

SINCERE WATCH (Hong Kong) Limited

2024

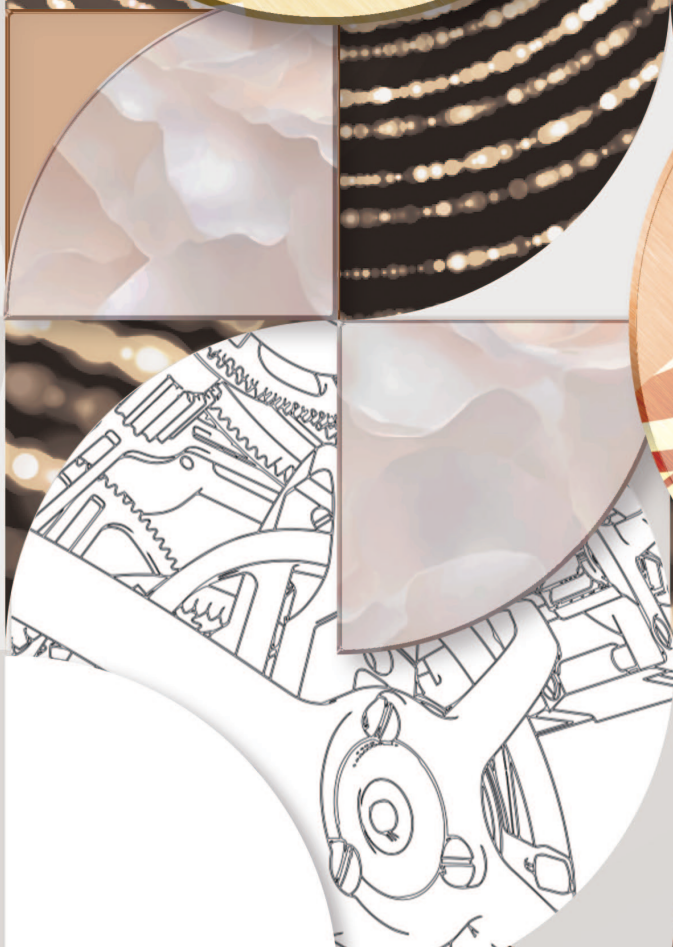
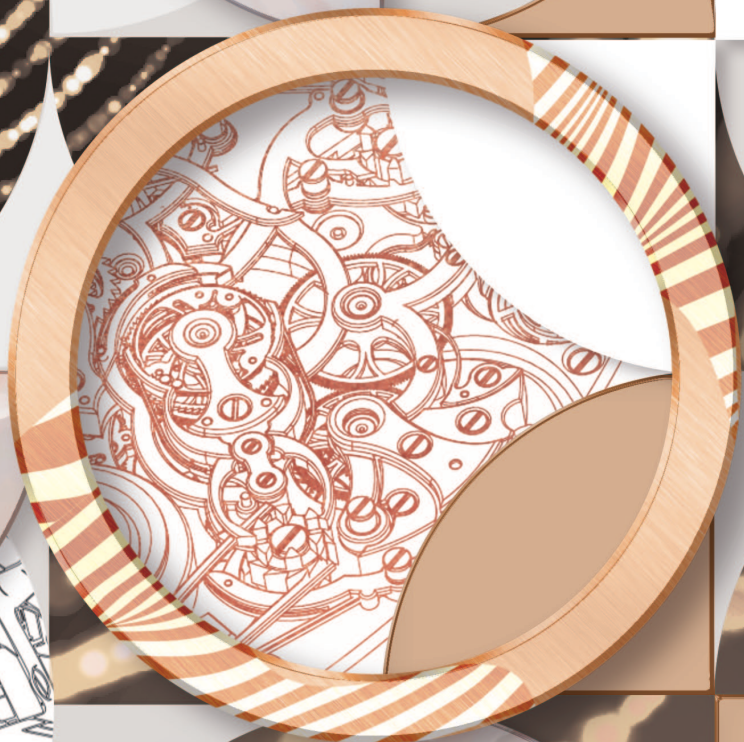
ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

環境、社會及管治報告

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份編號：00444



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

Sincere Watch (Hong Kong) Limited (hereinafter referred to as “Sincere Watch” or the “Company”) along with its subsidiaries (the “Group”) is pleased to present its sixth standalone Environmental, Social and Governance (“ESG”) Report (the “Report”).

Reporting Period and Scope

This Report continues to focus on the Group’s watch, timepiece, and accessories distribution business in Hong Kong. The disclosed information covers the Group’s operations of four offices, one warehouse, as well as three boutiques located in Hong Kong, from 1 April 2023 to 31 March 2024 (the “Reporting Period”).

Reporting Standard and Principles

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix C2 of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”). It complies with the “Mandatory Disclosure Requirements” and the “Comply or Explain” provisions of the ESG Reporting Guide.

The Group upholds the following principles during report preparation.

- **Materiality**

This Report is structured based on the materiality of ESG issues of the Group through the support of the stakeholder engagement and the materiality assessment conducted during the Reporting Period. For more information, please refer to subsections “Stakeholder Engagement” and “Materiality Assessment” under section “Sustainability Approach”.

- **Quantitative**

In order to quantitatively evaluate the Group’s ESG performance, this Report disclosed relevant key performance indicators (“KPI” or “KPIs”) and the corresponding calculation frameworks and methodologies. For more information, please refer to sections “Environment and Resources” and “KPIs Summary Table”.

- **Balance**

This Report summarises the Group’s ESG policies, documents and practices in a fair, objective, and unbiased manner.

- **Consistency**

The reporting scope has changed from FY2023 as we have closed one of our boutiques and our previous headquarter office, and then moved into three new offices. Whenever deemed material, this Report provides explanations regarding the differences in the calculation methodologies of KPIs.

Feedback and Communication

The Group highly values your views on its corporate sustainable development. For further information regarding our corporate governance and financial performance, please refer to our Annual Report 2024. Meanwhile, you are also welcome to contact us by:

- **Tel** +852 2969 9900
- **Email** info@sincerewatch.com.hk
- **Post** Unit 2016–2018, 20/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

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ABOUT SINCERE WATCH

The Group is the distributor of luxury watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. The Group represents the luxury brands including FRANCK MULLER, CVSTOS, Pierre Kunz and European Company Watch.

As of 31 March 2024, the Group has established a distribution network with 50 retail points of sales and 7 boutiques, making a total of 57 points. 4 boutiques are operated by the Group, and the remaining 53 watch retail outlets are operated by 26 independent watch dealers throughout our key markets, such as Hong Kong, Macau, Taiwan, and Mainland China.

