



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2017



Phoenitron Holdings Limited

Stock Code: 8066.HK

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ABOUT THE GROUP

The headquarter of Phoenitron Holdings Limited (hereby referred to as “Phoenitron” or the “Company”, together with its subsidiaries, the “Group”) is located in Hong Kong, and its business segments include contract manufacturing and sale of smart cards, sale of petro-chemical products, financial and management consultancy services.

During the reporting period, the Group is principally engaged in the contract manufacturing and sales of smart cards, and the setting up of natural gas stations in Yangtze River Delta and other petro-chemical related businesses. For the contract manufacturing of smart cards, the Group completed the relocation of the smart card plant to a 5,800m² new plant in the periphery Shenzhen City during the reporting period.

Having considered the risks associated with the energy market, the Group will further develop the clean energy business and the processing and sales of scrap metals in the future to stabilize and increase profits. Meanwhile, the Group will continue to explore the overseas SIM card business market and expect to increase revenue through increased production capacity.

ABOUT THE REPORT

This report is the second Environmental, Social and Governance Report (the “Report”) published by the Group. Through reporting the Group’s policy, measure and performance in the environment, social and governance aspects, the Report aims to let stakeholders enhance understanding of the Group’s progress and direction in sustainable development. The Report has been prepared in both Chinese and English, and it has been uploaded on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group’s website at www.phoenitron.com.

Scope of Report

The Report focuses on the operations of the Group’s business segments of “sale of petro-chemical products” and “contract manufacturing and sale of smart cards” during the financial year ended 31 December 2017 (the “Reporting Period”). The scope of the Report includes the operations in relation to the office located in Shanghai¹(hereby referred to as “Shanghai Office”) and “sale of petro-chemical products” business as well as the plant located in Shenzhen²(hereby referred to as “Shenzhen Plant”) (collectively, “Each Operating Point”) and “contract manufacturing and sale of smart cards” business, and the operations in other regions are excluded. The Group will gradually expand the scope of disclosure by continuously optimizing the internal information collection procedures.

Report Standards

The Report is prepared pursuant to the “comply or explain” provisions under the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the Stock Exchange and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. Based on the Group’s actual condition, some key performance indicators (KPIs) specified in the “Recommended Disclosures” under the Guide are adopted to enable completeness of the Report. To ensure the accuracy of environment-related KPIs, the Group has commissioned Carbon Care Asia, a professional consulting firm, to conduct a carbon assessment. The last section of the Report provides complete indexing to allow easy comprehension of the Report in accordance with the Guide.

¹ Shanghai Phoenitron Petroleum & Chemical Company Limited, a subsidiary indirectly held by the Company, is responsible for its operation.

² Topwise Technology (SZ) Limited, a subsidiary indirectly held by the Company, is responsible for its operation.

Confirmation and Approval

All information contained herein is collected from the official documents, statistics of the Group, and the management and operation data collected through the Group's system. The Report was confirmed and approved by the board of directors in June 2018.

Feedback

The Group highly values the opinions of stakeholders. Should you have any enquiries or comments regarding the content or form of the Report, please contact us:

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Message from the Management

I am pleased to announce the second Environmental, Social and Governance Report of Phoenitron Holdings Limited. The Group's business is diversified and its business operations will affect stakeholders and the environment. Therefore, the Group actively promotes sustainable development to improve social and environmental performance.

During the Reporting Period, the Group commissioned an external consultant to conduct a carbon assessment to more effectively manage carbon emissions. The Group is committed to reducing energy consumption and optimizing use of resources. The Group has established various environmental goals, indicators and management plans and implemented cost-saving measures in all aspects of its operations. For energy and packaging materials, the Group formulated ISO14001 environmental system operation control procedures to further regulate the use efficiency.

With rapid changes in the market, the Group continued to provide trainings to its employees to enhance its resilience. The Group systematically arranges staff development plans through staff training control procedures to assist staff in establishing relevant professional skills and striving for promotion opportunities.

The Group recognizes the potential environmental and social risks in the supply chain and has formulated the Social Accountability Management Handbook to set clear and specific standards, and has maintained close communications with suppliers and requested them to comply with the Group's policies.

The Group highly values the product responsibility and the confidentiality of customer information, and sets out the relevant management procedures and the code of conduct for its employees in the management handbook. In order to effectively respond to customer complaints, the Group adopted 8D reporting to deal with the issues and prevent the recurrence of similar incidents.

