

CONSOLIDATION & RESTRUCTURING

ENVIRONMENTAL, SOCIAL
& GOVERNANCE REPORT 2023



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RAYMOND TAN, CEO

CEO MESSAGE

As we conclude 2023, we celebrate the accomplishment of meeting our 5-year people, community, and environmental targets. It is a momentous occasion that signifies our strong commitment to sustainability. With great enthusiasm, we now embark on a fresh journey towards attaining our next set of 5-year targets.

Celebrating Our Sustainability Milestone

Luen Thai's journey in sustainability has been nothing short of remarkable, characterized by innovative progress and unwavering resilience in the face of industry and business challenges. The lessons and successes of the past have shaped our approach, guiding us to define clear and achievable goals for the future.



Our commitment to sustainability has been the driving force behind every decision we make. We have embraced innovation with open arms, constantly exploring and adopting cutting-edge technologies and practices that minimize our environmental footprint while thriving in a competitive landscape.

Commitment to Environmental Conservation & Corporate Citizenship

WE SUPPORT



¹ Adopted by the United Nations in 2015, the 17 UN SDGs are a set of social, economic, and environmental targets. The SDGs are a powerful language that convey global issues of critical importance to humanity and the environment. The goals are primarily focused on wide-ranging action by governmental institutions, business communities, and society. We will continue to strengthen our connections with local communities and provide tangible benefits to the society.

We reaffirm our continued support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption. We aim to make significant contributions in environmental conservation, employee care, and responsible community citizenship which are well aligned with United Nations Global Compact (UNGC) Principles and UN Sustainable Development Goals (UN SDGs)¹. As we move forward, we remain dedicated to continuous improvement and innovation. We will continue to challenge ourselves, explore new horizons, and collaborate with like-minded partners to find creative solutions to the complex sustainability issues we face.

Advancing Technology For Sustainable Impact Consolidation

We are deeply committed to combating climate change by making concerted efforts to improve air quality, conserve energy and water resources, and minimize waste. We continue to leverage advanced technologies such as NTX™ eco-friendly waterless textile and product coloration technologies to reduce the consumption of natural resources, including water, energy, and harmful chemical materials.

Furthermore, we are actively pursuing on-demand manufacturing and a build-to-order business model to minimize waste resulting from overproduction through SewSewYou and the Original Brand Manufacturing program we initiated this year. We have also advanced our efforts in this area by integrating NTX™ AI solutions into the SewSewYou model to make a more meaningful impact. We take tremendous pride in being one of the pioneers in integrating sustainability into our business model.

“We are beyond traditional metrics. We’re fostering a culture of innovation, collaboration, and partnership.”

Our People: The Heartbeat of Luen Thai



At the core of Luen Thai's success are our people—the heartbeat of our organization. We strive to foster a work environment that values the growth, safety, and happiness of our employees. In the sphere of social responsibility, we are continuously nurturing a responsive workplace, and we believe in empowering our team, creating an environment where there is “equality in diversity”.

Our community initiatives and governance practices reflect our deep commitment to responsible citizenship, ethical conduct, and transparency.

Empowering Youth through Sports and Community Engagement

We have made significant progress through our charitable efforts, collaborating with various organizations and clubs such as the Chelsea Soccer School in Hong Kong, Tuloy Football Club in the Philippines, and XO United Football Club in Cambodia. Our primary aim is to support children across nations in their physical, mental, and emotional growth. I am delighted to share that seven players from XO United Football Club will be participating in the upcoming International Under-14 Football Youth Cup.

This achievement demonstrates the progress we have made in nurturing talent and providing opportunities for young players to showcase their skills on an international stage. I take immense pride in the accomplishments we have achieved thus far and the potential for our charitable work to bring about meaningful change in people's lives. We remain committed to continuing our efforts to create a brighter future for children through football.



Fostering a Culture of Innovation and Collaboration

Our strategy goes beyond traditional metrics. We're fostering a culture where innovation and collaboration are at the forefront, engaging actively with our stakeholders, forming partnerships with industry leaders, and utilizing technology to achieve meaningful outcomes.

I extend an invitation to each of you to be an active part of this transformative journey. Let's collaborate to create a sustainable future, one where our achievements go beyond meeting goals and inspire global positive change.

Thank you for being an integral part of Luen Thai's journey marked by resilience, dedication, and a commitment to an extraordinary world.

RAYMOND TAN
Chief Executive Officer



SUSTAINABLE
SHARED SUCCESS
THROUGH REINVENTION

“Our journey is not about overcoming challenges, but it’s about reinventing ourselves to stay ahead.”



ABOUT LUEN THAI

Luen Thai Holdings Limited, a distinguished leader in the consumer goods supply chain industry, has anchored itself on innovation and resilience. With our roots dating back to the 1970s, we have navigated the complexities of the global market with agility and foresight, emerging as a trusted multi-product specialist in apparel and accessories. Our journey, particularly since the pandemic, is a testament to our commitment to sustainable shared success through strategic adaptation and reinvention.

Our journey is not just about overcoming challenges, it is about continuously reinventing ourselves to stay ahead in an ever-evolving industry. Our expertise extends beyond traditional manufacturing and we understand the need to forge meaningful connections with our suppliers and customers worldwide. This focus allows us to embrace digital technology, automation and AI into our operations maintaining a competitive edge and ensuring long-term success.

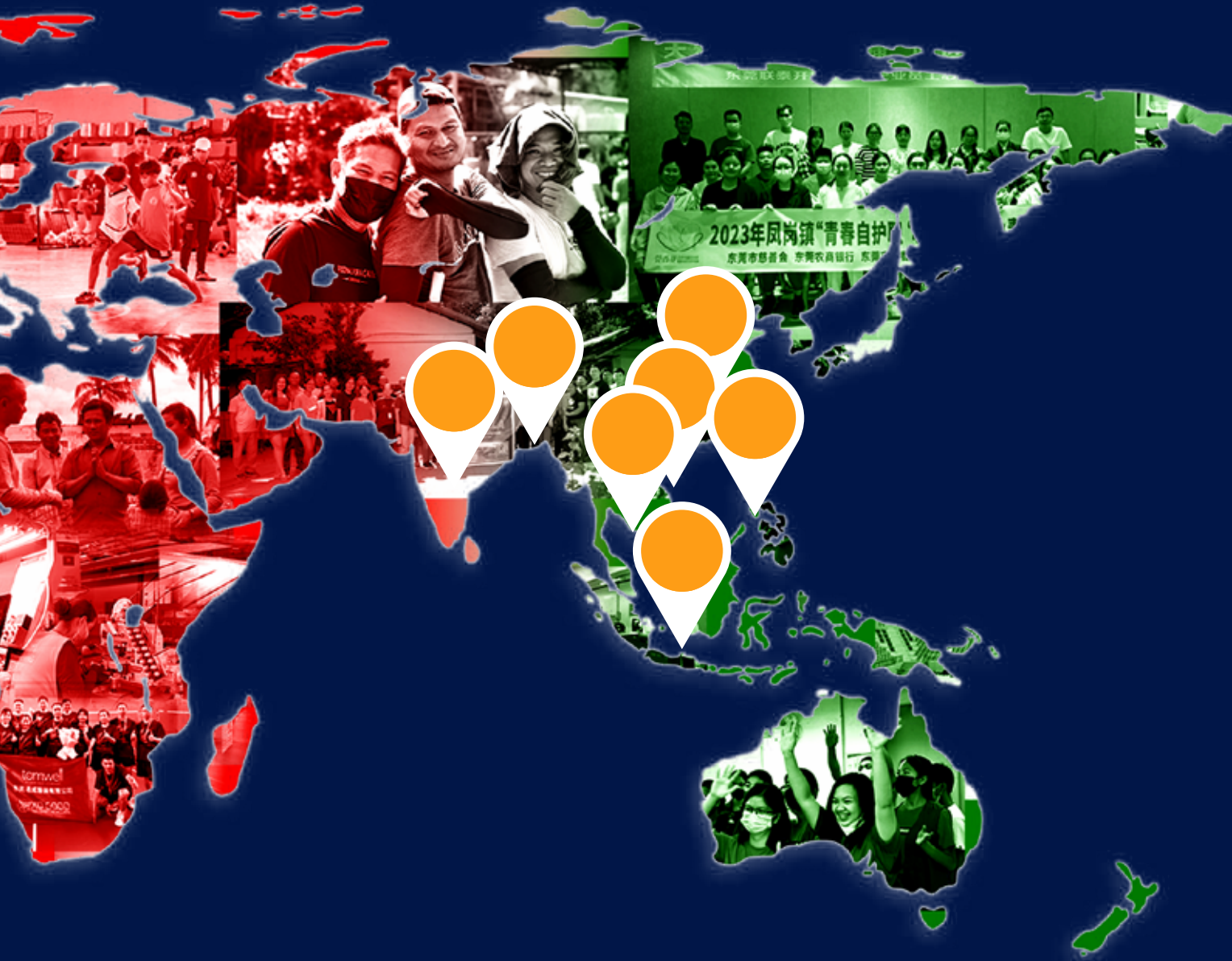
Our commitment to sustainability, strategic business decisions, and technological advancements reflect our dedication to not only achieving business success, but also contributing positively to the communities and environments in which we operate. As we continue to navigate the future, Luen Thai remains steadfast in its pursuit of excellence, innovation, and sustainable growth.





WHERE WE ARE

Cambodia, Philippines, Mainland China including Hong Kong, Vietnam, Myanmar, Bangladesh, India, Indonesia, and USA



OUR VISION AND TARGETS

In an industry characterized by volatility and complex challenges, our vision is to seamlessly integrate our rich heritage with progressive strategies, ensuring sustainable growth and customer satisfaction. This commitment is not merely a response to external pressures, but a strategic choice that has enabled us to diversify our client base and solidify our market position. We recognize that navigating these market conditions requires more than just resilience, as it demands a proactive approach to innovation and adaptability, thus, enhancing our operational efficiency and minimize our environmental footprint.

Our targets are set with a clear understanding of the evolving landscape of the consumer goods supply chain industry. By aligning our business practices with our sustainability goals, we are not just preparing for the challenges of today but also paving the way for the opportunities of tomorrow.

In essence, we strive forward with initiatives where success is shared and sustainability is realized.



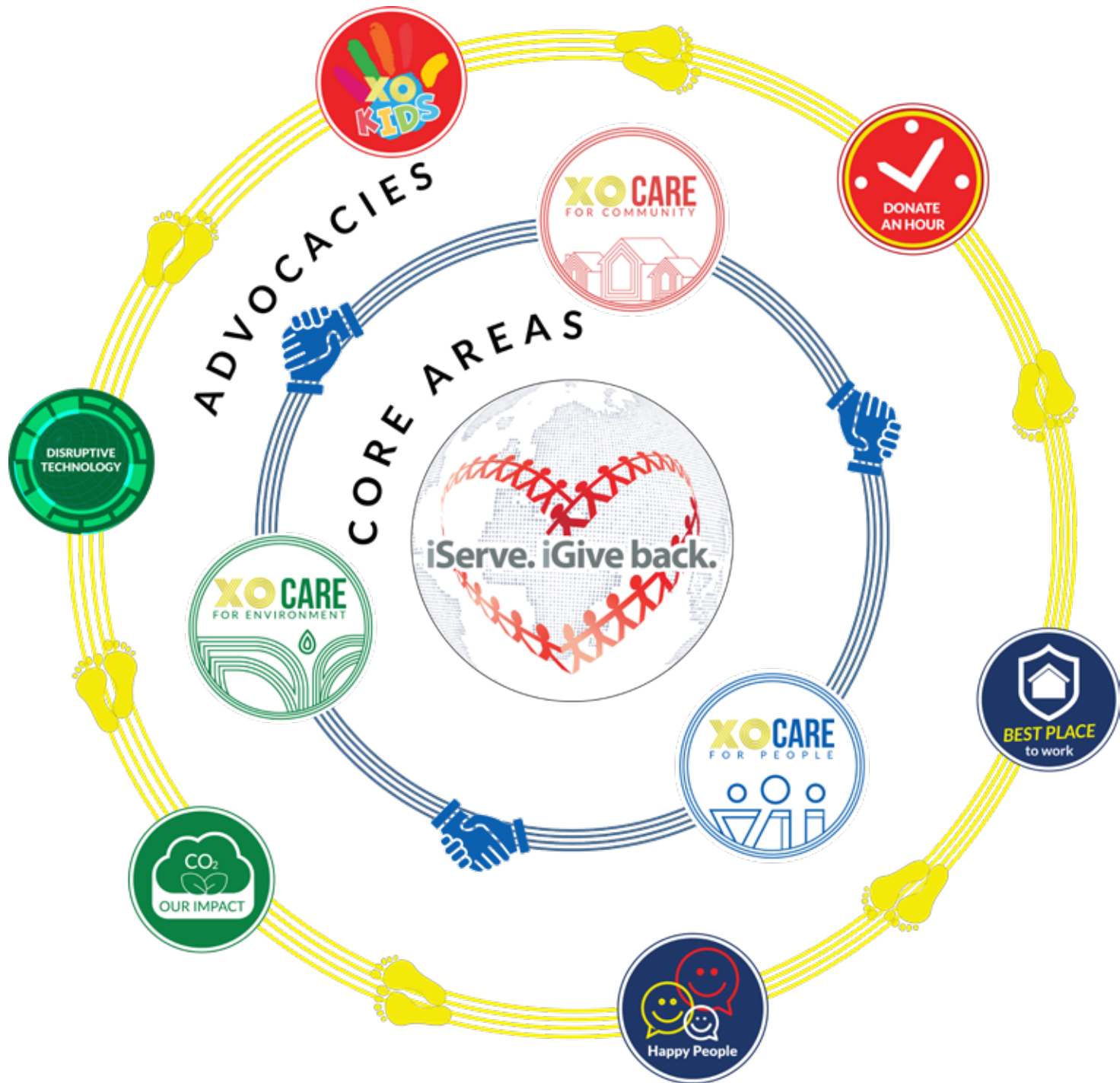


OUR SUSTAINABILITY JOURNEY

Luen Thai's journey towards sustainability is a narrative of resilience, strategic adaptation, and unwavering commitment to responsible Environmental, Social, and Governance (ESG) principles. This journey, rooted in the challenges of the 1970s, has seen us lay a strong foundation that has not only taught us resilience but has also profoundly shaped our approach to sustainability.

Throughout the decades, particularly in the face of recent global economic uncertainties and the lingering challenges of the pandemic, Luen Thai has demonstrated an exceptional ability to adapt and thrive. Our broad-based product offerings and diverse operations across multiple countries have been instrumental in providing us with a competitive edge. This global footprint has enabled us to effectively navigate the complexities of an ever-changing macroeconomic environment.

At Luen Thai, we understand that sustainability is not a destination, but a continuous journey. It is about evolving, learning, and growing with each challenge and opportunity. As we move forward, we remain committed to this journey, ensuring that our company not only upholds our responsibility towards sustainability, but also sets new benchmarks in the industry. Our journey is about creating a legacy of sustainability that will endure and inspire for generations to come.



OUR SUSTAINABILITY STRATEGY FRAMEWORK

Giving extraordinary care is a daily habit in Luen Thai. We strive to go beyond the ordinary with special focus on XO CARE for our People, our Community, and the Environment.

Established in 2018, our XO CARE framework has, over five years, achieved its targets, yielding positive impacts for both our business and stakeholders.

Central to our strategy is the 'iServe.iGive Back' campaign, which encourages individual contributions to our collective goals.

Our core focus areas are People, Community, and Environment. Each is connected with interlocking hands, representing our commitment to cooperation and teamwork in achieving our sustainability goals.

Each XO CARE focus area is bolstered by specific advocacies. For People, we have 'Best Place to Work' and 'Happy People Programs'. For Community, 'XOKids' and 'Donate-an-Hour' lead our efforts. In the Environmental sphere, 'Our Impact' and our latest advocacy, 'Disruptive Technology', highlight our investment in automation, digitalization, and AI to enhance efficiency and environmental sustainability.

OUR FIVE YEAR TARGETS

2023-2027

As Luen Thai embarks on the next phase of its sustainability journey, our new 5-year strategy, spanning from 2023 to 2027, is meticulously crafted to focus on three pivotal areas: Our People, Our Community, and Our Planet. This comprehensive strategy is overseen by our dedicated Sustainability Committee, ensuring its integration across all strategic business units globally.

Aligned with the United Nations Sustainable Development Goals (UN SDGs), our targets reflect our deep commitment to making a positive impact on society and the environment. These goals are not just benchmarks for us; they represent our dedication to a sustainable future, where our business operations harmoniously coexist with societal and environmental well-being.

Our commitment to Our People, Our Community, and Our Planet is unwavering, and we are dedicated to making meaningful contributions that resonate far beyond our immediate business operations.

At Luen Thai, we understand that the path to sustainability is continuous and evolving. Our new 5-year targets are a testament to this understanding, guiding us towards a future where we not only achieve our sustainability goals but also set new standards in the industry.

**SUSTAINABLE
DEVELOPMENT
GOALS**

The logo for Sustainable Development Goals, featuring the word "GOALS" in large blue letters. The letter "O" is replaced by a circular icon composed of 17 colored segments, representing the 17 Sustainable Development Goals.

ENVIRONMENTAL TARGETS

Carbon Footprint Reduction

We are committed to significantly reducing our carbon footprint through innovative and sustainable practices. This includes the adoption of NTX™ waterless textile coloration technology and on-demand manufacturing model, nearshoring initiatives, among others.



Resource Conservation

Our strategy involves a proactive approach to resource management, focusing on reducing the consumption of water, energy, and other vital resources, thereby contributing to a more sustainable environment.

CARBON FOOTPRINT REDUCTION

Reduce Scope 1 GHG emissions intensity by 15%

Reduce Scope 2 GHG emissions intensity by 15%

ENERGY REDUCTION

Reduce electricity consumption intensity by 8% (kWh per unit of production)

WATER USE REDUCTION

Reduce water consumption intensity by 30%

WASTE REDUCTION

Reduce hazardous waste by 50%

Reduce non-hazardous waste by 15% with FY23 baseline

**Mainly on 3 regions: China, Philippines, Cambodia*



SOCIAL TARGETS

Equality in Diversity

At the heart of our social targets is a firm commitment to diversity and inclusion. We are dedicated to maintaining a balanced team composition, reflective of our diverse global presence. Our comprehensive training programs are designed to empower our workforce, fostering a culture that values respect, equality, and personal growth.

Employee and Community Well-being

We prioritize the well-being of our employees, ensuring that our work environment is not only productive but also supportive and nurturing. We inspire everyone to keep our community in mind.



EMPLOYEE DEVELOPMENT

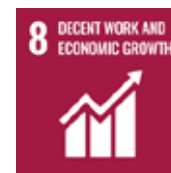
Increase employee development initiatives by 25%

COMMUNITY ENGAGEMENT

Increase community engagement by 30%

DIVERSITY AND INCLUSION

Improve perception and opportunities year to year



GOVERNANCE TARGETS

Ethical Practices and Transparency

Upholding the highest standards of ethical practices and transparency, we are committed to effective stakeholder engagement. Our operations are aligned with global standards, ensuring accountability and integrity in all our business dealings.