During the Reporting Period, the Group has continued to employ a series of niche marketing initiatives in order to cultivate its image and desirability as one of the leading international watch distributors. Sincere Watch takes pride in consistently focusing on and adapting itself to the latest market trends while exploring potential opportunities to organise unique events. We will aim to increase our brand exposure and strengthen our system of brand networking in the coming future.

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SUSTAINABILITY APPROACH

The Group is devoted to the promotion of sustainable brand values and as such, is fully committed to adopting and integrating sustainable practices into its business operations. We prioritise adherence to existing ESG-related laws and regulations while reviewing and revising our sustainability approach when needed. In order to reflect the sustainability ideology shared by those within our sphere of influence, we actively engage with all of our stakeholders, encourage their active participation in our ESG-related initiatives and welcome feedback on our practices. Thus, we will, through the spirit of coordination and consensus, continue down the road towards a sustainable future.

ESG Management

All ESG-related matters are overseen and managed by the Group's board of Directors (the "Board"). All reviews and approvals of the Group's ESG strategy, objectives and reports are conducted by the Board, who are also responsible for identifying, prioritising and managing ESG issues. The Board takes a proactive approach in improving our sustainability performance by evaluating ESG risks as well as monitoring progress on established targets. Moving forward, the Group shall consider providing ESG training to the Board and strengthening their roles in ESG governance.

In carrying out these duties, the Board engaged an independent sustainability consultancy to conduct a stakeholder engagement exercise during the Reporting Period. This exercise helped to identify and evaluate sustainability issues that are most material to the Group and its stakeholders, as well as determine the coverage and structure of this Report. The Group will aim to carry out this exercise on an annual basis.

Stakeholder Engagement

The Group is committed to maintaining close communication with key stakeholders in order to ensure that its economic, environmental, and social values are aligned with their expectations. During the Reporting Period, we identified the following key stakeholders and utilised various engagement channels.

Shareholders and Investors

- General meetings
- Annual and interim reports
- Correspondences
- Corporate website

Customers

- Social media platforms
- On-site customer services
- After-sales customer services

Media

- Press conferences
- Interviews
- Social media platforms

Staff

- Departmental meetings
- Performance appraisals
- Internal emails
- Trainings

Suppliers and Business Partners

- Meetings and correspondences
- Tender notices
- Inspections and feedback

Regulatory Bodies

- Correspondences
- Compliance reports

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Materiality Assessment

We have commissioned an independent sustainability consultancy to assist in the identification of material ESG issues based on their importance to stakeholders as well as the Group's business development. To ensure the Group's existing ESG and sustainability practices, policies and strategies align with and meet stakeholder expectations, a stakeholder engagement exercise was conducted through online questionnaires. The data gathered from these surveys was then analysed to produce a set of material issues. The four-step process of the assessment is as follows:

Step 1: Identification

The criteria to identify material ESG issues include whether the issue has a significant impact on stakeholders' assessments and decisions, and whether it reflects the Group's material environmental and social impact. 17 material issues were identified and categorised into three aspects utilising the following benchmarks:

- Internal benchmark (previous ESG reports of the Group)
- External benchmark (ESG reports of industry peers)

Step 2: Prioritisation

The standardised online questionnaires were distributed to different stakeholders across the Group, so as to ensure a consistent and systematic assessment of the identified material issues.

- 4 members of the Board and management ranked the importance of material issues based on the significance to the Group's sustainable development.
- 28 other stakeholders, including 19 employees, 1 customer and 8 suppliers/contractors, ranked the importance of material issues based on their own preferences and expectations.

Step 3: Analysis

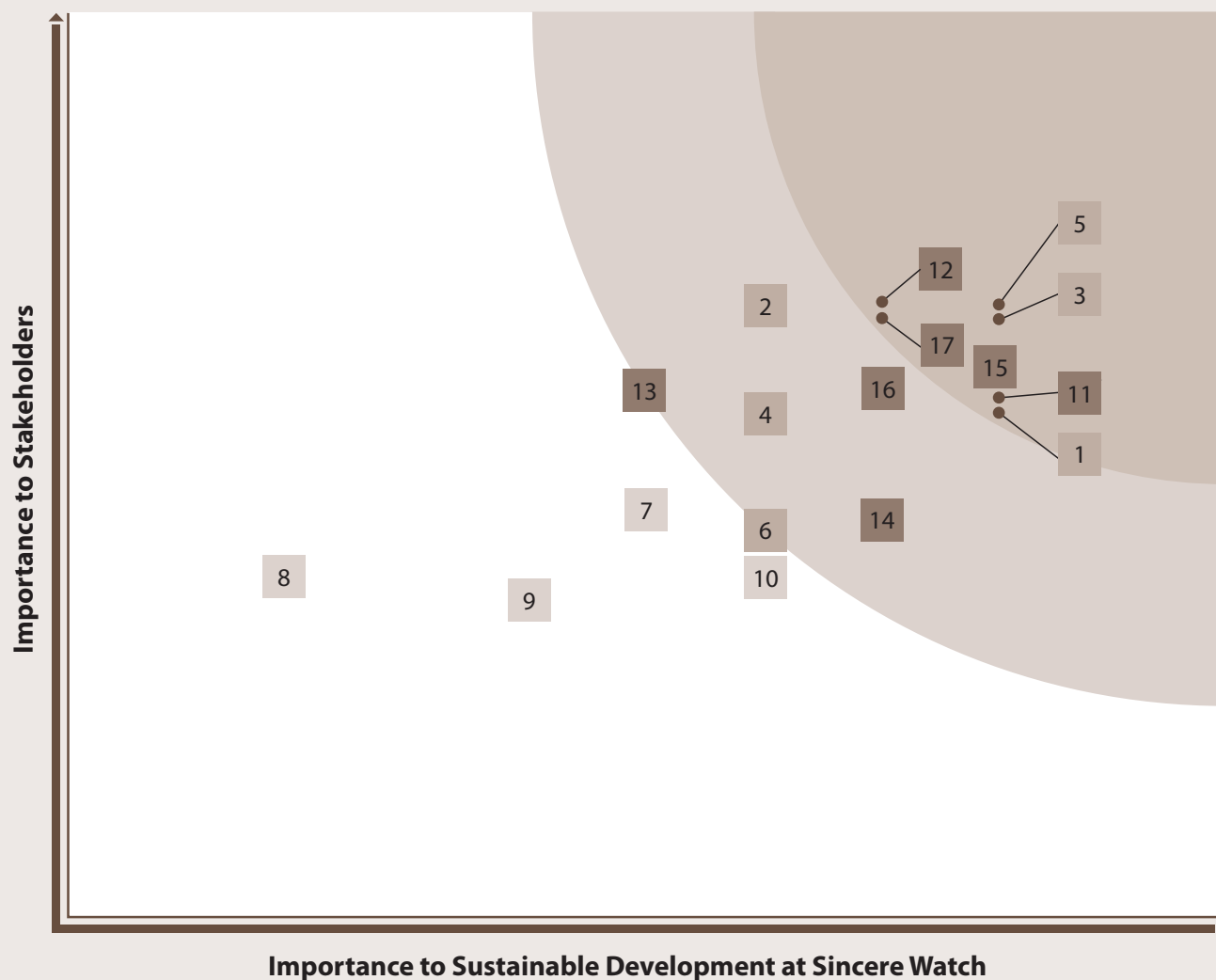
The collected questionnaire responses were analysed and plotted in a materiality matrix that reflects the resulting materiality of issues to the Group for better comprehension. Issues in the upper right corner reflect the topics that matter the most to both the Group and its stakeholders. Issues in the lower left corner were perceived as the relatively less important topics to both the Group and its stakeholders.

