



ALCO HOLDINGS LIMITED

Stock Code 股份代號 : 328

環境、社會及管治報告
**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**

2022

Environmental, Social and Governance Report

1. ABOUT THE REPORT

Alco Holdings Limited (the “Company”) with its subsidiaries (the “Group” or “we”) are pleased to present the Environmental, Social and Governance (“ESG”) Report (the “ESG Report”). The ESG Report summarises the key ESG initiatives and performance as well as the Group’s efforts on sustainability. As for the information on corporate governance, please refer to the Corporate Governance Report on pages 9 to 21 of the annual report.

1.1. REPORTING BOUNDARY

The ESG Report illustrates the Group’s overall ESG performance, strategies and commitment for the financial year from 1st April 2021 to 31st March 2022 (the “Reporting Period”). The scope of the ESG Report covers the principal business activities of design, manufacturing and sale of AV and notebook products which may cause significant impacts on the Group’s ESG performance. The key performance indicators (“KPIs”) as disclosed in the ESG Report cover the operation of offices in Hong Kong and Taiwan, and the factory (“Houjie Factory”) located in Houjie Town, Dongguan, Guangdong Province in the People’s Republic of China (the “PRC”).

1.2. REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of Stock Exchange (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“HKEX”) and the provisions of “comply or explain” set out therein.

1.3. REPORTING PRINCIPLES

Materiality

Compilation of the ESG Report is determined via a stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders’ opinions, assessing the relevance and materiality of the issues, and preparing and validating the information disclosed. The ESG Report covers key issues concerned by different stakeholders. Details of the materiality assessment and major stakeholder engagement channels are disclosed in the ESG Governance section.

Quantitative

Quantitative environmental and social KPIs are disclosed in the ESG Report so as to provide stakeholders with a comprehensive understanding of the Group’s ESG performance. Details of the standards, methodologies, assumptions and calculation references, and sources of key emission and conversion factors adopted in KPIs calculation are stated wherever appropriate.

Environmental, Social and Governance Report

1. ABOUT THE REPORT (CONTINUED)

1.3. REPORTING PRINCIPLES (Continued)

Consistency

The methodologies in calculating KPIs are kept consistent and comparable as far as reasonably practicable. Any changes that affect a meaningful comparison of KPIs between years would be presented and explained in detail in corresponding sections accordingly.

1.4. FEEDBACKS

The Group welcomes and treasures our stakeholders' opinions on the ESG Report and sustainability performance for continuous improvement. Should you have any comments or suggestions to the ESG Report, please contact us via investor.enquiry@alco.com.hk.

2. ESG GOVERNANCE

As a manufacturer, the Group embraces a high moral standard and is dedicated to running in a socially and environmentally responsible manner while remaining economically viable. As we seek numerous ways to communicate with stakeholders in order to balance their interests, we have made corporate social responsibility ("CSR") an important aspect of our business processes. We evaluate our environmental protection, employee relations, community involvement, corporate governance, and other efforts on a regular basis to ensure that we are following best practices that contribute to a more sustainable society. Individual and collaborative efforts of our team and the Group are required to meet this pledge. As a result, we make sure that all our employees follow the guidelines. All Directors, senior executives, and other staff are subject to the Group's CSR policy.

2.1. BOARD STATEMENT

The Group deems effective ESG governance and practices essential to reinforce sustainable development and bring long-term returns to its stakeholders. The board of directors (the "Board") bears the responsibility to oversee the Group's ESG performance and identify ESG-related issues of the Group. The Board sets and reviews policies, and ensures relevant ESG strategies are put in place effectively to tackle environmental and social risks. Meanwhile, the Board monitors the cooperation between different business divisions to ensure the operation and practices adhere to relevant the Group's ESG strategies. The Board also understands the ESG highlights and risks of the Group and monitors the formulation of the annual ESG report in order to ensure its quality meets the requirements of the Board.

Environmental, Social and Governance Report

2. ESG GOVERNANCE (CONTINUED)

2.1. BOARD STATEMENT (Continued)

To thoroughly manage key ESG issues that are likely to influence the business and our stakeholders, the Board has assigned an independent consulting firm in conducting a materiality assessment for gathering the opinions of the Group's stakeholders on ESG issues. The material ESG issues which are highly significant to the Group and stakeholders would be further identified and prioritised. The Board shall review, conclude and validate the results of the material assessment. Meanwhile, the Board shall keep reviewing the engagement channels to ensure effective communication with stakeholders and meets their expectations.

To facilitate the sound management of ESG issues, the Board shall set and review targets on the Group ESG performance regarding the identified material issues. The Group shall share its ESG performance and progress made against targets with stakeholders through the Group's annual ESG Report. The Board shall keep abreast of the latest market and international trends regarding ESG-related issues and continue to seek opportunities of pursuing ESG improvement.

2.2. STAKEHOLDER ENGAGEMENT

The Group always values stakeholders' interests and views. Key stakeholders including investors, shareholders, and employees have all been engaged on a regular basis to discuss and evaluate our ESG performance. In order to identify stakeholders' insights and concerns pertaining to business operation, the Group has developed various communication channels for stakeholders to express their views. We shall keep seeking improvements in ESG performance and management for fulfilling stakeholders' expectations and identifying new challenges.

