

FOURACE
科利

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

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

Stock Code 股份代號：1455

2023/24

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the report of Environmental, Social and Governance (“**ESG Report**” or “**this Report**”) issued by Fourace Industries Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**we**”). The ESG Report presents the comprehensive practice of sustainable development concepts, as well as the corporate social responsibilities, principles and actions of the Group carried out during the business operation over the previous year. As for the information of corporate governance, please refer to the Corporate Governance Report of the 2024 Annual Report.

1.1 Reporting Scope

This Report covers the environmental and social performance of the Group’s principal business in China and Hong Kong during the period from 1 April 2023 to 31 March 2024 (the “**Year**”). The key performance indicators (“**KPIs**”) for the environmental aspect as disclosed in this Report mainly focus on the factory in Shenzhen, which is the major existing production base of the Group.

1.2 Reporting Framework

This Report was prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guide to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), and in compliance with the mandatory disclosure requirements and “comply or explain” provisions thereof.

1.3 Reporting Principles

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

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

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

Balance: The Group’s performance during the reporting period has been presented in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements. Performance data is reported in a way that allows information users to see negative and positive year-on-year trends in impacts.

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

1.4 Information and Feedback

The Group values your opinions on the ESG Report. For any enquiry or advice, please feel free to send email to ir.contact@fourace.com.

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2. ESG GOVERNANCE

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

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

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

2.1 Stakeholder Engagement

The Group recognises the close relationship between different stakeholders and the development of the Group’s business. Therefore, this Report collects the views of different stakeholders to enable the Group to better understand the current level of management at the environmental and social levels. The Group’s key stakeholders include the government and regulators, shareholders, business partners such as contractors and suppliers, customers, employees, as well as our industry, environment and community etc.

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

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

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2.2 Materiality Assessment

In order to clearly and effectively formulate the ESG management approach, the Group has engaged an independent consulting firm to help collect and analyse stakeholders' opinions about the Group's ESG issues. With the result of questionnaire survey, the Group works out ratings and rankings for each ESG issue based on the degree of concern of stakeholders. Meanwhile, in order to review the ESG issues that are material to the business of the Group in a more comprehensive way, the consulting firm also helps review internal and external documents with reference to the materiality maps provided by external authoritative organisations¹ so as to identify the ESG issues which are the key concern for the industry. In conclusion, based on the above ratings and the selection result, together with the professional opinions of the management and the consulting firm, the Group has identified 7 material ESG-related issues during the Year and will be discussed in this Report.

Material Issues	Relevant Sections
Environmental Compliance	• Environmental Protection
Exhaust Management	• Emissions
Wastewater Management	• Use of Resources
Occupational Health and Safety	• Health and Safety
Operation Compliance	• Operating Practices
Quality Management	• Product Responsibility
Anti-corruption	• Anti-corruption

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

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3. ENVIRONMENTAL PROTECTION

3.1 Environmental Targets and Progress

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

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

During the year, we have benefited from various measures established by the Group and have made corresponding improvements and progress at different levels of environmental-related targets. The progress of the Group's environmental targets is disclosed and presented in more detail in sections below.

3.2 Emissions

The Group adheres to the ideas of environmental protection and clean production. The Group strives to enhance the efficiency of environmental protection in the production process and reduce environmental pollution and energy consumption in order to take up the responsibility of environmental protection amidst corporate development. During the Year, we strictly abide by the laws and regulations related to pollutant discharge and environmental protection promulgated by the national and local governments, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Promoting Clean Production, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, the Water Pollution Prevention and Control Law of the People's Republic of China and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China. We control each type of emission during the production process. Meanwhile, to standardise the Group's environmental emergency management work and improve its ability to respond to and handle various types of environmental emergencies, the Group has formulated an emergency plan for types of environmental emergencies in accordance with relevant regulations. The plan includes a comprehensive emergency plan, a specialised emergency plan and an emergency response card². Detailed handling specifications are provided for types of environmental emergencies during the production process, including fire incidents, leakage of hazardous chemicals, leakage of hazardous waste, and excessive discharge of wastewater/exhaust emission. The Group actively organises daily training and emergency drills for environmental emergency plans for personnel in various departments of the Group, conducts an environmental safety hazard investigation and rectification every two months in accordance with relevant regulations to ensure safe production and protect the environment. During the Year, the Group was rated as an environmental friendly enterprise in the first environmental credit evaluation of sewage disposal organisations by Shenzhen Municipal Ecology and Environmental Bureau. The Group will continue to actively review its policies on environmental protection and strive to improve the Group's environmental performance.

² The emergency response cards are on-site measures formulated for specific devices and locations.

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Waste Management

The solid waste ultimately generated by the Group can be classified into two categories: non-hazardous wastes and hazardous wastes. The non-hazardous wastes generated by the Group mainly consist of waste paper, metal and plastics disposed at landfills. The hazardous wastes mainly consist of waste paint residues, waste ink and waste oil paint, waste empty barrels and waste cloth/gloves generated from spraying, waste activated carbon generated after the use of emissions treatment equipment, waste engine oil generated during machine operation, and sludge, waste acid produced from wastewater treatment and light tubes etc.