Step 4: Validation and Review

The Board and senior management confirmed and validated the list of material issues for disclosure in this Report. These issues and subsequent materiality matrix were then reviewed to ensure a balanced view of the Group's sustainable development performance and stakeholder expectations.

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The following matrix and table illustrate the results and reflect the prioritisation of material ESG issues based on their significance to the Group’s sustainable development (represented by members of the Board and management), and to other stakeholders (represented by employees, customers and suppliers/contractors). In this Report, we will focus on discussing our ESG performance, which will be structured according to the perceived materiality from stakeholders. Looking ahead, the Group will continue to identify any emerging material ESG topics, so as to keep open dialogues with key stakeholders and strengthen its ESG management.



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Aspects	Items	Issues	Scores ¹ (Ranking)
People and Community	1	Labour Standards	4.68 (=6)
	2	Employee Benefits and Welfare	4.55 (9)
	3	Occupational Health and Safety	4.80 (2)
	4	Employee Training and Development	4.41 (=10)
	5	Prevention of Child and Forced Labour	4.82 (1)
	6	Community Engagement and Investment	4.25 (13)
Environment and Resources	7	Emissions and Waste Management	4.18 (15)
	8	Use of Natural Resources	3.71 (17)
	9	Climate Change	3.95 (16)
Operation and Business	10	Energy Efficiency	4.23 (14)
	11	Product Responsibility	4.70 (=4)
	12	Customer Service Satisfaction	4.70 (=4)
	13	Supply Chain Management	4.32 (12)
	14	Advertising and Labelling	4.41 (=10)
	15	Anti-Corruption and Anti-Money Laundering	4.73 (3)
	16	Protection of Intellectual Property Rights	4.57 (8)
	17	Information Privacy and Confidentiality	4.68 (=6)

In order to determine the reporting structure for this Report, an average score was used to assess and represent the general importance of the three major aspects of the ESG management of the Group. The recommended reporting structure is shown in descending order below.

Aspect	Score ²	Rank
Operation and Business	4.59	1
People and Community	4.59	2
Environment and Resources	4.02	3

¹ The scores are based on the average from the Board and management versus other stakeholder groups.

² The average score has been rounded.

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OPERATION AND BUSINESS

Sincere Watch is dedicated to the distribution of quality watches and provision of world-class customer service. We achieve this through close and thorough examination of the quality of our purchased products, expert supply chain management, devotion to brand enhancement and customer satisfaction as well as responsible marketing campaigns. The Group prides itself in conducting its business operations with the highest ethical standards and endeavours to continually deliver results as a one-stop luxury watch distributor.

Product Quality

The Group directly sources finished watches and accessories from its three main suppliers based in Hong Kong, Switzerland and France, therefore the Group is not involved in the manufacturing process of its provided products. We have always maintained the robust quality assurance process and recall procedures to ensure the high quality of our products. These practices have proven to be effective in identifying and addressing any faults or defects detected in our product deliveries.

First of all, we operate by applying a dual inspection process to ensure that our customers always receive the highest possible quality products. Our professional technicians continue to complete a thorough Quality Control Form upon the receipt of each product delivery batch. This helps us promptly identify any quality issues and take appropriate actions. In the rare event that any quality defects are discovered, we have dedicated in-house repair capabilities to address such issues. Through meticulous repairs, our skilled technicians ensure that our high product quality can be continuously maintained. If the defect is of a serious nature, we will work closely with our suppliers to replace the affected products with an additional batch.

To enhance our quality control and provide added assurance to our customers, we also offer a two-year warranty on regular watches and a five-year warranty on tourbillon watches' movement. Additionally, we have a dedicated team responsible for all the after-sales services, including specialised repairs, maintenance services, and technical support. This team ensures that our customers receive the necessary assistance and care throughout the ownership of our products.

In terms of repair cases, we have taken proactive measures to improve our after-sales services and minimise the need for shipping products back to Switzerland. This includes engaging with local suppliers, as well as training our in-house technicians to handle repairs efficiently. By enhancing our tools and equipment at our local after-sales service centre, we have been able to significantly reduce the shipping time and address customer complaints about repair delays. Overall, these efforts help us to not only improve the customer satisfaction, but also align with our commitment of reducing the carbon footprint associated with transportation as much as possible.

During the Reporting Period, there were no products sold or shipped that were subject to recalls for safety and health reasons. This reflects our robust operation management in delivering high-quality and safe products to our customers.

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Customer Service Satisfaction

The Group is committed to providing all-round and customer-centred services to cater to its valued customers' needs. As stipulated in our Retail Services Standard, we have formulated an all-encompassing service standard for all frontline employees at our boutiques to follow, aiming to give customers a comfortable and homely experience.

Pre-sales

- Wear formal uniform with a clear and befitting appearance;
- Prepare sales tools including business cards, price lists, and promotion brochures in advance; and
- Ensure retail stores are clean and hygienic daily.

On-sales

- Behave in a diligent and welcoming manner;
- Answer phone calls and greet incoming customers in a timely manner;
- Communicate with customers and understand their needs; and
- Confirm customers' orders and properly pack their products.

After-sales

- Ascertain complaint details or other requests/requirements from customers;
- Ask for invoices or warranties of products for verification;
- Propose further solutions including but not limited to product exchange, repair, and return; and
- Periodically update customers with the handling progress.

