

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2023



LUXXU
GROUP LIMITED

Luxxu Group Limited
勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 1327)

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ABOUT THE GROUP

Luxxu Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) envisions to be a successful designer, manufacturer, wholesaler and retailer of watches, jewellery and other luxury consumer goods worldwide, as well as a socially and environmentally responsible corporation. We are committed to conducting our business in a transparent, equitable, legal and socially responsible manner and to promoting sustainable development, which is paramount to creating long-term value for the Group’s shareholders, clients, employees and other stakeholders as well as the natural environment. During the Reporting Period, the Group was principally engaged in three business segments:

- cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, including but not limited to diamond tourbillon watches and luxury jewellery watches;
- the design, production and assembly of watches for OEM customers; and
- the design, manufacture and sale of watches under our own brands.

ABOUT THIS REPORT

The preparation and presentation of related information in this ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix C2 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group’s overall environmental and social performance of the business operation in Hong Kong and the People’s Republic of China (the “**PRC**”), from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). There were no major changes in the reporting scope of this ESG Report. The ESG Report has been prepared based on four reporting principles, including materiality, quantitiveness, balance and consistency.

1. **Materiality:** ESG issues that have major impacts on investors and other stakeholders must be set out in this ESG Report.
2. **Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. **Balance:** This ESG Report must provide an unbiased picture of the ESG performance of the Company. It should avoid selecting, omitting, or presenting formants that may inappropriately influence the decision or judgement of the readers.
4. **Consistency:** This ESG Report should use consistent statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the ESG Report.

ESG GOVERNANCE

The Group believes that good ESG governance strategies and practices are inseparable from corporate success. The Group's Chief Executive Officer ("**CEO**") has the overall responsibility for ESG compliance, strategies, management, performance and reporting. The CEO delegates implementation and monitoring of policies and practices on the related ESG areas and aspects to the departmental managers. The CEO reviews and monitors the ESG issues with particular reference to the key performance indicators ("**KPIs**") established on a regular basis, and reports to the board of directors if there is any significant irregularity. Material ESG issues will be discussed at least once a year during the Board meeting and reported directly to the Board for proposing recommendations.

The Group firmly believes that the ESG areas and aspects listed in the ESG Guide are significant considerations for the long-term operations of our business. Therefore, we strive to operate our business with the objectives below:

- lessen the negative impacts on the environment and society;
- provide a safe, pleasant and constantly developing and improving working environment to our employees;
- comply with all relevant legal and regulatory requirements in the operating regions;
- adhere to the highest ethical standards; and
- continuously contribute back to the community.

To effectively drive the Group's ESG progress, the CEO will continue to oversee the ESG-related work and ensure the Group's operation closely follows the latest regulations and trends regarding ESG-related issues.

The everyday implementation of the Company's ESG approach relies on the ESG Working Group. It comprises representatives from various departments and has been established to plan and coordinate ESG initiatives within the Group. They are responsible for assisting the CEO in providing strategic directions to the Group and overseeing the implementation and management of the ESG factors that are material to the business of the Group.

The Group also values the opinions of relevant stakeholders, such as employees, customers, contractors and suppliers. The Group regularly reviews the communication channels for stakeholder engagement to ensure that the Group maintains effective communication with its stakeholders.

MATERIALITY ASSESSMENT

Material topics are defined as any issues in which the Group's businesses have the most impact and influence on the operations and stakeholders. A materiality assessment has been performed in order to identify sustainability topics that are material and relevant to the Group. The Group identified the following material aspects and has managed them strictly in accordance with the Group's policies and guidelines and in compliance with the relevant legal and regulatory standards.

