implemented different energy conservation projects according to their respective conditions:

- o Application of equipment with energy-saving features
- o Air-source heat pump system for hot water supply
- o Replacement to LED lights

3.1.3.1.2 Use of Renewable Energy

In addition to the aforesaid energy-saving measures and equipment adopted, the Group understands that the consumption of municipal electricity supply will inevitably generate a considerable amount of GHG. Therefore, investment in photovoltaic power generation has been made at selected plant areas in phases. For the reporting year, such solar power systems were installed at both Shantou Factory and Yifeng Factory to reduce consumption of grid electricity through the use of renewable energy. Moreover, the following solar-powered facilities and other forms of renewable energy were adopted at other factories where appropriate.

- o Solar-powered streetlamps
- o Solar-powered heaters for supply of domestic hot water
- o Supply of certificated renewable energy (such as the Renewable Energy Certificate (REC) relating to geothermal energy purchased from Perusahaan Listrik Negara (PLN) by ENI Factory as shown in the photo below)



3.1.3.2 Water Conservation

Water-consuming equipment is under the supervision of dedicated personnel of the Group, who are responsible for the regular cleaning, maintenance, and inspection of such equipment. Water supply facilities and parts with leaks or wear-and-tear identified during inspection will be repaired or replaced in a timely manner to reduce water wastage. In addition, the Group put emphasis on water-saving features in the procurement of facilities, and has made improvements to its production technologies or upgraded its facilities where appropriate to reduce the consumption of fresh water.

The Group's factories have implemented different water conservation measures according to their respective conditions to reduce consumption of fresh water:

- o Reuse of reclaimed water
- o Air-conditioning with evaporative cooling pads designed with the use of recycled water
- o Enhanced maintenance and inspection of water pipes

3.1.3.3 Statistics on the consumption of resources

Following the implementation of conservation measures described above, the major resources consumed by the Group's factories during the Reporting Period are summarised in the table below:

Resources		Total annual consumption	
		2022	2023
Electricity	(kWh)	25,648,064	24,776,684
Water	(cubic metre)	477,928	612,272
Natural gas	(cubic metre)	97,391	0
Packaging materials (paper)	(tonne)	1,567	2,522
Packaging materials (plastic)	(tonne)	309	956
Annual production	(piece)	24,958,284	26,777,171

Resources		Intensity of consumption per unit of production	
		2022	2023
Electricity	(kWh/piece)	1.03	0.93
Water	(litre/piece)	19.15	22.87
Natural gas	(litre/piece)	3.90	0
Packaging materials (paper)	(gram/piece)	62.80	94.18
Packaging materials (plastic)	(gram/piece)	12.38	35.68

3.1.4 Addressing Climate Change

To address the challenge of global climate change with a united effort, the Group has implemented relevant measures for reduction of emissions and conducted regular assessments of risks associated with climate change, on the basis of which effective contingency plans and response strategies have been formulated.

3.1.4.1 Risk Assessment

In relation to extreme weather and related catastrophes caused by climate change, the Group conducts regular assessment on the following risks which may affect its factories, infrastructure facilities and production processes:

- o Whether factories and infrastructure facilities are located in areas threatened by typhoon and torrential rain caused by climate change;
- o The impact of potential heat wave caused by climate change on production processes (such as the operation of air-conditioners and automated machines);
- o Whether climate change has caused the disruption of supply chains of individual materials and affected the procurement of raw materials (such as prices and volumes);
- o Whether plans with modified portfolios of materials are required to be formulated as a result of the tight supply caused by climate change;
- o Proactive consideration is given to budgets for the improvement of facilities or technologies to reduce GHG emission or pollution;
- o Endeavouring to increase the feasibility of using clean energy (such as natural gas) and renewable energy (such as solar energy) where appropriate.

3.1.4.2 Preparedness plan for disaster management

To address emergencies that could be caused by identified extreme weather (such as floods caused by torrential rain), the Group has developed documentation on disaster risk management strategies and measures to manage the risk of floods nearby its production and warehouse facilities and formulated contingency plans to prevent damage caused by extreme weather, which include the following facilities and measures:

- o Installation of anti-flood barriers that could withstand flood water of higher level;

- o Bolstering plant structure to withstand super typhoons;
- o Replacing windows with those made of ultra-strong wind-resistant glass for operating facilities located in areas susceptible to typhoons;
- o Securing outdoor equipment or machinery (such as by using ropes) prior to the hoisting of super typhoon signals; and
- o Introducing protective measures (such as the construction of concrete walls) at factories close to natural or artificial slopes to mitigate the damage caused by landslide.

3.1.4.3 Other Response Measures

In addition to the formulation of preventive measures, the Group has also formulated a response strategy to cope with climate disasters, including the purchase of insurance to cover the possible loss caused by natural disasters. Business continuity plans have also been formulated, whereby pre-formulated plans are executed to resume production and ensure ongoing operation in case of disruption caused by extreme weather.

