

Vital Innovations Holdings Limited 維太創科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code 股份代號 : 6133



Environmental, Social and
Governance Report 2024
環境、社會及管治報告



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

The Board is pleased to present the report on the environmental, social and governance (“ESG”) issues (this “Report”) in relation to the Group’s businesses for the year ended 31 December 2024 in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In full compliance with the disclosure obligation and in accordance to the materiality of each business, the Group decided to include all of its major entities and businesses in this Report, i.e. the subsidiary in Beijing, Beijing Benywave Wireless Communication Co., Ltd.* (北京百納威爾無線通訊設備有限公司) (“Beijing Benywave”) and the subsidiary in Hong Kong, Vital Mobile (HK) Limited (“Vital HK”), in order to comprehensively reflect our ESG performance over the past year. As compared to the same report for the year ended 31 December 2023 (i.e. previous year), the scope of this report remained the same. Unless otherwise stated, the reporting period is from 1 January 2024 to 31 December 2024 (the “Reporting Period”). The Board considers that we have complied with (a) the mandatory disclosure requirements; and (b) the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide for the year ended 31 December 2024.

Reporting principles

This Report was prepared based upon the reporting principles set out in the ESG Reporting Guide, including:

- **Materiality:** The Company considered the opinions and expectations of its key stakeholders to identify and assess the key areas of ESG issues, and then prepared this Report;
- **Quantitative:** The calculations, methodologies, assumptions and conversion factors for each KPI have been disclosed in this Report;
- **Balance:** This report is fully disclosed through objective facts and standardized data with a view to presenting the performance of ESG matters in an impartial manner; and
- **Consistency:** Unless otherwise stated, this report adopted the consistent methodologies with that in the previous year to calculate the data and disclose the contents, so as to enable a meaningful comparison of the Group’s performance.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our commitment

The Group is listed in Hong Kong and focuses on provision of products and services including mobile phones, smartphones and related business to the diverse range of wholesalers and resellers. These offerings encompass research and development, design, engineering, material sourcing, supply chain management, logistics, and the services activities targeted at specific markets. We are principally engaged in (a) sales of mobile (including mobile telecommunication related components and accessories) and smart appliances; and (b) sales of Artificial Intelligence (AI) and other equipment. Over the years, thanks to the steadfast support of our shareholders, clients and working partners, the Group has continuously enhanced its corporate structure and has embraced its responsibilities as a corporate citizen, actively striving to enhance its environmental, social and governance efficiency with a view to contributing to the community.

During the Reporting Period, we adhered to the missions and values of the Group. Guided by the principles of sustainable development, we continuously implemented various internal policies. We committed to reducing the environmental impacts of our daily operations and promoting positive social outcomes. We also made significant efforts in environmental protection, staff training and anti-corruption to create values for all our employees, suppliers, shareholders and other stakeholders while balancing the interests of all parties.

Governance Structure

The Board is responsible for evaluating and determining the Group's ESG-related risks and authorizing the management to implement detailed strategies and plans so as to ensure that effective ESG risk management and internal control systems are established and maintained. The Group maintains effective communication with its stakeholders through daily operations to understand and identify their expectations and concerns regarding the Group's ESG issues, with a view to assessing materiality of various ESG aspects and to formulating long-term development approaches and strategies. The management is responsible for setting the ESG performance indicators of the Group and develops action plans to achieve those targets. Under the leadership of management, business units execute specific measures according to the action plans, and report progress and achievements to the management. The Board regularly reviews the progress toward these targets and approves the ESG report so as to continuously monitor the sustainability performance of the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders Engagement and Materiality Assessment

The Group recognizes that shareholders, employees, customers, business partners and governments are crucial to its sustainable development. The Group is committed to maintaining close communication with these major stakeholders with a view to understanding their opinions and expectations regarding the ESG aspects of the Group and thereby facilitating the sustainable development of the Group.

