

Vital Mobile Holdings Limited

維太移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

2016 Environmental, Social and Governance Report

About the Report

Scope and Reporting Period

The board of directors of Vital Mobile Holdings Limited (the “Company” (stock code: 6133) and together with its subsidiaries, the “Group”) is pleased to present the Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2016 in accordance with Appendix 27 (the “Guide”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Following the materiality tests, the Group has decided to include all of the entities and businesses in the ESG Report for the full disclosure responsibility. Unless otherwise stated, the reporting period is 1 January 2016 to 31 December 2016.

Our Commitments

The Group is a major smartphone supplier listed in Hong Kong which provides high-end and one-stop ODM services and software development strategically targeting the overseas markets. With continuous support of our shareholders, clients and working partners, the Group has been improving its corporate structure and has a role as a responsible corporate citizen, striving to improve environmental, social and governance efficiency with contribution to the community for years.

During the reporting period, we adhered to the missions and values of the Group by implementing various internal policies on an ongoing basis based on the principle of sustainable development, striving to reduce the environment and social impacts caused by our daily operations, while stepping up efforts in environmental protection, staff training and anti-corruption, so as to create value for all of its employees, suppliers, shareholders and other stakeholders and strike a balance between the interests of various parties.

A. Environmental

Emissions

The Group is mainly engaged in providing the design, development and related services of smart terminal products without any mass emissions to and significant impact on the

environment. However, the Group has an in-depth understanding of applicable laws and regulations concerning emissions. During the reporting period, the Group fully complied with the laws and regulations related to the aspect of emissions (i.e. air emissions, greenhouse emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes).

Specifically, the Group had no greenhouse gas emissions in the course of business and had no direct consumption of gas/liquified petroleum gas or gas pollutants caused by driving its own vehicles or rented vehicles in the course of business. Annual hazardous wastes produced by the business of the Group amounted to 0.005 tonnes only, representing an insignificant impact on the environment. In addition, the annual non-hazardous wastes (such as residential and domestic wastes) produced by the Group amounted to 10 tonnes. The wastes shall be transported to designated sanitation facilities for central treatment. The waste water, purely generated from living activities, was discharged and treated through the municipal waste pipes without any adverse environmental impact.

Use of Resources

The resources consumed in the operation of the Group were mainly electricity, water and packaging materials. During the reporting period, the Group adopted green initiatives and measures to enhance the efficiency of use of resources, including paper recycling, conservation of energy and water saving measures, and for example, we called for applying double-sided printing while encouraging staff to bring their own cups to replace disposable paper cups, so as to reduce the use of paper; the office tried to reduce waste by fully applying refillable ball pens and mechanical pens; energy-saving guidelines were distributed to employees to ensure all lighting, air-conditioners, computers and other office appliance were turned off after office hours; and sensor taps were installed in washrooms with water-efficiency labels posted in water-consuming areas.

The Environment and Natural Resources

As mentioned above, energy resources consumption was the major environmental impact caused by the business of the Group. The Group has always aimed at improving energy consumption by formulating indicators for annual energy consumption, and various departments were required to strictly comply with the policy with regular reporting of the progress for better management and monitoring. By adopting the above

measures, the Group can ensure the efficient use of resources and mitigate the environmental impact due to its business operation.

B. Social

Employment

The Group has complied with all the applicable laws and regulations in respect of employee remuneration of the places where it operates, formulated specific policies regarding different aspects and monitored the measures undertaken. The Group treats all employees in accordance with the principle of equality, and has formulated clear policies on the rights and benefits of employees, and employees will not be subject to discrimination due to their gender, age and other personal attributes.

As at the end of the reporting period, the total number of employees of the Group was 32, of which 11 and 21 were male and female employees respectively, with a turnover rate of 60.3%.