Moreover, to ensure staff understanding of relevant knowledge in prevention and response, the Group provides training on disaster preparedness knowledge and emergency measures. For example, they are instructed to ensure that all windows are closed prior to a typhoon and windows are inspected regularly for preparing against extreme weather.

3.2 Social and Governance Aspects

3.2.1 Employment

On top of compliance with applicable employment laws, the Group has also established policies to ensure that each employee is treated on an equal basis and that his/her choices and rights are duly respected. During the Reporting Period, the Group was not aware or brought to the attention of any incidents of non-compliance or cases of complaint regarding discrimination or recruitment.

3.2.1.1 Recruitment and Promotion

The Group does not require a job applicant to disclose personal information irrelevant to the job position or not legally required, such as his/her religious belief, in the course of recruitment. The Group assures that no discrimination is held against any applicant because of his or her gender, ethnic origin, race, background, religious belief, marital status, sexual orientation, nationality or political views, among others, when a decision to hire an employee is made.

All employees are treated on an equal basis. Matters concerning recruitment, wages, benefits, rewards, promotion and termination are considered solely on the basis of the employee’s educational background, professional qualifications and competence. Male and female employees are treated equally.

As a responsible employer, the Group is committed to protecting women and employees and to comply with related international conventions, such as International Labor Organization (ILO) Convention No. 190: Eliminating Violence and Harassment in the World of Work, ratification and implementation of the ILO Convention 111: Discrimination in Employment and Occupation, and support for CEDAW: Convention on the Elimination of all Forms of Discrimination Against Women, and so on. This commitment applies to all of the operating locations of the Group.

In addition to the aforesaid undertaking, the Group’s employment measures have also been awarded of recognition from external stakeholders, such as the certificates issued by the local government to PGG Factory in Indonesia regarding the status of employment compliance during the year.



Award presented by the Governor of Bandung for compliance with employment laws and provision of permanent jobs



Award for punctual fund contributions to BPJS (the local social insurance department of Indonesia) and provision of best staff benefits

3.2.1.2 Remuneration and Benefits

The Group ensures that an employee would be entitled to reasonable remuneration commensurate with his or her competence and be subject to the regime of wages and benefits in a manner irrespective of his or her gender.

In accordance with local employment regulations, the Group pays to each employee a salary not less than the minimum wage prescribed under applicable local laws. Overtime wages are calculated and paid and paid holidays, such as statutory festive holidays, annual leaves and work-related injury leaves, are granted in accordance with relevant regulations. The Group also provides employees with appropriate insurance coverage, such as social insurance and labour insurance, in accordance with local regulations.

The Group’s caring for employees is also highlighted by extra benefits provided on top of statutory requirements. Different types of benefits are designated to employees according to their needs. These include additional paid leaves, employee insurance, incentive bonus (such as full attendance bonus), free accommodation, free lunch on work days, free company shuttle bus, training allowance and other relevant non-statutory holidays. Meanwhile, the operating locations conduct regular reviews to consider the suitability of increasing benefits. In Hong Kong, for example, basic annual leave entitlements have been increased and the policy of increment by seniority has also been amended during the year.

Moreover, Hubei Factory has passed the verification under the Workplace Conditions Assessment (WCA) standard and has attained the “Achievement Award for Social Responsibility Compliance Management” in recognition of the its outstanding performance in employment measures and HR management.



3.2.1.3 Staff Employment Statistics

The Group's staff headcount and breakdown by various categories as at 31 March, 2023 is as below:

	Headcount of Employees	
	2022	2023
Gender		
Male	2,489	3,185
Female	10,564	11,384
Employment Type		
Full-time	13,053	14,569
Part-time	0	0
Age Group		
18-30	3,122	3,397
31-45	7,436	8,180
46-60	2,482	2,978
> 60	13	14
Location		
Hong Kong	67	72
Mainland China	7,593	7,691
Indonesia	3,030	4,551
Vietnam	2,363	2,255
Total	13,053	14,569

The employee turnover rate for the year, analysed by gender and by age group, is summarised in the table below:

	Average Monthly Employee Turnover Rate (%)	
	2022	2023
Gender		
Male	2.58	2.80
Female	2.24	2.28
Age Group		
18-30	4.43	4.86
31-45	2.16	2.32
46-60	1.75	1.77
> 60	0.11	0.00
Location		
Hong Kong	1.40	0.99
Mainland China	3.08	3.38
Indonesia	0.25	0.83
Vietnam	2.23	2.06
Overall average	2.31	2.40

3.2.2 Health and Safety

The Group has established a health and safety system for the interests of staff to supervise and effectively prevent the occurrence of danger during work. The system covers management in various aspects, such as fire equipment and fire drills, maintenance and repair of electrical machinery, management of hazardous materials and waste, safety education, use of protective equipment and contingency plan management.

To cope with the ongoing novel coronavirus (“COVID-19”) pandemic, each factory has adopted vigorous prevention and control measures during critical periods according to local epidemic conditions, such as the distribution of face masks to all staff, arrangement of rapid COVID-19 tests for staff subject to high infection risks and home office arrangements where necessary.