The following table sets out the communication channels and expectations of the major shareholders of the Group during the Reporting Period:

Stakeholders	Communication channels	Aspects of demands
Shareholders and Investors	<ul style="list-style-type: none"> • Annual general meeting • Announcements • Website 	<ul style="list-style-type: none"> • Return of investment • Fair treatment and interest protection • Transparency of governance
Employees	<ul style="list-style-type: none"> • Internal emails and notices • Meetings • Training 	<ul style="list-style-type: none"> • Salaries and fringe benefits • Health and safe workplace • Diversified development and training
Customers	<ul style="list-style-type: none"> • Emails and phones • Meeting and discussion • Promotion and website 	<ul style="list-style-type: none"> • Meet market needs • High-quality services • Prompt solution to inquiries and complaints • Business integrity and ethics
Suppliers	<ul style="list-style-type: none"> • Emails and phones • Meeting and discussion 	<ul style="list-style-type: none"> • Long-term and stable cooperation • Fair treatment • Business integrity and ethics
Governments and Public Authorities	<ul style="list-style-type: none"> • Regulation inspection • Announcements • Website 	<ul style="list-style-type: none"> • Compliance with rules and regulations • Environmental and social responsibilities



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Based on the opinions and expectations of the above major stakeholders and the opinion of the management, the Group has assessed the opportunities and impacts of ESG-related issues and performed the materiality prioritization. The Company has identified the use of resources, occupational health and safety, employee development and training, supply chain management and product responsibility as the material ESG aspects of the Group during the Reporting Period. The result of the materiality assessment has been approved by the Board, which enables us to adjust our sustainability direction and strategy promptly and specifically.

A. ENVIRONMENTAL

A1: Emissions

In light of the nature of the Group's business, which is primarily engaged in the provision of mobile phones, smartphones, AI, and other equipment, as well as related products and services, the management considered that emissions and wastes generated from operations had relatively less impact on the environment and did not cause substantial influence on the assessments and decisions of the Group and/or the stakeholders about the performance of the Group.

Nevertheless, the Group has fully complied with the relevant laws and regulations in China and Hong Kong relating to emissions (i.e. air emissions, greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes), including but not limited to the Environmental Protection Law (《環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Noise Control Ordinance (《噪音管制條例》) etc., during the Reporting Period.

In pursuit of environmental sustainability and in compliance with a wide spectrum of environmental laws and regulations stipulated by the PRC state, provincial and municipal governments, Beijing Benywave has developed a set of compliance procedures, including "Control Procedures on Identification and Evaluation of Environmental Factors", "Procedures for Pollution Control", "Procedures for Energy and Resources Consumption Control", and "Procedures for Environmental Operational Control", to facilitate effective monitoring and ensure that operations meet the environmental standards and indicators.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, Beijing Benywave has evaluated its material impact on the environment and has prepared a “List of Essential Environmental Factors” to identify factors that may have significant impact on the environment, and has formulated the relevant control procedures for each factor. Beijing Benywave recognized the consumption of electricity is the main environmental impact factor. The air pollutants generated by such consumption will cause a level of environmental pollution to the atmosphere and land. Therefore, the Group has targeted the performance indicators of the energy and resources consumption, and has planned and implemented the relevant saving control measures accordingly.

We proactively promote environmental awareness among our employees by reducing solid waste and fully recycling of wastage in both daily life and at work. We require that each department strictly controls energy and resources consumption, effectively reducing pollution and efficiently saving energy and lowering consumption in order to achieve the target of sustainable development. For instance, reasonable illuminance should be implemented and lights should be turned off before leaving, inspections should be strengthened to confirm that all major power sources are switched off after working hours, papers should be printed in double-side or the waste paper should be reused, wasting or parking around outlet of water pipe is not allowed, dumping of pollutants and mixed flow of rain and sewage into water pipe is prohibited etc.

In addition, Vital HK has set up a warehouse facility in Hong Kong. It has not generated significant air pollutants, chemical waste, sewage and noise during operations. The warehouse is also committed to fully recycling paper and to the eco-friendly recycling of old computer equipment, striving to minimize the level of environmental pollution from operations.

Performance indicators for air emissions and GHG emissions

The Group does not generate significant air emissions or GHGs in the course of its business operation. Air emissions and GHGs from operations mostly arise from the consumption of purchased electricity, including emissions of nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matters (PM) and carbon dioxides (CO₂). The Group did not own or control any stationary or mobile sources that combust fuels, and thus no direct emission of GHGs from the daily operation.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The types and total volume of air emissions of the Group in Beijing and Hong Kong during the Reporting Period were as follows:

Sources	Emission of Nitrogen oxides (NOx)		Emission of Sulphur oxides (SOx)		Emission of Particulate Matters (PM)	
	Volume (in grams)		Volume (in grams)		Volume (in grams)	
	Year 2024	Year 2023	Year 2024	Year 2023	Year 2024	Year 2023
Consumption of purchased electricity	30,546	28,237	48,353	44,738	2,916	2,672