The total amount and intensity of non-hazardous wastes and hazardous wastes from the Group during the Year are set out in the table below:

Wastes	2024	2023
Total non-hazardous wastes (tonnes) ¹	225.40	112.98
Intensity of non-hazardous wastes (kg/product)	0.18	0.06
Total hazardous wastes (tonnes) ²	64.61	59.70
Intensity of hazardous wastes (kg/product)	0.05	0.03

Notes:

1. During the Year, the Group's hardware department dismantled and cleaned up the inventory of discarded metal molds, resulting in an increase in the generation of scrap metal in the non-hazardous wastes
2. The activated carbon used in the Group's equipment is replaced every one and a half to two years, and during the Year, all activated carbon was replaced, resulting in an increase in the generation of waste activated carbon in hazardous wastes.

During the Year, all non-hazardous and hazardous waste generated by the Group was disposed of in a compliant manner.

In respect of the disposal of non-hazardous waste, the Group arranges qualified waste disposal companies to process non-hazardous waste on a regular basis. Waste disposal companies will resell or reuse the reusable waste, while those which cannot be reused will eventually be disposed of in landfills. Adhering to the concept of green office, the Group has adopted a series of measures to raise the environmental awareness of employees and reduce the amount of waste. We advocate the reuse of office stationeries such as envelopes, binders and file cards, and using changeable pen refills to reuse pens barrels. We also set up specific garbage bins to recycle waste paper, metal and plastics. During procurement, we select recyclable products to reduce the use of disposable products and regularly evaluate the usage of materials to avoid waste caused by overstocking. In terms of paper consumption, we advocate using waste paper to record, double-sided printing, and recycling paper documents, such as posters and letters, which to be sent to waste paper recycling companies for recycling. In addition, we make full use of electronic office systems and telecommunication technologies to transmit information, and regularly conduct paper use statistics to monitor paper consumption, so as to reduce paper consumption.

In respect of the management of hazardous waste, the Group has established an emergency plan for hazardous waste and a standardised management system for hazardous waste. If there is a spill of hazardous waste or a fire, the emergency plan will be activated to coordinate all emergency personnel and prevent the pollution incident from escalating. Meanwhile, the Group reasonably collects and temporarily stores hazardous waste according to the Hazardous Waste Transfer Management Regulations, and uniformly handles all hazardous waste. The Group has set up a temporary storage warehouse for hazardous waste, equipped with anti-leakage, diversion channels, and anti-overflow weir facilities, and conducts follow-up and arranges for disposal to avoid causing soil or water pollution. The Group also entered into hazardous waste treatment agreements with qualified hazardous waste treatment units. We will regularly deliver hazardous waste to relevant units for detoxification and disposal to eliminate environmental pollution.

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Greenhouse Gas and Exhaust Emissions

The greenhouse gas (GHG) emission emitted during the Group's operations mainly comes from Scope 1: direct GHG emission generated from fuel consumption of vehicles, air-conditioning refrigerant and reduction in tree planting; Scope 2: indirect GHG emission generated from purchased electricity; and Scope 3: other indirect GHG emission generated from waste paper disposal, electricity consumption for fresh water and sewage treatment as well as business trips of employees. During the Year, the GHG emissions data of the Group is set out in the table below:

GHG ¹	2024	2023
Total GHG emissions (tonnes CO ₂ e)	3,931	3,331
Scope 1 — Direct GHG emissions (tonnes CO ₂ e) ²	38	23
Scope 2 — Indirect GHG emissions (tonnes CO ₂ e) ³	3,861	3,275
Scope 3 — Other indirect GHG emissions (tonnes CO ₂ e) ^{4,5}	32	32
GHG emission intensity (kg CO ₂ e/product)	3.12	1.83

Notes:

- 1 The GHG list of the Group includes carbon dioxide, methane and nitrous oxide. GHG emissions are represented in carbon dioxide equivalent.
- 2 It is calculated based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions" published by the National Development and Reform Commission of China and "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong for vehicle emissions data; refrigerant emissions data from air conditioning equipment is calculated based on the "Sixth Assessment Report" published by the Intergovernmental Panel on Climate Change (IPCC). GHG emissions from vehicle fuel combustion increased during the Year as compared to 2023 due to an increase in the frequency of vehicle use during the Year as a result of an increase in the number of visiting customers.
- 3 It is calculated based on the "2021 Power Carbon Dioxide Emission Factors" published by the Ministry of Ecology and Environment of the PRC and the National Bureau of Statistics.
- 4 It is calculated using the data provided by Shenzhen Water Group Co., Ltd. and "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.
- 5 Other indirect GHG emissions due to employees travelling on aircraft for business trips were added during the year.

The Group strives to minimise exhaust emissions during the production process. The exhaust gas generated during the production process will be collected through pipelines and treated with special equipment before being emitted if statutory standards are met. We regularly engage environmental protection institutes to monitor the emission of exhaust gases at the discharge outlets of the Group. To ensure the effectiveness of exhaust gas treatment, the Group conducts regular inspection and maintenance of the equipment. In addition, the Group has formulated an emergency response card for excessive exhaust gas emissions, which provides corresponding measures for emergencies caused by malfunctions of exhaust gas treatment facilities, so as to effectively address the incidents and reduce the risk of pollution to the surrounding atmospheric environment.