The Group believes that only by incorporating its concern for the environment and the society with its business decisions can the Group continue to enhance its competitiveness in the fast-changing market. Looking forward, the Group will continue to value the opinions from different parties and carry out its corporate social responsibilities so as to achieve sustainable development.

Lily WU
Chairman
Phoenitron Holdings Limited

COMMUNICATION WITH STAKEHOLDERS

In the Group’s business management, stakeholder³engagement serves a vital role and facilitates the Group in reviewing potential risks and business opportunities. Engaging with stakeholders and understanding their views would allow the Group to propel its business practice closer to the satisfaction of stakeholders’ needs and expectations and properly manage opinions from different stakeholders.

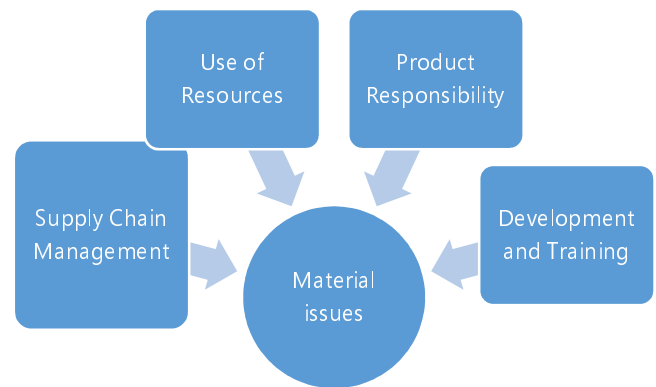
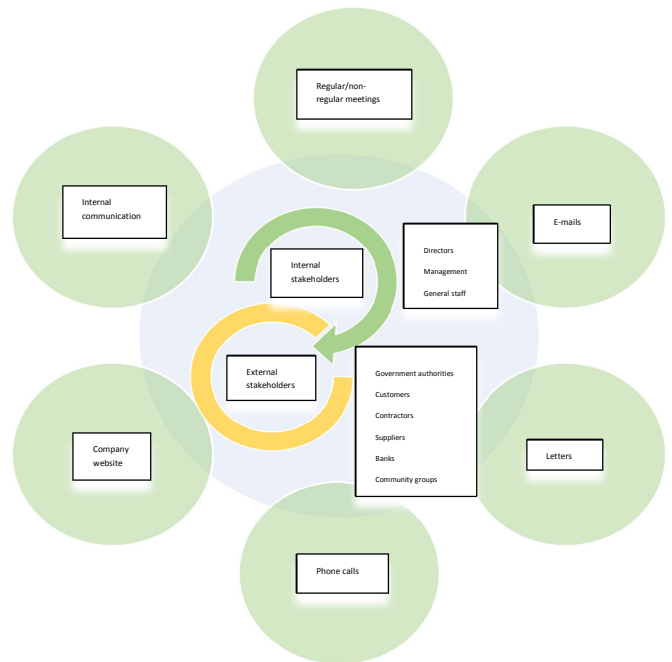
Major method of communication with the stakeholders during the Report Period

The Group has been constantly communicating with key internal and external stakeholders via various channels, which enable them to have the opportunity in understanding the Group’s development and operation directions and allow the Group to listen to their opinions and thereby prioritizing different issues and developing corresponding policies.

Material sustainability issues during the Report Period

To formulate the Group’s sustainability strategy and direction and to identify the most important environmental and social issues for the Group and its stakeholders, the Group has commissioned Carbon Care Asia, an independent consulting firm, to conduct a substantive analysis by interviewing the management, and incorporated the advices of professional consultants to clarify important reporting issues and to determine the direction of the Groups’ sustainable development. The Group selected four material issues from the eleven environmental and social aspects set out in the Guide as focuses of the Report.

To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing a communication mechanism for transparency, integrity and accuracy as well as providing timely response. In the future, the Group will strengthen its engagement and communication with external stakeholders and encourage them to make recommendations on the sustainable development and express their expectations on the Group. In addition to continuous communications with the stakeholders, the Group plans to expand and diversify its communication channels, so as to have more opportunities to engage with them and create and maintain a relationship with mutual benefits.