Stakeholders	Expectations and Requirements	Means of Communication and Response
Government and Regulators	<ul style="list-style-type: none">• Compliance with national policies, laws and regulations• Pay taxes in full and on time	<ul style="list-style-type: none">• Examinations and inspections
Shareholders	<ul style="list-style-type: none">• Returns• Compliant operation	<ul style="list-style-type: none">• Shareholders conferences
Business Partners	<ul style="list-style-type: none">• Operate with integrity• Equal Rivalry• Mutual benefit and win-win result	<ul style="list-style-type: none">• Business communications• Exchanges and discussions• Engagement and cooperation

Environmental, Social and Governance Report

2. ESG GOVERNANCE (CONTINUED)

2.2. STAKEHOLDER ENGAGEMENT

Stakeholders	Expectations and Requirements	Means of Communication and Response
Customers	<ul style="list-style-type: none"> Outstanding products and services 	<ul style="list-style-type: none"> Customer service center and hotlines Customer feedback surveys
Environment	<ul style="list-style-type: none"> Compliant emission 	<ul style="list-style-type: none"> Communicate with local environmental department Communicate with the locals
Industry	<ul style="list-style-type: none"> Establishment of industry standards 	<ul style="list-style-type: none"> Participate in industry forums
Employees	<ul style="list-style-type: none"> Protection of rights Occupational health and safety Career development 	<ul style="list-style-type: none"> Employee communication meetings
Community and the Public	<ul style="list-style-type: none"> Information transparency 	<ul style="list-style-type: none"> Company website Company announcements

Environmental, Social and Governance Report

2. ESG GOVERNANCE (CONTINUED)

2.3. MATERIALITY ASSESSMENT

In order to identify material ESG-related issues for determining the direction of ESG targets and strategies, the Group has commissioned third-party professionals to gather stakeholders' opinions for conducting the materiality assessment. Materiality issues are then identified, analysed, prioritised and concluded by means of stakeholder questionnaires, opinions from the professionals and materiality maps by two well-known external institutions, namely Morgan Stanley Capital International (MSCI) and Sustainability Accounting Standards Board (SASB).

Aspects	Material Issues	Corresponding Sections
Environmental	• Opportunities in Clean Tech	Environmental Protection • Use of Resources
	• Electronic Waste	Environmental Protection • Emission
Employment and Labour Practices	• Human Capital Development	Respecting Our Employees • Employment and Labour Practices
Operating Practices	• Materials Sourcing & Efficiency	Operating Practices • Supply Chain Management
	• Supply Chain Management	Operating Practices • Supply Chain Management
	• Data Security	Operating Practices • Product Responsibility
	• Product Design & Lifecycle Management	Environmental Protection • Green Operation Operating Practices • Supply Chain Management

Environmental, Social and Governance Report

3. ENVIRONMENTAL PROTECTION

The Group acknowledges the environmental impact of its business operations and establishes goals and performance indicators every year based on its environmental approaches, results of impact and risk assessment, as well as other internal and external factors. The Group’s environmental goals regarding the reduction of consumption of water, electricity and energy, lawful and safe disposal of waste and greenhouse gas emissions have been set during the Reporting Period. The yearly environmental objectives are summarised as the following.

Environmental Objectives

Greenhouse gas Emission	<ul style="list-style-type: none">• To curb the increase in carbon emissions by adopting resources conservation strategies
Energy	<ul style="list-style-type: none">• To improve operating efficiency, strengthen conservation of electricity and seek opportunities for clean energy
Water	<ul style="list-style-type: none">• To promote water conservation in the workplace actively
Waste	<ul style="list-style-type: none">• To advocate recycling and reuse to reduce waste generation

The Group has enacted the Risk and Opportunities Control Procedures, which specifies internal measures for identifying potential risks and taking coping efforts, understanding needs and expectations from stakeholders, fulfilling compliance requirements, as well as preparing for contingencies. We evaluate the effectiveness of various measures with records being kept in order to develop a continuous improvement process.

Internal environmental policies, approaches and objectives have been set forth in internal guidelines, checklists and solutions, notice boards and other documents for all employees to follow. The Group has established an environmental control committee formed by members with qualifications of ISO 14001:2015 Environmental Management Systems: Internal Auditor and Environment, Health and Safety Manager from Lingnan College, Sun Yat-Sen University. The committee shall put in place the environmental policies and monitor the progress of the related strategies.

During the Reporting Period, the Group was not aware of any material violations regarding relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

Environmental, Social and Governance Report

3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.1. EMISSIONS

The Group has a manufacturing facility, known as Houjie Factory. Upon an acceptance inspection of the facility's construction and a thorough environmental assessment, Houjie Factory has received the Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources from the Environmental Protection Bureau of Dongguan City, which is a prerequisite for the commencement of manufacturing activities. Houjie Factory has also obtained the certification of ISO14001:2015 for meeting the required standards for an environmental management system. During the Reporting Period, the construction project of the expansion of Houjie Factory has been completed. The completion of construction including the treatment facilities for exhaust gas, wastewater and solid waste has been inspected by the local environmental authority and no breaches of the environmental laws of the PRC have been found. Meanwhile, the Group has properly treated wastewater without direct discharge and complied with the Guangdong Province's Discharge Limits of Water Pollutants (DB44/26-2001).