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Emission monitoring results of the Group have met the standards of relevant regulations during the Year. Data of emissions is set in the following table:

Emission Concentration ¹	Emission Standard ²	2024	2023
Benzene (mg/m ³)	12	0.01	0.00
Toluene (mg/m ³)	40	0.01	0.01
Xylene (mg/m ³)	70	0.00	0.00
Volatile organic compounds (mg/m ³)	120	0.68	1.37

Notes:

- 1 Emission concentration is the unit of gas emission monitoring and there is no statistics data for the weight of pollutants.
- 2 The emission standards for benzene, toluene, and xylene refer to the local standard of Guangdong Province "Emission Limits of Air Pollutants" (DB44/27-2001); the emission standards for volatile organic compounds refer to the local standard of Guangdong Province "Emission Standards of Volatile Organic Compounds for Printing Industry" (DB44/815-2010).

In addition, air pollutants including nitrogen oxides, sulfur oxides and particulate matters are emitted by the Group's vehicles during operations. In order to reduce exhaust emissions during vehicle use, we have purchased hybrid electric vehicles and electric vehicles to reduce energy consumption. To maintain the performance of our vehicles, we conducted regular inspections and maintenance, inflate tires in a timely manner and maintain proper tire pressure, and also to ensure there are no idling engine. Meanwhile, we encourage our employees to use public transportation or share transportation for commuting.

The air pollutants emission data of the Group's vehicle usage during the Year is as follows:

Air pollutants ¹	2024	2023
Nitrogen oxides (kg)	29.65	14.89
Sulfur oxides (kg)	0.14	0.06
Particulate matters (kg)	2.19	0.92

Note:

- 1 It is calculated based on "Appendix C2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. Air pollutants from vehicle fuel combustion increased during the Year as compared to 2023 due to an increase in the frequency of vehicle use as a result of an increase in the number of visiting customers.

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3.3 Use of Resources

Resources are the foundation of enterprise production. In the Group's production and daily operations, the main resources that the Group needs to use include (i) direct consumption arising from vehicle fuel consumption; (ii) indirect consumption arising from purchased electricity; (iii) water consumption; and (iv) packaging materials. The Group strictly abides by the Energy Conservation Law of the People's Republic of China and other national laws and regulations in terms of resource usage, taking a series of measures to enhance water and electricity conservation and rationalise material usage, thereby effectively managing various resources and energy and improving resource use efficiency.

The Group promotes the knowledge of energy-saving, emission reduction and environmental protection to its employees through emails, posters, intranet and training, enhancing employees' sense of environmental responsibility. The Group held trainings on environmental management standards during the Year, and is committed to incorporating the concept of environmental protection into all of its operational decision-making processes in manufacturing and sales, keeping encouraging and leading its employees to participate in environmental protection and continuous improvement actions organised by environmental groups, and integrating the concept of energy-saving and emission reduction into daily operations.

Energy Management

As energy consumption is closely linked to global warming, the Group has been striving to improve energy management. Therefore, we have implemented electricity saving measures in the office to raise the awareness of all our employees on environmental protection. The Group issues notices on saving electricity and promotes the environmental protection spirit of "shut down the machines and turn off the power when people leave" to eliminate waste. We encourage our staff to turn off all unnecessary lighting systems and other electronic devices, such as printers, air conditioners, computers etc., to avoid idling of electrical appliances. For office lighting and electricity usage, in addition to adopting highly efficient light fixtures (such as T5 fluorescent lamps and LEDs), the Group has also set up independently controlled light switches in different lighting areas, installed motion sensors in infrequently used places, reduced the number of lights in areas with excessive brightness, and used daylight illumination as much as possible to save energy consumption. In addition, we clean the lights and air-conditioning philtres regularly to ensure their efficient operation, set the air-conditioning temperature reasonably, and conduct regular inspections to reduce the possibility of refrigerant leakage. In addition to the above, we have also replaced split type air-conditioners which have obtained the Grade 1 Energy Efficiency Label and adopted a variable refrigerant flow system to optimise the refrigerant flow rate during the Year to further save energy and reduce emissions. On Fridays and during hot weather, we also allow employees to go without ties and full suits to minimise the use of air conditioning.

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

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The Group's annual energy consumption data is as follows:

Energy Consumption	2024	2023
Total energy consumption (MWh)	7,028	6,284
Direct energy consumption (MWh) ¹	94	70
Indirect energy consumption (MWh) ²	6,933	6,213
Energy consumption intensity (KWh/product)	5.59	3.45

Note:

- 1 It is calculated based on the "Guidelines on Greenhouse Gas Emission Accounting and Reporting — Land Transport Enterprise (Trail)" published by the National Development and Reform Commission of the PRC. The Group's direct energy consumption is derived from vehicle fuel combustion. Compared to 2023, the energy consumption data for vehicle fuel combustion during the Year increased compared to the previous year due to an increase in the frequency of vehicle usage as a result of an increase in the number of visiting customers.
- 2 It is calculated based on the actual consumption of purchased electricity by the Group.

Consumption and Management of Water Resources

The wastewater discharged by the Group is mainly production wastewater and domestic sewage. The production wastewater is divided into integrated wastewater and spray painting wastewater. The Group strictly abides by the Water Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations. Considering the characteristics of comprehensive wastewater, we have established a wastewater treatment facility capable of handling 12 m³ per day and obtained the Guangdong Province Pollutant Discharge Permit. The treated water is discharged after meeting the requirements of the Discharge Limits of Water Pollutants (DB44/26-2001), which are local standards of the Guangdong Province. Domestic sewage is treated through a septic tank and eventually discharged into a wastewater treatment plant. In addition, we have constructed an underground wastewater collection pool with a capacity of approximately 20 m³ to collect spray painting wastewater, which is entirely reused in the spray painting process after being treated by our self-built water reuse treatment facilities.