Aspects	Material ESG Issues
A. Environmental Aspect	
A2. Use of Resources	<ul style="list-style-type: none">• Energy consumption and efficiency• Efficient use of raw materials• Use of packaging materials
B. Social Aspect	
B1. Employment	<ul style="list-style-type: none">• Employee welfare• Inclusion and equal opportunities• Talent attraction and retention
B2. Health and Safety	<ul style="list-style-type: none">• Occupational health and safety
B3. Development and Training	<ul style="list-style-type: none">• Development and training
B5. Supply Chain Management	<ul style="list-style-type: none">• Supply chain management
B6. Product Responsibility	<ul style="list-style-type: none">• Quality control• Protection of intellectual property rights• Protection of customer privacy
B7. Anti-corruption	<ul style="list-style-type: none">• Corporate governance• Anti-corruption

ENVIRONMENTAL ASPECTS

As the Group's business activities include the manufacture of watches, the Group operates manufacturing plants in the PRC and may contribute to various environmental impacts without proper management. The General Manager of Operations has been delegated to manage all of the environmental issues of the Group's business and operation and reports directly to the CEO. The manufacturing processes of watches include the following environmental impacts which have been managed properly at all times:

- Watch frame production: The manufacturing plant is only involved in the mechanical part of the moulding process, which will only produce "noise pollution" to employees and metal scrap waste. The environmentally sensitive process of electroplating work has been outsourced.
- Watch leather strap production: The manufacturing plant purchases finished coloured leather and makes its own watch straps according to its design, producing both noise pollution and leather scrap wastes. The colouring of the leather straps process, which is environmentally sensitive, has been outsourced.
- Watch assembly production: The manufacturing plant engages in the entire assembly process from the components to the final products, and the process does not generate any hazardous emissions or wastes.

As mentioned above, the environmentally sensitive processes involving the electroplating of watch frames and colouring of watch straps, are fully outsourced to external contractors who are contractually required to comply with all relevant environmental laws and regulations in their operations. As such, the manufacturing processes undertaken by the internal manufacturing plants do not generate any hazardous emissions, wastes or pollutants. All workers engaged in the manufacturing processes must wear suitable personal protective equipment and headgear during operations, and noise pollution is kept within legally acceptable levels.

The Group's production plants and business in operation during the Reporting Period have already obtained the following competency certificates and also passed all annual governmental environmental inspections:

1. Quality Management Certification of GB/T19001-2008/ISO9001: 2008;
2. Environmental Management System Certification GB/T24001-2004/ISO14001:2004; and
3. Occupational Health and Safety Management System Certification of GB/T28001-2011/OHSAS18001:2000.

As a responsible corporation, the Group is committed to minimizing any adverse impact on the environment and did not have any material non-compliance with all local relevant environmental laws and regulations in Hong Kong and the PRC during the Reporting Period. The Group has continued to formulate strategies and plans, implemented policies and taken measures to ensure our operations are energy-, water- and resource-efficient.

EMISSIONS

As a responsible corporation, we integrate eco-friendly measures to reduce the environmental impact of our daily operations. We encourage the economic and efficient use of resources while enhancing our recycling efforts to prevent the waste of resources. Given our business activities, the Group does not produce any hazardous and non-hazardous emissions. The Group does not produce any hazardous and polluted air emissions, solid waste and water discharge. We have taken the following special measures to reduce the emission of air and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste, as well as to save energy in our daily operations:

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and adopting double-sided printing in the workplace;
- Reduce unnecessary business trips and promote the use of information technology, such as video conferences;
- Encourage our staff to take public transportation and minimize the use of private vehicles and taxis;
- Adjust the temperature of the air-conditioning system in our offices appropriately;
- Switch office equipment to energy-saving mode, such as the automatic power-down of printers and computers, after a period of inactivity, to economize the use of electricity; and
- Encourage water-saving habits of our staff.

During the Reporting Period, the Group was not subject to any reported violation in relation to its emissions and waste discharges or other environmental obligations. At all times we have and continue to comply with the relevant laws, regulations and standards required of our operations by the authorities in Hong Kong and the PRC, including but not limited to the Air Pollution Control Ordinance, Waste Disposal Ordinance (Chapter 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong).

Air and Greenhouse Gas Emissions

As previously mentioned, the Group outsources all transportation and potentially polluting manufacturing processes. The Group outsources its transportation needs and therefore does not directly produce any air pollutants from vehicles used. Apart from that, the Group's emissions of air pollutants, including nitrogen oxides (NO_x) and sulphur oxides (SO_x), mainly came from the consumption of Towngas in the exhibition hall.