3.1.1. Air Pollution – Exhaust Gas and Greenhouse Gas

The Group endeavours to minimise the emissions of exhaust gas and greenhouse gas. The major air pollutant emission of the Group is from the manufacturing activities of Houjie Factory. The Group has implemented measures for minimising air emissions, such as establishing water spraying devices and utilising the technique of adhesion to activated carbon. The Group has conducted workplace air quality inspections for benzene, methylbenzene, p-Xylene, as well as other pollutants, and the results reveal that all emissions complied with the Guangdong Province's Emission Limits of Air Pollutants (DB44/27-2001). Meanwhile, Houjie Factory has obtained the Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources from the Environmental Protection Bureau of the Dongguan Municipal Government for its environmental performance evaluation.

In addition, a minority of air pollutants originate from the vehicle usage of the Group's daily operation. Houjie Factory is strategically located whereby transportation distance is shortened and indirectly reduces our fuel consumption of vehicles. Despite this, the Group shall keep its fleet properly tuned and ensures no idling vehicles with running engines to reduce fuel consumption and air emissions. Meanwhile, the Group also organises events at locations which are easily accessible by public transportation. Since the Group did not generate substantial amounts of air pollutants, no emission target regarding air pollutants was set during the Reporting Period.

The Group recognises that the major sources of its greenhouse gas emission are the consumption of electricity, water resources and refrigerants and vehicle usage. The Group aims to achieve the greenhouse gas emissions objective together with the reduction objectives of energy and water consumption by adopting the related conservation strategies so as to curb the increase in carbon emissions.

Environmental, Social and Governance Report

3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.1. EMISSIONS (Continued)

3.1.2. Waste Management

The Group has developed internal requirements and policies regarding waste management, such as Waste Control Procedures. Employees shall follow the established procedures and ensure the proper handling of all wastes during manufacturing and daily operations. In addition, hazardous and non-hazardous wastes are disposed of by qualified collectors, whilst electronic solid wastes including electronic devices, electronic parts and printed circuit boards are collected by companies approved by the government. Internal guidelines have been put in place to promote efficiency in consuming resources and reducing waste. To reduce electronic waste, the Group has formed a designated department which is responsible for the repairs and maintenance of electronic hardware to allow computers and other electronic devices to function properly in a longer lifespan.

The Group advocates recycling and reuse to reduce the waste generation in the workplace. During the Reporting Period, the Group has established a target to reduce both hazardous waste and non-hazardous waste by recognising recyclable materials and encouraging employees to recycle or reuse materials as far as possible.

During the Reporting Period, the hazardous wastes of the Group included waste engine oil, waste plastic pipes and waste sponge containing tin while the non-hazardous wastes of the Group included paper board, paper tape and plastics.

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3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.1. EMISSIONS (Continued)

3.1.2. Waste Management (Continued)

The summary of KPIs regarding emissions is provided as follows:

Emissions	Unit	2022	2021
Exhaust gas¹			
<i>Nitrogen oxides (NO_x)</i>	gram	223,541	269,985
<i>Sulphur oxides (SO_x)</i>	gram	328	403
<i>Particulate matter (PM)</i>	gram	21,996	26,518
Greenhouse gas²			
<i>Total greenhouse gas emissions³</i>	tonnes CO ₂ e	3,760	2,713
<i>Total greenhouse gas emissions intensity</i>	tonnes CO ₂ e/HK\$ million of revenue	6.36	2.12
Scope 1 – Direct emissions ⁴			
Fuel consumption ⁵	tonnes CO ₂ e	55	67
Refrigerant consumption ⁶	tonnes CO ₂ e	451	N/A
Scope 2 – Energy indirect emissions ⁷			
Electricity purchased	tonnes CO ₂ e	3,197	2,569
Scope 3 – Other indirect emissions ⁸			
Paper consumption	tonnes CO ₂ e	7	7
Water consumption ⁹	tonnes CO ₂ e	50	70
Wastes			
<i>Hazardous waste</i>			
Total hazardous waste produced	tonnes	1	2
Total hazardous waste produced intensity	kg/HK\$ million of revenue	1.69	1.56
<i>Non-hazardous waste</i>			
Non-hazardous waste produced	tonnes	31	104
Other domestic waste produced	tonnes	155	170
Total non-hazardous waste produced intensity	tonnes/HK\$ million of revenue	0.31	0.21
Wastewater			
<i>Total wastewater discharge</i>	tonnes	121,000	171,339

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3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.1. EMISSIONS (Continued)

3.1.2. Waste Management (Continued)

Notes:

