KAM HING INTERNATIONAL HOLDINGS LIMITED
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02307

2023

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Kam Hing International Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group"), is pleased to present the 2023 Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance issues.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with "comply or explain" provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – (i) Headquarter in Hong Kong; (ii) two textile production sites in Enping and Nansha in China; and (iii) garment manufacturing factories in Phnom Penh, Cambodia. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken the initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail. The board (the "Board") of directors (the "Directors") of the Company confirmed that during the reporting period, the Company complied with the applicable provisions contained in the "Environmental, Social and Governance Reporting Guide" of the Listing Rules.

This Report summarised the Group's performance in corporate and social responsibilities applying the reporting principles of "Materiality, Quantitative, Balance and Consistency" as below:

Reporting Principles	Application by the Group
Materiality	This Report has identified and disclosed the process of the material environmental, social, and governance factors with its selection criteria. It also includes descriptions of key stakeholders and their engagement process and results.
Quantitative	The explanations of statistical standards, methodologies, assumptions, and/or calculation tools, as well as the source of conversion factors in emissions/energy consumption (if applicable), are described in the report.
Balance	The Report presents the Company's performance during the Reporting Period impartially. It aims to avoid choice, omission, or presentation formats that may influence readers' decisions making and judgments.
Consistency	The statistical methods in all data reporting are consistent with previous year. Any changes will be stated clearly in the report.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2023 to 31 December 2023.

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CONTACT INFORMATION

The Group welcomes your feedback on this Report for the sustainability initiatives. Please contact us by email to ir@kamhingintl.com.

INTRODUCTION

Kam Hing International Holdings Limited (Stock Code: 2307), is a corporation based in Hong Kong that established in 1996 which primary focuses on the production of assorted fabrics including knitting, fabric dyeing and fabric finishing. The Group has also launched a downstream business for garment industry.

Kam Hing has two garment factories in Cambodia and two manufacturing plants in China. One of the textile manufacturing plants, located in Enping, Guangdong, is mainly focusing on fabric knitting, cotton and its blends, synthetic long filament and functional fabric dyeing and printing solutions. The other manufacturing plant, located in Nansha, Guangdong, is responsible for operations such as yarn dyeing, fabric knitting, cotton fabric dyeing, cotton and its blends and processing. To adapt to the persistent changing customer demand, the Group has established garment factories in Cambodia in order to provide a one-stop solution for the clients. The Group provides products and services to many reputable apparel brands internationally.

STAKEHOLDER ENGAGEMENT

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

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

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

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Stakeholders	Expectations	Engagement Channels
Government	• Legitimacy of service and business ethics • Employee protection • Tax compliance	• Compliance with applicable laws and regulations • Corporate events
Shareholders and Investors	• Corporate governance • Business operations • Information disclosure • Protection of interests and fair treatment of shareholders • Return on the investment	• Annual and interim reports and other published information • Annual general meeting and other shareholder meetings • Press releases • Corporate events
Employees	• Training and development • Remuneration • Occupational Health and Safety • Self-actualization	• Staff meetings • Complaint system • Training, seminars, briefing sessions
Customers	• Data privacy • Customer satisfaction • High-quality services • Business ethics	• Company website • Feedback from frontline employees • Email and customer service hotline
Peer and Industry Associations	• Experience sharing • Fair competition	• Industry seminars • Exhibitions • Corporate events • Company website
Public and Communities	• Contribution to the community • Environmental protection • Social responsibilities	• Support to charitable organisations • Voluntary work activities

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

The Group has adopted the principle of materiality in the environmental, social and governance ("ESG") reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix C2 to the Listing Rules) and the guidelines of Global Reporting Initiative ("GRI").

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

• Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.

• The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix C2 to the Listing Rules).

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Step 2: Prioritization – Stakeholder Engagement

• The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects were covered.

Step 3: Validation – Determining Material Issues

• Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out during the reporting period, those important ESG areas to the Group were discussed in this Report.