For the Reporting Period, as per the aforementioned restructuring of our operations since 2018, the electricity bill was paid by the lessor and we did not have access to the electricity usage record for the office operation. The Group generates greenhouse gas, such as carbon dioxide (CO₂), methane and nitrous oxide (N₂O), through daily electricity indirectly and the combustion of gas directly. Since catering service is provided for the events in the exhibition hall, the use of Towngas generates direct greenhouse gas emissions (Scope 1 emissions). The use of electricity in our new exhibition hall contributed to the indirect emission of greenhouse gases (Scope 2 emissions). The indirect emissions (Scope 3 emissions) are also generated by the use of electricity for the processing of freshwater and sewage.

In the Reporting Period, the Group has set targets for the emissions, and the Group aims to achieve a 5% reduction in overall emissions intensity by 2027, with the baseline year in 2022.

Air Emissions:

Air Emissions	2023	2022	Unit
Nitrogen oxides (NO _x)	0.6	0.8	kg
Sulphur oxides (SO _x)	0.004	0.004	kg
Respirable Suspended Particles (RSP)	–	–	kg

Greenhouse gas emissions:

Emissions	2023	2022	Unit
Scope 1 emissions	7.1	10.2	tonnes CO ₂ -e
Scope 2 emissions	29.6	44.3	tonnes CO ₂ -e
Scope 3 emissions	0.3	0.3	tonnes CO ₂ -e
Total greenhouse gas emissions	37.0	54.8	tonnes CO ₂ -e
Intensity (by Revenue)	0.66	0.51	tonnes CO ₂ -e/employee

Waste Management

The Group has not directly produced any hazardous wastes or emissions during the Reporting Period. The Group only generates domestic waste particularly wastewater from its employees' daily living quarters. All wastewater is discharged to the city wastewater system for central treatment. Other domestic waste has been carefully stored in rubbish containers and collected by urban rubbish workers on a daily basis. The Group has paid all relevant fees accordingly.

The production process also generates some non-hazardous solid waste, such as metal, plastic and packaging material scraps. The metal, plastic and packaging material scraps including paper waste are reusable/recyclable resources and the Group has carefully sorted and sold them to recycle collection operators. Lubricant oil waste is generated after the polishing of metal products and has been centralized and sold to treatment collectors.

Currently, the generation of the hazardous and non-hazardous waste is not considered material to the Group and therefore no reduction targets have been set for waste generation. We will continue to avoid the generation of resource wastage and disclose further information as appropriate in the future.

USE OF RESOURCES

The Group consumes electricity, water, natural gas, fuel, lubricant oil, raw materials including steel sheets, plastic grains, and packaging materials to support its production and operations. Along with water and electricity, we also use printing paper, office equipment and stationery in our offices.

We promote smart usage to reduce the consumption of electricity, freshwater, packaging materials and paper through the introduction of various measures, including installing energy-saving equipment, water monitoring, reusing and recycling paper and packaging materials where possible. We constantly explore new alternatives and technologies which may help to reduce the above and thus our carbon footprint, and constantly encourage our employees to practice and improve energy efficiency at all times.

Energy Consumption

Although there was a restructuring of our operations since 2018 in which the lessor is responsible for all utility supply and payments, our energy usages in both Hong Kong and the PRC offices were not available. The Group rented an exhibition hall in Hong Kong since May 2021. Electricity and Towngas were used to support the operation and catering services in the exhibition hall.

At our managed properties, we replace LED lights with traditional lighting where possible to ensure efficient energy use and minimise unnecessary consumption. We also maintain indoor temperatures at a comfortable 24 to 26 degrees Celcius. When procuring electronic appliances, the Group has placed an emphasis on choosing newer more energy-efficient models. We believe we continued to reduce our energy usage in all operations. By the above measures, the Group has initiated a target of 5% energy reduction in term of intensity by 2027, compared with the baseline year of 2022.

Direct and/or indirect energy consumption by type:

Use of resources	2023	2022	Unit
Direct energy consumption	134.8	192.3	GJ
Indirect energy consumption	40.2	59.1	MWh
Total energy consumption	71.5	112.5	MWh-e
Intensity (by Employee)	1.28	1.04	GJ/Employee

Water Consumption

Water is supplied from the city’s central water system and there is no sourcing problem with its supply. The use of freshwater is primarily for staff general living purposes, and the amount is insignificant. To reduce water consumption, the Group again requests its employees to use water smartly and be responsible, and has developed the following additional measures:

- Repair dripping faucet and hose in a timely manner;
- Adopt effective water-saving production methods and instruments – such as in the factories, the water after cleaning will be filtered and reused; and
- Monitor water consumption regularly and report any significant differences compared to the average consumption.