During the Reporting Period, the Group has received two complaints regarding its watch repairs in total, specifically concerning the repair charges and quality control. However, since the watches were purchased by the end clients over two years ago, we were unable to provide any additional discounts. Nonetheless, we have offered the affected customers free polishing services for their watches to remediate the situation.

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Brand Enhancement

Building a sustained and recognised brand is crucial for distributors in the luxury goods industry. During the Reporting Period, the Group has undertaken two brand enhancement activities in Hong Kong, which helps to effectively reinforce its brand leadership through premium product imagery and focused product placements in relevant media.

World Brand Piazza 2023 (5–9 September 2023)

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 13th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. Dedicated exhibition areas were honoured to FRANCK MULLER and CVSTOS to display the latest novelties. A selection of FRANCK MULLER's iconic series has been exhibited, including the Vanguard Racing Skeleton and Vanguard Heart Skeleton, while CVSTOS unveiled the latest Metropolitan Chrono Skeleton, which perfectly symbolises the watchmaking know-how and combines the utility of its performance with the beauty of its design.



Board Secretaries Spring Strategy Meeting (8 March 2024)

Brought together an exceptional gathering of industry leaders, experts, and participants from diverse sectors. The event served as an immersive platform for knowledge exchange, networking, and exploration. Attendees had the privilege of gaining valuable insights from distinguished directors and secretaries, who generously shared their expertise and perspectives on Hong Kong's dynamic stock market strategies. Featuring FRANCK MULLER's exquisite timepieces and our meticulously curated high jewellery pieces, these presentations captivated the audience, fostering an engaging environment for interactive sessions and insightful discussions.



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Business Ethics

The Group always upholds the highest moral standards along its value chain. Our various policies, as described in the following subsections, set out the codes of conduct expected of our employees and stakeholders, demonstrating our active effort to avoid any potential breaches of business ethics.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to anti-corruption, data privacy, as well as labour standards.

Conflict of Interest

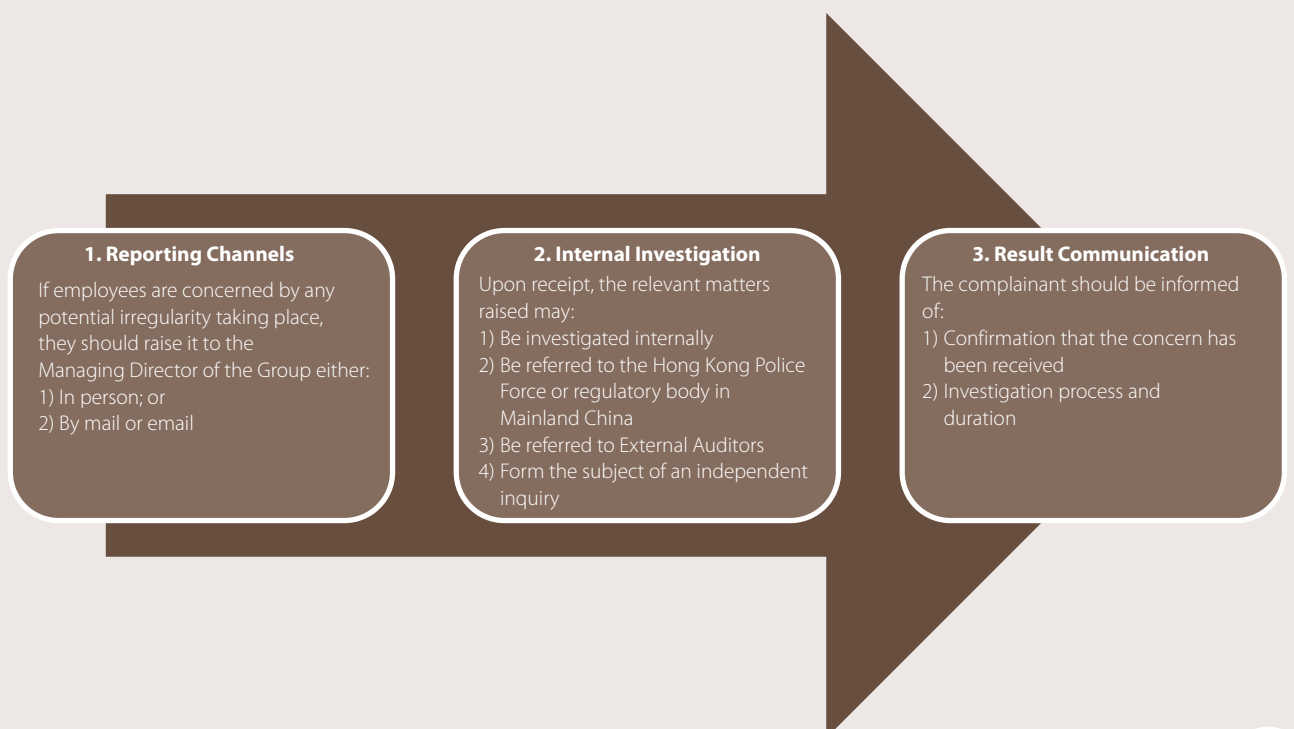
The Group's Employment Agreement states that all employees, unless otherwise given express permission, should not engage directly or indirectly in any other business or occupation or engage in any activity to the detriment of Sincere Watch's interest. During the continuance of or after the termination of an employee's employment, except with the express approval of the Company, he/she shall not at any time divulge either directly or indirectly to any person or company, knowledge or information concerning the business, affairs, property, transactions or policies of the Company.

Anti-Corruption and Anti-Money Laundering

The luxury product industry is especially susceptible to corruption and money laundering. As such, the Group has taken the required steps to mitigate potential risks of corruption and money laundering within its sphere of influence. Our practices include implementing the Whistleblowing Policy and conducting anti-corruption training. For details of our anti-corruption training, please refer to the subsection of "Employee Benefits and Welfare" under the section "People and Community".

Our Whistleblowing Policy sets out that employees at all levels are required to conduct themselves with integrity, impartiality, and honesty. It is every employee's responsibility to prevent or deter any actual or potential instances of malpractice or misconduct within the Group. Employees are encouraged to raise serious concerns internally in a responsible and effective manner, promoting a mechanism of internal corporate justice.

If any individual is aware of or has suspicions that any malpractice or misconduct has occurred, we encourage he/she to follow the step-by-step procedures as set out below:



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During the Reporting Period, six directors of the Group have participated in the self-study of anti-corruption via online materials. Through the training opportunity, they gained an enhanced understanding of common corruption issues faced during daily operations as well as measures to prevent and tackle any potential unethical conduct. Going forward, the Group aims to continue organising relevant training on an annual basis to enhance its business ethics, professional ethics and integrity.

