

Zhongzheng International Company Limited

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 943)

Environmental, Social and Governance Report

For the year ended

30 June 2023

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ABOUT THIS REPORT

Zhongzheng International Company Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance (the “ESG”) Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the rules governing the listing of securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – manufacturing and trading of healthcare and household products (the “Healthcare and household business”). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures.

REPORTING PERIOD

This Report demonstrates the sustainability initiatives during the year ended 30 June 2023.

CONTACT INFORMATION

The Group welcomes your feedback on the Report for the sustainability initiatives. Please contact the Group by email to info@zhongzheng.com.hk.

INTRODUCTION

The Group is principally engaged in the manufacture and sale of healthcare and household products.

For the manufacture and sale of healthcare and household products, the Group is a leading manufacturer with experiences working with different global major brands in electrical home appliances. The Group designs and develops new idea concepts with in-depth analysis to optimise cost efficiency and benefits to consumers. The production process is managed by professional teams who can effectively monitor the production quality. Continuous optimisation of facilities and production processes are the philosophy to promote the leading position in the personal healthcare products industry.

The Group acknowledges the importance of sustainable development to achieve affordable capital and long-term competitiveness. The Group is committed to maintaining its operations in a responsible manner for the environment and community. Various policies and procedures have established based on the law compliance and the Group's business development strategies. This can help the Group to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

The Group seeks to balance the views and interests of the stakeholders through constructive conversation with a purpose to set the course for long-term prosperity. The Board is responsible for evaluating and determining the ESG risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively. The Group has assigned a responsible person (the "ESG Responsible Person") to review and evaluate the corporate performance on the relevant ESG issues.

GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board has a primary role in overseeing the Group's ESG issues. During the reporting period, the Board, the management and ESG responsible person evaluated the impacts of ESG-related risks towards the operation and formulated ESG related policies in dealing with relevant risks. The oversight of the Board ensures that the management and ESG responsible person can have all the right tools and resources to oversee the ESG issues.

To demonstrate the Group's commitment to transparency and accountability, the management and ESG responsible person review and evaluate the Group's performance in respect of ESG issues and report to the Board regularly.

ESG management approach and strategy for material ESG-related issues

To better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group can understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the impacts of the business decisions.

The Group has evaluated the materiality for each of the ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Taking these steps enhances the understanding of the expectations and concerns of the Group's stakeholders on various ESG issues, which enable the Board to plan the sustainable development direction to address material ESG-related issues in the future.

Progress review made against ESG-related goals and targets

The Group will closely review from time to time for the performance and implementation progress of the goals and targets. If the progress falls short of expectation or changes of business operations, it may be necessary to make changes and communicate about the goals and targets with key stakeholders such as employees, customers and suppliers.

The Board has set strategic goals to enable the Group to develop a realistic path and focus on the development direction for achieving its vision. The Board will carefully examine the attainability of the targets which should be weighted against the Group's philosophy and goals.

REPORTING PRINCIPLES

This ESG Report is centred on four principles:

Materiality: Stakeholder engagement and materiality assessment were conducted regularly to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

This ESG Report focuses on the ESG performance of the Group during the reporting period in respect of its major subsidiary in the People's Republic of China ("PRC") named Dongguan Weihang Electrical Product Company Limited ("Dongguan Weihang"), which has factory operation in Dongguan, the PRC. Hence, the disclosures in this ESG Report focus on the policies and performance of the plant operation in relation to four environmental aspects and eight social aspects.

The preparation of this ESG Report includes identifying and ranking important stakeholders and major issues relating to ESG; deciding on the coverage of the ESG Report; and collecting relevant materials, data and information.

STAKEHOLDERS ENGAGEMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. This allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to the Group's business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels
Government	<ul style="list-style-type: none"> • Compliance with the laws • Proper tax payment • Promote regional economic development and employment 	<ul style="list-style-type: none"> • On-site inspections and checks • Regular tax filings • Employment of local citizens
Shareholders and Investors	<ul style="list-style-type: none"> • Return with low risk on the investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Announcements of annual and interim reports • Website of the Company and the Stock Exchange respectively
Employees	<ul style="list-style-type: none"> • Safeguard the rights and interests of employees • Working environment and self-actualisation • Career development opportunities and health and safety 	<ul style="list-style-type: none"> • Briefing sessions • Cultural and sport activities • Training and seminars