³ “Stakeholders” or “interested parties” represent groups and individuals who have significant impacts on the Group’s businesses, or those who are affected by the Group’s business, including internal directors, management and general staff, and external government authorities, customers, contractors, suppliers, banks and community groups.

PHOENITRON AND ENVIRONMENT

Phoenitron attaches great importance to environmental protection and is committed to using natural resources more efficiently and reducing the impact of its business operation on the environment. The Group has formulated and implemented the Group Environmental and Social Policies (the “Group Policies”) to regulate the management of use of resources, emissions and the environment and natural resources. On this basis, Shenzhen Plant developed and implemented the Environmental System Operation Control Procedures (the “Control Procedures”) based on its own business characteristics and actual operational conditions to control the operations and activities related to major environmental factors or the process that may have significant environmental impacts, so as to achieve ongoing improvement in environmental efforts.

Use of Resources

In order to comply with environmental policies and achieve sustainable operations, Phoenitron implements the Group Policies, actively promotes education in conserving resources and energy, and enhances staff’s awareness of energy conservation to prevent unnecessary loss of resources.

The Group has established management plans to formulate clear measures and targets to reduce waste of resources. Energy-saving measures include the use of energy-saving equipment, regular repair and maintenance of equipment, lighting zones implemented for places of business covering large areas and implementation of water quality improvement solutions. Paper-saving measures include promoting the use of electronic communications, encouraging employees to print both sides of papers, establishing management rules for use and setting the target of using paper. In addition, the Group is also committed to ensuring the quality of the Group’s products by regulating and improving the production process so as to reduce the waste of raw materials.

| Use of energy | Shanghai Office | Shenzhen Plant |
|---------------------------------|------------------|------------------------------|
| Gasoline | Not applicable | 198.85GJ |
| Electricity | 13.62MWh | 1,795.48MWh |
| Total energy consumption | 49.03GJ | 6,662.58GJ |
| Energy intensity | 9.81 GJ/employee | 27.01 GJ/million smart cards |

Shenzhen Plant

Electricity and water

At the Group’s Shenzhen Plant, the electricity is mainly used by production machines, inspection and test equipment, air-conditioning, office equipment and lighting; and the water is mainly used at office, staff canteen and toilet. According to the requirements of the Control Procedures, relevant departments are required to count and monitor electricity and water usage records, and ensure that employees implement electricity and water saving measures, such as:

- All employees turn off all machines, equipment, air-conditioning and lighting when they are off duty;
- Use of energy-saving equipment and energy-saving process, high-power electrical appliances, such as electric stoves are not allowed to use in the dormitory; and
- The departments mainly using water shall strengthen the maintenance of water pipes and faucets.

Paper

At Shenzhen Plant, paper consumption is mainly from the paper required for the daily operations of the office. Shenzhen Plant counts and monitors the paper consumption of each department according to the Control Procedures, and recommends employees to work electronically to reduce paper consumption. In addition, labels are posted on the printers at all departments to remind employees to save paper.

Others

The main raw and auxiliary materials consumed by the Group at Shenzhen Plant are packaging materials, including such paper materials and wood as inner boxes and outer boxes. Shenzhen Plant requires the Department of Quality to reasonably use packaging materials, and to reuse as much as possible upon meeting product requirements. In addition, employees regularly record and monitor the consumption of major raw and auxiliary materials to improve excessive use in a timely manner.

Shanghai Office

Due to the nature of the business, the resources used at Shanghai Office are mainly electricity, water and paper used for the daily operations of office. Shanghai Office encourages employees to save water and electricity, and work electronically to reduce printing.

Management of emissions

Phoenitron is committed to reducing the emission of air pollutant, greenhouse gas, sewage and waste in the daily operations of its businesses, and undertakes in the Group Policies to introduce international certification standards to improve production process and emission management.

Greenhouse gas and air pollutant emissions

During the Reporting Period, the Group commissioned Carbon Care Asia, a consulting firm, to conduct a carbon assessment to calculate the greenhouse gas emissions generated by its operations. The assessment is based on the Guidelines issued by the National Development and Reform Commission of the People's Republic of China⁴, guidelines issued by Shanghai Municipal Development & Reform Commission⁵ and international standards such as ISO14064-1 and Greenhouse Gas Protocol to ensure the accuracy of environmental KPI information.