Huilai Factory arranged “On-site Female Tests on Two Types of Cancers” for eligible female workers in collaboration with Huilai County Huahu Clinic and Huilai County Zhenai Hospital.



To enhance caring for staff health and benefits, the trade union of PKI Factory supported the government trade union’s organisation of free health checks to female workers, covering items such as consultation in gynaecology, diabetes screening, ovarian cancer screening, breast cancer screening and post-COVID-19 symptoms screening.



3.2.2.1 Health and Safety Training

Factories of the Group arranged training for incumbent and newly recruited staff in accordance with local laws and their operational requirements. Health and safety training organised by various factories during the year could be broadly classified into four categories as follows:

(a) Fundamental management on health and safety	(b) Safe operation of equipment
<ul style="list-style-type: none"> — Induction safety awareness training for new employees — Production safety training — Use of personal protective equipment (PPE) — Job hazard analysis (JHA) training — Occupational hygiene training — Health precautions for pregnant workers — Anti-epidemic safety — Cafeteria hygiene management 	<ul style="list-style-type: none"> — Machinery risk assessment — Training in machinery and equipment maintenance — Electrical safety management — Training in technology for welding safety — Training in operation of cutting machine — Training in operation of laser-cutting machine — Training in the safe use of irons — Safety training relating to pressure equipment — Fall protection for working at height — Precautions for hot work operations — Training for operation in confined space — Factory vehicle and traffic management procedures — Training in building structure and loading safety

(c) Handling of chemicals and other hazardous items	(d) Fire and emergency measures
<ul style="list-style-type: none"> — Waste management — Safety knowledge relating to disposal of hazardous waste — Knowledge in safety and management of chemicals — Storage safety requirements for dangerous chemicals — Management of chemical spill — Programme for training in the use of engine oil 	<ul style="list-style-type: none"> — Fire-fighting and various types of emergency drills — Fire drills and fire safety training — Training in the use of fire hydrant — Training in the use of fire extinguisher — First-aid training — Training in knowledge in work-related injuries — System for the management of bloodborne pathogens

Occupational Health and Safety (OHS) Training



Total number of participants in training for the year⁶
3,524



Total training hours for the year
36,338

3.2.2.2 OHS Management at Workplace

The Group regularly conducts comprehensive risk assessments for factory operations, on the basis of which improvement plans are proposed and goals for health and safety supervision are determined.

Efforts have been made to ensure compliance of our waste storage areas with relevant health and safety requirements. Incompatible wastes are stored separately. The storage areas are equipped with essential fire-fighting facilities complemented by the display of warning signs.

Directions for use of personal protective equipment (PPE) have been formulated. Employees have been provided with individual PPE free of charge and duly instructed as to the proper use of such equipment, so as to minimise any impact on their health. Such protective equipment include: dust masks (in the cutting area), metal gloves (for cutting operations), finger guards (equipped for special sewing machines), goggles (protection against splashes during operation) and ear plugs (in high noise areas, such as the embroidery workshop). Some manufacturing sites also provide protective belts for workers moving heavy objects to offer protection against waist or back injuries.

The Group regularly inspects or seeks reliable sources of water supply to ensure that all drinking water supplied in the factories is compliant with relevant hygiene standards. We also ensure regular cleaning, maintenance and inspection of all equipment in connection with water.

To identify any health risk of employees working in potentially hazardous positions, the Group has arranged health examinations for them in accordance with pertinent laws and regulations prevailing in locations where the factories operate. The factories assess job-specific occupational risks of staff on a regular basis, with a special focus on workers exposed to high noise levels, dusty environment or laser operations, typically involving production departments for processes such as velvet filling, cutting, embroidering and patterning (operation of laser template machines), as well as other workers who are exposed to noisy environments or who come into contact with chemicals. During the year, 618 staff members involved in hazardous jobs underwent health checks and no cases of occupational illness were identified in any of the factories. Apart from the potentially hazardous positions, some factories (such as the factories in Indonesia and Vietnam) implemented universal health checks for all staff in accordance with relevant local laws and regulations.

⁶ The figure represents the average number of participants in training for the year. It was calculated by averaging the number of training participants each month during the reporting year amongst all operating locations.

The Group was not aware of any violation of the local OHS laws and regulations during the Reporting Period and it had not reported any work-related fatality of staff during the past three years, including the reporting year. Statistics on the Group's lost working days due to work-related injuries of employees are set out in the following table:

	2022	2023
Number of work-related fatalities	0	0
Lost working days due to work-related injury	893	262

Some factories have vigorously strengthened relevant systems and attained the internationally recognised ISO 45001 certification for occupational health and safety management systems.



PKI



Yifeng

In addition, PKI Factory's performance in OHS management was acknowledged by customers, as evidenced by the award of relevant certificates in recognition of its achievements in this regard.