STAKEHOLDERS ENGAGEMENT

Stakeholders	Expectations	Engagement channels
Customers	<ul style="list-style-type: none"> Information transparency and legal and high-quality products Stable relationship Integrity and business ethics 	<ul style="list-style-type: none"> Websites of the Company and certain subsidiaries of the Company, brochures and annual reports Email communication and exhibition Customer service hotline
Suppliers	<ul style="list-style-type: none"> Integrity cooperation Business ethics and credibility 	<ul style="list-style-type: none"> Responsible supply chain Contract execution according to the laws and regulations
Peers/Industry Associations	<ul style="list-style-type: none"> Experience sharing Cooperation 	<ul style="list-style-type: none"> Industry conference Exhibition and site visit
Financial Institutions	<ul style="list-style-type: none"> Compliance with the law and regulations Information disclosure 	<ul style="list-style-type: none"> Compliance operation Announcements of financial information
Public and Communities	<ul style="list-style-type: none"> Community involvement and social responsibilities 	<ul style="list-style-type: none"> Charity and social investment

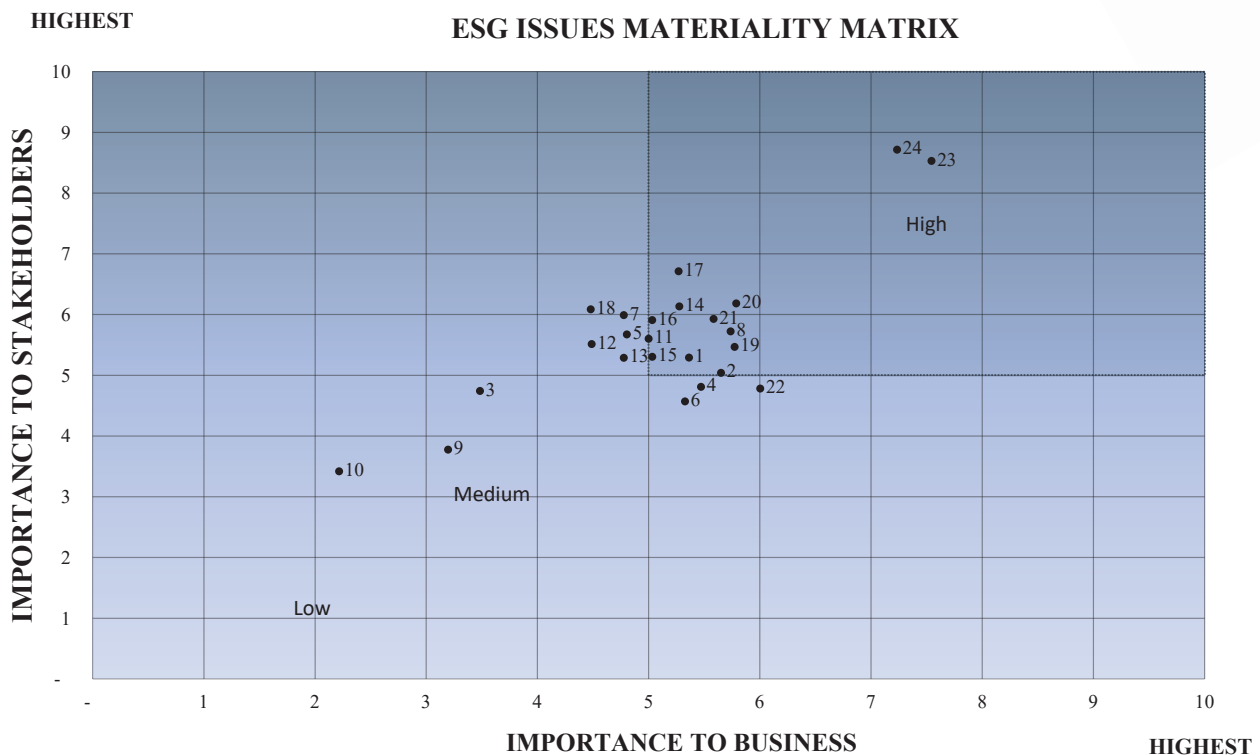
Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) shown in the Report are in accordance with the disclosure requirements of the ESG Reporting Guide under Appendix 27 of the Listing Rules.

MATERIALITY ASSESSMENT

During the reporting period, the Company undertook its annual materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify “material issues” and reflect the environmental, social and operational issues which have the most significant impacts on the Company’s business and the relevant issues which are concerned by the stakeholders.

With reference to the scope of disclosure as required under the ESG Reporting Guide, as well as taking into consideration its business features, the Group has identified and determined 24 issues covering greenhouse gas (“GHG”) emission, energy consumption, employee welfare, occupational health and safety, training and development, supply chain management, customer privacy, anti-corruption, and community investment with respect to its business operation.



