

K & P International Holdings Limited

堅寶國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 675)

Environmental,
Social and
Governance
Report
2019

* For identification purpose only

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

I. PREAMBLE

As one of the prominent listed companies in the industry of Industrial Goods, K & P International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are mainly engaged in the business of the manufacture and sale of precision parts and components (comprising keypads, synthetic rubber and plastic components and parts and liquid crystal displays). Despite the shutdown of one of the factories under the precision parts and components segment and the cessation of the operation of consumer electronic products segment in the first half of year 2019, the Group has been committed to improving its profitability incessantly and consolidating its pivotal role as a leading enterprise in creating value to all while trying to address global climate-related crisis. Under the trend of China's important progress in the 2030 Agenda for Sustainable Development such as poverty eradication and the inspiration of the joint efforts and perseverance of various parties on the international level to move towards sustainability, the Group keeps optimising its sustainability management system and business models, and believes that only through the effective implementation of corporate policies in both internal control and value chain management can the Group genuinely achieve progress in its building of environmental awareness, fulfilment of social responsibility, and corporate sustainability stewardship. The Group has referenced the best Environmental, Social and Governance ("ESG") practices and recommendations set out in globally-recognised standards, guidelines and tools including the Task Force on Climate-Related Financial Disclosure ("TCFD") Recommendations, ISO14001: 2015 (Environmental Management Systems) and Sustainable Development Goals ("SDGs") in its planning of long-term business strategies and execution of policies for daily operations, aiming to forge an international enterprise that is not only looking for economic growth, but also keeps emphasising the coordination and integration of environmental protection, the promotion of social welfare and improvement of internal governance.

II. ABOUT THE REPORT

In compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide (the "ESG Guide") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx"), the Group is pleased to present its fourth Environmental, Social and Governance Report (the "ESG Report") for the year ended 31 December 2019 ("FY2019"), which illustrates the Group's governance and disclosure of ESG activities, metrics and performance during its business operations. The information in this ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by different subsidiaries of the Group. To deliver a more formalised ESG report that appeals to our global readership, the Group referenced the Global Reporting Initiative Standards (GRI Standards), a globally-accepted reporting instrument, to improve the integrity, international compatibility and industrial comparability of the report. A complete content index and a GRI linkage table are available at the end of the ESG report for readers' convenience to check its integrity. If there is any conflict or inconsistency, the English version shall prevail.

Boundary Setting

Setting a clear reporting boundary from the outset of the entire reporting process is helpful for readers to have a better understanding of the effectiveness of the implementation of relevant ESG policies of the Group, while allowing the Group to lower the risks of inadvertently neglecting the material activities or business operations in which the Group was engaged during the year under review. Given the cessation of certain operations and strategic shift of business plans for future development due to complicated international relationship and volatile economic environment, this ESG report covers the major operations of the Group including the Group's headquarter office in Hong Kong and two active manufacturing plants in the People's Republic of China (the "PRC") under the operational control approach.

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Reporting Principles

As the reporting principles underpin the preparation of the ESG Report, the content of this ESG Report has been determined, organised and presented in accordance with the principles of Materiality, Quantitative, Balance and Consistency, which specified therein were utilised as a basis for the preparation of this ESG Report.

Materiality:

As a common strategic business tool for screening the insignificant issues and highlighting the essential environmental and social impacts, the Group has implemented a broad, inclusive and science-based materiality assessment by listening to the concerns of various stakeholder groups. Through such an evidence-based assessment and the evaluation of the potential impacts of different ESG topics on the Group's overall strategy by the Board of Directors (the "Board"), this ESG report depicts a picture reflecting the material ESG issues which may impact the Group's ability to develop in a sustainable way, while facilitating the Group to shift its attention to the efficient daily management of operations under topics such as emissions control and wastewater treatment.

Quantitative:

The application of the reporting principle of Quantitative was primarily reflected under the section of Emissions and Use of Resources in this ESG report. Specifically, a summary of the Group's performance in greenhouse gas emissions, consumption of various energy resources and other historical results under social subject was shown in the measurable format. Moreover, together with narrative paragraphs discussing the efforts the Group has put in performance improvement and directional statements, the value of integrating the principle of Quantitative for internal performance tracking has been achieved.

Balance:

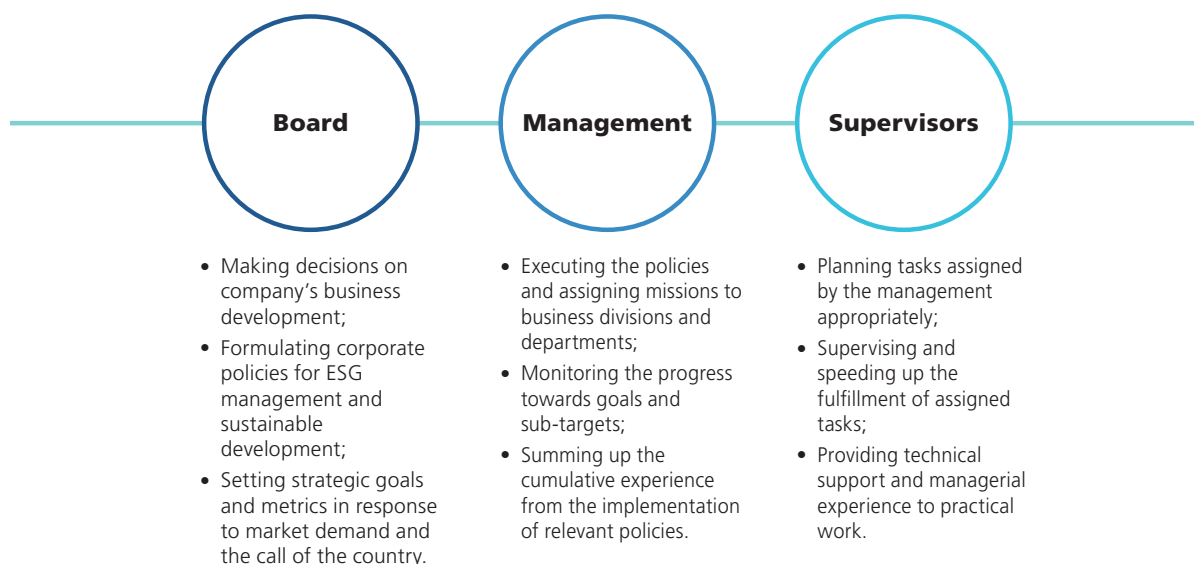
An unbiased picture of the Group's ESG performance is important to ensuring the accuracy and the objective evaluation of information delivered to the audiences. Adhering to this principle, the selective disclosure based on comprehensive materiality assessment in the report was not intended for or acted as a means to cover up the information which may contradict the vision of the Group's sustainable development. Rather, the Group provided a landscape of its ESG performance during the year under review by gathering and presenting the potential risks it faced in the past, including disclosure against the Key Performance Indicator ("KPI") called 'Number and rate of work-related fatalities occurred in each of the past three years including the reporting year' set out in the ESG Guide.

Consistency:

To ensure that readers can make informed decisions with the information disclosed in the report, the Group based the presentation of its ESG management, especially the calculation of greenhouse gas emissions on consistent calculation methodology and adequate descriptive explanation about significant changes to the reporting techniques. Further, a set of systematic process for data collection and organisation has been adopted and optimised by the Group in the preparation of ESG report for years, which is conducive to adding more coherence to the entire reporting process and building a roadmap visualising its growth in sustainability to all stakeholders.

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III. SUSTAINABILITY MANAGEMENT



The Group is fully aware of the importance of the development of its internal sustainability strategy which aims to create sustainable values to all its stakeholders, and to continue to lower the Group's impact on the environment. As such, the current and potential impacts from ESG-related risks and opportunities on the Group's business have been carefully integrated into its decision-making processes in short-, medium-, and long-term horizons within the Group. In order to carry out the Group's sustainability strategy from top to bottom, the Board takes the lead on and have oversight of the execution of relevant ESG issues. The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's environmental, social and governance policies. To make sure that the Board can be timely informed of latest corporate ESG performance, including the major plans of action, risk management policies, annual budgets as well as setting the organisation's ESG performance objectives, the Board has established dedicated management teams to enforce and supervise the implementation of the relevant ESG policies, and to report on relevant issues to the Board regularly through emails and general meetings. The Group constantly reviews and adjusts its sustainability policies to satisfy the ever-changing needs of its stakeholders, who through various channels can be updated of the robustness of the Group's forward-looking strategies and express their opinions therein. Details of its management approach in both the environmental and social aspects can be found throughout different sections of this ESG Report. The Group believes an effective stewardship of its corporate sustainability is vital to the Group's overall long-term success.

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BOARD STATEMENT



K & P International Holdings Limited sees driving the greening of business operations and firmly fulfilling its social responsibilities as its core value besides the development and re-organisation of businesses. Being an enterprise mainly engaged in the production of precision parts and components, we are highly committed to the control of the environmental impact of our businesses in the plants and promotion of social well-being in local communities. To maintain an efficient internal mechanism running businesses while assisting K & P International Holdings Limited to fulfill its environmental and social responsibilities, the Board has the overall oversight of company's ESG issues, including the identification of material ESG matters that had or may have impact on the Group's businesses, formulation of effective policies addressing the potential risks and tackling climate change, and regular review of the corporate performance in its sustainable development.