The volume of GHG emissions of the Group in Beijing and Hong Kong during the Reporting Period was as follows:

Sources	Emission of Carbon dioxides (CO ₂)	
	Volume (in kilograms)	
	Year 2024	Year 2023
Consumption of purchased electricity	14,954	13,892
Processing fresh water and sewage	100	101
Total	15,054	13,993

Due to the needs associated with business development, the emission of GHGs increased slightly during the Reporting Period compared to the previous year. The Group strictly controlled resource consumption and complied with the relevant performance indicators throughout the Reporting Period. Furthermore, the Group has strengthened the implementation of energy reduction initiatives, and commits to continuously monitor and effectively reduces the consumption of purchased electricity of the Group and the emission of GHGs accordingly.

Performance indicators for wastes

Besides, during the Reporting Period, the Group's main business activities did not generate any hazardous wastes (2023: Nil) but merely produced mild non-hazardous wastes (2023: merely produced), which did not have any significant impact on the environment. As a result, no such disclosure is considered necessary. The Group has established containers for the classified collection of solid waste. The hazardous and non-hazardous wastes are collected separately for further handling on a regular basis. If necessary, hazardous or dangerous wastes are disposed by designated and qualified entities. Other wastes are



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

gathered and transported to designated sanitation facilities for centralized treatment. In addition, the wastewater discharged by the Group is solely domestic sewage, which is discharged through the municipal sewage pipelines for treatment and therefore will have limited impact on the environment.

The Group strives to continuously improve our environmental performance and gradually reduce air emissions, GHGs emissions and waste produced from daily operation. The Group understands that measures to reduce emissions are correlated with the reduction of resources consumption, and thus has formulated relevant energy reduction measures. For information on the energy reduction measures and its achievement in 2024, please refer to the section “Use of Resources” below.

A2: Use of Resources

The resources consumed in the operation of the Group are mainly electricity and fresh water. During the Reporting Period, the Group has adopted green initiatives and measures to enhance resource utilization efficiency. Measures include paper recycling, energy conservation and water saving. For example, we promote double-sided photocopying and paperless office; our employees are encouraged to use their own cups instead of disposable paper cups to reduce paper consumption; refillable ball pens and mechanical pencils are used in all our offices to minimize waste; energy-saving guidelines are distributed to employees to implement reasonable illumination measures and ensure that the lighting and air-conditioning systems, computers and other office appliances are all turned off after office hours; sensor taps have been installed in washrooms and “save water” signs are posted in water-consuming areas.

Performance indicators in the use of resources

To achieve the goals of energy conservation and emission reduction, the Group sets annual indicators for energy and resource consumption and communicates them to staff members for implementation. The Group also periodically reviews the implementation of measures, assesses energy efficiency indicators and summarizes the energy consumption of the previous year at the beginning of each year.

During the Reporting Period, the Group determined the following energy consumption indicators and reviewed the actual consumption. For the purpose of achieving effective use of resources, the Group will further strengthen the measures to reduce energy emissions in coming years. Following various measures will continue to be integrated into daily operation to achieve energy-saving benefits:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy category	Year	Consumption indicator	Actual consumption	Intensity	Energy and emission reduction measures
Water for domestic use	2024	170 tonnes	155 tonnes	6 tonnes/employee	Renovate faucets and bathroom spray equipment, and enhance water reuse while promoting water conservation.
	2023	180 tonnes	156 tonnes	5 tonnes/employee	
Electricity usage in office facilities	2024	24,000 kWh	23,015 kWh	863 kWh/employee	Suitable illumination, promote reasonable illumination levels, turn off the light before leaving and enhance monitoring
	2023	30,000 kWh	21,304 kWh	710 kWh/employee	
Paper	2024	20 packs	20 packs	0.74 packs/employee	Double-sided printing and paperless office
	2023	15 packs	12 packs	0.40 packs/employee	

Due to business needs, the consumption of electricity in the Hong Kong and Beijing offices has increased. All water withdrawn for domestic use is from municipal water supplies and thus no issues related to sourcing water for the Group. The water consumption of the Group mainly comes from the office area, including pantry and restrooms. Besides, the Group considers that the office and warehouse in Hong Kong only consumed a small amount of drinking water during the Reporting Period. The use of drinking water does not raise significant impact on the environment. As a result, the Group decided not to disclose the amount of water consumption.