Meanwhile, we strictly monitor wastewater discharge. A third-party testing institute is engaged to monthly check and monitor the water quality at the discharge outlets so as to ensure the discharged water meets the local standards of Guangdong Province, such as the Discharge Limits of Water Pollutants and the Emission Standard of Water Pollutants for Electroplating. The Group also records the status of wastewater, and if any non-compliance situation is found, it will promptly analyse and improve it. In addition, the Group actively formulated an emergency response card for excessive wastewater discharge, set up emergency pools in the wastewater treatment station area, and implemented anti-leakage measures to effectively store accidental wastewater, reducing the risk of environmental pollution.

The test results of sewage discharge of the Group have met the standards required by the relevant regulations during the Year. The discharge data is as follows:

Emission Intensity ¹	Emission Standard ²	2024	2023
Chemical oxygen demand (mg/liter)	50	19.42	27.24
Ammonia nitrogen (mg/liter)	8	0.17	0.13
Suspended matter (mg/liter)	30	8.75	6.00

Notes:

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

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Water is a precious resource. The Group understands the importance of water conservation, proactively carrying out water conservation measures and is committed to reducing unnecessary production and domestic water consumption. We have installed faucets and urinals with water-saving labels and infrared sensors in every lavatory. We have posted water saving reminders in every lavatory to raise employees' awareness of water conservation and remind them to turn off the faucet tight after use. We also conduct regular leakage tests and will notify the property management company at once to arrange repair and check if water leakage is found in the water supply facilities. During the Year, the Group had no issues in sourcing water.

The water consumption data of the Group during the Year is as follows:

Consumption of Water Resources	2024	2023
Total water consumption (m ³)	54,876	58,810
Water consumption intensity (m ³ /product)	0.04	0.03

Use of Packaging Materials

The Group places great emphasis on the efficient use of packaging materials. The Group will evaluate the usage of materials before procurement to avoid resource waste caused by overstocking. Meanwhile, the Group is committed to reducing the use of disposable materials and minimising product packaging.

The data on the use of packaging materials by the Group during the Year is as follows:

Use of Packaging Materials	2024	2023
Total weight of packaging materials (tonnes)	388	591
Packaging materials consumption intensity (kg/product)	0.30	0.32

3.4 Response to Climate Change

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

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

The Group closely monitors climate-related issues, assesses and examines climate-related risks, regulates the requirements of existing services, and optimises their management. Through these strategies and measures, the Group aims to establish an environmentally responsible enterprise while enhancing its adaptability and resilience to climate change.

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4. EMPLOYMENT AND LABOR PRACTICE

4.1 Employment

Staff is the foundation of corporate development and the driving force for its sustainable development. The Group strives to provide its employees with a good working environment to enhance their sense of belonging, safeguard their rights and interests, and establish a career platform that conduces to the development of employees' talents and the realisation of their values. We continue to protect the legitimate rights and interests of our employees by formulating the internal human resources management procedures in strict compliance with employment-related laws and regulations, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and the Employment Ordinance of Hong Kong.

The Group has formulated the Employee Handbook, which clearly stipulates the code of conduct that employees should adhere to, including but not limited to complying with relevant laws and regulations as well as the policies related to various employment management and labour practises of the Group. The Group is committed to safeguarding the legal rights and interests of employees, continuously attracting experienced and high-quality talents, and consistently fostering and building harmonious labour relations.

The employment data of the Group during the Year is as follows:

Number of employees	2024	2023
Total number of employees	417	541
By gender		
Male	196	257
Female	221	284
By employment type		
Full-time	417	541
Part-time	0	0
By age group		
Aged below 30	58	104
Aged 30-50	307	388
Aged 50 above	52	49
By region		
Mainland China	405	528
Hong Kong	12	13
Employee turnover rate ¹ (%)	2024	2023
Total number of employees turnover	22%	30%
By gender		
Male	21%	29%
Female	23%	31%
By age group		
Aged below 30	33%	36%
Aged 30-50	20%	33%
Aged 50 above	18%	24%
By region		
Mainland China	22%	31%
Hong Kong	16%	0%

Note:

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

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Recruitment Practices

The Group adheres to the principles of “fairness, openness, competition, merit-based selection, and non-discrimination” during recruitment, focusing on the morality, professional skills, work experience, and suitability of candidates for relevant job requirements. We commit to not discriminating based on gender, age, race, religious beliefs, marital status, or family responsibilities, striving to recruit and nurture high-quality employees to build a relatively stable workforce and provide talent reserve for enterprise development. The Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the Provisions on the Prohibition of Using Child Labour of the PRC, and has developed management procedures to prevent the use of child labour and forced labour. Applicants’ identification documents, relevant certificates and work experience are reviewed during the recruitment process to verify their age and identity against the provided documents, preventing the inadvertent employment of child labour. Before the formal entry of employees, the Group will enter into a labour contract with employees, which explicitly specifies the terms such as working hours, rest period, remuneration, insurance and benefits of employees, so as to safeguard the freedom and interests of employees, and avoid situations of forced labour. Once child labour or forced labour is found, we will immediately stop their work and conduct investigations to identify loopholes and implement remedies to prevent recurrence. The Group has formulated the “Recruitment and Employment Management Procedures” and the “Resignation Procedures Handling Process” to standardise the recruitment and resignation processes, ensure efficient and orderly management, and protect employees’ legal rights. After receiving the employee’s resignation application, the corresponding department head will conduct an exit interview with the resigning employee to discuss the reasons for resignation. The Group’s human resources department will also closely monitor employee turnover rates to identify potential issues related to employees within the Group.