In reference to the Task Force on Climate-related Financial Disclosure ("TCFD") recommendations, we hope to fully comprehend and take advantage of this tool as an important ESG management approach to combat and guard against sustainability crisis, thereby advancing us to explore and prioritise material ESG- and Climate-related issues within the organisation. After an analysis on a list of sustainability-related topics, we consider the emissions, sewage treatment and retrofitting existing facilities through innovation to comply with national regulations as topics of which K & P International Holdings Limited is most concerned. Given the cumulative climate-related crisis, the 'increased severity of extreme weather events' is believed to pose a threat to the operating costs and revenues of the Group, pushing us to participate more in renewable energy programmes and renewable substitutes to enhance our resilience to climate change. To minimise those risks and grasp opportunities, we have formulated and implemented a diverse range of policies and internal standards to improve our capabilities in risk management. For example, the factories are required to follow the 'Counter-measures to Address Risks and Opportunities Control Policy' and 'Quality & Environment Management Manual' to set relevant targets, build professional teams and carry out operations in a standard manner. With a clear responsibility allocated to each department or individual, and our accountability system, the Board can be efficiently updated of the progress of the building of internal ESG management system and to what extent the risks under those material topics have been addressed.

In this competitive market, K & P International Holdings Limited believes that a sound ESG management with concerted efforts by all parties and the spirit of perseverance is the only path towards sustainable development. We will bear in mind our original intentions and unwaveringly create shared value to all.

Lai Pei Wor

Chairman

26 March 2020

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IV. STAKEHOLDER ENGAGEMENT



An effective communication with both internal and external stakeholders is regarded essential to the Group, which can not only deliver the company's commitment to the long-term value creation to stakeholders who care about the level of sustainable development of the Group, but also help the Group gain a deeper understanding of the topics material and relevant to different stakeholder groups. Through an effective and continuous stakeholder engagement, the Group can make more informed decisions by strengthening its risk management and aligning its business strategies with the top concerns of its stakeholders.

The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

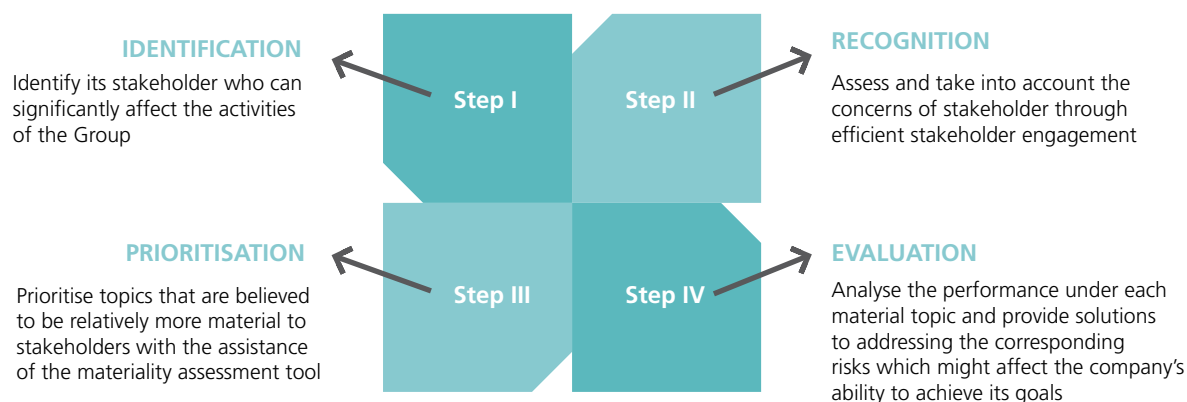
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Stakeholders 	Expectations and Concerns 	Communication Channels 
Government and regulatory authorities	<ul style="list-style-type: none"> -Compliance with laws and regulations -Anti -corruption policies -Occupational health and safety 	<ul style="list-style-type: none"> -Supervision on the compliance with local laws and regulations -Routine reports and tax payments
Shareholders	<ul style="list-style-type: none"> -Return on investments -Corporate governance -Business compliance 	<ul style="list-style-type: none"> -Regular reports -Announcements -General meetings -Official website of the Group -Investor briefings
Employees	<ul style="list-style-type: none"> -Employees' remuneration and benefits -Customer satisfaction -Health and safety in the workplace 	<ul style="list-style-type: none"> -Performance appraisals -Regular meetings and training -Focus groups -Emails, notices, circulars, hotline and team building activities with management
Customers	<ul style="list-style-type: none"> -Production quality assurance -Protection of customers' privacy and rights -Continuous promotion of reliable products /services to customers 	<ul style="list-style-type: none"> -Customers' satisfaction surveys -Face-to-face meetings and onsite visits -Customer service hotline and emails
Suppliers	<ul style="list-style-type: none"> -Fair and open procurement -Win-win cooperation -Environmental protection -Protection of intellectual property rights 	<ul style="list-style-type: none"> -Open tender -Contracts and agreements -Telephone discussions -Face-to-face meetings and onsite visits -Industry seminars
Professional organisations	<ul style="list-style-type: none"> -Policy formulation regulating the practice of employees and business operations -Environmental protection and social responsibility 	<ul style="list-style-type: none"> -Telephone discussion -Questionnaires & Online engagement
General public	<ul style="list-style-type: none"> -Involvement in communities -Business ethics -Environmental protection awareness 	<ul style="list-style-type: none"> -Media conferences and responses to enquiries -Public welfare activities -Face-to-face interview -Corporate website

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Materiality Assessment

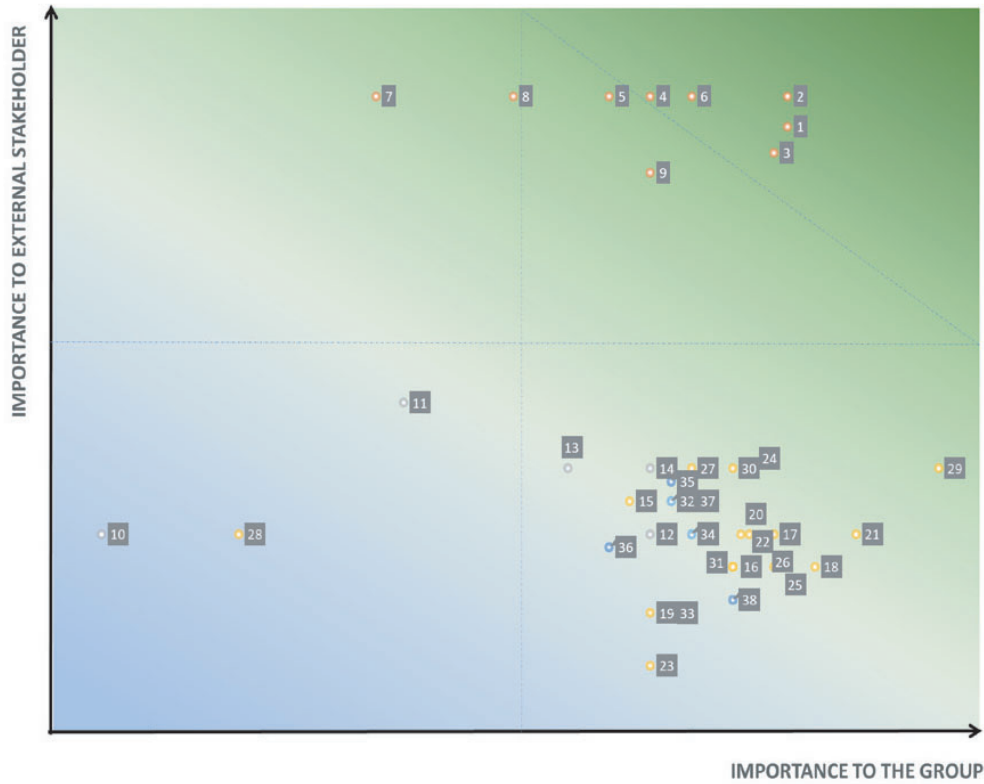
Process of Materiality Assessment



As ESG risks and opportunities vary among the stakeholders of the Group involving different backgrounds, principal activities and operating models, the Group has undertaken an annual review to prioritise its major stakeholder groups, identify their main concerns, and evaluate their material interests in relation to the ESG issues of the Group. In FY2019, the Group developed a multi-stakeholder approach involving representatives from various internal and external groups and engaged its well-selected stakeholders to complete a materiality assessment survey. Specifically, the Group selected certain internal and external stakeholders based on their influence and dependence on the Group. Stakeholders chosen in the first round of evaluation were then invited to participate in an online survey to express their views on a list of ESG issues of the Group. The online survey contained numerous well-designed questions about ESG subjects and SDGs, which were regarded to be material and relevant to the Group's business development and strategies from the stakeholders' standpoint. Such an objective, transparent and decision-useful materiality assessment allowed the Group to prioritise its ESG issues after mapping the results of the survey to a materiality matrix below. The assessment process demonstrated the Group's emphasis on stakeholders' engagement. The results of the survey served as a powerful tool which could assist the Group to develop its action plans for more focused ESG management.