Health and Safety

As employees are the most valuable assets of the Group, we have been adhering to the necessary health and safety standards to protect employees against occupational and health risks. The Group is proud of being capable of providing a safe, efficient and comfortable working environment. During the reporting period, the Group made appropriate arrangements, conducted training and guidance to ensure the health and safety of our working environment and provided employees with information related to health and safety so as to enhance their awareness of occupational health and safety. As at the end of reporting period, the Group complied with all the applicable laws and regulations in respect of provision of a safe working environment and employee protection against occupational and health risks, and formulated related specific policies in respect of the above aspects.

The Group strives to eliminate or reduce the use of toxic and hazardous materials. The R&D Department gives careful consideration on risks concerning health hazards, work injuries and occupational diseases in the product design process or ahead of changes in production parameters and processes. During the design assessment stage, we evaluate the potential occupational, health and safety risks arising from the use or production of our products to ensure that the safety of employees will not be compromised.

Meanwhile, the Group encourages the use of non-toxic and non-hazardous materials and craftsmanship and technology, and has simplified the manufacturing process to enhance safety and protection for our employees.

The Group sets high safety standards on equipment and instruments, and overloading or abnormal operation is prohibited for any equipment and instrument, with guidelines for proper use provided. In addition, these equipment and instruments are regularly maintained, inspected and repaired by qualified technicians. Should the obsolete equipment fail to comply with the safety standards, the update and improvement processes shall be conducted in a systematic way, with detailed arrangements made beforehand to protect employees from injury to their health and work injuries.

In addition, the Group has been putting emphasis on the health and well-being of employees by providing them with annual medical check-up, so that they can pay close attention to their physical and mental health. Our employees are also entitled to medical insurance and other healthcare packages so as to safeguard their physical and mental health.

Development and Training

The continued development of employees underpins the creation of additional value for the business of the Group. Therefore, the Group has developed a series of specific policies to enhance the professional knowledge and career skills of employees, and to help them fully unleash their potentials in their respective positions.

To enhance the knowledge and skills of employees, various departments of the Group formulate training schemes and arrangements in each year for new recruits, incumbent staff members, staff members holding special posts and management staff members. Incumbent staff members are required to be trained annually in accordance with the training arrangements. Staff holding special posts are required to be trained in special work procedures and contents relevant to their posts at least annually. In addition, employees of nationally designated special trades, such as electrical workers and drivers, are required to undergo professional training and qualifications assessment in order to obtain the certificates of competency for the respective posts. Management staff members will undergo training based on the actual needs of their posts for acquiring new knowledge and new theories of the relevant business operations and keeping abreast of the needs of the industry, so as to enhance governance standards.

During the reporting period, the Group held two induction training sessions for new staff so that they could understand the workflow, codes of conduct as well as the structure of the enterprise and the staff as soon as possible. This will effectively shorten the time for new employees to get acquainted with their work, and help them adapt to their work environment and gain a deeper understanding of the values and corporate culture of the Group. In addition, the sales department of the Group held a number of training activities during the reporting period, including training on management system documents, corporate targets and indicators, environmental factors, sources of hazard, laws and regulations and basic quality inspection in sales, so that the overall skills capability of the sales staff was enhanced. During the reporting period, all employees of the Group completed at least 10 hours of training.

Labour Practices

During the reporting period, the Group complied with all applicable laws and regulations prohibiting the employment of child labour and forced labour. The Group has formulated specific policies to eliminate illegal acts like child labour and forced labour, and will not tolerate any such acts to protect the rights and interests of children. To prevent the employment of child labour (i.e. persons under 18 years of age) and forced labour, the Group will carefully check the identities of its employees and require them to submit a copy of the relevant identity documents to ensure that the information provided is true and correct before the employees assume duty. Any cases of false documents or identity documents discovered will be taken as fraud. The Group is entitled to terminate the labour contract with the relevant employee without assuming any compensation liability.

In addition, the Group upholds the philosophy of “work-life balance” and is committed to providing employees with a relaxed and harmonious work environment. During the reporting period, the Group implemented a five-day work week regime with 8 hours of work and 1 hour of lunch break per day, so as to allow employees to have adequate rest and to boost staff morale. In addition, employees enjoy national statutory holidays, marriage leave, maternity leave, bereavement leave and paid annual leave, so that they can relax and achieve a balanced development in work and life.