Alignment with Global Standards

Our governance targets are in sync with international norms and best practices, ensuring that we remain at the forefront of ethical business conduct.



TRANSPARENCY & REPORTING

Strengthen compliance
with international
standards

ETHICAL BUSINESS PRACTICES

Uphold highest
ethical standards
in doing business

STAKEHOLDER ENGAGEMENT

Conduct regular
engagement with
stakeholders
through our
communication
channels



OUR SUSTAINABILITY APPROACH

At Luen Thai, we are committed to implementing sustainable practices that address the social, environmental, and community issues of today for a better tomorrow. Our sustainability strategy focuses on promoting the well-being and empowerment of our people, taking care of the community, and being responsible stewards of the environment. We believe that economic prosperity and environmental stewardship can coexist, striking a balance between business growth and sustainable practices. Our sustainability strategy was launched in 2018 and aims to ensure that our commitment to people, community, and the environment remains strong and continues to evolve.

We also recognize the importance of stakeholder engagement in our sustainability strategy. Addressing the complex challenges of sustainability requires collaboration and cooperation with various stakeholders, including our people, customers, suppliers, and local communities.

“We believe that economic prosperity and environmental stewardship can coexist, striking a balance between business growth and sustainable practices.”

STAKEHOLDER ENGAGEMENT

Timely and effective communication with our stakeholders is crucial for understanding and responding to the constantly evolving views and expectations on sustainability. By actively engaging with stakeholders, we gather valuable insights, identify business opportunities, and address potential risks. This enables us to continually enhance our sustainability efforts and align our business strategy with stakeholder expectations.

Our commitment to stakeholder engagement goes beyond simply listening. The company takes meaningful action based on the feedback and expectations received. By incorporating stakeholder input into the decision-making processes, Luen Thai ensures that the sustainability efforts are responsive to the needs and concerns of its stakeholders. Through this interactive process of stakeholder engagement, we continually improve our business strategy and sustainability practices. We continue to identify areas for enhancement and implement appropriate improvements on an annual basis. By aligning our operations with stakeholder expectations, we demonstrate our commitment to sustainable development and responsible business practices.

STAKEHOLDER GROUPS AND THEIR COMMUNICATION CHANNELS

SHAREHOLDERS AND INVESTORS

- Public News
- Press Releases
- Internet

EMPLOYEES

- Direct Mail
- E-mails
- Meetings
- Performance Evaluations

STRATEGIC CUSTOMERS

- Business Communications
- Direct Mail

CORE SUPPLIERS AND BUSINESS PARTNERS

- Business Communications
- Direct Mail

GOVERNMENT REGULATORS

- Direct Mail
- E-mails
- Meetings

MEDIA

- Public Displays
- Interviews
- Site Visits

NGOs

- Community Work

MATERIALITY ASSESSMENT

We regularly conduct a materiality assessment and review to identify and prioritize key sustainability topics that have significant impacts on our business operations. This process involves engaging both internal and external stakeholders to understand their concerns and priorities. Specifically, we have followed the following steps to identify the material topics in collaboration with our customers and suppliers:

IDENTIFICATION

We begin by identifying sustainability topics using references such as the HKEx ESG Reporting Guide, material topics from previous years, and emerging trends in the market and industry that are relevant to our business strategies.

PRIORITIZATION

We gather feedback from our stakeholders through various engagement channels. This feedback helps us understand their perspectives and priorities regarding sustainability topics. Based on the relevance and importance to both the Group and stakeholders, we prioritize the identified topics.

VALIDATION

The prioritized material topics are then analyzed and validated by our Sustainability Committee. This step ensures that the selected topics align with our overall sustainability goals and objectives.

INTEGRATION

Finally, we integrate the prioritized material topics into our business strategies as necessary. This integration ensures that the identified topics are effectively addressed and incorporated into our operations, reflecting our commitment to sustainability and meeting the expectations of our stakeholders.

MATERIALITY MATRIX

The materiality matrix has been prepared based on the aforesaid analysis with the 20 sustainability topics under the following three aspects.

ENVIRONMENTAL PROTECTION

Energy Management
Water Conservation
Exhaust Gases and Carbon Emissions
Solid Waste Management
Climate Change

LABOR PRACTICES AND COMMUNITY EFFECT

Employment And Employee Benefits
Fair Recruitment
Employee Safety
Comprehensive Training
Diversity And Inclusion
Caring For Community

BUSINESS OPERATING PRACTICES

Customer Service
Responsible Production
Procurement And Supply Chain Management
Corporate Governance
Information Security And Personal Data Protection
Anti-Competitive Behavior
Product Quality
Innovation And Technology
Legal Compliance

Addressing each topic responsibly and proactively can often lead to long-term financial benefits. As such, the following material topics are considered as having a significant financial and operational impact to the Group, as described below:

Employee Safety

Prioritizing employee safety has immediate operational impacts, such as reducing workplace accidents and injuries through comprehensive protocols and training. This leads to minimized absenteeism, turnover, and disruptions in production, improving operational continuity and performance. Engaging employees in safety initiatives fosters a collaborative environment and enhances employee morale, teamwork, and operational performance. Adhering to safety requirements ensures legal compliance, avoiding penalties and reputational damage while demonstrating our commitment to ethical business practices, building trust among stakeholders.

Employment and Employee Benefits

Attracting and retaining talented employees through competitive compensation packages and benefits programs can impact our financial performance and productivity.

Energy Management & Exhaust Gases and Carbon Emissions

Managing exhaust gases and carbon emissions is crucial for Luen Thai's operational efficiency and environmental sustainability. Implementing energy-efficient technologies and equipment reduces fuel consumption, resulting in cost savings. Optimizing energy usage lowers energy expenses and improves operational resilience for our manufacturing practices. Additionally, investing in clean and renewable energy sources enhances energy independence and reduces exposure to fossil fuel price volatility.

Information Security and Personal Data Protection

Having a wide customer base and supplier pool, we possess an enormous amount of confidential information on different stakeholders. Should an information leakage occur, we may need to face countless litigation claims and fines from various stakeholders.

Product Quality and Customer Service

As a leading apparel and accessories manufacturer for renowned brands, maintaining high product quality standards and delivering excellent customer service can lead to greater returns. We are constantly innovating to enhance our practices to improve customer satisfaction, reduce returns or recalls, and customer loyalty.

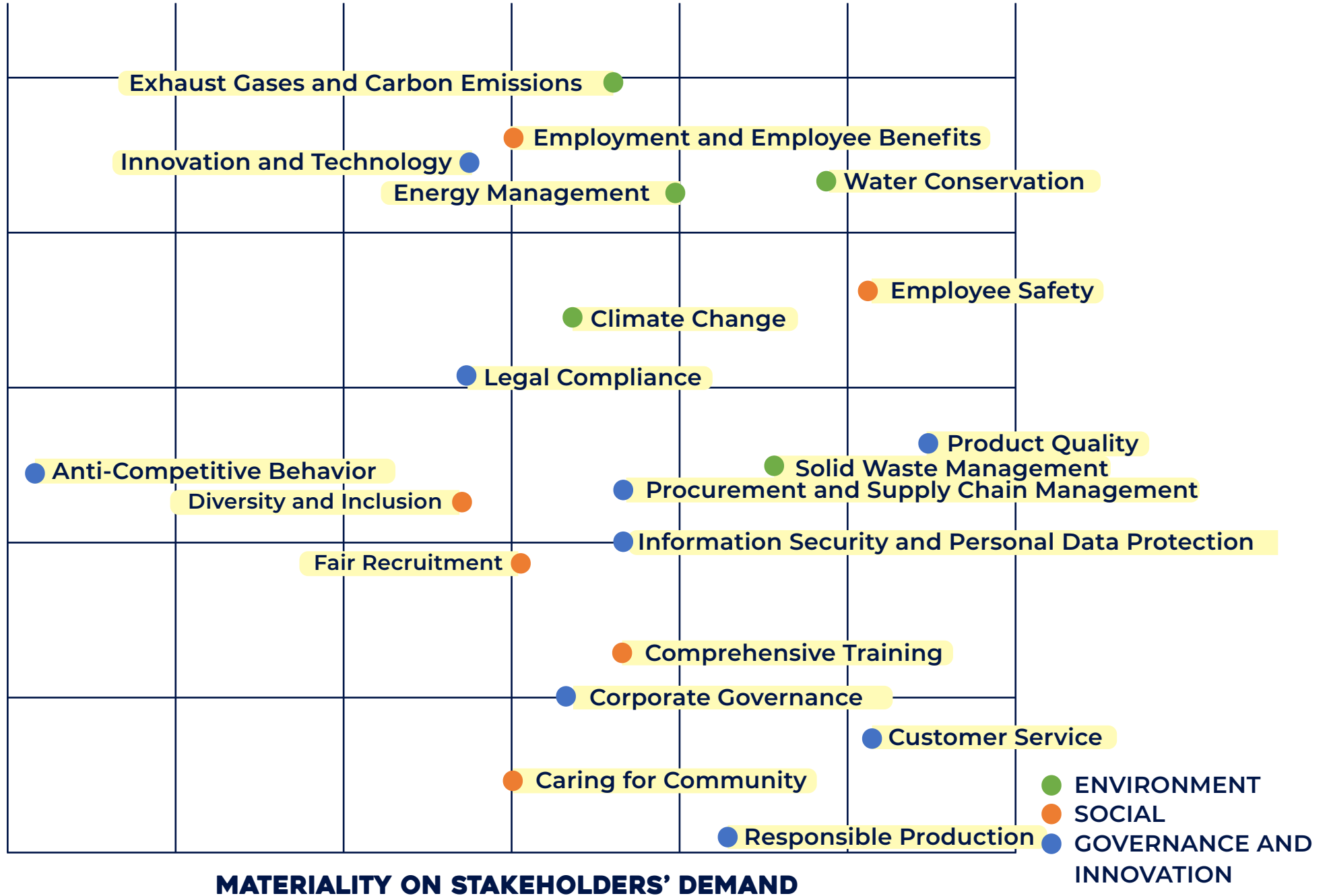
Responsible Production and Legal Compliance

Adhering to responsible production practices can enhance efficiency, reduce waste, and minimize the risk of costly environmental incidents or legal violations. Non-compliance with laws and regulations can lead to fines, legal disputes, and cause damage to our reputation and financial standing.

Water Conservation

Water conservation plays a vital role in Luen Thai's operations, allowing us to achieve cost reduction and enhance sustainability, particularly in Southeast Asia. To effectively conserve water, implementing regular inspections and improving maintenance practices are essential. By conducting frequent inspections, we can quickly identify and address leaks and malfunctions, prevent additional water loss, and unnecessary consumption. These proactive measures contribute to our overall water conservation efforts and reinforce our commitment to sustainable practices.

MATERIALITY ON EXTERNAL STAKEHOLDERS' CONCERN



ENVIRONMENTAL PILLAR






CLIMATE ACTIONS ACROSS OUR SUPPLY CHAIN

At Luen Thai, our environmental targets serve as a roadmap to cultivate sustainable factories and premises. We are committed to implementing effective green initiatives and fostering engagement from our employees, all geared towards reducing our ecological footprint.

In 2023, our Group has not identified any legal non-compliance against the relevant laws and regulations in the operating regions pertaining to emissions or other environmental issues.



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As a leading apparel company, we surpass mere adherence to regulatory requirements. Through ongoing digital transformation and investment in state-of-the-art equipment, our innovative manufacturing approach achieves a dual purpose: enhancing production efficiency and fostering sustainable manufacturing. We achieve this by measuring, monitoring, and minimizing carbon emissions and resource consumption. Moreover, we demonstrate our dedication to environmental stewardship by actively participating in and organizing a range of eco-conscious initiatives within our workplace and local community, raising awareness about the importance of safeguarding our planet.

We ensure our markets are taking proactive steps to reduce their carbon footprint and drive positive change across the entire supply chain. This year, our operations in the Philippines obtained the Higg Index Certification, a standardized framework for assessing and measuring the environmental performance of the apparel and footwear industry. Through the Higg Index, our operations in the Philippines are able to identify areas that require climate action and take targeted action to mitigate climate change across the supply chain. Several of our operations in China have also obtained the ISO14001 certification, setting up the environmental targets aligned with established policies and procedures.

STRENGTHENING CLIMATE RESILIENCE (RISK ASSESSMENT)

Luen Thai conducts risk assessments on a regular basis to identify climate-related risks specific to each production facility. We employ a systematic approach to integrate climate-related risks and opportunities into our overall risk management process, enabling us to make informed decisions and take appropriate actions. Furthermore, our annual review of the materiality assessment and feedback collected from stakeholder engagement activities allow us to identify and prioritize climate-related risks and opportunities to implement effective mitigation practices. The table provided below presents a summary of the physical and transitional risks that were identified and prioritized during this assessment.

TYPE OF CLIMATE RISK: PHYSICAL

PHYSICAL RISK	POTENTIAL IMPACT	RESILIENCE MEASURES
<p>Disruptions arising from acute and chronic climate events</p>	<p>Several of our operational factories and premises are located near coastal areas (e.g. the Philippines) and are more easily exposed to coastal flooding and typhoons. This may threaten operational infrastructure and negatively affect employee health and demand for services.</p>	<p>Reinforce buildings and implement flood protection measures such as barriers or flood-resilient construction materials</p> <p>Develop emergency response plans that outline clear procedures for different scenarios including evacuation protocols and communication channels</p> <p>Implement safety measures designed to protect our people in the face of typhoons and coastal flooding by organizing training programs and establishing evacuation routes</p>
<p>Business travel disruptions due to extreme weather events</p>	<p>Occurrence of unforeseen natural disasters or extreme weather conditions has the potential to disrupt the business travel of our people, clients, and suppliers.</p>	<p>Flexible remote work policies that can help mitigate the business travel disruptions caused by weather events</p> <p>Contingency plans that account for potential travel disruptions such as exploring alternative meeting formats and leveraging virtual communication channels</p>

TYPE OF CLIMATE RISK: TRANSITIONAL

TRANSITIONAL RISK	POTENTIAL IMPACT	RESILIENCE MEASURES
Policy risk	Non-compliance to regulations and policies may result in reputational damage. The penalties can range from fine and legal actions to the revocation of permits or licenses necessary for business operations. Such consequences may leave direct impact on our financial performance and operational continuity.	Proactively monitor and comply with the evolving regulatory landscapes Engage in continuous dialogue with relevant government agencies, industry associations, and other stakeholders to stay informed about sustainable policies
Reputational risk	With the growing expectation to environmental responsibility from various stakeholders, failure to meet these expectations can erode trust, damage our reputation, and negatively affect our relationship with stakeholders.	Demonstrate commitment to sustainability and implement effective measures to address climate change Report our sustainability initiatives, progress, and achievements with transparency to the public Share our information about carbon reduction efforts and promote environmental awareness among employees

OPPORTUNITIES

COST REDUCTIONS	ENHANCED PRODUCTIVITY
Achieve lower energy consumption and reduce water intake through innovative solutions that provide greater efficiency	Boost employee motivation through targeted skills building and employee engagement programs. Attract more talent as a result of enhanced social credibility with strong purpose and values.

AIR EMISSION CONTROL

Our major source of air emissions, including Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Particulate Matter (PM) mostly arises from mobile combustion of company-owned vehicles. We strive to maintain a reasonable level of air emissions. This year, we significantly reduced trip activities among medium to heavy goods vehicles across all business units, resulting in a commendable reduction in fuel consumption and a subsequent decrease in air emissions.

AIR EMISSION ²			
	UNIT	2023	2022
Nitrogen Oxides (NOx)	Kg	6,731	8,178
Sulfur Oxides (SOx)	Kg	10.94	7.32
Particulate Matter (PM)	Kg	337.83	405.69

² Air emission is calculated based on “How to prepare an ESG Report. Appendix 2: Reporting Guidance on Environmental KPIs” published by HKEx.



GREENHOUSE GAS EMISSION CONTROL

One of our primary environmental objectives over the next five years is to reduce our carbon footprint. We assess this by evaluating the emissions per production capacity for each of our factories. At Luen Thai, we actively manage and decrease greenhouse gas (GHG) emissions through digital transformation and the implementation of various green initiatives. To achieve this, we have adopted energy-efficient equipment and integrated renewable energy sources into our operations, thereby reducing both energy consumption and emissions.

In several of our factories located in the Philippines, Cambodia, and the People's Republic of China (PRC), we installed solar panels to generate renewable energy, thus, effectively reducing GHG emissions. To ensure compliance with relevant national standards and evaluate the effectiveness

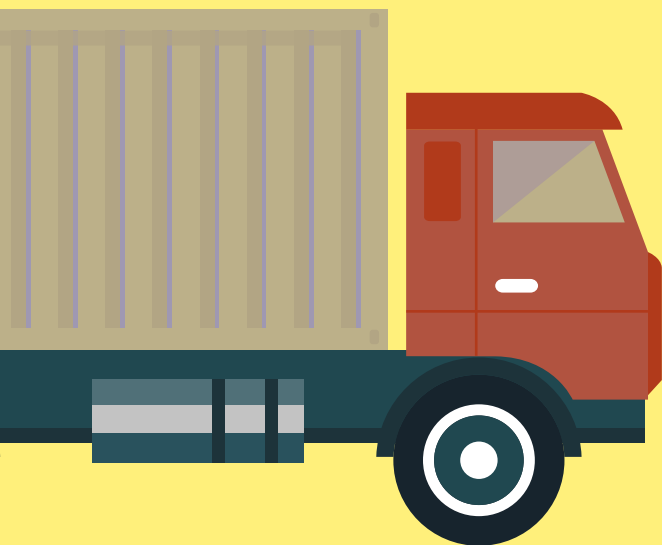
of these initiatives, we conducted regular assessments of our GHG emissions.

The direct GHG emissions (Scope 1) of our Group primarily resulted from the combustion of stationary boiler fuels such as diesel and biomass, as well as mobile fuels. Compared to 2022, our Group has seen an increase in Scope 1 emissions and a decline in Scope 2 emissions. Specifically, there has been a 54% increase in Scope 1 emissions and a 24% drop of Scope 2 emissions.

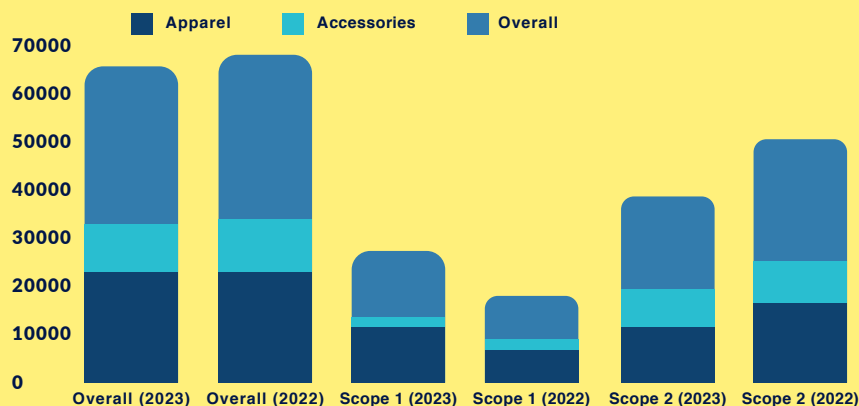
Scope 1 emissions increase is largely attributable to the following reasons:

- Petrol and diesel consumption in the Philippines has risen due to additional audit and legal compliances which necessitated frequent trips from the factory to Manila and other provinces where government offices are located.
- There was an increase in business travel in China due to the establishment of a new R&D team in Dongcheng.
- The aging fleet of vehicles in Myanmar is a contributing factor to decreased efficiency and higher fuel consumption.