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Stakeholder Engagement Materiality Matrix



- Environmental Impacts
- Operating Practices
- Leadership & Governance
- Employment and Labour Practices
- Community Investment

1 Air and greenhouse gas emissions	14 Preventing child and forced labour	27 Labelling relating to products/services
2 Sewage treatment	15 Selection of local suppliers	28 Product design & Lifecycle management
3 Land use, pollution and restoration	16 Smooth communication and sound relationship with suppliers	29 Number of legal cases filed against the company about bribery, extortion, fraud and
4 Solid waste treatment	17 Environmental risks (e.g. pollution) of the suppliers	30 Anti-corruption policies and whistle-blowing procedure
5 Energy use	18 Social risks (e.g. monopoly) of the suppliers	31 Anti-corruption training provided to directors and staff
6 Water use	19 Procurement practices	32 Community engagement
7 Use of other raw/packaging materials	20 Environmentally preferable products and services	33 Participation in charitable activities and support public welfare
8 Mitigation measures to protect environment and natural resources	21 Health and safety relating to products/services	34 Cultivation of local employment
9 Climate-related risks	22 Customers satisfaction (Welfare)	35 Business model adaptation and resilience to environmental, social, political and economic
10 Diversity of employees	23 Marketing and promotion	36 Management of the legal & regulatory environment (regulation-compliance)
11 Employee remuneration and benefits	24 Observing and protecting intellectual property rights	37 Critical incident risk responsiveness
12 Occupational health and safety	25 Product quality assurance and recall percentage	38 Systemic risk management
13 Employee development and training	26 Protection of consumer information and privacy	

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Given the materiality analysis matrix, the Group finally identified topics under the environmental subject as issues of the highest importance to both the Group and its stakeholders during the year under review. In particular, the following 5 specific areas topped the list of which the participants in this survey were most concerned, namely 'Sewage treatment', 'Air and greenhouse gas emissions', 'Land use, pollution and restoration', 'Water use' and 'Solid waste treatment'.

This review promoted the Group to allocate more resources to its sustainability management in material areas, and to highlight its efforts and achievements of the Group's operation in relevant aspects in this ESG report.

Stakeholders' Feedback

As the Group strives for excellence, stakeholders' feedback is always welcomed, especially on topics listed as high importance in the materiality assessment. Readers are also welcomed to share their views via the Group's email at enquiry@kpihl.com or website at www.kpihl.com.

V. ENVIRONMENTAL SUSTAINABILITY

To seek long-term sustainability of the environment and the community where it operates, the Group is prudent in controlling its emissions and consumption of resources, and has complied with relevant environmental laws and regulations that are material to the Group's business of the manufacture and sale of precision parts and components in the PRC and Hong Kong, including but not limited to the:

- *Environmental Protection Law of the People's Republic of China*
《中華人民共和國環境保護法》;
- *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*
《中華人民共和國大氣污染防治法》;
- *Law of the People's Republic of China on Prevention and Control of Water Pollution*
《中華人民共和國水污染防治法》;
- *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*
《中華人民共和國固體廢物污染環境防治法》;
- *Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise*
《中華人民共和國環境噪聲污染防治法》; and
- *Law of the People's Republic of China on Conserving Energy*
《中華人民共和國節約能源法》.

ENVIRONMENTAL PRINCIPLES



Prevent environmental pollution and comply with relevant laws and regulations

Optimise resources and carry out continuous improvement



Fully implementing the Environmental Principles in alignment with the goals of national ecological civilisation, the Group has followed the requirements and guidelines for an effective environmental management system in ISO14001, and established its internal environmental management system to reinforce the effectiveness of implementation of its ESG-related policies, in order to improve ESG management performance. The Group's headquarter office in Hong Kong and two existing manufacturing plants in the PRC this year still kept accelerating its building of ESG management system on various fronts, particularly in stepping up energy conservation measures to cut emissions and resource consumption, and have already achieved solid progress of being 'strategically resilient to addressing underlying climate-related risks'.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

A.1. Emissions

Emissions have long been one of the most concerning environmental issues to the Group as environmental disruption is becoming a pressing problem in China nowadays. With two manufacturing factories currently being commissioned, the Group has laid great emphasis on their emission control. To strictly control the quantity and quality of emissions according to relevant local environmental laws as set out in the region where the Group operates, the Group is committed to monitoring, measuring and recording its emissions during operations. In FY2019, the Group found no disregard to influential laws relevant to air and greenhouse gas emissions, discharges into water or land, and generation of hazardous and non-hazardous waste.

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In FY2019, the air pollutants of the Group were mainly from transportation, namely sulfur oxides (“SOx”), nitrogen oxides (“NOx”) and particulate matters (“PM”), which amounted to 0.55 Kg, 23.89 Kg and 1.76 Kg, respectively. The total air emissions and the emissions of each pollutant further plummeted as compared to FY2018 (for the year ended 31 December 2018) and FY2017 (for the year ended 31 December 2017), primarily due to the cessation of business operations and all staff’s perseverance in controlling the consumption of fossil fuels in transportation. Greenhouse gases (“GHGs”) are a major contributor to climate change. GHG emissions from the Group were caused by fuel burning from transportation and electricity consumption during industrial operations. In FY2019, the Group’s greenhouse gas (“GHG”) emissions under Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emissions) and Scope 3 (Other Indirect Emissions) were 88.8 tonnes CO₂e, 6,501.5 tonnes CO₂e and 180.7 tonnes CO₂e, respectively. The total GHG emissions amounted to 6,771 tonnes CO₂e, with the carbon intensity of 19.6 tonnes/Million HKD. As the number of manufacturing plants diminished in FY2019, which was to some extent beneficial to the Group in respect of emission control and energy consumption management, the total GHG emissions of the Group in FY2019 fell by around 28% compared to that in FY2018. Specifically, emissions in Scope 1, Scope 2 and Scope 3 all dropped dramatically. Not surprisingly, the plunge of GHG in Scope 1 and Scope 2 was attributed to the shutdown of one factory and effective measures the Group took to mitigate the consumption of energy resources, including gasoline, diesel and electricity. To further its efforts in the reduction of GHG emissions in response to the development of countermeasures to global climate change, the Group has set a target of lowering the total amount of GHG emissions year by year, and committed to ramp up its internal control of the consumption of paper, thereby curbing its Scope 3 emissions further. Other than GHG emissions, 3.3 tonnes of hazardous solid wastes (disposed by qualified companies), 720 tonnes of hazardous wastewater (discharge after internal treatment), 101.4 tonnes of non-hazardous commercial and domestic solid waste, and 76,350.3 tonnes of commercial and domestic wastewater were generated by the Group during the year under review. The Group’s emissions in FY2019 are summarised in Table 1 with a comparison to the performance in FY2018 and FY2017.

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Table 1 The Group's Total Emissions by Category in FY2019, FY2018 and FY2017***

Emission Category	Item	Unit	Intensity* (Per HK\$ Million) in		Intensity* (Per HK\$ Million) in		Intensity* (Per HK\$ Million) in	
			Amount in FY2019	Amount in FY2019	Amount in FY2018	Amount in FY2018	Amount in FY2017**	Amount in FY2017
Air Emissions	SO _x	Kg	0.55	–	0.8	–	1.1	–
	NO _x	Kg	23.89	–	339.3	–	476.7	–
	PM	Kg	1.76	–	33.1	–	46.6	–
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO ₂ e	88.8	–	135.9	–	243.7	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO ₂ e	6,501.5	–	9,172.4	–	9,768.0	–
	Scope 3*** (Other Indirect Emissions)	Tonnes CO ₂ e	43.0	–	103.4	–	48.4	–
	Total (Scope 1 & 2 & 3)	Tonnes CO ₂ e	6,771.0	19.6	9,411.7	20.3	10,060.1	23.8
Hazardous Waste	Solid Wastes	Tonnes	3.3	0.010	4.9	0.011	7	0.017
	Wastewater	Tonnes	720	2.1	603.3	1.3	582	1.4
Non-hazardous Waste	Solid Wastes	Tonnes	101.4	0.3	356.9	0.8	175	0.4
	Wastewater	Tonnes	76,350.3	221.3	74,796.8	161.3	48,002	113.5

* Intensity was calculated by dividing the amount of air, GHG and other emissions by revenue of the Group in FY2019, FY2018 and FY2017 respectively, which was 345 million Hong Kong dollars in FY2019, 463.7 million Hong Kong dollars in FY2018 and 422.9 million Hong Kong dollars in FY2017. For better comparison across years, the revenue was adopted as the denominator for the calculation of intensity and the results in FY2018 and FY2017 were altered accordingly;

** The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed at landfills, and electricity used for processing fresh water and sewage by government departments;

*** The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

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Hong Kong Office

The category and amount of emissions for the Group's Hong Kong office in FY2019 barely changed overall as compared with the figure in FY2018, which included indirect GHG emissions from the use of electricity, domestic and commercial solid wastes, and wastewater generated by the staff in the office. It is worth noting that the Scope 2 GHG emissions from Hong Kong Office in FY2019 declined massively due to the efficient control of electricity consumption in the office. No hazardous waste was generated from the Group's Hong Kong office in FY2019.

The Group paid attention to the dissemination of effective energy-saving practice among employees in the office. Specific measures taken to reduce electricity consumption in the office, and thus GHG emissions from this business segment, are further described in the next subsection under A.2. Use of Resources. The solid waste generated from the Group in FY2019 was normal domestic and commercial waste. In order to reduce the amount of daily municipal solid wastes, the Group implemented the following practices:

- Recycle as much solid waste as possible through classification process;
- Educate all employees on reducing the use of disposable items such as plastic tableware;
- Purchase microwaves in offices to encourage employees to take lunch boxes instead of ordering take-away food;
- Advocate the reuse of office stationeries; and
- Provide glass cups to clients and guests instead of disposable ones.

The non-recyclable municipal solid wastes were collected and disposed of by the property management of the building. Since the amount of wastewater generated from the office largely depends on the amount of freshwater the Group has consumed, the Group has adopted specific measures to reduce water consumption in the office, which are further described in the next subsection under **A.2. Use of Resources**. Municipal wastewater was directly discharged into the drainage system of the property building.