Although the Group does not consume a significant amount of water during business operations, we still actively seek ways to minimise water consumption and endeavour to conserve water effectively in our business operations. The Group aims at reducing water consumption intensity in our operations by 5% by 2027 against the 2022 baseline.

Water consumption in total and intensity:

Water consumption	2023	2022	Unit
Total water consumption	450.0	466.0	m ³
Intensity (by revenue)	8.04	4.31	m ³ /employee

Paper and Packaging Material Consumption

Given the business nature, the consumption of paper and packaging materials is immaterial. Packaging materials are used mainly for packaging watches, and paper is used in our offices for filing and printing. The Group has therefore not kept the consumption of paper and packaging materials as a KPI for continuous monitoring. The Group has been focused on implementing the following measures to reduce its consumption to save costs and resources.

- Encourage recycling of paper by deploying recycling bins next to printers and other paper sources to collect used paper products, such as waste paper, posters, letters and envelopes;
- Utilize paper by double-sided printing and writing on both sides;
- Increase electronic processing and records, such as emails, messages and USB storage, to replace printing hard copies;
- Reuse stationeries, such as file folders and envelopes; and
- All packaging carton boxes must be made from recycled paper.

Packaging Material:

Packaging Material	2023	2022	Unit
Carton Box	1,300	N/A	pieces
Plastic Bags	1,300	N/A	pieces

THE ENVIRONMENT AND NATURAL RESOURCES

As discussed above and in our previous ESG reports, the Group's activities and operations do not generate any significant environmental hazards or use much of the natural resources. As a responsible corporation, we have introduced and implemented eco-friendly practices to reduce and conserve energy, freshwater and other natural resources, and to minimize the impact on the environment directly or indirectly. We have not polluted any air, water or land, and have complied with all the environmental laws and regulations of Hong Kong and the PRC. We cooperate with the local government agencies and support environmental organizations' activities to build a green society.

CLIMATE CHANGE

The Group recognizes that climate change is one of the biggest global environmental challenges in recent years and may bring about potential risks and disturbances to business operations. After review, the acute physical risk may affect our operation and the impacts of other climate-related risks are insignificant to the Group.

Acute physical risk refers to the physical impacts of climate change, which can be driven by events, such as floods, storms, heavy rains and typhoons. Due to the change in climate patterns, the frequency and severity of extreme weather events are getting higher in Hong Kong, especially in summer. These may affect the personal safety of our employees and customers. In response, the Group would stay alert to any announcements by the local governments on weather conditions and prepare for emergency actions immediately to safeguard personal safety.

Policy actions and emerging technologies on climate change will continue to develop, for example, switching to low-carbon energy sources and supporting the transition to a low-carbon economic system may bring risks to the Group's technological transformation. The stricter environmental protection laws and regulations may also limit the expansion of business, and increase in compliance costs and risk of lawsuits of the Group arising from the failure to comply with such laws and regulations. The Group will monitor the issuance of new laws and regulations and access the risk posed to the Group timely to mitigate the effects to the Group.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group's operation and activities are labour intensive with high level of skills required. The management treasures its employees as valuable assets and therefore adopts supportive Human Resources strategies and policies to provide a safe, pleasant, equitable and progressive working environment to the employees. The Group's Human Resources Department implements the policies and strategies approved by the Board and reports directly to the Group's CEO. The following policies, rules and regulations on human resources management comply with the labour laws of the PRC and have been approved and implemented:

- Employee Handbook;
- Recruitment Rules and Regulations;
- Leave Application Management Rules;
- Positions Termination Management Rules; and
- Human Resources Management Rules and Process.

All employees are required to sign an employment contract with the Group, which contains terms and conditions according to the local labour laws and employment ordinances. Regulations, policies and standards regarding recruitment, employment and promotion, compensation and dismissal, salaries and wages, working hours, holidays, benefits, insurance, equal opportunity, diversity, anti-discrimination, and other welfare are well documented and executed accordingly. The Group transparently addresses salary and compensation packages by disclosing its salary benchmarking exercises to employees.

Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions, and will be reviewed on an annual basis. Senior management staff and directors' remuneration is determined with reference to his/her duties and responsibilities with the Group, the Group's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual performance as well as the Group's performance.

In order to build a harmonious and pleasant working environment, the Group has invited employee representatives to join a consultative committee to meet regularly to discuss issues relating to employees' employment terms and conditions, working environment conditions and health and safety issues. The Group listens to its employees and proactively responds to employees' opinions. We believe that effective cooperation and communication will build up trust, mutual respect and thus creating a win-win relationship. On such belief, the "Consultation and Communication Management Rules and Process" has been formulated and implemented.

The Group recognizes its success depends highly on the skills, passion and commitment of its employees. We ensure employment and labour practices are implemented according to Labour Law of the PRC and the Employment Ordinance of Hong Kong. We provide equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development.

Our recruitment process is standard as per normal practices in our industry. We specify the requirements of the vacancies and will advertise as well as headhunts through employment agencies. The selection process will be standard and positions will be decided after background checks, tests and interviews by our human resources manager as well as the related departmental head. The selection of Senior Managers will be decided by the CEO.

The Group also provides employees with equal opportunities in recruitment, promotion, growth and development, compensation and benefits. All job positions, qualified job applications, internal transfers and promotions are decided with no discrimination on sex, race, religion, gender, age and disability.

The employment characteristics of the Group at the end of the Reporting Period were summarized in the charts below:

Total workforce:

Employment	2023	2022	Unit
Total number of employees	56	56	Employee
By Gender			
Male	43	43	Employee
Female	13	13	Employee
By employment type			
Permanent	46	46	Employee
Contractual	10	10	Employee
By age group			
<=30	24	24	Employee
31-40	15	15	Employee
41-50	15	15	Employee
>50	2	2	Employee
By employment category			
Managerial Staff	8	8	Employee
Operation Staff	20	20	Employee
General Staff	5	5	Employee
Manufacturing Skilled Staff	23	23	Employee
By geographical region			
Hong Kong	52	52	Employee
China	4	4	Employee

Employee turnover rate:

Employment	2023	2022	Unit
Total employee turnover rate	0	0	%
By Gender			
Male	0	0	%
Female	0	0	%
By employment type			
Permanent	0	0	%
Contractual	0	0	%
By age group			
<=30	0	0	%
31-40	0	0	%
41-50	0	0	%
>50	0	0	%
By employment category			
Managerial Staff	0	0	%
Operation Staff	0	0	%
General Staff	0	0	%
Manufacturing Skilled Staff	0	0	%
By geographical region			
Hong Kong	0	0	%
China	0	0	%

During the Reporting Period, the Group did not have any material non-compliance with the employment related laws and regulations, including but not limited to the Labour Law of Hong Kong and relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

HEALTH AND SAFETY

The Group is committed to providing a safe, healthy and pleasant working environment to the employees. We have obtained and practised the Occupational Health and Safety Management System under GB/T28001-2011/OHSAS1800. Furthermore, the Group also approved and implemented the following rules and processes to strengthen work safety and health of employees:

- Work and Environment Management Rules and Process focusing on managing the impact of the product on employee’s health and safety during the manufacturing process; and
- Accidental (Incidents) Reporting, Investigation and Management Rules and Process.

We have equipped our offices and manufacturings operations with adequate equipment and facilities and medical supplies to ensure safety and convenience for employees. All permanent staff have been covered with social, medical and accidental insurance as required by relevant local laws and ordinances in the PRC and Hong Kong. All employees are also requested to strictly observe the health and safety policies of the Group, practice all safety rules at work and place safety as their priority during work at all times.

The Group has set up the “Safety and Health Equipment Record” and “Accidents Record” as the KPIs for the management to monitor employee’s health and safety issues. During the years ended 31 December 2022 and 2023, there were no fatalities, work injuries, occupational health and safety hazard cases recorded.

Health and Safety:

Health and Safety	2023	2022	Unit
Number of work-related fatalities	0	0	No.
Rate of work-related fatalities	0	0	%
Lost days due to work injury	0	0	No.

