

# **Vital Innovations Holdings Limited**

**維太創科控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 6133)**

## **2021 Environmental, Social and Governance Report**

## Scope and Reporting Period

The board (the “Board”) of directors of Vital Innovations Holdings Limited (the “Company”) (stock code: 6133) together with its subsidiaries (collectively, the “Group”) is pleased to present the report on the environmental, social and governance (“ESG”) issues (this “Report”) in relation to the Group’s businesses for the year ended 31 December 2021 in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In full compliance with the disclosure obligation and in accordance to the materiality towards each of the businesses, the Group decided to include all of its major entities and businesses in this Report, i.e. Beijing Benywave Wireless Communication Co., Ltd.\* (北京百納威爾無線通訊設備有限公司) (“Beijing Benywave”) and Vital Mobile (HK) Limited (“Vital HK”), our major subsidiaries based in Beijing and Hong Kong respectively, in order to reflect our ESG performance in the past year more comprehensively. As compared to the same report for the year ended 31 December 2020 (i.e. previous year), the scope of this report remained the same. Unless otherwise stated, the reporting period is 1 January 2021 to 31 December 2021 (the “Reporting Period”). The Board considers that we have complied with the (a) mandatory disclosure requirements; and (b) “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide for the year ended 31 December 2021.

## Reporting principles

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

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

## **Our commitment**

The Group is a major smartphone supplier listed in Hong Kong, focusing on provision of products and services including mobile phones, smartphones and related business which encompassed research and development, design, engineering, material sourcing, supply chain management, logistic, and the services activities to the diverse number of wholesalers and resellers. We are principally engaged in (a) sales of mobile phones and smart appliances in Hong Kong; and (b) sales of AI and other equipment in the Beijing of the People’s Republic of China (“PRC” or “China”). Over the years, thanks to the continuous support of our shareholders, clients and working partners, the Group has been improving its corporate structure and has shouldered the responsibilities of a corporate citizen by striving to enhance its environmental, social and governance efficiency with a view to contributing to the community.

During the Reporting Period, we adhered to the missions and values of the Group by implementing various internal policies on an ongoing basis based on the principle of sustainable development, striving to reduce the environmental and social impacts caused by our daily operations. We also stepped up efforts in environmental protection, staff training and anti-corruption in order to create values for all our employees, suppliers, shareholders and other stakeholders and strike a balance of interests among different parties.

## **Governance Structure**

The Board is responsible for evaluating and determining the Group’s ESG-related risks and delegating authority to the management to implement detailed strategies and plans so as to ensure that good and effective ESG risk management and internal control systems are established and maintained. The Group maintains effective communication with its stakeholders through daily operations in order to understand and identify expectations and concerns about the Group’s ESG from its stakeholders, with a view to assessing materiality of various aspects of ESG and to formulating approach and strategies of long-term business development. The management sets the ESG performance indicators of the Group and develops action plan to achieve those targets. The Board reviews the progress of achieving those targets and approves the ESG report on a regularly basis so as to monitor the sustainability performance of the Group continuously.

## **Stakeholders Engagement and Materiality Assessment**

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

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

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

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

## A. ENVIRONMENTAL

### *A1: Emissions*

In light of the nature of the Group's business which mainly is the provision of products and services, the management considered that emissions and wastes from operations had relatively less impacts on the environment and there has been no substantial influence on the assessments and decisions of the Group and/or the stakeholders about the performance of the Group.

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

In pursuit of environmental sustainability and in compliance with a wide spectrum of environmental laws and regulations stipulated by the PRC state, provincial and municipal governments, Beijing Benywave has developed a set of compliance procedures to monitor and meet the environmental standards and indicators during operations in an effective manner. Those are Control Procedures on Identification and Evaluation of Environmental Factors (環境因素認別、評價控制程序), Procedures for Pollution Control (污染控制程序), Procedures for Energy and Resources Consumption Control (能源資源控制程序), Procedures for Environmental Operational Control (環境運行控制程序), etc.