In addition, the Group consumed 200 tonnes (2023: 200 tonnes) of packaging materials during the Reporting Period. An approximately 200 grams (2023: 200 tonnes/product) of paper packaging materials was consumed for every product on average.

A3: The Environment and Natural Resources

As mentioned above, the environmental impact of the Group's operations primarily stems from energy and resource consumption. To enhance efficiency in energy and resource consumption, the Group has set annual indicators for energy and resource consumption. All departments are required to strictly achieve the indicators and report the implementation progress on a regular basis for better coordination and monitoring. The above measures allow the Group to optimize resource utilization and minimize the environmental impact brought about by its business operation.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from the above-mentioned emissions and use of resources, no significant direct impacts on the environment and natural resources caused by the business operation of the Group.

A4: Climate Change

Climate change is a challenge faced by all of humanity. Issues such as global warming, rising sea levels, and more frequent extreme weather events may impact global business and our daily operations.

Extreme weather events, such as super typhoons and heavy rainstorms, have the potential to disrupt transportation, thereby affecting the stability of supply chains. These extreme weather events may also pose risks to employees' safety and force business operations to pause. To cope with the climate change challenges, the Group has implemented a series of climate change risks response measures in operations. We have developed working guidelines under extreme weather to ensure and protect the safety of our employees. Additionally, we have been carrying out regular inspection and maintenance on equipment and facilities to ensure the resilience of the facilities during extreme weather.

The Group is aware of the government's continued focus and strengthening of policies on climate and environmental issues. We actively align with the theme of environmental protection. In addition to implementing a series of energy-saving and emission reduction measures to regulate operations, we also prioritize and favor products, services, and suppliers with lower emissions and higher energy efficiency standards.

The Group recognizes the importance of early identification of significant climate-related issues that could affect its operations. The Board and the Audit Committee hold regular meetings to identify and assess the potential impacts of climate change risks on the Group's operations. The Group actively explores and reviews response measures to address potential climate change risks, ensuring the business remains resilient to relevant climate risks in the future.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

(i) Employment and Labour Practices

B1: Employment

The Group is committed to complying with the applicable laws and regulations relating to employee benefits of the places where it operates. It has also formulated specific policies regarding different aspects and relevant measures for monitoring the implementation. For example, Beijing Benywave has made contribution to the basic pension insurance, medical insurance, unemployment insurance, injury insurance, maternity insurance and housing provident fund for its employees as required by the state, including the Labour Law 《勞動法》, Labor Contract Law 《勞動合同法》 and Social Insurance Law 《社會保險法》. Employees are entitled to public holidays, marriage leave, maternity leave, bereavement leave and paid annual leave in accordance with the national requirements. Vital HK has established policies on human resource management in compliance with the Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong. Apart from medical insurance, labour insurance, injury insurance and mandatory provident fund, Vital HK also offers public holidays, annual paid leaves, sick leaves and maternity leaves to employees.

The Group treats all employees equally. It has established clear policies on the rights and benefits of employees, such as the Employee Handbook, Administrative Measures for Wages, Benefits and Labour Welfare and Employees' Performance Appraisal Management System. Employees will not be subject to discrimination because of their gender, age, work position and ranking or other personal attributes. The Group values diversified development of employees and provide them with competitive compensation and benefits and opportunity for career development based on their individual merits and performance.

Performance indicators in employment

As at the end of the Reporting Period, the Group had employed a total of 24 employees (2023: 26 employees), and all of them were full-time workers. During the Reporting Period, 3 employees departed (2023: 4 employee), which represented a turnover rate of 11% (2023: 13%).