During the Reporting Period, the Group did not have material non-compliance with the laws and regulations in relation to occupational safety and health in Hong Kong and the PRC, such as the Occupational Safety and Health Ordinance, Safety Production Law of People’s Republic of China, Occupational Disease Prevention Law and other laws and regulations to prevent occupational health and safety risks and protect the occupational safety of employees.

DEVELOPMENT AND TRAINING

The quality and skill of our employees are important to the Group as the production processes require highly efficient and specialized skills. The Group has therefore invested substantially in employees' training and development. The Group has designed intensive on-the-job training programs to train new employees and also various programs to upgrade the skills and knowledge of the existing staff. Training needs are identified through regular appraisal conversations to ensure sufficient training and guidance provided are catered to employees' needs. The Group frequently arranges senior staff to provide directional advice and guidance and short-term training to junior staff. The Group also sponsors employees to attend external training programs relevant to their work to improve their skills and knowledge which will be beneficial to their career development. Records on the training and development programs organized and sponsored have been maintained to assure that the training offered has been productive.

Percentage of trained employees:

Development and Training		2023	2022	Unit
Number of Trained Employees		28	35	Employee
Percentage of trained employees		50	32	%
By Gender	Male	47	66	%
	Female	62	34	%
By employee category	Managerial Staff	25	14	%
	Operation Staff	35	37	%
	General Staff	20	20	%
	Manufacturing Skilled Staff	26	29	%

Average training hours completed:

Development and Training		2023	2022	Unit
Average training hours per employee		1.2	1.0	Hour/employee
By Gender	Male	2.0	0.9	Hour/employee
	Female	2.0	1.1	Hour/employee
By employee category	Managerial Staff	1.7	1.0	Hour/employee
	Operation Staff	2.1	1.1	Hour/employee
	General Staff	2.6	1.6	Hour/employee
	Manufacturing Skilled Staff	1.0	0.7	Hour/employee

LABOUR STANDARDS

The Group has not violated any provisions of the local labour laws and employment ordinances in our operation in Hong Kong and the PRC. The Group has honoured all of its obligations related to its employees. The Group has built a safe, healthy and pleasant working environment for the employees.

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources staff requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. All the personal information provided during recruitment should be real and effective.

If there are any cases of forced labour, child labour and illegal immigrant labour on staff, employment with all these candidates will be immediately terminated. The Group would also take responsibility for the investigation. No child or forced labour has been employed during the Reporting Period.

Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities based on gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. During the Reporting Period, no labour dispute was recorded.

OPERATING PRACTICES

These aspects include management of sourcing, procurement, products quality assurance, sales, intellectual property rights and anti-corruption.

SUPPLY CHAIN MANAGEMENT

Supply chain management in the ESG Guide mainly refers to the management of sourcing and procurement. As a watch manufacturer, the Group made substantial purchases, which included raw materials of watch movement tools, batteries, needles and many other spare parts; packaging materials and other accessories.

The Group gives priority to local suppliers when developing businesses all over the country in order to create employment opportunities for local communities and reduce the emissions of greenhouse gas. In 2023, 4 of our suppliers were from Hong Kong and 7 were from China.

Supply Chain Management:

Supply Chain Management		2023	2022	Unit
Number of suppliers by geographical region				
Total number of suppliers		11	25	Supplier
By geographical region	Hong Kong	4	16	Supplier
	China	7	9	Supplier

The Group has therefore formulated specified purchase policy and processes for the purpose of eliminating malpractices and illegal bribery incidents in the purchase process, which can be summarized as follows:

- i) Evaluation of Suppliers: The suppliers have to provide comprehensive credentials on their qualifications, experience, operation status, reputation; guarantees on quality, safety and environmental compliance; capabilities on supplying in a timely manner and provision of after sales services; offered prices and payment terms. A detailed supplier information form has been prepared for the suppliers to complete and to return for record and evaluation. Interviews of the suppliers will also frequently be carried out and a supplier's interview form will be completed as a supplementary part of the evaluation. Those suppliers who pass the evaluation will be regarded as "Qualified Suppliers";
- ii) Selection of Suppliers: the purchasing department will invite 2-3 qualified suppliers to quote with samples and to negotiate on the supply contracts; and
- iii) Conclusion and Execution of Purchase Contracts: if the qualified suppliers are chosen, a proper purchase contract will be signed.