3.2.2.3 Staff Communication and Counseling

The Group is concerned about daily life of employees, and hence a channel for communication has been established, through which employees could seek advice on issues encountered in daily life and at work. Employees may file complaints or request counselling via phone calls or in writing to voice their discontent regarding work allocation, management measures and reward system, among others, as well as any psychological distress resulting therefrom.

3.2.3 Development and Training

The Group has established procedures for the development of staff training programmes, as well as measures for supervising the implementation and assessing staff competence and effectiveness of training.

The Group organises appropriate training courses for various job positions, such as:

- For management personnel: laws and regulations on quality management theories and methodologies
- For technical personnel: technical knowledge and operational procedures
- For quality control personnel: quality control techniques and inspection methods

Induction training for new employees is subject to flexible adjustment depending on the ability and level of experience of the new recruits, who will undergo appraisal upon conclusion of the probation period. In case of new recruit not meeting the required level of competence, additional training or a job transfer would be arranged in a timely manner to ensure compatibility of his/her abilities with the position.

Training implementation may take the single form of or combination of the following: internal training sessions with mentoring by veteran staff, external training, and internal training delivered by externally engaged experts. Candidates for specialised positions (such as electricians, pattern makers and quality control staff) must have obtained relevant certifications or passed relevant professional assessments before they are officially appointed.

The Group develops annual training plans based on training requirements identified through the evaluation of training conducted during the past year and the appraisal results of such training, as well as operational changes anticipated for the ensuing year (such as the introduction of technological changes and new equipment, and new quality requirements from customers), aiming to facilitate career advancement for employees and sustainable business development for the Group.

The following tables summarized statistics in the Reporting Period pertinent to the total annual enrolment in staff training and total number of training hours analysed by gender and employee category, as well as the average monthly proportion of employees trained as a percentage of the total employee headcount and the monthly average of training hours per employee:

Total annual enrolment in staff training⁷	
Gender	
Male	672
Female	4,393
Employee Category	
Senior Management	26
Middle Management	645
Junior Employees	4,394
Total enrolment	5,065

Average monthly proportion of employees trained (%)		
	2022	2023
Gender		
Male	30.73	33.68
Female	27.18	32.11
Employee Category		
Senior Management	27.01	30.30
Middle Management	43.29	48.15
Junior Employees	26.21	31.55
Overall average	27.67	32.08

⁷ The figure represents the average number of participants in training for the year. It was calculated by averaging the number of training participants each month during the reporting year amongst all operating locations.

Total hours of employee training (hour)		
	2022	2023
Gender		
Male	8,796.50	13,167.86
Female	41,724.15	59,032.44
Employee Category		
Senior Management	301.83	464.93
Middle Management	4,111.61	7,027.04
Junior Employees	46,107.21	64,708.33
Total hours	50,520.65	72,200.30

Monthly average of training hours per employee		
	2022	2023
Gender		
Male	0.35	0.39
Female	0.30	0.33
Employee Category		
Senior Management	0.30	0.35
Middle Management	0.30	0.42
Junior Employees	0.30	0.33
Overall average	0.30	0.34

3.2.4 Labour Standards

The Group does not hire child labour aged below the relevant legal threshold. The furnishing of documentation proving the age of a job applicant is a mandatory requirement and the Group will verify such documentation in the course of recruitment.

The Group prohibits the use of forced labour in any form (including prison labour, indentured labour, bonded labour, etc.). Under no circumstances will the Group withhold the original identity card of an employee or require an employee to pay deposits or deduct an employee's wages against employment related costs and expenses, such as work visa, medical examination, work permit and fees charged by agents/recruitment agencies.

Employees may be engaged freely in overtime work upon their willingness. Any overtime work beyond the normal working hours shall be requested by the employees on a voluntary basis subject to the daily overtime limits imposed by local regulations. In the event of any violations, the Group would conduct investigation immediately. Moreover, the Group ensures that employees have the right to move freely within the work premises during working hours and to leave the premises during meal breaks and after work.

In the event of any child labour or forced labour incidents identified, the Group will deal with such incidents and rectify violations in accordance with the local laws of the regions where the incidents occur.

The Group was not aware of any cases of legal violation relating to the employment of child labour or forced labour during the Reporting Period.

3.2.5 Supply Chain Management

The Group requires suppliers to comply with its code of conduct for suppliers, which sets out its requirements for their service performance and the safety and quality standards of their products.

3.2.5.1 Distribution of Suppliers

As at 31 March 2023, the Group had engaged 527 suppliers distributed in the following geographical regions:

Geographical Regions	Number of Suppliers	
	2022	2023
Mainland China	278	321
Hong Kong	45	54
Taiwan	44	45
Other Asian regions	95	93
Europe	14	9
United States	9	5
Total	485	527

3.2.5.2 Assessment of Suppliers

The Group monitors its existing suppliers on an ongoing basis in terms of their product quality, timeliness of delivery, problem solving capability, responsiveness to feedback and service quality, among others. The Group assesses the performance of suppliers, other than those designated as sole supplier by customers, generally by means of product sample testing, review of quality records, and other methods deemed suitable for supervising their compliance performance.