Furthermore, it is also important to note that there has been an increase in emissions intensity. This rise can be primarily attributed to a notable decrease of 26.96% in production output. The decrease in production output has resulted in a higher concentration of emissions per unit of production, hence leading to an increase in emissions intensity.



GHG Emission (tCO₂e)



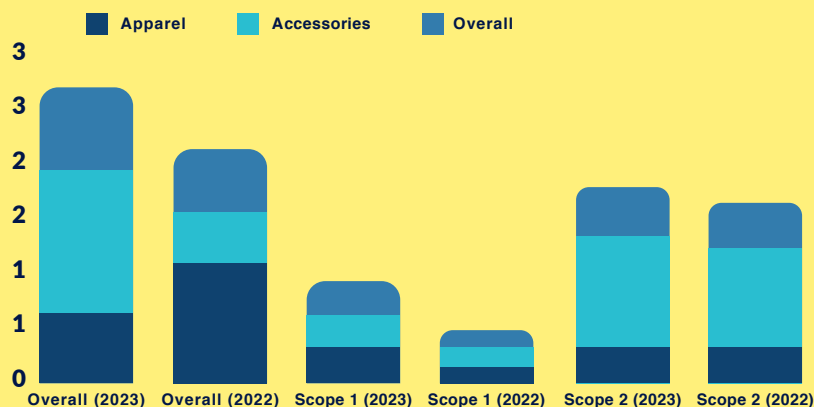
TOTAL GHG³

SCOPE 1⁴

SCOPE 2⁵

	2023	2022	2023	2022	2023	2022
Apparel	23,070	23,174	11,500	7,003	11,571	16,171
Accessories	9,970	11,141	2,208	1,902	7,761	9,240
Overall	33,040	34,315	13,708	8,905	19,332	25,411

GHG Emission Intensity (kgCO₂e per unit)



GHG EMISSION INTENSITY (kgCO₂e per unit of production)

TOTAL⁶

SCOPE 1

SCOPE 2

	2023	2022	2023	2022	2023	2022
Apparel	0.6283	0.4602	0.3132	0.1391	0.3151	0.3211
Accessories	1.2867	1.0584	0.2851	0.1807	1.0020	0.8777
Overall ⁸	0.7430	0.5636	0.3083	0.1463	0.4347	0.4174

³ Total GHG emission is calculated by the summation of Scope 1 and Scope 2 GHG emission. Scope 3 emission was not included for disclosure in this aspect.

⁴ Scope 1 emission is calculated based on the published emission factors from "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx and "UK Government GHG Conversion Factors for Company Reporting."

⁵ Scope 2 emission calculation is based on the published emission factors from "Emission Factors 2021" by the International Energy Agency.

⁶ Total GHG emission (Scope 1&2) over total production units.

⁷ To align with the calculation method and facilitate year-over-year comparison, the 2022 Apparel and Accessories GHG emission intensity data are updated.

⁸ Overall GHG intensity calculation is based on Scope 1 and Scope 2 GHG emission. Scope 3 emission was not included for disclosure in this aspect.

RESOURCE MANAGEMENT

ENERGY USAGE

Luen Thai is dedicated to consistently enhancing energy efficiency by implementing energy-efficient equipment and conducting regular assessments, with the aim of reducing energy consumption. In the current year, we took further steps to promote energy efficiency. For instance, we expanded the utilization of LED lighting solutions in both our manufacturing and office spaces. Additionally, we installed skylights in our mega-warehouses to optimize energy efficiency by maximizing natural light. To further conserve energy, we adopted energy-saving equipment, including advanced air conditioning systems and steam-drying rooms.

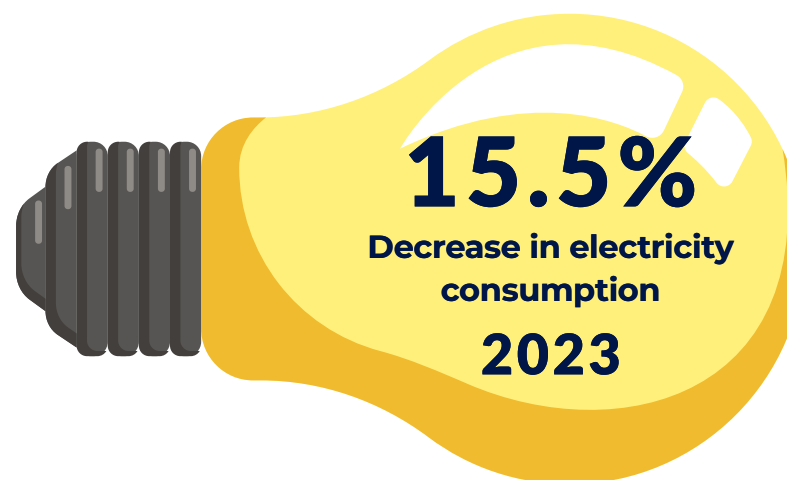
Moreover, we replaced individual small boilers with a centralized steam supply system to significantly improve energy usage efficiency. In our machineries, such as exhaust fans, washing machines, and underground water extractor motors, we incorporated variable speed drives. This enables us to have greater control over energy consumption by adjusting the speed of these high-rated motors based on specific requirements. This year, we further enhanced energy conservation efforts by replacing several sewing machines with servo motors across Cambodia.

These advanced motors consume less energy while offering the advantages of low installation costs and a longer life span. By adopting these energy-efficient servo motors, we reduced our overall energy consumption, achieved cost savings, and improved sustainability in our production processes.

Furthermore, sensor-activated lighting systems were installed in office washrooms and walkways, allowing for lights to be activated only when necessary. The incorporation of skylights throughout the building maximizes the utilization of natural light, reducing the reliance on artificial lighting and resulting in significant energy savings. Daily inspections are conducted to monitor compliance with energy-saving rules, and disciplinary actions are taken to enforce adherence to these practices. The regular recording and analysis of sub-metering data enable the identification of specific areas for improvement in energy usage, facilitating targeted measures to further enhance energy conservation. Through these comprehensive efforts, Luen Thai is committed to minimizing energy consumption, fostering sustainability, and creating an eco-friendly production environment.

In comparison to 2022, the Group has experienced a significant decrease of 15.5% in electricity consumption. However, it is notable that there has been a simultaneous increase of 16% in electricity intensity during the same period. The Group has increased the use of renewable energy sources this year, displacing the need for electricity generated from conventional fuels. We have also implemented more energy-saving initiatives by upgrading equipment and optimizing energy management systems. The decrease in production output, coupled with slightly reduced electricity consumption, has led to an increase in electricity intensity as fewer units of production are supported by the slightly decreased electricity consumption.

Energy saving management also involves the implementation of effective strategies and policies to manage energy consumption, including regular audits, identifying areas of high usage, and adopting energy-saving technologies and equipment. We promote programs that educate employees about the importance of energy conservation and provide them with practical measures to reduce consumption in their daily tasks. Our Correcting Usage Behavior Training focuses on addressing and changing inefficient energy usage habits through demonstrations, workshops, and coaching. By integrating these initiatives, Luen Thai optimizes energy usage, fostering a culture of sustainability where all employees actively contribute to energy-saving practices.



ELECTRICITY CONSUMPTION (kWh)		
	2023	2022
Apparel	23,533,546	27,464,198
Accessories	15,196,936	18,394,832
Overall	38,730,482	45,859,030

ELECTRICITY CONSUMPTION INTENSITY (kWh per unit of production) ⁹		
	2023	2022
Apparel	0.64	0.55
Accessories	1.96	1.75
Overall	0.87	0.75

⁹ Total electricity consumption over total production unit

CASE STUDY: ROOFTOP SOLAR POWER PV SYSTEM

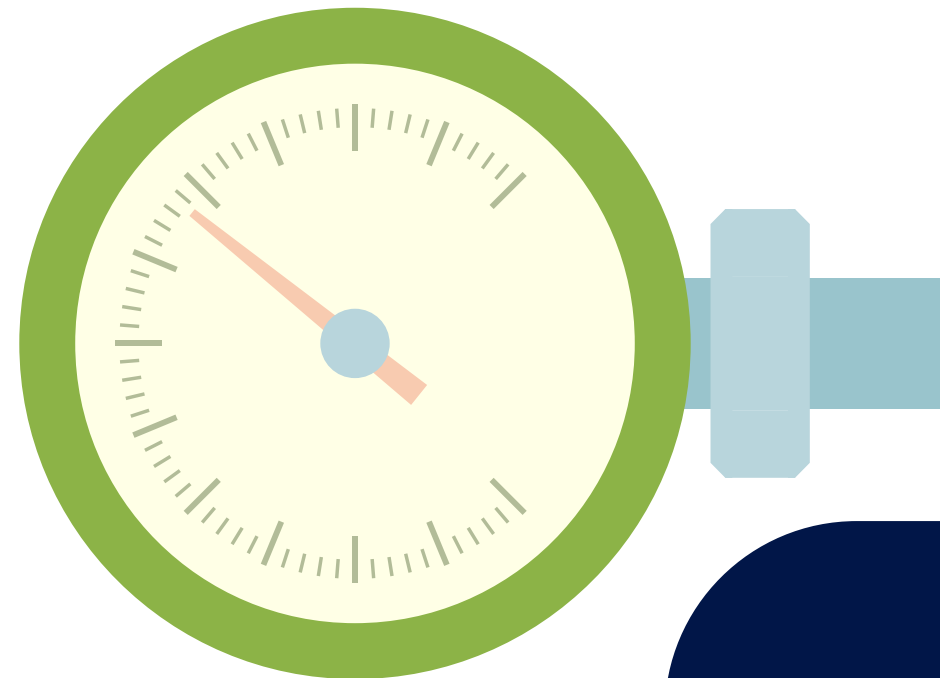


Starting from March 2022, we launched solar energy project across multiple regions as an effective means to increase the use of renewable energy within our operations. The solar PV system primarily supplies power to vital components of the production lines, such as exhaust and blower fans. Solar PV system implemented by a factory in Cambodia is a hybrid system that incorporates battery storage and an automatic transfer switch, allowing for a transition between the normal grid power supply and solar power as per the requirements.

In our pilot factories located in the Philippines, China, and Cambodia, we successfully implemented rooftop solar panels, resulting in a combined electricity generation of 1,330,910 kWh during FY23. As we continue to expand our solar PV installations, we anticipate an annual electricity generation of approximately 3 million kWh upon completion. This significant increase in renewable energy production contributes to a reduction in carbon emissions, leading to cost savings for the company.

As compared to 2022, the Group has recorded an increase in boiler fuel consumption by 45% and an increase in boiler fuel intensity by 100%. The increase was mainly due to the effect of the following reasons:

- After the completion of boiler renovation and steam trap improvement in Cambodia, the boiler required more fuel to achieve optimal parameters and performance due to the adjustment period. As the system is calibrated and optimized, fuel consumption is expected to stabilize and potentially decrease in the long run. Additionally, alternative heating sources and temporary boilers have been utilized to compensate for the downtime during the maintenance and upgrades. These temporary arrangements are not as fuel-efficient, resulting in higher fuel consumption.
- Increase of boiler fuel consumption intensity due to the overall reduced production units.



BOILER FUEL			
	UNIT	2023	2022
Consumption Intensity	Kg Kg per unit of production	11,361,260 0.26	7,838,700 0.13

WATER CONSERVATION

At Luen Thai, we recognize our responsibility to use water sustainably, and as such, we implemented robust water management practices. Over time, we gradually adopted new technologies and water-efficient appliances to meet our consumption targets for reducing freshwater usage per garment and increasing the use of recycled water in each factory.

As part of our ongoing commitment to water conservation, we planned several initiatives to further enhance our efforts at Luen Thai. To promote water conservation within office spaces in Cambodia, we are undertaking initiatives to replace all traditional non-aerated type faucet bibcock and hose bibs. These fixtures, which typically have a high flow rate of approximately 12 liters per minute, will be replaced with single-handed aerated type faucets that approximate a significantly lower flow rate of 3.44 liters per minute. This upgrade will help us achieve substantial water savings across our facilities. Additionally, we are expanding our rainwater harvesting capabilities by installing additional rainwater harvesters in office or operation buildings. These new systems will allow us to capture and store rainwater for various non-potable water needs, further reducing our reliance on freshwater resources.

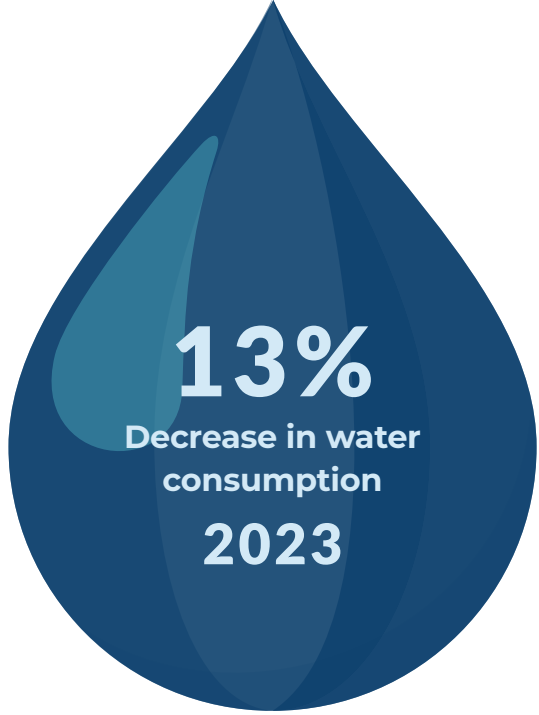
To closely monitor and analyze our water usage, we conduct daily inspections and maintenance reports to identify and address any issues that may contribute to water wastage. By promptly addressing maintenance requirements, such as fixing leaks or repairing faulty equipment, we minimize water loss and maintain the efficiency of our water systems. We keep our daily metering records, enabling us to identify trends, patterns, and areas of improvement in water consumption.

To ensure the success and continued effectiveness of these water conservation initiatives, we prioritize raising awareness and providing training to our employees. Through regular training sessions, we educate our workforce on the importance of water conservation and equip them with practical tips and techniques for saving water in their daily activities.



WATER CONSUMPTION	UNIT	2023	2022
Apparel	Cubic meters	1,007,803	1,144,030
Accessories	Cubic meters	203,672	244,295
Overall	Cubic meters	1,211,475	1,388,325

WATER CONSUMPTION INTENSITY	UNIT PER UNIT OF PRODUCTION	2023	2022
Apparel	Cubic meters	0.027	0.023
Accessories	Cubic meters	0.026	0.023
Overall ¹⁰	Cubic meters	0.027	0.023



As compared to 2022, the Group recorded 13% decrease in water consumption while intensity was increased by around 17% to 0.027 cubic meters per unit of production. The decrease in water usage can primarily be attributed to a reduction in manpower and working hours resulting from a decrease in production orders. This, in turn, contributes to a relative increase in the intensity of water consumption per unit of production.

¹⁰ Total water consumption over total production units

NATURAL AND RAW MATERIALS CONSUMPTION

Luen Thai is committed to responsible management of natural and raw material consumption throughout our operating cycle. By actively managing and controlling our natural and raw material usage, while upholding customer quality requirements and standards, we strive to minimize our environmental footprint and contribute to a more sustainable industry. By engaging in ongoing dialogue with both our clients and material suppliers, we make informed decisions about the materials we use, considering various factors such as environmental impact, social responsibility, and quality standards.

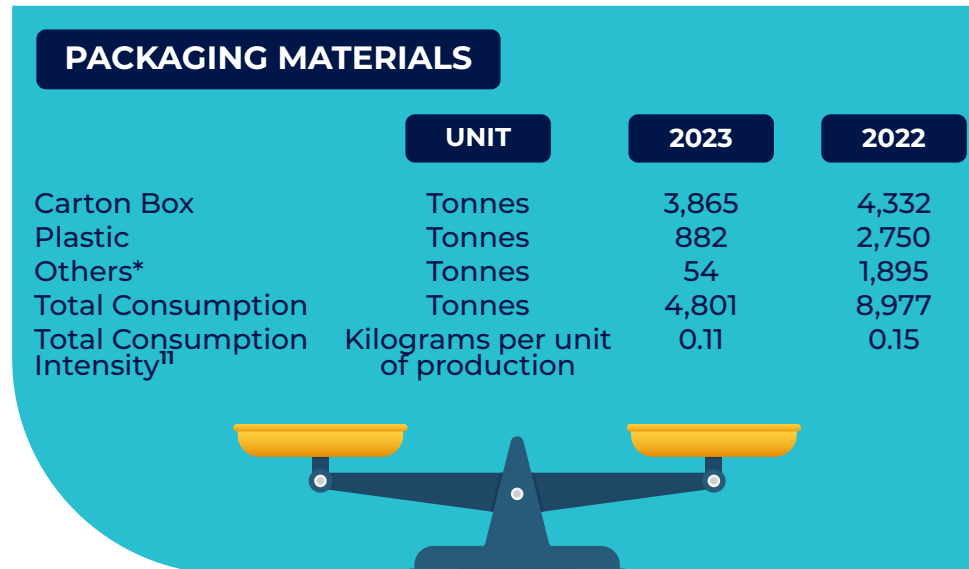
Our operations in Cambodia adhere to materials approved with certifications from recognized sustainability standards, providing assurance to our clients that our products are produced in an ethically and environmentally responsible manner. We prioritize materials that have received certifications such as the Recycled Claim Standard (RCS), Global Recycled Standard (GRS), and Responsible Wool Standard (RWS). These standards enable us to assess the traceability of recycled content, the adherence to responsible production processes, and the ethical treatment of animals in the case of wool.