MATERIALITY ASSESSMENT

The Group has maintained close communication with the stakeholders since the Group listed in HKEX. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. During the reporting report, the Group is more concerned issues about energy and water conservation and sewage disposal. The Group strives to review these issues from time to time to achieve continuous improvement and sustainable business development. The main concerns and material issues are listed below:

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ESG aspects as set out in ESG Reporting Guide			Material ESG issues for the Group	
A.	**Environmental**	A1	Emissions	1.	Greenhouse gas emissions
				2.	Air emissions
				3.	Treatment of hazardous and non-hazardous wastes
		A2	Use of Resources	4.	Energy and water conservation
				5.	Natural resources (includes water and energy)
				6.	Packaging material usage
		A3	The Environment and Natural Resources	7.	Sewage disposal
				8.	Business continuity plan
		A4	Climate Change	9.	Mitigation of significant climate-related issues
B.	**Social**	B1	Employment	10.	Employee diversity and equal opportunities
				11.	Turnover rate
		B2	Health and Safety	12.	Occupational health and safety
				13.	Injury occurred
		B3	Development and Training	14.	Training and development
		B4	Labour Standards	15.	Child labour and forced labour
				16.	Employment relationship and communication
				17.	Employee remuneration and benefits
		B5	Supply Chain Management	18.	Supplier selection process
				19.	Supplier environmental and social assessment
		B6	Product Responsibility	20.	Product and service quality
				21.	Complaints handling
				22.	Intellectual property
				23.	Customer privacy
		B7	Anti-corruption	24.	Anti-fraud and corruption
		B8	Community Investment	25.	Community participation
				26.	Donation

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In preparing the Report, the Group has sent materiality assessment questionnaire to both internal and external parties, including employees, suppliers, customers and others to assess the importance of the above-mentioned ESG issues to the stakeholders and to the business. The average of their results is presented in the following matrix:

	Low	Middle	High
High		• Air emissions • Mitigation of significant climate-related issues • Treatment of hazardous and non-hazardous wastes • Occupational health and safety • Injury occurred • Supplier environmental and social assessment	• Energy and water conservation • Natural resources (includes water and energy) • Employee diversity and equal opportunities • Sewage disposal • Turnover rate • Child labour and forced labour • Employment relationship and communication • Employee remuneration and benefits • Supplier selection process • Intellectual property
Middle		• Greenhouse gas emissions • Packaging material usage • Training and development • Customer privacy • Anti-fraud and corruption	• Business continuity plan • Product and service quality • Complaints handling
Low	• Community participation • Donations		

IMPORTANCE TO STAKEHOLDER

IMPORTANCE TO BUSINESS

Less important	Important	Very Important

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ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues and Working Group

The Board is primarily responsible for the Group's ESG strategy and reporting, including identifying and determining ESG-related risks and ensuring the effectiveness of ESG risk management. In this regard, the Group has established an ESG Working Group, which has sufficient knowledge of both ESG matters and its operations, consisting of executive Directors and senior management members to oversee the material ESG issues that are relevant to its business and of high importance to investors and stakeholders. The ESG Working Group is responsible for maintaining a transparent and effective discussion with various stakeholders including customers, employees, local community, the government, investors and shareholders with an aim to ascertain the material ESG issues. The ESG Working Group enhances the communication with stakeholders by regularly updating the Company's website, gauging feedback from frontline employees, conducting staff meetings, establishing complaint system and consistently supporting charitable organisations. Different ESG issues are reviewed by the ESG Working Group at the regular meeting, which is held once a year. The Board consistently monitors the performance of the ESG Working Group and ensures the effectiveness of the overall ESG practices.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted annually. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained can allow the Group to make more informed decisions, and better assess and manage the resulting impacts.

The Group has evaluated the materiality and importance in ESG aspects through the following steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritisation with stakeholder engagement; and (3) validation and determining material ESG issues based on the results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention of our stakeholders to each significant ESG issue, and can enable us to plan our sustainable development direction more comprehensively in the future. Those important and material ESG areas identified during our materiality assessment were discussed in this Report.

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets shall be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and targets with key stakeholders such as employees is essential, as this can enable them to be engaged in the implementation process, and to feel that they are part of the changes that the Company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results of achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which shall be weighed against the Company's ambitions and goals.

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A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

As a textile manufacturer, the Group believes that it is its responsibility to minimise the environmental impact of the operation, as the operation is naturally causing certain impact to the environment, such as the disposal of chemicals and wastewater. The Group focuses on maintaining sound environmental stewardship and has adopted the ISO 14001-certified Environmental Management System ("EMS"). The Group has prepared an emergency plan to provide the guidelines on handling environmental accidents. The Group complied with all relevant laws and regulations to air emission, greenhouse gas ("GHG") emission, wastewater discharge, hazardous waste and non-hazardous waste disposal such as the "Air Pollution Prevention and Control Law" of the PRC and the "Water Law" of the PRC during the Reporting Period.