In the Reporting Period, we have engaged 42 new suppliers. Other than those designated by customers, all new suppliers have passed our primary evaluation, which generally covers quality, service and timeliness of delivery, by means of materials testing and examination of documentation to ensure their consistent compliance with the Group's specified requirements. The Group has worked out coordinated procedures with the new suppliers and monitored relevant raw materials and semi-finished products in accordance with the quality and technical requirements of customers. In the Reporting Period, the Group has assessed the performance of existing suppliers based on the same assessment mechanism. Likewise, other than those designated by our customers, arrangements were made to assess all suppliers which had significant impact on the products. The number and distribution of suppliers which have passed the assessment and been engaging by the Group is disclosed in Section 3.2.5.1 of this report. Suppliers which do not meet the assessment requirements will be terminated by the Group until they have carried out the required rectifications and met the relevant assessment requirements. Alternatively, under exceptional circumstances, the Group would discuss with customers the performances of suppliers and adjust the criteria for the selection and supervision of suppliers.

3.2.5.3 Control of Environmental and Social Risks in the Supply Chain

The Group prioritises suppliers that do not create significant hazards for the environment, as suppliers are assessed for their emission to, pollution of and other negative impact on the external environment. In the meantime, the operational compliance of business partners in the supply chain is considered and assessment is made on their relevant social risks, such as employment compliance and safety compliance of employees, among others. During the Reporting Period, the Group adopted the following methods to control risks along the supply chain:

- o Using of testing methods to ensure compliance of materials provided by suppliers with relevant environmental or safety standards (such as OEKO-TEX relating to the ecological safety of products, the EU REACH regulations for registration, evaluation, authorisation and restriction of chemicals and the requirements of restricted substances list (RSL) of the United States)
- o Investigating suppliers' environmental compliance on the internet (such as the IPE website)
- o Giving priority to suppliers who have attained environmental or energy management certification (such as ISO14001 and ISO50001)
- o Giving priority to suppliers who have attained qualification relating to social responsibility (such as ISO45001, BSCI, RBA, SA8000, SLCP and WRAP)
- o Conducting survey with questionnaire or on-site assessment on the environmental performance and social responsibility of those engaged suppliers

3.2.5.4 Green Procurement

Other than production materials and equipment designated by customers, subject to operational requirements, the Group gives preference to materials and equipment with eco-friendly features. Materials are considered eco-friendly given that they are natural, non-hazardous, environmentally certified, or made of eco-friendly materials. Currently, green procurement covers fabric and accessories. Examples of accessories include an eco-friendly zipper comprising of the fabric strip which is 100% made of recycled polyester, and one style of filling cotton made of a minimum of 50% recycled polyester fibres, as well as the Ecodown made of 100% recycled polyester fibres. Moreover, all solvents used by Hubei Factory in its printing process are eco-friendly materials which have passed the relevant testings on hazardous substances, including tests on the quantity of formaldehyde, heavy metals, octylphenol ethoxylate (OPEO), octylphenol (OP) and organotin compounds contained. Some production contracts signed with customers even include terms stipulating the use of suppliers and materials that are in compliance with the GRS/ Global Recycled Standard and the Bluesign environmental standard for textile products, among others.

When selecting energy-consuming equipment, priority is given to products which have attained energy-saving certification or high-efficiency energy labels, such as energy-saving machinery and LED lightings. Moreover, some factories endeavour to use eco-friendly models of refrigerants in the air-conditioning systems, such as the use of R410A eco-friendly refrigerants in place of the previous R22 refrigerants at Shantou Factory and Huilai Factory.

Apart from the procurement of materials, the Group has also modified the method of handling orders with suppliers by adopting the Electronic Data Interchange (EDI) mode for placing orders via electronic documents in replacement of traditional paper-based order documents to avoid undue paper consumption.

Moreover, the Group has formulated a local procurement policy as a part of its green procurement. Under the same quality conditions, priority is given to products and services provided by local suppliers, with a view to reducing the generation and emission of GHG in the process of procurement and transportation. During the Reporting Period, the ratio of local suppliers to the total supply base amongst the majority of the Group's factories reached 50% or above.

3.2.6 Product Responsibility

Through the employment of state-of-the-art technologies and effective quality control techniques, the Group ensures that every product manufactured fulfills the functional requirements of its customers and relevant product safety/quality standards, such as AATCC158, AATCC135, AATCC179, AATCC8, and ISO1308. Finished products are kept in a securely guarded location to prevent theft or smuggling.

Some factories have implemented quality management systems in accordance with ISO9001 to ensure end-to-end compliance with customer requirements and applicable national and industry standards for product quality from the stages of incoming materials to product dispatch.