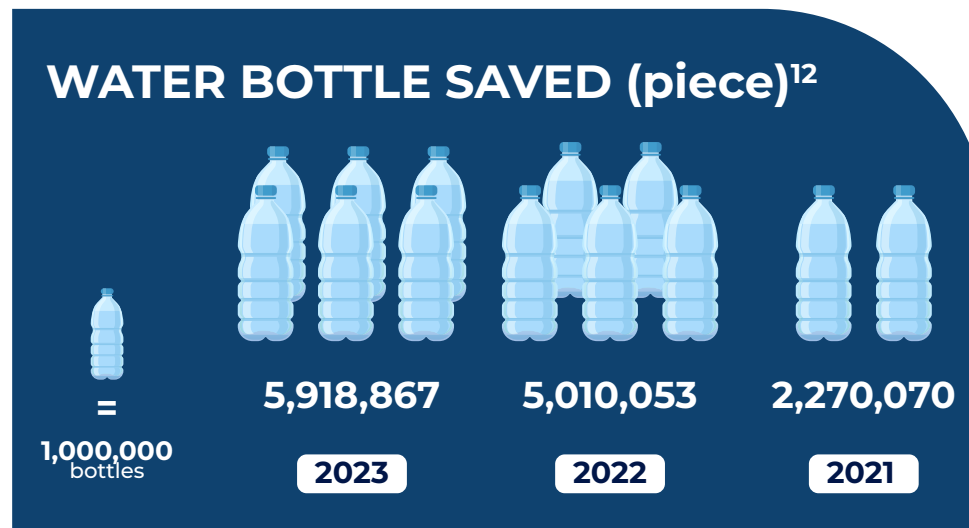
Our operations in China are also RCS certified, demonstrating our commitment to using recycled materials in our production processes. In line with our sustainability efforts, we prioritize the use of recycled materials in our manufacturing. Some of the recycled materials we utilize include 100% recycled post-consumer polyester, a blend of 82% recycled post-consumer polyester and 18% elastane, a combination of 65% recycled post-consumer polyester and 35% cotton, and a mix of 98% recycled post-consumer polyester and 2% elastane, among others. These materials help reduce waste and conserve resources, meeting the quality and performance requirements of our products.

The decrease in the number of production units has led to a notable reduction in the packaging materials employed including paper, cartons, and plastics. This reduction in packaging materials aligns with the organization's efforts to minimize waste and promote environmental stewardship.

Launched in 2018, our #BringYourOwnBottle campaign has been a key initiative in our offices and factories to promote the use of reusable cups and water containers with active support by our employees and visitors. With full implementation of "No disposable bottle is allowed" in most of our factories in Cambodia, the Philippines, and PRC, we have saved almost 6 million water bottles for 2023.



*Others include labels, plastic strings, tissue, and metal glass



¹¹ Total weight of packaging materials consumption over total production units

¹² The calculation is based on estimation and formulated as number of employees x 2 bottles per day x number of workdays

WASTE MANAGEMENT

At Luen Thai, we are dedicated to establishing procedures to enhance responsible waste management. Through adherence to local and international standards, regular policy reviews, and comprehensive audits, we strive to ensure proper waste disposal within our organization. By continuously evaluating and improving our waste management practices, we aim to minimize our environmental impact and contribute to a cleaner and more sustainable future.

We strictly comply with the local laws and regulations relating to the disposal, transfer, and handling of hazardous waste, including but not limited to the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC, Ecological Solid Waste Management Act of the Philippines and Toxic Substances, Hazardous and Nuclear Waste Control of the Philippines.



CHEMICAL AND WASTEWATER MANAGEMENT

This year, we made ongoing efforts to eliminate the discharge of hazardous chemicals in our manufacturing processes to minimize associated environmental and health risks. We place a strong emphasis on limiting the use of volatile organic compounds (VOCs) and ensuring compliance with standards such as the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) Regulation. These guidelines provide a framework for identifying and managing hazardous chemical substances, ensuring that they are used responsibly and within legal limits.

To enhance safety within our workplaces, we implemented strict control measures for handling dangerous chemicals. These substances are stored in locked warehouses to prevent unauthorized access and are managed by designated staff who have received appropriate training. Water discharge is monitored in accordance with operational requirements specified by the regions where we conduct business. Prior to discharge, wastewater from operations and industrial processes is monitored and treated at sewage treatment plants. In 2023, effluent discharge was recorded at 747,370 cubic meters. By implementing these measures, we aim to maintain a safe working environment for our employees and minimize the potential risks associated with hazardous chemicals.

GENERAL WASTE MANAGEMENT

To promote recycling practices, we established partnerships with reputable recycling waste companies to handle various types of waste generated in our operations. We actively engage with recycling waste companies for materials such as paper, plastic and thread cones. Through these partnerships, we ensure that the waste is properly sorted, processed, and recycled, allowing us to divert these materials from landfill and reintroduce them into the production cycle as valuable resources.

This year, our operations in one Cambodia factory implemented a waste diversion program in collaboration with a certified Industrial Waste Management Company known as Chip Mong Ecocycle. Through this waste-to-energy process, the textile waste is transformed into a valuable resource. This approach helps us minimize the environmental impact associated with textile waste disposal and reduces our reliance on traditional energy sources. We also implemented an overall activity waste generation tracking system within operations located in Cambodia to effectively monitor and manage waste generated throughout our operations. This system allows us to track waste generation at various stages of production, enabling us to identify opportunities for waste reduction and implement targeted strategies. Cartons, yarn cones, plastic packaging, and rejected plastic and cartons from finished goods are collected and sorted for potential resale or reuse. By reselling these materials, we extend their lifecycle and reduce the need for new packaging, thereby minimizing waste and promoting resource efficiency.



WASTE REDUCTION APPROACH

Waste Diverted from Disposal

UNIT

Tonnes

2023

969

2022

1,505

WASTE GENERATION

UNIT

2023

2022

Hazardous

Tonnes

166

150

Non-hazardous

Tonnes

11,287

11,062

Total

Tonnes

11,453

11,212

Intensity

Kg per unit of production

0.26

0.18

A notable increase in non-hazardous waste is mainly attributable to one Philippine factory due to the disposal of outdated machinery. Additionally, as a result of more frequent septic tank cleaning during the wet season in a factory in Cambodia, there has been an upsurge in the production of hazardous waste, specifically treated sludge.

GREEN INITIATIVES

RECYCLING FABRIC SCRAPS INTO TABLECLOTHS

In response to the growing demands to reduce waste and adopt sustainable practices within the textile industry, we transform discarded materials into new and useful products. Once the selected fabrics are cleaned and checked for durability, we carefully repurpose them into sustainable tablecloths. Such recycling practices enabled us to optimize material usage and reduce the need for additional raw materials, further demonstrating our commitment to drive environmental stewardship.

EARTH HOUR 2023 – WWF’S EARTH HOUR

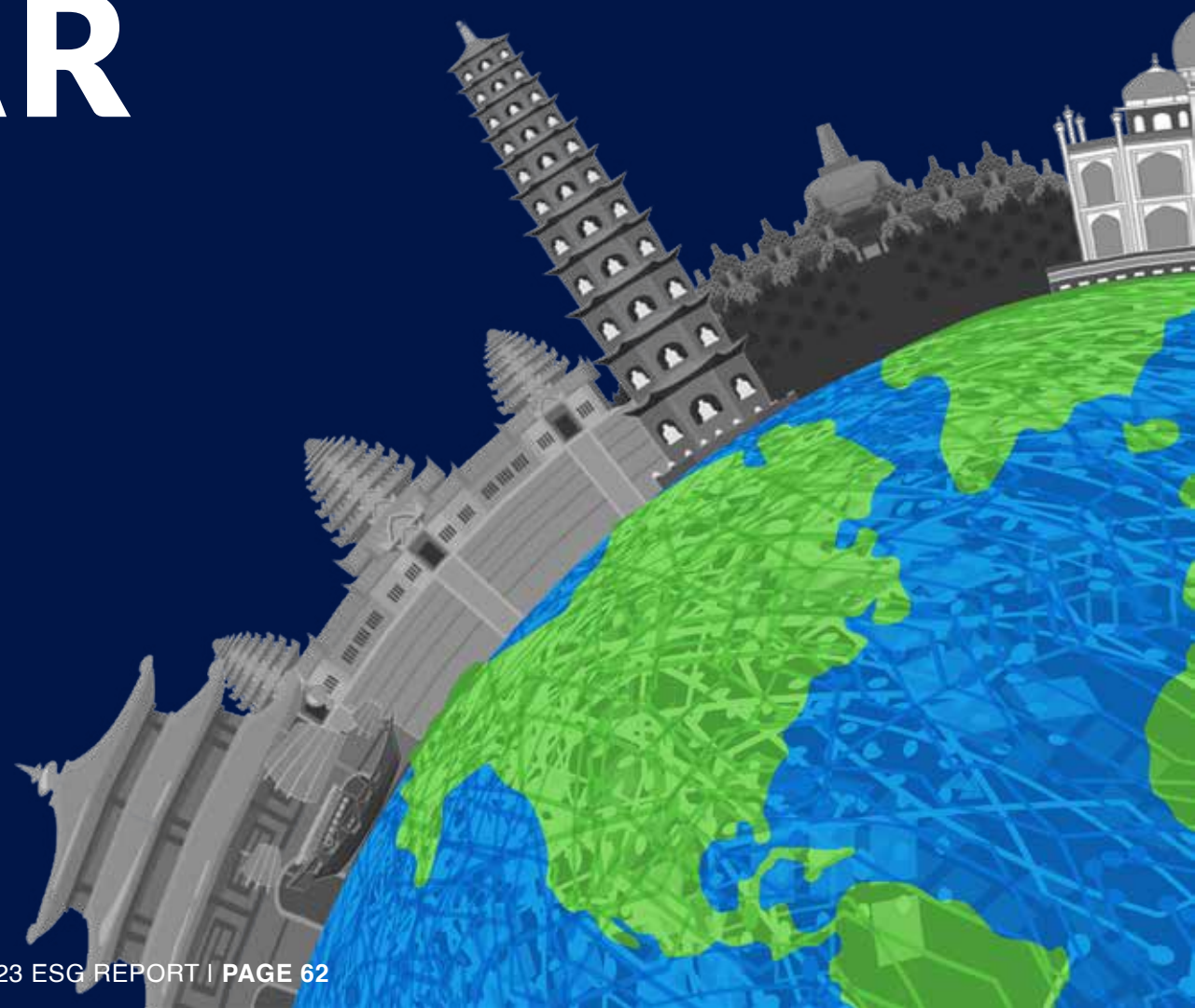
This year, we played an active role in improving environmental awareness and conserving energy through participation in Earth Hour, organized by the World Wide Fund for Nature (WWF). Earth Hour is a global movement that encourages individuals, organizations, and communities to switch off non-essential lights for one hour to raise awareness about climate change and the need for sustainable action. Recognizing the significance of this initiative, we joined Earth Hour across all our office settings to reduce unnecessary energy usage and take action towards a more sustainable future.

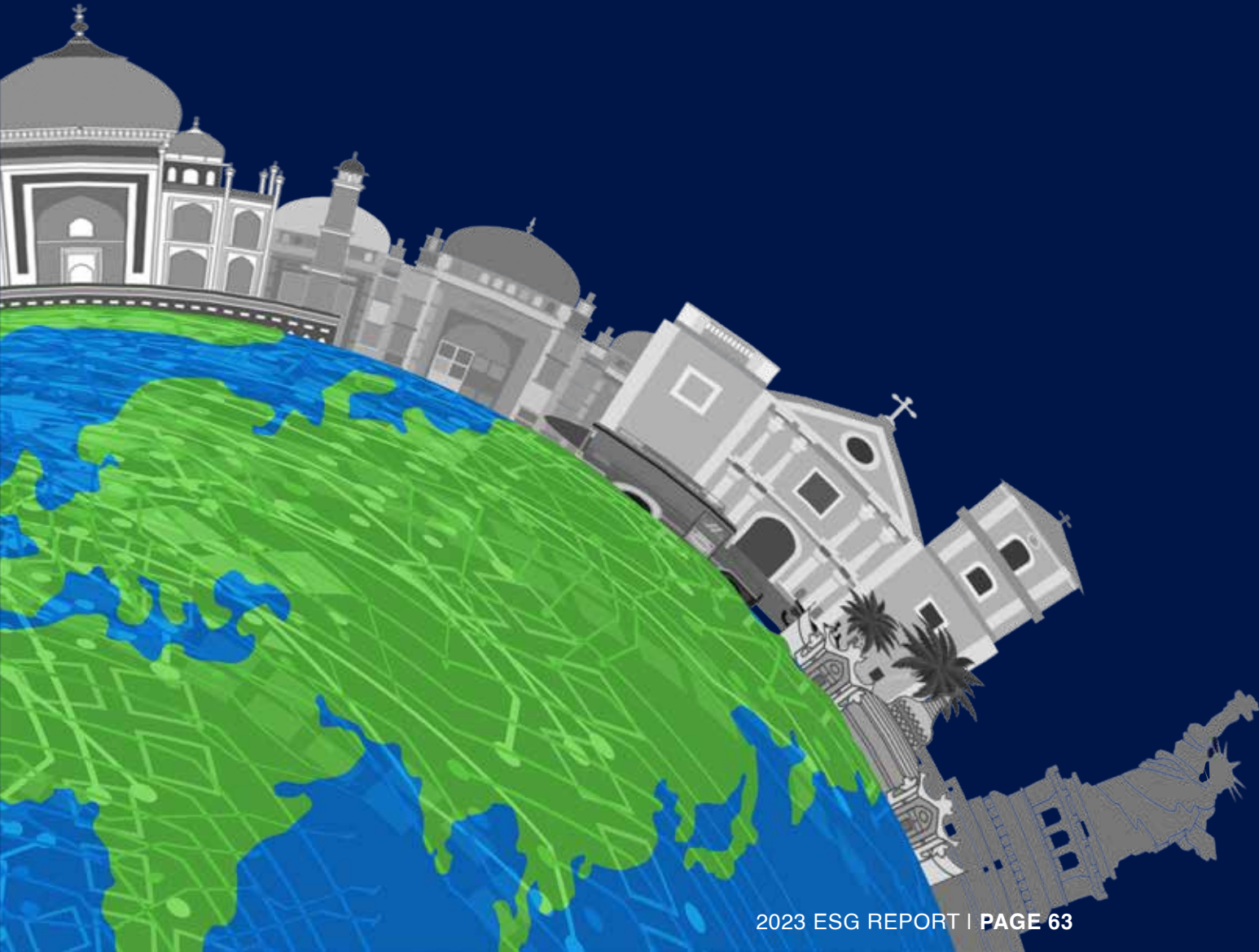
GREEN ACTION – GREENERS ACTION

Greeners Action is a leading environmental non-profit organization in Hong Kong, making significant contributions to climate awareness through promoting sustainable lifestyles and addressing waste reduction, plastic pollution, and food waste issues. By combining our efforts with Greeners Action, we encouraged individuals and communities to adopt eco-friendly practices and reduce their carbon footprint. Through active participation in Green Action, we demonstrated our commitment to mitigating climate change and inspire others to join the movement towards a greener and more sustainable future.



BUSINESS PILLAR

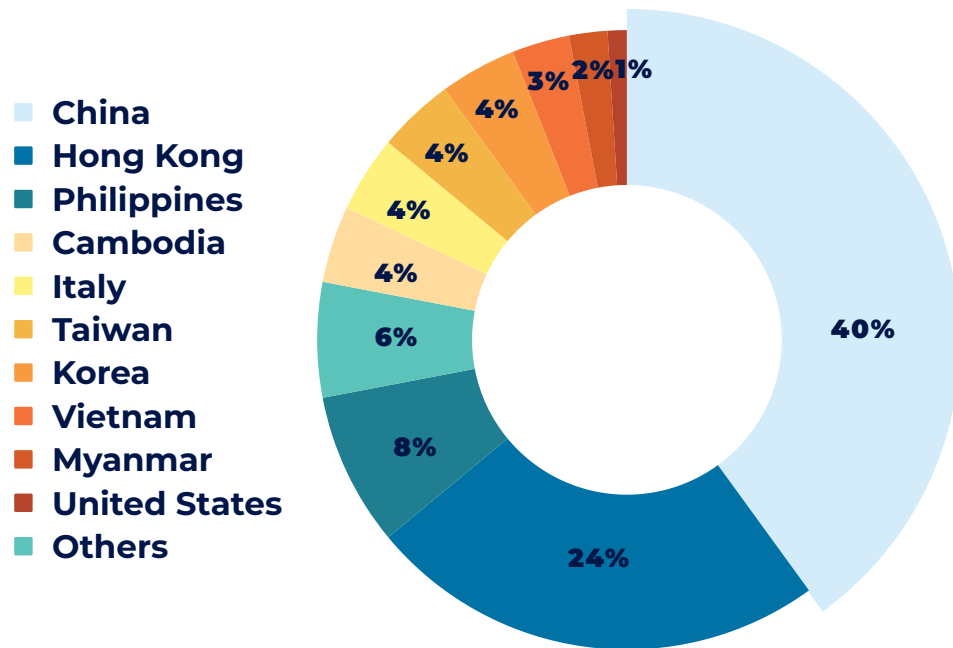




SUPPLY CHAIN MANAGEMENT

As a responsible manufacturer, we prioritize building lasting relationships with our suppliers. Supported by our supplier management policy and supplier selection mechanism, we are committed to embedding a sustainable culture in the supply chain.

This year, we managed a diverse international supplier base of 2,134 companies across 42 countries for materials and services essential to our production process.



**Others include American Samoa, Angola, Bangladesh, Brazil, British Virgin Islands, Bulgaria, Cayman Islands, Chile, France, Germany, Greece, India, Indonesia, Ireland, Japan, Macau, Malaysia, Mauritius, Mexico, Netherlands, Pakistan, Panama, Portugal, Samoa, Singapore, Spain, Sri Lanka, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom.*

At Luen Thai, we actively perform supplier assessments on both new and existing suppliers to manage the potential environmental and social risks within the supply chain. Our Group’s procurement policy requires all new suppliers to be screened under the supplier assessment criteria as presented below. For suppliers that have a significant impact on the supply chain, the Group goes a step further and conducts evaluations that cover critical aspects of social responsibility. These aspects encompass ethical behavior, employment practices, health and safety standards, and product responsibility. Our supplier risk assessment practice helps safeguard the integrity of the supply chain, mitigates risks, and promotes social and environmental responsibility throughout the procurement process.



LUEN THAI SUPPLIER RISK ASSESSMENT

SUPPLIER ASSESSMENT

Organizational management responsibility as demonstrated in Code of Conduct, compliance training, and procedures in place to implement timely corrective actions for deficiencies.

Commitment and contractual obligation with labor/employment and business ethics laws and regulations.

Human rights and fair working conditions as demonstrated in established policies that prevent forced/child labor or discrimination of any form. Certification in place related to health and safety (e.g. ISO 45001, ANSI Z10, CSA Z1000, BS 18004, OSHA VPP).

Formal corrective actions in place of any violations regarding the aforementioned topics, along with effective grievance procedure.

Environmental responsibility and sustainability as demonstrated in environmental policies, goals, and targets. Certifications in place related to responsible production (e.g. ISO 14001, RC 14001, EMAS).

EVALUATION OUTCOME

Only qualified suppliers who have obtained a certain score are allowed for further engagement in business.

Business integrity as demonstrated in programs in place to prevent corruption and conflict of interest. Legal compliance status with applicable regulations under labor and social law in the country of deployment.

Based on the nature and location of the suppliers, the scope of supplier assessment criteria could be further expanded to include more aspects than others.

Export control system in place covering trade restrictions (e.g. dual use goods, goods on commerce control lists).

Selection and procurement priority is given to suppliers who have acquired globally recognized standards on environmental management (e.g. ISO 14001) or health and safety (e.g. ISO 45001).

Intellectual property rights, trade secrets, and data protection.

