

# 2019

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



**China International Development Corporation Limited**  
**中聯發展控股集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264

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## ABOUT THE GROUP

China International Development Corporation Limited (hereafter referred to as the “**Company**” or “**we**”) and its subsidiaries (together, the “**Group**”) are principally engaged in: manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

Environmental and social responsibilities are viewed as the Group’s core commitment to the environment, internal workplace and external community, and an integral part of the Group’s practice to create value for stakeholders.

Our strategy is to fulfill the Group’s environmental and social responsibilities through achieving environmental and social objectives during operations and complying with all relevant legal requirements.

The board of directors (the “**Board**”) has overall responsibility for the Group’s environmental, social and governance (“**ESG**”) strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

## ABOUT THE REPORT

The Group is pleased to present its fourth Environmental, Social and Governance Report (the “**ESG Report**” or the “**Report**”) for the year ended 31 December 2019 to provide an overview of the Group’s management of significant issues affecting the operation, including ESG. This ESG Report is prepared in accordance with disclosure obligations under the “comply or explain” provisions contained in the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the “comply or explain” provisions contained therein.

### APPLICABLE SCOPE AND REPORTING PERIOD OF THE REPORT

This report covers the Group’s overall ESG performance and selected key performance indicators (“**KPI**”) from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”). A complete index is appended in the last chapter hereof for reading this Report in accordance with the ESG Guide. The scope of this report is consistent with that of our third ESG report published last year, which focuses on the retail business in Hong Kong and manufacturing operation in the People’s Republic of China (“**PRC**”).

### EXPLANATIONS ON DATA

Financial data in the report are extracted from the 2019 annual report. Other data are extracted from the Company’s internal management system and statistics, and partly comprise of data from previous years. Unless otherwise stated, Hong Kong dollars (“**HK\$**”) is used in this report as its functional currency. The intensity disclosed for the Reporting Period was calculated by dividing the amount of the emission/waste/resources consumption by the Group’s revenue of approximately HK\$61.2 million for the year ended 31 December 2019.

### CONFIRMATION AND APPROVAL

The information contained herein is sourced from official documents and statistics of the Group, and management and operation information collected in accordance with the Group’s systems. This Report has been confirmed and approved by the Board of the Company.

### REPORTING FORM

The Report is available in English and Chinese versions. For any discrepancies between the two versions, the English version shall prevail. The report is issued in print and electronic versions. Please visit [www.irasia.com/listco/hk/cidc/index.htm](http://www.irasia.com/listco/hk/cidc/index.htm). to download the report. Please call (852) 2329 3678 if you need a print version.

### OPINIONS AND FEEDBACK FROM STAKEHOLDERS

The Group attaches great importance to valuable opinions from all stakeholders. If you are in any doubt or have any opinion or recommendation about the content or form of reporting of this Report, you are welcome to contact the Group by the following means:

Address: Level 26, 39 Queen’s Road Central, Central, Hong Kong  
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## MESSAGE FROM THE BOARD

The Company is pleased to present the fourth ESG Report of the Group. The global business environment remained challenging in 2019. The economic atmosphere and investment confidence was definitely unfavourably affected by the continuous trade dispute between the United States and the PRC. Moreover, the unpredictable evolving impact of the worldwide outbreak of the novel coronavirus (the “**COVID-19**”) since the first quarter of 2020 casted additional threats to the already down-falling global economy, causing the leather manufacturing business and retail sector in Hong Kong of the Group to face a tougher challenge.

We believe incorporation of the principle of sustainable development into our operation is the key to long-term growth and creation of benefits to our stakeholders. During the Reporting Period, while operating all business segments, we were also actively identifying risks and opportunities in relation to sustainable development, as well as striving to enhance our performance in terms of environmental, social and corporate governance.

We applied corporate social responsibility best practices to every facet of our business. We made strides to build sustainable supply chains, to shoulder the product responsibility and to enhance employee welfare by continuing to build a safe workplace that fosters professional development for all employees.