Remuneration and Promotion

To attract and retain talent, the Group has established a remuneration committee and provides employees with clear promotion pathways and competitive salary packages. The Group has established the “Human Resources and Salary Management System,” which stipulates a minimum wage protection system, ensuring that employees’ wages are not lower than the local minimum wage standard. If overtime work is required, we will pay overtime pay to employees in accordance with relevant regulations. The remuneration system is divided according to different positions, including the annual salary system and the monthly salary system. The Group’s personalised remuneration system and commission-based remuneration system ensure that wage assessments are fair and motivating. Each department regularly evaluates and adjusts wage levels based on job wage standards, combined with factors such as employee workload, job performance, tenure, and technical proficiency. In addition to the basic salary, employees’ remuneration also includes performance bonuses and various subsidies, such as skill subsidies, position subsidies, late night supper subsidies, and high-temperature subsidies.

In terms of career development, the Group has established a monthly performance appraisal system to evaluate employees’ work quality, execution ability and communication and coordination ability comprehensively, and assess the work performance of each employee in an objective and comprehensive manner. The Group arranges promotion and demotion based on employees’ assessment performance, career development planning and position vacancies. We give priority to internal promotion before considering external recruitment, providing a broader development path for employees. We also have full attendance awards and annual performance awards, and conduct remuneration reviews and adjustments with reference to factors such as employee position, job performance, work experience and capabilities to motivate employees to continuously improve themselves.

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Employee Benefits

The Group provides various benefits to all employees to show care and motivate work. The Group purchases and pays for social insurance for employees, including endowment insurance, medical insurance (including maternity insurance), unemployment insurance, and work-related injury insurance, in accordance with relevant labour and social welfare laws and regulations, and provides the housing provident fund. In addition, employees are also entitled to additional benefits such as free accommodation, medical care, and food. For new employees, we have a reward programme that provides additional subsidies. We also provide benefits on employees' birthday and various festivals, such as Women's Day.

In addition, the Group cares about both physical and mental health of its employees and adopts a five-day work week with eight-hour working system arrangement to ensure that employees have sufficient rest time. Employees are entitled to statutory holidays such as marriage leave, maternity leave, sick leave, funeral leave, annual leave and other statutory holidays. The Group also provides long-term service incentives to employees who have been engaged in long-term work. For overlapping or cancelled holidays, we will provide compensatory leave arrangements. Overtime employees can enjoy compensatory leave or allowances. The Group will reimburse training expenses for employee training. Furthermore, we also provide free physical examinations.

In conclusion, the Group is committed to caring for employees, providing comprehensive benefits and protection to promote their well-being and work motivation.

4.2 Development and Training

The Group continues to pay attention to the growth and development of employees and is committed to realising employee value. The Group's HR department develops appropriate annual training programmes according to the annual operation plans and objectives as well as the needs of employees, aiming to enhance their skills and knowledge levels and increase their competitiveness at work. We meet the strategic development needs of the Group's talent structure through the continuous implementation of employee training policies. The Group records the training programmes, time, hours, and assessment results as a basis for employee promotion and transfer.

We provide our employees with comprehensive training resources and learning environment, including orientation, pre-job, professional skills, management ability, quality and safety trainings. The Group has also formulated the "Orientation Training Programme" to provide orientation training for new employees, covering company introduction, rules and regulations, ISO basic knowledge, and fire safety, to ensure employees understand the corporate culture and systems, master working techniques and skills, and adapt to work quickly.

The internal trainings we organised during the Year encompass areas such as raising safety awareness, enhancing quality management, familiarising with internal standard procedure requirements, and strengthening professional skills according to their positions. We emphasise helping our employees recognise the importance of safety in safety awareness training and provide relevant training courses such as accident prevention and emergency response to ensure that employees can identify potential risks and take appropriate safety measures at work. Additionally, we are committed to improving the quality management level by helping employees understand the basic concepts, methods, and tools of quality management through training sessions. We introduced various quality management systems and certification standards, and provided practical cases and simulations to help employees master the core principles and techniques of quality management. We conducted training for different departments and positions to ensure that employees understand and comply with the company's internal standard procedure requirements. These trainings cover internal company policies, processes, and regulations, as well as the standard operating

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procedures that employees need to follow in their daily work. Through these trainings, employees are able to better understand and comply with the company's requirements, improving work efficiency and accuracy. We also provided professional skills training for different positions to meet employees' needs in career development. These training courses are designed to help employees master the skills and knowledge required for specific positions, improve job performance, and enhance professional competitiveness. We encourage employees to participate in these trainings and provide the necessary support and resources to ensure they can continuously grow and progress.

We also actively encourage employees to participate in external training opportunities in addition to internal training. We recognise that external training can provide employees with a broader learning platform and professional development opportunities. We provide further education allowances to our employees to subsidise the costs of attending external training courses. Through participating in external training, employees can gain exposure to the latest industry trends and knowledge, continuously enhance their professional qualities and skills, and thereby contribute to maintaining the company's competitive advantage.