Manufacturing Business

Given the business nature, the Group's major emissions, including air & GHG emissions, industrial sewage and solid wastes, came from its manufacturing factories. Under the Environmental Principles, the two plants of the Group abided by the emission-related laws and regulations in the PRC mentioned above. Notably, the Restriction of Hazardous Substances Directive 2011/65/EU (RoHS 2.0) 《危害性物質限制指令》, which is the restriction of the use of certain hazardous substances in electrical and electronic equipment (EEE), also plays an important role in the manufacturing process and has been strictly followed by the Group. To ensure the compliance with relevant laws and regulations, and move towards an environmentally-friendly enterprise, the Group has always been committed to minimising the environmental impacts of underlying emissions from its factories and has established draconian internal regulations on the energy consumption, sewage treatment and solid waste management. Meanwhile, the 'Target Guide and Plan approach' (目標指示與方案) and 'Quality & Environment Management Manual' (質量環境管理手冊) have been effectively adopted in the daily management and operations of factories for the identification, evaluation and update of material environmental pollution-related issues and the formulation of environmental management plan from a lifecycle standpoint in the future.

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Wastewater

The wastewater from the manufacturing business of the Group was comprised of industrial wastewater (spraying, air compressor operation etc.) and domestic wastewater from offices, canteens and dormitories. Domestic wastewater was discharged to the sewage pipe directly, while industrial wastewater was collected separately in special containers for further treatment.

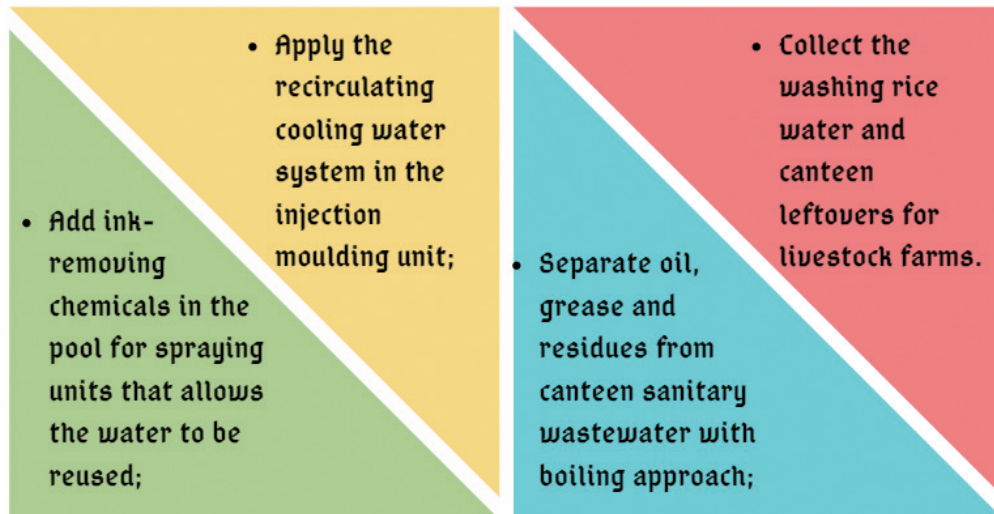
Wastewater Treatment Technologies



The Group's two factories (中穎(中山)電子有限公司 & 中山市堅城電子有限公司) adopted sequencing batch reactors onsite, a type of activated sludge process for the treatment of wastewater through a series of biological methods, to enhance the efficiency of wastewater treatment. The Group regulated that only after the first-class criteria as specified in the Discharge Limits of Water Pollutants (DB 44 /26-2001) of Guangdong Province (廣東省地方標準《水污染物排放限值》) is met, can the factories be assured to discharge the treated wastewater.

In addition, the two factories (中穎(中山)電子有限公司 & 中山市堅城電子有限公司) of the Group strictly adhered to the requirements and recommendations in ISO9001:2015, ISO14001:2015, national and local laws, and internal guidance in monitoring the quality and quantity of both industrial wastewater and domestic sewage.

The Group has also taken other effective measures to reduce, reuse and recycle water within factories, as highlighted below in particular:



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To make sure that the discharge of wastewater from factories of the Group is in full compliance with relevant standards, the Group authorised Global (GuangDong) Quality Technology Service Co., Ltd., a professional testing agency, to measure the quality of the wastewater from factories during the year under review. The results of the test were all below the emission limits based on a series of national standards, including GB 6920-1986, HJ 637-2012, GB 7494-1987 and BG 11893-1989.

Solid Wastes

Solid wastes from the manufacturing factories of the Group included general wastes and hazardous wastes, of which the management approach varied significantly. The general solid wastes were normally constituted by:

1. Offices: paper, correction fluid, folders, staples, paper clips, adhesive tape, bottles, stamp pads, seals, pens, etc;
2. Canteen and dormitory: abandoned brooms, mops, cleaning tools, wire skin, industrial residues, waste plates, plastic bottles, seasoning bottles, food residues and leftovers;
3. Industrial sites: cutting pliers, blades, parts & accessories, network lines, filters, cloth (not stained with oil), and construction waste.

The Group followed the instructions of Quality & Environment Management Manual in identifying and managing solid wastes from manufacturing factories. The Quality & Environment Manual specifies the roles of leaders and general staff in waste management, allowing the Group to handle both general solid waste and hazardous waste properly. The general solid wastes were weighed, recorded, and collected by local Housing and Construction Bureau. In terms of hazardous wastes, including modulator tube, activated carbon, engine oil, ink, paint sludge, cloth, ink bucket, and battery, the Group implemented internal hazardous wastes management protocols step by step in a strict manner. For instance, hazardous wastes were collected and sealed in specific containers by specialists according to the Solid Waste Classification Table. The Administration Department checked all containers and held responsibility for coordinating the qualified company for the further transportation, management, recycling and disposal of the hazardous waste. In FY2019, both hazardous and non-hazardous solid waste from the Group declined as compared to the figures in FY2018, and the Group planned to further control the relevant emissions in the future.

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Air & GHG Emissions

The Group believes that a robust management and control of the use of electricity, water, and paper products plays a pivotal role in mitigating the overall GHG emissions and can accelerate the change toward lower-emission production. With an aim to transition to a more energy-efficient and eco-friendly manufacturing enterprise, the Group endeavours to allay the climate-related risks and grasp opportunities to reduce its exposure to GHG emissions, and therefore become less vulnerable to changes in cost of carbon in the near future.

Aiming to lower the pollution to environment, the factories of the Group have applied a number of advanced technologies to make sure that the air emissions are in compliance with relevant laws and regulations. For instance, a set of photoelectric oxidation and catalysis device was installed onsite to treat the organic exhaust gas generated from the manufacturing factories. Besides, activated carbon was used to absorb dust and certain airborne particles in gas emissions before discharge.

In September 2019, the Group authorised Global (GuangDong) Quality Technology Service Co.,Ltd. to conduct a test on sampled exhaust gas from different locations of factories. The test included the measurement of the concentration of benzene, methylbenzene and VOCs (volatile organic compounds). The results of the test were below the emission limits based on national and local standards, which are partly summarised in the table below.



Table 2 Example of the comparison between the observed value and emission limit of exhaust gas

Item Parameter	Benzene		Methylbenzene		VOCs (volatile organic compounds)	
	Concentration (mg/m ³)	Emission velocity (kg/h)	Concentration (mg/m ³)	Emission velocity (kg/h)	Concentration (mg/m ³)	Emission velocity (kg/h)
Sampling site of FQ-05229	ND	3.1×10 ⁻⁵	0.11	6.9×10 ⁻⁴	6.14	0.039
Emission Limit	1	0.4	20 (total with Dimethylbenzene)	1.0 (total with Dimethylbenzene)	30	2.9

ND= not detected, meaning the observed value is below the detection limit.

Environmental, Social and Governance Report

With the application of an effective internal control and strict monitoring system, the Group ensures that all exhaust gas meets the second-grade standard for the second-time frame of the Emission limits of air pollutants 《廣東省地方標準大氣污染物排放限值》 (DB44/27-2001), the standard emission limit in table 2 of the Emission standards for odour pollutants 《惡臭污染物排放標準》 (GB14554-1993), and the standard emission limit for the second-time frame of the Emission standard of volatile organic compounds for furniture manufacturing operations 《廣東省地方標準家具製造行業揮發性有機化合物排放標準》 (DB44/814-2010).

Noise

Noise is an inevitable emission from manufacturing factories, to which the Group attached great attention. Two aspects of noise control have been given particular attention by the Group – noise detection around operating sites and equipment upgrade in factories. In September 2019, the factories of the Group engaged Global (GuangDong) Quality Technology Service Co., Ltd in running tests on the noise level of several locations within the factory boundary. According to the testing results, the sound pressure of noise at one meter away from the factory perimeter in the north, south, east and west test points at both day-time and night-time all met the emission standard for the second grade of Emission Standard for Industrial Enterprise Noise at Boundary (《工廠企業廠界環境噪聲排放標準》) (GB 12348-2008), which is summarised in the table below. Meanwhile, the Group plans to further control its noise emissions by allocating more resources to technological innovation and purchasing new equipment that is notably quieter, more environmentally friendly and more efficient compared with the outmoded machinery of which the noise pollution might reach a high decibel level.