Further, we provide trainings to employees to make sure that they are faithful and self-disciplined. Relevant administrative system has also been set up to eliminate the risk of corruption as far as possible. In the near future, we will try our best to understand the needs and opinions of each of our stakeholders and improve the Group’s performance in every aspect of environmental, social and corporate governance.

On behalf of the Board, I would like to extend our sincere appreciation to the support and trust of our stakeholders. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the year. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

On behalf of the Board

**Zhao Jingfei**

*Chairman*

Hong Kong, 30 July 2020

# STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Stakeholders engagement is a key factor in formulating our environmental and social strategies, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include government, shareholders and investors, employees, customers, suppliers/partners, peer/industry associations, market regulators and public and communities. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

Stakeholder	Expectation	Engagement channel	Measures
Government	<ul style="list-style-type: none"> <li>– To comply with laws</li> <li>– Proper tax payment</li> <li>– Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>– On-site inspections and checks</li> <li>– Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>– Public information disclosed on The Stock Exchange of Hong Kong Limited (“HKEX”) website, such as interim reports, annual reports and announcements</li> <li>– Company website</li> <li>– Compliance control</li> </ul>	<ul style="list-style-type: none"> <li>– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government’s supervision, inspection and evaluation (if any), and actively undertook social responsibilities.</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>– Return on investment</li> <li>– Information disclosure and transparency</li> <li>– Protection of interests and fair treatment of shareholders</li> <li>– Business risk management</li> </ul>	<ul style="list-style-type: none"> <li>– Annual general meetings and other shareholder meetings</li> <li>– Public information disclosed in HKEX, such as interim reports, annual report and announcements</li> <li>– Meeting with investors and analysts</li> <li>– Company website</li> </ul>	<ul style="list-style-type: none"> <li>– Issued notices of general meetings and proposed resolutions according to regulations, disclosed company’s information by publishing announcements/ circulars and periodic reports during the Reporting Period.</li> <li>– Carried out different forms of investor activities with an aim to improve investors’ recognition. Disclosed company contact details on website and in reports and ensured all communication channels available and effective.</li> </ul>

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Stakeholder	Expectation	Engagement channel	Measures
Employees	<ul style="list-style-type: none"> <li>— Safeguard rights and interests of employees</li> <li>— Working environment</li> <li>— Career development opportunities</li> <li>— Health and safety</li> <li>— Self-actualization</li> </ul>	<ul style="list-style-type: none"> <li>— Regular meetings</li> <li>— Training, seminars and briefing sessions</li> <li>— Intranet and emails</li> <li>— Annual performance appraisal</li> </ul>	<ul style="list-style-type: none"> <li>— Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need, organizing employee activities and providing trainings.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>— Safe and high-quality products</li> <li>— Stable relationship</li> <li>— Information transparency</li> <li>— Integrity</li> <li>— Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>— Company website, brochures, interim reports, annual reports and announcements</li> <li>— Email and customer service hotline</li> <li>— Feedback and reports</li> <li>— Regular meetings</li> <li>— International Certification</li> </ul>	<ul style="list-style-type: none"> <li>— Strengthened quality management to ensure stable service quality, entered into long-term strategic cooperation agreements and obtained international certifications from professional institutions.</li> </ul>
Suppliers/Partners	<ul style="list-style-type: none"> <li>— Long-term partnership</li> <li>— Honest cooperation</li> <li>— Fair and open</li> <li>— Information resources sharing for material customization</li> <li>— Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>— Business meetings, supplier conferences, phone calls and interviews</li> <li>— Regular meetings</li> <li>— Review and assessment</li> <li>— Email, circulars and manual</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Invited tenders publicly to select the best suppliers and contractors, performed contracts obligation according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.</li> </ul>
Peer/Industry associations	<ul style="list-style-type: none"> <li>— Experience sharing</li> <li>— Corporations</li> <li>— Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>— Industry conferences</li> <li>— Site visit</li> <li>— Publicity of standards</li> <li>— Trainings</li> <li>— Seminars</li> </ul>	<ul style="list-style-type: none"> <li>— Stuck to fair play, cooperated with peer to realize win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry.</li> </ul>

