



Huasheng International Holding Limited
華盛國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT
2023/2024**



Environmental, Social and Governance Report

BOARD STATEMENT

The board (the “**Board**”) of directors of Huasheng International Holding Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) are pleased to present this Environmental, Social and Governance (“**ESG**”) report for the year ended 31 March 2024 (the “**Year**”).

The Group always keeps in mind its ESG management along with our business development. Our Board has assumed full responsibility for the governance and oversight on the Group’s ESG matters. The Board assess and determine the Group’s ESG-related risks to ensure that appropriate and effective ESG management has been integrated into our corporate development. We are pleased to release our annual ESG report which highlights our achievements in the areas of ESG for the year ended 31 March 2024.

Our Group aims to operate in a more responsible and sustainable manner by integrating ESG consideration into our daily operations. The management of the Group are delegated by the Board to monitor our Group’s ESG related issues and implement the appropriate strategies to address those risks. Our management approach towards ESG has kept hold on the topics that are material to our stakeholders based on results of the materiality analysis as disclosed in this report. During the year, our Group successfully reduced our total emissions from vehicles and total greenhouse gas emissions as compared to that in the previous year. This is the result of our strategy to replace diesel-powered mixed trucks and forklifts with electric-powered trucks and forklifts in our concrete business.

Our Group will continue to fulfil the corporate responsibility of the environment aspect by exploring and adjusting our environmental protection measures according to the latest business environment changes. We has invested in business that engaged in the design and manufacture of zero emission commercial vehicles in the last year and will continue to seek opportunities to further increase ESG investment when such opportunities arise. We are glad that there are increasing number of governments committed to achieve carbon neutrality globally. We believe ESG investment could deliver economic and environmental advantages to our stakeholders.

In the future, we will continue to adhere to the goal-oriented approach to actively explore ways for improvement in our business operations towards sustainability practices under challenging environment. We will continue to collaborate with business partners to address climate-related issues and build resilience by discussing the opportunity through which, our Group, together with customers and suppliers, will strive to promote high-quality products and contribute more to the society.





Environmental, Social and Governance Report

REPORTING PRINCIPLES

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and aims to provide a balanced representation of our major ESG policies, initiatives and performances of the Group:

1. **Materiality:** We disclose all ESG issues that are sufficiently important to our investors and other stakeholders.
2. **Quantitative:** the key performance indicators (“**KPIs**”) in this report are measurable, therefore our ESG performance can be compared with peers, industry standards and our previous years.
3. **Balance:** information in this report is presented in an unbiased manner. We do not select, omit, or present information that might inappropriately influence the decisions or judgments of stakeholders.
4. **Consistency:** all KPIs’ calculations and assumptions are consistent with previous years to allow meaningful comparisons. Any changes in relevant assumptions or calculation methods are clearly disclosed.

SCOPE OF REPORT

The Group was principally engaged in the businesses of (i) production and sales of ready-mixed commercial concrete (“**Concrete Business**”) and (ii) provision of money lending services (“**Money Lending Business**”) during the Year.

The information stated in this report covers the period from 1 April 2023 to 31 March 2024 which aligns with the financial year as the 2023/2024 annual report of the Group.

The environmental and social KPIs for the Year disclosed in this report cover all business segments of the Group as of 31 March 2024. For information on our corporate governance, please refer to the Corporate Governance Report in the 2023/2024 annual report of the Group.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ANALYSIS

One of the major objectives of the Group is to create positive values and beliefs that are in the interest of all stakeholders. Our approach to stakeholders’ engagement is designed to ensure that our stakeholders’ perspectives and expectations are fully understood to help defining our current and future sustainability strategies.

Environmental, Social and Governance Report

The table below summarised the major stakeholders related to the Group, their expectations and our communication channels:

| Major Stakeholders Engaged | | Expectations and Needs | Means of Communication and Responses |
|----------------------------|---------------------------------|--|--|
| Internal stakeholders | Employees | <ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Career development | <ul style="list-style-type: none"> • Employee communication meeting • Corporate journal and intranet • Employee mailbox • Training and workshops |
| | Shareholders and Investors | <ul style="list-style-type: none"> • Returns • Compliant operation • Increase in company value • Transparent information and effective communications | <ul style="list-style-type: none"> • General meetings • Announcements • Email, telephone communication and company website • Dedicated reports |
| External stakeholders | Government and Regulators | <ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Support for local economic growth • Paying taxes in full and on time | <ul style="list-style-type: none"> • Regular information reporting • Dedicated reports • Examination and inspections |
| | Business Partners and Suppliers | <ul style="list-style-type: none"> • Operational integrity • Equal rivalry • Performance of contracts • Mutual benefits and win-win situation | <ul style="list-style-type: none"> • Review and appraisal meetings • Business communications • Exchanges and discussions • Engagements and cooperation |
| | Customers | <ul style="list-style-type: none"> • Outstanding products and services • Health and safety • Performance of contracts • Operational integrity | <ul style="list-style-type: none"> • Company website • Calling for feedback |
| | Environment | <ul style="list-style-type: none"> • Energy saving and emission reduction | <ul style="list-style-type: none"> • Reporting |
| | Community and the Public | <ul style="list-style-type: none"> • Participation in charity • Information transparency | <ul style="list-style-type: none"> • Company website • Announcements |