Meanwhile, Beijing Benywave has evaluated their material impact on the environment and has prepared a List of their Essential Environmental Factors (公司重要環境因素清單). The List has recognized the potential and significant risk factors for the environment and formulated the relevant control procedures. Beijing Benywave recognized the consumption of electricity is the main environmental factors. The air pollutants emitted by the electricity will cause a level of environmental pollution on the atmosphere and land. Therefore, Beijing Benywave has targeted the performance indicators of the energy and resources consumption as to implement the relevant saving control measures in accordance with the targets.

We advocate employees the awareness of greening proactively through the promotion of reducing and recycling of wastage in life and work. Energy and other resources are consumed efficiently, which reduces environmental pollution on an effective manner and achieves conservation under the requirements of sustainable development of the Group. For instance, light should be turned off before the leaving, extractor fan should be turned on for ventilation while using printer or photocopier, papers should be printed in double-side or the waste paper should be reused, wasting or parking around outlet of water pipe is not allowed, dumping of pollutants and mixed flow of rain and sewage into water pipe is prohibited etc.

In addition, Vital HK has set up a new warehouse facility in Hong Kong as a customer supporting and operating centre for software and product storage distribution. Vital HK does not produce significant air pollutants, chemical waste, sewage and noise during operations. The warehouse advocates recycling of paper and computers, so as to reduce level of environmental pollution from operations.

Performance indicators for air emissions and GHG emissions

The Group does not generate significant air emissions or GHGs in the course of its business operation. Air emissions and GHGs from operations mostly arise from the consumption of purchased electricity, including emissions of nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), particulate matters (PM) and carbon dioxides (CO<sub>2</sub>). The Group did not own or control any stationary or mobile sources that combust fuels, and thus no direct emission of GHGs from the daily operation.

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

Sources	Emission of Nitrogen oxides (NO <sub>x</sub> )		Emission of Sulphur oxides (SO <sub>x</sub> )		Emission of Particulate Matters (PM)	
	Volume (in grams)		Volume (in grams)		Volume (in grams)	
	Year 2021	Year 2020	Year 2021	Year 2020	Year 2021	Year 2020
Consumption of purchased electricity	47,798	59,064	76,463	94,510	4,105	5,058

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

Sources	Emission of Carbon dioxides (CO <sub>2</sub> )	
	Volume (in kilograms)	
	Year 2021	Year 2020
Consumption of purchased electricity	25,389	31,397
Processing fresh water and sewage	104	95
Total	25,493	31,492

During the financial year 2021, the outbreak of Coronavirus Disease 2019 (“COVID-19”) caused the global epidemic to rage. The global smartphone shipments continued to slip and the shipments of the Group also decreased at the same time, resulted in a reduction in consumption of electricity in the warehouse. In addition, the consumption of electricity generated from the office was also reduced due to the Group’s efforts to arrange work from home for employees in response to COVID-19 epidemic. As a result, the emission of air and GHGs has decreased in comparison with the last year.

### Performance indicators for wastes

Besides, during the Reporting Period, the Group's main business activities did not generate any hazardous wastes (2020: Nil) but merely produced mild non-hazardous wastes (2020: merely produced), which did not have any significant impact on the environment. As a result, no such disclosure is considered necessary. The Group has being set up a solid waste collection container to collect the hazardous and non-hazardous wastes separately for further handling on a regular basis. If necessary, hazardous or dangerous wastes are disposed by designated and qualified units. Other wastes are sent to designated sanitation facilities for central treatment. In addition, wastewater discharged by the Group is purely domestic wastewater, which is discharged and treated through the municipal sewerage. The Group believes the environmental impact from our wastewater discharged is limited.

The Group strives to improve our environmental performance continuously and gradually reduce air emissions, GHGs emissions and waste produced from the daily operation. The Group understands that the measures to reduce emissions are correlated with the reduction of resources consumption, and thus we have formulated relevant measures. For the measures to reduce the energy resources and its achievement in 2021, please refer to the section "Use of Resources" below.