We also encourage employees with substantial experience and expertise to apply to become internal lecturers. As internal lecturers, they can share their own experiences and knowledge, providing guidance and training to other employees. To ensure the teaching quality of internal lecturers, we have established a training certification by the human resources department, granting corresponding certification levels and teaching hours to lecturers who meet the standards, and providing corresponding remuneration. We have created an internal environment with a strong learning atmosphere in the enterprise through this approach, encouraging employees to continuously learn and grow.

During the Year, the Group's employees training are as follows:

Average hours of employees training (hour) and training percentage (%)		
	2024	2023
Total	13.9 (92.8)	11.7(97.2)
By gender		
Male	11.6 (87.2)	10.7 (95.3)
Female	16.0 (97.7)	12.5 (98.9)
By function		
Senior executives	15.8 (84.2)	20.4 (88.2)
Technicians	11.1 (92.2)	12.8 (100)
Management executives	18.3 (100)	11.9 (100)
Manufacturing personnel	14.3 (93.3)	11.0 (96.8)

4.3 Health and Safety

The Group places its highest priority on the health and safety of employees. To prevent accidents and minimise occupational hazards, the Group strictly abides by the national and local laws and regulations with regard to labor safety, including but not limited to the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Emergency Response Law of the People's Republic of China, Shenzhen Safety Management Regulations, Shenzhen Enterprise Responsible Persons Safety Management Accountability Measures and the Occupational Safety and Health Ordinance of Hong Kong, to establish safety management rules and regulations, to ensure the personal safety of employees, and to create a safe and hygienic work environment for all employees.

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

In order to strengthen the safety management of hazardous chemicals, the Group has formulated a safety management system for hazardous chemicals which required all chemicals to be accompanied with chemical safety technical specifications provided by suppliers and all packages must comply with the packaging safety requirements for dangerous chemicals to strengthen the management of hazardous chemicals. We also implemented and complied with relevant Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) requirements to reduce the use of harmful ingredients and minimise the safety risks of employees’ work. In addition, the Group incorporates the safety management of pollution prevention facilities into the safety production emergency management system in accordance with government regulations and regularly conducts self-inspection and rectification of potential hazards. In the meantime, we have formulated the management system of emergency plans for safety production accidents in accordance with relevant laws and regulations, and carried out safety production accident drills and fire drills regularly to enhance employees’ emergency response capabilities.

During the Year, the number of work-related injury within the Group was 3 and recorded 8 working days lost and there was no work-related fatality in the Group for the past three years.

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5. OPERATING PRACTICES

5.1 Supply Chain Management

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

The Group has established supplier evaluation procedures in strict accordance with the relevant laws and regulations such as the Civil Code of the People's Republic of China, following the principles of openness, fairness, impartiality, honesty and credibility, and scientific selection of merits to evaluate and select the capabilities of current and potential suppliers in providing products or services, to ensure that suppliers can stably provide qualified products to the Company. The Group provides training for employees responsible for supply chain management to ensure that they have sufficient knowledge base (such as relevant legal regulations) and can accurately audit suppliers. During the selection of suppliers, in the initial data collection stage, we require them to submit a company introduction, legal business licence, and tax payment certificate to ensure their compliance and determine if on-site assessment is needed. After the supplier's sample is approved, we will include qualified suppliers in the supplier database and conduct regular monitoring. Meanwhile, we will consider a number of factors, including the supplier's quality system and control, customer complaint management, warehousing control, document data control, employee education and training, technical capabilities and delivery assurance capabilities. We will enter into a contract with the entrusted suppliers, setting out the requirements of all aspects such as product quality and tracking and monitoring their performance and progress. In addition, we conduct annual comprehensive evaluations for suppliers, and if we find that they fail to meet the standards required by the Group, we will terminate the cooperation until the situation has been improved to ensure that the service quality meets the requirements, so as to optimise the supply chain management.

The Group has established and implemented relevant assessment and management policies to regularly identify the environmental and social risks relating to the supply chain. Our suppliers are required to comply with the EU mandatory Restriction of Hazardous Substances (RoHS) Directive standards, fill in the RoHS compliance information form, submit the RoHS test report and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) test report from third-party testing institutes, and sign the absence of prohibited substances guarantee or the absence of environmental hazardous substances guarantee.

We conduct on-site investigation for suppliers with RoHS requirements to ensure that their operation process will not cause harm to the environment. The ISO department also closely monitors relevant information on product safety and environmental protection laws and regulations, including Electromagnetic Compatibility (EMC) certification, Underwriters Laboratory (UL) certification and RoHS requirements, timely updates and informs the Group's suppliers. Suppliers cooperating with the Group are required to sign a letter of commitment on social responsibility and anti-terrorism to ensure that suppliers comply with all provisions of social responsibility standards and local labour laws and regulations, guarantee that the materials purchased are from legally employed workers, ensure that partners comply with relevant legal systems such as counter-human trafficking and slavery, and prohibit any form of forced labour to protect human rights. We require suppliers to undergo on-site social responsibility audits and investigations, and to fully provide the necessary audit information. We will directly disqualify our suppliers once they are found to have any business conduct in relation to unethical behaviour and other prohibited business practises by local and international laws and regulations.

