

SINCERE WATCH

(Hong Kong) Limited

2023 環境、社會 及管治報告 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份編號：00444



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Sincere Watch (Hong Kong) Limited (hereinafter referred to as “Sincere Watch” or the “Company”) along with its subsidiaries (the “Group”) is pleased to present its fifth standalone Environmental, Social and Governance (“ESG”) Report (the “Report”).

Reporting Period and Scope

This Report continues to focus on the Group’s watch, timepiece, and accessories distribution business in Hong Kong. The disclosed information covers the Group’s operations of the headquarters office, warehouse, as well as four boutiques located in Hong Kong, from 1 April 2022 to 31 March 2023 (the “Reporting Period”).

Reporting Standard and Principles

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix 27 of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”). It complies with the “Mandatory Disclosure Requirements” and the “Comply or Explain” provisions of the ESG Reporting Guide.

The Group upholds the following principles during report preparation.

- **Materiality**

The Group contracted an independent consultancy to identify a list of material ESG issues and conduct a materiality assessment in FY2022. Upon review and confirmation from the Board and management, the list of ESG issues remains relevant to the Group, which has helped to determine the reporting structure of this Report. For more information, please refer to subsections “Stakeholder Engagement” and “Materiality Assessment” under section “Sustainability Approach”.

- **Quantitative**

In order to quantitatively evaluate the Group’s ESG performance, this Report disclosed relevant key performance indicators (“KPIs”) and corresponding calculation frameworks and methodologies. For more information, please refer to sections “Environment and Resources” and “KPIs Summary Table”.

- **Balance**

This Report summarises the Group’s ESG practices, performance, and outcomes in a fair, objective, and unbiased manner.

- **Consistency**

The reporting scope has changed from previous years due to the closure of one of our four boutiques since March 2023. The calculation of KPIs nevertheless adopts consistent frameworks and methodologies, which allow for meaningful comparisons of ESG data over time.

Feedback and Communication

The Group highly values your views on its corporate sustainable development. For further information regarding our corporate governance and financial performance, please refer to our Annual Report 2023. Meanwhile, you are also welcome to contact us by:

- **Tel** +852 2969 9900
- **Email** info@sincerewatch.com.hk
- **Post** Unit 2016–2018, 20/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

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ABOUT SINCERE WATCH

Listed on HKEx in 2005, the Group is principally engaged in the distribution of branded luxury timepieces, watches, and accessories in Hong Kong, Macau, Taiwan, and Mainland China. As the sole distributor of the luxury brand FRANCK MULLER and representative of three other brands — CVSTOS, Pierre Kunz and European Company Watch, the Group strives to provide luxury products with world-class craftsmanship to its customers.

As of 31 March 2023, the Group has established a distribution network with 50 retail points of sales and 11 boutiques, making a total of 61 points. 5 boutiques are operated by the Group, and the remaining 56 watch retail outlets are operated by 26 independent watch dealers throughout our key markets, such as Hong Kong, Macau, Taiwan, and Mainland China.

During the Reporting Period, the Group has undertaken 10 brand enhancement activities to reinforce its brand leadership through premium product imagery and focused product placements in relevant media. The Group has also continued to employ a series of niche marketing initiatives in order to cultivate its image and desirability as one of the leading international watch distributors. For more information, please refer to the subsection “Brand Enhancement” under the section “Operation and Business”.

The Group takes pride in consistently focusing on and adapting itself to the latest market trends while exploring potential opportunities to organise unique events. We will continue to increase our brand exposure and strengthen our system of brand networking in the coming future.

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SUSTAINABILITY APPROACH

The Group is devoted to the promotion of sustainable brand values and as such, is fully committed to adopting and integrating sustainable practices into its business operations. We prioritise adherence to existing ESG-related laws and regulations while reviewing and revising our sustainability approach when needed. In order to reflect the sustainability ideology shared by those within our sphere of influence, we actively engage with all of our stakeholders, encourage active participation in ESG-related initiatives and welcome feedback on our practices. Thus, we will, through the spirit of coordination and consensus, continue down the road towards a sustainable future.

ESG Management

All ESG-related matters are overseen and managed by the Group's board of Directors (the "Board"). Any review and approval of the Group's ESG strategy, objectives and reports is conducted by the Board, who are also responsible for identifying, prioritising and managing ESG issues. The Board takes a proactive approach in improving our sustainability performance through evaluating ESG risks as well as monitoring progress on established targets. Moving forward, the Group shall consider providing ESG training to the Board and strengthening their roles in ESG governance.

In carrying out these duties, the Board engaged an independent sustainability consultancy in FY2022 to conduct a stakeholder engagement exercise. This exercise helped to identify and evaluate sustainability issues that are most material to the Group and its stakeholders, as well as determine the coverage and structure of this Report. The Group will continue to carry out this exercise on an annual basis.

Stakeholder Engagement

The Group is committed to maintaining close communication with key stakeholders in order to ensure that its economic, environmental, and social values are aligned with their expectations. During the Reporting Period, we identified the following key stakeholders and utilised various different engagement channels.