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Stakeholder	Expectation	Engagement channel	Measures
Market regulators	<ul style="list-style-type: none"> <li>— Compliance with the law and regulations</li> <li>— Information disclosures</li> </ul>	<ul style="list-style-type: none"> <li>— Information disclosure</li> <li>— Reports</li> <li>— Consulting</li> </ul>	<ul style="list-style-type: none"> <li>— Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.</li> </ul>
Public and communities	<ul style="list-style-type: none"> <li>— Community involvement</li> <li>— Social responsibilities</li> <li>— Employment promotion</li> <li>— Transparent information</li> </ul>	<ul style="list-style-type: none"> <li>— Voluntary work</li> <li>— Charity and social investment</li> <li>— Media conference</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Gave priority to local people seeking jobs from the Company so as to promote community building and development; protected the communities' ecological environment, and provided timely compensation and assistance.</li> <li>— Issued promote and accurate information.</li> </ul>

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievement and reporting. Through the materiality analysis, the Group identified “Prevention of bribery, extortion, fraud and money laundering”, “Anti-corruption policies and whistle-blowing procedures”, “Protection of consumer information and privacy”, “Employee development and training” and “Use of resources” as issues of high importance, priced the risks and opportunities hidden behind these mater and elaborated more under different sections of this ESG Report. We present below the relevant and required disclosure.



# ENVIRONMENTAL ASPECTS

Sustainable development is to protect our existing natural resources for future generations. As we become increasingly connected with our environment, the Group recognises our desire for clean environment and our responsibility as a corporate citizen, to demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, we are constantly striving to innovate, to minimising its environmental impact from daily operation, developing a long-term mechanism and relevant policies of environmental protection and energy saving to build a resource-saving and environment-friendly enterprise.

During the Reporting Period, there was no incident of non-compliance with relevant environmental laws and regulations relating to air and greenhouse gas, emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group also confirmed that during the Reporting Period, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

## ASPECT A1: EMISSIONS

### *Exhaust Emission*

The Group strictly complies with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), the Law of the PRC on Environmental Noise Pollution Prevention (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the Law of the PRC 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》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》) and other applicable environmental laws and regulations, as the Group contains the intensity and total volume of its exhaust gas and greenhouse gas emissions from daily operations within the maximum limit allowed by the state.

As the Group uses natural gas as its main fuel consumption, the exhaust emission of the Group mainly derives from the fuels used by vehicles. During the Reporting Period, the Group consumed an aggregate of approximately 7,685 litres of petrol for vehicles with the driving mileage of approximately 60,031 kilometres in total. Employees are encouraged to take public transport as much as possible for visiting customers' companies and vehicles of the Group are used only in special cases. Meanwhile, the Group encourages employees to take electric public transport whenever possible for meetings or activities and reduce the use of private cars. For activities at nearby destinations, the Group encourages employees to walk as far as possible instead of taking the transportation.

## ENVIRONMENTAL ASPECTS

The Group also strictly complies with relevant national laws and regulations, the Group has adopted water spray, ultraviolet (“**UV**”) photolysis and activated carbon absorption equipment to effectively absorb and collect benzene and other exhaust gas produced by organic solvents. Consequently, the amount of benzene, methylbenzene and dimethylbenzene and total volatile organic compounds (“**VOCs**”) volume emitted by the Group during the Reporting Period was within the air pollutant limits allowed by the government of Guangdong Province.

