



# Million Stars

## MILLION STARS HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8093

# 2017

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



# Environmental, Social and Governance Report 2017

Million Stars Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are principally engaged in manufacture and sales of leather garment products to renowned customers based in the United States of America, Australia, Malaysia, Hong Kong and the People’s Republic of China (the “PRC”). During the year, the Group acquired certain subsidiaries to expand its business in providing technical support on mobile payment to customers based in the PRC in the aim of diversifying the Group’s business and creating greater value.

The Group has strived to fulfill its social responsibilities. Over the years, we have delivered positive messages to key stakeholders and taken care of their interests, such as creating greater value for our shareholders, providing high quality products and services to customers, and providing employees with appropriate and competitive benefits. These enable the Group to become an open, transparent, fair and socially responsible enterprise, and therefore enhance the public understanding of the Group. The Group places greater emphasis on employee safety, product responsibility and environmental protection as we believe that these are the primal concerns of our stakeholders and the community.

For the financial year ended 30 June 2017 as covered by this report, the Company has complied with the “comply or explain” provisions in respect of general disclosures set out in the Environmental, Social and Governance Reporting Guide in Appendix 20 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

## SUMMARY

The Group mainly engages in two businesses: one is manufacture and sales of leather garment products, and the other is providing technical support on mobile payment. During the leather garment production process, the relevant operating units have regard to relevant guidelines, aiming to use their best endeavours to minimise the impacts on the environment and to demonstrate good operating practices. For the technical services business, it is a relatively low energy consumption sector and we mostly focus on the welfare and safety of the employees.

The details of the Group’s environmental, social and governance principles are set out below.

## STAKEHOLDERS ENGAGEMENT

We believe that stakeholder engagement is crucial from a sustainability perspective, as it supports our understanding of emerging risks and opportunities, and also facilitates the mitigation of these risks as well as the realisation of opportunities. Our stakeholder engagement framework reflects the view that it is vitally important to integrate a stakeholder engagement component into all aspects of our business, from project development to operation, management and decommissioning.

Throughout the course of any given year we communicate with our stakeholders through various channels. These include visits to our offices, general meetings and our social community services, so that all stakeholders have a better understanding of our operations. We also actively participate in industry and professional organisations, both locally and internationally, to ensure that we keep track of emerging trends and business drivers, such as technological developments and new industry best practices.

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## ENVIRONMENTAL

The Group is principally engaged in manufacture and sales of leather garment products and providing technical support on mobile payment. Such businesses have minimal direct impact on the environment, as they do not produce any harmful pollutants. Although the key sales geographies of apparel operation are located in the United States of America, Australia, Malaysia, Hong Kong and the PRC, the Group keeps employing local people as its sales staffs. The management team and the headquarter staffs do not often take overseas business trips. Hence, the Group's carbon emissions are mainly indirect greenhouse gases emitted by electricity consumption and greenhouse gases emitted by plants. During the year, we have complied with the relevant laws and regulations that are important to the Group relating to emissions and generation of waste.

First of all, the Group has taken energy saving measures among our offices and work spaces. The scheme includes adjusting the most suitable temperature of air-conditioning facilities and switching off all unnecessary lightings or air conditioning systems during non-office hours. We also encourage employees to turn off idle computers and other office equipment. At our plant site, employees are encouraged to work on site to avoid idle machines during unnecessary operating moment and non-working hours. In order to reduce greenhouse gas emissions, the Group stipulates that air-conditioners or heaters are available respectively only when the temperature in the plants is higher than 32 degrees Celsius or lower than the specified temperature respectively.

The Group emphasizes energy saving and encourages employees to reduce water consumption. The manufacturing process does not produce much waste since the Group purchases finished leathers and only does the sewing. In order to save energy all the sewing machines are turned off when they are not operating.

When purchasing leathers, the Group also examines suppliers' resource consumption records, such as water usages. The Group also checks the quality of the raw materials to ensure all raw materials have complied with non-hazardous standard.

We always remind our employees to consider whether it is necessary to print their documents. For those documents which are not statutory or important, employees are encouraged to print double-side and reuse all single-side printed paper. There is no water consumption during the manufacturing of leather garments.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment

As a socially responsible enterprise, we are not only responsible to consumers, but also responsible to employees. When pursuing economic goals, we also bear social and environmental responsibilities in order to achieve sustainable development. The Group places considerable value on the staff management and has developed its human resources management procedures, striving to create a favourable working environment for employees and reduce labour and employment risks of the Company.

The Group is committed to labour legislation, providing employees with appropriate holidays and paid leave pursuant to various local labour legislations stipulated by the those national and local governments. The specific days of leave varies with reference to years of experience. The employees of the Group in the PRC enjoy the five major social insurance programs and housing provident fund and other benefits, providing better protection for employees.

Every year, the Board of the Group reviews and discusses the improvement measures and implementation of human resources management procedures. The remuneration committee is established for making appropriate annual update on remuneration policy.

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The Group places considerable value on the career development of employees and has taken measures for employee retention. Employee development has two aspects in accordance with their abilities, one is the promotion to management position, and the other is the enhancement of professional and technical position.

During the year, we have complied with the relevant laws and regulations that are important to the Group relating to the employee's rights and benefits, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance.

## Health and Safety

The Group attaches importance to the health and safety of its employees. Each subsidiary has established occupational safety and health guidelines to create a safe working environment for employees and protect them from occupational hazards.