Apart from ensuring compliance of products with relevant safety and quality standards, the Group is also committed to conducting procurement and production management in a responsible manner, as well as stringent compliance with environmental and ethical operational codes. For example, the following factories recorded animal well-being information and ensured the traceability of down products in accordance with the certification requirements of the Responsible Down Standards (RDS), aiming to reduce the pain suffered by ducks and geese when they have their feathers removed, in order to take part of responsibility for animal protection.



Shantou



Hubei



Yifeng



Huilai



Hubei



PKI

Furthermore, the Group is committed to obtaining certification relevant to its products and processes for recognition of its status of implementation and compliance. Examples of our certifications include the continued qualification of “AEO Advanced Certified Enterprise” awarded by the Customs of the People’s Republic of China to the Group’s factories at Shantou, Yifeng, Hubei and Huilai.



Huilai



Hubei



Shantou



Yifeng

The Group is committed to making improvements to various aspects of its production management system and has received awards from customers underpinning their recognition of the Group’s effective practices in relevant areas.



Hong Kong — 2022 Nike Maxim Award



Huilai — We Care Project run by VF and “Ruilian Zhibo”

A comprehensive mechanism for handling complaints has been established. Upon receipt of a customer’s complaint or request to return defective products, the case would be passed on to the department in-charge for investigation and analysis. Upon verification, rectifications would be devised and implemented within a stipulated time frame. Customer would be notified of the relevant outcomes and solutions.

The Group was not aware of any legal violation pertinent to product responsibility or customer complaints during the Reporting Period. Also, no cases of product recall necessitated by product safety and health reasons have been identified out of the total number of products sold.

3.2.6.1 Quality Control for Raw Materials

Inspections of raw materials are carried out based on approved samples and in accordance with the sampling standards of customers. Only materials endorsed by third-party certification will be purchased. Raw materials with metal contents will undergo testing for verification of such contents. Raw materials meeting required standards would be dispatched for use in production, while non-conforming materials would be processed and handled according to designated procedures.

3.2.6.2 Quality Control for Semi-finished Products

All semi-finished products are subject to quality control procedures and all cut pieces are required to undergo 100% inspection. Non-conforming cut pieces are timely rectified with colour-matched pieces. All outsourced semi-finished products are subject to 100% inspection and needle detection. Sub-contractors producing sub-standard output will be required to improve their quality.

3.2.6.3 Quality Control for Finished Products

Prototype samples are being developed for all products prior to mass production. A meeting would be held for all production lines prior to mass production to confirm the manufacturing requirements. The first prototype sample of a product should be approved by both the quality manager and the production manager before mass production. Every finished product from mass production process is subject to inspection by quality control personnel and remedies are promptly made in case of any defects. After rectification, the products would be re-inspected by the quality control personnel. Data of non-conforming products are analysed and improvements to product quality are consistently made through the use of reliable quality control tools.

Upon completion of the manufacturing process, finished products are being sent to testing agencies or customer-approved internal laboratories for verification of their safety and quality criteria. After thorough inspection, finished products are packed and stored in the warehouse. Prior to shipment, products are inspected in accordance with the sampling standards as specified by customers. Products would only be dispatched for shipment after their quality has been confirmed by test results.

3.2.6.4 Monitoring of Product Safety

To prevent the leftover of any residual sharp metallic elements in the products, a metal restricted area where the use of unauthorised metal tools is prohibited has been set up for all key production processes. Metal tools are registered and kept under lock. The use and delivery of such tools in daily operations is managed by designated personnel and the replacement of broken needles are recorded. The products stored in warehouse must go through metal detection tests before packaging.

3.2.6.5 Protection of Intellectual Property Rights

The Group ensures that customer information would only be internally circulated within the Group. The disclosure of customers' design information and product specifications to external parties by the staff is prohibited. The following measures have been adopted by the Group to prevent the leakage of customer information:

Restrictions have been set for e-mail accounts to allow correspondence with designated customers and suppliers only. Access is granted, to the extent appropriate, to personnel of specialised departments based on differing requirements. The downloading of information from the Group's computers to any devices such as universal serial bus ("USB") drives or mobile phones/laptops are prohibited, as data transmission between computers and USB drives and external e-mail correspondence are under stringent control. Devices not registered with the Group are not allowed to be connected to its internal network.

An authorisation mechanism has been established to ensure the viewing of relevant information by authorised personnel only. Access to customers' drawings is centrally authorised and managed by the Information Technology Department. Information of customers' products is centrally managed through the ERP system and accessible only by authorised personnel. The customer information, such as the design information, approved fabric and samples of all customers are received by dedicated personnel of the Group, who will encrypt such information upon receipt.

Confidentiality agreements binding both the Group and its employees have been formulated. Training on information security is provided to personnel allocated with computers, and the training topics include instructions on computer logins and change of login passwords, permission to access shared directories and related precautions, document management, and rules for sending and receipt of emails, among others. Unauthorised employees and visitors are not allowed to take photographs of the products while any relevant photographs taken must not be distributed to unauthorised personnel.

The Group respects the intellectual property rights of other parties and ensures that all commercial software is legally in use and properly licensed.