During the Reporting Period, exhaust emissions were as follows:

KPI A1.1: Exhaust Emissions	
Type of Exhaust	Amount of Emissions (kg)
Nitrogen oxides	4,484.32
Sulphur oxides	112.96
Particulate matter	330.17

### Greenhouse Gas Emissions

There is consensus that human activity is causing climate change. The warming climate has significant negative impact on human health. The Group is committed to take sustainable, long-term actions to manage the carbon footprint of our own operations.

The elevated greenhouse gas (“**GHG**”) concentrations in the atmosphere has resulted in increased atmospheric heat retention and rising global average temperatures. As the contribution of the Group’s carbon footprint came from sources such as purchased electricity, business travel, and vehicles, we continue to work on reducing travel and consolidating office space, encourage the employees to conduct conference calls or video conferences instead of face-to-face meetings, in addition, we also arrange commuter vehicles for our employees to reduce indirect greenhouse gas emissions from transportation, as well as developing energy saving policies (as mentioned in the section “Use of Resources”) to reduce the GHG emission by reducing energy consumption in the business operation.

This Report focuses on emissions of equivalent GHG emission and includes Scope 1, which are direct emissions from the stationary and mobile combustion owned by the Group; Scope 2, which is indirect emission generated by consumption of purchased electricity by the Group and Scope 3, which is indirect emission from air business trips by employees of the Group.

## ENVIRONMENTAL ASPECTS

During the Reporting Period, GHG emissions were as follows:

Type of GHG emissions	KPI A1.2: GHG Emission	
	Amount of Emission (Tonnes)	Intensity* (Tonnes/Revenue of HK\$ million)
Scope 1 – Direct emissions	33.89	0.55
Scope 2 – Energy indirect emissions	641.66	10.48
Scope 3 – Other indirect emissions	60.03	0.98
<b>Total</b>	<b>735.58</b>	<b>12.02</b>

### Waste Management

With the scarcity of resources and energy, countries around the world are paying more attention to waste recycling. The Group is also aware of the importance of reducing waste to the company's development. Waste management is imperative to the well-being of staffs, the environment and in most cases your own profits.

Emissions from the Group's operation of manufacture of leather products mainly include waste paint residue, waste wipes and gloves, waste can and other industrial waste. The Group strictly follows relevant environmental laws and regulations and submits relevant information to the Solid Waste Management Information Platform (《廣東省固體廢物管理信息平台》) pursuant to statutory requirements.

Industrial wastes produced from the Group's manufacturing processes were disposed of by professional institutions which hold the Permit for Operation of Dangerous Wastes (《危險廢物經營許可證》) issued by the local environmental authorities and the relevant qualifications. These institutions have the required qualifications to collect, store, handle and dispose of wastes. Their vehicles for transferring industrial waste, and the weight and packaging of industrial waste are also under stringent control.

The Group emphasises the effective use of water and has adopted several prevention measures: oily sewage produced by the kitchen of the Group is treated through the sedimentation basin with grease and residue trap. Fecal wastewater is treated by three graded septic tanks. Paint residue at water curtain booth is cleaned and undergoes sedimentation regularly. The Group strictly complies with national requirements on discharge of industrial wastewater as it centralises its industrial painting wastewater generated from production process to professional institution for treatment, and declare its sewage discharge. The third-party institution responsible for the treatment of the Group's industrial wastewater holds the Permit for Pollutant Discharge issued by the Ministry of Environmental Protection, and keeps detailed record of transport weight, routes and dates of each treatment of industrial wastewater, in order to prevent secondary pollution during the transferring and treatment of industrial wastewater.

## ENVIRONMENTAL ASPECTS

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection, the wastes generated by the Group are as follows:

KPI A1.3 & A1.4: Wastes		
Type of Wastes Generation	Amount (Tonnes)	Intensity* (Tonnes/Revenue of HK\$ million)
Hazardous waste	0.18	0.003
Non-hazardous waste	24	0.392

### ASPECT A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity, water, and paper. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. During the Reporting Period, the Group has complied with relevant laws and regulations in relation to the use of energy.