During the Reporting Period, the workforce and turnover rate of the Group by gender, employment type, age group and geographical region are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Category		Number of employees (person)		Turnover rate (%)	
		Year 2024	Year 2023	Year 2024	Year 2023
By gender	Male	14	17	18	11
	Female	10	9	0	18
By employment type	Full-time	24	26	11	13
	Part-time	0	0	0	0
By age	Aged 40 and below	6	8	25	20
	Between 41 and 50	9	8	0	11
	Aged 51 and above	9	10	10	9
By geographical region	China	15	17	10	15
	Hong Kong	9	9	11	10

B2: Health and Safety

As employees are the most valuable assets of the Group, we have always been adhering to the necessary health and safety standards to protect employees from occupational and health risks. The Group is proud of being capable of providing a safe, efficient and comfortable working environment. During the Reporting Period, appropriate arrangements, training and coaching were made by the Group to ensure the good health and safety of our working environment. Also, information on health and safety was made available to employees so as to enhance their awareness of occupational health and safety. As at the end of the Reporting Period, the Group has complied with all the applicable laws and regulations in China and Hong Kong, including the Occupational Safety and Health Ordinance 《職業安全及健康條例》, the Work Safety Law of the PRC 《中華人民共和國安全生產法》, relating to the provision of a safe working environment and protecting employees from occupational health risks, and has formulated specific policies to these effect.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strives to eliminate or reduce the use of toxic and hazardous materials. Our R&D Department carefully considers the risks concerning health hazards, work injuries and occupational diseases in the course of product design or before making changes to production parameters and processes. When reviewing the design, we assess the possible occupational health and safety risks that may arise from the use or production of products to ensure that the safety of employees will not be posed at risks. Meanwhile, the Group encourages the use of non-toxic and non-hazardous materials and production techniques, and has simplified the manufacturing process to better secure the safety of our employees.

The Group has recognized the potential fire risk arising from aging or improper use of electrical equipment, which may pose significant harm to health and safety of the employees. Therefore, stringent safety standards are set for equipment and instruments. Overloading or abnormal operation is prohibited for any equipment and instrument. Guidelines for proper use of equipment and instruments are also provided to operators. In addition, these equipment and instruments are regularly maintained, inspected and repaired by qualified technicians. Any outdated equipment that fails to meet safety standards will be systematically upgraded and improved with thorough planning before implementation. Furthermore, the Group conducts regular inspections of the key fire prevention departments, such as direct-fired machine rooms and power distribution room equipment, and organizes annual training in the safety and knowledge of fire protection to prevent work-related accidents and safeguard employees' health.

In addition, the Group has always prioritized the health and well-being of employees. Therefore, the Group provides them a favourable working environment by maintaining hygienic restaurants and recreational facilities, etc. The Group arranges annual medical check-up for its employees, enabling them to pay close attention to their physical and mental health. Our employees are also entitled to medical insurance benefits and other healthcare packages so that their physical and mental health is effectively protected. Meanwhile, the Group continues to implement various measures to prevent virus inflection to ensure that employees can work in a healthy and safe environment. The measures include requiring employees to maintain personal hygiene, regularly cleaning and disinfecting office spaces as well as reducing face-to-face meetings.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance indicators in health and safety

In the past three years, including the Reporting Period, no case of work-related fatality was reported. Besides, during the Reporting Period, no case of serious injury as a result of work and no days were lost due to work injury. Beijing Benywave sets its annual targets on occupational health and safety, such as zero rate of serious injury and 100% (2023: 100%) of employee medical check-up rate, etc. The company also reviews its implementation status and prepares the “Report on Implementation Status of Targets and Indicators” every year to ensure the effectiveness of the Group’s prevailing occupational health and safety management system. In the event of an accidental work injury, Beijing Benywave has stipulated that the integrated management department should follow up on the work injury of employees, and review the work accident for improvement in a timely manner.

B3: Development and Training

The continued development of employees serves as a foundation for the Group’s business growth. Therefore, the Group has developed a series of specific policies to enhance employees’ professional knowledge and career skills, helping them fully realize their potentials in their respective positions.

To help new employees quickly familiarize themselves with workflows, codes of conduct, organizational structure and staff composition, each department of the Group conducts training sessions for its new employees. This effectively shortens the required time for new employees to become proficient in their roles, and helps them adapt to the working environment and deepens their understanding of the Group’s values and corporate culture.

In addition, to further enhance employees’ knowledge and skills, each department develops annual training plans based on national regulatory requirements, business development goals, and employee capability assessments. These training plans primarily consist of internal training sessions, supplemented by external training arrangements, for incumbent staff, specialized personnel, and management. Incumbent staff members are required to attend training annually as per the training plan to enhance and strengthen their professional skills. Specialized personnel are required to attend training at least annually about the special work procedures and contents relevant to their posts. In addition, employees in regulated special occupations, such as electricians and drivers, are required to undergo professional training and qualification assessments in order to obtain relevant certifications. On the other hand, inhouse internal auditors within the management are required to complete training arranged by national authorized qualification accreditation and consultancy institutions and shall be certified for employment. Accounting



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

staff should engage in continuous training to maintain their professional qualifications, including financial reporting functions and taxation training. Management will undergo training tailored to their specific needs to acquire new knowledge and new theories of the relevant business operations, keep abreast of industry requirements, and enhance governance standards.