Environmental

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of raw materials and packaging materials
7. Utilisation of energy resources
8. Use of chemicals

Social

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operating practices

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy
23. Intellectual property protection
24. Marketing and labelling

ENVIRONMENTAL ASPECTS

A1. EMISSIONS

As a manufacturer, the Group recognises its obligation to reduce the operational impact on environment. The Group is committed to continuously improving the environmental sustainability and ensuring that environmental consideration remains one of the top priorities in the operation. The Group has a set of environmental policies and procedures, including “Environmental Monitoring and Measuring Control Procedure” (環境監視和測量控制程序), to monitor all emissions such as air pollutants and wastes. The environmental management system meets regulatory requirements and has ISO 14001:2015 environmental management system accreditation. The Group has also established an environment, health and safety (“EHS”) committee to oversee the environmental policies and procedures implementation. Annual assessment to conducted to review the performance.

The Group is committed to adopting environmentally friendly practices throughout its operations. The key points of our environmental policies are shown as follows:

- Comply with all environmental laws and regulations that relate to the Group’s operations.
- Prevent the environmental impact of the products throughout their design and manufacturing process.
- Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities.
- Pursue continuous improvement in environmental performance.

ENVIRONMENTAL ASPECTS

Air Pollutants Emission

Air emission control is essential to mitigate the impact on environment and to protect employees' health. The major air pollutants are generated from fuel combustion in healthcare and household manufacturing process. All the exhaust gas emission must comply with "Emission limits of air pollutants (DB44/27-2001)". The Group lowers the air pollutants emission by using fuel with the latest National Standard, such as China V diesel oil. In addition, the Group has engaged a qualified environmental testing company to carry out testing on an annual basis to ensure that the air pollutants emission complies with relevant laws and regulations. The decrease in air pollutants emission during the reporting period was mainly attributable to less frequent vehicle use for business meeting during the reporting period. The air pollutants emission during the reporting period is as follows:

Air Pollutants Emission ^(Note 1)	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Nitrogen oxides (NO _x)	kg	0.74	0.35
Sulfur dioxide (SO ₂)	kg	0.02	0.01
Particulate matter (PM)	kg	0.05	0.02

Note 1: The emission factors used to calculate the NO_x, SO_x and PM are sourced from: (i) the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation model; and (ii) the United States Environmental Protection Agency's Vehicle Emission Modeling Software - MOBILE6.1. The assumption of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30 kmh, and include running exhaust emissions only.

Greenhouse Gas ("GHG") Emission

The Group recognises that climate change poses a risk to its businesses as it can seriously affect the crop production in the trading of agricultural and fertilizers products business. The Group is committed to mitigating the effects of climate change. GHG emission is considered as one of the major contributors to climate change. The majority of GHG emission of the Group comes from energy consumption. The Group reduces the GHG emission by implementing various energy use efficiency initiatives. Measures to encourage energy saving have been incorporated throughout the operation. Details are mentioned in the section "Use of Resources" of this Report. The increase in GHG emission during the reporting period was mainly attributable to more unit of production of healthcare and household products during the reporting period. The GHG emission during the reporting period is as follows:

ENVIRONMENTAL ASPECTS

GHG Emission ^(Note 1)	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Scope 1	tonnes of CO ₂ -e	122.97	355.55
Scope 2 ^(Note 2)	tonnes of CO ₂ -e	2,178.94	3,150.64
Scope 3	tonnes of CO ₂ -e	20.84	36.81
Total GHG emission	tonnes of CO ₂ -e	2,322.75	3,543.00
GHG intensity	tonnes of CO ₂ -e/thousand unit of production	0.22	0.24

Note 1: GHG emissions (direct and indirect) and its removal can be divided into the following three separate areas:

Scope 1: Direct GHG emissions from operations that are owned or controlled by the Group including combustion of fuels in motor vehicles controlled by the Group.

Scope 2: Energy indirect emissions resulting from generation of purchased electricity that is consumed by the Group's including the controlled equipment or its operations within the physical building boundary for electricity purchased from power companies.

Scope 3: All other indirect GHG emissions that occurred outside the Group, including both upstream and downstream emissions including: (i) GHG emissions due to electricity used for fresh water/sewage processing by the Water Services Department/Drainage Services Department respectively; and (ii) business travel by employees.

Note 2: The national emission factors for Liaoning and Beijing are set at 0.6101 kg CO₂/kWh, which are sourced from The Ministry of Ecology and Environment of People's Republic of China (2019). In addition, the emission factor for Hong Kong based operations is set at 0.71 kg CO₂/kWh, which is sourced from Hong Kong Electric Sustainability Report 2021.

Targets set for emissions and steps taken to achieve them

Reduction target of air emissions

Environmental KPI

Air emissions	Reduction Target	Baseline Period	Status
NO _x emission intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
SO _x emission intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
PM emission intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress

Reduction target of GHG emission

Environmental KPI	Reduction Target	Baseline Period	Status
GHG emission intensity (Scope 1)	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
GHG emission intensity (Scope 2)	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
GHG emission intensity (Scope 3)	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress

To achieve fuel saving target, carpooling and task combination travel arrangement have been enhanced to reduce the use of vehicles. Unnecessary business trips were cut down as far as possible. If available, all employees would take seats in the economy class on flights whenever they go on necessary business trips to minimize carbon emissions.