- ¹ The emission factors are adopted from the Appendix II “Reporting Guidance on Environmental KPIs” (“Appendix II”) issued by HKEX.
- ² The Group’s greenhouse gas inventory includes carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. For ease of reading, the greenhouse gas emissions data is presented in carbon dioxide equivalent (“CO₂e”). The calculation of greenhouse gas emissions is based on the Appendix II issued by HKEX and the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong” published by the Environmental Protection Department and the Electrical and Mechanical Services Department. The Global Warming Potential (“GWP”) is updated in accordance with the IPCC AR6 WGI Report.
- ³ The Group has reviewed the calculation of total greenhouse gas emissions in 2021 and restated the relevant data accordingly.
- ⁴ Scope 1 includes the greenhouse gas emissions from the combustion of fuels in vehicles and the consumption of refrigerants. The calculation is based on the emission factors in the Appendix II issued by HKEX, the “Land Transport Enterprises — Guidelines for Accounting and Reporting of Greenhouse Gas Emissions (Trial)” issued by the National Development and Reform Commission (“NDRC”) of the PRC and the IPCC AR6 WGI Report.
- ⁵ The Group has reviewed the calculation of greenhouse gas emissions from fuel consumption in 2021 and restated the relevant data accordingly.
- ⁶ The Group starts to consider the greenhouse gas emissions of refrigerant consumption in the Reporting Period.
- ⁷ Scope 2 includes the greenhouse gas emissions from purchased electricity from power companies. The calculation is based on the emission factor of the regional power grid of PRC provided by the NDRC and that of Hong Kong provided by CLP Power Hong Kong Limited.
- ⁸ Scope 3 includes the greenhouse gas emissions from water consumption and paper waste disposal. The calculation is based on the Appendix II provided by HKEX.
- ⁹ The Group has reviewed the calculation of greenhouse gas emissions from water consumption in 2021 and restated the relevant data accordingly.

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3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.2. USE OF RESOURCES

The Group is dedicated to reducing the use of resources and carbon emissions from the lifecycle of products and our business operation. The Group has integrated the elements of environmental protection into its product design and introduction, production processes, and other areas. The Group strives to reduce carbon emissions by increasing the efficiency of resources. In the light of electricity being the major energy source for production and heat, the Group has set targets of improving operating efficiency, strengthening conservation of electricity and seeking opportunities for clean energy. In addition to energy targets, the Group also aims to enhance water efficiency by actively promoting water conservation in the workplace. To achieve those targets, the Group has prepared the Resources and Energy Saving Management Guidelines. Monthly statistics for our water, electricity and other energy consumption are maintained, to ensure that it is within our management targets. Our measures include:

- constantly checking whether the equipment and machines function properly, and replacing them when necessary;
- switching off machines, lights and air-conditioners after working hours to save energy;
- conducting a detailed assessment of environmental impacts prior to using new materials, equipment or production techniques;
- avoid overstocking by setting production volume according to client orders;

To support the use of clean energy, the Group has installed a 3,450 kilowatts peak solar photovoltaic power station on the rooftop of factory buildings. Part of the electricity will be consumed by the Group while the excess electricity will be distributed to the public electricity grid so as to help alleviate climate change. During the Reporting Period, the total generation of clean energy was 3,867,905 kWh, among which 1,944,011 kWh was purchased by the Group from the system. The Group's greenhouse gas emission reduction target has been achieved due to the utilisation of solar energy which has reduced the greenhouse gas emission of around 1,025 tonnes of carbon dioxides equivalent.

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3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.2. USE OF RESOURCES (Continued)



Solar photovoltaic power station

In addition, we have established an energy management centre, providing us with real-time energy consumption data for better energy management. The Group shall utilise the data provided to monitor the effectiveness of energy-saving measures, such as adopting more efficient and advanced technology in replace of obsolete technology and technique. In particular, adopting new air compressors with inverters allows us to save 80,000 kWh of electricity consumption a year.

The summary of KPIs regarding use of resources is provided as follows:

Use of Resources	Unit	2022	2021
Energy consumption¹			
<i>Total energy consumption</i>	MWh	8,272	6,882
<i>Total energy consumption intensity</i>	MWh/pcs of product produced	0.0301	0.0036
Direct energy consumption			
Fuel consumption ²	MWh	210	259
Indirect energy consumption			
Electricity purchased	MWh	6,118	4,211
Clean energy purchased	MWh	1,944	2,411
Water consumption			
<i>Total water consumption</i>	tonnes	135,261	190,377
<i>Total water consumption intensity³</i>	tonnes/pcs of product produced	0.49	0.10
Packaging materials			
<i>Total packaging material used</i>	tonnes	215	708
Plastic	tonnes	0	3
Corrugate	tonnes	215	705
<i>Intensity of packaging material used</i>	tonnes/pcs of product produced	0.0008	0.0004

Environmental, Social and Governance Report

3. ENVIRONMENTAL PROTECTION (CONTINUED)

3.2. USE OF RESOURCES (Continued)

Notes:

- ¹ The Group has reviewed the total energy consumption in 2021 and restated the relevant energy consumption data and its intensity accordingly.
- ² The fuel consumption in 2021 is 25,913 litres and is restated in the unit of MWh. The conversion factors from volumetric units of unleaded petrol and diesel oil consumption to energy units are in reference to CDP Technical note: Conversion of fuel data to MWh and the National Standard and its compilation instructions published by the Standardization Administration of PRC.
- ³ The Group has reviewed the intensity of water consumption in 2021 and restated the relevant data accordingly.