Shareholders and Investors

- General meetings
- Annual and interim reports
- Correspondences
- Corporate website

Customers

- Social media platforms
- On-site customer services
- After-sales customer services

Media

- Press conferences
- Interviews
- Social media platforms

Staff

- Departmental meetings
- Performance appraisals
- Internal emails
- Trainings

Suppliers and Business Partners

- Meetings and correspondences
- Tender notices
- Inspections and feedback

Regulatory Bodies

- Correspondences
- Compliance reports

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Materiality Assessment

We have commissioned an independent sustainability consultancy in FY2022 to assist in the identification of material ESG issues based on their importance to stakeholders as well as the Group's business development. To ensure the Group's existing ESG and sustainability practices, policies and strategies align with and meet stakeholder expectations, an ESG-specific stakeholder engagement exercise was conducted through online questionnaires. The data gathered from these surveys was then analysed to produce a set of key material issues. The three-step process of the assessment is as follows:

Step 1: Identification

Utilising the following two separate benchmarks, 16 material issues were identified.

- Internal benchmark (previous ESG reports of the Group)
- External benchmark (ESG reports of industry peers)

Step 2: Prioritisation

Online questionnaires were distributed to stakeholders across the Group.

- Four members of the Board and management ranked the importance of material issues on the Group's sustainable development.
- 27 members from other stakeholder groups, including 20 employees, four customers and three suppliers/contractors, ranked the importance of material issues based on their own preferences and expectations.

Step 3: Validation and Review

The Board and senior management confirmed and validated the list of material issues for disclosure in this Report. These issues and the subsequent materiality matrix were then reviewed to ensure a balanced view of the Group's sustainable development performance and stakeholder expectations.

Based on the aforementioned three-step approach, the survey result was represented and plotted in a materiality matrix for better comprehension. Since there are no major changes in the Group's strategic direction during the Reporting Period, the Board and management have reviewed and confirmed that the list of ESG issues from FY2022 remains relevant and valid in FY2023. Looking ahead, the Group aims to conduct this exercise annually to ensure it is always aware of and able to consider its key stakeholders' expectations relating to the Group's sustainable development strategies and processes.



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Aspects	Items	Issues	Scores ¹ (Ranking)
People and Community	1	Workplace Diversity and Inclusion	4.66 (10)
	2	Employee Benefits and Welfare	4.61 (12)
	3	Occupational Health and Safety	4.88 (3)
	4	Employee Training and Development	4.54 (13)
	5	Community Engagement	4.03 (15)
Environment and Resources	6	Resources Efficiency	4.64 (11)
	7	Emissions and Waste Management	4.25 (14)
	8	Climate-Related Risk Identification	3.97 (16)
Operation and Business	9	Product Quality	4.90 (=1)
	10	Customer Service Satisfaction	4.90 (=1)
	11	Supply Chain Management	4.68 (9)
	12	Advertising and Labelling	4.69 (8)
	13	Anti-Corruption and Anti-Money Laundering	4.84 (=4)
	14	Intellectual Property	4.83 (6)
	15	Privacy and Confidentiality	4.84 (=4)
	16	Anti-Child and Forced Labour	4.82 (7)

In order to determine the reporting structure for this Report, an average score was used to assess and represent the general importance of the three major aspects of the Group's ESG management. The recommended reporting structure is consistent with the score of each aspect, which is shown in descending order below.

Aspect	Score	Rank
Operation and Business	4.81	1
People and Community	4.54	2
Environment and Resources	4.29	3

¹ The scores are based on the average from the Board and management versus other stakeholder groups.

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OPERATION AND BUSINESS

Sincere Watch is dedicated to the distribution of quality watches and provision of world-class customer service. We achieve this through close and thorough examination of the quality of our purchased products, expert supply chain management, devotion to brand enhancement and customer satisfaction as well as responsible marketing campaigns. The Group prides itself in conducting its business operations with the highest ethical standards and endeavours to continually deliver results as a one-stop luxury watch distributor.

Product Quality

The Group directly sources watches and accessories from its suppliers, therefore the manufacturing process will not be included as a part of the Group's operations. We operate by applying a dual inspection process to ensure that our customers always receive the highest possible quality products. Upon the receipt of each product delivery batch, a Quality Control Form will be completed by our professional technicians to identify faults or defects. In the unlikely event that any quality defect issues are discovered, we will conduct an in-house repair to ensure our high product quality is maintained. If the defect is of a serious nature, products will be returned to our supplier and replaced by an additional batch.

To enhance our quality control and customer assurance throughout the operation process, we also provide a two-year and five-year warranty on regular watches and tourbillon watches' movement respectively. In addition, we have an established team responsible for after-sales services, including special repairs, maintenance services and technical support.

During the Reporting Period, we have conducted 901 repairing services. A total of 881 cases were processed and sent for repair locally, while 20 cases were sent to and repaired in Switzerland.

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Customer Service Satisfaction

The Group is committed to providing all-round and customer-centered services to cater to its valued customers' needs. As stipulated in our Retail Services Standard, we have formulated an all-encompassing service standard for all frontline employees at our boutiques to follow, aiming to give customers a comfortable and homely experience.