To achieve reducing GHG emission target, the Group has implemented a series of energy-saving measures (see the paragraph under heading “Use of Resources” for details).

Waste Management

The Group’s “Wastes Control Procedures” (廢棄物控制程序) provides guidelines on classification, collection, storage and disposal of different kinds of wastes. Wastes are classified into hazardous waste, recyclable waste and non-recyclable waste. Each type of waste has its specific storage location and collection procedures.

For hazardous waste, a fixed storage area has been set up in manufacturing sites for collection in the healthcare and household business. The Group has engaged a qualified recycling company to perform hazardous waste disposal and treatment so as to minimise the impact on the nature and to comply with the latest policies of National Hazardous Waste Inventory. The increase in the amount of hazardous waste generated during the reporting period was mainly attributable to more unit of production of healthcare and household products during the reporting period.

For non-hazardous waste, it is classified into recyclable waste and non-recyclable waste. The practice of 3Rs, namely reduce, reuse and recycle, is incorporated in the operation. For example, waste that can be recycled is required to be identified and sorted. Double-sided usage of paper is encouraged to reduce paper waste. Apart from 3Rs practice, different communication channels such as training, meetings and notices are used to inculcate the importance and methods of waste sorting into the employees. The increase in the amount of non-hazardous waste generated during the reporting period was mainly attributable to more unit of production of healthcare and household products during the reporting period.

ENVIRONMENTAL ASPECTS

The wastes generated during the reporting period are as follows:

Wastes	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Hazardous waste generated	tonnes	1.46	9.00
Hazardous waste intensity	tonnes/thousand unit of production	0.0001	0.0006
Non-hazardous waste generated	tonnes	162.00	243.00
Non-hazardous waste intensity	tonnes/thousand unit of production	0.0156	0.0163
Non-hazardous waste recycled	tonnes	22.08	43.56
Recycled non-hazardous waste intensity	tonnes/thousand unit of production	0.0021	0.0029

Targets set for waste management and reduction and steps taken to achieve them

Reduction target of waste produced

Environmental KPI	Reduction Target	Baseline Period	Status
Hazardous waste produced intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
Non-hazardous waste produced intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to environmental protection and pollutant emissions. In the reporting period, there was no case of material non-compliance with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on environment. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the reporting period.

ENVIRONMENTAL ASPECTS

A2. USE OF RESOURCES

The Group understands that better resources management is imperative to sustainable development. The Group consistently devotes efforts into energy and resources management by adopting policies and guidelines such as “Energy Resource Control Procedure” (能資源使用控制程序).

Energy

The Group believes that strengthening the employees’ conservation consciousness is the basis for energy reduction initiatives, so the Group constantly enhances staff training on energy and resources conservation. Besides, energy consumption of the Group mainly comes from purchased electricity and fuel used for manufacturing process. The increase in total energy consumption during the reporting period was mainly attributable to more units of production of healthcare and household products during the reporting period. The Group has implemented by following measures to minimise the energy consumption:

- Unnecessary lighting and electrical appliances are switched off when they are not in use.
- Regular maintenance is carried out on machineries and equipments to ensure smooth operation and enhance the energy efficiency.
- Temperature of air-conditioners is maintained at an energy-efficient level above 22 degrees Celsius.

The energy consumption during the reporting period is as follows:

Energy	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Purchased electricity	MWh	4,281.67	6,191.07
Diesel ^(Note 1)	MWh	490.48	1,447.38
Petrol ^(Note 1)	MWh	11.15	6.21
Liquefied petroleum gas (LPG) ^(Note 1)	MWh	7.69	10.25
Total energy consumption	MWh	4,790.99	7,654.91
Energy consumption intensity	MWh/thousand unit of production	0.46	0.51

Note 1: The conversion factor used to convert data in other units to MWh is sourced from the Energy Statistics Manual issued by the International Energy Agency.

ENVIRONMENTAL ASPECTS

Water

Water is another important natural resource. As the water supply for Hong Kong office is solely controlled and centrally managed by its property management company, it is not feasible for the Hong Kong office to provide water consumption data as there is no separate water sub-meter to record its water usage. However, the Group still actively seek ways to reduce water consumption in Hong Kong office. The water conservation measures adopted by the Group include:

- Inspect water mains and taps regularly and rectify leakage promptly.
- Turn off water taps when they are not in use.
- Display water saving posters at appropriate locations to educate employees and enhance their awareness on water conservation.