#### *Electricity*

The Group acknowledges the importance of electricity and energy saving and the fact that reducing electricity consumption will indirectly reduce greenhouse gas emissions. Therefore, the Group encourages various energy saving measures, including:

- switching off lights, computers, fans and other electronic appliances when they are not in use;
- replacing lighting tools of low energy-efficiency with LED and energy-saving lights;
- posting electricity saving slogan on the working areas; and
- maintain indoor temperature at an energy-efficient level 24-26 degree Celsius for comfort

## ENVIRONMENTAL ASPECTS

Energy consumption by the Group during the Reporting Period is set out below:

KPI A2.1 Electricity Consumption		
Type of energy	Energy consumed (kWh)	Intensity* (kWh/Revenue of HK\$ million)
Electricity purchased	691,380	11,297

### Water

Water is essential to our business and we have approached water management accordingly. Across our system, we are reducing the amount of water we use during the production processes. We post water saving tips in the restroom and pantry to remind staff of their water use behaviours. The Group did not encounter any problems in sourcing water that is fit for purpose.

During the Reporting Period, the water consumption of the Group is as follows:

KPI A2.2 Water Consumption		
Type of water consumption	Water consumed (m <sup>3</sup> )	Intensity* (m <sup>3</sup> /Revenue of HK\$ million)
For production purpose	30,691	501.49

### Paper and packaging material

Reduction in paper use indirectly reduces the overall GHG emission. The Group has been taking the following steps to reduce paper consumption:

- advocate the use of email to reduce the use of paper;
- use multiple office software for online work to reduce the paper usage and delivery;
- reduce the use of paper by printing or photocopying on both sides of paper, where applicable; and
- encourage the employee to use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimise using paper.

## ENVIRONMENTAL ASPECTS

During the Reporting Period, the paper consumption for office purpose was approximately 12,000 kg.

In order to perform our commitment to environment protection, the Group chooses green package materials which are harmless to human health, protective to the ecological environment and can be recycled and reused. The main packaging material used were paper boxes and plastic bags. During the Reporting Period, the Group consumed 48,200 square inches packaging material.

The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives.

### ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

Recognising that environmental protection is an important obligation of global enterprises, the Group complies with all applicable environmental laws and regulations and make great efforts to reduce consumption of resources and energy. The Group regularly assesses its environmental risks incurred from operations, review its environmental practices and adopt necessary preventive or improvement measures. The Group communicates with its suppliers and business partners to better understand their environmental policies and procures and purchase more environmental equipment. Leveraging on the policies mentioned in the sections headed “Emissions” and “Use of Resources” above, the Group will continue to implement environment-friendly practices in the Group’s operation in order to enhance environmental sustainability.

## SOCIAL ASPECTS

### ASPECT B1: EMPLOYMENT

We believe that the employees are the most important and valuable assets of the Group. We put great emphasis on the protection of the legitimate rights and interests of all employees. During the Reporting Period, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any confirmed violation relating to employment that have a significant impact on the Group.

We are committed to be an ideal employer of choice and providing a healthy working environment where our employees can thrive. We have established an effective system of employment policies, including equal recruitment policy, equal promotion policy, work-life balance policy, compensation policy, remuneration and allowance policy, dismissal and retirement policy, anti-discrimination policy, diversity policy, employee welfare and benefit policy. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

As at 31 December 2019, the Group had a total of 165 employees and all of them are full-time employees.

#### *Talent Acquisition and Retention*

Our staff is the cornerstone of our corporate operation and development. Therefore, we have a fair and equitable talent selection system, which undergoes optimisation from time to time for talent recruitment. We generally recruit our employees through campus recruiting and placing advertisements in the open market with reference to factors such as experience, qualifications and expertise required for our business operations. In general, our Group determines employee's remuneration based on each employee's qualifications, position and seniority and remuneration policies established by us. Our Group has designed an appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. We believe that the above arrangement can maintain good relationship with our employee.