Environmental, Social and Governance Report

During the Year, an independent third party consultant has been entrusted by the Group, to assist in the information collection on ESG matters. A group of stakeholders has been selected based on their dependence and impact on the Group. They were invited to share their perspectives on the materiality on each ESG topic to the Group and themselves through electronic questionnaire. Our stakeholders' engagement approach ensures that the stakeholders' expectations and perspectives on ESG are fully identified and understood, which enables us to define and further develop our strategies. A materiality assessment had been performed to analyse and summarise the response from our stakeholders:

Materiality Assessment Matrix



Environmental, Social and Governance Report

| Environmental | Social | Governance |
|---|---|--|
| 1 Air emissions | 10 Diversity and equal opportunity of employees | 26 Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering |
| 2 Greenhouse gas emissions | 11 Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions) | 27 Anti-corruption policies and whistle-blowing procedure |
| 3 Hazardous waste production | 12 Occupational health and safety | 28 Anti-corruption training provided to directors and staff |
| 4 Non-hazardous waste production | 13 Employee development and training | |
| 5 Energy use (e.g. electricity, gas, fuel) | 14 Preventing child and forced labour | |
| 6 Water use | 15 Selection and monitoring of suppliers | |
| 7 Use of materials (e.g. paper, packaging, raw materials) | 16 Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers | |
| 8 Mitigation measures to protect environment and natural resources | 17 Environmentally preferable products and services | |
| 9 Climate change | 18 Product health and safety | |
| | 19 Customer satisfaction | |
| | 20 Marketing communications (e.g. advertisement) | |
| | 21 Observing and protecting intellectual property rights | |
| | 22 Customer information and privacy | |
| | 23 Product and service labelling | |
| | 24 Community support (e.g. donation, volunteering) | |
| | 25 Cultivation of local employment | |





Environmental, Social and Governance Report

The ESG issues located in the top right corner are the most important areas of concern and will be prioritized for investment.

According to the feedback collected from the stakeholders, it indicated that both the Group and our stakeholders consider that customer satisfaction as the most crucial ESG topic. With the aspiration of contributing our effort to protect the environment and support the society, we are dedicated to lead a business driven primarily by sustainability through tides of changes. We emphasize the significance of sustainable development in our operational strategies as we believe that we must plan sustainably to act responsibly.

Stakeholder's Feedback

The Group welcomes all stakeholders' feedback on the ESG issues in particular for the topics listed in the materiality assessment. You can share your views and suggestions through any channel listed below:

Email: general@huashengih.com
Website: <http://www.huashengih.com>
Address: Suites 2301-03, 23/F., Far East Consortium Building,
121 Des Voeux Road Central, Hong Kong
General Line: (852) 2169 3699
Fax: (852) 2169 3633

A. ENVIRONMENTAL ASPECTS

During the Year, the Group strictly complied with relevant laws, regulations, standards and provincial, municipal and local implementation about provisions on the aspects covering air and greenhouse gas (“**GHG**”) emissions, disposal of waste and minimizing significant impacts on the environment and natural resources, which include but are not limited to:

1. Environmental Protection Law of the People's Republic of China (the “**PRC**”);
2. Atmospheric Pollution Prevention and Control Law of the PRC;
3. Water Pollution Prevention and Control Law of the PRC;
4. Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste;
5. Law of the PRC on the Prevention and Control from Environmental Noise;
6. Environmental Protection Tax Law of the PRC; and
7. Technical Specification of Application and Issuance of Pollutant Permit Cement Industry (HJ 847-2017).

To align with employees' practice with the Group's aspiration on continual improvement in ESG performance, we have implemented appropriate measures in the workplace. For example, employees have been instructed and encouraged to switch off electronic equipment when not in use, and set printers to energy saving mode when idle. Air conditioning and lighting systems are switched off after office hours. Measures to lower the amount of non-hazardous waste include printing of documents only if necessary and use of double-sided printing. We believe our continuous effort in reducing resources usage and generation of non-hazardous waste, we are able to provide an eco-friendly and paperless workplace, and further minimize environmental impact.

Environmental, Social and Governance Report

The Group did not note any cases of material non-compliance in relation to air and GHG emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste during the Year. Breach of relevant laws and regulations may subject to heavy fines or suspension of business. To minimise the risk of any potential breach of regulations, designated officials are responsible to observe each and every relevant rule in each business segment of the Group.

We encourage staff to seek legal opinion should there be any doubt about the rules and regulations relevant to the business and operation. Continuous trainings are provided to staff to refresh their knowledge and keep abreast of the latest updates and developments on regulations.