During the reporting period, the Group has not experienced any difficulty in sourcing water that is fit for the usage of the Group. The increase in water consumption during the reporting period was mainly attributable to more unit of production of healthcare and household products during the reporting period. The water consumption during the reporting period is shown as follows:

Water	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Water consumption	m ³	31,185	58,255
Water consumption intensity	m ³ /thousand unit of production	3.00	3.91

Packaging Materials

The major packaging materials used in the operations are paper, plastic and polystyrene box. The increase in packaging material consumption during the reporting period was mainly attributable to more unit of production of healthcare and household products during the reporting period. The consumption of these materials is summarised below.

Packaging Materials Consumption	Unit	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Paper	tonnes	160.90	257.54
Plastic	tonnes	88.20	141.78
Total	tonnes	249.10	399.32
Packaging materials consumption intensity	tonnes/thousand unit of production	0.024	0.027

ENVIRONMENTAL ASPECTS

Targets set for efficient use of energy and water and steps adopted for achieve them

Reduction target of resources consumption

Environmental KPI	Reduction Target	Baseline Period	Status
Energy consumption intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
Water consumption intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress
Packaging consumption intensity	Reduce 3% by Year 2025	The eighteen months ended 30 June 2022	In progress

To reduce the electricity consumed for production during the reporting period more LED lights were used to replace the existing conventional fluorescent lamps which were burnt out to reduce the energy consumption.

The increase of electricity consumed for daily use of employee was caused by the increase of time for the employees to stay at dormitory. The Group will keep on implementing the above said electricity saving method to save energy.

There are no significant issues identified in seeking appropriate water source. A substantial amount of water is consumed for domestic use and merely a minimal amount of water is used for production. The target set for efficient use of water is to reduce water consumption and water consumed for domestic use per employee.

Educational guidelines to change employee behavior on water usage are listed as follows:

- Reminding the employees to avoid wastage by posting the “Save Water” sign. The message of water conservation was widely spread in the factory to educate every employee to be self-discipline on daily use of water.
- Orientation introduction of how to save water has been arranged for new employees, including the following areas: wash dishes, vegetables and clothes in a container filled with water, instead of washing them under running water; run a washing machine only with a full load of clothes to reduce the frequency of wash; turn off the tap after use or when using intermittently (e.g. while brushing teeth and washing face); flush toilet with water used for washing vegetables and fruits; and fix dripping taps, water mains and breakdowns of devices using water promptly.
- Monitoring and inspection from time to time.

ENVIRONMENTAL ASPECTS

Use of water saving measures are listed as follows:

- Replacement of bottled potable water with water filter. The water outlet time and water volume of faucets in toilets have been shortened and reduced by the management office of the building to save water.
- Posting various types of green messages and environmental protection labels (e.g. “please turn off the tap” and “water conservation”) at every area of water usage such as pantry and washroom to serve as a friendly reminder to employees;
- Reuse of cooling water for production process.

For other resource management methods, the Group put recyclable items such as paper, plastics, aluminum, batteries into recycling bins and separate such items into different categories for recycling.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

For the Group’s healthcare and household business, the manufacturing process involves different kinds of emissions which cause harm to the surrounding environment. These include air pollutants generated from fuel combustion and hazardous wastes generation. The Group has implemented “Environmental Monitoring and Measuring Control Procedure” (環境監視和測量控制程序) to manage all these kinds of emissions in order to reduce the significant impact of manufacturing activities on the environment. External qualified institution has been engaged in monitoring and recording the emissions in the factories while the internal department assesses the effectiveness of procedures implemented.

A4. CLIMATE CHANGE

Significant climate-related issues and policies on identification and mitigation of such issues:

Incredibly high temperatures are becoming the new norm due to global warming. Rising temperatures are impacting productivity in the factory in Dongguan, the PRC. High temperatures won’t just impact productivity, but also put workers at risk. The Group has made policies on identification and mitigation of significant climate-related issues. Actions taken to manage the significant climate-related issues are as follows:

- For extremely hot or cold climates, when the weather reached certain degrees, jobsite air-conditioners and heaters can keep employees and temperature-sensitive components cool or warm enough to work safely. There are even blankets available to help concrete cure properly during the cold winter months; and
- Policy of backup power options has been set. This can help keep things productive during power outages.

During the reporting period, there was no climate-related risk, including physical risks and transitional risks that had a significant impact to the Group.

EMPLOYMENT AND LABOUR PRACTICES**B1. EMPLOYMENT**

Employees are regarded as the most important and valuable assets of the Group. The Group is committed to providing employees with a decent work environment where they can thrive. A set of human resources management policies are in place which set out standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

The Group is in strict compliance with relevant local employment laws and regulations, including Labour Law of the PRC relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare. During the reporting period, the Group was not aware of any material non-compliance related to employment.