### ***A2: Use of Resources***

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

### Performance indicators in the use of resources

To achieve the goals of energy conservation and emission reduction, Beijing Benywave sets indicators for energy and resource consumption each year and communicate them to staff members for implementation and monitoring. Beijing Benywave also periodically reviews the implementation of measures and assesses energy efficiency indicators. At the beginning of each year, it prepares an energy consumption summary for the previous year.

### Use of resources in the Group

During the Reporting Period, the Group determined the following energy consumption indicators and reviewed the actual consumption for its business segments in Hong Kong and Beijing. For the purpose of achieving efficiency in use of resources, the Group will step up the measures to reduce energy emission in coming years. Following various measures will be continued to implement in daily operation with a view to earning benefits from energy savings:

Year 2021 Energy Consumption Indicators and Review in the Group				
Energy category	Consumption indicator	Actual consumption	Intensity	Energy and emission reduction measures
Water for domestic use	200 tonnes	167 tonnes	6 tonnes/ employee	Renovate water-saving faucets, bathroom spray equipment, and enhance water reuse
Electricity usage in office facilities	35,000 kWh	36,411 kWh	1,214 kWh/ employee	Suitable illumination, turn off the light before leaving and strengthen the inspections
Paper	15 packs	13 packs	0.43 packs/ employee	Double-sided printing and paperless documents processing

### Use of resources in Hong Kong

In relation to above-mentioned use of resources in the Group, purchased electricity is the main resources used by office and warehouse in Hong Kong. During the Reporting Period, consumption of purchased electricity in Hong Kong was as follows:

Consumption of Purchased Electricity in Hong Kong		
Areas of Consumption	Year 2021 kWh	Year 2020 kWh
Office	6,033	8,373
Warehouse	25,742	31,058
Total	31,775	39,431

Since the Group has being stepped up the energy and emission reduction measures, in addition, Vital HK has adopted “Work From Home” measure for a period of time in response to the COVID-19 epidemic and Vital HK in Hong Kong has moved to new office during the year, the consumption of purchased electricity in office of Hong Kong has been reduced, thus the consumption of electricity of the Group has been decreased during the Reporting Period.

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

In addition, the Group consumed 218 tonnes (2020: 240 tonnes) of packaging materials during the Reporting Period. An approximately 200 grams of paper packaging materials was consumed for every product on average.

### ***A3: The Environment and Natural Resources***

As mentioned above, use of energy and resources is the major environmental impact caused by the businesses of the Group. To improve efficient energy consumption, the Group has set annual indicators for energy and resource consumption. All departments are required to strictly achieve the indicators and report the implementation progress on a regular basis for better coordination and monitoring. The above measures allow the Group to ensure proper use of resources and minimize the environmental impact brought about by its business operation.

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

### ***A4: Climate Change***

Climate change is a common challenge mankind is facing. Global warming, sea level rise, or more frequent extreme weather events may impact the global business and our daily business operations.

To cope with the climate change challenges, for instance, equipment or facilities may be damaged by super typhoons, and traffic and business operations may be interrupted by rainstorms, the Group has implemented a series of climate change risks response measures in our operations. We have developed working guidelines under extreme weather (such as rainstorms and typhoons) to ensure the safety of our employees while maintaining the business operations. Besides, we have been carrying out regular inspection and maintenance on equipment and facilities to ensure the resilience of the facilities during extreme weather.

The Group realizes the importance of early identification of significant climate-related issues which could impact the Group's operation. The Board and the Audit Committee meet regularly to identify and assess the risks of climate changes and the possible resulting impacts on the Group's operations. The Group will actively study and review the response measures to cope with potential risks of climate changes to ensure the business will be resilient enough with relevant climate risks in the future.