Table 3 Test results of industrial enterprise noise at boundary

Item	Testing Period	Testing Result Leq dB (A)	Standard Value dB (A)
One metre outside the north of industrial enterprise at boundary	Daytime	57.8	60
One metre outside the west of industrial enterprise at boundary	Daytime	55.0	
One metre outside the south of industrial enterprise at boundary	Daytime	53.4	
One metre outside the east of industrial enterprise at boundary	Daytime	56.7	
One metre outside the north of industrial enterprise at boundary	Nighttime	45.9	50
One metre outside the west of industrial enterprise at boundary	Nighttime	45.8	
One metre outside the south of industrial enterprise at boundary	Nighttime	41.7	
One metre outside the east of industrial enterprise at boundary	Nighttime	44.0	

In FY2019, the Group did not receive any substantiated complaints concerning noise from its nearby residents.

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A.2. Use of Resources

In FY2019, the primary resources consumed by the Group were electricity, gasoline, diesel, water, paper, and packaging materials (made by paper and plastic). Aiming to keep conserving energy resources for business operations, the Group followed its instruction of Energy Resources Control Approach, which covers the scope of application, roles of departments, monitoring management, and conservation measures of electricity, water and other materials. Meanwhile, the factories of the Group are committed to strengthening their internal environmental management through a variety of ways. Zhongshan KS Electronics Company of the Group (中山市堅城電子有限公司), for example, fully implemented its environmental strategy of 'Law Compliance, Saving Energy, Active Participation, Continuous Advancement' during the year under review, focussing on areas including the promotion of recycling, green procurement and improving energy efficiency. Table 4 illustrates the amount of different resources used by the Group in past three years.

Table 4 The Group's Total Use of Resources by Category in FY2019, FY2018 and FY2017

Resource Category	Item	Unit	Amount In FY2019	Intensity* (Per HK\$ Million) In FY2019	Amount In FY2018	Intensity* (Per HK\$ Million) In FY2018	Amount In FY2017**	Intensity* (Per HK\$ Million) In FY2017
Energy	Electricity	kWh in '000s	12,299	35.6	17,398	37.5	18,527	43.8
	Gasoline	L	27,206	78.9	31,143	67.2	37,484	88.6
	Diesel	L	9,203	26.7	22,926	49.4	56,809	134.3
Water	Water	Tonnes	74,814	216.9	125,735	271.2	141,327	334.2
Paper	Paper	Kg	3,544	10.3	14,000	30.2	-	-
Packaging Materials	By Paper	Tonnes	2,353,186 pieces in factory A and 2 tonnes in factory B**	-	270	0.6	580	1.4
	By Plastic	Tonnes	23,207,027 pieces in factory A and 30 tonnes in factory B**	-	1,067	2.3	1,183	2.8

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** Intensity was calculated by dividing the amount of energy, water and packaging materials by revenue of the Group in FY2019, FY2018 and FY2017 respectively, which was 345 million Hong Kong dollars in FY2019, 463.7 million Hong Kong dollars in FY2018 and 422.9 million Hong Kong dollars in FY2017. For better comparison across years, the revenue was adopted as the denominator for the calculation of intensity and the results in FY2018 and FY2017 were altered accordingly;*

*** Given the re-organisation of business operations in the Group, the consumption of packaging materials in FY2019 was presented in the both the format of pieces and weight, in order to ensure the accuracy of information disclosed. The Group believes that a separated disclosure of the consumption of packaging materials in factories of the Group was more useful than a rough estimation of the total weight of packaging materials at current stage. Nevertheless, the Group will keep improving its management of packaging materials by making a more detailed disclosure on the total weight in the future.*

Electricity

Office operations and manufacturing processes are major contributors to the consumption of electricity. In FY2019, the total electricity consumption of the Group amounted to 12,299 kWh'000s, with 143 kWh'000s consumed in Hong Kong Office and 12,156 kWh'000s in the factories in the PRC. During the year under review, a staggering drop of around 29% in electricity usage was recorded.

All business units of the Group have stringently complied with relevant regulations and the Group's policies of electricity conservation. To lower the consumption of electricity so as to diminish its GHG emissions, the Group has embedded the concept of 'Saving Electricity' into its environmental management system and business strategy. In particular, the Group implemented the following practices:

- Turn off all lights, electronics and other power consumption equipment at the end of the day;
- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);
- Place 'Save electricity and turn off the light when you leave please' posters to encourage workers and employees to conserve energy;
- Clean and maintain the electrical equipment in offices and factories (such as air conditioner and paper shredder) regularly to maintain their high efficiency;
- Purchase electric machines with recommended green specifications or rated high with China Energy Labels;
- Adjust the set temperature of air conditioners in the office based on the season;
- Replace lamps that consume large amounts of electricity with more efficient LED lighting fixture in offices;
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the office when possible;
- Make good selection of the transformer capacity and motors;
- Arrange the operation of machines efficiently and repair malfunctioned ones immediately; and
- Optimise the entire operating process by eliminating any unsustainable practice.

Environmental, Social and Governance Report

Other energy resources

Gasoline and diesel were mainly used by the Group for transportation purposes during the year under review. Controlling the consumption of these two types of fossil fuels is important to the Group as the burning of both resources could exert significantly negative influence on the environment and is believed to be the culprit of climate change. In FY2019, the amount of gasoline and diesel consumed by the Group plunged drastically, with 27,206 L and 9,203 L being recorded, respectively. It is worth mentioning that during the year under review, the factories of the Group substantially changed its consumption pattern of fossil fuels and did not use diesel as fuels for transportation, which was attributed to the Group's dedication to enhancing the awareness of environmental protection among employees, lowering the use of fossil fuel and investing hugely in research and development of more eco-friendly substitutions. In FY2019, the Group kept purchasing energy-efficient vehicles for transportation and operation, meliorating the machinery to perform better in protecting the environment, and initiating competitive mechanisms to incentivise factories to pursue a 'low carbon and low consumption' working environment and operation process. In addition, the factories of the Group kept strengthening its induction and professional training on employees in accordance with internal policies such as 'Quality & Environment Management Manual', encouraging its staff to take public transports instead of driving to work, and to adopt the electronic device for online conference to avoid unnecessary travelling as well.

Water

Water, to the Group, is a vital element for its manufacturing process. In FY2019, the Group did not face any serious water sourcing problems and the consumption of water by the Group in FY2019 declined by approximately 40% than the figure in FY2018. Water management has always been seen as a major topic to the Group, which has not only set water conservation targets and metrics on the level of corporate strategy, but also realised the significant role employees' daily practice plays in water conservation. To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Adopt low-flow faucets or showers in the office and dormitory;
- Fix the broken faucets or taps by plumbers immediately once the leakage failure is discovered;
- Recycle domestic water in the daily practice whenever possible;
- Set a utilisation limit of water for every employee and charge them for extra water bill as a trial project in certain factories;
- Put "Saving Precious Water Resources" posters in prominent places; and
- Conduct leakage tests and regular maintenance on the water supply system.

Environmental, Social and Governance Report

Paper

One of the principal natural resources consumed by the Group was paper for administrative work. To minimise the consumption of paper and paper products, the Group has adhered to its internal instruction of administrative paper use regulation during the year under review and put great efforts into the implementation of following policies:

- Choose suppliers with more environmentally-friendly paper source, so as to reduce the amount of tree losses while consuming the same amount of paper indirectly;
- Promote the concept of paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of "Think before print" by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- Reconsider boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Use the back of old single-sided documents for printing or draft paper.

Given the business re-organisation of the Group, the paper consumption in FY2019 for administrative work decreased sharply as compared with past years. In the future, the Group will insist on the implementation of Environmental Principles and improve the environmental awareness of employees and business partners through training and seminars, in order to save paper resources.

Packaging material

The principal packaging materials used by the Group were cartons boxes and plastics in varying sizes. To further raise the utilisation efficiency of packaging materials, the Group continued its research of cost-effective and eco-friendly materials as a replacement of traditional ones. Besides, a made-to-order basis was adopted for the packaging process, which could efficiently control the amount of consumed packaging materials, thereby to a large degree avoiding unnecessary waste of materials. What is more, the Group saw the recycling of packages for internal transportation as a crucial step to lower the waste of packaging materials. At the phase of delivery, for instance, plastic containers were collected by the Group and transported to central recycling station. Looking forward, the Group will allocate more resources and manpower to the management of packaging materials throughout the supply chain, carrying out a comprehensive analysis and measurement of the precise weight of various materials for packaging purposes.

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A.3. The Environment and Natural Resources

As a manufacturing enterprise, the Group realises that the plants that have driven the economic growth under its management may also pollute the air, water and soil nearby, to the point where environmental hazards could possibly result in a risk that influences the Group's sustainable development, if not corrected in a timely manner. Sticking to "safety, harmony and green development" (安全、和諧、綠色發展) and internal Environmental Principles, the Group has been committed to creating an innovative, resource-saving and environmentally-friendly corporation that pioneers in the industry of Industrial Goods, and pressing ahead to optimise and upgrade its business operations towards green production.

In reference to TCFD recommendations, the Group has conducted a self-examination on its influence on the environment and the implications of climate change on the business operations. During the year under review, air emissions and wastewater discharge were regarded as the potentially largest impacts the Group had on the environment among other factors. In accordance with 'Quality & Environment Management Manual', the Group has evaluated its environmental impacts in air and water emissions, including the impact scale, scope, frequency, attention rate, law compliance and other relevant indicators, and put forward a series of countermeasures to control its emissions from factories. Through the effective implementation of internal policies according to national guidelines and international standards, the Group has performance better year by year in its emission control and environmental management. In FY2019, the factories of the Group successfully promoted Environmental Management System under ISO 14001:2015 and '5S' management system (a workplace organisation method that uses a list of five Japanese words: seiri, seiton, seis, seiketsu, and shitsuke), while multiple production lines, such as the 'manufacture and assembly of plastic components', achieved the certificate of ISO 14001:2015, marking the solid progress the Group has made towards the building of a mature environmental management system.