Equal Opportunities

The Group strives to create a fair and equitable workplace for employees where they are all treated equally. For example, the Group adopts fair employment and promotion systems. Candidates have equal opportunities for recruitment and promotion. They are selected based on their performance, experience and skills to avoid any risk of favouritism or discrimination. The Group does not tolerate any discriminatory act or harassment in workplace based on gender, race, age, nationality, religion, marital status, physical ability and so forth.

Competitive Employment Terms

The Group is committed to offering competitive remuneration and benefits in attracting, retaining and motivating high performing employees. Employees' remuneration is provided and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit. Share options may be granted to any employees who have contributed or will contribute to the Group. In addition to competitive remuneration, the Group also provides excellent benefits such as pension schemes.

Work-life Balance

The Group believes that a proper balance between work and rest can help employees to realise their full potential. The Group is dedicated to help employees to maintain a work-life balance through reasonable contractual working hours, vacation entitlements and different staff activities. Employees are entitled to statutory holidays, paid annual leave, marriage leave and maternity leave, etc. to balance their work and life. Furthermore, the Group organised various activities, such as annual travel during the reporting period, to help employees to relax and enhance the communications among employees.

SOCIAL ASPECTS

The employee compositions (in percentage of employees) as at 30 June 2023 by gender, age group, geographical region, employment category and employment mode are as follows:

Employee compositions	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
By gender		
• Male	44%	56%
• Female	56%	44%
By age group		
• Age 30 or below	8%	19%
• Age 31-40	14%	37%
• Age 41-50	28%	41%
• Age 51 or above	50%	3%
By geographical region		
• Hong Kong	1%	1%
• Mainland China	99%	99%
By employment category		
• Senior management	6%	2%
• Middle management	31%	29%
• General	63%	69%
By employment mode		
• Full-time	100%	100%
• Part-time	–	–

The employee turnover rates during the reporting period by gender, age group and geographical region are as follows:

Employee turnover rates	For the year ended 30 June 2023 ^(Note 1)	For the eighteen months ended 30 June 2022
By gender		
• Male	236%	409%
• Female	222%	165%
By age group		
• Age 30 or below	1,271%	871%
• Age 31-40	521%	242%
• Age 41-50	159%	99%
• Age 51 or above	11%	70%
By geographical region		
• Hong Kong	–	–
• Mainland China	230%	303%

Note 1: The employee turnover rate is calculated based on the number of employees who cease employment during the year ended 30 June 2023 divided by the number of employees as at 30 June 2023 in each category.

B2. HEALTH AND SAFETY

Protecting the health, safety and well-being of employees is the key priority. The Group strives for the highest standards of safety and health performance by taking into consideration of all possible precautionary measures. The Group has established various health and safety policies, including “Environment, Health and Safety Control Program” (環境健康安全控制程序) and “Occupational Hazards Control System” (職業病危害防治責任制度), to promote work safety.

The Group strictly complies with the laws and regulations related to health and safety, such as Law of the PRC on the Prevention and Treatment of Occupational Diseases. During the reporting period, the Group had no material violation of relevant laws and regulations in health and safety.

Safety Training and Education

The Group believes that increasing employees’ awareness and knowledge in occupational health and safety are the basis for preventing work-related injuries. Therefore, the Group has set up an EHS committee to conduct EHS trainings for employees at all levels. Through safety trainings, employees can be more aware of the safety operating procedures, safety regulations and other information related to their job duties. In addition to trainings, other effective communication channels, such as regular safety meetings and posters on notice boards, are available to deliver the safety messages to employees.

The Group welcomes its employees to bring up any suggestions to improve the Group’s EHS system. EHS committee is responsible for collecting and reviewing employees’ feedbacks on monthly basis.

Workplace and Equipment Management

The Group places a great emphasis on the safety of instruments by conducting regular functional and safety checks and arranging maintenance. Equipment is installed with safety protection devices. For chemical and hazardous materials, they are properly labelled for identification and stored in designated area. To enhance indoor air quality and prevent flammable chemicals from explosion, ventilation system is installed.

Occupational Disease Prevention

The Group cares about employees’ health and safety. The Group offers annual medical check to employees to ensure that their health is in good condition. Employees are provided with necessary personal protective equipment such as helmets, masks, gloves, safety shoes and goggles, to minimise the risks of work-related injuries during operation. First aid equipment, such as showers and eyewash facilities, is installed for clean-up of emergency chemical spill incidents. All the personal protective and first aid equipment is well-maintained and regularly checked for proper performance.