PRODUCT QUALITY MANAGEMENT

We are committed to providing our global customers with high-quality, safe, and reliable products. To achieve this goal, our Group strictly abides by local laws and regulations, mitigating associated social and litigation risks along the supply chain. Our products are manufactured in compliance with globally recognized standards including Organic Content Standard (OCS) and Global Recycled Standards (GRS), certified by the Control Union.

To ensure the highest quality of our products, we implement comprehensive quality assurance process and testing plans throughout every crucial stage of the manufacturing process. Our focus on product design and careful selection of raw materials guided by our internal policy allows us to effectively manage and minimize the presence of hazardous substances in our products, ensuring compliance with environmental and product safety regulations.

Our Quality Department, guided by an internal Work-in Process Inspection principle, maintains the highest standards by conducting thorough incoming quality control on all raw materials received from our suppliers. Only materials that meet our qualifications are approved for use in our manufacturing plants, while any non-conforming materials are handled according to established procedures at the earliest possible stage of production. In the event that any non-conforming products are identified, we analyze the data and rely on quality control instruments to drive enhancements. We also established rules that ensure prompt corrective action to avoid any form of disruption to production and delivery commitments.

Before our finished products are delivered to our valued customers, we take additional measures to ensure safety and quality. This includes engaging external testing agencies or utilizing customer-approved internal laboratories to perform product inspection and testing. These independent entities serve as the final line of product assurance, verifying that our finished products meet the necessary quality standards.

CUSTOMER SATISFACTION MANAGEMENT

Our effective communication channel enables us to maintain strong connections with our current partners, clients, and stakeholders. Through this channel, we regularly collect and consider customer feedback on our products and services. By actively improving our offerings based on this feedback, we aim to raise awareness of our products and strengthen our business partnerships to ensure client satisfaction.

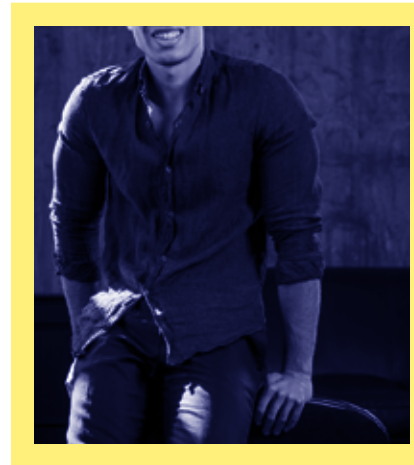
This year, our operations in Cambodia carried out an annual customer satisfaction survey, fostering an enduring connection with our valued customers. At Group-wide level, our people were trained to handle complaints in a proper and timely manner, providing formal responses to customers within specified timeframes. We conduct thorough analyses of the complaints and take appropriate corrective actions. If necessary, we also initiate product recall procedures to minimize any potential negative effects. Detailed investigations are conducted on customer complaints, and the results are reported to management. This helps us identify areas for improvement and implement necessary changes.

In 2023, Luen Thai's commitment to product health and safety was evident, with no major product recalls occurring. The year did see a minor complaint related to product quality from a Philippine factory, but it's noteworthy that this had no financial impact and was not related to services. The issue was addressed promptly and effectively, ensuring a satisfactory resolution. Comprehensive corrective actions were implemented to rectify the identified defects, demonstrating an ongoing commitment to quality and continuous improvement. These measures are part of a broader effort to maintain the highest standards of product safety and customer satisfaction.

Protecting our customers' intellectual property rights and trade secrets is a top priority for the Group. We are committed to abiding by local laws and regulations that safeguard intellectual property rights, such as the Cap. 528 Copyright Ordinance in Hong Kong, the Protection of Customer Rights and Interests Law of the People's Republic of China, and the Intellectual Property Code of the Philippines, among other country-specific guidelines.

To maintain strict confidentiality and prevent unauthorized disclosure of intellectual property rights and trade secrets, Luen Thai implements the appropriate measures. We formulated policies and procedures to protect information received from various stakeholders, including suppliers and customers, ensuring compliance with relevant regulations in regions where we conduct business operations. For instance, we adhere to the Personal Data (Privacy) Ordinance (Chapter 486) of the Laws of Hong Kong and the European Union General Data Protection Regulation.

To control access to sensitive information, we implemented restrictions on email and file access, allowing correspondence only with designated customers and suppliers. An authorization mechanism is in place to ensure that authorized personnel from specialized departments can access the relevant information on an as-needed basis. During the reporting period, we did not receive any complaints related to the breach of customer privacy.



INNOVATION AND TECHNOLOGY



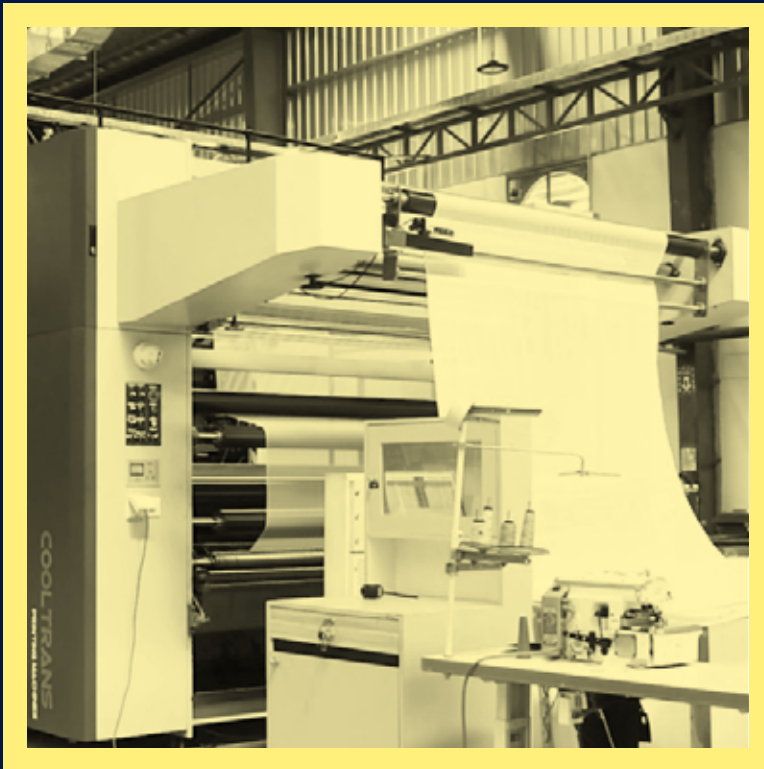
Luen Thai is dedicated to pioneering sustainable and innovative practices. Our approach intertwines cutting-edge technology with environmental stewardship, ensuring that we stay at the forefront of the industry and sustainability.

At the heart of our strategy is our investment in NTX™ technology, particularly the NTX™ Cooltrans waterless coloring technology. This groundbreaking solution revolutionizes the fabric coloring process by significantly reducing the need for water, energy, and chemicals. The environmental benefits of this technology are substantial, aligning perfectly with our commitment to minimize our ecological footprint.

Through our SewSewYou platform, we transform excess luxury materials and standard stock materials into curated collections, blending sustainability with style. By leveraging the latest technology solutions and offering a comprehensive end-to-end solution for clients, SewSewYou streamlines the fashion design and production process, delivering exceptional high-quality products.

The integration of Artificial Intelligence (AI) with our NTX™ platform is a testament to our commitment to efficiency and quality. AI enhances our manufacturing processes, allowing for rapid adaptation to changing market trends and demands. This integration ensures that we can produce high-quality products efficiently, optimizing our supply chain and reducing waste.

In addition to NTX™ Cooltrans, we have embraced HeatTranX technology, a sustainable digital printing method that supersedes traditional screen printing. HeatTranX offers limitless color options and flexibility in order quantities, making it an environmentally friendly and efficient alternative. This technology plays a crucial role in reducing water usage, energy consumption, and chemical waste, further solidifying our commitment to sustainable manufacturing practices.



Additionally, we are vigorously advancing our on-demand manufacturing (ODM) and build-to-order approach. This strategy, implemented through initiatives like SewSewYou and our newly launched Original Brand Manufacturing (OBM) program, is aimed at significantly reducing waste by preventing overproduction.

Our Own Brand Manufacturing (OBM) strategy is a vital component of our innovation and technology narrative. OBM represents a transformative shift in our business model, focusing on speed, efficiency, and environmental consciousness. By transitioning to a 14-day Direct-to-Consumer (D2C) model, we significantly reduce inventory waste and enhance resource utilization efficiency. This rapid response system aligns with our commitment to reduce overproduction, a critical factor in the fashion industry's environmental footprint.

Complementing our on-demand and build-to-order model is our near-shoring initiative. We have initially partnered with a university in the USA for technology exchange and collaboration. This approach will allow us to design and produce products closer to customer markets, enhancing supply chain efficiency and reducing environmental impact.

In conclusion, Luen Thai's strategic investments in NTX™ technology, HeatTranX, AI integration, OBM, ODM, and nearshoring initiatives underscore our unwavering commitment to innovation and sustainability.



PEOPLE PILLAR





Our people's well-being and happiness lie at the core of our successful business operations. To ensure a healthy and safe workplace environment, Luen Thai strives to foster a culture of diversity and inclusion that respects, values and connect our employees by fostering a culture of diversity and inclusion.

Looking forward, we remain committed to prioritizing mental health and well-being, and we will continue to work toward addressing any obstacles that may hinder opportunities for our workforce.





DIVERSITY AND INCLUSION

At Luen Thai, we strongly advocate for the strength that diversity brings, embracing various cultures, locations, and functions in every country where we have a presence. Our comprehensive policies are designed to combat discrimination and safeguard the rights of our female employees, guaranteeing equitable compensation, treatment, benefits, and overall well-being. No discrimination case was brought up regarding race, religion, gender, nationality, age, pregnancy, or disability in our recruitment, training, salary and promotion in 2023. We continually work to shape a more inclusive and equal workplace.



Our achievements are reflected in the GRA (gender, race, and age) data with a male-female ratio of 59:41 compared to 57:43 last year, at the director level and above consisting of 15 different nationalities and spanning four age groups in 2023. Our culture of diversity has proven to be a magnet for top-tier talented people from 11 different countries around the world. In our commitment to fostering an inclusive work environment, we prioritize the elimination of any forms of discrimination based on age, gender, and ethnicity. To achieve this goal, we have implemented various initiatives, including a reverse-mentoring program that pairs senior executives with younger or more junior professionals, aiming to challenge and eliminate age bias that may exist within the Group.

EMPLOYEE PROFILE

TOTAL EMPLOYEES

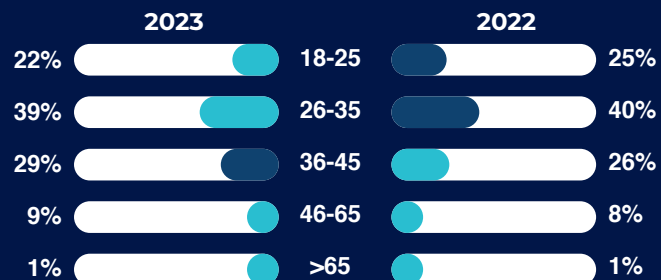
2023

31,393

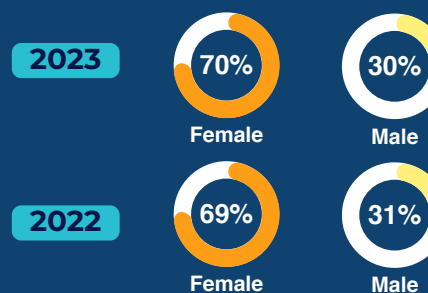
2022

36,368

EMPLOYEES BY AGE GROUP



EMPLOYEES BY GENDER



EMPLOYEES BY GEOGRAPHICAL REGION

Region	2023	2022
Cambodia	15,232 (48%)	42%
Philippines	10,566 (34%)	39%
Mainland China including Hong Kong	2,771 (9%)	8%
Myanmar	1,967 (6%)	8%
Others*	857 (3%)	3%

* Others include Bangladesh, India, Indonesia, United Arab Emirates, United States of America, and Vietnam

EMPLOYEES BY NATIONALITY

Nationality	2023	2022
Cambodian	48%	42%
Filipino	34%	40%
Chinese (Mainland China and Hong Kong)	9%	8%
Burmese	6%	9%
Others**	3%	1%

**Others include American, Bangladeshi, British, Canadian, Dominican, German, Indian, Indonesian, Japanese, Malaysian, Mexican, New Zealander, Pakistani, Singaporean, Sri Lankan, Taiwanese, Turkish, and Vietnamese

PRACTICING FAIR BUSINESS AND EMPLOYMENT PRACTICES

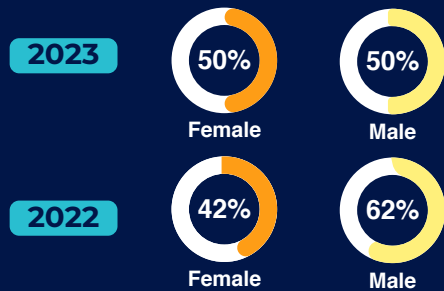


At Luen Thai, we adhere to all legal laws and standards that govern fair labor practices. Our practices related to recruitment, promotion, and dismissal align with the guidelines outlined in Cap. 57 Employment Ordinance in Hong Kong, the Labor Law of the People's Republic of China, The Labor Code of the Philippines, and Cambodian Labor Law, as well as other country-specific regulations.

Improving the value of employment is paramount to us. We strictly adhere to national requirements when arranging work breaks, timetables, and holidays. Allowances, such as legally required benefits, seniority, incentives, hospitalization assistance, meals, and transportation, are provided based on necessity, position, or performance. Furthermore, female employees at select factory sites are accommodated with breastfeeding facilities.

In 2023, our global workforce reduced by around 14% from around 36,000 employees last year to 31,393. This decrease in workforce size was largely attributed to the hindrance of economies in post-pandemic era where there were permanent closures and downsizing of some of our operations. These are very difficult but necessary actions to maintain a cost-competitive and sustainable future for the Group and the remaining employees.

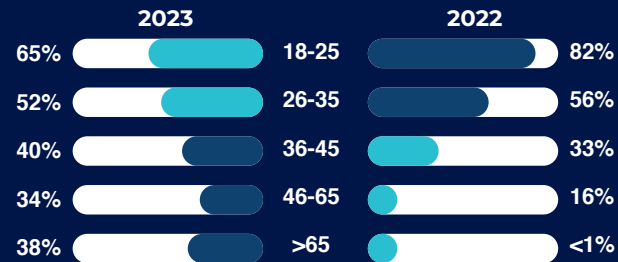
EMPLOYEES TURNOVER RATE BY GENDER



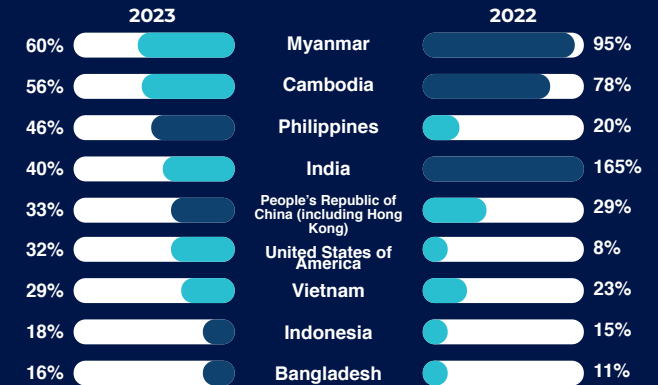
Note 1: The formula for the calculation of employee turnover rate is the total number of separated employees in the reporting year divided by the average headcount from January 1, 2023 and December 31, 2023.

Note 2: The Total Number of separated employees encompasses both voluntary and involuntary departures, as well as instances where employees, particularly within the direct labor group, exited during specific periods of the year and were subsequently re-employed. The utilization of seasonal employees is prevalent in Cambodia and China.

EMPLOYEES TURNOVER RATE BY AGE GROUP



EMPLOYEES TURNOVER RATE BY GEOGRAPHICAL REGION



Note 3: High turnover rates for Myanmar, Cambodia, and the Philippines, are mainly due to downsizing as a result of company restructuring.

TREATING OUR PEOPLE WITH DIGNITY AND RESPECT



At Luen Thai, we are committed to creating a fair, safe, and healthy working environment aligned with the International Labor Organization conventions and the United Nations Universal Declaration of Human Rights. A robust management system is established that includes policies and procedures, periodic internal monitoring, and employee surveys. In addition, we have set up communication channels for employees who wish to file a complaint in the event of any grievance. All complaints received are investigated and scrutinized by the Group, with guaranteed confidentiality. By the end of 2023, the Group did not identify any legal non-compliance on employment issues, including any incident of discrimination.

Luen Thai maintains a zero-tolerance approach to child labor, human trafficking, and modern slavery and is a strong advocate for upholding children’s rights. We adhere to the local laws and regulations prohibiting the employment of child labor and forced labor, including but not limited to Cap. 57 Employment Ordinance in Hong Kong, the Labor Law of the People’s Republic of China, and The Labor Code of the Philippines, among other country-specific guidelines. Our recruitment and hiring procedures strictly follow local legal requirements through careful inspection of identification documents to verify the age of our employees. No incident of forced labor or child labor in any form was found in the year of 2023.