## **B. SOCIAL**

### **(i) Employment and Labour Practices**

#### ***B1: Employment***

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

The Group treats all employees equally. It has established clear policies on the rights and benefits of employees such as the Employee Handbook (員工手冊), Administrative Measures for Wages, Benefits and Labour Welfare (工資福利及勞動待遇管理辦法) and Employees' Performance Appraisal Management System (員工績效考核管理制度). Employees will not be subject to discrimination because of their gender, age, work position and ranking or other personal attributes. We promote diversified development of employees and provide them with competitive compensation and benefits and opportunity for career development based on their individual merits and performance.

#### Performance indicators in employment

As at the end of the Reporting Period, the Group had employed a total of 29 employees, all of them were full-time workers. During the Reporting Period, 1 employees departed, which represented a turnover rate of 3%.

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

Employee Category		Number of employees (person)	Turnover rate (%)
By gender	Male	18	5
	Female	11	0
By age	Aged 40 and below	14	0
	Between 41 and 50	4	20
	Aged 51 and above	11	0
By geographical region	China	19	5
	Hong Kong	10	0

#### ***B2: Health and Safety***

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

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

The Group has recognized the potential risk of the fire caused by aging or improper use of the electrical equipment which have significant harm to health and safety of the employees. Therefore, it has put in place high safety standards of equipment and instruments. Overloading or abnormal operation is prohibited for any equipment and instrument. Guidelines for proper use of equipment and instruments are also provided. In addition, these equipment and instruments are regularly maintained, inspected and repaired by qualified technicians. Equipment which is discovered to be obsolete and not up to the safety standards will be upgraded and improved in a systematic way, after detailed arrangements are made to prevent employees from health impacts and work injuries. In addition, the Group conducts inspections of the key fire prevention departments such as direct-fired machine rooms, power distribution room equipment etc. on a regular basis, and organizes annual training in the safety and knowledge of fire protection to prevent work-related accidents and damage to health of employees.

In addition, the Group has put great emphasis on the health and well-being of employees. Therefore, the Group provides them a favourable working environment by maintaining hygienic restaurants and recreational facilities, etc. Every year, the Group arranges medical check-up for its employees, enabling them to pay close attention to their physical and mental health. Our employees are also entitled to medical insurance benefits and other healthcare packages so that their physical and mental health is effectively protected.

In response to COVID-19, the Group has implemented and strengthened the preventive measures of the disease to ensure that employees can work in a healthy and safe environment. The measures include requiring all person to present the health code and take temperature when entering the office, requiring employees to wear masks and wash hands frequently, cleaning and disinfecting the office regularly, requiring employees to take mandatory temperature checks before accessing the office, reducing face-to-face meetings and meeting through video or conference call instead as well as arranging employees to work from home so as to reduce the risk of virus transmission. The Group also encouraged employees to be vaccinated to protect from COVID-19 and for the interest of health in the community.

### Performance indicators in health and safety

In the past three years, including the Reporting Period, no case of work-related fatality was reported. Besides, during the Reporting Period, no case of serious injury as a result of work and no days was lost due to work injury. Beijing Benywave sets its annual targets on occupational health and safety such as zero rate of serious injury and 100% (2020: 98%) of employee medical check-up rate, etc. The company also reviews its implementation status and prepares the “Report on Implementation Status of Targets and Indicators” (《目標、指標實施完成情況報告》) every year to ensure the effectiveness of the Group’s prevailing occupational health and safety management system. In the event of an accidental work injury, Beijing Benywave has stipulated that the integrated management department should follow up on the work injury of employees, and review the work accident for improvement in a timely manner.

### ***B3: Development and Training***

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

To assist new employees to understand our workflows, codes of conduct, organisational structure and staff composition as soon as possible, departments of the Group hold training sessions for new employees. This effectively shortened the time for new employees to get acquainted with their work, and helped them adapt to our working environment and gain a deeper understanding of the Group’s values and corporate culture.