3.3. GREEN OPERATION

The Group attaches great importance to protecting biodiversity and ecosystems and aims to promote green operation among its employees in order to minimise the negative impacts on the environment from its business operations. The Group has developed, maintained and reinforced its environmental management system in accordance with the ISO 14001:2015 standards and incorporated environmental considerations into product design. Where applicable, our products meet the environmental and safety requirements of Restriction of Hazardous Substances Directive (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Federal Communications Commission (FCC) and Edison Testing Laboratories (ETL); whilst materials used in products are inspected against harmful substances and durability at the design stage.

The Group strives to promote environmental awareness amongst our employees. For instance, the Group has placed notices beside the copiers and printers for reminding employees to use double-sided photocopying or use re-use paper. The Group encourages employees to reuse and recycle paper and endeavours to facilitate paperless offices by utilising electronic documents. Besides green practices that we have been implementing in our workplace, we also provide relevant information and updates on the latest environmental issues to our employees from time to time.

3.4. RESPONSE TO CLIMATE CHANGE

The Group recognises the impact of climate change on the Group's operation and endeavours to reduce its greenhouse gas emissions. Extreme weather events incurred by climate change will disrupt local transportation systems, communication systems and electricity supplies. This may increase the difficulties of commuting for employees and transportation of materials, disturbing the daily operation of the Group. To be well-prepared for climate change, the Group has developed a policy pertaining to special arrangements under extreme weather, such as typhoons. The Group shall keep abreast of the climate-related issues, review policies and modify its management.

Environmental, Social and Governance Report

4. RESPECTING OUR EMPLOYEES

The Group regards human capital as a valuable asset that stabilises the sustainability of the Group's development. The Group has established employment policies for attracting and retaining talents and maintaining a good reputation. We strive to provide employees with a positive working environment and a competitive remuneration and safeguard their human rights, well-being, health and safety.

4.1. EMPLOYMENT AND LABOUR PRACTICES

We undertake to provide a positive work environment to our employees. We regard fairness and anti-discrimination as our top priority no matter during recruitment or promotion. We have implemented the employment and labour practices in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and other applicable laws, as well as industry practices. The Group's internal regulations and labour system are put in place in strict adherence to the Employment Ordinance and the Regulation on Labour Security Supervision, the Labour Standards Law and other applicable laws and regulations.

The Group has developed a recruitment policy manual to manage recruitment procedures and fairly recruit appropriate talents. We tend to embrace diversity and inclusion and employ local citizens residing close to our Houjie Factory for supporting local employment. During the recruitment process, the Group treats all job applicants equally without discrimination of any kind as long as their work experiences, job-related knowledge and skills fulfil the job requirements. Employees from all backgrounds are entitled to fair and adequate promotion opportunities. All recruitment processes, promotion activities, as well as training opportunities, are closely monitored and supervised under the Group's human resources management system.

The Group stringently prohibits the use of any child labour and forced labour. The Group shall verify applicants' identity cards during the recruitment process to avoid mistakenly using child labour. Employment contracts clearly defining the job duties are developed to prevent forced labour. The Group shall conduct investigations, punishment or dismissal of relevant employees immediately when any non-compliance is discovered. Moreover, the Group will further improve the labour mechanism against illegal behaviours whenever necessary. During the Reporting Period, there was no child or forced labour in the Group's operations.

All employees, upon joining the Group, are given briefing sessions, which introduce the Group's human resources policy including employment, remuneration packages, working hours, rest periods and holidays, termination and confidentiality. The Group shall determine the reasonable remuneration packages for employees with references to the market condition and industry benchmark. In addition, the Group shall also consider the job nature, experience and work performance evaluation of employees, as well as the financial results of the Group when deciding on the remuneration packages.

Environmental, Social and Governance Report

4. RESPECTING OUR EMPLOYEES (CONTINUED)

4.1. EMPLOYMENT AND LABOUR PRACTICES (Continued)

Employees with outstanding performance shall be rewarded with annual discretionary bonuses in recognition of their hard work and contributions. In accordance with relevant laws, we provide other benefits to employees, such as mandatory provident fund, medical insurance and social insurance. Factory employees are provided with dormitories and meals. During the Reporting Period, to the best knowledge of the Director and management, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

During the peak season, the Group shall recruit short-term temporary workers to cope with the understaffed issues encountered and prevent the overwork of workers. Nevertheless, we shall treat all temporary workers equally by offering a healthy and safe work environment and salaries at a level not less than other long-term or permanent workers with the same position.

For the departure of employees, our human resources department coordinates the transition according to the procedures in the human resources management system and applicable labour laws. Termination clauses are set out in all employees' contracts. In case of special situations, the human resources department will consult our legal advisors and/or management to ensure such employment termination is in compliance with applicable laws.