The Group reviews the health and safety management system for its employees every year, and displays warning signs on facilities and machines which are dangerous or prone to accidents. In addition, the Group actively strengthens the occupational safety awareness of employees to reduce accident.

During the year, we have complied with the Occupational Safety and Health Ordinance. The Group did not have any material accidents regarding safety production, and the condition of production is stable and safe.

## Development and Training

The Group attaches great importance to the working performance and development of employees during their employment period. The Group has clear training program, in respect of apparel supply management and computer programming. All units are capable to provide training to new employees by following the guidelines, which encourage them to create values for the Group.

The Group mainly provides on-job training for its new entry-level employees. New employees are led by experienced staffs, giving new employees proper guidance on works and enhance their job knowledge and skills. They also promptly help new employees adapt to the Company's operation and culture.

In respect of the plants located in mainland China, the human resources department is responsible for general training, providing group lecture or individual training for new employees.

The Group also encourages our employees to attend work-related seminars and courses for the long term career development of the employees and the Group.

## Labour Standards

Child and forced labour is prohibited by the Group. The Company and its subsidiaries stipulate that the Group shall not recruit child and forced labour and shall comply with local labour regulations.

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## OPERATING PRACTICES

### Supply Chain Management

In respect of technical support service on mobile payment, supply chain management would be suitable for the hardware supplier, such as computer, server, website hosting companies, etc. In respect of leather garment products supply management, suppliers are mainly leather material providers. In view of the complexity of the supply chain, when the operating units select suppliers, different conditions and standards must be considered, including price, service, location, productivity (service capacity) and legal procedures, while the Group also considers special advice and the social responsibility and environmental protection of suppliers, etc.

### Product Responsibility

As a diversified enterprise, the Group is committed to providing quality products and services to customers. The Group has formulated stringent policies and procedures to produce and sell products.

During the reporting period, the Group did not recall any product due to safety and health reasons.

In respect of apparel supply, the Group has rigorous product complaint procedures. When customer complains about the product, our technical department will receive the quality feedback information and timely report to the quality control department, which will then report to the production department. The head of the production department will conduct an investigation and analysis in accordance with the content of customer complaint report, and will submit the analysis report to the quality control department within reasonable time. The quality control department will combine the correction action report conducted by the production department and the analysis of quality control, then will give feedback to the technical department. The technical department will conduct written reply report to the business department, which will reply to the customer subsequently. If the products of the Company do not meet product specification after customer feedback, or testing of the quality inspection and production department, or following customer requirements, or endangering personal safety, product recall will be initiated immediately.

In respect of the safeguarding and protection of intellectual property rights, there are no intellectual property rights and policies on mobile payment technical support service. However, in respect of apparel supply management, the Group has formulated regulations related to the safeguarding and protection of intellectual property rights, including photo management, sample control, product control, artworks and record keeping. Each item has relevant regulations to prevent the intellectual property right of the Group's customers from being leaked.

The Group emphasizes the importance of customer's personal data protection, irrespective of mobile payment technical support service or apparel supply management. During the collection, process and usage of customer's personal information or procurement details (including but not limited to loan contracts), they are stored in safes of the Company with high security, and only the staff with relevant authority can access the relevant information. Other people may obtain the relevant information only with the approval of relevant management. During the year, the Group has complied with the Personal Data (Privacy) Ordinance.



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## Anti-corruption

The Group is a listed company with social responsibility. The Group strives to maintain a high level of ethical corporate culture. The Group has formulated sound risk management code and internal control code to ensure that every staff complies with the rules of the Group in daily operation, so as to prevent violation of law.

In the code, the Group requires every staff to comply with the staff code, and grants appropriate authority in every position to prevent employees from abuse of power, and suspected conflict of interest. As the business of the Group involves customer's personal data, the Group has also established the code of confidentiality and the relevant guidelines to employees to reduce the risk of information leakage.

During the year, the Group did not have any litigation involving the allegation of corruption of the Group or its employees. The Group provides clear guidance for its employees and business partners regarding misconduct reporting and investigation regulations, ensuring that its employees can inform their matters of concern through different channels in an absolutely confidential manner. The Group ensures that all reported matters of true concern will be investigated and handled as required. We have complied with the relevant laws and regulations that are important to the Group relating to bribery, extortion, fraud and money laundering.

## COMMUNITY INVESTMENT

As a responsible enterprise, the Group is well aware of its essential role in resource optimization throughout its business operation and promotion of environmental protection in areas where we may affect. As a result, the Group is committed to integrating environmental protection into its daily operation, and encouraging employees, customers, business partners and community to protect environment.

During its daily operation, the Group is committed to promoting energy saving scheme, which not only reduce carbon emissions and protect environment, but also promote staff productivity and enhance efficiency and turnover. Besides, the Group has participated and always encourages our employees to participate in charity activities, such as tree planting in countryside, cleaning up garbage, so that employees can develop good environmental awareness through such activities and establish enterprise with social responsibility.

In addition to raising the awareness of environmental protection, the Group encourages our staff to donate to the recognized charitable institutions in order to help grass-roots community or those in need. Moreover, the Group is committed to instilling anti-discrimination in its employees, such as anti-sex discrimination and anti-disability discrimination. Not only does it develop the professionalism and professional ethics among employees, but it also creates a more friendly working environment of the Group, a more harmonious and peaceful social atmosphere, thus fulfilling social responsibility.