Emissions Air Pollution

The Group is placing a strong emphasis on transitioning to more eco-friendly fuel sources which is a key priority for our organization as we work to minimize our carbon footprint and contribute to a more sustainable future.

The Group is fully aware of the air pollutants generated by vehicle usage. During the Year, the Group has continued to replace diesel-powered vehicles with electric powered vehicles to minimize air pollution emissions. In return, the total emissions from vehicles for the Year has decreased by approximately 3,031.20 kg or 71.27% compared to the last corresponding year.

We have also deployed other measures to help control and mitigate air emissions from our facilities. This includes spraying of work sites to suppress dust, as well as the implementation of rigorous environmental monitoring programs. We track and regulate both noise and particulate levels to ensure we remain in compliance with all applicable environmental regulations and standards.

We recognise that addressing climate change and reducing our environmental footprint is an ongoing challenge that requires a multi-faceted approach. By investing in cleaner fuel sources, implementing robust emissions control measures, and maintaining robust monitoring and reporting, we are confident that we can make meaningful progress towards a more sustainable future.

Air emissions by the Group are shown in the table below:

| | | Year ended 31 March | |
|--------------------------------------|-----------|---------------------|----------|
| | Unit | 2024 | 2023 |
| Nitrogen oxides (NO _x) | kg | 1,106.96 | 3,856.07 |
| Particulate Matter (PM) ¹ | kg | 108.80 | 381.41 |
| Sulphur Oxides (SO _x) | kg | 6.39 | 15.87 |
| Total emissions from vehicles | kg | 1,222.15 | 4,253.35 |

Note:

1. Respiratory suspended particles (RSP), also known as Particulate Matter (PM)

Reference:

- i. Calculation with reference to Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by the Stock Exchange.

Environmental, Social and Governance Report

Greenhouse Gas Emission

The Group is unanimously highly concerned about GHG emissions, reducing GHG emissions and taking active measures to address climate change. Our commitment to sustainability and environmental stewardship encompasses every aspect of our business, implementing environmental measures into every aspect of our own development as a way to reduce our impact on the environment.

The fuel consumption by vehicles used in business operations contributed significantly to the emissions of the Group. Other emission sources included electricity consumption, freshwater processing, sewage treatment, paper disposed at landfill and business air travel.

GHG emissions by the Group are shown in the table below:

| | Unit | Year ended 31 March | |
|--|--------------------------------------|---------------------|-----------------|
| | | 2024 | 2023 |
| Scope 1 Direct GHG Emissions ¹ | tCO ₂ e | 938.12 | 2,531.29 |
| Scope 2 Energy Indirect GHG Emissions ² | tCO ₂ e | 6,297.61 | 5,876.86 |
| Scope 3 Other Indirect GHG Emissions ³ | tCO ₂ e | 69.62 | 64.87 |
| Total GHG Emissions | tCO₂e | 7,305.35 | 8,473.02 |
| GHG Emission intensity per employee | tCO₂e per employee | 41.98 | 42.37 |

Notes:

1. Direct emissions of the Group were from fuel combustion in vehicles using diesel oil, petrol and natural gas.
2. Energy indirect emissions of the Group were from purchased electricity, including office operation and electric vehicles.
3. Other indirect emissions of the Group included paper used and recycled, business travel by employees, and electricity used for fresh water and sewage processing by government organization.

References:

- i. Conversion Factors issued by Government of the PRC
- ii. Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by the Stock Exchange
- iii. Conversion Factors issued by the China Light and Power Company Limited, The Hong Kong Electric Company Limited, Drainage Service Department and Water Supplies Department

The Group produced a total of approximately 7,305.35 tCO₂e (2023: 8,473.02 tCO₂e) representing a decrease in approximately 1,167.67 tCO₂e or 13.78%. Total GHG emissions intensity per staff for the Year was 41.98 tCO₂e per staff (2023: 42.37 tCO₂e per staff).

The Group is aware of the significant emission generated from petrol consumption for vehicles used for business operations. Electric and natural gas-powered vehicles will lower the impact on air quality and public health as well as reduce carbon dioxide emissions compared to traditional fuel vehicles. Through continuous efforts in reducing petrol consumption, the Group believes that it would lead to a dwindling level of GHG emissions and progress towards better stewardship in ESG management.

Environmental, Social and Governance Report

During the Year, most of the diesel forklifts and vehicles have been replaced by electric forklifts and electric mixers resulting in a reduction of total greenhouse gas emissions. In result, the Group has result in a decrease in Direct (Scope 1) GHG emission and an increase in indirect (Scope 2) GHG emission as the usage of electricity has been increased due to the increasing usage of electric forklifts and electric mixers. The details of the electricity consumed by the Group and our policies can be found under section headed “Use of Resources” in this report.