Pre-sales

- Wear formal uniform with a clear and befitting appearance;
- Prepare sales tools including business cards, price lists, and promotion brochures in advance; and
- Ensure retail stores are clean and hygienic daily.

On-sales

- Behave in a diligent and welcoming manner;
- Answer phone calls and greet incoming customers in a timely manner;
- Communicate with customers and understand their needs; and
- Confirm customers' orders and properly pack their products.

After-sales

- Ascertain complaint details or other requests/requirements from customers;
- Ask for invoices or warranties of products for verification;
- Propose further solutions including but not limited to product exchange, repair, and return; and
- Periodically update customers with the handling progress.

The Group has received 3 complaints related to defects of purchased products during the Reporting Period. In order to thoroughly deal with the complaints, we offered a special discount on repair charges and extended the warranty period for repairs as a gesture of goodwill.

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Brand Enhancement

Building a sustained and recognised brand is crucial for distributors in the luxury goods industry. During the Reporting Period, 10 brand enhancement activities were undertaken by the Group in both Mainland China and Hong Kong. The snapshots of these activities are shown below. For further details of our activities, please refer to our Annual Report 2023.

Mainland China

16–19 June 2022

FRANCK MULLER Hangzhou Tower Boutique Opening



30 July 2022

Chinese Valentine's Day — Shenyang Mix C Boutique



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10–11 December 2022

FRANCK MULLER Shenzhen Mix C VIP event



17–18 December 2022

Christmas — FRANCK MULLER Xiamen Mix C Boutique



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Hong Kong

5-7, 11-14 May 2022

Exclusive Premium Skincare and Floral Workshop



21 June 2022

FRANCK MULLER x Yes Watch VIP Dinner



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8-12 September 2022
World Brand Piazza 2022



September 2022
2022 Miss Hong Kong Pageant



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16 October 2022

Oriental Watch Sha Tin Trophy "Gentlemen's Bow Tie" Raceday



10 November 2022

FRANCK MULLER x Global Timepieces VIP Dinner



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Business Ethics

The Group always upholds the highest moral standards along its value chain. Our various policies, as described in the following subsections, set out the codes of conduct expected of our employees and stakeholders, demonstrating our active effort to avoid any potential breach of business ethics.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to anti-corruption, data privacy, as well as labour standards.

Conflict of Interest

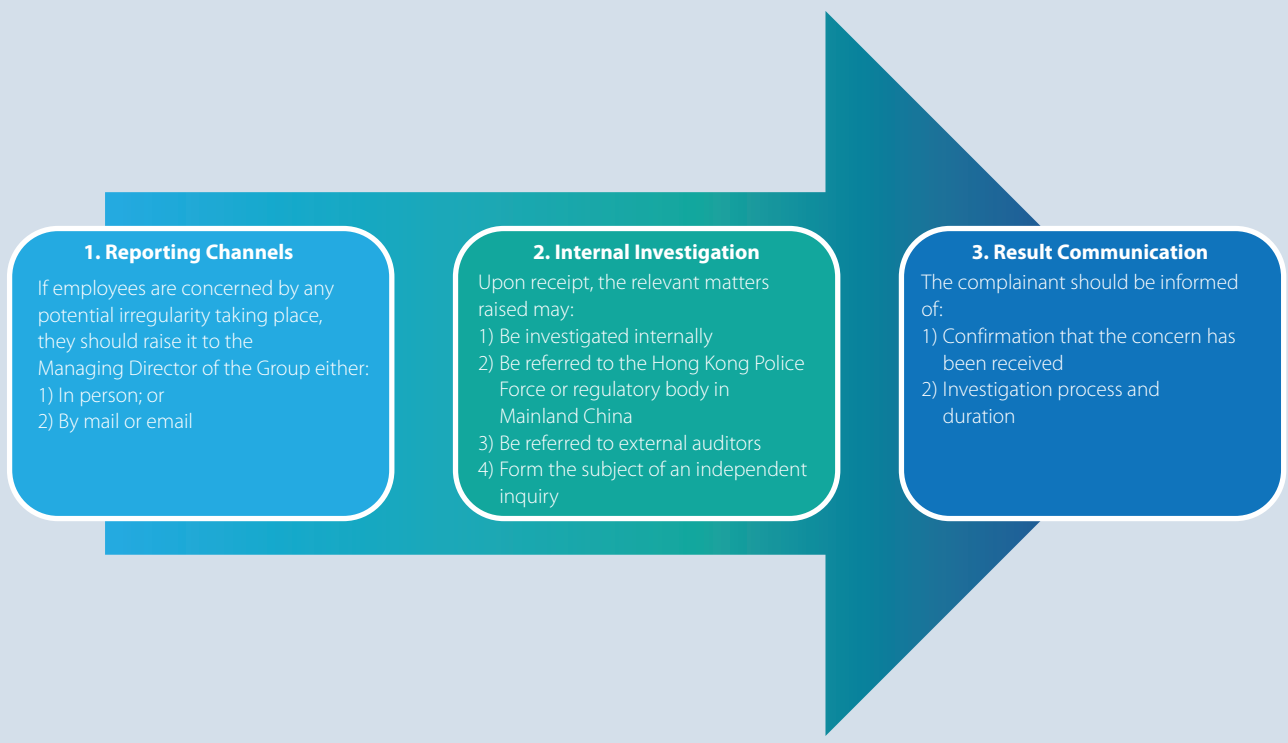
The Group's Employment Agreement states that all employees, unless otherwise given express permission, should not engage directly or indirectly in any other business or occupation or engage in any activity to the detriment of Sincere Watch's interest. During the continuance of or after the termination of an employee's employment, except with the express approval of the Company, he/she shall not at any time divulge either directly or indirectly to any person or company, knowledge or information concerning the business, affairs, property, transactions or policies of the Company.