Privacy and Confidentiality

The Group strives to safeguard the information privacy and confidentiality of all customers, partners, and employees. Complying with legal requirements, we collect, process, and store all personal information in a consistent and confidential manner. Data of our customers and suppliers is stored internally on our Enterprise Resource Planning system, and only designated departments or staff can access such information.

As detailed in our Employment Agreement, during the employment and thereafter, employees shall treat business information with due care and avoid disclosing confidential information including but not limited to all confidential records, documents, accounts, computer discs, letters and papers of the Group. Any failure to adhere to these protocols will be dealt with in accordance with local data protection and labour laws.

Anti-Child and Forced Labour

The Group prohibits any form of child labour in its operations and sphere of influence. We carefully screen all relevant documents provided by candidates during the recruitment process, including official identity cards, proof of address, as well as academic and professional qualification certificates. All of our recruitment and employment practices are conducted in strict adherence to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). In the unlikely event that a child is mistakenly employed, the employment contract would be terminated immediately upon the results of an internal investigation.

Meanwhile, the Group's Employment Agreement explicitly sets out its employees' normal working hours. All overtime work is voluntary and where appropriate, compensation is provided for any additional work and contribution.

Intellectual Property Rights

We prioritise and uphold the importance of observing and protecting intellectual property rights in our business practices. Sincere Watch respects intellectual property rights and strictly prohibits any kinds of plagiarism or infringement from any distributors or suppliers.

The Group continues to emphasise the adherence to intellectual property rights. As part of our commitment to this principle, we collaborate with our suppliers to ensure that they also share the same values and respect for intellectual property rights.

Moreover, we have implemented new practices and initiatives to further strengthen our intellectual property protection efforts. These include conducting regular internal audits and assessments to ensure the Group's compliance and prevent any potential infringements. We also provide ongoing training and education to our employees and partners to raise awareness on the significance of observing and respecting intellectual property rights. During the Reporting Period, the Group did not face any non-compliance with intellectual property rights.

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Responsible Marketing

The Group always pays great attention to its marketing behaviour. Apart from abiding by relevant laws and regulations, including the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong), we thoroughly review our advertising materials to ensure all statements are consistent with actual product specifications and that there are no instances of misrepresentation. In line with the latest market trends, our advertising slogans are adjusted and conceived in a timely manner to catch and hold our customers' attention.

The Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to product health and safety, advertising, as well as labelling during the Reporting Period.

Supply Chain Management

When selecting suppliers, Sincere Watch prioritises those who share the same or similar environmental, social and ethical values. Also, we pay attention to suppliers' past environmental compliance records as well as their commitments to social responsibility in terms of product and service quality. During the Reporting Period, the Group was not aware of any suppliers with actions or practices that had caused significant negative impacts on business ethics, environmental protection, labour practices and human rights.

The Group works with suppliers who uphold the highest standards in the watchmaking industry, such as FRANCK MULLER — a Swiss luxury watch manufacturer. Due to their excellent in-house capabilities, all watches from FRANCK MULLER are created by craftsmen with tremendous care, patience and attention. We have found that establishing long-term relationships with our suppliers has been highly beneficial, as we can now primarily rely on video meetings for communication, thereby reducing the need for extensive travel. This shift has proven to optimise our efficiency, which helps us to not only save the commuting time, but also save our resources.

Additionally, during the Reporting Period, we collaborated with a new supplier who has a base in Hong Kong. This enables us to have frequent face-to-face meetings, which greatly facilitates effective discussions and strengthens our partnership in the long-run.

The Group has actively participated in joint activities including external training programs. We strive to construct a reliable and efficient supply chain that enables us to procure the creation and distribution of exceptional timepieces. Besides, we have been providing ideas on product development to our suppliers, which helps in the development of innovative and high-quality products that cater to the unique needs of our key markets. Looking ahead, the Group will maintain the passion to learn about the latest industry trends and new technologies that can help it stay competitive in the market.

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PEOPLE AND COMMUNITY

Sincere Watch is continuously committed to the promotion and adherence to a people-centred governance approach. It is because of the dedication and commitment shown by its experienced employees that the Group is able to operate and thrive in a highly competitive market.

We treat all our employees equally and prohibit any kind of discrimination within the workplace and beyond. In order to reflect their hard work and promote personal development, we provide employees with attractive benefits and training opportunities and aim to cultivate a friendly and harmonious workplace from which the Group can continue to achieve success. The Group pays particular attention to the occupational health and safety as a safe workplace is crucial for both its employees and customers. Besides, we continue to strengthen our corporate social responsibility and aim to explore more impactful ways to give back to the community in the future.

Occupational Health and Safety

Emergency Response

The Group considers health and safety as a key concern and strictly complies with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). We acknowledge that operating within Hong Kong brings certain environmental risks including undesirable weather conditions. As a result, the Group has implemented a range of emergency response guidelines and measures to help mitigate any risk of injury or danger, prioritising the safety of our employees and customers alike. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to health and safety.

As demonstrated in the following table, in order to protect our employees from any potential occupational hazards and emergencies, the Group has not only conducted risk assessments and produced relevant response plans, but also formulated the Occupational Health Programs to closely pay attention to the physical condition of its employees. Safety training and education has also been regularly provided to cultivate their safety awareness and knowledge. In our offices, evacuation plans and fire extinguishers have been placed at highly visible and accessible locations to prepare our employees to effectively handle fire hazards. A first aid box has been placed at an easily accessible location to enable the prompt treatment of any injuries.

Hazard Identification and Risk Assessment	Conducting regular hazard identification and risk assessments across all work areas, processes, and tasks, involving employees and safety professionals.
Emergency Preparedness and Response	Establishing emergency response plans, procedures, and training for various scenarios, such as fires and medical emergencies.
Occupational Health Programs	Implementing programs to monitor and promote employee health, including medical surveillance, ergonomic assessments, and workplace wellness initiatives.
Safety Training and Education	Providing regular safety training and education to employees, covering specific hazards, safe work practices, and their roles and responsibilities.

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Workplace Diversity and Inclusion

The Group is an advocate for equal opportunities, diversity and inclusion within the workplace and beyond. By promoting the tenets of sincerity, fraternity, and leniency, we treat each employee equally and offer equal opportunities accordingly. We hire employees based on their overall interview performance and promote employees who demonstrate diligence, initiative, responsibility and integrity.

We strictly comply with relevant laws and regulations, and prohibit any kind of discrimination, regardless of gender, pregnancy, marital status, nationality, disability, and family status, among others. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to equal opportunity, diversity, and anti-discrimination.