During the Year, approximately 1,658.70 kg of paper waste (2023: 1,550.45 kg) was disposed at landfills, representing an emission of approximately 7.96 tCO₂e (2023: 7.44 tCO₂e). Although the amount of paper disposed of increased by 108.25 kg compared to the previous year due to our operation needs, the Group has been continued working to reduce paper waste by reusing paper. Employees are constantly reminded to reuse single-sided used paper and adopt two-sided printing. All used papers in Money Lending Business were recycled during the Year. The Group has recycled total 3,303.80 kg of office paper during the Year which represents around 67% of total paper usage. The Group will continue to encourage other business segments to uphold the recycling concept in daily operations.

The Group promotes the use of electronic communications to reduce the need for air travel. Travels were only approved should there be a genuine need for in-person meeting. Due to the return to normalcy after COVID-19, the business travel frequency has been returned to normal as well. The other indirect CO₂ emissions from business air travel increased to approximately 8.20 tCO₂e (2023: 2.74 tCO₂e) during the Year.

Hazardous Waste

The Group complied with all relevant laws and regulations relating to the generation of and handling of hazardous and non-hazardous waste, including but not limited to the Environmental Protection Law of the PRC and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

During the Year, a total of approximately 64 kg of hazardous waste (2023: 934 kg) was produced. Approximately 0.37 kg of hazardous waste was produced per staff (2023: 4.67 kg per staff). The hazardous wastes generated by the Group included 4 kg of battery, light bulb and toner cartridge (2023: 4 kg) and 60 kg of machine waste oil (2023: 930 kg). The significant reduction in machine waste oil in the Year is mainly attributed to the decrease in the number of diesel forklifts, and the increase in the number of electric forklifts, which lead to the subsequent reduction in engine oil consumption. In addition, some used engine oil is being reused. Regular maintenance was carried out on heavy goods vehicles (including mixer trucks and forklifts) in the Concrete Business in the previous year, but no scheduled maintenance was carried out during the Year. The Group is aware of the health and environmental impacts of hazardous wastes and strives to reduce generation of hazardous waste whenever possible. Hazardous waste produced by Concrete Business was handled by an outsourced service provider with the corresponding licenses.

Environmental, Social and Governance Report

Non-hazardous Waste

During the Year, a total of approximately 2,488 kg of non-hazardous waste (2023: 2,252 kg). Approximately 14.30 kg of non-hazardous waste was produced per staff (2023: 11.26 kg per staff). Paper wastes were the Group's major source of non-hazardous wastes. Non-hazardous wastes produced by the Group during the Year comprised of 830 kg of domestic wastes (2023: 702 kg) and 1,658 kg of paper wastes (2023: 1,550 kg). Each employee adds 3.04 kg of non-hazardous waste.

Employees are reminded to reduce waste generation, reuse and recycle resources whenever possible. In order to configure, monitor and plan waste management activities, the Group developed a system to record and collect the amount of non-hazardous waste used for daily operation. We believe effective waste management can reinforce environmental conservation, improve health of the environment and ensure compliance with relevant statutory and contractual standards and requirements.

Use of Resources

Energy and Water Consumption

The Group strictly abides by the Water Pollution Prevention and Control Law of the PRC and other laws and regulations relating to water pollution prevention and control.

During the Year, the Group consumed approximately 481,448.70 L of fuel (2023: 1,051,343.46 L) for daily operations, representing a drop of approximately 569,894.76 L or 54.21%. During the Year, the use of non-renewable fuels decreased significantly due to the increase in the proportion of electric vehicles and the increase in the proportion of electric mixers. The Group is increasingly aware that electric vehicles can reduce the consumption of non-renewable resources, and rental companies of electric vehicles are building charging stations in our factories. As a result, electric mixers and forklifts are more convenient to charge, providing the efficiency of electric vehicles and helping to reduce the consumption of non-renewable resources.



Environmental, Social and Governance Report

The Group also consumed approximately 11,040.73 MWh of electricity (2023: 10,237.33 MWh) and 86,203.90 m³ of water (2023: 88,177.37 m³) for daily operations. Approximately 78.74 MWh of total energy was consumed per staff (2023: 97.82 MWh per staff) and approximately 495.42 m³ of water was consumed per staff (2023: 440.89 m³ per staff) during the Year. The total electricity consumption in the Year slightly increased, it was due to the decrease in concrete production and the increase in total usage of electric vehicles. The Group does not operate in water-stressed regions and faces no issues with sourcing water during the Year.