Anti-Corruption and Anti-Money Laundering

The luxury product industry is especially susceptible to corruption and money laundering. As such, the Group has taken the required steps to mitigate potential risks of corruption and money laundering within its sphere of influence. Our practices include implementing the Whistleblowing Policy and conducting anti-corruption training. For details of our anti-corruption training, please refer to subsection "Employee Benefits and Welfare" under section "People and Community".

Our Whistleblowing Policy sets out that all employees at all levels are required to conduct themselves with integrity, impartiality, and honesty. Furthermore, it is every employee's responsibility to prevent or deter any actual or potential instances of malpractice or misconduct within the Group. Employees are encouraged to raise serious concerns internally in a responsible and effective manner promoting a mechanism of internal corporate justice. During the Reporting Period, 48 employees, including directors and general staff, attended the anti-corruption training.

If any individual is aware of or has suspicions that any malpractice or misconduct has occurred, we encourage he/she to follow the step-by-step procedures as set out below:



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Privacy and Confidentiality

The Group strives to safeguard the information privacy and confidentiality of all customers, partners, and employees. Complying with legal requirements, we collect, process, and store all personal information in a consistent and confidential manner. Data of our customers and suppliers is stored internally on our Enterprise Resource Planning system, and only designated departments or staff can access such information.

As detailed in our Employment Agreement, during the employment and thereafter, employees shall treat business information with due care and avoid disclosing confidential information including but not limited to all confidential records, documents, accounts, computer discs, letters and papers of the Group. Any failure to adhere to these protocols will be dealt with in accordance with local data protection and labour laws.

Anti-Child and Forced Labour

The Group prohibits any form of child labour in its operations and sphere of influence. We carefully screen all relevant documents provided by candidates during the recruitment process, including official identity cards, proof of address, as well as academic and professional qualification certificates. All of our recruitment and employment practices are conducted in strict adherence to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). In the unlikely event that a child is mistakenly employed, the employment contract would be terminated immediately upon the results of an internal investigation.

Meanwhile the Group's Employment Agreement explicitly sets out its employees' normal working hours in compliance with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). All overtime work is voluntary and where appropriate, compensation is provided for any additional work and contribution.

Responsible Marketing

The Group always pays great attention to its marketing behaviour. Apart from abiding by relevant laws and regulations, including the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and the Advertising Law of the People's Republic of China, we thoroughly review our advertising materials to ensure all statements are consistent with actual product specifications and that there are no instances of misrepresentation. In line with the latest market trends, our advertising slogans are adjusted and conceived in a timely manner to catch and hold our customers' attention.

We respect intellectual property rights and strictly prohibit any kinds of plagiarism from other distributors. In line with this, both FRANCK MULLER and Sincere Watch possess their own respective trademarks that must be adhered to by authorised dealers.

The Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to product health and safety, advertising, as well as labelling during the Reporting Period.

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Supply Chain Management

The Group works with suppliers who uphold the highest standards in the watchmaking industry. As such, we have a strong relationship with FRANCK MULLER — a Swiss luxury watch manufacturer. Due to their excellent in-house capabilities, all watches from FRANCK MULLER are created by craftsmen with tremendous care, patience and attention.

In order to promptly align with FRANCK MULLER's manufacturing practices and products, the Group has actively participated in joint activities including external training programs. We strive to construct a reliable and efficient supply chain that enables us to procure the creation and distribution of exceptional timepieces.

Besides, we have been providing ideas on product development to our supplier, which helps in the development of innovative and high-quality products that cater to the unique needs of our key markets. After three years of border closure due to the pandemic, we have resumed travel to visit the manufacturer to discuss our business plans and projects in the pipeline. This important step allows us to strengthen our partnership and ensure that we are all on the same page regarding our mutual goals and objectives. Looking ahead, we will maintain the passion to learn about the latest industry trends and new technologies that can help us stay competitive in the market.

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PEOPLE AND COMMUNITY

Sincere Watch is continuously committed to the promotion and adherence to a people-centred governance approach to work. It is because of the dedication and commitment shown by its experienced employees that the Group is able to operate and thrive in a highly competitive market. To reflect their hard work and promote personal development, we provide employees with attractive benefits and training opportunities and aim to cultivate a friendly and harmonious workplace from which the Group can continue to achieve success.

Occupational Health and Safety

Emergency Response

The Group places health and safety as a key concern and strictly complies with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). We acknowledge that operating within Hong Kong brings with it certain environmental risks including undesirable weather conditions. As a result, the Group has implemented a range of emergency response guidelines and measures to help mitigate any risk of injury or danger, prioritising the safety of our employees and customers alike.