During the reporting period, the Group strictly complied with all relevant environmental laws and regulations in Hong Kong and the PRC and was not aware of any non-compliance of laws and regulations that could have significant impacts on the Group relating to air pollutants and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous wastes, including but not limited to the followings:

- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong);
- Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2015) in the PRC;
- Prevention and Control of Environmental Pollution by Solid Waste (2015 Amendment) in the PRC;
- Water Pollution Prevention and Control Law of the PRC;
- Law on Environment Protection and Natural Resource Management of the Cambodia;
- Sub-Decree on Management of Solid Waste of the Cambodia;
- Sub-Decree on the Water Pollution Control of the Cambodia; and
- Sub-Decree on the Control of Air Pollution and Noise Disturbance of the Cambodia.

Air Pollutants Emission

The Group complied with relevant regulations and standards, including "Guangdong Province's Emission Limits of Air Pollutants"《大氣污染物排放限值》(DB44/27-2011), "Emission Standards for Odour Pollutants"《惡臭污染物排放標準》(GB14554-1993), and "Emission Standard of Air Pollutants for Thermal Power Plants"《火電廠大氣污染物排放標準》(GB13223-2011) during the Reporting Period.

Air pollutants such as carbon nitrogen oxide (NO_x), sulphur dioxide (SO_2), and particulate matter (PM) are produced during the production process of textile manufacturing plants in Enping and Nansha in China. Designated staff are responsible for supervising the performance and conducting mitigations measures to ensure that air emissions reach the corresponding standards. The Group has applied Selective Non-Catalytic Reduction (SNCR) technology to remove the air pollutants from the exhaust and to reduce the air pollutants generated at the manufacturing plant. Apart from SNCR, the Group has installed monitoring devices at the chimneys to check for abnormalities and monitor the pollutants' concentration levels.

In 2023, the rise in total air pollutant emissions was mainly attributable to the increase in coal consumption for production. Furthermore, the Group targets to reduce the emission of air pollutants by around 10% to 15% by 2030 as compared to 2020.

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During the reporting period, the air pollutants emission was as follows:

Air Pollutant Emission			
Type of air pollutants	**Unit**	**2023**	**2022**
Nitrogen oxides (NO_x)	tonnes	111.94	87.48
Sulphur dioxide (SO_2)	tonnes	48.96	31.99
Particulate matter (PM)	tonnes	14.95	20.92

Greenhouse Gas ("GHG") Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. Energy consumption accounts for a major part of the Group's GHG emission. The Group has managed the carbon footprint by adopting energy saving strategies and initiatives based on our internal procedure. Policies and procedures adopted on energy saving are mentioned in the section "Use of Resources" of this Report. In 2023, the rise in total GHG emissions was mainly attributable to the increase in coal consumption for production. Furthermore, the Group targets to reduce the emission of GHG by around 10% to 15% by 2030 as compared to 2020.

During the reporting period, the GHG emission was as follows:

GHG Emission			
Type of GHG emission	**Unit**	**2023**	**2022**
Scope 1[1] Direct emission	tonnes of CO_2-e	127,929	120,919
Scope 2[2] Indirect emission	tonnes of CO_2-e	81,393	77,859
Scope 3[3] Other Indirect emission	tonnes of CO_2-e	2,744	2,615
Total	**tonnes of CO_2-e**	**212,066**	**201,393**
GHG emission intensity	tonnes of CO_2-e/HKD'000 revenue	0.062	0.049

Hazardous and Non-hazardous Wastes

The Group acknowledges the importance to handle the waste properly to minimise the impacts on the environment. The Group has established a policy of "Waste Handling Regulation" to manage waste collection, storage and disposal. There are specific collection processes, storage locations, disposal methods and responsible departments for production waste and domestic waste based on their types and sources of production. Recyclable waste, non-recyclable waste and hazardous waste are marked with different colour labels and symbols to clearly identify the waste for further processing. Recyclable waste such as paper, wood and plastic, are collected and sold to third parties for recycling. Non-recyclable waste such as used-up stationery and discarded tools, are collected by outsourced cleaning companies. For hazardous waste such as oil, chemicals and plastic waste, they are handled and stored with due care and in accordance with relevant laws and regulations. In 2023, the rise in total hazardous waste and non-hazardous waste was mainly attributable to the disposals of some wasted materials due to update of some production machines. Furthermore, the Group targets to reduce the hazardous waste and non-hazardous waste by around 10% to 15% by 2030 as compared to 2020.