Energy and water consumption by the Group are shown in the table below:

| | Unit | Year ended 31 March | |
|--|-----------------------------------|---------------------|-----------|
| | | 2024 | 2023 |
| Petrol | MWh | 380.25 | 346.45 |
| Diesel | MWh | 2,269.01 | 8,971.93 |
| Natural gas | MWh | 10.51 | 8.10 |
| Electricity | MWh | 11,040.73 | 10,237.33 |
| Total energy consumption | MWh | 13,700.50 | 19,563.81 |
| Intensity – energy consumption per employee | MWh per employee | 78.74 | 97.82 |
| Total water consumption | m³ | 86,203.90 | 88,177.37 |
| Intensity-water consumption per employee | m³ per employee | 495.42 | 440.89 |

Reference:

- i. Conversion Factors issued by Government of PRC
- ii. Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by the Stock Exchange
- iii. Conversion Factors issued by the China Light and Power Company Limited, The Hong Kong Electric Company Limited, Drainage Service Department and Water Supplies Department

Monitored by the administration department, the Group maintains best environmental practices to use energy efficiently and hence mitigate GHG emission. These measures include:

- a) keeping light fixtures and lamps clean to maximize efficiency, and turning off all lights and electronic appliances when not in use;
- b) setting the computers to automatic standby or sleeping mode when idling;
- c) turning off power of electronic appliances, light and air conditioners before holidays; and
- d) reviewing the Group's internal policies and practices regularly so as to seek opportunities for integrating environmental consideration into working procedures.



Environmental, Social and Governance Report

The Group has implemented a number of measures to conserve water resources. All washrooms are designed with a concept to conserve water in every possible way, including installations of dual flush toilets, infrared sensors faucets and all urinal equipment installed are rated as Grade 1 under the Water Efficiency Labelling Scheme of Water Supplies Department in Hong Kong. Furthermore, water-saving reminder labels are posted on the toilets to raise employees' awareness on water saving. While water consumptions by other business segments of the Group were negligible due to their business nature, water consumed by Concrete Business represented almost entirely the water consumed by the Group for the Year. We use recirculating tanks to convert wastewater into water that can be reused in our concrete manufacturing process without outgoing effluent. This minimise the environment impact and ensure compliance with relevant legislation. No issues in sourcing water for the Group's operations were noted during the Year.

Packaging Materials

Due to our business nature, no packaging material (2023: nil) was used by the Group for the Year.

The Environment and Natural Resources

For the purpose of resource saving and environmental protection, the Group strictly adheres to the Energy Conservation Law of the PRC and other laws and regulations. To minimise environmental impact during production of concrete, we design several measures including installation of air emission detector to monitor on the environmental emission data regularly and planning greening work. To mitigate wastage, we strive to design and implement an effective waste management system focusing on the use of construction materials in a more environmentally friendly manner.

Steps have been taken to minimise the impact on the environment by the Group, such as adoption of energy saving measures mentioned in section headed "Emissions" and "Use of Resources". The Group is aware of the fact that there is room for further improvement of its sustainable development. In furtherance of achieving sustainability of the environment, and reducing energy and resource consumption in our manufacturing projects, we continually review our operational procedures to evaluate the feasibility to adopt environmentally friendly measures, and sustainable construction approaches and materials.

Climate Change

In recent years, business and operational impact related to climate change and extreme weather conditions has ranked amongst the highest risk factor on most companies in the world. In light of this, the Group has raised awareness of the risks and potential impacts of climate change on the Group. At the same time, the Group has also developed a set of procedures to enhance corporate resilience in the event of risks, with relevant practices as follows:

- a) Identify the problems and the root causes of the problems
- b) Assess and disclose climate risk exposures
- c) Mitigation plan on short-term and imminent impacts
- d) Prediction and evaluation on long-term impacts over time

Environmental, Social and Governance Report

Climate Risk Assessment

Physical Risk

Severe and frequent extreme weather conditions brought about by climate change pose a risk to the Group, such as hot weather, floods, typhoons, storms, etc. For example, unstable weather during the collection of raw materials can affect the production process and logistics, resulting in increased operating costs. The Group has developed a set of contingency measures for various severe weather related events and will consider implementing additional measures in the future.

Reputational Risk

Climate change is one of the defining challenges of the 21st century, in which carbon emissions, environmental impacts, pollutant emissions and energy consumption, directly or indirectly, affect stakeholders and the public perception of the industry. The Group will pay close attention to the guidelines related to environmental and carbon emissions and implement transparent disclosure, with collaboration among stakeholders to identify opportunities for risk interventions in the value chain and turn risks into opportunities through innovative means.

Health and Safety Risks

Weather extremes caused by climate change pose potential safety risks to the working environment. Both Hong Kong and Hainan locate in the subtropical region and are under the impact of typhoons in summer. Frequent and heavy thunderstorms can cause severe flooding, damage on exterior temporal building structure and landslides, which pose significant threat to employees' safety and health.

Legal and Policy Risks

In October 2021, the PRC mapped path on carbon dioxide emission peaking in 2030 and by 2060, China will be carbon neutral and have fully established a green, low-carbon and circular economy. As a result, the government continues to advance and to implement new rules and regulations on carbon emissions in various industries. The Group forecasts the regulations on the construction industry in relation to environmental protection and emission will become more stringent. We keep abreast of the new advancement and discussion in order to prepare and cope with any new regulations.