To prepare our staff to effectively handle fire hazards, evacuation plans have been placed at two highly visible locations in the office, and a fire extinguisher has also been stored in one of the office rooms. A first aid box has been placed at an easily accessible location to enable prompt treatment of any injuries.

COVID-19 Action

In order to maintain workplace hygiene, prioritise employee and customer safety and prevent potential infectious diseases, we implemented the following COVID-19 measures:

- Employees are encouraged to properly clean their hands, and avoid unnecessary contact;
- Employees are required to wear masks at boutiques and encouraged to wear masks at offices;
- Online communication is promoted in order to avoid social contact; and
- In the event of a suspected positive case, the Human Resource Department is to be informed at the earliest possible manner.

In accordance with local regulations and implemented guidelines for the office and boutiques, if necessary, employees shall take a Rapid Antigen Test ("RAT") and must receive a negative COVID-19 result in order to report for work. To aid with personal expenditure on RATs, the Group has frequently distributed tests to employees according to demand.

Besides, the Group maintained its Work-from-home policy to prioritise the health and safety of its employees whilst ensuring the work efficiency. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to health and safety.

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Workplace Diversity and Inclusion

The Group is an advocate for equal opportunities, diversity and inclusion within the workplace and beyond. By promoting the tenets of sincerity, fraternity, and leniency, we treat each employee equally and offer equal opportunities accordingly. We hire employees based on their overall interview performance and promote employees who demonstrate diligence, initiative, responsibility and integrity.

We strictly comply with relevant laws and regulations, and prohibit any kind of discrimination, regardless of gender, pregnancy, marital status, nationality, disability, family status, among others. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to equal opportunity, diversity, and anti-discrimination.

Employee Benefits and Welfare

Benefits

As a responsible corporate entity, the Group strictly adheres to all local legislative labour requirements and regulations. Requisite rest periods, statutory holidays, annual leave, sick leave, Mandatory Provident Fund contributions, medical coverage, and other basic benefits are provided to our employees. To attract and retain the best talent available, we also provide additional welfare benefits, including discretionary bonuses, meal allowance, staff purchase discount, and taxi fare claims.

Employee Training and Development

Ensuring our staff are aware and knowledgeable of the latest product developments and insights is fundamental for us to achieve long-term success in the luxury product industry. To ensure the highest level of customer service, our technicians are expected to carry out proper maintenance and repair work in an effective and efficient manner. As a result, the provision of adequate training is a must. The Group offers two methods of training outlined below:

- *External Training Programs*
Our technicians are sent to FRANCK MULLER headquarters in Switzerland to receive expert and bespoke external training.
- *In-house Training Programs*
FRANCK MULLER-based technicians are invited to our Hong Kong headquarter office to conduct training on the latest techniques and industry trends.

In addition to the orientation training of new joiners and general technical training offered, during the Reporting Period, we have organised anti-corruption training for employees through circulating online training resources published by Independent Commission Against Corruption ("ICAC") of Hong Kong as self-training materials, including "Compliance and Beyond — Training Package on Business Ethics for Listed Companies", and "Self-training Module for Mainland Enterprises Planning to be Listed in Hong Kong". Through this training opportunity, our employees have gained an enhanced understanding of common corruption issues faced during daily operations as well as measures to prevent and tackle this unethical conduct. The Group aims to continue this training on an annual basis to promote business and professional ethics and integrity. In the future, our management team will consider conducting various training programmes via different media, including webinars and virtual forms.

Community Engagement

The Group has not carried out any community engagement initiatives during the Reporting Period. We hope to be able to contribute to and engage with the community in the coming year.

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ENVIRONMENT AND RESOURCES

The threat of the ongoing climate crisis is salient, and hence all industries have a duty to consume and preserve resources in a responsible and mindful manner. While Sincere Watch has a relatively minor environmental impact as a luxury products distributor, we still insist on identifying climate-related risks and opportunities. We also aim to reduce and mitigate our carbon footprint through the implementation of green office practices. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to emissions and waste generation.

To further mitigate our environmental footprint, we engaged a professional sustainability consultancy to analyse the Group's past environmental data and formulate a set of quantitative and qualitative environmental targets, as shown in the table below. Serving as annual checkpoints on our environmental performance, the progress made for each target shall be disclosed in our annual ESG Report where appropriate and further adjusted if necessary. Water reduction targets were not established as water is considered to be immaterial to our operations.