Furthermore, to further enhance employees’ knowledge and skills, all departments of the Group formulates training plan, arrange training schemes in each year for incumbent staff members, staff members holding special posts and management staff members, in accordance with the company’s business development, national regulatory requirements and results of evaluation on employee capabilities. Incumbent staff members are required to attend training as planned annually to enhance and strengthen their professional skills. Staff members holding special posts are required to attend training at least annually about the special work procedures and contents relevant to their posts. In addition, employees of nationally designated special trades, such as electrical workers and drivers, are required to undergo professional training and qualification assessments in order to obtain certificates of competency for the respective posts. On the other hand, national authorized qualification accreditation and consultancy institutions provide training for in-house internal auditors within the management, who shall be certified for employment, whereas accounting staff should attend adequate training and continuous professional development, including financial reporting functions, taxation etc., to retain their qualifications. 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.

To ensure that employees are competent and commensurate with the job requirements of their posts, all departments evaluate and give advice on employee’s working capabilities at the end of each year. We strive to provide employees with continuous and sufficient resources for training and development and keep them updated with latest information on market and industry development while improving their performance and allowing self-development in their posts.

### Performance indicators in staff development and training

During the Reporting Period, the percentage of employees trained of the Group achieved 100% and the average training hours completed per employee was approximately 3.73 hours. Training activities covered quality management, special training on corporate targets and indicators, environmental factors, sources of hazards, cyber security training, laws and regulations, finance and taxation, and training on basic quality inspection in sales, so as to achieve an overall improvement in the working capability of our staff.

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

Employee Category		Percentage of employees trained (%)	Average training hours completed per employees (in hours)
By gender	Male	63	4.83
	Female	37	1.82
By employee type	Senior management	7	36.88
	Middle management	7	6.50
	Frontline staff	86	0.96

#### ***B4: Labour Standards***

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

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

No non-compliance with employment of child nor forced labour was arisen during the Reporting Period.

## **(ii) Operating Practices**

### ***B5: Supply Chain Management***

The Group believes that quality of 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 supplier selection.

The Group has stringent requirements on suppliers of materials. 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 influential stakeholders and included in the List of Key Influential Stakeholders (《重點施加影響相關方一覽表》) as approved by the management. 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 such stakeholders on the Group and take preventive measures, including (i) controlling and collecting information on material environmental indicators and various activities taking place at production sites by the quality assurance department; (ii) disseminating the relevant information by the purchasing, planning and production department to the above key influential stakeholders, and requiring them to understand the relevant approach and objectives of the Group and provide the required products and on-site services that meet the stipulated requirements; and (iii) strengthening the acceptance inspection of incoming materials and controlling environmental indicators of materials by the quality assurance department, who will timely contact the stakeholders, imposing necessary penalties and taking rectification measures for any identified acts that fail to meet the stipulated requirements.

#### *Performance indicators in supplier engagement and monitoring*

As at the end of the Reporting Period, the Group had 9 qualified suppliers (2020: 13), including 7 located in Hong Kong and 2 located in China. The qualified suppliers provided electronic products, including mobile communication devices, accessories, AI and other equipments.

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

Moreover, for suppliers who have failed in the evaluation but wish to work with us again, they shall be subject to the selection and assessment procedures same as new suppliers so as to ensure suppliers' quality meet our requirements and are monitored.

The Group understands the importance of environmental protection and has incorporated sustainable elements into its procurement decision-making process. With preference given to potential suppliers that supplied products in compliance with the standards under the Restriction of Hazardous Substances Directive (《危害性物質限制指令》) adopted by the European Union, so as to reduce the environmental pollution brought by the products. During the selection of products' suppliers, the Group will also give preference to well-known suppliers with reputation in environmental and social aspects, in order to look for suppliers committed to adopting sustainability practices alongside us.

### ***B6: Product Responsibility***

In a market with intense competition, customers become increasingly demanding in terms of products and services. The Group understands that it is important to maintain good relationship with customers. Through the continuous interaction with customers, the Group can gain insight on the changing market demand for the products, and provide the products in a way that satisfies the needs and requirements of the customers. The Group strongly believes that the only way to win the trust and support of customers is to create the greatest value for them. Therefore, the Group endeavours to stringently control the quality of its products by fully complying with laws and regulations relating to product responsibility, so as to boost customers' confidence in the products and services of the Group.