Employee Benefits and Welfare

Benefits

As a responsible corporate entity, the Group strictly adheres to all local legislative labour requirements and regulations. Requisite rest periods, statutory holidays, annual leave, sick leave, Mandatory Provident Fund contributions, medical coverage, and other basic benefits are granted to our employees. To attract and retain the best talent available, we also provide additional welfare benefits, including discretionary bonuses, meal allowances, staff purchase discounts, and taxi fare claims.

Employee Training and Development

Ensuring our staff are aware and knowledgeable of the latest product developments is fundamental for us to achieve long-term success in the luxury product industry. At Sincere Watch, the Human Resources Department is responsible for identifying the training needs of employees by discussing with department heads. Then, the Human Resources manager is responsible for creating and implementing the corresponding training plans.

To ensure the highest level of customer service, our technicians are expected to carry out proper maintenance and repair work in an effective and efficient manner. As a result, the provision of adequate training is a must. In the future, our management team will consider organising various training programmes via different media, including webinars and virtual forms.

Community Engagement

The Group is committed to acting as an engaged corporate citizen and demonstrating its corporate social responsibility to the community. As part of our strategic development, we aim to strengthen communities through a variety of activities, including sustainable partnerships, employee volunteerism and so on.

While no direct financial donations were made in the Reporting Period due to our budget limitations, we have continued to support our culture of corporate social responsibility in other ways. For example, we encouraged employees to voluntarily assist non-profit causes in their own time, thereby increasing their civic awareness and fostering positive social values. Despite operational challenges, upholding socially responsible practices remains important for the well-being of those we serve. The Group is dedicated to strengthening its community engagement approach and making measurable contributions that leave a lasting positive influence on communities for years to come.

Going forward, we will explore more impactful ways to give back through targeted sponsorships and initiatives aligned with our business and United Nations Sustainable Development Goals. Potential focus areas may include education, healthcare, environmental protection or disaster relief. We also aim to formalise an employee volunteer program and systematically track participation hours.

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ENVIRONMENT AND RESOURCES

The threat of the ongoing climate crisis is salient, and hence all industries have a duty to consume and preserve resources in a responsible and mindful manner. While Sincere Watch has a relatively minor environmental impact as a luxury products distributor, we still insist on identifying climate-related risks and opportunities. The Group recognises that energy conservation is crucial for the sustainable development, and has implemented a series of green office initiatives to cultivate its employees' awareness of energy conservation and environmental protection in the workplace and beyond. We also aim to reduce and mitigate our carbon footprint and the generation of non-hazardous waste. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to emissions and waste generation.

To further mitigate our environmental footprint, we engaged a professional sustainability consultancy to analyse the Group's past environmental data, and formulated a set of quantitative and qualitative environmental targets. Serving as annual checkpoints on our environmental performance, the progress made for each target shall be disclosed in our annual ESG Report and further adjusted if necessary. Water reduction targets were not established as water is considered to be immaterial to our operations.

Resource Efficiency

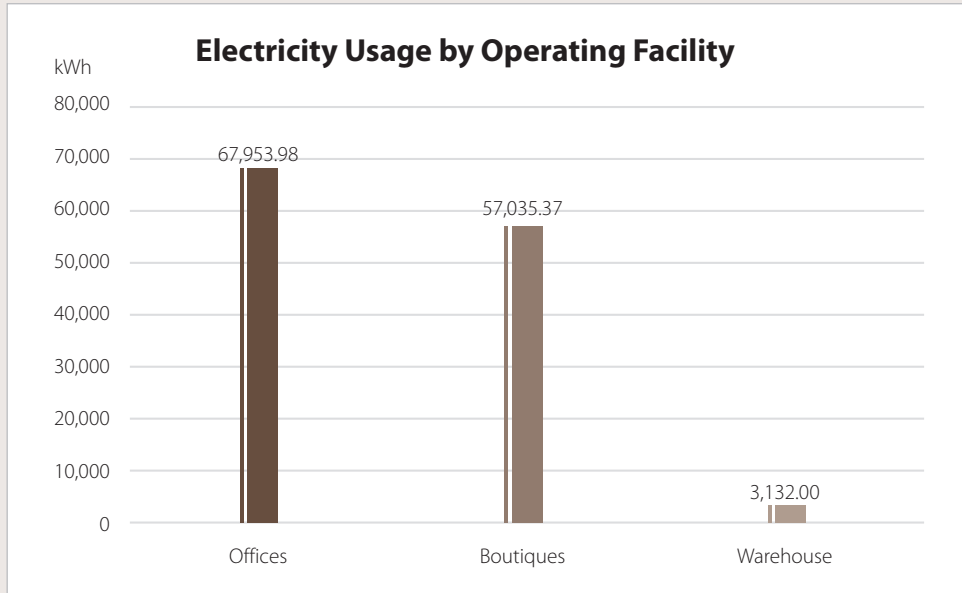
Electricity

Electricity is the primary energy resource consumed by the Group. It is predominantly used for lighting, cooling, and powering electronic appliances in our offices, warehouses and boutiques. In order to continuously promote the Group's ethos of sustainable resource management, enhance energy conservation awareness of its employees, and build an environmentally friendly culture, it has established the following green office initiatives:

- Encourage employees to turn off lighting and computer systems when they are not in use;
- Remind employees to switch relevant office equipment and electronic appliances to energy-saving mode;
- Give preference to appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label whenever purchasing electrical appliances; and
- Dim or completely switch off advertising signs or lights for external display purposes after office hours.

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By FY2025, we aim to provide at least 1-hour energy and resource saving training for our employees. During the Reporting Period, the Group's electricity consumption broken down by operating facilities is shown below:



Water

Water is primarily used for drinking and sanitary use at the Group. The Group directly sources its water from the Water Supply Department of Hong Kong and did not encounter any difficulties in sourcing water that was fit for purpose during the Reporting Period. To promote the best practices of water conservation, we have developed the following water-saving measure:

- Appoint technicians for regular inspection of water taps to ensure there is no leakage.

Materials

The Group's primary materials consumption is paper, which is used to support the daily operations of its offices and boutiques, whereas the consumption of packaging materials is relatively minor. We have a duty to consume office paper considerately and responsibly to mitigate the adverse effects of global deforestation and climate change. As such, we have formulated the following guidelines to instruct our employees to actively reduce paper usage:

For office paper

- Gradually eliminate the use of paper in the workplace by going paperless and relying more on IT systems; and
- Adopt double-sided printing where possible and reusing paper.