Aspect	Target	FY2023 Progress
Emissions	By FY2024, reduce absolute greenhouse gas emissions (Scope 2) by 4%, compared to a FY2021 baseline	Ongoing
Waste	By FY2025, reduce the amount of office paper purchased by 5%, compared to a FY2022 baseline	Ongoing
Electricity	By FY2025, provide at least 1 hour energy and resource saving training for employees	Ongoing

Resource Efficiency

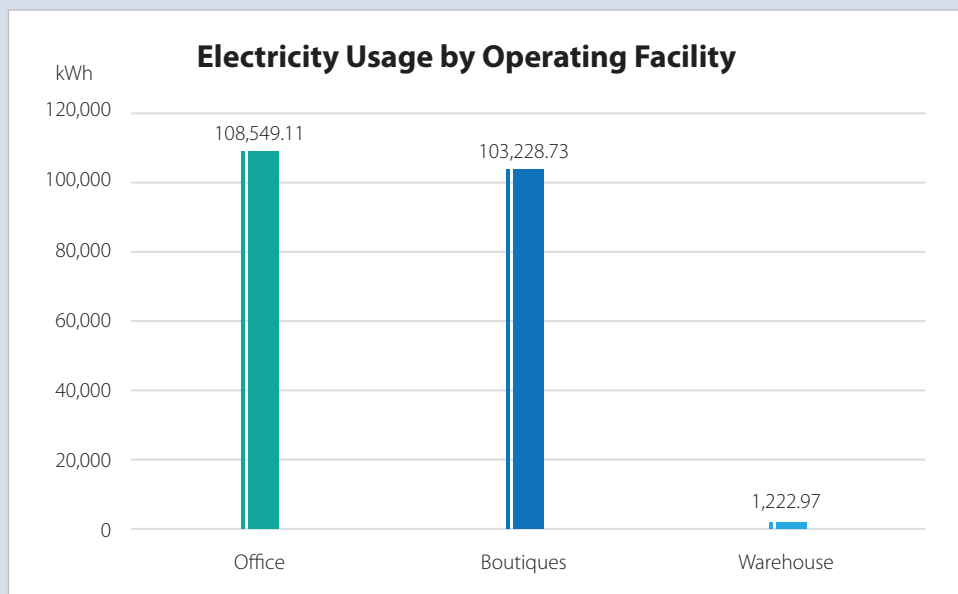
Electricity

Electricity is the primary energy resource consumed by the Group. It is predominantly used for lighting, cooling, and powering electronic appliances in our offices, warehouses and boutiques. In order to continuously promote the ethos of sustainable resource management of the Group, enhance energy conservation awareness of its employees, and build an environmentally friendly culture, we have established the following green office initiatives:

- Encourage employees to turn off lighting and computer systems when they are not in use;
- Remind employees to switch relevant office equipment and electronic appliances to energy-saving mode;
- Give preference to appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label whenever purchasing electrical appliances; and
- Dim or completely switch off advertising signs or lights for external display purposes after office hours.

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During the Reporting Period, the Group's electricity consumption broken down by operating facilities is shown below:



Water

Water is primarily used for drinking and sanitary use at the Group. The Group directly sources its water from the Water Supply Department of Hong Kong and did not encounter any difficulties in sourcing water that was fit for purpose during the Reporting Period. To promote the best practices of water conservation, we have developed the following water-saving measure:

- Appoint technicians for the regular inspection of water taps to ensure there is no leakage.

Materials

The Group's primary materials consumption is paper, which is used to support the daily operations of its headquarters office and boutiques. We have a duty to consume office paper considerately and responsibly to mitigate the adverse effects of global deforestation and climate change. As such, we have formulated the following guidelines to instruct our employees to actively reduce paper usage:

For office paper

- Gradually eliminate the use of paper in the workplace through going paperless and relying more on IT systems; and
- Adopt double-sided printing where possible and reusing paper.

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Emissions and Waste Management

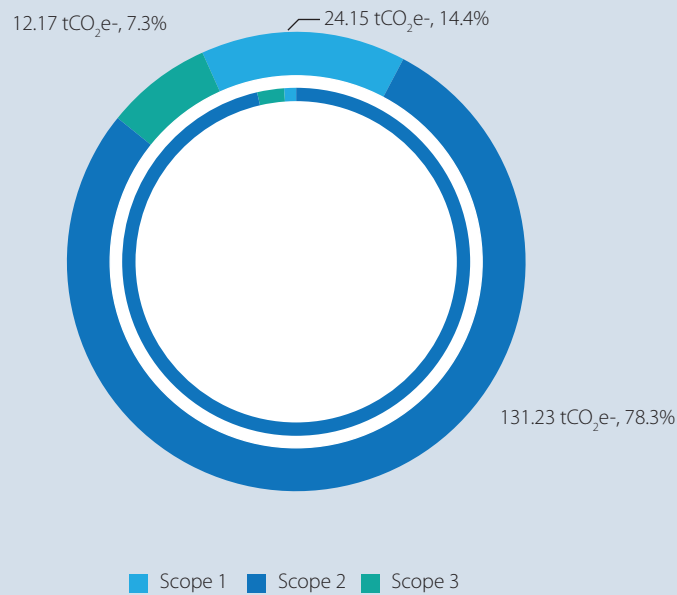
Emissions

The calculation methodology for Greenhouse gas (“GHG”) emissions references the Guidelines to Account for the Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong by the Environmental Protection Department and the Electrical and Mechanical Services Department, as well as the Greenhouse Gas Protocol by the World Resources Institute and World Business Council for Sustainable Development. The emission factors used in this Report are provided by the respective utility companies.