We always value employees' opinions and communicate effectively with employees. We shall consider and adopt their opinions as far as applicable. In addition, we encourage our employees to share their views and aspirations for their careers and the Group's development. Meanwhile, we have arranged group activities, such as ball games and gatherings, to reinforce teamwork and promote a sense of belonging among employees.

During the Reporting Period, we experienced a higher voluntary turnover rate of employees. The management believes that one of the reasons is that younger employees might prefer choosing jobs with higher flexibility than working in a factory. Meanwhile, the inland provinces of China are enjoying rapid development, and the gap between inland and coastal provinces is narrowing down, which provides increasing job opportunities and leads to higher turnover rate. The Group does not consider the turnover rate to be significant compared to the industry level.

Environmental, Social and Governance Report

4. RESPECTING OUR EMPLOYEES (CONTINUED)

4.1. EMPLOYMENT AND LABOUR PRACTICES (Continued)

As of 31 March 2022, the Group has 625 employees in total. The detailed employment status of the Group is as follows:

Employment

Employees	2022
Total employees	625
By gender	
Male	389
Female	236
By employment type	
Permanent	625
Temporary/part-time	0
By age group	
Below 30 years old	228
30-39 years old	176
40-49 years old	166
50-59 years old	53
60 years old or above	2
By geographical region ¹	
Mainland China	499
Hong Kong	91
Taiwan	35
Employee Turnover Rate ²	2022
Total employee turnover rate (%)	51
By gender	
Male	31
Female	85
By age group	
Below 30 years old	51
30-39 years old	51
40-49 years old	51
50-59 years old	53
60 years old or above	50
By geographical region	
Mainland China	51
Hong Kong	52
Taiwan	51

Notes:

¹ The Group starts to disclose the distribution of employees by geographical region during the Reporting Period.

² The Group starts to disclose employee turnover rates by gender, age group and geographical region during the Reporting Period.

Environmental, Social and Governance Report

4. RESPECTING OUR EMPLOYEES (CONTINUED)

4.2. HEALTH AND SAFETY

The Group is dedicated to offering a healthy and safe workplace for our staff and strives to minimise potential health and safety hazards. Inasmuch as our employees at Houjie Factory might be exposed to certain occupational safety risks when operating machines and equipment, we, therefore, develop strict safety protocols which are applicable during daily operations or emergencies in reference to the Work Safety Law of the People's Republic of China and other international standards. During production, supervisors shall monitor every stage of the processes to ensure the protocols have been well-implemented.

The Group places high importance on the work safety of Houjie Factory. Houjie Factory has been equipped with adequate protective gear and equipment, including first-aid equipment, protective helmets, gloves and goggles, fire extinguishers, ear mugs and plugs, and particulate respirators. The Group has organised regular fire drills and qualified fire aiders as well as an on-site medical staff, who will also be responsible for personal hygiene education. We have performed regular checks on production machines and equipment to prevent any safety hazards due to malfunction. Moreover, the provision of annual body checks is in place for workers in designated positions. We have also provided insurance coverage for work-related injuries and fatality incidents. To ensure proper handling of machinery, vehicles and other equipment, we require the related personnel to obtain professional qualifications or licenses, such as drivers, forklift drivers, electrician, lifts operators, fire control room staff, and chemical substance handlers. We have arranged regular training for employees to obtain such qualifications or licenses. Meanwhile, employees such as welders who are prone to exposure to chemicals or other safety risks are provided with extra occupational health checks.

The Group has set up a safe production committee to manage safety risks associated with the production process. The safe production committee and employees are encouraged to maintain effective and sufficient communication with our management about potential safety hazards and take timely action for precautionary or remediation. Moreover, the Group is dedicated to strengthening orientation training and safety prevention for manufacturing equipment, as well as reinforcing regular inspection and safety awareness of employees.

In addition to promoting work safety, we also encourage our employees to achieve work-life balance through activities sponsored or organised by the Group such as interest classes and ball games. We strive to create a harmonious working environment to help relieve their stress from work. Besides, we provide our employees with information about health and safety to improve their health consciousness.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations and did not record any cases of work injuries or lost days due to work injury. Meanwhile, no work-related fatalities were reported to the Group in the past three years including the Reporting Period.

Environmental, Social and Governance Report

4. RESPECTING OUR EMPLOYEES (CONTINUED)

4.3. DEVELOPMENT AND TRAINING

The Group always seeks talents for our business operation and future development. The Group is devoted to enhancing employees' competitiveness through a series of target-oriented and systematic development and training programmes. The Group has organised and subsidised various internal and external training courses to enhance their skills and knowledge, including machine operating, work safety and production environment management, industry and market knowledge, and business administration. For Houjie Factory, the Group requires employees to go through at least 32 hours of annual training.

Training courses are designed and updated based on our business requirements and development. For instance, due to the change in our product mix, participation rates in the training of Robotic Process Automation ("RPA") and laptop project-related training increased during the Reporting Period. Relevant qualifications and certificates are required for employees to perform certain duties. The Group will help arrange training for these employees. For other employees, we promote continuous learning, whereby we encourage our staff to obtain professional qualifications, such as engineering, human resources management and trainers.