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[1]   Scope 1: Direct emission from sources that are owned or controlled by the Group.

[2]   Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

[3]   Scope 3: GHG emissions refer to all indirect emissions (not included in Scope 2) that occur in the value chain of the Group, including both upstream (e.g. supply chain) and downstream (e.g. customers) emissions.

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During the reporting period, the non-hazardous waste generation was as follows:

Hazardous Waste and Non-Hazardous Waste			
Type of waste	Unit	2023	2022
Hazardous waste	tonnes	146.1	75.7
Hazardous waste intensity	tonnes/ HKD'000 revenue	4.24×10^{-5}	1.84×10^{-5}
Non-hazardous waste	tonnes	24,175	22,493
Non-hazardous waste intensity	tonnes/ HKD'000 revenue	0.007	0.005

Municipal Solid Waste Charging

Implementation of Municipal Solid Waste (MSW) Charging by the Government will be rolled out on 1 August 2024. Under the MSW Charging policy, it is expected that the Group will be subject to the "polluter-pays" principle, and would incur expenses relating to MSW. All waste disposed of by residential and non-residential premises in Hong Kong will be subject to charging based on its quantity, so as to drive behavioural changes in waste generation and hence reduce overall waste disposal.

To enhance waste reduction and recycling, help reduce carbon emissions and avoid penalties for the Group, the Group will provide staff training to assist frontline staff in getting ready and set up feedback channels for staff. Also, the Group will arrange regular reviews, perform inspections, report on non-compliant cases and continuous publicity and education in order to cater for the following changes.

A2. USE OF RESOURCES

The Group strives to take all feasible measures to incorporate sustainability into its business operations and improve its environmental performance. Realising that resource conservation is crucial for maintaining environmental sustainability, we promote green office management and encourage our employees to be aware of the need for resource conservation in daily operations. We pledge to reduce resource consumption and carbon footprint in all our businesses and operations through the application of several actions and practices.

Energy

The major sources of energy consumption are the fuel consumed by vehicles and machineries, and electricity used in offices and operation lines. The Group manages the use of energy in accordance with the national and local requirements. In order to monitor and reduce the energy consumption, the Group has adopted a variety of measures in production plants and in the office. In 2023, there is slightly increase in energy consumption due to increase in production volume. The Group targets to reduce the energy consumption by around 10% to 15% by 2030 as compared to 2020.

During the reporting period, the energy consumption was as follows:

Energy Consumption			
Type of energy	Unit	2023	2022
Petrol	MWh	607	694
Diesel	MWh	1,317	1,878
Coal	MWh	1,231,767	1,184,835
Purchased electricity	MWh	133,682	127,827
Total	**MWh**	**1,367,373**	**1,315,234**
Energy consumption intensity	MWh/ HKD'000 revenue	396.79	320.31

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Water

Water is another important resource used by the Group in daily operation. It is used mainly in canteens, offices and production lines for dyeing process, cleaning and machinery cooling. In 2023, there is slightly increase in water consumption due to increase in production volume. The Group targets to reduce the water consumption by around 10% to 15% by 2030 as compared to 2020.

The Group strives to conserve water effectively by identifying water saving initiatives as follows:

* Water-saving fixtures are installed for lavatories.

* Water-saving labels have been posted on water taps to remind employees.

* Regular maintenance is conducted for water supply equipment to prevent water leakage.

During the reporting period, the water consumption was as follows:

Water Consumption			
Water consumption	**Unit**	**2023**	**2022**
Total water consumption	m^3	5,044,479	4,841,258
Water consumption Intensity	m^3/ HKD'000 revenue	1.47	1.18
Total wastewater discharge	m^3	3,514,962	3,449,524
Wastewater discharge intensity	m^3/ HKD'000 revenue	1.02	0.84

A3. THE ENVIRONMENT AND NATURAL RESOURCES

According to the Environmental Protection Law of the PRC, where the construction of a project may cause any pollution to the environment, an environmental assessment must be performed. Environmental impact assessment is crucial for construction projects to identify potential environmental impacts and determine the prevention and remedial measures to be adopted. All the Group's construction and extension projects comply with relevant environmental impact assessment procedures, undergo inspection and have been approved by the relevant environmental protection authorities. The discharge of all pollutants complies with the relevant national standards.