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While striving for corporate development, the Group takes the responsibility to protect the environment. Therefore, it advocates green procurement in its supply chain management and procurement. The Group gives preference to suppliers that are geographically close to the Group during the procurement process to reduce the carbon footprint in the transportation. Among the 226 suppliers commonly used by the Group, suppliers within the province accounted for 87.6%. Also, the Group would consider the products with less impact to the environment, such as the products with eco-friendly labels, refillable ballpoint pens and mechanical pencils, and eco-friendly paper, provided that such products can satisfy our production demand. The Group has established a comprehensive warehouse control procedure to record materials and products in storage, encourage employees to pay attention to the shelf life of materials and products, and give priority to those purchased earlier to avoid unnecessary waste.

During the Year, the number of major suppliers of the Group is as follows:

Number of Suppliers	2024	2023
Total number of major suppliers	226	262
By region		
Guangdong	198	224
Hong Kong	16	22
Other domestic regions ¹	11	13
Japan	1	3

Note:

1 Other regions include Zhejiang, Jiangsu, Henan, Fujian, Shanghai and Shaanxi.

5.2 Product Responsibility

High-quality products are a major competitive advantage of the Group. The Group always adheres to the principle of attention to detail and perfection, providing high-quality products that meet customer needs. To improve and develop the Company's quality system, promote the standardisation and internationalisation of quality management and quality assurance, enhance corporate management level and production efficiency, and determine the product's market position, the Group has formulated a quality policy based on ISO9001:2015, ISO13485:2003, Quality System Regulation 21CFR Part 820, EN ISO13485-2012, and Medical Device Directive 93/42/EEC regulations, combined with the actual situation of the Company's product development, quality management, production, sales, and policies, laws, and regulations. The Group has compiled the "Quality Manual," which specifies the quality management responsibilities and follows the principles of "scientific, rigorous and practical". It is the basic criterion for the operation and certification of the Group's quality management system, and is a framework for guiding the Group in establishing and implementing its quality management system, and must be followed by all of the Group's employees.

The Group has undertaken several verification measures to achieve the goal of providing the highest quality products. We also value customers' opinions and have established internal procedures related to customer service to provide prompt and effective solutions to customers' complaints, striving to offer satisfactory after-sales service.

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Testing and Examination

To ensure compliance with the Product Quality Law of the People's Republic of China and the Regulations on Quality Responsibility for Industrial Products, the Group has formulated a quality policy, set up a quality control department, and established management procedures to examine and test product quality at each stage, from the purchase of raw materials, product manufacturing to product delivery, and to control and recall unqualified products to ensure that products meet the specified requirements. Before delivery of products, the quality control department will be responsible for finished product quality inspection procedures, spot checks on products, and safety specification and life-cycle tests. Products that fail the test will be returned or scrapped according to the quality control procedures of unqualified products. Once it is ensured that the finished products meet the required quality standards, the Group will proceed with packaging and shipping. During the development process of new products, the Group will arrange various inspections and tests based on the research and development progress of the products, including appearance and equipment structure, leakage of electric current, insulation and pressure resistance, normal functions etc., and hold design review meetings with the joint participation of various departments to implement improvement measures for quality issues identified in the products under research to ensure the quality and safety of the final products. We conduct internal audits and management review of the quality system on an annual basis to assess the legitimacy and effectiveness of the current quality system with an objective to identify potential improvements and improve the quality system level. Meanwhile, we have established a sound quality system document management procedure to systematically control the formulation, approval, distribution and destruction of quality system documents to ensure the applicability and traceability of relevant documents and records. The Group designs and manufactures personal care electrical appliances and small household electrical appliances, and its marketing and transit warehouses have been certified by the ISO9001:2015 quality management system.

During the Year, no product has to be recalled due to safety and health reasons.

Customers' Feedback

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

The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations to ensure the legitimate rights and interests of customers. We also have set up comprehensive procedures for handling customers' complaints, which provide methods for handling customers' feedback information and procedures for taking corrective and preventive actions to effectively respond to customers' complaints. The sales department of the Group is responsible for collecting and translating customers' feedback, sending it to various departments and referring it to the quality control department for handling. The manager of the quality control department is responsible for the classification such as quality warnings, quality incidents and major quality incidents on the basis of the type of feedback and its seriousness immediately after receiving the feedback, and arranging corresponding personnel to complete a preliminary investigation and analysis within three days and proposing solutions in a timely manner. The Group has also formulated product notices and recall procedures to notify customers and relevant management departments, recall defective products, and promptly take corrective and preventive measures in case of quality issues to protect customers' safety. In addition, the ISO department will be responsible for organising the rectification and preventive measures to be taken in the quality management system and daily operations to continuously and effectively improve quality issues.

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During the Year, the Group received a total of 36 complaints regarding the appearance, functionality, or quality of our products. Each complaint was properly handled, and individual follow-up reports on improvement measures were provided for each case's customer feedback, aiming to offer high-quality after-sales service and improve the quality of the Group's products.