Meanwhile, the Group also keeps abreast of the latest development in the industry as well as the laws and regulations, which is essential to the Group's operation. Training on obligations, duties and responsibilities of directors and senior management of publicly listed companies are also carried out regularly in accordance with the Securities and Futures Ordinance and the Listing Rules.

To retain talents and reward employees with good performance and high potential, we offer internal promotion prospects within the Group. We also encourage open communication and discussion between management and other employees about working conditions, promotion and career goals, with a view to supporting their development and growth with the Company.

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4. RESPECTING OUR EMPLOYEES (CONTINUED)

4.3. DEVELOPMENT AND TRAINING (Continued)

The percentages of employees trained and the average training hours of the Group are as follows:

Training	2022
Average training hours per employee	25
By gender	
Male	25
Female	26
By employee category	
Executives	36
Others	24
Percentage of employees trained ¹	70
By gender	
Male	69
Female	72
By employee category	
Executives	100
Others	68

Notes:

¹ The Group starts to disclose the percentage of employees trained by gender and employee category during the Reporting Period.

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5. OPERATING PRACTICES

5.1. SUPPLY CHAIN MANAGEMENT

The Group endeavours to promote sound practices in the Group's supply chain management. Having developed a set of supplier management procedures and supplier evaluation criteria including production capacity, quality, social responsibility, and environmental and health safety, the Group ensures a competitive and unbiased selection and evaluation process of suppliers.

We recognise that the punctuality of delivery and product quality of suppliers are the prerequisites for the sustainable operation of the Group. We perform a strict assessment of our suppliers on cost, quality, and delivery performance as required to fulfil their responsibilities under the procurement contracts. The Group has conducted site inspections to evaluate the environmental and social risks of suppliers. We also maintain close communications with our suppliers through various means such as telephone conferences and email, to ensure suppliers fulfil the Group's standards on legal compliance, social responsibilities, labour standards, work safety and health, and environmental protection. We will evaluate internally any suppliers who do not meet our requirements or fail to fulfil the contract liability and eliminate the unsatisfied from the list of qualified suppliers. Unsatisfied suppliers shall compensate the Group for any losses arising from their failure to fulfil contract liability.

We always advocate green procurement to minimise the environmental impacts in our supply chain. The Group prefers suppliers that are geographically closer to the workplace of the Group and have put sufficient efforts into the management of environmental risks. We shall also encourage our employees to purchase eco-friendly stationeries and products that consume fewer resources.

During the Reporting Period, all suppliers of the Group were subject to the above management procedures and the number of suppliers by geographical region is as follows:

Suppliers ¹	2022
Total number of suppliers	298
By geographical region	
Mainland China	86
Hong Kong	164
Taiwan	18
Others	30

Notes:

¹ The Group starts to disclose the number of suppliers by geographical region during the Reporting Period.

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5. OPERATING PRACTICES(CONTINUED)

5.2. PRODUCT RESPONSIBILITY

5.2.1. Product Quality Assurance

Through strict implementation of the guidelines and policies, we undertake to provide high-quality products to customers. While we make products that satisfy customers' needs, we also carry out quality and safety assurance work during manufacturing processes to ensure compliance with the safety and environmental standards of the respective sale regions.

The Group deems every customer's feedback or complaints regarding our products to be the driving force for it to make improvement on product quality and have developed a policy regarding the procedures of handling complaints and recalls. The Group shall take prompt action to handle and investigate when receiving complaints from customers in accordance with the policy developed. Follow-up actions and remediation shall be taken accordingly after the investigation and act as references for future improvement. If any recall of our products is needed, we shall initiate the product recall procedures and stop selling the relevant products. We shall keep seeking improvement of our service and product quality to fulfil customers' expectations.

During the Reporting Period, there were no material complaints or damage claims on our product and service quality from our customers. Meanwhile, the Group did not receive any requests for product recall for health and safety reasons. To the best knowledge of the Directors and management of the Company, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety matters.

5.2.2. Advertising and Labelling

We have engaged in large-scale marketing campaigns and advertisements to promote our business and products. We also have designated sales representatives to meet with customers from time to time to promote our products and services. We ensure that all relevant sales and marketing efforts are made in compliance with all applicable laws and standards enacted by the government and industry associations.

During the Reporting Period, to the best knowledge of the Directors and management of the Company, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to advertising and labelling matters.

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5. OPERATING PRACTICES(CONTINUED)

5.2. PRODUCT RESPONSIBILITY (Continued)

5.2.3. Data Privacy and Intellectual Property

The Group shows respect for intellectual property owned by our clients or other parties, such as certain patented technology. We have formulated strict guidelines and prevented employees from dishonest or inappropriate use of intellectual property, such as requiring employees to install licensed software. Such guidelines are communicated to our employees and are reinforced from time to time.

The Group has a clear set of regulations for handling and protecting data privacy and all of our employees are required to follow such rules. Personal data of our customers shall be collected and used in a responsible and non-discriminatory manner. The Group has implemented ongoing monitoring and testing of privacy risks to the data privacy of our employees and customers.

During the Reporting Period, to the best knowledge of the Directors and management of the Company, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to privacy matters.