As a social obligation and to follow the ESG Guide and GRI practice, the Group adopts a green procurement concept in our supply chain. The Group has included environmentally friendly clauses on materials supplied and forbidden child or forced labour on production on the purchase contracts. We have stipulated our requirements relating to environmental protection in a commercial agreement with our subcontractors and suppliers. We require all qualified subcontractors or suppliers to comply with the applicable environmental law and regulations.

The purchase department has been delegated the responsibility to implement the purchases in accordance with the above-described policies and processes. During the Reporting Period, no malpractices or complaints were discovered and received.

The Group has set up a “Suppliers Record” listing out the main items of purchases and the number of local and overseas suppliers as a KPI for the management to review and monitor. We also comply with international and United Nations sourcing standards and strictly enforce not to source any raw materials from any United Nations restricted conflict/war zones and/or areas that practice slave, child or forced labour.

PRODUCT RESPONSIBILITY

The Group sells its products mainly through authorized agency distributors and does not run direct retailing sales outlets nor any online sales platforms itself. The Group’s brands include “Time2U, Jonquet, Color” and the newly designed brands “Nordic Design, Extreme and MDO” which are sold throughout the PRC and in Southeast Asia.

Product Responsibility:

Product Responsibility	2023	2022	Unit
Percentage of total products sold or shipped subject to recalls	0	0	%
Number of products and service-related complaints received	0	0	No.

Assurance of Product Quality

The Group fully recognizes that the sales of the Group’s products depend on their sophistication, reliability and quality. The Group has established the Quality Control Division under the Production Department to enforce the approved strict quality control polices and process. The Group has strict product tests prior to any sales. The Group guarantees the quality, safety and reliability of delivered products under contracts. The Re-correction and Prevention of Below Quality Management Rules and Process, has been implemented to guarantee product quality throughout the production and inferior quality products are rejected. The Group warrants and guarantees the quality of its watches produced and even for a certain period after sales.

For the Reporting Period, our Sales Return KPI record showed “NIL returns”, which evidenced that our Quality Management process was a success. During the Reporting Period, the Group received zero cases of complaints related to the safety and quality of our products. The complaints had been handled satisfactorily upon receiving them and the Group did not foresee any adverse impact on our business.

Protection of Intellectual Property Rights

During the Reporting Period, the Group recorded no intellectual property infringement nor was involved in any fines or proceedings. The Group produces watches under its own brands and designs which are patented in over 30 countries as well as being an Original Equipment Manufacturer for other brand and design owners. Respecting others’ intellectual property rights is a central part of our business and the Group fully respects and complies with the laws and regulations for protecting the intellectual property rights internationally.

Protection of Data Privacy

The Group exercises caution in its daily operations to safeguard client information, protecting customer information from unauthorized access, usage and leakage through various technologies and procedures. Our employees’ employment contracts specifically contain confidential provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information. All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements prescribed under the Personal Data (Privacy) Ordinance. Personal and business data of our customers are applied for authorized business purposes only and accessible only by staff to whom the information is deemed necessary. Legal action will be taken against any violation.

During the Reporting Period, no case was initiated against us, nor any complaint received, regarding any breach of relevant privacy laws, regulations and policies, including but not limited to Personal Data (Privacy) Ordinance in any jurisdiction in which we operate.

ANTI-CORRUPTION

The Group adopts a “zero tolerance” approach to bribery, corruption, extortion, fraud and money laundering at any level.

The Group has adopted and executed the Anti-Corruption and Anti-Bribery Rules and Process, to stand against any malpractices, bribery and corruption acts in its business. In daily work, the directors, management and staff must comply with related national and local government laws and regulations on the prevention of bribery, extortion, fraud and money laundering.

Anti-Corruption:

Anti-Corruption	2023	2022	Unit
Number of concluded legal cases regarding corruption	0	0	Case

We have established the Anti-Corruption Unit reporting directly to the Group’s CEO for the purpose to investigate any malpractices, bribery and corruption acts, and to communicate to the employees to observe ethical and justifiable behaviour. All employees not only have the responsibility to understand and comply with the above regulations, but also have the obligation to report violations. Any person, who contravenes the regulations, will be subject to disciplinary sanctions.