#### *Remuneration and Benefits*

We offer reasonable and competitive salary and benefits to staff. Employees are awarded a salary adjustment and promotion based on their job performance as well as progress achievement and the results of performance appraisal. We make timely contribution to social insurances (i.e., pension, medical insurance, unemployment insurance, maternity insurance, and occupational injury insurance) and the housing fund (五險一金), mandatory provident fund and employees' compensation insurance in strict accordance with the Social Security Law of the PRC and the Labour Law of the PRC, Mandatory Provident Fund Schemes Ordinance of Hong Kong and Employees' Compensation Ordinance of Hong Kong.

#### *Equal Opportunities and Diversity*

The Group is committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work or employment. Candidates and employees have equal opportunities to employment, remuneration and promotion. We will not conduct or tolerate discrimination or harassment against individuals on the basis of age, gender, race, marital status, religion healthy status or any legally protected ground or on any other ground which we consider inappropriate and unacceptable.

## SOCIAL ASPECTS

We also place high value on female employees' career development by ensuring that they have the same promotion opportunities as male staff. We also comply with the requirements of the Law on the Protection of Women's Rights and Interests of the PRC, which stipulates that female employees are entitled to basic salary and their employment contracts will not be released or terminated, without cause, during their pregnancy, maternity leave or breastfeeding period.

### *Dismissal Policy*

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve in spite of repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. The dismissal procedure must be in accordance to applicable laws and regulations as well.

### *Staff Communication*

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information, we are willing to listen to our employees about their daily work condition, working environment and personal career development, with a view to properly adjusting our internal resources and policies. The Group also regularly organises staff activities to facilitate interaction among them and enhance their sense of belonging.

### *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. Specially, the Group has installed the attendance management system that could keep monitoring its employee's working hours and compensate those who work overtime with extra pay or additional days off. In addition to basic paid annual leave and statutory holidays, the employees are also entitled to leave benefits such as marriage leave, maternity leave and compassionate leave.

## ASPECT B2: HEALTH AND SAFETY

The Group is committed to ensuring a sound and safe working environment for our employees to prevent injury and illness, in compliance with all relevant legislation. People are crucial to the sustainable development of our Group. We manage the safety of the office in accordance with relevant occupational health and safety laws and regulations. We strive for the highest standards of safety and health performance by taking into consideration of all possible precautionary measures to achieve a zero-incident working environment.

The Group strictly implements various labour protection, safe production and fire prevention rules, and regularly coordinates safety check for factory, including:

- carrying out daily patrol of production facility to ensure that employees wear protective gear properly, and keeping record for review;
- organising regular training on usage of protective gear to raise employees' awareness;



## SOCIAL ASPECTS

- establishing safety organisational structure for clear division of labour and minimising impact caused by accidents;
- halting production when emergency and unsafe situation takes place;
- producing statistics for serious factory incidents and making preventive measures based on the monthly statistics; handling fire, chemical leakage, serious safety and health incidents at factory in accordance with emergency preparation contingency procedure, and calling for meeting for review;
- Performing regular check on machineries;
- organising safety production contest to encourage employees to make reasonable suggestion and share experience from different departments;
- organising regular fire drill, providing emergency and first-aid skill training; checking fire hydrant regularly and repairing, maintaining and replacing old and obsolete equipment; and
- solidifying theoretical knowledge base of medics and employees of specialty work procedures on a monthly basis.

The employees responsible for specialty work, such as electricians, instrument calibration staff, etc., are required to obtain certification recognised by the national government in order to perform job duties. The Group's employees are required to:

- carry out regular maintenance and repair on machineries to ensure safety;
- switch off power when repairing electric appliances and hoisting safety signs of power outage and repair whilst assigning staff to secure the area and prevent others from electric shock; and
- ensure that electronic appliances and wire are in compliance with national safety requirement and have good insulation.