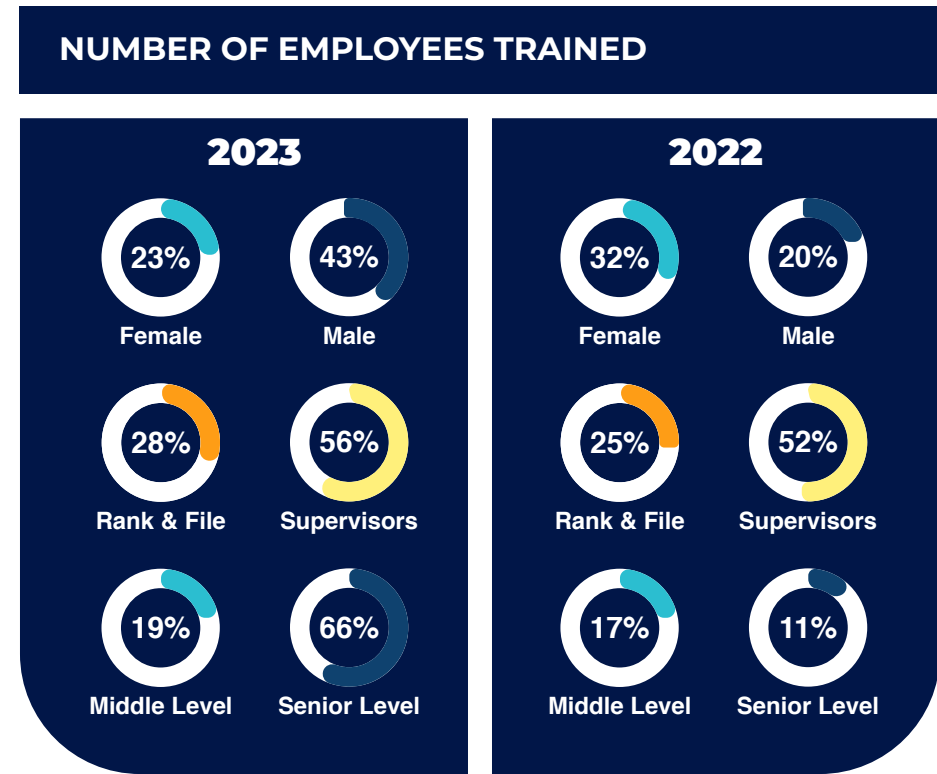
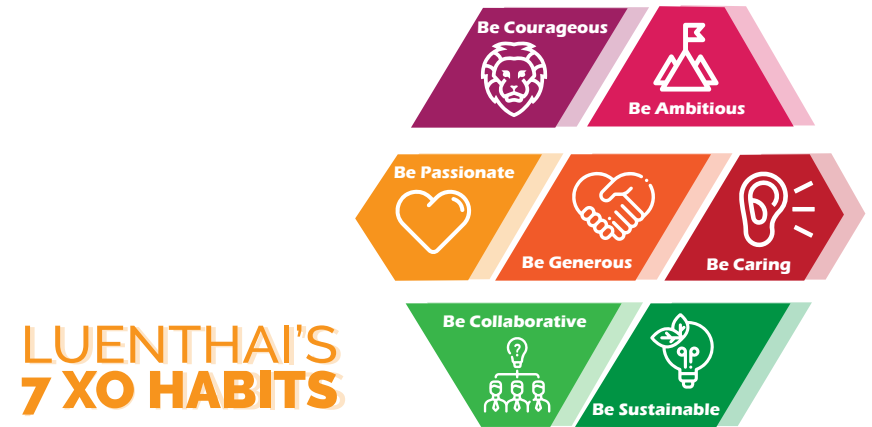
Luen Thai complies with local legal requirements pertaining to association, collective bargaining, and union establishment. We fervently advocate for the rights of our employees to freely form or join trade unions, as well as exercise their autonomy in refraining from such affiliations. Our policies on freedom of association and collective bargaining ensure employees who participate in any legal activities, including but not limited to unions, collective bargaining, peaceful assemblies, and strikes, not to be retaliated.



UPSKILLING XO PEOPLE

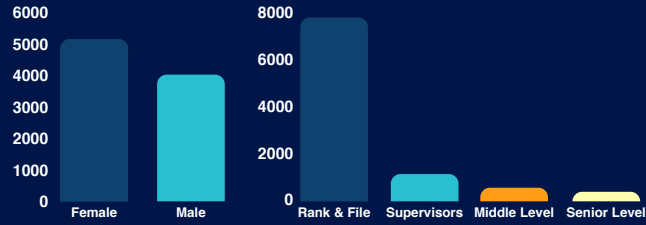
Our commitment lies in fostering a positive learning atmosphere for our employees. We strive to cultivate a cohesive culture that empowers individuals to enhance their skills and capabilities through the provision of suitable tools and resources, creating an environment where employees are motivated to continuously grow and strengthen their skillsets. Since 2019, we introduced the 7 XO Habits, a program inspired by and developed in partnership with Stephen Covey's renowned book, "The 7 Habits of Highly Effective People." This program serves as a guide for our employees, enabling them to become effective individuals and valuable team players. Certified trainers from the program are called "XO Master Trainers" and "7 XO Habits Ambassadors", who promote a culture of ownership, teamwork, and continuous learning within the Group. By the end of 2023, there were "10 XO Master Trainers" and 42 "7XO Habits Ambassadors".

We design and deliver learning programs that equip our employees with the right skills to perform their work efficiently and safely. We have dedicated training policies and procedures and develop training plans each year based on the necessity, position, work history, and skills matrix of our employees, as well as the requested training needs. By the end of 2023, the Group's training programs were conducted for 9,146 participants amounting to 33,741 training hours.

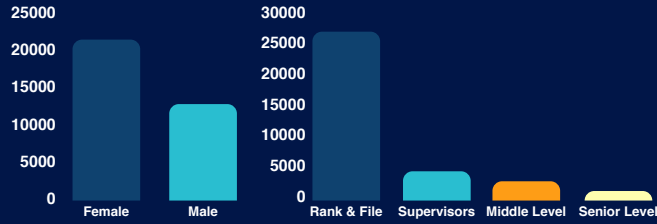


2023

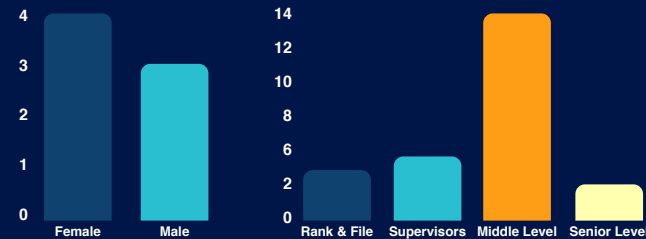
NUMBER OF EMPLOYEES TRAINED



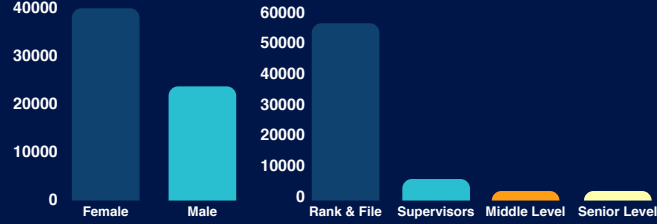
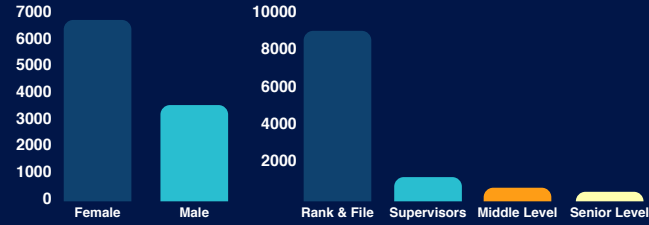
TOTAL TRAINING HOURS



AVERAGE TRAINING HOURS PER EMPLOYEE



2022



2022



	PROPORTION OF EMPLOYEES TRAINED		NUMBER OF EMPLOYEES TRAINED		TOTAL TRAINING HOURS		AVG. TRAINING HOURS PER EMPLOYEE	
	2023	2022	2023	2022	2023	2022	2023	2022
Female	23%	32%	5,097	6,562	21,114	39,615	4	6
Male	43%	20%	4,049	3,450	12,627	23,422	3	7
Rank & File	28%	25%	7,879	8,949	26,301	54,924	3	6
Supervisors	56%	52%	1,036	859	4,644	6,592	4	8
Middle Level	19%	17%	189	183	2,731	1,424	14	8
Senior Level	66%	11%	42	21	66	97	2	5

EMPLOYEE HEALTH AND WELL-BEING

COMPLIANCE MANAGEMENT

Our compliance with international standards regarding occupational safety and health is rigorous, including but not limited to Cap. 509 Occupational Safety and Health Ordinance of Hong Kong, Prevention and Treatment of Occupational Diseases Law of the People's Republic of China, and Occupational Safety and Health Standards Act in the Philippines, among other country-specific guidelines. Responsible management teams continuously monitor and establish protocols for fire hazards, emergency response, chemical safety, personal protective equipment, occupational health checks, first aid, and accident handling. Regular internal and external compliance audits have been conducted to ensure that these policies and procedures adhere to the required compliance standards and practices. As an integral component of the Group's risk management and internal control systems, the management teams of our business units regularly conduct health and safety compliance self-assessments of our operations. Should any non-compliance or control weakness issues be identified, corrective action plans are promptly implemented to address these concerns.



Selected facilities in China, the Philippines and Cambodia, have successfully obtained the ISO 45001 Occupational health and safety management systems or Occupational Health and Safety Assessment Series 18001 certificate for their commitment to occupational health and safety. By end of 2023, there was no major legal non-compliance on occupational health & safety issues pertinent to the regulations of the regions where the Group operates its businesses.

OCCUPATIONAL HEALTH AND SAFETY

At Luen Thai, the well-being of our employees is a top priority, and this is reflected in our comprehensive approach to occupational health and safety. Our dedicated health and safety committee is at the forefront of this effort, conducting regular inspections and audits to ensure compliance with health and safety regulations. This proactive approach helps us identify potential risks and implement effective corrective and preventive measures.

A significant part of our commitment to workplace safety is reflected in our extensive training programs. In 2023, we saw a substantial increase on the portion of our resources and also on achievement of target participants under health and safety training. These training sessions are not just about compliance; they are integral to our culture, empowering employees with the knowledge and skills to maintain a safe working environment. This focus on training underscores our belief that a well-informed workforce is crucial to preventing accidents and ensuring a safe workplace.

Our emergency preparedness and risk management strategies are comprehensive, covering various scenarios from natural disasters to security threats. Regular updates and reviews of our emergency plans ensure their effectiveness. Additionally, we conduct frequent emergency drills, reinforcing the importance of readiness and ensuring that all employees are familiar with the necessary procedures and protocols.

Our diligent efforts in maintaining workplace safety have been effective. We are proud to report that there have been no work-related fatalities in the past three years. While 2023 saw some minor incidents, resulting in 889 days lost due to work injuries or occupational diseases, these figures are a testament to our continuous efforts to enhance workplace safety.

At Luen Thai, we believe in promoting not just a safe, but also a balanced and healthy lifestyle for our employees. This commitment is evident in our regular health-related activities, access to health professionals, and provision of recreational facilities. We also organize a variety of cultural and social activities, fostering a sense of belonging and camaraderie. These initiatives are crucial in creating a supportive and engaging work environment, contributing to the overall well-being and satisfaction of our employees.

HEALTH AND SAFETY TRAINING				
	TOTAL		% OF TOTAL TRAINING POPULATION	
	2023	2022	2023	2022
Number of Participants	14,580	12,222	80% (14,580/18,291)	75% (12,222/16,293)
Training Hours	48,295	40,188	59% (48,295/82,035)	39% (40,188/103,225)

LUEN THAI XO EMPLOYEE WELLNESS INITIATIVE

At Luen Thai, our commitment to enhancing employee well-being remains steadfast. Launched in May 2022, the "XO GOOD, FEEL GOOD" campaign has become a cornerstone of our efforts to foster a healthy and resilient workforce. As we navigate the post-pandemic era, our focus on both physical and mental health is more crucial than ever. Our goal is to rebuild and strengthen the "psychological capital" of our employees, thereby cultivating a positive and supportive work environment.

Our 2023 Highlights and Progress include:

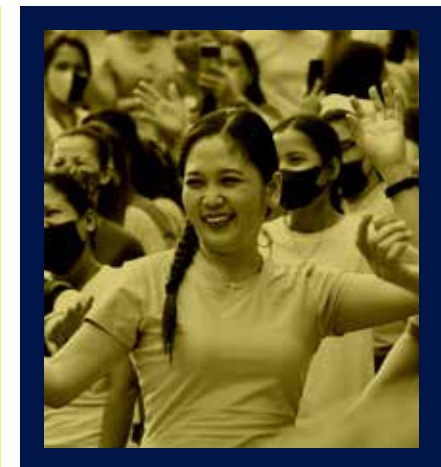
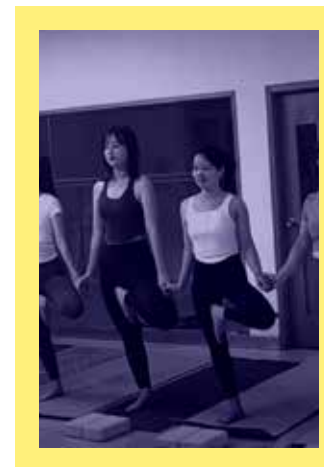
- **Sports and Recreation:** In 2023, we've expanded our sports events across our facilities in China, including badminton tournaments, tug of war competitions, and inclusive sporting events catering to all genders and ages. These activities not only promote physical fitness but also enhance team spirit and camaraderie among employees. Also, our long-standing Yoga program in China and Cambodia continues to be a popular choice, offering a holistic approach to physical and mental well-being.
- **Balanced Nutrition:** We have continued to offer a wide selection of balanced nutritional meals, ensuring our employees have access to healthy food options.
- **Health Education:** Health talks have been a regular feature across our operations, addressing prevalent health risks and promoting awareness on topics like diabetes, cardiovascular health, and female health issues.





Our efforts have yielded tangible results. The Group's Year-To-Date (YTD) cumulative sick leave absenteeism rate in 2023 stands at an impressive 1.06%, underscoring the effectiveness of the "XO GOOD, FEEL GOOD" initiatives.

The XO Wellness Program is a long-term commitment to the health and overall well-being of our employees. We are dedicated to continuously refining our approach, ensuring that our initiatives are aligned with the evolving needs and preferences of our diverse workforce. Our goal is to empower each employee to take charge of their health, fostering a culture of wellness that extends beyond the workplace.



COMMUNITY PILLAR





We are committed to actively contributing positive impact to the community. Our XO Care for Community Plan focuses on nurturing our next generation and promoting employee volunteerism to encourage them to serve and contribute to a broader community. As a responsible corporate citizen, the Group has worked hand-in-hand with like-minded institutes to organize or participate in various volunteering events and make donation to support the people in need.

SUSTAINABLE COMMUNITY DEVELOPMENT

At Luen Thai, we prioritize giving our best to support our communities. Our XO Care for Community initiative focuses on promoting employee awareness in serving a broader community. We have been closely collaborating with our stakeholders including customers, vendors, non-governmental organizations, and academic institutions who share the same passion for serving the community.

Our Hong Kong Corporate Office has been recognized as a Caring Company and awarded by The Hong Kong Council of Social Service since 2018. In 2023, Luen Thai signed up as Heart to Heart Company as part of the Heart to Heart Project organized by The Hong Kong Federation of Youth Groups, supporting the cultivation of a genuine wish to serve the communities. Donation was made to support the Heart to Heart Schools or the Neighbourhood Projects.



Furthermore, we actively work with local governments and associations to promote health awareness in local communities through sponsorship and monetary donations. Luen Thai sponsored the Pink Walk 2023, an annual flagship fundraising event organized by the Hong Kong Breast Cancer Foundation. Our employees participated in the event with nearly 2,000 pink walkers at the Peak to spread breast health messages in the communities and to their families. We have also demonstrated consistent and unconditional support in Voluntary Blood Donation Program for 3 consecutive years throughout the Philippines and Cambodia.

Apart from health support, we have also assisted vulnerable groups in their pursuit of career opportunities by equipping them with essential skills and knowledge. We have partnered with various Technical Education and Skills Development Authority (TESDA) accredited training schools in the Philippines to provide training in handling sewing machines to the unemployed. The company then onboarded majority of these trainees in the production.

VOLUNTEERING ACTIVITIES

	2023	2022
Events	3	22
Hours	298	4,188
Participants (Including non-staff)	172	504

BENEFICIARIES

	2023	2022
Families	0	81
Individuals	2,065	38,018
Charitable Organizations	2	9



EMPOWERING THE YOUTH



Under the “XO Kids” initiatives, Luen Thai is committed to protecting children’s rights and supporting young talents through initiatives that endow them with essential knowledge, skills, and experience. We developed programs that provide underprivileged children with access to sports (such as football), arts, skills development training, and scholarships to uphold children’s rights and contribute to their growth.

Our commitment to youth empowerment is reflected in our extensive charitable initiatives, which have yielded significant progress. Through strategic collaborations with esteemed organizations and clubs such as the Chelsea Soccer School in Hong Kong, Tuloy Football Club in the Philippines, and XO United Football Club in Cambodia, we have made substantial contributions. These collaborations are driven by our overarching goal to support the holistic growth of children across nations, encompassing their physical, mental, and emotional well-being.

We take immense pride in the achievements resulting from our efforts, as exemplified by the upcoming International Under-14 Football Youth Cup. It is with great delight that we announce the participation of seven exceptional players from XO United Football Club in this prestigious tournament. This remarkable accomplishment not only showcases their individual talent but also underscores the positive impact of our initiatives in fostering the development and empowerment of young athletes.

At Luen Thai, we firmly believe that education is the cornerstone of growth in all its forms. To this end, we implemented various programs aimed at providing financial assistance to children, particularly those from vulnerable groups such as orphanages, to help them access education. Our support encompasses annual tuition fees, expenses related to school uniforms and study materials, as well as daily operational costs like meals and health supplies. Additionally, we sponsor the National Outstanding Students campaign in the Philippines, recognizing exceptional students from schools across Bulacan.

We connected young people with the resources they need to acknowledge their potential in both academic and physical health aspects. To meet this target, we have expanded this initiative to multiple branches with nominal cash donations to support children with academic resources. In some branches, we connected our employees with their children through parent-children football matches to help children acknowledge the importance of physical health.

Our commitment to our core value of assisting children in accessing education remains unwavering, regardless of their ethnicity, age, or gender. We will continue to make a tangible impact on local communities by fostering partnerships, mobilizing employee volunteers, and making donations.



GOVERNANCE PILLAR





16
PEACE, JUSTICE
AND STRONG
INSTITUTIONS

17
PARTNERSHIPS
FOR THE GOALS

BOARD OF DIRECTORS

During the year ended 31 December 2023, there were five executive Directors, including the Chairman of the Board, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors constitute one-third of the Board which is in compliance with the requirement under Rule 3.10(A) of the Listing Rules. Hence, there has a strong independence element in the composition of the Board.