Supply Chain Management

The Group believes that our products are 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 production processes and products of the Group. Therefore, the Group has formulated policies to manage and monitor its supply chain and developed specific standards and measures for selecting suppliers. As at the end of the reporting period, the Group had 149 suppliers of materials.

The Group has stringent requirements on suppliers of materials and those involved in the Group's important environmental factors, significant occupational health and safety risks, or those who may cause environmental events or significant occupational health and safety events, are considered as key stakeholders for exerting influence and included in the "List of Key Stakeholders for Exerting Influence" approved by the management, and other stakeholders not included in the list are considered as general stakeholders.

The quality assurance department and the relevant responsible departments each keep a copy of the list so that the relevant departments can closely monitor the impact of the stakeholders on the Group and take preventive measures, including (i) controlling and collecting information on environmental indicators and various activities taking place at production sites by the quality assurance department; (ii) dissemination of the relevant information by the purchasing, planning and production department to the above key stakeholders for exerting influence and requiring them to understand the relevant policies and objectives of the Group and provide products and on-site services that comply with the stipulated requirements; and (iii) strengthening the acceptance inspection of incoming materials, controlling environmental indicators of materials, as well as timely contacting the stakeholders, exerting necessary penalties and taking rectification measures for any identified acts that fail to comply with the stipulated requirements.

Product Responsibility

Customers become increasingly demanding in terms of products and services in a market with intense competition. The Group is convinced that the only way to win the trust and support of customers is to create the greatest value for them. Therefore, the Group has made every effort to stringently control the quality of its products by fully complying with laws and regulations on product responsibility, so as to boost customers' confidence in the products and services of the Group.

The Group has formulated a stringent product responsibility policy, which requires

strict enforcement by employees. The departments of the Group will regularly provide employees with training on professional knowledge in product responsibility. Through means such as meetings or training, employees will be able to appreciate that applicable product responsibility laws and regulations, including the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Law of the People's Republic of China on Protection of Consumer Rights and Interests, in the business process, and attach greater importance to product responsibility.

Sparing no effort in product quality management, the Group has developed stringent production operation and quality control processes and provided staff with clear work guidelines to safeguard product quality and standards. The Group observes the Law of the People's Republic of China on Protection of Consumer Rights and Interests, and provides consumers with genuine information on goods or services and prohibits any false or misleading promotion. The quality assurance department has made arrangements for relevant departments to obtain and identify laws, regulations and other requirements applicable to the products or services of the Group, and has formulated specific measures to regularly follow up the status of the products and update the information in a timely manner. The department will also disseminate and transmit the latest information to relevant departments to ensure that product quality can comply with all relevant requirements. During the reporting period, the Group did not find any case of non-compliance related to product responsibility, and there was no case of product recovery due to safety reasons.

Anti-corruption

The Group is committed to maintaining high standards in corporate governance, and anti-corruption and combating corrupt practice have always been the core philosophy of its internal governance. The Group strives to combat any misfeasance in the course of business and eradicate any acts of bribery, extortion, fraud and money laundering. During the reporting period, the Group fully complied with the relevant laws and regulations on bribery, extortion, fraud and money laundering.

The internal control team of the Group is formed for guidance work in anti-corruption and combating corrupt practice, and specifically, it makes arrangements for and works on combating corrupt practice across departments and company-wise. In addition, the Group has established a set of sound and effective procedures for combating corrupt practice, including assessment of the risks for corrupt practice and preventive measures.

The internal control department of the Group has set up complaint channels for all employees and other persons to inform, report and disclose actual or suspected cases of corrupt practice in breach of professional ethics through confidential and/or anonymous channels such as dedicated hotlines and e-mail. Upon receipt, all reports will be investigated in a comprehensive, impartial and fair manner as far as possible, and handled or rectified as soon as possible.

Community Investment

Although the Group has not yet formulated a specific community investment work plan, 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. In future, the Group will actively participate in activities for public causes and encourage employees to join various types of charitable events, so as to contribute to our society and promote the sound development of the Group in the long run.

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