In addition, the Group stresses the importance of hygiene of work environment and promotes safety and hygiene awareness among employees. Garbage is not allowed to be left at factory overnight and the Group hires professional firms for pest and ant control.

For safety of chemical warehouse, the Group strictly complies with national standards relating to design and installation of electronic appliances, as well as national safety regulations of electronic appliances at explosive and hazardous area. For instance, the Group uses explosion-proof lighting tools at chemical warehouse; uses non-flammable PVC pipes to protect electricity wire at warehouse; installs separate switch box outside warehouse; prohibits the use of electric furnace, electric motor and other machines.

During the Reporting Period, there were no work-related fatalities/injuries and no severe or lethal industrial accident and no lost days due to work injury recorded by the Group. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

## SOCIAL ASPECTS

### ASPECT B3: DEVELOPMENT AND TRAINING

The Group recognises the importance of training for the development of our employees as well as our Group.

The Group focuses on growing together with its employees and provides new joiners, current employees and management with training on professional skills so as to enhance competitiveness. The Group also encourages employees to self-learn and improve during spare time. Our human resources department provides newly-joined front-line employees with job training, covering corporate system, factory regulations, fire safety, equipment usage safety, in order to help new employees understand the corporate culture and requirements of relevant positions within the Group, and familiarise with the work environment and job duties.

During the Period, the Group provided employees with various training programs to improve work performance and kept record of the participants of each session, including but not limited to:

#### Internal training

- working hour control, management awareness, client sit visit training, anti-terrorism training, company discipline;
- products introduction, product development;
- proper use of protective gear/identifying of work procedure risks, hygienic, healthy and safe environment;
- safety awareness training, first aid training;
- production safety and 7S (Seiri, Seiton, Seiso, Seikeetus, Shisuke, Safety, Speed/Saving) management, material management, handling of survey metres, chemical material usage and keeping;
- quality control awareness and measures;
- fundamental financial knowledge and skills;

#### External training

- internal three-level documentation training; and
- client management.

## SOCIAL ASPECTS

### ASPECT B4: LABOUR STANDARDS

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with the Labour Law of the PRC, the Labour Contract Law of the PRC, Employment Ordinance of Hong Kong and other relevant labour laws and regulations in Hong Kong. The Group prohibits the use of child labour and forced labour. Employment contracts and other records, documenting all relevant details of the employees (including age) are maintained properly for verification by relevant statutory body upon request.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

### ASPECT B5: SUPPLY CHAIN MANAGEMENT

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. As part of our commitment to environmental protection, product quality and social responsibility, we recognised the great importance of supply chain management and formulated internal policies and guidelines and selection of external suppliers.

Our suppliers are mainly located in Dongguan, and nearby cities, such as Shenzhen, Guangzhou, Qingyuan and Huizhou, in order to minimise the carbon emission from transportation. The Group has erected a designated procurement department with designated officers. Suppliers are sorted by their delivery quality, after-sales service, production scale, production capability and other indicators. Coupled with the Group's business needs, the Group will undertake integrated assessment on suppliers and rank their integrated capabilities from A to D, with those getting higher scores amongst the priority list; whilst limiting or even stopping procurement from suppliers which score low to ensure quality of raw materials. Our procurement department will fill out procurement forms based on requirements and purchase the materials needed from eligible suppliers on the list.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

### ASPECT B6: PRODUCT RESPONSIBILITY

#### *Quality Assurance*

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customer and strengthen the relationship with existing customers. We have established a comprehensive quality assurance system. The Group established the stringent quality assurance standards and inspection management procedures. Raw materials, materials, production process and product inspection standard are regulated through internal and cross-inspection. Products are made in strict accordance with clients' requirements to ensure quality. Our quality assurance department will fill out the source material inspection report for any faulty and unqualified raw materials, suggest preventive measures based on actual circumstances and instruct the procurement department for recall from suppliers.