GHG emissions are classified into Scope 1, Scope 2, and Scope 3. Our Scope 1 emissions originate from the combustion of fuels from vehicles, whilst Scope 2 emissions arise from the consumption of purchased electricity. Scope 3 includes other indirect emissions that occur in the upstream and downstream activities of the Group (i.e. paper waste disposal and business travel). During the Reporting Period, the distribution of the Group’s GHG emissions is shown in the graph below.

To mitigate our GHG emissions, we have continued to employ energy-saving practices in the office to help reduce our carbon footprint. Since January 2023, we have reduced our business travel to further mitigate the Group’s environmental impact. For more information, please refer to the “Resource Efficiency” subsection.

Greenhouse Gas Emissions by Scope



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Waste Management

The Group does not generate any hazardous waste. Non-hazardous waste mainly stemmed from paper usage at our headquarters office and boutiques in order to support our administrative, promotional, and marketing business functions. Due to the insignificant amount of waste generation, the Group does not maintain relevant waste records. Nevertheless, we have commissioned a licensed third-party contractor to assist in general waste handling, recycling and disposal. We are also committed to minimising such waste generation, through the following practices:

- Return all used multifunction devices and consumables to our suppliers for recycling;
- Encourage duplex printing and reuse scrap paper; and
- Implement paperless operations by communicating internal memorandums and reports through digital means.

Climate-Related Risk Identification

Combating climate change is undoubtedly pivotal to our long-term development given that climate change becomes an increasingly noticeable issue that may cause unpredictable and irreversible impacts to not only our environment and society, but also global economies. At Sincere Watch, we pay close attention to the potential disruption that climate change may cause to our operations.

In FY2022, we conducted a preliminary climate-related risk assessment according to the recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD") to identify and manage any important climate-related risks. Climate-related risks include both physical risks and transition risks. Physical risks are either acute or chronic, whilst transition risks are categorised into policy and legal, technology, market, and reputation. Through this assessment, the Group identified 9 significant climate-related risks relevant to its operations, and all risks were assigned a low risk level.

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LAWS AND REGULATIONS

Operation and Business

Hong Kong

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong)
- Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong)
- Competition Ordinance (Cap. 619 of the Laws of Hong Kong)
- Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)
- Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong)
- Supply of Services (Implied Terms) Ordinance (Cap. 457 of the Laws of Hong Kong)
- Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong)

Mainland China

- Advertising Law of the People's Republic of China

People and Community

Hong Kong

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong)
- Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)
- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)

Mainland China

- Labour Law of the People's Republic of China

Environment and Resources

Hong Kong

- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611 of the Laws of Hong Kong)
- Product Eco-responsibility Ordinance (Cap. 603 of the Laws of Hong Kong)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs SUMMARY TABLE

KPIs ²	Unit	FY2022	FY2023
Environmental			
Air Emissions			
Sulphur Oxides (SOx)	kg	0.01	0.13
GHG Emissions			
GHG Emissions (Scope 1)	tCO ₂ e-	0.82	24.15
GHG Emissions (Scope 2)	tCO ₂ e-	78.98	131.23
GHG Emissions (Scope 3)	tCO ₂ e-	2.07	12.17
Total GHG Emissions	tCO ₂ e-	81.87	167.55
GHG Emissions Intensity by Revenue ³	tCO ₂ e-/HK\$'million	0.55	1.71
GHG Emissions Intensity by Full-time Employees (FTE)	tCO ₂ e-/Person	1.41	3.35
Energy Usage			
Electricity Usage	kWh	125,644.72	213,000.81
Petroleum Usage	Litre	340.39	9,048.73
Total Energy Usage	MJ	463,751.30	1,070,659.27
Energy Usage Intensity by Revenue	MJ/HK\$'million	3,118.31	10,901.51
Energy Usage Intensity by FTE	MJ/Person	7,995.71	21,413.19
Water Resource Usage			
Water Usage ⁴	m ³	N/A	N/A
Waste Generation			
Office Paper Usage	kg	366.74	306.86
Packaging Materials Usage			
Paper Usage	Piece(s)	2,200	2,000
Plastic Usage	Piece(s)	200	0
Plastic Usage	Pack(s)	35	0

² All figures are rounded up to 2 decimal places, which might lead to minor discrepancies when added up.

³ During the Reporting Period, the Group has generated a total revenue of HK\$98,212,000.