5.3. ANTI-CORRUPTION

To ensure good practice of corporate governance, we have established an audit committee of the Board for monitoring the financial and internal control processes of the Group. External legal advisors and independent auditors are engaged to opine on our financial reporting and other legal and compliance matters. We have complied with Stock Exchange's corporate governance requirements for listed companies and we endeavour to keep up with our improvement in corporate governance.

We have abstracted relevant sections of the Prevention of Bribery Ordinance in Hong Kong into the code of conduct. Our employees are required to have knowledge of such rules and guidelines, and declare if they have personal interests which may conflict with the company's interests. The Group encourages its employees, suppliers, customers and other stakeholders to report any misconduct. We will promptly carry inspection and take necessary measures while protecting the identity of the whistle-blower.

The Group has complied with all relevant anti-corruption laws and regulations, including the Prevention of Bribery Ordinance of Hong Kong Laws, the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China, and other relevant laws and regulations that are related to corruption, bribery, extortion, money-laundering and other frauds. During the Reporting Period, there was no case of corruption that occurred within the Group. Meanwhile, no anti-corruption training was provided. The Group will regularly review its internal anti-corruption system and improve it when necessary.

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6. COMMUNITY

6.1. COMMUNITY INVESTMENT

The Group strives to fulfil our responsibilities as corporate citizens and undertake to make a positive contribution to society. The Group will continue to look into ways of promoting the spirit of corporate social responsibility within the company by organising or participating in appropriate community activities, donations or scholarship programs. We aspire to spread the idea of sharing the fruits of success and foster closer relationships among the Group, our employees and the communities by caring for and helping those in need.

During the Reporting Period, we provided employment opportunities to the disadvantaged and gave priority to suppliers who hired the disadvantaged or participated in related support programmes.

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REFERENCES TO HKEX ESG REPORTING GUIDE

Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
A. Environment			
A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection • Emissions	6-13 7-10
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection • Emissions	6-13 7-10
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Environmental Protection • Emissions	6-13 7-10
KPI A1.3	Total hazardous waste produced and intensity.	Environmental Protection • Emissions	6-13 7-10
KPI A1.4	Total non-hazardous waste produced and intensity.	Environmental Protection • Emissions	6-13 7-10
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Protection • Emissions	6-13 7-10
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection • Emissions	6-13 7-10

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Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection • Use of Resources	6-13 11-13
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection • Use of Resources	6-13 11-13
KPI A2.2	Water consumption in total and intensity.	Environmental Protection • Use of Resources	6-13 11-13
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection • Use of Resources	6-13 11-13
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.	Environmental Protection • Use of Resources	6-13 11-13
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Environmental Protection • Use of Resources	6-13 11-13
A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Protection • Emissions • Use of Resources • Green Operation	6-13 7-10 11-13 13
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection • Emissions • Use of Resources • Green Operation	6-13 7-10 11-13 13
A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection • Response to Climate Change	6-13 13
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.	Environmental Protection • Response to Climate Change	6-13 13

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Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
B. Social			
Employment and Labour Practices			
B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Respecting Our Employees • Health and Safety	14-19 17
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Respecting Our Employees • Health and Safety	14-19 17
KPI B2.2	Lost days due to work injury.	Respecting Our Employees • Health and Safety	14-19 17
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Respecting Our Employees • Health and Safety	14-19 17

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Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Respecting Our Employees • Development and Training	14-19 18-19
KPI B3.1	The percentage of employees trained by gender and employee category.	Respecting Our Employees • Development and Training	14-19 18-19
KPI B3.2	The average training hours completed per employee by gender and employee category.	Respecting Our Employees • Development and Training	14-19 18-19
B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Respecting Our Employees • Employment and Labour Practices	14-19 14-16
Operating Practices			
B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices • Supply Chain Management	20-22 20

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Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
KPI B5.1	Number of suppliers by geographical region.	Operating Practices • Supply Chain Management	20-22 20
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices • Supply Chain Management	20-22 20
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices • Supply Chain Management	20-22 20
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices • Supply Chain Management	20-22 20
B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Operating Practices • Product Responsibility	20-22 21-22
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices • Product Responsibility	20-22 21-22
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Operating Practices • Product Responsibility	20-22 21-22
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices • Product Responsibility	20-22 21-22
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices • Product Responsibility	20-22 21-22
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices • Product Responsibility	20-22 21-22

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Aspects	Summaries	Reporting Chapters/ Reasons for Omissions	Page No.
B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices • Anti-corruption	20-22 22
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 cases.	Operating Practices • Anti-corruption	20-22 22
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating Practices • Anti-corruption	20-22 22
KPI B7.3	Description of anti-corruption training provided to directors and staff.	The Group did not organise anti-corruption training during the Reporting Period.	N/A
Community			
B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community • Community Investment	23 23
KPI B8.1	Focus areas of contribution.	Community • Community Investment	23 23
KPI B8.2	Resources contributed to the focus area.	Since it is not a material issue of the Group, the actual amount of resources contributed is not disclosed.	N/A