The environmental impact is assessed based on the scale, severity, probability of occurrence and duration of the environmental impact, and relevant environmental laws and regulations. With the results from environmental impact assessment, the Group can better formulate targets, indicators and improvement plans to minimise the impacts on the environment.

A4. CLIMATE CHANGE

Governance

Our Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts, are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group.

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Supported by our ESG Working Group, our Board oversees climate-related issues and risks regularly during board meetings and ensures that they are incorporated into our strategy.

To ensure our Board to keep up with the latest trend of climate-related issues, climate competence training will be provided to ensure it has the necessary expertise and skills to oversee the management of climate-related issues. Our Board also seeks professional advice from external experts when necessary to better support the decision-making process.

Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business. The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to the best practice standards. Moreover, the ESG Working Group works closely with the Group's different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across many categories in our services range. This diversity of risk is combined with our business strategy and broad geographic footprint helps us mitigate risk and provide protection against the impacts of short-term climate change effects.

Risk Management

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed could be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones.

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Significant Climate-related Issues

In response to the international community's concerns about climate change, the Group has included climate change-related risks in one of the environmental, social and governance issues. The Group's analysis and response strategy for the potential financial risks posed by climate change are as follows:

Risk Category	Potential Financial Impacts	Response Strategy
Physical Risk	The increase in electricity consumption due to weather changes such as persistent hot or cold weather, and its subsequent impact on operating costs	Adopting energy saving policies and green measures to avoid excessive consumption of natural resources.
	As a result of climate change, extreme weather events, such as typhoons, seasonal storms and heavy rains, are likely to become more frequent in the future. It may lead to disruption and loss due to suspension of operations	The Group has formulated emergency plans to deal with extreme weathers, which aims to reduce disruption and loss due to suspension of operations.
Transitional risks	**Policies and regulations** More stringent climate policies and regulations (such as more stringent electricity restrictions) may increase compliance and operating costs	Strictly implementing emission reduction measures to maintain low emissions.
	Market Consumers switching to products that more actively incorporate environmental concepts, resulting in lower income	The Group adheres to the concept of sustainable development and strictly controls its product manufacturing process, such as installing machines which are high energy efficiency.

Although the climate change risks identified by the Group will not have a significant impact on its business, the Group will also review the potential impact of climate change on its business annually and adopt appropriate measures to mitigate any potential risks.

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and GHG emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the year. Our Group regularly tracks our energy consumption and GHG emissions indicators to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.

The details of time frames over which the target applies and base year from which progress is measured are described in the section A1: "Emissions" and section A2: "Use of Resources" of this Report. Our Group adopts absolute target to manage climate-related risks, opportunities and performance.

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B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. EMPLOYMENT

Employees are regarded as the Group's important and valuable assets to the Group's success. We aim to provide a safe and healthy working environment to our employees, ensuring their rights and welfare and providing them with optimal development and training. The commitment is incorporated into staff handbook and other human resources management policies. Our staff handbook covers the Group's policies in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare.

Employees' Rights and Welfare

The Group prioritises the rights and benefits of its employees. We believe well-being of employees is correlated to their productivity and sense of belonging to the Company. We strive to move forward with high labour standards, respect human rights and minimise the staff turnover rate.

The Group strictly complies with applicable local regulations, including but not limited to the Employment Ordinance and Minimum Wage Ordinance in Hong Kong, the Labour Law of the PRC, the Labour Contract Law of the PRC, to ensure fair remuneration and benefits for our employees. We provide remuneration for our employees according to their qualifications, experience, performance, job duties and service years as well as to the market benchmark. We review performance appraisal on an annual basis to ensure our remuneration practices are competitive and aligned with market rates. In addition to salaries, we provide mandatory provident fund contributions for Hong Kong staff, social security insurance for the PRC employees, allowances, medical benefits and variable incentive-based remuneration such as discretionary bonus to our employees. Employees are also entitled to various types of leave including annual leave, paid sick leave, marriage leave, maternity leave, compassionate leave, etc.