As a leading enterprise in the industry whose principal activities are comprised of the manufacture and sale of industrial goods, there is no denying the fact that a reliable and stable supply of natural resources is imperative to the Group's long-term success. Apart from the key raw materials, the Group has invested in the transitioning towards 'Clean' production. In the meantime, the Group values the education and advocacy of low-carbon operations and lifestyle, and motivates every employee to learn the concepts of circular economy and seek corporate sustainable development collectively. For example, employees are tremendously encouraged to take public transport instead of private cars in order to lower their individual carbon footprint.

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To conform with international standards in preserving energy resources and elevating the long-term sustainability objectives to a global level, the Group has assessed its resilience of enterprise's strategy and financial planning to address forthcoming risks based on the establishment of climate-related scenarios and gap analysis. Albeit at a preliminary stage, the Group is on the way of evaluating and incorporating certain SDGs that are believed material to the Group's business planning into its policies and decision-making process. Adhering to the concept of green development in an all-round way, the Group aims to play a vital role in leading the development of the entire industry towards low-carbon economy and uniting its stakeholders to work harder in response to climate change.



VI. SOCIAL SUSTAINABILITY

The Group has established an integrated philosophy of 'People-Oriented Management and Innovation' since its inception. The Group believes that a humanitarian approach in corporate management and the creation of shared value for all are important to articulating corporate vision of sustainable development from the board to various business units. The Group has been committed to its social responsibilities of making the industry and community better.

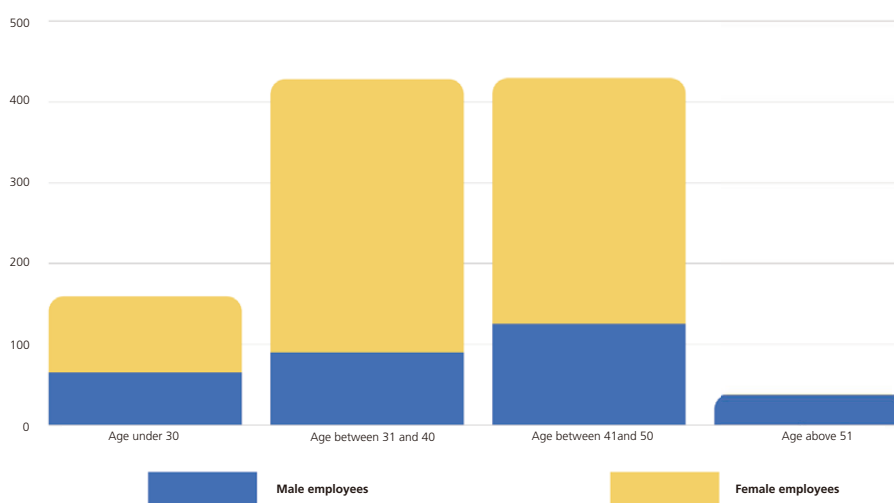
Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES

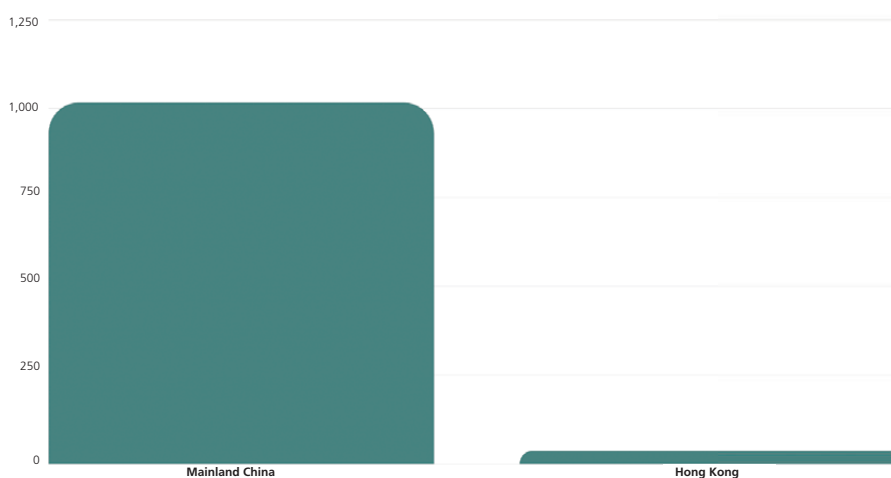
B.1. Employment

The Group embraces the concept of “To let everybody fully display his/her talents and make the best use of everything” (人盡其才、物盡其用) and strives to provide its employees with a safe and suitable platform for being equipped with professional skills and developing their vocational careers. As at the end of FY2019, the Group had a total of 1,034 full-time employees, in which the number of male employees was 317 and female 717.

Total workforce by age



Total workforce by geographical location



Environmental, Social and Governance Report

Law compliance

In FY2019, the Group's human resources policies strictly abided by the applicable employment laws and regulations in Hong Kong and the PRC, including but not limited to the

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China
《中華人民共和國勞動法》; and
- Labour Contract Law of the People's Republic of China
《中華人民共和國勞動合同法》.

The Department of Human Resource of the Group is responsible for the reviewing and updating of relevant corporate policies on a regular basis in accordance with the latest laws and regulations.

Recruitment and promotion

The Group has adopted a set of transparent and clear internal procedures to conduct its annual recruitment plan, such as 'Personnel Recruitment Plan'. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspirations. The Group also references market benchmarks and has formulated 'Compensation Management Regulation' in determining its remuneration and benefit policies. The Group constantly reviews its compensation packages and performs probationary and regular evaluations on the employee's capability and performance in the past. This ensures that all employees can be recognised by the Group appropriately with respect to their efforts and contributions.

Compensation and dismissal

Any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as 'Staff Handbook'. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Working hours and rest periods

The Group has formulated its policy based on local employment laws including the 《Provisions of the State Council on Employees' Working Hours》（國務院關於職工工作時間的規定）to determine working hours and rest periods for employees. The Group compensates those who work overtime with extra pay or additional paid leave. In addition to the basic paid annual leave and statutory holidays, employees are also entitled to additional leave benefits such as marriage leave, maternity leave, compassionate leave, etc.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. Training and promotion opportunities, dismissals and retirement policies are all irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other discriminative elements. Meanwhile, the Group firmly stems the torrent of any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Once any discrimination-related cases are reported and substantiated, the Group will take necessary disciplinary actions on relevant employees or departments immediately.

Environmental, Social and Governance Report

Other benefits and welfare

The well-being of employees has been one of the key issues of the Group. Apart from the employment injury insurance for employees and various parties are often arranged for its employees. In FY2019, the Group held a multitude of team-building activities for its employees.

FY2019 Corporate Activities



During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain good working conditions, the Group's safety and health policies have abided by relevant laws and regulations in Hong Kong and the PRC, including the

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China
《中華人民共和國安全生產法》;
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases
《中華人民共和國職業病防治法》;
- Regulation on Work-Related Injury Insurance
《工傷保險條例》; and
- Report on Production Safety Accident and Regulations of Investigation and Treatment
《生產安全事故報告和調查處理條例》.

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To avoid the occurrence of accidents and enhance the employees' health and safety awareness, the Group has followed its internal policies, such as 'Quality & Environment Management Manual', arranging a multitude of training courses and seminars about occupational health and safety for its employees, including the Proper Handling of Hazardous Materials, Occupational Health and Safety, Emergency Management and '5S' training. The Group also offered free annual physical examination for all employees, especially special medical examinations for workers engaged in hazardous occupations in industrial undertakings during the year under review.

Occupational health and safety has never been seen as an isolated topic to the Group. On the contrary, the Group is committed to integrating the promotion of employees' health and safety into its whole production process. Specifically, the Group's policy in occupational health and safety is in line with the human-based management and fully takes into account the social, psychological and physical factors in the operations, aiming to provide a genuinely comfortable and safe environment to its employees.



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Here is the highlight of other measures the Group has taken in its management of occupational health and safety:



In FY2019, the Group's total lost days due to work injury were 8 days, and the number of casualties due to work in past three years was 2 pieces in FY2017, 10 pieces in FY2018 and 7 pieces in FY2019. The factories of the Group normally issues an Industrial Injury Report for any relevant case, in which the accident description, reasons of accident, improvement and precautionary measures, treatment process and recovery progress of the employee are detailed for future reference. During the year under review, the Group was in compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

The Group has followed its internal policies for development and training, and provided tailor-made training packages to the new hires and experienced workers. Specifically, new employees are required to receive training covering the topics of History of Company, Corporate Governance Structure, Corporate Culture, Business Processes, and Management System. As for experienced employees, profession-oriented courses are offered according to the corporate demands and employees' expectations. To protect employees from occupational hazards and prevent adverse health risks within the factories, the Group has established a series of policies according to the ISO 14001 and OHSAS 18001 (Occupational Health and Safety Management System), such as the 'Regulation of Occupational Health and Safety', 'Regulation of Industrial Accident', 'Emergency Response Plan and Emergency Rescue System', and 'Fire Drill'.

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The Group also encourages and supports outstanding employees to attend external training programmes and take professional qualification examinations to enhance their competitiveness. Meanwhile, external experts and professionals are regularly invited to provide relevant training to employees, which is believed to be beneficial to employees' career paths. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive reimbursement from the Group.