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Emissions and Waste Management

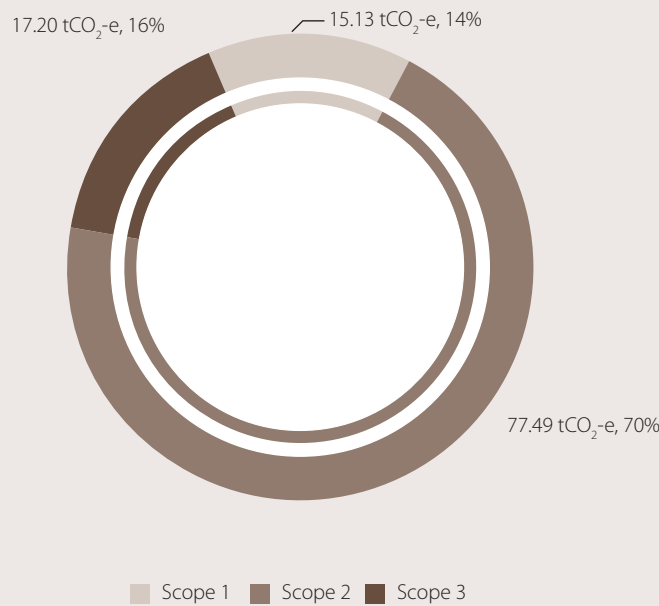
Emissions

The calculation methodology for greenhouse gas ("GHG") emissions references the Guidelines to Account for the Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong by the Environmental Protection Department and the Electrical and Mechanical Services Department, as well as the Greenhouse Gas Protocol by the World Resources Institute and World Business Council for Sustainable Development. The emission factors used in this Report are provided by the respective utility companies.

GHG emissions are classified into Scope 1, Scope 2, and Scope 3. Our Scope 1 emissions originate from the combustion of fuels from vehicles, whilst Scope 2 emissions arise from the consumption of purchased electricity. Scope 3 includes other indirect emissions that occur in the upstream and downstream activities of the Group (i.e. paper waste disposal and business travel by aeroplane). During the Reporting Period, the distribution of the Group's GHG emissions is shown in the graph below.

The Group has successfully met the set target of reducing the absolute GHG emissions (Scope 2) by 4% by FY2024, compared to a FY2021 baseline (81.10 tCO₂-e). To mitigate our GHG emissions, we have continued to employ energy-saving practices in the offices to help reduce our carbon footprint. For more information, please refer to the "Resource Efficiency" subsection.

Greenhouse Gas Emissions by Scope



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Waste Management

The Group does not generate any hazardous waste. Non-hazardous waste mainly stemmed from the usage of office paper, paper boxes and styrofoam at our offices and boutiques in order to support our administrative, promotional, packaging and marketing business functions. Accordingly, we have commissioned a licensed third-party contractor to assist in the general waste handling, recycling and disposal. By FY2025, the Group targets to reduce the amount of office paper purchased by 5%, compared to a FY2022 baseline.

In order to minimise the waste generation, we have conducted the following practices:

- Return all used multifunction devices and consumables to our suppliers for recycling;
- Encourage duplex printing and reuse scrap paper; and
- Implement paperless operations by communicating internal memorandums and reports through digital means.

Climate-Related Risk Identification

Combating climate change is undoubtedly pivotal to our long-term development given that climate change becomes an increasingly noticeable challenge that may cause unpredictable and irreversible impacts to not only our environment and society, but also global economies. At Sincere Watch, we have been closely monitoring climate-related risks and exploring new opportunities. The Group pays close attention to the potential disruption that climate change may cause to its operations. To minimise the environmental impact, we always reuse packaging materials from vendors, avoid the purchase of new materials, and also reduce the use of non-recyclable and non-degradable packaging materials.

In FY2022, we conducted a preliminary climate-related risk assessment according to the recommendations of the Taskforce on Climate-Related Financial Disclosures (“TCFD”) to identify and manage the material climate-related risks faced by the Group. The Group’s approach for the climate-related risk assessment concerns assessing risks under the two key categories, namely physical risks and transition risks. Physical risks are either acute or chronic, whilst transition risks are categorised into policy and legal, technology, market, and reputation. Through this assessment, the Group identified 9 significant climate-related risks relevant to its operations, and all risks were assigned a low risk level. In the future, if there are any emerging climate-related high-risk issues, the Group will prioritise resources to address and mitigate these risks.

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LAWS AND REGULATIONS

Operation and Business

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong)
- Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong)
- Competition Ordinance (Cap. 619 of the Laws of Hong Kong)
- Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)
- Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong)
- Supply of Services (Implied Terms) Ordinance (Cap. 457 of the Laws of Hong Kong)
- Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong)

People and Community

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong)
- Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)
- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)

Environment and Resources

- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611 of the Laws of Hong Kong)
- Product Eco-responsibility Ordinance (Cap. 603 of the Laws of Hong Kong)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs SUMMARY TABLE

KPIs ²	Unit	FY2023	FY2024
Environmental			
Air Emissions³			
Sulphur Oxides (SOx)	kg	0.13	0.08
GHG Emissions			
GHG Emissions (Scope 1)	tCO ₂ -e	24.15	15.13
GHG Emissions (Scope 2)	tCO ₂ -e	131.23	77.50
GHG Emissions (Scope 3)	tCO ₂ -e	12.17	17.20
Total GHG Emissions	tCO ₂ -e	167.55	109.82
GHG Emissions Intensity by Revenue ⁴	tCO ₂ -e/HK\$'million	1.71	0.87
GHG Emissions Intensity by Full-time Employees (FTE)	tCO ₂ -e/Person	3.35	2.15
Energy			
Electricity Usage	kWh	213,000.81	128,134.59
Petroleum Usage	Litre	9,048.73	5,667.09
Total Energy Usage	MJ	1,070,659.27	651,585.45
Energy Usage Intensity by Revenue	MJ/HK\$'million	10,901.51	5,185.84
Energy Usage Intensity by FTE	MJ/Person	21,413.19	12,776.19
Water Resource			
Water Usage ⁵	m ³	N/A	N/A
Waste Generation			
Office Paper Usage	kg	306.86	523.91
Packaging Materials			
Paper Usage	Sheet(s)	2,000	2,500
Paper Boxes/Styrofoam Usage	Box(es)	0	70

² All figures are rounded up to 2 decimal places, which might lead to minor discrepancies when added up.

³ Nitrogen Oxides (NOx) and Particulate Matter (PM) figures are not disclosed due to the missing mileage records of the Group's vehicles.

⁴ During the Reporting Period, the Group has generated a total revenue of HK\$125.647 million.