Protection of Intellectual Property Rights and Privacy

The Group values intellectual property rights and fully complies with the laws and regulations related to the intellectual property rights, including but not limited to the Specifications for the Administration of Intellectual Property Rights of Enterprises and the Copyright Ordinance of Hong Kong, encouraging the protection of intellectual property and promoting corporate innovation and development. The Group has established a sound intellectual property management system, based on relevant laws and regulations such as GB/T29490-2013 Specifications for the Administration of Intellectual Property Rights of Enterprises, GB/T21374-2011 Basic Vocabulary of Intellectual Property Documentation and Information, and the Group's Intellectual Property Policy. Combining the characteristics and actual conditions of the Group, it has completed the compilation of the Intellectual Property Management Manual and the Intellectual Property Management Control Procedures, and appointed relevant responsible persons as the Group's intellectual property representatives, fully responsible for the operation and continuous improvement of the intellectual property system. The Group actively carries out intellectual property registration and timely applies for patents for inventions and creations that meet the conditions for granting patents to obtain legal protection. We require new employees to fill out the intellectual property background investigation form for new employees and sign the intellectual property statement. Furthermore, the Group uses licenced software in office and production processes, and all software complies with licencing agreements. Employees must submit an application to the Company before installing any software to avoid infringing the intellectual property rights of others. We also provide intellectual property and privacy rights related trainings to our employees to enhance their awareness of risk identification and prevention and control. The Group encourages employees to develop new products and procedures through an incentive system. During the Year, the Group has obtained research project approvals for eight studies, including the "Functional Radiofrequency Cosmetology Device" and the "Distance Sensing Multi-Outlet High-Speed Hair Dryer."

To regulate the use of confidential data by employees, the Group requires employees to comply with the confidentiality clauses in the Confidentiality and Intellectual Property Protection Agreement and the Employee Handbook, whether they are currently employed or not, to keep all data related to the Group's technologies, operations, and management confidential, in order to protect the Group's intellectual property rights. The Group requires all employees to sign a confidentiality agreement upon joining to confirm their understanding of the handbook and their willingness to comply. Once an employee is found to have violated the confidentiality terms, the Group will conduct a comprehensive investigation and terminate his/her labour contract immediately. When cooperating with other companies or individuals, the terms of intellectual property protection are already included in the contracts we enter into.

The Group regulates the management of personal information and privacy protection for employee data, ensuring that the security control measures in all aspects of personal information and privacy protection comply with the Data Security Law and the Personal Information Protection Law of the People's Republic of China, as well as the Personal Data (Privacy) Ordinance of Hong Kong.

The Group protects customer privacy, actively signs confidentiality agreements with customers, collects and uses customer inquiries in a legal manner, and uses customer information through the means specified in the contract. To ensure the security of the Company's computer database, only authorised employees can access sensitive customer information. In addition, the Group provides relevant training to employees of various departments to guide them protecting information and privacy information, ensuring that employees always keep in mind the importance of customer privacy.

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5.3 Anti-corruption

The Group has always adhered to the principle of integrity in business operations, maintaining a zero-tolerance policy towards corruption and strictly complying with relevant anti-corruption laws and regulations, including but not limited to the Criminal Law of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. During the Year, the Group was not involved in any corruption-related litigation cases.

The Group advocates a culture of integrity and honesty. In order to effectively prevent corruption, clauses of integrity are listed in the Employee Handbook. The Group prohibits employees from using their authority and job convenience to seek improper benefits. Employees are required to handle incentives and gifts according to relevant regulations. In case of any conflict between personal interest and job duties, employees must report such conflict, so that the Company can fully and accurately consider potential issues and risks, and take appropriate measures. To enhance employees' awareness of integrity and self-discipline and to prevent violations and disciplinary incidents, the Group requires employees to sign a letter of commitment to integrity. The Group posts anti-corruption notices in corridors to remind employees at all times. The Group has formulated a comprehensive whistle-blowing policy. In case of corruption, employees can report to the management through email and complaint hotline. We will keep the information of whistleblowers' strictly confidential to protect the whistleblowers and conduct comprehensive investigation. Once a violator is found, the Group will handle the matter strictly, including but not limited to terminating the labour contract and referring the case to judicial authorities.

In order to maintain a fair competitive environment and the healthy and orderly development of commercial trade, the Group has established anti-corruption regulations for suppliers. Before entering into a contract, the Group requires the suppliers to sign the "Supplier Anti-Commercial Bribery Commitment" and the "Supplier Integrity Cooperation Commitment". If the supplier violates the terms of the undertaking, suppliers will have to make an unconditional default payment determined by the Group after investigation and verification. Meanwhile, we reserve the right to cease the business relationship and seek to hold the defaulting party responsible.

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

During the Year, no legal proceedings were initiated against the directors and employees of the Group for corruption or bribery.

6. COMMUNITY INVESTMENT

The Group attaches great importance to corporate social responsibility and regards the prosperity and stability of society as the cornerstone of its development. The Group pays attention to the people in need, helps social development by supporting charity projects to share its care and love. The Group organises and supports its staff to participate in volunteer services every year, such as regular visits to the needy, arranging outdoor activities for the disabled and holding blood donation days, in order to fulfil its social responsibility. During the Year, the Group made a donation of RMB30,000 to strongly support the construction of highway in Badu Yao Township, Tianlin County, Guangxi. In the future, the Group will continue to support charitable projects and public welfare activities. We also encourage employees to participate in voluntary activities to comprehensively enhance employees' sense of social responsibility.

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APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

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B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility: Protection of Intellectual Property Rights and Privacy	20
B6.4	Description of the quality assurance process and recall procedures.	Product Responsibility: Testing and Examination; Customers' Feedback	19
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility: Protection of Intellectual Property Rights and Privacy	20
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.	Anti-corruption	21
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.	Anti-corruption	21
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	21
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	21
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.	Community Investment	21
B8.1	Focus areas of contribution.	Community Investment	21
B8.2	Resources contributed to the focus area.	The Group's community investment does not involve utilisation of resources.	21



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