The Group understands the importance of promoting anticorruption to the employees. However, the preparation work is suspended due to the pandemic. The Group is now preparing the materials and training sessions. The Group will soon start the training if needed.

With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high code of conduct especially in our senior management, the Group reported no bribery or corruption cases and did not violate any laws and regulations that had a significant impact on the Group relating to corruption, bribery, extortion, fraud and money-laundering, such as the Prevention of Bribery Ordinance, during the Reporting Period.

COMMUNITY INVESTMENT

The Group strongly believes that community participation and improving the general community environment are important for the Group’s long-term development as well as improving the general lives of our employees and the communities within which we operate. We continue our policy of planting green trees around our production facilities and staff quarters as well as donating to the local community.

HKEX ESG REPORTING GUIDE CONTENT INDEX

KPIs	Disclosure Requirements	Sections
1	<p>Governance Structure disclosure of the board’s oversight of ESG issues; board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues)(including risks to the issuer’s businesses;</p> <p>how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</p>	<p>ESG Governance</p> <p>ESG Governance</p> <p>ESG Governance</p>
	<p>Reporting Principles Description of, or an explanation on, the application of the following Reporting Principles (Materiality, Quantitative, Consistency) in the preparation of the ESG report.</p>	<p>About This Report</p>
	<p>Reporting Boundary A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>About This Report</p>
<p>Environmental</p> <p>Aspect A1: Emissions</p>		
A1	<p>General Disclosure Policies</p> <p>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.</p>	<p>Emissions</p> <p>Emissions</p>
A1.1	<p>The types of emissions and respective emissions data.</p>	<p>Emissions</p>
A1.2	<p>Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	<p>Emissions</p>
A1.3	<p>Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	<p>Waste Management</p>

KPIs	Disclosure Requirements	Sections	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	
A2	Use of Resource		
A2	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Consumption
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Consumption	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials	
A3	The Environment and Natural Resources		
A3	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources	
A4	Climate Change		
A4	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

KPIs	Disclosure Requirements	Sections	
Social			
B1 Employment			
B1	General Disclosure	Policies 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, antidiscrimination, and other benefits and welfare.	Employment Employment
B1.1		Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
B1.2		Employee turnover rate by gender, age group and geographical region.	Employment
B2 Health and Safety			
B2	General Disclosure	Policies compliance with relevant laws and regulations that have a significant impact on the issuer.	Health and Safety Health and Safety
B2.1		Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2		Lost days due to work injury.	Health and Safety
B2.3		Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
B3 Development and Training			
B3	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1		The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
B3.2		The average training hours completed per employee by gender and employee category.	Development and Training

KPIs	Disclosure Requirements	Sections	
B4 Labour standards			
B4	General Disclosure	Policies compliance with relevant laws and regulations that have a significant impact on the issuer.	Labour standards Labour standards
B4.1		Description of measures to review employment practices to avoid child and forced labour.	Labour standards
B4.2		Description of steps taken to eliminate such practices when discovered.	Labour standards
B5 Supply chain management			
B5	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain management
B5.1		Number of suppliers by geographical region.	Supply chain management
B5.2		Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply chain management
B5.3		Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management
B5.4		Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management
B6 Product Responsibility			
B6	General Disclosure	Policies compliance with relevant laws and regulations that have a significant impact on the issuer.	Product Responsibility Product Responsibility
B6.1		Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2		Number of products and service related complaints received and how they are dealt with.	Product Responsibility
B6.3		Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
B6.4		Description of quality assurance process and recall procedures.	Product Responsibility
B6.5		Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

KPIs	Disclosure Requirements	Sections	
B7	Anti-corruption		
B7	General Disclosure	Policies compliance with relevant laws and regulations that have a significant impact on the issuer.	Anti-corruption Anti-corruption
B7.1		Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2		Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Anti-corruption
B7.3		Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8	Community investment		
B8	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 investment
B8.1		Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment
B8.2		Resources contributed (e.g. money or time) to the focus area.	Community investment