⁵ Water usage is not directly managed by the Group. Hence, this data is not available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Unit	FY2023	FY2024
Social			
Workforce			
Total Workforce	Person(s)	51	52
<i>Workforce by Employment Type</i>			
Full-time	Person(s)	50	50
Part-time	Person(s)	1	2
<i>Workforce by Gender</i>			
Male	Person(s)	25	23
Female	Person(s)	26	29
<i>Workforce by Employment Level</i>			
Senior	Person(s)	15	12
Intermediate	Person(s)	5	12
General	Person(s)	31	28
<i>Workforce by Age Group</i>			
<30	Person(s)	1	5
30–50	Person(s)	39	36
>50	Person(s)	11	11
<i>Workforce by Geographical Region</i>			
Hong Kong	Person(s)	51	52
Turnover Rate			
Total Turnover Rate	%	31.19	46.60
<i>Turnover Rate by Gender</i>			
Male	%	19.23	62.50
Female	%	42.11	32.73
<i>Turnover Rate by Employment Level</i>			
Senior	%	13.33	37.04
Intermediate	%	83.33	70.59
General	%	29.85	44.07
<i>Turnover Rate by Age Group</i>			
<30	%	0.00	33.33
30–50	%	30.38	50.67
>50	%	37.04	36.36
<i>Turnover Rate by Geographical Region</i>			
Hong Kong	%	31.19	46.60

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Unit	FY2023	FY2024
Development and Training			
Employees Trained			
Total Employees Trained	%	94.12	75.00
<i>Training Rate by Gender</i>			
Male	%	100.00	78.26
Female	%	88.46	72.41
<i>Training Rate by Employment Level</i>			
Senior	%	100.00	83.33
Intermediate	%	60.00	66.67
General	%	96.77	75.00
Training Hours			
Total Average Training Hours	Hours/employee	1.88	1.24
<i>Average Training Hours per Employee by Gender</i>			
Male	Hours/employee	2.00	1.43
Female	Hours/employee	1.77	1.09
<i>Average Training Hours per Employee by Employment Level</i>			
Senior	Hours/employee	2.00	1.75
Intermediate	Hours/employee	1.20	1.00
General	Hours/employee	1.94	1.13
Health and Safety			
Work-related Fatality	Case(s)	0	0
Work-related Injury	Case(s)	0	0
Lost Days due to Work Injury	Day(s)	0	0
Supply Chain			
Total Number of Suppliers	No.	1	3
<i>Suppliers by Geographical Region</i>			
Switzerland	No.	1	1
Hong Kong	No.	0	1
France	No.	0	1
Product Responsibility			
Complaints Received	Case(s)	3	2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKE_x CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
Governance Structure		
	<p>A statement from the board containing the following elements:</p> <ol style="list-style-type: none"> i. A disclosure of the board's oversight of ESG issues; ii. The 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); and iii. How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	<ul style="list-style-type: none"> • Sustainability Approach <ul style="list-style-type: none"> — ESG Management — Stakeholder Engagement — Materiality Assessment
Reporting Principles		
	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculations used, and source of conversion factor used, for the reporting of emissions/energy consumption (where applicable) should be discussed.</p> <p>Consistency: The issuers should disclose in the ESG report any changes to the methods or KPI used, or any other relevant factors affecting a meaningful comparison.</p>	<ul style="list-style-type: none"> • About this Report <ul style="list-style-type: none"> — Reporting Standard and Principles • Sustainability Approach <ul style="list-style-type: none"> — Stakeholder Engagement — Materiality Assessment • KPIs Summary Table
Reporting Boundary		
	<p>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>	<ul style="list-style-type: none"> • About this Report <ul style="list-style-type: none"> — Reporting Period and Scope

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
Aspect 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.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management Laws and Regulations
KPI A1.1	The types of emissions and respective emissions data.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management KPIs Summary Table
KPI A1.2	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).	<ul style="list-style-type: none"> KPIs Summary Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No hazardous waste was produced by the Group during the Reporting Period.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous waste was considered to be insignificant to the Group's operations during the Reporting Period.
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management
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.	<ul style="list-style-type: none"> Environment and Resources <ul style="list-style-type: none"> — Emissions and Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<ul style="list-style-type: none"> • Environment and Resources — Resource Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • KPIs Summary Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group does not hold water consumption records.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> • Environment and Resources — Resource Efficiency
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.	<ul style="list-style-type: none"> • Environment and Resources — Resource Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<ul style="list-style-type: none"> • KPIs Summary Table
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	<ul style="list-style-type: none"> • Environment and Resources — Emissions and Waste Management — Resource Efficiency
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> • Environment and Resources — Emissions and Waste Management — Resource Efficiency — Climate-Related Risk Identification
Aspect 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.	<ul style="list-style-type: none"> • Environment and Resources — Climate-Related Risk Identification
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.	<ul style="list-style-type: none"> • Environment and Resources — Climate-Related Risk Identification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Employment and Labour Practices		
Aspect 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.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Workplace Diversity and Inclusion — Employee Benefits and Welfare • Laws and Regulations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• KPIs Summary Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• KPIs Summary Table
Aspect 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.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Occupational Health and Safety • Laws and Regulations
KPI B2.1	Number and rate of work-related fatalities.	• KPIs Summary Table
KPI B2.2	Lost days due to work injury.	• KPIs Summary Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• People and Community <ul style="list-style-type: none"> — Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• People and Community <ul style="list-style-type: none"> — Employee Benefits and Welfare
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• KPIs Summary Table
KPI B3.2	The average training hours completed per employee by gender and employee category	• KPIs Summary Table

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect 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.	<ul style="list-style-type: none"> • Operation and Business — Business Ethics • Laws and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> • Operation and Business — Business Ethics
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> • Operation and Business — Business Ethics
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> • Operation and Business — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	<ul style="list-style-type: none"> • Operation and Business — Supply Chain Management • KPIs Summary Table
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business — Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business — Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business — Supply Chain Management

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Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect 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, labelling and privacy matters relating to products and services provided and methods of redress.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Product Quality — Business Ethics — Responsible Marketing • Laws and Regulations
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Product Quality
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Customer Service Satisfaction • KPIs Summary Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Responsible Marketing
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect 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.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics • Laws and Regulations
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.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> • Operation and Business <ul style="list-style-type: none"> — Business Ethics • People and Community <ul style="list-style-type: none"> — Employee Benefits and Welfare
Community		
Aspect 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.	<ul style="list-style-type: none"> • People and Community <ul style="list-style-type: none"> — Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	The Group did not carry out any community engagement initiatives during the Reporting Period.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group did not carry out any community engagement initiatives during the Reporting Period.