In FY2019, the total training time of the Group were 7,704 hours and the number of employees who participated in relevant training programmes amounted to 333 employees. Notably, the Group has put its emphasis on the training and career development of its general employees, whose time spent on the training course occupied around 70% of the total hours of training the Group provided to all its staff.

B.4. Labour Standards

The Group has abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour employment. To combat illegal employment on child labour, underage workers and forced labour, the Group's Department of Human Resource requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. The Department of Human Resource is responsible for monitoring the practice of recruitment and employment practice, and ensuring the compliance of corporate policies and practice with the latest laws that prohibit child and forced labour. Once the Group found any case against labour standards, the employment would be immediately terminated.

In FY2019, the Group was in compliance with relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

Environmental, Social and Governance Report

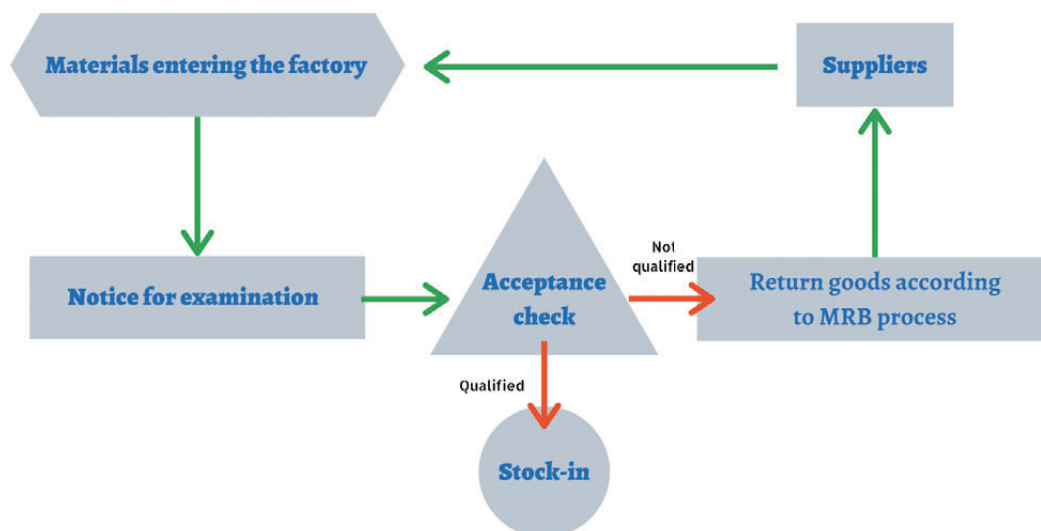
OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical for the Group to maintain and manage a sustainable and reliable supply chain that brings positive impact to the environment and society. As such, the Group keeps monitoring the quality of its suppliers according to internal policies and managing their supply chain practice on a continuous basis.

The primary raw materials used by the Group are plastics, electronic optical devices, hardware, and packaging materials. To make sure that all materials meet the quality requirement of the Group and suppliers are competent to carry out tasks, the Group has established strict and clear internal regulations for procurement and the selection of suppliers in accordance with ISO 9001 and ISO 14001. For instance, the Group necessitates its suppliers to possess legal business licenses and provide high-quality materials with an environmentally-friendly production process according to the 'Selection and Evaluation of Suppliers Control Procedures' (供應商選擇和評價控制程序). To avoid the shambolic management that might arise in the course of procurement and raw material management, the 'Selection and Evaluation of Suppliers Control Procedures' has clarified the working process in supplier selection from investigation of suppliers to qualified suppliers verification. Specifically, it is the duty of the Quality Control Department to collect relevant information on potential suppliers and examine their performance regularly. The Department of Engineering is responsible for the evaluation of the technical capability of suppliers, whereas the final confirmation and file management should be the work of the Department of Procurement. Besides, the Group's 'Incoming Material Inspection Control Procedures' (來樣檢驗程序) defines the responsibility of each department to make sure that the raw materials from suppliers are 100% qualified before being used for production.

Simplified Incoming Material Inspection Process



Environmental, Social and Governance Report

To maintain a reliable and stable supply chain, the Department of Procurement keeps a close relationship with suppliers and reserves products in advance where appropriate for any emergency. The Group has formulated the internal policy about supplier management and divides suppliers into groups according to various factors so as to implement a differentiated management strategy. Given the solid and steady relationship with suppliers, the Group has not experienced any material delays, conflict or other significant issues with its suppliers in past years. The Group believes that a mutual understanding and a sense of responsibility towards each other is essential to maintaining a sustainable and sound relationship with selected suppliers. During the year under review, the Group had 117 suppliers in Mainland China and Hong Kong in total, and the percentage of suppliers where the Group implemented its Green Procurement policy was almost 100%.

In FY2019, the Group strictly stuck to its 'Counter-measures to Address Risks and Opportunities Control Policy' (風險和機遇應對措施控制程序) for its social and environmental risk management in the evaluation of suppliers and procurement process, following rigorous and effective steps, from the identification of risks, building the risk management team, formulating and executing plans, to annual audit and validity review, for its supply chain management.

B.6. Product Responsibility

With respect to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in compliance with the relevant rules, regulations and standards in the PRC and Hong Kong, including but not limited to the:

- Product Quality Law of the People's Republic of China
《中華人民共和國產品質量法》;
- Patent Law of the People's Republic of China
《中華人民共和國專利法》;
- Law on Protection of Consumer Rights and Interests of the People's Republic of China
《中華人民共和國消費者權益保護法》; and
- Production Safety Law of the People's Republic of China
《中華人民共和國安全生產法》.

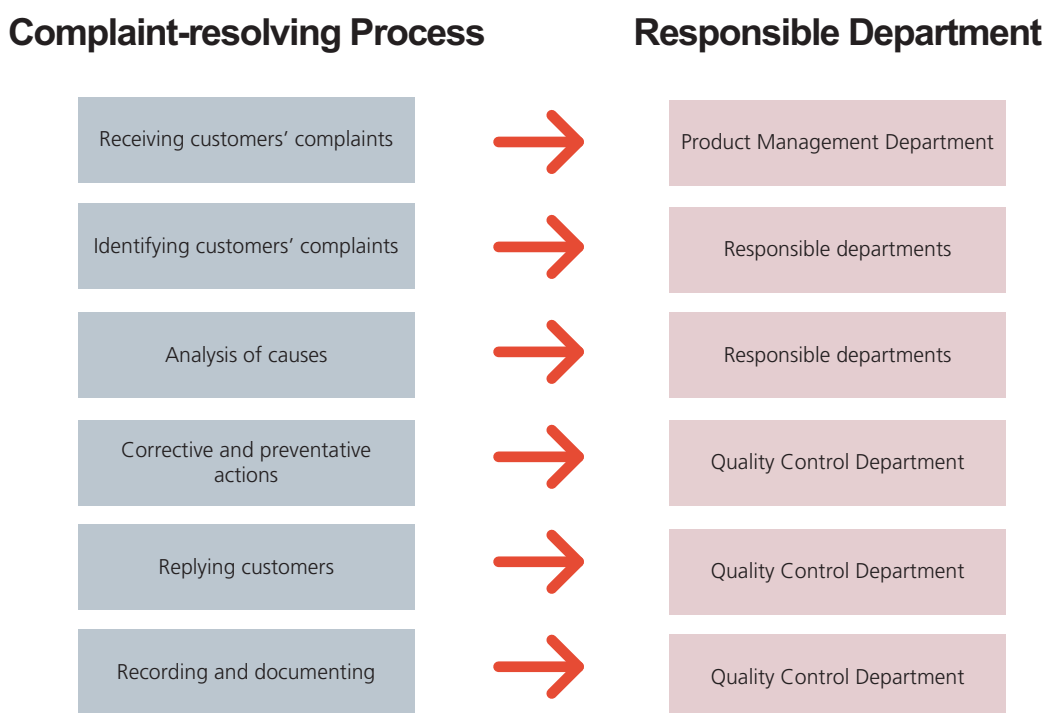
Environmental, Social and Governance Report

Product responsibility has always been a major concern for the Group, which spares no efforts in formulating and implementing a series of effective internal policies in its management of production process and delivery of final products. To seek the high quality of final products and make sure that its top-notch services can satisfy customers' needs, the corporate philosophy was incubated naturally from the Group's business growth and has cascaded through all levels of the enterprise. To promote a strict compliance with local and global rules and regulations such as the Registration, Evaluation, Authorisation, and Restriction of Chemicals (REACH) (a European Union regulation dating from 18 December 2006 that addresses the production and use of chemical substances, and their potential impacts on both human health and the environment), and Restriction of Hazardous Substances (RoHS) in order to obtain the CE marking (a certification mark that indicates the conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA)), the Group has established the 'Internal Audit Control Procedures' (內部審核控制程序) that is used as a guide to monitor, investigate and manage the products. In the meantime, the Group also regulates that all incoming materials must comply with the requirements of controlled substances in REACH, RoHS and Sony SS-00259 according to its internal policy of 'Controlled Substances Assurance Agreement' (限禁用物質保證協議書). With the effective implementation of the policy of 'Final Inspection Work Procedures' (最終檢驗作業程序), 'Incoming Material Inspection Control Procedures' (進料檢驗控制程序), 'Product Protection Control Procedures' (產品防護控制程序) and 'Quality & Environment Management Manual' (質量環境管理手冊), the Group has been committed to delivering its best services and products to its clients.