Climate change may bring a certain degree of restriction on the development of the industry and is an important factor that cannot be ignored. Therefore, we have formulated a series of precautionary measures in advance to reduce the impact of climate change on our businesses. This is in line with the continuous efforts to stop global warming and to achieve the goal of net zero emissions in the long run.



Environmental, Social and Governance Report

B. SOCIAL ASPECTS

Employment and Labour Practices

The Group strongly believes that employees are the most valuable asset for its sustainable development. We strictly abide by the laws and regulations regarding child labour and forced labour, including but not limited to the Prohibition of Using Child Labour (《禁止使用童工規定》), Law of the PRC on the Protection of Minors and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), to avoid any child employment, discrimination, harassment or offenses against the laws of Hong Kong. We build a personalized career development path for employees, establish a perfect promotion system, create an inclusive and energetic work atmosphere, focus on and help employees with career planning, and enhance their skills, motivation and sense of mission, in order to realize the common development of the Group and its employees.

Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited. The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis. All of our employees are essentially treated with fair wage, fixed working hours, proper insurance coverage, statutory holidays and different types of leaves, including sick leave, maternity leave, marriage leave, compassionate leave, jury service leave and early leaves before festive holidays.

Employee handbook of the Group includes codes and practices in workplace, staff benefits, including leave entitlement, insurance and training.

The total number of employees of the Group was 174 as at 31 March 2024 (2023: 200) and employed as full time staff. Total employee turnover was 34 (2023: 24) and the overall turnover rate was 18% (2023: 12%).

The following table set forth the details of the total workforce and employee turnover rate by gender, age group and geographical region:

| Number of Employee of the Group | As at 31 March | | | |
|---------------------------------|----------------------------|-------------------------------|----------------------------|------------------|
| | 2024 No. of employee | 2024 Turnover ¹ | 2023 No. of employee | 2023 Turnover |
| By Gender | | | | |
| Male | 133 | 17% | 152 | 13% |
| Female | 41 | 20% | 48 | 10% |
| By Age Group | | | | |
| Below 30 years old | 27 | 28% | 36 | 31% |
| Between 30 to 50 years | 125 | 12% | 134 | 10% |
| Over 50 years old | 22 | 35% | 30 | – |
| By Geographic Region | | | | |
| PRC | 157 | 14% | 173 | 12% |
| Hong Kong | 17 | 50% | 27 | 11% |
| Total | 174 | 18% | 200 | 12% |

Environmental, Social and Governance Report

Since its establishment, the Group implemented different measures to retain talent including formulation of a clear career path and offer competitive remuneration package. The Group provides orientation and internal training to employees in targeted, systematic and forward-looking approach.

Health and Safety

The Group strictly complies with national laws and regulations that have significant impacts on the Group, relating to the provision of a safe working environment and the protection of employees from occupational hazards, including but not limited to the Work Safety Law of the PRC, and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. The Group concerns about the health and safety of its employees and is committed to provide a safe, healthy and productive environment for all.

The Group provides every full-time employee with a comprehensive set of health insurance, including but not limited to medical insurance, surgical insurance, hospitalization insurance and employees' compensation insurance.

In the past three years, the Group has not reported any work-related fatalities. There were no reportable injuries (2023: Nil) and no lost days due to work injury (2023: Nil) during the Year. The health and safety of the Group's employees is of utmost importance. For Concrete Business, we provide all necessary protective gear to employees in order to secure their safety during daily operation. Besides, Concrete Business provides annual occupational checks to all employees and conduct annual environmental monitoring and workplace health surveillance, to ensure employees work in a safe environment and reduce the probability of work injury.

During the Year, the Group was not aware of any violations of any health and safety laws and regulations.

Development and Training

The Group emphasizes the importance of employee training and development. It strives to assist employees not only in acquiring professional knowledge to fulfil their duties, but also in developing their lifelong career. Training includes internal, external, induction, on-the-job, capability and corporate culture training. All directors of the Group receive comprehensive, formal and tailored induction training, to ensure that they understand business operations of the Group, directors' responsibilities and obligations under the Listing Rules and other regulatory requirements. They are also trained regularly on the newest relevant statutory requirements and market changes, to ensure their high level of awareness on the industry trends.

In order to prevent and minimize work injury happening in daily operation of production business, we provided various training sessions for the employees. For example, Concrete Business arranged and conducted several in-house training sessions to the general staff covering the corporate policies and procedures, inventory security management, various safety measures and instructions on how to use the fire installations, equipment and other materials, in order to enhance the awareness of the safety concepts to our employees.



Environmental, Social and Governance Report

During the Year, a total of 2,461 hours of training were completed by 118 employees (2023: 3,004 hours by 176 employees), representing 68% of the total workforce has participated in our training sessions (2023: 88%) and 14.1 hours of training was completed per employee in average (2023: 15.0 hours per employee). We will continue to encourage and provide incentives to our staff to promote continuous training.