The Group has a stringent product responsibility policy and employee compliance manual which shall be strictly enforced by our employees. The departments of the Group regularly provide employees with training on professional knowledge in product responsibility. Through means such as meetings or training, our employees will be able to know which applicable laws and regulations relating to product responsibility shall be complied with during operations, which include the Product Quality Law of the People's Republic of China (《中華人民共和國產品品質法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), in order to enhance their emphasis on product responsibility. The Group observes the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) by providing consumers with genuine information on its products or services and forbidding any false or misleading promotion.

#### *Performance indicators in product responsibility*

During the Reporting Period, the Group's products are in compliance with the requirements under the Restriction of Hazardous Substances Directive (《危害性物質限制指令》) adopted by the European Union national standards. The Group was not aware of any non-compliance incidents relating to product responsibility and there was no product recall due to safety and health reasons.

The Group has set up procedures for dealing with customer complaints and proposed a customer satisfaction indicator for 2021 of 86% (2020: 85%), aiming at addressing any customer complaint and providing quality services to customers in a timely and swift manner. During the Reporting Period, the Group received 9 complaints (2020: 0 complaint) in relation to its products or services. The complaints were mainly attributed to product design and system stability. After receiving the complaints, the staffs of sales department immediately communicated with customers and corresponding actions were taken in respond to customers' demands. All complaint cases were properly handled. In 2021, the Group achieved service satisfaction of 88% (2020: 88%).

The products of the Group do not involve sensitive or confidential consumer because the business nature is wholesaling. The Group stresses on the importance of protecting its intellectual property rights. It also develops awareness of the confidentiality and strict compliance with confidentiality regulations among employees. Employees are bound by the Group's confidentiality regime and employee compliance manual during their employment. Those holding special positions shall sign a Confidentiality and Non-Compete Contract (《保密與競業禁止合同》). By signing the Confidentiality and Non-Compete Contract (《保密與競業禁止合同》), which cover confidential matters such as information on product transactions, business strategies and production techniques of products, the Group's intellectual property rights are vigorously protected from harm. Employees on re-designation, no-pay leave, resignation and retirement, external personnel who has finished learning and study and temporary staff members shall return to the Group all technical information, experiment records, materials, samples and prototypes, products, devices and drawings before their departure. They shall also bear long-term obligation of keeping the Group's technical contents and information in confidentiality.

Sparing no effort in product quality management, the Group has developed stringent production operation and quality control processes and provided staff members with clear working guidelines to maintain quality standards of its products. The Group has established the Procedures for Product Monitoring and Measuring Control (《產品監視和測量控制程序》) to regulate the procedures for quality assurance. Our factories perform inspection control for both the work-in-progress and final products. For determining the overall performance of products, user testing on product performance is then carried out and under the supervision and technical support of the quality assurance department to ensure the quality and meet passing rate of products. During the Reporting Period, the first acceptance rate of the products is 98% (2020: 98%), which proved the effectiveness of our product quality management system.

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

### ***B7: Anti-corruption***

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

The Group has designated the Audit Committee as the permanent committee for anti-fraud, which shall be responsible for giving guidance on anti-corruption and anti-fraud, and specifically coordinating and implementing the anti-fraud activities across departments and company-wide. In addition, the Group has established a set of sound and effective anti-fraud procedures, including risk assessment, prevention, reporting and investigation of fraud. The Group will provide anti-corruption training to directors and staff based on the needs of positions and business development.

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

During the Reporting Period, no concluded legal cases regarding corruption brought against the Group or its employees.

### **(iii) Community**

#### ***B8: Community Investment***

Although the Group has not yet formulated any 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. Under the impacts of the ongoing COVID-19 pandemic, the Group did not put extra resources on the community. In the future, the Group will actively participate in welfare activities and encourage employees to actively participate in different types of charitable events, so as to serve our society and promote the robust development of the Group in the long run.