⁴ Water usage is not directly managed by the Group. Hence, this data is not disclosed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Unit	FY2022	FY2023
Social			
Workforce			
Total Workforce	Person(s)	58	51
<i>Workforce by Employment Type</i>			
Full-time	Person(s)	58	50
Part-time	Person(s)	0	1
<i>Workforce by Gender</i>			
Male	Person(s)	27	25
Female	Person(s)	31	26
<i>Workforce by Employment Level</i>			
Senior	Person(s)	15	15
Intermediate	Person(s)	7	5
General	Person(s)	36	31
<i>Workforce by Age Group</i>			
<30	Person(s)	2	1
30–50	Person(s)	40	39
>50	Person(s)	16	11
<i>Workforce by Geographical Region</i>			
Hong Kong	Person(s)	58	51
Macau	Person(s)	0	0
Turnover Rate			
Total Turnover Rate	%	37.50	31.19
<i>Turnover Rate By Gender</i>			
Male	%	51.85	19.23
Female	%	24.14	42.11
<i>Turnover Rate by Employment Level</i>			
Senior	%	13.79	13.33
Intermediate	%	26.67	83.33
General	%	50.00	29.85
<i>Turnover Rate by Age Group</i>			
<30	%	85.71	0.00
30–50	%	41.98	30.38
>50	%	8.33	37.04
<i>Turnover Rate By Geographical Region</i>			
Hong Kong	%	37.50	31.19
Macau	%	N/A	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Unit	FY2022	FY2023
Development and Training			
Employees Trained			
Total Employees Trained	%	84.48	94.12
<i>Training Rate By Gender</i>			
Male	%	81.48	100.00
Female	%	87.10	88.46
<i>Training Rate by Employment Level</i>			
Senior	%	86.67	100.00
Intermediate	%	85.71	60.00
General	%	83.33	96.77
Training Hours			
Total Average Training Hours	Hours/employee	1.23	1.88
<i>Average Training Hours per Employee by Gender</i>			
Male	Hours/employee	1.22	2.00
Female	Hours/employee	1.23	1.77
<i>Average Training Hours per Employee by Employment Level</i>			
Senior	Hours/employee	1.52	2.00
Intermediate	Hours/employee	1.39	1.20
General	Hours/employee	1.07	1.94
Health and Safety			
Work-related Fatality	Case(s)	0	0
Work-related Injury	Case(s)	1	0
Lost Days due to Work Injury	Day(s)	18	0
Supply Chain			
Suppliers by Geographical Region (Switzerland)	No.	1	1
Product Responsibility			
Complaints Received	Case(s)	2	3

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKE_x CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
Governance Structure		
	<p>A statement from the board containing the following elements:</p> <ol style="list-style-type: none"> A disclosure of the board's oversight of ESG issues; The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	<ul style="list-style-type: none"> • Sustainability Approach <ul style="list-style-type: none"> — ESG Management — Stakeholder Engagement — Materiality Assessment
Reporting Principles		
	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculations used, and source of conversion factor used, for the reporting of emissions/energy consumption (where applicable) should be discussed.</p> <p>Consistency: The issuers should disclose in the ESG report any changes to the methods or KPI used, or any other relevant factors affecting a meaningful comparison.</p>	<ul style="list-style-type: none"> • About This Report <ul style="list-style-type: none"> — Reporting Standard and Principles • Sustainability Approach <ul style="list-style-type: none"> — Stakeholder Engagement — Materiality Assessment • KPIs Summary Table
Reporting Boundary		
	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<ul style="list-style-type: none"> • About This Report <ul style="list-style-type: none"> — Reporting Period and Scope

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
Aspect A1: Emissions		
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.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management Laws and Regulations
KPI A1.1	The types of emissions and respective emissions data.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management KPIs Summary Table
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> KPIs Summary Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No hazardous waste is produced by the Group during the Reporting Period.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous waste is considered to be insignificant to the Group's operations during the Reporting Period.
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<ul style="list-style-type: none"> Environment and Resources — Resource Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> KPIs Summary Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group does not hold water consumption records.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Environment and Resources — Resource Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Environment and Resources — Resources Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<ul style="list-style-type: none"> KPIs Summary Table
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	<ul style="list-style-type: none"> Environment and Resources — Emissions and Waste Management — Resource Efficiency
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> Environment and Resources — Emissions and Waste Management — Resource Efficiency
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<ul style="list-style-type: none"> Environment and Resources — Climate-Related Risk Identification
KPI 4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<ul style="list-style-type: none"> Environment and Resources — Climate-Related Risk Identification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
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.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Workplace Diversity and Inclusion — Employee Benefits and Welfare • Laws and Regulations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• KPIs Summary Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• KPIs Summary Table
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Occupational Health and Safety • Laws and Regulations
KPI B2.1	Number and rate of work-related fatalities.	• KPIs Summary Table
KPI B2.2	Lost days due to work injury.	• KPIs Summary Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Employee Benefits and Welfare
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• KPIs Summary Table
KPI B3.2	The average training hours completed per employee by gender and employee category.	• KPIs Summary Table

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B4: Labour Standards		
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 preventing child and forced labour.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics • Laws and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	<ul style="list-style-type: none"> • KPIs Summary Table
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	The Group only sources from one supplier and an exclusive signed agreement is in place. Hence, we do not engage with any other suppliers.
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	The Group only sources from one supplier and an exclusive signed agreement is in place. Hence, we do not engage with any other suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs		
KPIs	Description	Relevant Chapter or Explanation
Aspect B6: Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Product Quality — Business Ethics — Responsible Marketing • Laws and Regulations
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no product recalls due to safety and health reasons given the business nature of the Group.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Customer Service Satisfaction • KPIs Summary Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Responsible Marketing
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B7: Anti-corruption		
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.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics • Laws and Regulations
KPI 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.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics • People and Community <ul style="list-style-type: none"> — Employee Benefits and Welfare
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	The Group did not carry out any community engagement initiatives during the Reporting Period.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group did not carry out any community engagement initiatives during the Reporting Period.