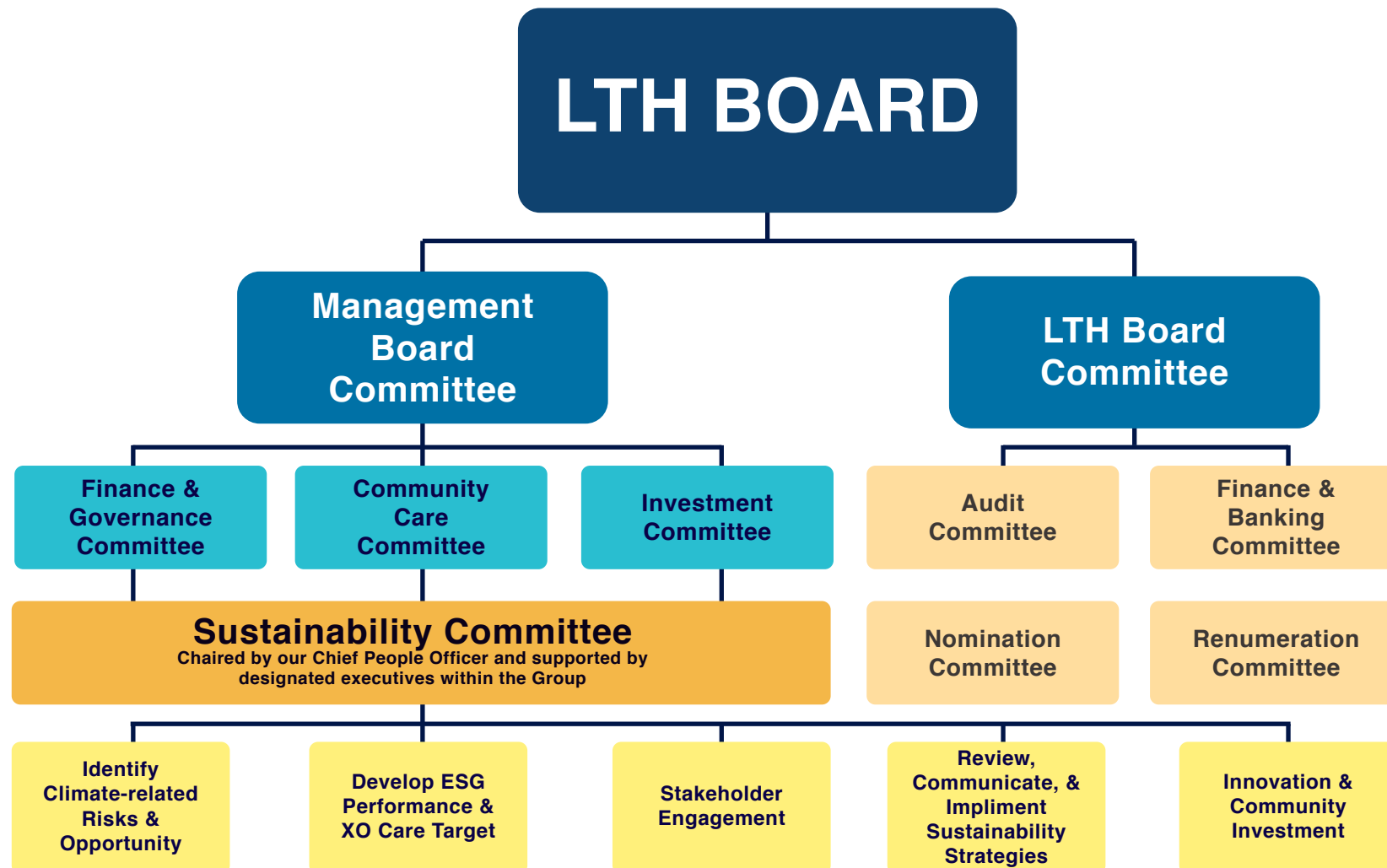
We recognize and embrace the benefits of having a diverse Board of Directors (“the Board”). We believe fostering diversity and inclusion at Board level is essential in maintaining a competitive advantage. A diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender, and other qualities of Directors. These differences are considered in determining the optimal composition of the Board and will be balanced appropriately if implemented successfully. All Board appointments are made on merit and candidates are considered against criteria objectively, having due regard for the benefits of diversity on the Board.

To meet the target of achieving cultural diversity, the Nomination Committee will monitor and report to the Board annually on the effectiveness and relevance of the measurable objectives. They also conduct a review of the policies and disclose the relevant information in the Annual Corporate Governance Report, which is publicly disclosed on the Company’s website. The Board will proactively act upon approval of the proposed changes to rectify identified deficiencies.

Luen Thai’s commitment to sustainability largely stems from the Board. The Board reinforces the ESG objectives in the context of current business strategies and assumes the overall responsibility on effective governance and oversight of major ESG issues, as well as assessment and management of material, environmental, and social risks and opportunities impacting the Group.

The Board oversees sustainability-related risks and opportunities with respect to Luen Thai’s corporate values including environmental, social impact, and workplace diversity and inclusion. To carry out its responsibilities, the Board reviews significant corporate strategies, policies, and initiatives while also providing guidance in reporting to strengthen stakeholder engagement.

The Board assures relevant policies in place on the awareness of timely response to the relevant ESG information through communication within the Management Board which comprises of senior executives and board members, and the Sustainability Committee. The Management Board meets at least three times a year, keeping all senior executives aware of the progress on sustainability efforts, while the Sustainability Committee reports to the Board on the ESG matters pertinent to the policies and practices in the operations. Moreover, the Board and the designated team members review and approve the ESG performance disclosed in the annual ESG Report to ensure it is aligned with our business strategy and complies with the laws and regulations.



SUSTAINABILITY GOVERNANCE STRUCTURE

Luen Thai upholds highest ethical standards and strives to foster responsible governance to strengthen the ethical corporate culture of accountability, transparency, and integrity to meet regulatory expectations and best practices. Effective oversight and well-established processes, practices, and structures contribute to the achievement of our strategic objectives and optimizing long-term value for our stakeholders, while fostering sustainable transformation in building green factories and safeguarding the interest of employees, customers, and community as well as enhancing our corporate brand image.

Our corporate governance practices comply with all applicable provisions of the Corporate Governance Code as set out in the Appendix C1 of the Hong Kong Stock Exchange Listing Rules. For more details on Luen Thai's governance practices, please refer to the "Corporate Governance Report" in the Group's 2023 Annual Report.

Luen Thai established a robust governance structure that serves as the foundation for our comprehensive top-down sustainability governance framework integrating effective management at all levels to implement ESG strategies as well as climate-related risks and opportunities alongside the sustainable development roadmap.

SUSTAINABILITY COMMITTEE

At Luen Thai, the Sustainability Committee is tasked to develop and implement the Group's sustainability strategies with a focus on three core areas: our people, community, and environment. The Committee establishes performance targets in alignment with our sustainability roadmap, which includes identifying climate-related risks and opportunities, reviewing and communicating sustainability strategies, and monitoring the development of our ESG performance targets.

To meet this target, regular updates regarding key ESG developments and initiatives are reported to the Board. The Committee regularly convenes with top executives to gain deeper insights to enhance sustainability strategies and strengthen stakeholder engagement.

Moreover, the Committee ensures that our business practices contribute to fostering a culture of respect, diversity, inclusion, and purpose. In 2023, the major items communicated among the Sustainability Committee include the following:

- Reviewing key achievements of 5-year XO care targets
- Reviewing new sustainability strategy and XO care targets for 2023-2027
- Monitoring the Group's operations and practices to ensure they are in line with the sustainability strategy
- Suggesting further development in innovation and technology to support sustainable practices and implementation of solar energy
- Reviewing and approving the annual ESG report

ETHICS MANAGEMENT

INTEGRITY AND CORRUPTION

Luen Thai complies with the local anti-corruption rules and regulations, including but not limited to Cap. 201 Prevention of Bribery Ordinance in Hong Kong, Criminal Law of the People’s Republic of China, and Anti-Graft and Corrupt Practices Act in the Philippines, among other country specific guidelines. The Group has formulated strict anti-corruption policy, rules, and regulations for our employees, contractors, and suppliers to minimize the possibility of bribery, extortion, fraud, and money laundering. The detailed anti-corruption guidelines and procedures are communicated to employees, contractors, and suppliers. In cases of contravention to the policy, rules, and regulations identified with solid evidence, the responsible parties of services will be separated from the Company.

At Luen Thai, we have a zero-tolerance policy regarding bribery and corruption in any form or at any level in association with any aspect of the Group’s activities. We have policies in place on bribery, gifts, and entertainment that prescribe the minimum set of rules adopted to prevent, identify, and address any instances of alleged or actual bribery or corruption. Relevant working policy, rules, regulations, and procedures are

being reviewed from time to time, ensuring that they are updated according to the latest laws and regulations.

The Company has established a well-defined whistleblowing policy for the Group's employees and those who deal with the Group (e.g. customers, suppliers and business partners) to report genuine concerns about any suspected or actual improprieties in any matter related to the Group, which is in line with our commitment to principles of good corporate governance emphasizing on transparency, accountability, and independence. An email account has been set up for this specific purpose. Our internal audit team will investigate the reported cases in a confidential and timely manner, and report the results of investigations with the appropriate follow-up action to the Audit Committee on a regular basis.

Another whistleblowing mechanism is also in place to encourage staff to report on any suspected or actual behaviors relating to corruption or misconduct and concerns of ethics without fear of retaliation. To meet this target, we have set up a hotline number known as “Talk To Us”, where employees are able to send messages, complaints, or report untoward incidents, which are handled by HR and top management. For concerns requiring further investigation, our HR team involves other parties, when necessary,

to help with the investigation or validation of information. By the end of 2023, there was no concluded legal case regarding corrupt practices.

We also provide workshops on integrity and anti-corruption to our employees upon the commencement of their employment with us. The employee induction process for new hires also includes extensive guidance on anti-corruption measures. Subsequent trainings for timely updates on the policy changes are offered to all employees. We implemented the following:

- Provision of employee code of practice and handbook at time of onboarding
- Preventive measures against bribery, extortion, fraud, and money laundering
- Anti-corruption content related to the prevention of official crimes and corporate governance
- Standards of conduct for procurement personnel and integrity transaction clauses in procurement contracts
- Procedures to prevent business dealing with parties with unethical record(s)
- Procedures for declaration of conflicts of interests.
- Procedures for reporting violations of integrity or suspected violations of the laws
- Relevant laws and regulations training

In 2023, a total of 18,140 employees within the Group participated in the integrity and anti-corruption related workshops totaling 17,360 training hours.

ABOUT THIS REPORT

Luen Thai incorporates transparent measures and social responsibility into business activities, with aims to maximizing customer values and experience, developing the potential of our employees, conserving the environment, and extending care to the community in accordance with our corporate core values.

The 2023 Environmental, Social, and Governance (“ESG”) Report (the “Report”) demonstrates our dedication and performance in pursuing sustainability during the period from 1 January to 31 December 2023 (“2023”), which is the same as the financial period of the Group’s 2023 Annual Report. Relevant contents were referred to the previous period when needed.

REPORTING BOUNDARY

The Report presents the ESG management approach, sustainability milestones, and material topics of our global apparel and accessories businesses.

The scope of the Report represented the Group's apparel and accessories global operations, covering the People's Republic of China (PRC) including the headquarters in Hong Kong Special Administrative Region (HKSAR), and the other 20 operations sites amongst Bangladesh, Cambodia, India, Indonesia, Myanmar, Philippines, and United States of America (USA).

Collection, validation, and analysis of environmental data have been coordinated by our ESG Team with engagement support from a third-party specialist consultant facilitating the process.

REPORTING STANDARDS

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (HKEx ESG Reporting Guide).

As part of the Group's ongoing sustainability initiatives to align with global ESG reporting indicators, we also referred to the Global Reporting Initiative (GRI) Sustainability Reporting Standards for environmental and social topics (for details, refer to the GRI Content Index of this report).

The Report has been reviewed and approved by the Board of Directors of the Group and is publicly available in English and Chinese. Should there be any discrepancies between the English and Chinese versions, the English version shall prevail.

REPORTING PRINCIPLES

Our 2023 ESG Report is aligned with the HKEx ESG Reporting Guide to ensure unbiased content and quality disclosures and presentations pertinent to the Group's ESG performance and initiatives.

MATERIALITY

The materiality assessment is conducted through stakeholder engagement activities on a regular basis to identify material topics related to ESG issues determined by the Board of Directors, which allows investors and stakeholders to understand what ESG aspects Luen Thai prioritizes on.

QUANTITATIVE

All disclosed information is organized and calculated according to a series of internationally standardized methodologies. KPIs in respect of historical data are measurable. The Company's targets are set to reduce a particular impact and thereby the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information is accompanied by narratives explaining its purpose, impacts, and giving comparative data where appropriate.

BALANCE

The Report provides an objective and unbiased picture of the Group's sustainability performance during the reporting period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

CONSISTENCY

The Report maintains consistency in the use of methodologies to calculate data, explanations of methods, and assumptions to allow for meaningful comparisons of ESG data over time.

CONTACT AND FEEDBACK

We welcome any feedback on our ESG Report and sustainability performance.

For comments or suggestions, please send to:

Address: Luen Thai Holdings Limited, Rooms 1001-1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, HKSAR

Email: corporate_communications@luenthai.com

PERFORMANCE DATA SUMMARY

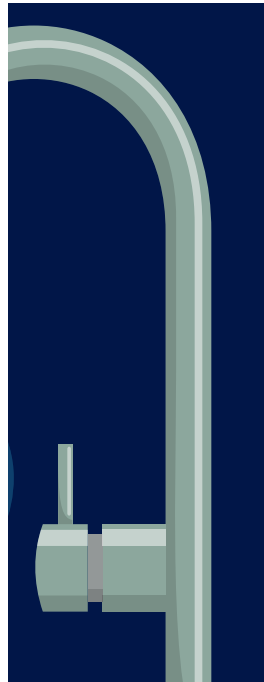
ENVIRONMENTAL DATA

WATER CONSUMPTION (m³)

	2023	2022
Apparel	1,007,803	1,144,030
Accessories	203,672	244,295
Overall	1,211,475	1,388,325

WATER CONSUMPTION INTENSITY (m³ per unit of Production)

	2023	2022
Apparel	0.027	0.023
Accessories	0.026	0.023
Overall	0.027	0.023



PACKAGING MATERIALS

	UNIT	2023	2022
Carton Box	Tonnes	3,865	4,332
Plastic	Tonnes	882	2,750
Others*	Tonnes	54	1,895
Total Consumption	Tonnes	4,801	8,977
Total Consumption Intensity	Kilograms per unit of production	0.11	0.15



*Others include labels, plastic strings, tissue, and metal glass

WATER BOTTLE SAVED (piece)



AIR EMISSION

	UNIT	2023	2022
Nitrogen Oxides (NOx)	Kg	6,731	8,178
Sulfur Oxides (SOx)	Kg	10.94	7.32
Particulate Matter (PM)	Kg	337.83	405.69

GHG EMISSION (tCO₂e)

	TOTAL GHG		SCOPE 1		SCOPE 2	
	2023	2022	2023	2022	2023	2022
Apparel	23,070	23,174	11,500	7,003	11,571	16,171
Accessories	9,970	11,141	2,208	1,902	7,761	9,240
Overall	33,040	34,315	13,708	8,905	19,332	25,411

WASTE GENERATION

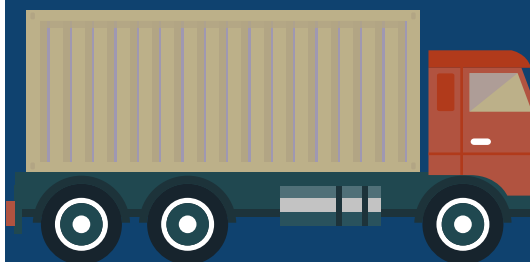
	UNIT	2023	2022
Hazardous	Tonnes	166	150
Non-hazardous	Tonnes	11,287	11,062
Total	Tonnes	11,453	11,212
Intensity	Kg per unit of production	0.26	0.18

GHG EMISSION INTENSITY (kgCO₂e per unit of production)

	TOTAL		SCOPE 1		SCOPE 2	
	2023	2022 (RESTATED)*	2023	2022	2023	2022
Apparel	0.6283	0.4602	0.3132	0.1391	0.3151	0.3211
Accessories	1.2867	1.0584	0.2851	0.1807	1.0020	0.8777
Overall	0.7430	0.5636	0.3083	0.1463	0.4347	0.4174

BOILER FUEL

	UNIT	2023	2022
Consumption	Kg	11,361,260	7,838,700
Intensity	Kg per unit of production	0.26	0.13



*To align with the calculation method and facilitate year-over-year comparison, the 2022 Apparel and Accessories GHG emission intensity data are updated.

ENERGY CONSUMPTION

	UNIT	2023			2022		
		APPAREL	ACCESSORIES	OVERALL	APPAREL	ACCESSORIES	OVERALL
TOTAL ENERGY CONSUMPTION	kWh	120,887,644	16,420,623	137,308,267	83,398,970	26,164,627	109,563,597
DIRECT ENERGY CONSUMPTION							
Petrol	kWh	109,803	453,436	563,239	507,235	490,526	997,761
Diesel	kWh	50,449,490	711,534	51,161,024	25,039,948	7,210,829	32,250,777
LPG	kWh	98,622	58,717	157,339	333,054	68,440	401,494
Natural Gas	kWh	1,901,248	-	1,901,248	1,753,135	-	1,753,135
Biomass	kWh	44,794,935	-	44,794,935	28,301,400	-	28,301,400
INDIRECT ENERGY CONSUMPTION							
Electricity	kWh	23,533,546	15,196,936	38,730,482	27,464,198	18,394,832	45,859,030
ELECTRICITY CONSUMPTION INTENSITY	kWh	0.64	1.96	0.87	0.55	1.75	0.75



PERFORMANCE DATA

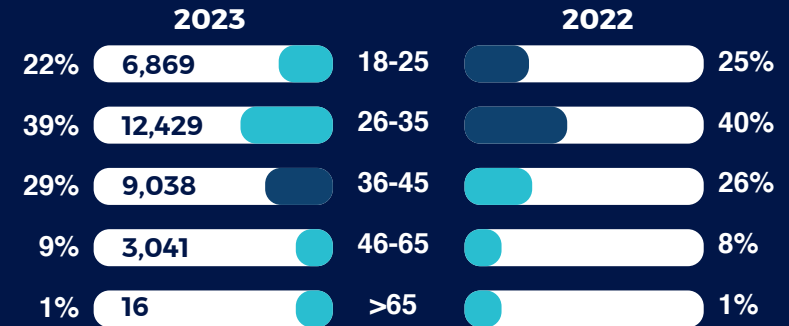
SUMMARY

SOCIAL DATA

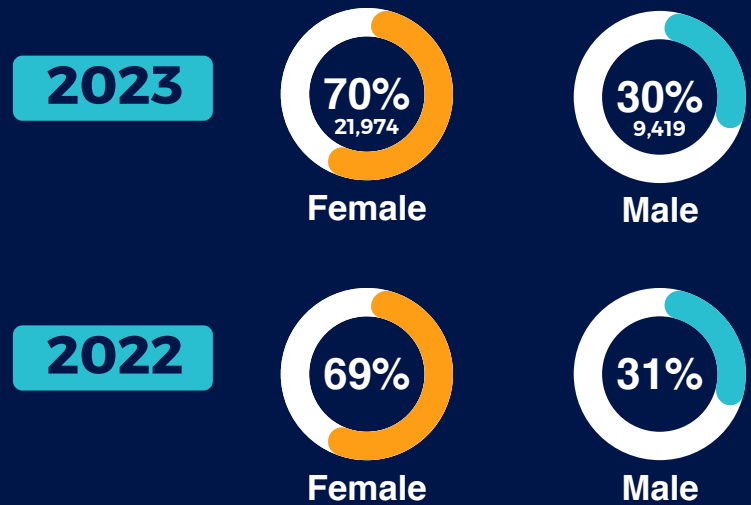
EMPLOYEES BY EMPLOYMENT TYPE

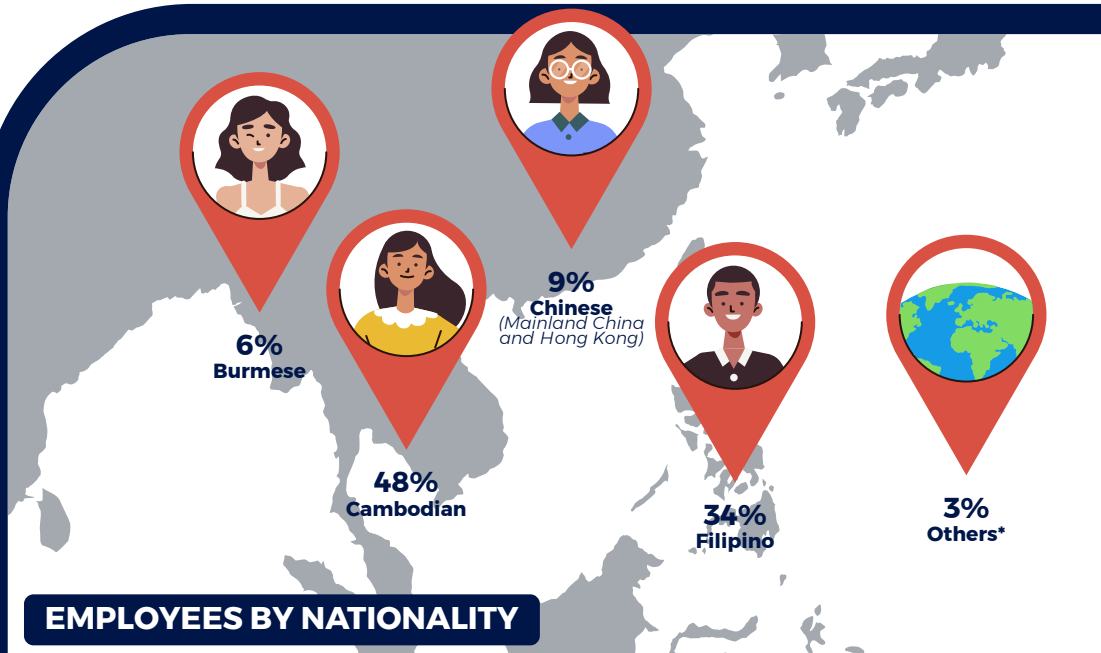
	2023	2022
Full-time	31,392	36,368
Part-time	1	0