3.2.6.6 Privacy Protection of Consumers' Information

The Group is not required to formulate any policy on consumer privacy, given that its products are not delivered to end-consumers directly.

3.2.7 Anti-corruption

The Group has established an anti-corruption management system to regulate the conduct of all employees. They are prohibited from taking advantage of their positions to receive gifts, bribes or any payment in kind; embezzling properties or funds; soliciting gifts from suppliers; or taking advantage of the procurement process to seek personal gains. No gifts shall be accepted unless they have been authorised in accordance with the Group's policy and criteria.

3.2.7.1 Staff training related to Anti-corruption

To ensure effectiveness of the aforesaid systems and measures, the Group has arranged anti-corruption training for staff under themes chosen according to the individual conditions of respective factories, including anti-corruption related topics such as education on integrity and anti-corruption awareness, business ethical behaviour, measures for fraud prevention and management measures for whistleblowing. Such training has been designed for staff at all levels and covers the Directors as well as general staff.

In connection with induction training for new employees, anti-corruption training covers mainly company policies and staff code relating to probity, including a requirement for staff undertaking against corruption and control procedures for anti-corruption/anti-bribery, so that they are aware of the basic principles that they should not seek improper interests nor conduct bribery. The Group also arranges training or promotion of relevant policies/procedures on a regular basis to remind incumbent staff of ongoing compliance with such requirements. In addition to the aforesaid anti-corruption themes for general staff, training for the year also included the following topics:

- o Prevention of Bribery Ordinance
- o ICAC recommendations
- o Duties/procedures for businesses subject to higher risks of corruption
- o Frequently identified deficiencies in supervision

Furthermore, in view of the importance of the responsibility of the Directors regarding the supervision of the Company's compliance, arrangements were made during the year for the Directors' participation in training relating to corporate governance for an in-depth understanding of laws relating to money laundering as well as their impacts on the Directors and their relevant responsibilities.

Anti-corruption training



**Number of participants in training
for the year⁸**
141



**Total number of training hours
for the year**
672

Employees involved in the procurement process should avoid any conflict of interests that may compromise the fairness of their decisions, particularly they are prohibited from taking advantage of their positions to narrow down the choices of suppliers and contractors. The selection process must resort to proper procedures, such as price comparisons and open tenders.

For items not designated by customers, procurement is generally conducted by comparing three suppliers against the evaluation criteria on product quality, price and other requirements stipulated by the Group.

For the approval procedure of service contracts, the Group has defined the levels of authority, according to which different levels of reviewing and approving authorities shall be determined based on the monetary amount involved.

On a regular basis, the Group also assesses its corporate governance/corruption risks, as well as other non-financial internal controls and risk management.

To safeguard shareholders' interests, an independent third-party agency has been engaged to audit the Group's financial accounts to ensure that the accounts are subject to accurate and adequate financial supervision.

⁸ The figure represents the average number of participants in training for the year. It was calculated by averaging the number of training participants each month during the reporting year amongst all operating locations.





3.2.7.2 Whistle-blowing Procedure

The Group has established an internal communication mechanism to receive employees' opinions through e-mail, telephone, suggestion box and WeChat, among others. A complaint/appeal channel has also been set up. An employee who becomes aware of any suspicious matters relating to business ethics, corruption or bribery may lodge the case with management through e-mail, telephone hotline or the corporate WeChat account. The management team would investigate the case and rectify as appropriate if deficiency is identified.

During the Reporting Period, the Group was not aware of any cases of legal non-compliance or complaints relating to corruption.

3.2.8 Contribution to the Community

The Group has always been committed to its corporate social responsibility. Local operations reach out to community stakeholders via different channels, identify their needs and offer assistance to lift them from distress and help with their development, leveraging their respective strengths and communication networks. Over the years, community contributions made by the Group have covered poverty alleviation, supporting disaster relief, education sponsorships, community outreach, and volunteer services. During the year, the Group continued to undertake such responsibility. The following table indicates selected events in different aspects organised by the Group in its operating locations during the year:

Location	Event	Organiser	Details	Cash donation	Donation in-kind	Staff participation
Hong Kong	Support for underprivileged groups	Yan Chai Hospital Yim Tsui Yuk Shan Fuk Loi Integrated Community Development Centre	"Mid-Autumn Gala" — partnered with the organiser to arrange festive activities for offering a happy Mid-Autumn festival to kids in low-income families			
Hong Kong	Elderly caring visit	Christian Family Service Centre — Shun On District Elderly Community Centre	"Fun Workshop for Senior Friends" — partnered with the organiser to arrange mosaic vase crafting for seniors for enriching their life experience			