## SOCIAL ASPECTS

The Group's retail outlets in Hong Kong offer high-quality products and services to customers. Our employee manual states that employees shall maintain a customer-first attitude to serve customers in an enthusiastic and polite manner. The Group will investigate and handle customer complaints, and promptly respond to these complaints and take follow-up measures. We believe that customers' feedback is vital to improving our service quality. We also have a comprehensive complaint-handling and recall mechanism. Upon receiving customer complaints, our customer service officers will keep a record and immediately respond to them with follow-up measures. All complaints are investigated and reviewed in a serious manner.

During the Reporting Period, there is no products and services related complaints received and there is no product recall for health and safety problems.

### *Product Responsibility*

Ensuring customer satisfaction with our products and services is a priority for the Group. We place importance on the quality standard of our products and services to achieve sustainable growth of our business. We are committed to ensure compliance with the laws and regulations relating to product health and safety, labelling and privacy matters including the Product Quality Law of the PRC and the Hong Kong Personal Data (Privacy) Ordinance. Policies about product quality and safety as well as compliance with laws and regulations have been clearly stated to the employees and suppliers. During the Reporting Period, we had no violation record on relevant laws and regulations that have a significant impact on the Group relating to product responsibility issues.

### *Privacy Protection*

The Group takes privacy issues of our customers, internal employees, data, and external partners and suppliers very seriously. We have established confidentiality guidelines in order to demonstrate our firm commitment to privacy issue. The customers' information should not be revealed to anyone other than staff who are in the normal course of conducting duties and responsibilities. Disclosure of customers' confidential information to unauthorised personnel is prohibited and could result in disciplinary action, up to and including termination of employment.

## ASPECT B7: ANTI-CORRUPTION

Our Group believes the integrity and commitment of our employees are our critical factors to success. The Group has implemented "Anti-fraud, Anti-Corruption and Anti-Commercial Bribery Management Policy" with its formulation of Anti-business Corruption Regulation based on the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations to set out our commitment to preventing all forms of corrupt practices. Employees are required and have the responsibility to conduct themselves with integrity in an ethical and proper manner. Payments or acceptance of any kickbacks from external parties is strictly prohibited. The Group takes disciplinary action to combat against any violation of the Group's regulation. We also have the same expectations for our suppliers and other business partners.

The Group endeavours to prevent any non-compliance to relevant laws. To enhance corporate governance, the Group sets up Audit Committee and engages external lawyers and auditors to review and provide opinions on the company's financial report and other compliance issues. Besides complying with the requirement to the corporate governance of listing companies enforced by the HKEX, we constantly review the effectiveness of our internal control measures to enhance governance level.

## SOCIAL ASPECTS

### *Whistle-Blowing Policy*

The Group sets up report channel to encourage employees to raise concerns about suspected misconduct, malpractice or irregularities in confidence. All reported cases are promptly and thoroughly investigated by the Group's the audit committee and the Board while the confidentiality is respected in order to protect individuals. If there is sufficient evidence to suggest that a case of possible corruption exists, the case will be reported to the relevant local authorities.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

### **ASPECT B8: COMMUNITY INVESTMENT**

The Group attaches high importance to corporate social responsibilities and has formulated the guideline for social responsibilities which promotes the caring of community. During the Reporting Period, the Group encouraged its employees to spend their spare time on community activities at their community and get to know the community. While the Group participated in various charity activities during the year, it will continue to take part in other activities to give back to society and help the needy, including organising activities and joining those held by other organisations.

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<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	"Employment" N/A
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<b>KPI B2.1</b>	Number and rate of work-related fatalities	"Health and Safety" 16
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<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	"Development and Training" N/A
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	"Development and Training" N/A
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure</b>	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.	"Labour Standards" 18
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<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility"	19
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<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Community Investment" N/A
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	"Community Investment" N/A

Note: Pursuant to Appendix 27 of the Listing Rules, KPIs in this section are recommended disclosures only.