The percentage of employees trained, and the average training hours completed per employee by gender and employment category are as follows:

| | For the year ended 31 March | | | |
|-------------------------------|--|---|--|--|
| | 2024 Percentage of employee trained | 2024 Average training hours completed per employee ¹ | 2023 Percentage of employee trained | 2023 Average training hours completed per employee |
| By Gender | | | | |
| Male | 77% | 15.3 | 81% | 17.3 |
| Female | 23% | 10.4 | 19% | 16.2 |
| By Employment Category | | | | |
| Senior management | 9% | 11.8 | 6% | 10.4 |
| Middle management | 4% | 7.3 | 4% | 9.9 |
| Frontline and other employees | 87% | 14.7 | 90% | 15.7 |
| Total | 68% | 14.1 | 88% | 15.0 |

Note:

1. The average training hours completed per employee was calculated based on dividing the total number of training hours for employees in the specified category by number of employees in the specified category.

In addition, our employees have also participated in various training sessions with topics covering financial and accounting, occupational health and corporate governance. In particular, the Group is accredited as an authorized employer to train prospective members of the Hong Kong Institute of Certified Public Accountants.

Environmental, Social and Governance Report

Labour Standards

The Group strictly complies with the Hong Kong Employment Ordinances and the Social Insurance Law of the PRC, Labour Law of the PRC (《中華人民共和國勞動法》). The Group is committed to provide a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As prescribed in our policies and procedures, the Group emphasizes a transparent recruitment and employment mechanism. In all employment decisions, including recruitment, promotion and termination, the Group only takes the age, qualification, experience and performance of candidates or employees relevant to the job function into account. The Group prohibits the recruitment of child or forced labour. During the recruitment process, candidates are required to provide their proof of identity to prevent child labour. If the identity proof provided by the candidate does not comply with law and regulations, the process of recruitment will be terminated.

During the Year, the Group was not aware of any non-compliance with laws and regulations which have a significant impact on employment and labour practices (2023: Nil).

During the Year, the Group was not aware of any operations and/or suppliers that were considered to have significant risk for incidents of child or forced labour (2023: Nil).

Supply Chain Management

The Group strictly goes through a supplier evaluation and assessment process in order to select qualified suppliers. For the Year, all 9 suppliers of Concrete Business were located in the PRC (2023: 9 suppliers in the PRC).

The Group has established processes to select and evaluate suppliers to ensure that the purchased goods comply with relevant standards and criteria. The material department of Concrete Business is responsible for the quality control and management of the raw materials to be used in the production of concrete. Before the engagement of suppliers, a series of audits would be conducted to assess their quality, environment and safety performance comprehensively, to ensure the identified environmental and social risks related to the supply chain are minimized. Periodical evaluations of its suppliers are conducted to ensure that quality is maintained and that prices paid for goods and services provided remain competitive.

In selecting and evaluating suppliers, apart from pricing and stability of its supply. The Group also pays attention to their environmental compliance record as well as their commitment to social responsibility. Environmental and socially responsible suppliers will be prioritized in the selection process.

We strive to cooperate with local suppliers whenever possible to promote local economy and strengthen the control of environmental risks related to supply chain management. In addition, the Group will give preferential consideration to an organization that is certified of ISO 14001 Environmental Management System and ISO 9001 Quality Management System, in order to extend the Group's environmental protection vision to all levels in the supply chain.



Environmental, Social and Governance Report

Operating Practices and Product Responsibility

Monitoring on the product and service quality

The Group has established internal policies and procedures in order to ensure the quality of product and service provided to the customers are in line with their expectations. In terms of the business nature of the Group, employees are required to perform quality control process before the delivery of products. All results have been recorded and maintained properly as trail of the quality control process.

In Concrete Business, all products are laboratory tested and designed tailor to the requirements of each construction project. Our experimental department is responsible for the concrete mix design and production quality management related work. Samples of major raw materials including cement, gravels and sand are taken to perform quality checks to ensure the quality of the concrete will not be affected. The mix proportion of raw materials used in concrete production is also monitored to ensure the required compressive strength is achieved. Concrete Business had also obtained the certification of quality management systems ISO 9001:2015 in relation to the production of ready-mixed concrete.

During the Year, no products sold or shipped subject to recalls for safety and health reasons (2023: Nil).

Handling customer complaints

The Group has established policies and procedures for handling complaints. The Group's sales department is responsible for reviewing all complaints, collecting evidence, and providing advice and comments on general complaints. Specific or complex complaints will be forwarded to the responsible person for further handling. The Group provides initial response upon receipt of all complaints and follow up accordingly.

During the Year, no official complaints related to products and service were received by the Group (2023: Nil) and the Group has not been notified of any violation of law regarding product or service responsibility (2023: Nil).

Protecting Intellectual Property Rights

The Group strictly abides by the national and local laws and regulations for intellectual property right, including but not limited to the Trade Marks Ordinance of Hong Kong and the Trademark Law of the PRC, Patent Law of the PRC (《中華人民共和國專利法》).