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Employee Composition and Employee Annual Turnover Rate

The employee compositions by gender, age group, geographical region, employment type and employment mode at the end of the reporting period were as follows:

Employee composition	2023	2022
By gender		
• Male	48.1%	49.7%
• Female	51.9%	50.3%
By age group		
• Age 30 or below	24.2%	28.8%
• Age 31-50	59.7%	55.4%
• Age 51 or above	16.1%	15.8%
By geographical region		
• Hong Kong	1.2%	1.3%
• PRC	57.7%	58.1%
• Cambodia	40.3%	40.1%
• Other Asian countries[4]	0.8%	0.5%
By employment type		
• Senior management	0.8%	0.7%
• Middle management	1.0%	1.1%
• General staff	98.2%	98.2%

The employee annual turnover rate by gender, age group, geographical region during the reporting period was as follows:

Employee annual turnover rates	2023	2022
By gender		
• Male	31.8%	44.2%
• Female	47.3%	58.0%
By age group		
• 30 years old or below	61.7%	81.6%
• 31-50 years old	37.9%	41.2%
• 51 years old or above	12.8%	30.5%
By geographical region		
• Hong Kong	21.6%	5.6%
• PRC	25.1%	32.8%
• Cambodia	62.4%	82.4%
• Other Asian countries	7.1%	11.6%
Overall	39.7%	51.0%

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4   Other Asian countries include Singapore, Macau and Korea.

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B2. HEALTH AND SAFETY

The Group places the highest priority on securing health and safety of all employees and strictly complies with the Law of the PRC on Prevention and Control of Occupational Diseases, the Law of the PRC on Work Safety and other applicable laws and regulations in the PRC. The Group strives to provide and maintain a safe and healthy working environment for employees to protect them from work-related injuries. To achieve this goal, the Group has set up a Safety Production Committee and implemented a range of health and safety related policies to manage occupational health and safety issues.

Safety Education

Safety education, including training, assessment and safety management certification, is essential to ensure employees are well equipped to handle the machinery and fully understand the safety risks associated with relevant equipment. All newly recruited production staff receive the three-tier safety education, which includes knowledge of safe production, relevant regulations and operation procedures with the aims to strengthen employees' safety awareness and ability to handle emergency cases. For special operation, relevant personnel must receive safety training and obtain special operation certificate in accordance with national laws and regulations before working at the sites.

B3. DEVELOPMENT AND TRAINING

The Group believes that development and training are crucial to enhance its employees' potential for work advancement. We support our employees in the performance of their designated roles and help them to fulfill their potential during the course of their employment. To improve employees' professional knowledge and skills in discharging their duties, we provide on-job training to our employees with contents covering occupational health, corporate governance, etc. Our employees are funded suitable seminars, aiming to encourage and support them in pursuing professional development and continuous learning through external training.

To uphold our services quality, understand different case scenarios faced by the frontline staff and timely respond to the views from our staff, the Group always seeks improvements on the training by conducting assessment and collecting feedback of participants. This can help the Group continuously improve the training programs covering various aspects offered to all levels of employees so as to enhance their job performance.

During the reporting period, the percentage of employees trained and average training hours completed per employee by gender and employment type was as follows:

Employment category	Percentage of employees trained		Average training hours (hours/employee)	
	2023	2022	2023	2022
By gender				
• Male	92.1%	95.0%	8.4	9.8
• Female	62.3%	80.4%	6.3	9.6
By employment type				
• Senior management	100.0%	100.0%	7.2	20.3
• Middle management	100.0%	100.0%	27.7	77.8
• General	73.5%	79.5%	7.1	8.9
Overall	73.5%	87.6%	7.3	9.7

During the reporting period, the composition of employees received training by gender and employment type was as follows:

Composition of Employees Received Training	2023	2022
By gender		
• Male	58.4%	53.8%
• Female	41.6%	46.2%
By employment type		
• Senior management	1.2%	1.7%
• Middle management	4.9%	9.2%
• General staff	93.9%	89.1%

B4. LABOUR STANDARDS

The Group prohibits engagement of child and forced labour in compliance with the relevant law of Employment Ordinance and the Employment of Children Regulations in Hong Kong and the Labour Law of the PRC. We have implemented a preventive recruitment procedure with a thorough background check, to ensure that no underaged or illegal persons are employed. Furthermore, to prevent unlawful recruitment of employees under the age of 15 as child labour, employees are required to provide identity proofs to Human Resources Department to verify the age as part of the recruitment process. All work should be voluntarily performed and shall not involve forced labour. If any violation against laws and regulations in relation to labour standards is found, we will investigate the incident, impose appropriate penalty to accountable staff subject to the severity and review any defects in the human resources system in place. Besides, the Group does not in any way force its employees to work overtime. Employees are compensated in accordance with labour laws and company practices on overtime compensation in cases where working beyond normal working hours is inevitable.