SOCIAL ASPECTS

B3. DEVELOPMENT AND TRAINING

The Group recognises that continuous improvement of its employees is the key to its success. Training and development at all levels are available for employees to proactively equip themselves with knowledge and skills. Based on the Group's "Training System" (培訓制度) are acquired under "Human Resources Control Procedure" (人力資源管制程序), various trainings are provided to employees according to their job positions and operational needs. For example, orientation training is provided to new employees to ensure that proper skills are acquired before performing the assigned tasks.

During the reporting period, the Group organised different training activities which include:

- ISO 9001 quality management system and chemical handling trainings for production department.
- Workshops on the latest industrial development trend for marketing department.
- Resources management training on energy for administrative department.
- Information security training for IT department.

Administrative Department of the Group is responsible for formulating annual training plan to improve employees' knowledge and skills and to enhance the Group's development. Every employee has equal access to training and development opportunities. Furthermore, the Group adopts a systematic performance-based appraisal system to assess employees' performances after training. Salary adjustment and promotion as incentives may be offered to employees with outstanding performance to encourage them to achieve better job performance.

Continuous development of employees is important to the Group's sustainable growth. The Group will enhance the training system in order to promote ongoing development of its employees together with the Group.

SOCIAL ASPECTS

During the reporting period, the employee training rate is as follows:

	For the year ended 30 June 2023	For the eighteen months ended 30 June 2022
Percentage of employees trained ^(Note 1)	100%	100%
Percentage of employees trained by gender ^(Note 2)		
Male	44%	56%
Female	56%	44%
Percentage of employees trained by employment category ^(Note 2)		
Senior management	6%	2%
Middle management	31%	29%
General	63%	69%

Note 1: Percentage of employees trained is calculated by dividing the number of employees who took part in training by the number of employees.

Note 2: Breakdown for employees trained by categories is calculated by dividing the number of employees trained in such category by the number of employees who took part in training.

The information on average training hours completed per employee categorised by gender and employment categories are considered not significant, hence the relevant information is not covered in this Report.

B4. LABOUR STANDARDS

The Group upholds human rights and has zero tolerance to child and forced labour. Under the Group's "Recruitment System" (招聘制度), recruitment of employees aged under 16 is strictly prohibited. Candidates are required to provide identity proofs to verify the age. All works should be performed voluntarily and shall not involve forced labour. Any cases of child or forced labour should be reported timely to the human resources department. The business partners are expected to follow the same standard of labour practices when working with us. If there is any case of child or forced labour discovered, the Group will stop the labour from working immediately and carry out investigation promptly to prevent similar case from happening again.

The Group is in strict compliance with the relevant laws and regulations on preventing child and forced labour, including Provisions on the Prohibition of Using Child Labour of the PRC. The Group did not find any cases related to child and forced labour during the reporting period.

SOCIAL ASPECTS

OPERATING PRACTICES

B5. SUPPLY CHAIN MANAGEMENT

The Group recognises suppliers as valuable stakeholders within the supply chain as their responsible business behaviours are crucial in contributing to quality excellence, operational efficiency and good reputation of the Group. The Group strives to cooperate with experienced suppliers who are committed to business ethics and have environmental and quality certifications whenever possible. This can strengthen the control of environmental and social risks related to supply chain management. In addition, the Group prefers choosing local suppliers whenever possible with environmental consideration to reduce the carbon footprint attributed to transportation. Most of the goods and services are sourced locally.

The Group has implemented strict selection process on the suppliers as stipulated in the Group's "Procurement and Supplier Selection Control Procedure" (採購及供應商評審控制程序) to manage the supply chain. All suppliers are selected with fairness and based on a list of criteria, including product quality, capability of providing stable service, price and good after-sales services. Regular assessment and inspection on product quality are carried out to evaluate the suppliers' performance. Long-term and stable relationships with the supply chain partners are maintained based on the assessment and inspection results. The geographical distribution of major suppliers during the reporting period is as follows:

Geographical region	Number of suppliers for the year ended 30 June 2023	Number of suppliers for the eighteen months ended 30 June 2022
Mainland China	167	163
Hong Kong	13	20
Others	7	10
Total	187	193

B6. PRODUCT RESPONSIBILITY

The Group places importance on quality standard of products to achieve sustainable growth of the Group. The Group always seeks opportunities to improve product quality and enhance customers' satisfaction. The Group's commitments to product responsibility include: "Safe and legal production, continuous improvement of quality, provision of excellent service, exceed customers' expectations."

The Group strictly complies with laws and regulations related to product responsibility, including Product Quality Law of the PRC and Trademark Law of the PRC. During the reporting period, the Group was not aware of any material non-compliance related to product responsibility.

Quality Control

The Group has established "Quality and Environmental Manual" (質量環境手冊) in accordance with different international standards to maintain product quality. The quality control system for the manufacture of healthcare electrical products meets regulatory requirements and has the below quality certifications:

- ISO 9001:2015 Quality Management System – Dongguan Weihang
- ISO 13485:2003 Medical Devices – Quality Management System – Dongguan Weihang

The Group has "Management Review Control Procedure" (管理評審控制程序) in place to assess the performance and effectiveness of the quality management system.