To provide our business and products adequate protection, all business and products material to the Group's operation have been registered in each major business location. As of the date of this report, Concrete Business had registered 11 utility model patents in the PRC. We have also registered the Company logo as a trademark in Hong Kong. Our policy is to label our products properly in accordance with local requirements. We work to ensure that the labels and trademarks used in our products properly reflect product specifications and quality standards.

Environmental, Social and Governance Report

Safeguarding Privacy and Personal Information

The nature of our business requires us to frequently and regularly collect, retain and utilize personal data from our existing and potential customers. Therefore, we must abide by the fair information practices as stipulated in the data protection principles of the Personal Data (Privacy) Ordinance in Hong Kong. To protect personal data, the Group has well established internal control and compliance procedures developed on the basis of the Ordinance to ensure compliance with relevant laws and regulations.

We ensure appropriate measures are taken to prevent misuses or disclosure of personal data and to hold such personal data solely for such collection purposes. For Money Lending Business, separate manual has been established to demonstrate and record its compliance on the provisions of the Personal Data (Privacy) Ordinance of Hong Kong under Licensing Conditions of Money Lenders Licence. We obtain and handle sensitive and private personal information on daily basis. All information collected will be limited to the intended purpose only and restricted on unauthorized dissemination unless to such parties who are authorized by law to request the information. We strictly follow the rules and regulations stipulated under Money Lenders Ordinance of Hong Kong during our business operations. During the Year, the Group received no complaints regarding breaches of customer privacy (2023: Nil).

The Group strictly complies with relevant laws and regulations that have significant impacts on the Group relating to advertising, labelling and remedial measures for the products and services provided, including but not limited to the Advertising Law of the PRC, the Product Quality Law of the PRC, the Standard for Quality Control of Concrete. We strive to provide the highest quality products and services to maintain customer satisfaction and to ensure product safety. During the Year, the Group did not receive any cases that violated the aforementioned laws and regulations (2023: Nil).

Anti-Corruption & Anti-Money Laundering

The Group strictly abide by the laws and regulations regarding bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance of Hong Kong and Criminal Law of the PRC (《中華人民共和國刑法》). We stand against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct and is committed to creating a culture of integrity and justice by accepting internal complaints and whistleblowing.

An anti-bribery policy has been in place for effective prohibition on commercial bribes, kickbacks or similar payoffs or benefits paid by any suppliers or clients. Employees can report any irregularities, such as dereliction of duty, abuse of power, receiving bribes and encroachment on corporate property, to the designated personnel. Upon the receipt of such report, the Group will investigate the improper behaviours promptly and take corresponding remedial measures against the irregularities. In Money Lending Business, internal procedures for regulating and monitoring our due diligence and record-keeping procedures are implemented to ensure strict abidance of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong.



Environmental, Social and Governance Report

The Group is committed to maintaining good corporate governance, emphasizing accountability and high degree of transparency which enable our stakeholders to have trust and faith in the Group to take care of their needs and to fulfill its social responsibility. In line with this commitment, the Group expects and encourages its employees and other parties who deal with the Group (e.g. customers, contractors, suppliers, creditors and debtors, etc.) to report any misconduct, malpractice or irregularity within the Group. The Group set up its whistleblowing policy with an aim to provide reporting channels and guidance on reporting possible improprieties in matters of financial reporting or other matters, and reassurance to persons reporting his or her concerns under the policy of the protection that the Group will extend to them against unfair disciplinary action or victimization for any genuine reports made. In general, whistleblowers should make their reports to the chairman of the audit committee of the Group in writing by post deposited at the business office address of the Group in Hong Kong as set out on page 5 of this report. The Group will make every effort to keep the whistleblower's identity confidential and handle the report in the same manner as stipulated in the whistleblowing policy.

During the Year, the Group provided internal training to directors and employees on anti-corruption and business ethics. To ensure familiarization of our staff towards the Company's policies on anti-corruption and anti-bribery, during the Year, we have designed a set of questions to test our employees understanding on relevant laws and internal standards. Prompt feedback was provided to employees to consolidate their memories and correct any misunderstanding. This also opens the communication channel between the management and the operating staff in discussing potential situations where conflict of interest arises during business operations. Apart from the questions, we also disseminate updates from the Hong Kong Business Ethics Development Centre of Independent Commission Against Corruption to keep our employees abreast on the latest development on upholding business ethics.

During the Year, the Group has complied with all applicable anti-money laundering laws and regulations in Hong Kong, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong. The Group was not aware of any non-compliance with laws or regulations that has a significant impact concerning bribery, extortion, fraud or money laundering during the Year (2023: Nil).

Community

We actively advocate employees to participate in charitable events, to contribute to the community and drive further participation in community services. The Group encourages and provides full support to our employees to participate in various volunteering works and charitable activities.

The Group will continue to uphold the principles of accountability to shareholders, investors, suppliers, customers and the public community and seek further development opportunities to maintain a harmonious relationship with stakeholders.