To ensure that employees are competent and commensurate with the job requirements of their roles, all departments evaluate and provide feedback on employee's working capabilities at the end of each year. We strive to provide employees with continuous and sufficient resources for training and development, keeping them updated with latest information on market and industry development. At the same time, we aim to improve their performance and enable self-development in their positions.

Performance indicators in staff development and training

During the Reporting Period, the percentage of employees trained of the Group reached 89% (2023: 87%). The average training hours completed per employee was approximately 4.44 hours (2023: 4.00 hours). Training activities covered a wide range of topics, including quality system training, management system training, corporate targets and indicators, environmental factors, sources of hazards, laws and regulations, finance and taxation, and sales department procedural training, so as to achieve an overall enhancement of employees' capability.

During the Reporting Period, the percentage of employees trained and average training hours completed per employees of the Group were as follows:

Employee Category		Percentage of employees trained (%)		Average training hours completed per employees (in hours)	
		Year 2024	Year 2023	Year 2024	Year 2023
By gender	Male	58	65	4.71	4.74
	Female	42	35	4.00	2.73
By employee type	Senior management	33	27	7.50	10.00
	Middle management	4	8	15.00	12.50
	Frontline staff	63	65	1.76	1.19



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4: Labour Standards

During the Reporting Period, the Group has complied with all applicable laws and regulations prohibiting the employment of child and forced labour, including Law of the People's Republic of China on Prevention of Juvenile Delinquency (《中華人民共和國未成年人保護法》), Provisions of the People's Republic of China on the Prohibition of Using Child Labour (《中華人民共和國禁止使用童工規定》) and the Employment of Children Regulations (《僱用兒童規例》). The Group has formulated specific policies to eliminate illegal acts such as hiring child and forced labour. We have no tolerance to such acts and are committed to protecting the rights and interests of children. To prevent hiring child labour (i.e. persons under the age of 18) and forced labour, the Group carefully checks the information on identity of its employees and requests them to submit a copy of the relevant identity documents to ensure that the information provided is true and correct before employment of the employees. Any falsified documents or identification are treated as fraudulent behavior. The Group has the right to terminate the labour contract with the relevant employee without assuming any compensation liability. In the event that any child or forced labour is discovered at the operating site, the Group will promptly investigate and implement corrective plans to ensure that the loopholes are plugged, thus preventing similar occurrences in the future.

The Group has also formulated a Staff Compliance Handbook to ensure that the operational management and all employee conduct adhere to the laws, regulations and codes, and ensure compliance in operation. In addition, the Group upholds the philosophy of "work-life balance" and is committed to providing employees with a relaxing and harmonious working environment. During the Reporting Period, the Group implemented a five-day workweek with 8 working hours and 1 hour of lunch break per day, and strictly controlled the overtime hours, so as to allow employees to have adequate rest and to boost staff morale.

No non-compliance with employment of child nor forced labour was arisen during the Reporting Period (2023: 0 cases).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) Operating Practices

B5: Supply Chain Management

The Group is aware of the environmental and social risks along the supply chain and conducts thorough risk identification concerning potential environmental and social risks such as health and safety, labour rights, environmental protection, and business ethics. The Group believes that the quality of our products is directly affected by the materials provided by suppliers. Whether the materials provided by suppliers are eco-friendly and safe will have a significant impact on the environmental benefits and health and safety performance of the Group's production processes and products. Therefore, to mitigate social and environmental risks within the supply chain, the Group has formulated policies to manage and monitor its supply chain and has developed specific standards and measures for supplier selection.

The Group has stringent requirements on material suppliers. Those involved in the Group's important environmental factors, significant occupational health and safety risks, or those potentially causing environmental events or significant occupational health and safety events, are considered as key influential stakeholders and included in the List of Key Influential Stakeholders as approved by the management. Suppliers not featured in the list are considered as general stakeholders.