During the reporting period, there was no employment (2022: nil) of child labour discovered, nor any non-compliance of laws and regulations relating to forced labour.

OPERATING PRACTICES

B5. SUPPLY CHAIN MANAGEMENT

In order to manage and mitigate the environmental and social risks in the supply chain, the Group selected suppliers and products carefully and maintained long-term and stable relationship with qualified suppliers. According to the Group's policy "Supplier, Distributor and Subcontractor Management Procedure", the Group considers the social responsibilities of suppliers in selecting suppliers and encourages all suppliers to enhance social responsibility performance. The Group has established social responsibility profiles for suppliers and distributors to keep record of their evaluation results and improvement plans. Suppliers and distributors are required to sign a Social Responsibility Agreement and fully abide by the local labour laws and regulations and the SA8000 Social Compliance Standard. In addition, the Group conducts site inspection at least once a year to assess the social responsibility performance of suppliers and distributors and keep tracks of the improvements.

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During the reporting period, the number of suppliers by geographical region was as follows:

Number of suppliers	2023	2022
By geographical location		
• Hong Kong	38	49
• PRC	421	445
• Australia	1	1
• Vietnam	45	50
• Cambodia	30	30
• India	19	22
• Europe	–	1
• U.S.A.	1	–
• Macau	4	–
• Taiwan	4	–
• Other Asian countries	24	31
Total	**587**	**629**

B6. PRODUCT RESPONSIBILITY

The Group regards product and service qualities as key competitive advantages of its business and makes every effort to improve the product and service qualities while strengthening communications with our customers. The Group strictly complies with the Trademark Law of the PRC, Law of the PRC on Product Quality, Law of the PRC on the Protection of Consumer Rights and Interests and other applicable laws and regulations in the PRC.

Quality Management System

The Group has established various quality control policies and procedures to ensure our products comply with the product specifications requested by customers and meet the requirement of ISO9001:2008 Quality Management System.

The quality control system can be divided into two main categories, including quality control for raw materials and quality control on processing procedures. To ensure the quality of raw materials meet their respective specifications, samples are taken and sent to laboratories for testing on chemical contents. In order to control the quality of processing process, regular inspections are carried out by quality control personnel at various stages of the processing procedures to ensure consistency of the processing procedures.

Complaints and Opinions Handling

The Group believes the opinions from customers can drive its continuous improvement program and are essential to its pursuit for excellence. The Group welcomes the opinions from customers by establishing customer service hotlines, conducting site visits and convening customer meetings. In case of receipt of complaints, the Group will take prompt actions and carry out remediation plans. During the reporting period, no material products or service-related complaint was received, and no products sold or shipped were subject to recalls for safety and health reasons.

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Intellectual Property Protection

The Group is dedicated to protecting and enforcing its intellectual property rights which are crucial to sustainable business growth. Management systems are in place to specify requirements on submission, application, indexing and rewarding of patents. In addition, the Group signs confidentiality agreements with technical specialists.

Customer Data Protection and Privacy

The Group is aware of the importance in handling customer information and takes high precaution in ensuring their confidentiality to avoid misuse of personal data. The Group has implemented policy "Business Ethics Control Procedure" and required employees to fully abide by the guidance on prohibiting any unauthorised disclosure of confidential information.

B7. ANTI-CORRUPTION

The Group is committed to upholding high standards of business ethics. With the implementation of "Anti-Corruption Control Procedure", the Group conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. The Group requests employees and third parties to sign an anti-bribery/anticorruption commitment and fully comply with the requirements as defined. Management department is responsible to monitor the business operation and oversee any cases related to corruption or fraud.