In order to strengthen quality control and stabilise product quality, the Group has implemented "Inspection and Testing Control Procedure" (檢驗與測試控制程序) to monitor the production process. Inspections are carried out at different stages of the production line to ensure product quality, including in-coming quality control on raw materials, in-process quality control during production, line quality control on assembly and packaging, and quality audit on finished products. "Nonconforming Product Control Procedure" (不合格品控制程序) shall be applied to protect the customers against safety risks for any products which are inspected to be unqualified. Analysis will be carried out for quality improvement.

Recall Procedures

In case of any suspected products that can endanger customers' safety and health, the Group has "Working Instruction on Accident Communication & Product Recall Control Procedure" (事故聯繫及召回作業辦法) in place for timely and efficient recall of products.

A mock product recall is conducted on an annual basis to help employees to be familiar with the recall procedures. The Group believes that mock recall practice can continuously improve and ensure the efficiency of the recall procedure. During the reporting period, the Group had no significant product recall for safety and health reasons.

SOCIAL ASPECTS

Complaint and Opinion Handling

The Group believes that customers are the foundation of the Group's sustainable development and improvement. The Group values customers' opinions and has implemented "Customer Service Control Procedure" (客戶服務控制程序) to ensure that the customers' complaints are handled and responded in a timely manner. All complaints are carefully followed up by responsible departments within a reasonable timeframe. Relevant investigation is taken and improvement measure is implemented to improve the product and service quality and customers' experiences. The Group regards complaints are valuable opportunities to obtain feedbacks from customers so as to identify the need for quality and policy improvements. During the reporting period, the Group had no significant complaints received against the Group's products and service.

Intellectual Property Protection

Intellectual property is an important asset to the Group. The Group is committed to protecting the technology developed through research and development. Seminars and workshops are organised on an irregular basis to enhance the intellectual property management system of the Group.

The Group is not aware of any material non-compliance with the Trade Descriptions Ordinance, Copyright Ordinance, Prevention of Copyright Piracy Ordinance and other applicable laws and regulations that have a significant impact relating to health and safety, advertising, labelling and privacy matters relating to products and services provided in the reporting period.

Customer Data Protection

The Group acknowledges the importance of data privacy protection. Personal data of our customers is collected in the operations. The Group has established "Information Security and Computer Use Management" (信息安全與電腦使用管理) to provide guidance to employees on managing and using the data. For example, the data is accessible only by authorised personnel and handled with care. Employees are prohibited from disclosing any company data, such as customers' data to third parties. All company data is properly managed by the IT Department under stringent security.

During the reporting period, the Group is not aware of any non-compliance with the relevant laws and regulations in the PRC relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

B7. ANTI-CORRUPTION

The Group operates with a high standard of integrity and ethics. The commitment to preventing any forms of corruption is stipulated in “Anti-Bribery and Anti-Corruption Management Regulation” (反腐敗反商業賄賂之管理規定). The Group’s principle on anti-corruption is well-conveyed to employees through daily communication. Payment or acceptance of any kickbacks from external parties is strictly prohibited. Every employee is required and has the responsibility to adhere to this regulation. The Group takes disciplinary action or refers any suspected case to the respective law enforcement authorities to combat against any violation of the Group’s regulation. During the reporting period, the Group conducted training to raise employees’ awareness on anti-corruption.

The Group strictly complies with the applicable laws and regulations related to anti-corruption, including Anti-Unfair Competition Law of the PRC and Anti-Money Laundering Law of the PRC. During the reporting period, no concluded legal case was brought against the Group or the employees in relation to corruption. The number of employees received anti-corruption training and the training hours during the reporting period by employment category are as follows:

Anti-corruption Training**For the year ended 30 June 2023**

By employment category	Number of employees received training	Number of training hours
Board of directors	4	–
Senior management	35	5
Middle management	178	23
General	364	2,550
Total	581	2,578

For the eighteen months ended 30 June 2022

By employment category	Number of employees received training	Number of training hours
Board of directors	4	–
Senior management	12	50
Middle management	192	350
General	475	1,000
Total	683	1,400

SOCIAL ASPECTS

COMMUNITY

B8. COMMUNITY INVESTMENT

The Group is committed to supporting to the community by incorporating social participation in the business development strategy. Dongguan Weihang, one of the subsidiaries engaged in the healthcare and household business, has obtained international certifications in social responsibility, such as International Council of Toy Industries. The Group encourages employees to contribute to the community by participating in different voluntary activities. The Group believes that this can nurture great corporate culture and practices in itself.

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