The quality assurance department and the relevant responsible departments each maintain a copy of the list so that the relevant departments can closely monitor the impact of such stakeholders on the Group and take preventive measures. These measures include (i) the quality assurance department controlling and collecting information on material environmental indicators and various activities conducted at production sites; (ii) the purchasing, planning and production department disseminating the relevant information to the above key influential stakeholders, and requiring them to understand the relevant approach and objectives of the Group and to provide compliant products and on-site services as specified; and (iii) the quality assurance department strengthening the acceptance inspection of incoming materials and controlling environmental indicators of materials, timely contacting the stakeholders if any non-compliance detected, and imposing necessary penalties.

Performance indicators in supplier engagement and monitoring

As at the end of the Reporting Period, the Group had 8 qualified suppliers (2023: 10), including 6 located in Hong Kong and 2 located in China. The qualified suppliers provided electronic products, including mobile communication devices, accessories, AI and other equipment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To maintain the effective operation and sustainability of its supply chain, the Group has implemented an effective supplier management system to properly assess the qualifications and performance of its suppliers. For management and control purposes, suppliers are categorized into three types, namely core, importance and general, by the Group. New suppliers are assessed and selected based on their categories including: (i) examining their quality assurance capabilities or quality assurance systems; (ii) evaluating their delivery performance, post-sales services and contractual obligations; and/or (iii) carrying out trial installation and trial use of samples provided by suppliers. At the end of each year, the purchasing department coordinates with the R&D department and quality assurance department to jointly review the performance of suppliers in terms of three areas, namely quality, delivery and pricing. During the Reporting Period, the Group has implemented the above established supplier management procedures to all suppliers, and all qualified suppliers fulfilled our requirements.

Moreover, for suppliers who fail to meet evaluation standards, any future cooperation will require them to undergo the selection and evaluation process as a new supplier so as to ensure suppliers' qualifications align with our requirements and enable effective monitoring.

The Group understands the importance of environmental protection and has incorporated sustainable elements into its procurement decision-making process. Potential suppliers are given priority consideration if their products comply with the standards under the Restriction of Hazardous Substances Directive adopted by the European Union, so as to reduce the environmental pollution brought by the products. When selecting product suppliers, the Group will also give preference to well-known suppliers with reputation in environmental and social aspects, in order to seek suppliers committed to practicing sustainability practices alongside us. The Group attaches importance to the environmental impacts of the purchased goods and services. Wherever feasible, the Group chooses environmentally friendly products or services to minimize negative impacts to the environment and human health.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6: Product Responsibility

In a market with intense competition, customer expectations for products and services continue to rise. The Group understands that the importance of maintaining strong relationship with customers. Through the continuous interaction with customers, the Group can gain insights into the evolving market demands for the products. Then purchase from qualified suppliers to satisfies the needs and requirements of the customers. The Group firmly believes that earning customer trust and support is achieved only by creating the greatest value for them. Therefore, the Group endeavours to stringently control the quality of its products by fully complying with laws and regulations relating to product responsibility, so as to boost customers' confidence in the products and services of the Group.

The Group has a stringent product responsibility policy and employee compliance manual which employees are required to strictly adhere to. The departments of the Group regularly provide employees with professional knowledge training on product responsibility through meetings or training sessions, to help them to know the applicable laws and regulations relating to product responsibility in business operations, including the Product Quality Law of the People's Republic of China (《中華人民共和國產品品質法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). These initiatives aim to enhance employees' emphasis on product responsibility. The Group complies with the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) by providing consumers with truthful information about its products and services, and forbidding any false or misleading advertising.

Performance indicators in product responsibility

During the Reporting Period, the Group's products complied with the requirements under the Restriction of Hazardous Substances Directive adopted by the European Union national standards. The Group was not aware of any non-compliance incidents relating to product responsibility and there was no product recall due to safety and health reasons.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set up procedures for dealing with customer complaints and proposed a customer satisfaction indicator for 2024 of 86% (2023: 86%). To ensure prompt resolution of customer complaints and the provision of quality service, the sales department staff will immediately communicate with customers upon receiving complaints. Swift corresponding actions will be taken to address customers' concerns, ensuring complaints are resolved in a timely and proper manner. During the Reporting Period, the Group did not receive any complaints in relation to its products or services (2023: 0 complaints). In 2024, the Group achieved service satisfaction of 88% (2023: 88%).