Environmental, Social and Governance Report

To ensure that its customers' voice can be heard in time, thereby to large extent improving the product and service quality, the Group has established standard procedures for handling product enquires and customer's complaints such as the policy of 'Customer Service Management Procedures' (客戶服務管理程序), which provides a standard working process for dealing with customers' complaints. Through this complaint-resolving process and review on internal corrective actions, the Group could incessantly strengthen its product offerings, service quality, and consequently remain competitive in the market. In FY2019, the complaints received by the Group were mainly the scratches on product surfaces. To internalise the feedback, the Group has strengthened the training to relevant staff, posted warning pictures about the damages on product surfaces on site to remind employees, and optimised the manner of packing.



In terms of the recall issues, the Group has implemented its internal policies including the 'Control Procedure of Nonconforming Products' (不合格產品控制程序) and 'Control Procedure of Returned Products' (退回產品控制程序). Once the Group receives returned products, a comprehensive inspection process would be started immediately, and the Group will take full responsibility and recall the unqualified products if the case is confirmed.

To prevent any untrue or exaggerated advertisement that violates the Advertising Law of the People's Republic of China 《中華人民共和國廣告法》, the Group has internal guidelines and person in charge to monitor its marketing materials and product labelling. Meanwhile, the Group endeavours to protect its customers' privacy and prohibit any provision of customer's information to external parties without the authorisation of its customers. All collected personal data of customers during the course of business must be treated as confidential and accessible by designated personnel only.

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In FY2019, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group has strictly abided by the Anti-corruption law of the people's Republic of China 《中華人民共和國反腐敗法》, the Law of the People's Republic of China on Anti-money Laundering 《中華人民共和國反洗錢法》, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has formulated and strictly enforced its anti-corruption policies as stipulated in its Staff Handbook to manage any fraudulent practices. The Group prohibits all forms of bribery and corruption, and requires all employees to stick to the codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. In the factories of the Group, the Administrative Director of each factory is responsible for the oversight of the execution of anti-corruption policies. During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

Whistle-blowers can report verbally or in writing to the Audit Committee of the Group or the Department of Human Resource for any suspected misconduct with full details and supporting evidence. Where criminality is suspected, a report will be made promptly to relevant regulators or law enforcement authorities when the management considers it necessary.

During the year under review, the Group was not in violation of any relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

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COMMUNITY

B.8. Community Investment

Being a corporate citizen and a trailblazer to become an enterprise that cares about the healthy development of communities where it operates, the Group believes that its sustainable development cannot be achieved without the collaboration with local communities and the growth of the entire society. Over years, the Group organised a number of donation events, in particular a fundraising event in accordance with the traditional virtue of 'When disaster struck, help came from all sides' within the company, in which a number of employees from various departments proactively participated to show their mercy and sympathy for a patient. A total of 12,853 CNY coming from all departments in the subsidiary including administrative, quality, CNC, packaging and other business units was received and fully donated to the patient. In September 2019, the Group donated 11 computers, 4 printers and 1 scanner to Caritas Computer Workshop, whose mission is to provide refurbished computers to the needy people at an affordable price.



To better fulfil its social responsibilities, the Group commits to keep playing a leading role in assisting the communities to thrive in the near future:

- Actively engage local community groups in determining the best approach to raise the awareness of environmental protection among citizens; and
- Help the impoverished and underprivileged people by providing voluntary assistance and financial support for their pursuit of life improvement.

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VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
A. Environmental				
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.	<i>GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 305: Emissions: Management approach disclosures guidance GRI 307: Environmental Compliance: Disclosure 307-1</i>	11
	KPI A1.1	The types of emissions and respective emission data.	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-6, and 305-7	12
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-4	13
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306-2 (a)	13
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306-2 (b)	13
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 305: Emissions) GRI 305: Emissions: Clause 1.2 and Disclosure 305-5	14

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Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 306: Effluents and Waste) GRI 306: Effluents and Waste: Disclosures 306-2 and 306-4	14
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water)	19
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302: Energy: Disclosures 302-1 and 302-3	19
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not covered by the GRI Standards	19
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302-4 and 302-5	20
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water) GRI 303: Water: Disclosure 303-3	21

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Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301: Materials: Disclosure 301-1	19
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste).	23
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 103: Management Approach: Disclosures 103-1 and 103-2 (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 303: Water: Disclosure 303-2 GRI 304: Biodiversity: Disclosure 304-2 GRI 306: Effluents and Waste: Disclosures 306-3 (c) and 306-5	23

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Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
B. Social				
Employment and Labour Practices				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 202: Market Presence, GRI 401: Employment, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination) GRI 419: Socioeconomic Compliance: Disclosure 419-1	25
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 403: Occupational Health and Safety) GRI 419: Socioeconomic Compliance: Disclosure 419-1	27
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 404: Training and Education) GRI 404: Training and Education: Disclosure 404-2 (a)	29
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 408: Child Labor and GRI 409: Forced or Compulsory Labor) GRI 419: Socioeconomic Compliance: Disclosure 419-1	30

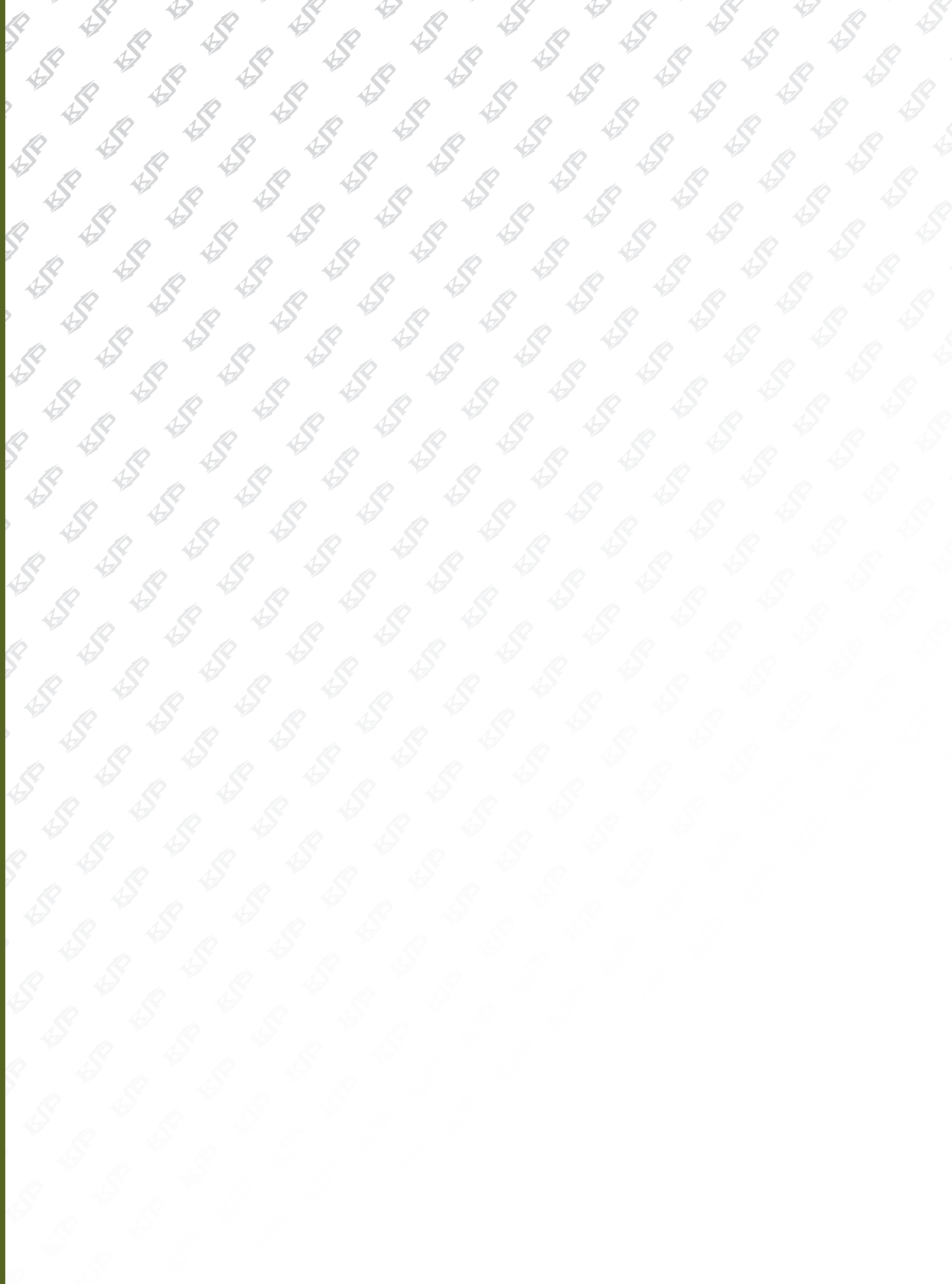
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Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment)	31
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 416: Customer Health and Safety, GRI 417: Marketing and Labeling, and GRI 418: Customer Privacy) GRI 416: Customer Health and Safety: Disclosure 416-2 GRI 417: Marketing and Labeling: Disclosures 417-2 and 417-3 GRI 418: Customer Privacy: Disclosure 418-1 GRI 419: Socioeconomic Compliance: Disclosure 419-1	32
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.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 205: Anti-corruption) GRI 205 Anti-corruption: Disclosure 205-3 GRI 419: Socioeconomic Compliance: Disclosure 419-1	35

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Aspects	ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
Community				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 413: Local Communities)	36

* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide'.



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