Location	Event	Organiser	Details	Cash donation	Donation in-kind	Staff participation
Hong Kong	Elderly caring visit	Hong Kong Family Welfare Society	"Operation Christmas Warmth" — Eagle Nice Volunteers delivered gifts to senior citizens living alone or underprivileged		✓	✓
Hong Kong	Support for underprivileged groups	Christian Family Service Centre — Serene Court	Eagle Nice Volunteering Team worked with the organiser to distribute New Year gifts to the women and their children living in a shelter home		✓	✓
Hong Kong	Support for underprivileged groups	Yan Chai Hospital Yuen Yuen Institute Early Education & Training Centre	"New Year Lantern Festival" — Eagle Nice Volunteering Team partnered with the organizer to host festive activities for the kids		✓	✓
Foshan	Elderly caring visit	Eagle Nice Volunteering Team	"Mid-Autumn Festival caring visit" — visiting Lunjiao Elderly Home with festive gifts for seniors		✓	✓

Location	Event	Organiser	Details	Cash donation	Donation in-kind	Staff participation
Hubei	Educational donations	Eagle Nice (Jingmen) Garment Co., Ltd.	Cash donations for facilities upgrade at Jingmen Duodao District Macheng Primary School	✓		
Hubei	Educational donations	Eagle Nice (Jingmen) Garment Co., Ltd. — Eagle Nice Volunteering Team	Donations of supplies to show care for the children at Jingmen Special School		✓	✓
Hubei	Elderly caring visit	Eagle Nice (Jingmen) Garment Co., Ltd. — Eagle Nice Volunteering Team	Donations of supplies to show care for the seniors living alone at Jingmen Tuanlin Township Welfare Home		✓	✓
Huilai	Anti-epidemic support	Huilai Yuanhan Garment Co., Ltd, Huilai County Industry and Information Technology Bureau, Huilai Red Cross	Donation of facemasks in support of anti-epidemic initiatives in Longjiang		✓	✓
ENI	Sponsorships for community festivals	PT. Eagle Nice Indonesia	Sponsorship for local festive celebrations — Eid al-Adha (Feast of The Sacrifice), including donations of supplies needed		✓	✓
ENI	Support for underprivileged groups	PT. Eagle Nice Indonesia	Social service — visiting orphanages and donating daily necessities		✓	✓

Location	Event	Organiser	Details	Cash donation	Donation in-kind	Staff participation
PGG	Disaster relief	PT. Gelindo Garmentama	Donations to victims in Cianjur affected by the earthquake	✓		
PGG	Support for underprivileged groups	PT. Gelindo Garmentama	Donations to local residents affected by economic recession	✓		
Shantou	Supporting environmental protection	Shantou Bureau of Ecology and Environment, Shantou Branch (Longhu Bureau of Ecology and Environment)	Environmental activities under the theme of "Building Together a Clean and Beautiful World" for providing gifts to residents of Longhu District		✓	✓
PKI	Poverty alleviation	Pingxin County "Foundation for the Poor"	Donations to Pingxin County Policy Social Bank in support of the "Donation for the Poor" campaign launched by Ho Chi Minh City — Pingxin County	✓		
Yifeng	Caring visit to elderly home	Eagle Nice (Yifeng) Garments Co., Ltd. — Eagle Nice Volunteering Team	Donation of supplies to residents of "Xinchang Township Elderly Home" and "Tangpu Township Elderly Home"		✓	✓



Hong Kong — Fun Workshop for Senior Friends



Hong Kong — Operation Christmas Warmth



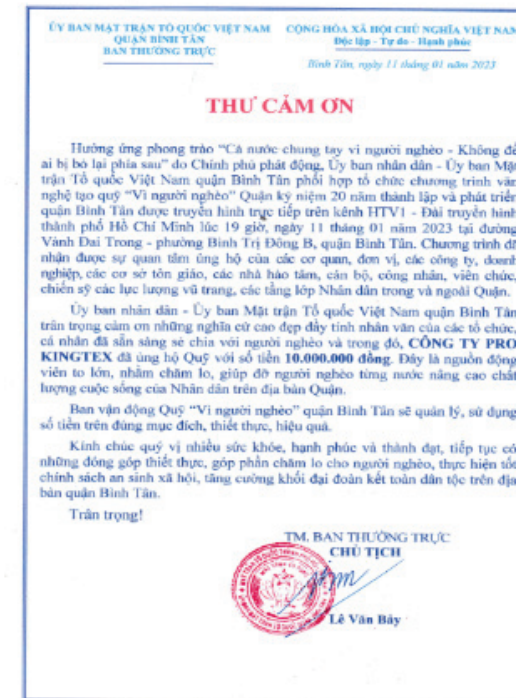
ENI — Orphanage visit



Shantou — Building Together a Clean and Beautiful World



Huilai — Donation of facemasks in support of anti-epidemic initiatives in Longjiang



PKI — letter of appreciation for poverty aid activities



ENI — Sponsorship for Eid al-Adha (Feast of The Sacrifice), a local festivity



Hubei — Cash donations for facilities upgrade at Jingmen Duodao District Macheng Primary School



Yifeng — Xinchang Township Elderly Home — compassionate visit to the elderly

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2023

Environmental, Social and Governance Report