Given that the nature of its business primarily involves wholesale sales, the Group's products do not involve sensitive or confidential consumer data. To emphasize the protection of its intellectual property rights, the Group encourages its employees to foster a strong awareness of the confidentiality and strict comply with confidentiality regulations. Employees are bound by the Group's confidentiality policies and employee compliance manual during their employment. Those holding special positions shall sign a Confidentiality and Non-Compete Agreement, which includes confidentiality clauses related to product transactions data, business strategies and production techniques of products, etc., to rigorously safeguard the Group's intellectual property. Employees on re-designation, no-pay leave, resignation and retirement, as well as external personnel who have finished learning and studying or temporary employment, shall return to the Group all technical information, experiment records, materials, samples and prototypes, products, devices and drawings before their departure. They bear a long-term confidentiality obligation regarding the technical content and information they accessed.

The Group spares no effort in product quality management, and has developed stringent production operation and quality control processes. Clear working guidelines are provided to staff members to maintain quality standards of its products. The Group has established the Procedures for Product Monitoring and Measuring Control to regulate the procedures for quality assurance. Both the production process and final products are subjected to inspection and control by the factory. To assess the overall performance of products, user simulation tests are carried out under the supervision and technical support of the quality assurance department to ensure the product quality and compliance rates. During the Reporting Period, the first-time inspection pass rate of the products was 98% (2023: 98%), which proved the effectiveness of our product quality management system.



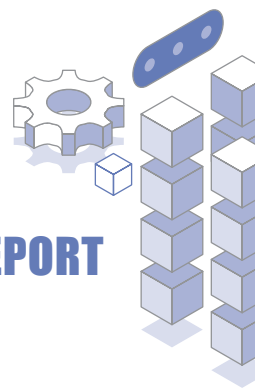
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, the quality assurance department has coordinated with relevant departments to gather and determine laws, regulations and other requirements applicable to the quality of the Group's products or services, and has formulated specific measures to regularly follow up the status of products and update the information in a timely manner. The department will also disseminate and transmit the latest information to the concerning departments to ensure that the product quality meets all relevant requirements. In the event of a product requires a recall after delivery, sales department staff will contact relevant customers as soon as possible to trace the flow direction of the products to ensure products with quality issues can be quickly recalled from the market, so as to minimize the potential impacts of defective products on the public.

B7: Anti-corruption

The Group is committed to maintaining high standards of corporate governance. Anti-corruption and anti-fraud have always been the core philosophy of its internal governance. The Group strives to combat any unlawful acts in the course of business and eradicate any acts of bribery, extortion, fraud and money laundering. During the Reporting Period, the Group has fully complied with the relevant laws and regulations of China and Hong Kong relating to bribery, extortion, fraud and money laundering, including the Prevention of Bribery Ordinance, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Criminal Law of the PRC (《中華人民共和國刑法》), Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) etc.

The Group has designated the Audit Committee as the permanent committee for anti-fraud, which shall be responsible for guiding anti-corruption and anti-fraud, and specifically coordinating and implementing the anti-fraud activities across departments and company-wide. In addition, the Group has established a set of sound and effective anti-fraud procedures, including risk assessment, prevention, reporting and investigation of fraud. We closely monitor the latest regulatory developments concerning anti-money laundering and counter-terrorist financing and provide relevant training to all directors as needed. This ensures that directors maintain vigilance against corruption risks and upholds a strong culture of corporate governance.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set up whistleblowing framework to provide channels such as hotline, mailbox and email and/or channels for all employees and other persons to inform, report and disclose actual or suspected cases of corrupt practice in breach of professional ethics. All reports, upon receipt, will be investigated in a comprehensive, impartial and fair manner as far as possible, and handled or rectified as soon as possible. During the Reporting Period, the Group did not receive any reported cases regarding corrupt practices (2023: 0 cases).

During the Reporting Period, no concluded legal cases regarding corruption brought against the Group or its employees (2023: 0 cases).

(iii) Community

B8: Community Investment

We are fully aware that as a socially responsible corporate citizen, we must strengthen our links with the communities in which we operate and contribute to community building and development. However, due to the challenging business environment, the Group has not put resources on the community directly in the past few years. We will continue to seek appropriate opportunities to participate in community contributions in future. We have also integrated social care into our daily operations by encouraging employees to get involved in community and charity activities, demonstrating care and compassion within the community, striving to make positive contributions to the community.

Vital Innovations Holdings Limited
維太創科控股有限公司