EMPLOYEES BY AGE GROUP



EMPLOYEES BY GENDER





EMPLOYEES BY NATIONALITY

	2023	2022
Cambodian	48%	42%
Filipino	34%	40%
Chinese (Mainland China and Hong Kong)	9%	8%
Burmese	6%	9%
Others*	3%	1%

* Others include American, Bangladeshi, British, Canadian, Dominican, German, Indian, Indonesian, Japanese, Malaysian, Mexican, New Zealander, Pakistani, Singaporean, Sri Lankan, Taiwanese, Turkish, and Vietnamese

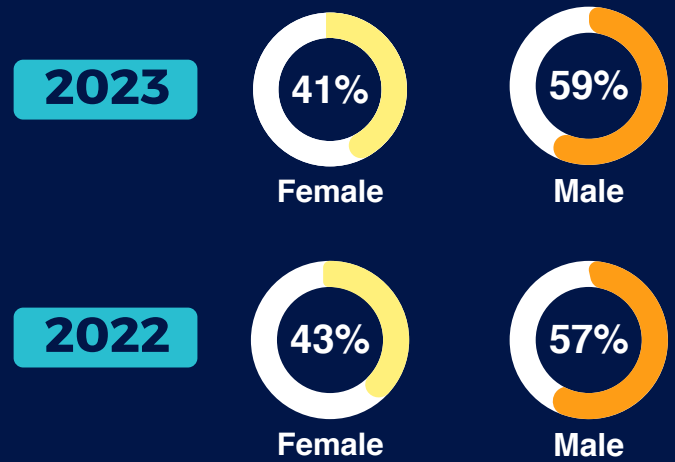
EMPLOYEES BY GEOGRAPHICAL REGION

	2023	2022
Cambodia	15,232 (48%)	42%
Philippines	10,566 (34%)	39%
Mainland China including Hong Kong	2,771 (9%)	8%
Myanmar	1,967 (6%)	8%
Others*	857 (3%)	3%

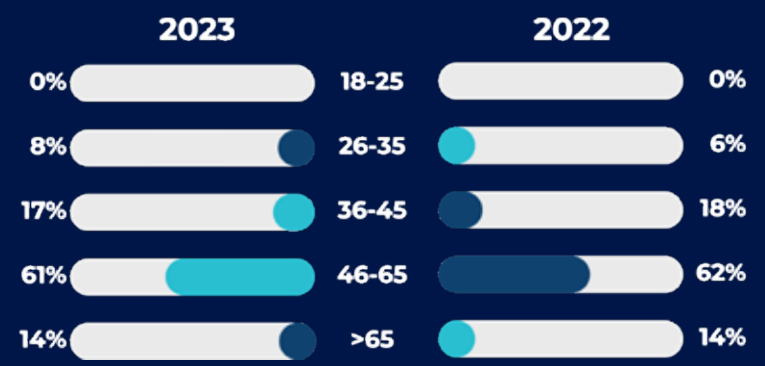
* Others include Bangladesh, India, Indonesia, United Arab Emirates, United States of America, and Vietnam

PERCENTAGE OF DIRECTOR OR ABOVE LEVEL

BY GENDER



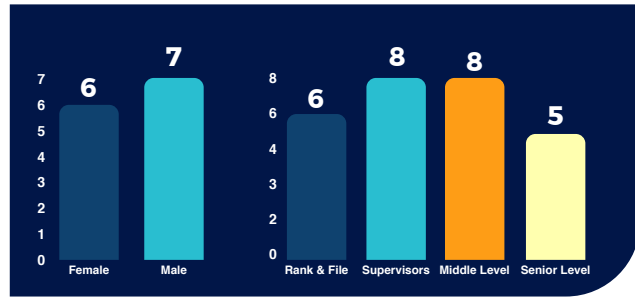
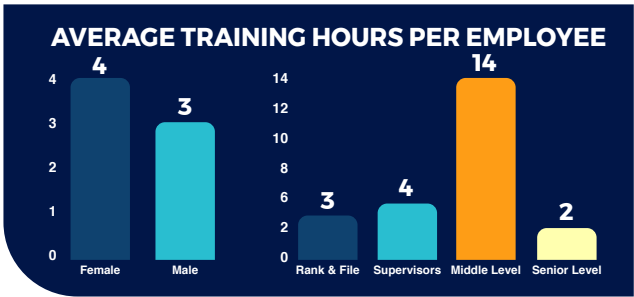
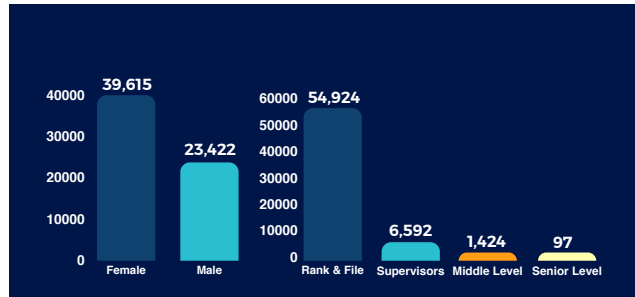
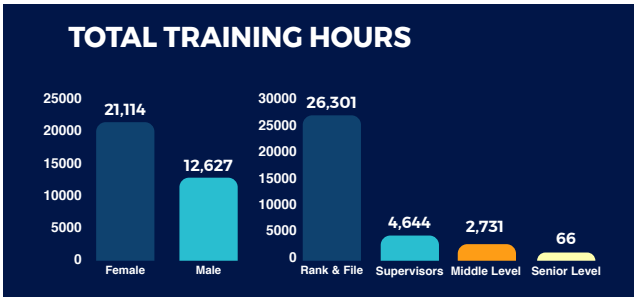
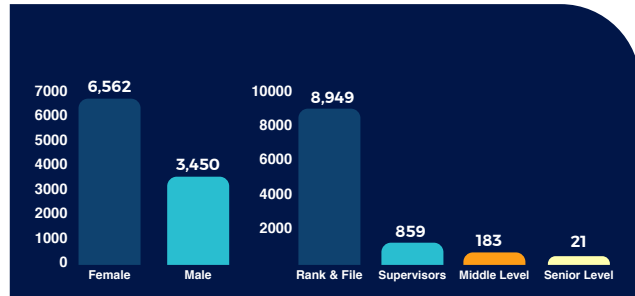
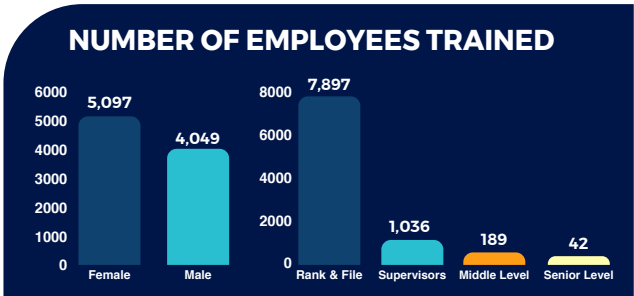
BY AGE GROUP





DEVELOPMENT TRAINING

2023 **2022**



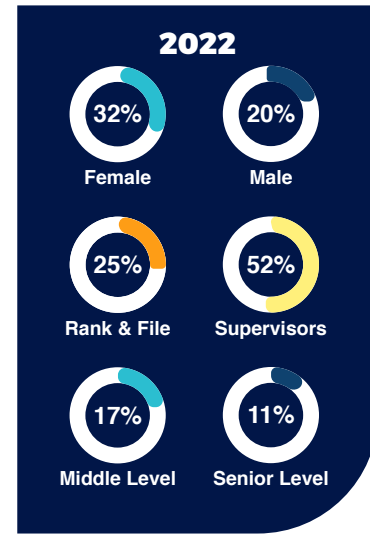
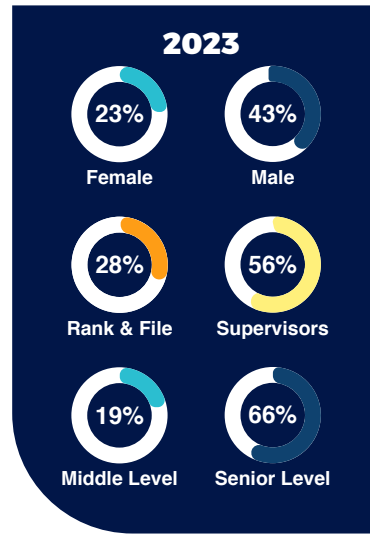
VOLUNTEERING ACTIVITIES



BENEFICIARIES



PROPORTION OF EMPLOYEES TRAINED



APPENDICES

HKEx ESG REPORTING GUIDE INDEX

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
A. ENVIRONMENTAL		
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.	Environmental Pillar
A1.1	The types of emissions and respective emissions data.	Air Emissions Control
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Greenhouse Gas Emission Control
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste Management
A1.5	Description of emission target(s) set and steps taken to achieve them.	Air Emission Control, Greenhouse Gas Emission Control
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.	Waste Management

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Pillar
A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Energy Usage
A2.2	Water consumption in total and intensity.	Water Conservation
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Usage
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.	Water Conservation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Natural and Raw Materials Consumption
A3 the Environment and the Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Pillar
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Natural and Raw Materials Consumption

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
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.	Environmental Pillar
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Strengthening Climate Resilience
B. SOCIAL		
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.	People Pillar
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employee Profile
B1.2	Employee turnover rate by gender, age group and geographical region.	Practicing Fair Business and Employment Practices

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
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.	Employee Health and Well-being
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Health and Well-being
B2.2	Lost days due to work injury.	Employee Health and Well-being
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Well-being
B3 Training and Development		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Upskilling XO People
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Upskilling XO People
B3.2	The average training hours completed per employee by gender and employee category.	Upskilling XO People

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
B4 Labor 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 labor.	Treating Our People with Dignity and Respect
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Treating Our People with Dignity and Respect
B4.2	Description of steps taken to eliminate such practices when discovered.	Treating Our People with Dignity and Respect
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
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.	Product Quality Management
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Customer Satisfaction Management
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Satisfaction Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Quality Management, Customer Satisfaction Management
B6.4	Description of quality assurance process and recall procedures.	Product Quality Management, Customer Satisfaction Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Quality Management, Customer Satisfaction Management

MATERIAL ASPECT	CONTENT	REFERENCE AND REMARKS
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.	Ethics Management
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.	Ethics Management
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Ethics Management
B7.3	Description of anti-corruption training provided to directors and staff.	Ethics Management
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.	Community Pillar
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Pillar
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Pillar

GRI CONTENT INDEX

Statement of use

Luen Thai Holdings Limited has reported the information cited in this GRI content index for the period from 1st January 2023 to 31st December 2023 with reference to the GRI Standards.

GRI used

GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
THE ORGANIZATION AND ITS REPORTING PRACTICES		
2-1	Organizational details	CEO message, About Luen Thai, Our Vision and Targets, Our Sustainability Strategy Framework
2-2	Entities included in the organization's sustainability reporting	Reporting Boundary
2-3	Reporting period, frequency and contact point	About this report
2-4	Restatements of information	To align with the calculation method and facilitate year-over-year comparison, the 2022 Apparel and Accessories GHG emission intensity data are updated.
ACTIVITIES AND WORKERS		
2-6	Activities, value chain and other business relationships	Supply Chain Management, Annual Report 2023 – Management Discussion & Analysis
2-7	Employees	People Pillar
2-9	Governance structure and composition	Governance Pillar
2-10	Nomination and selection of the highest governance body	Governance Pillar, Annual Report 2023 – Corporate Governance Report
2-11	Chair of the highest governance body	Governance Pillar, Annual Report 2023 – Corporate Governance Report
2-12	Role of the highest governance body in overseeing the management of impacts	Governance Pillar, Annual Report 2023 – Corporate Governance Report

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
2-13	Delegation of responsibility for managing impacts	Governance Pillar
2-14	Role of the highest governance body in sustainability reporting	Sustainability Committee
2-15	Conflicts of interest	Annual Report 2023 – Corporate Governance Report
2-16	Communication of critical concerns	Governance Pillar
2-17	Collective knowledge of the highest governance body	Annual Report 2023 – Corporate Governance Report, Sustainability Committee
2-18	Evaluation of the performance of the highest governance body	Annual Report 2023 – Corporate Governance Report
2-19	Remuneration policies	Annual Report 2023 – Corporate Governance Report
2-20	Process to determine remuneration	Annual Report 2023 – Corporate Governance Report
STRATEGY, POLICIES AND PRACTICES		
2-22	Statement on sustainable development strategy	Our Vision and Targets
2-23	Policy commitments	CEO Message
2-24	Embedding policy commitments	CEO Message
2-25	Processes to remediate negative impacts	Stakeholder Engagement
2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Engagement
2-27	Compliance with laws and regulations	Ethics Management
2-28	Membership associations	Governance Pillar
2-29	Approach to stakeholder engagement	Stakeholder Engagement

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
GRI 3: MATERIAL TOPIC 2021		
3-1	Process to determine material topics	Materiality Assessment
3-2	List of material topics	Materiality Matrix
MATERIAL TOPICS (ECONOMIC) & MANAGEMENT APPROACH		
GRI 201: Economic Performance 2016		
3-3	The management approach and its components	Climate Actions Across Our Supply Chain
201-2	Financial implications and other risks and opportunities due to climate change	Strengthening Climate Resilience (Risk Management)
GRI 204: Procurement Practices 2016		
3-3	The management approach and its components	Supply Chain Management
204-1	Proportion of spending on local suppliers	Supply Chain Management
GRI 205: Anti-corruption 2016		
3-3	The management approach and its components	Ethics Management
205-3	Confirmed incidents of corruption and actions taken	Ethics Management

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
MATERIAL TOPICS (ENVIRONMENTAL) & MANAGEMENT APPROACH		
GRI 301: Materials 2016		
3-3	The management approach and its components	Product Quality Management
301-1	Materials used by weight or volume	Natural and Raw Materials Consumption
GRI 302: Energy 2016		
3-3	The management approach and its components	Environmental Pillar
302-1	Energy consumption within the organisation	Energy Usage
302-3	Energy intensity	Energy Usage
302-4	Reduction of energy consumption	Energy Usage
GRI 303: Water and Effluents 2018		
3-3	The management approach and its components	Environmental Pillar
303-1	Interactions with water as a shared resource	Water Conservation
303-2	Management of water discharge-related impacts	Water Conservation
303-3	Water withdrawal	Water Conservation
303-4	Water discharge	Water Conservation
303-5	Water consumption	Water Conservation

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
GRI 305: Emissions 2016		
3-3	The management approach and its components	Environmental Pillar
305-1	Direct (Scope 1) GHG emissions	Greenhouse Gas Emission Control
305-2	Energy Indirect (Scope 2) GHG emissions	Greenhouse Gas Emission Control
305-4	GHG emissions intensity	Greenhouse Gas Emission Control
305-5	Reduction of GHG emissions	Greenhouse Gas Emission Control
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Air Emission Control
GRI 306: Waste 2020		
3-3	The management approach and its components	Environmental Pillar
306-1	Waste generation and significant waste related impacts	Waste Management
306-2	Management of significant waste related impacts	Waste Management
306-3	Waste generated	Waste Management
GRI 308: Supplier Environmental Assessment 2016		
3-3	The management approach and its components	Supply Chain Management
308-1	New suppliers that were screened using environmental criteria	Supply Chain Management

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
MATERIAL TOPICS (SOCIAL) & MANAGEMENT APPROACH		
GRI 401: Employment 2016		
3-3	The management approach and its components	People Pillar
401-1b	Employee turnover	Practicing Fair Business and Employment Practices
GRI 403: Occupational Health and Safety 2018		
3-3	The management approach and its components	People Pillar
403-1	Occupational health and safety management system	Employee Health and Well-being
403-3	Occupational health services	Occupational Health and Safety
403-5	Worker training on occupational health and safety	Occupational Health and Safety
403-9	Work-related injuries	Occupational Health and Safety
GRI 404: Training and Education 2016		
3-3	The management approach and its components	People Pillar
404-1	Average hours of training per year per employee	Upskilling XO People

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
GRI 405: Diversity and Equal Opportunity 2016		
3-3	The management approach and its components	People Pillar
405-1	Diversity of governance bodies and employees	Diversity and Inclusion
GRI 406: Non-discrimination 2016		
3-3	The management approach and its components	People Pillar
406-1	Incidents of discrimination and corrective actions taken	Diversity and Inclusion
GRI 408: Child Labor 2016		
3-3	The management approach and its components	Ethics Management
408-1	Operations and suppliers at significant risk for incidents of child labor	Treating our People with Dignity and Respect
GRI 409: Forced or Compulsory Labor 2016		
3-3	The management approach and its components	People Pillar
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Treating our People with Dignity and Respect

GRI STANDARD	DISCLOSURE	REFERENCE AND REMARKS
GRI 413: Local Communities 2016		
3-3	The management approach and its components	Community Pillar
413-1	Operations with local community engagement, impact assessments, and development programmes	Community Pillar
GRI 414: Supplier Social Assessment 2016		
3-3	The management approach and its components	Supply Chain Management
414-1	New suppliers that were screened using social criteria	Supply Chain Management
GRI 416: Customer Health and Safety 2016		
3-3	The management approach and its components	Customer Satisfaction Management
416-1	Assessment of the health and safety impacts of product and service categories	Customer Satisfaction Management
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Satisfaction Management
GRI 418: Customer Privacy 2016		
3-3	The management approach and its components	Customer Satisfaction Management
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Satisfaction Management



Luenthai
an *Extraordinary* company