The Group's whistle-blowing procedure encourages and enables stakeholders to report on observed and suspected non-compliance and questionable practice by setting up report box and report phone. Once misconduct case is found and confirmed, the relevant personnel will be subject to disciplinary actions and reported to legal authorities when necessary.

During the reporting period, no legal case concerned (2022: nil) with corrupt practices was brought against the Group.

Anti-corruption training	2023
Number of employees received training	
Senior management	17
Middle management	24
General staff	2,209
Total employees	**2,250**

Number of training hours	
Number of training hours	
Senior management	17
Middle management	24
General staff	2,209
Total training hours	**2,250**

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COMMUNITY

B8. COMMUNITY INVESTMENT

The Group proactively takes part in various community services to reveal its commitment on social responsibility, such as supporting local communities in the realm of environment and education. For example, the Group arouses the awareness of energy saving and emission reduction of the general public among the community.

During the Reporting Period, the Group has donated approximately HK$799,000 to various local charity organizations. The Group will continue to support different charities and the building of community.

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
A. Environmental			
A1: Emissions			
General Disclosure		"Emissions"	9
KPI A1.1	The types of emissions and respective emissions data	"Emissions – Air Pollutant Emissions"	9-10
KPI A1.2	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity	"Emission – Greenhouse Gas Emissions"	10
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable to our Group's business.	N/A
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Emissions – Hazardous and Non-hazardous Wastes"	10-11
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	"Emissions – Air Pollutant Emissions" "Emissions – Greenhouse Gas Emissions"	9-10
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) set and steps taken to achieve them	"Emissions – Hazardous and Non-hazardous Wastes"	10-11
A2: Use of Resources			
General Disclosure		"Use of Resources"	11
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	"Use of Resources – Energy"	11
KPI A2.2	Water consumption in total and intensity	"Use of Resources – Water"	12
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	"Use of Resources – Energy"	11

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	"Use of Resources – Water"	12
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to our Group's business.	N/A
A3: The Environment and Natural Resources			
General Disclosure		"The Environment and Natural Resources"	12
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	No significant impact of activities on the environment and natural resources was noted.	N/A
A4: Climate Change			
General Disclosure		"Climate Change"	12-14
KPI 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	"Climate Change"	12-14
B. Social			
Employment and Labour Practices			
B1: Employment			
General Disclosure		"Employment"	15
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	"Employment"	16
KPI B1.2	Employee turnover rate by gender, age group and geographical region	"Employment"	16
B2: Health and safety			
General Disclosure		"Health and Safety"	17
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	"Health and Safety"	17
KPI B2.2	Lost days due to work injury	"Health and Safety"	17

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	17
B3: Development and Training			
General Disclosure		"Development and Training"	17-18
KPI B3.1	The percentage of employee trained by gender and employee category	"Development and Training"	17-18
KPI B3.2	The average training hours completed per employee by gender and employee category	"Development and Training"	17-18
B4: Labour Standards			
General Disclosure		"Labour Standards"	18
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Labour Standards"	18
KPI B4.2	Description of steps taken to eliminate such practices when discovered	No legal case regarding child and forced labour was noted.	18
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B5: Supply Chain Management			
General Disclosure		"Supply Chain Management"	18-19
KPI B5.1	Number of suppliers by geographical region	"Supply Chain Management"	18-19
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"	18-19
KPI 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"	18-19
KPI B5.4	Descriptions of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	"Supply Chain Management"	18-19

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)	Section	Pages
B6: Product Responsibility		
General Disclosure	"Product Responsibility"	19
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to the Group's business	N/A
KPI B6.2 Number of products and service related complaints received and how they are dealt with	No product or service related complaint was received during the year	N/A
KPI B6.3 Description and practices relating to observing and protecting intellectual property rights	Not applicable to the Group's business	N/A
KPI B6.4 Description of quality assurance process and recall procedures	"Product Responsibility – Quality Management System"	19
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility – Customer Data Privacy and Protection"	20
B7: Anti-corruption		
General Disclosure	"Anti-corruption"	20
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	No concluded legal case regarding corrupt practices was noted.	20
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption"	20
KPI B7.3 Description of anti-corruption training provided to directors and staff	"Anti-corruption"	20
Community		
B8: Community Investment		
General Disclosure	"Community Investment"	21
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	"Community Investment"	21
KPI B8.2 Resources contributed (e.g. money or time) to the focus area	"Community Investment"	21