The Group's total emissions were 970.6 tonnes in 2017. The main source of the carbon emissions is purchased electricity of Scope 2, accounting for 98.6% of total emissions. To address the main source of carbon emission, the Group will continue to assess, record and disclose its greenhouse gas emissions and other environmental data on a yearly basis, and make comparison with subsequent data based on that of the Reporting Period to review the performance of current measures, thereby facilitating the formulation of further emission reduction objective in the future.

⁴ Guidelines on the Calculation and Report of Greenhouse Gas Emissions by Electronic Equipment Manufacturing Companies (for Trial Implementation)

⁵ Shanghai Greenhouse Gas Emission Accounting and Reporting Guide (Trial Edition)

| Carbon emissions | Shanghai Office emissions | Shenzhen Plant emissions |
|---|--|---|
| Scope 1 (tonnes of carbon dioxide equivalent) | Not applicable | 13.50 |
| Scope 2 (tonnes of carbon dioxide equivalent) | 10.73 | 946.40 |
| Total greenhouse gas emissions (tonnes of carbon dioxide equivalent) | 10.73 | 959.90 |
| Greenhouse gas intensity | 0.04 tonnes of carbon dioxide equivalent/m ² | 3.89 tonnes of carbon dioxide equivalent/million smart cards |

The Group's air emissions mainly arise from the use of fuel by vehicles. For the purpose of reducing the emission, the Group encourages employees to use electronic technology as a priority to reduce business trips; when participating in external meetings or activities, try to use public transportation and reduce the use of private cars; and try to walk in case of short distance.

Waste disposal

The Group attaches great importance to proper management of waste generated in its business operations and strives to prevent and minimize pollution to the surrounding environment. Due to the nature of the business, waste generated at Shanghai Office is principally non-hazardous waste consisting mainly of waste paper, which is collected and processed by the property management office.

| Non-hazardous waste | Shanghai Office | Shenzhen Plant |
|--|-----------------|----------------|
| Output (tonne) | 0.56 | 31.9 |
| Intensity (tonne/m²) | 0.002 | 0.005 |

The waste generated at Shenzhen Plant mainly includes general wastes (mainly household waste and office waste), recyclable wastes (waste paper, scrap metal, waste plastics, etc.) and hazardous wastes (waste oil, waste fluorescent tubes, waste batteries and ink cartridges, etc.). In its ISO14001 environmental management system, Shenzhen Plant provides that waste shall be collected and managed by category by each department. Among which, general wastes are delivered by cleaners to designated waste placement site for centralized treatment; recyclable wastes are collected by qualified contracting and waste disposal companies arranged by the Department of Management; hazardous wastes are disposed by entrusted eligible companies, which are temporarily placed at the storage site set up in the plant before collection by treatment companies. During the Reporting Period, as Shenzhen Plant has entrusted a specialized third-party institution to process the hazardous wastes generated with no quantitative data available, it was unable to disclose the hazardous wastes data generated at Shenzhen Plant.

In the future, the Group plans to record in detail the amount of waste generated at Shanghai Office and Shenzhen Plant, and compare the changes in emissions year by year to adjust emission reduction plans accordingly.

Wastewater discharge

Wastewater discharged from the Group is household wastewater. Among which, wastewater from Shanghai Office is directly discharged into local sewage treatment factory for further processing via the municipal sewage network. Wastewater from Shenzhen Plant is discharged into the septic tank of the office building for processing via the sewage pipeline, and discharged into the municipal sewage network after reaching the standard.

The Environment and Natural Resources

Phoenitron is in compliance with relevant environmental laws and regulations in its daily operations, and closely monitors the impacts of its businesses on the environment to ensure timely identification, monitoring and management of significant environmental matters. The Group implements the Control Procedures at Shenzhen Plant and complies with the emergency procedures. In case of emergency such as fire or leakage, employees shall handle the accident in accordance with the Management Procedures for Emergency Response Plans in a timely manner. The Group is committed to making sure its employees have a clear understanding of environmental policies, and ensure that these policies are accurately communicated and implemented through announcements, trainings and irregular spot checks.

During the Reporting Period, the Group is not aware of any breach in respect of emissions, use of resources or the environment and natural resources.

PHOENITRON AND OPERATION

Supply Chain Management

The Group is committed to improving supply chain management for the purpose of achieving sustainable development. All our suppliers are required to comply with the policies on environmental and social responsibility as set out in the Group Policies, and are supervised by the Group.

Selection of Suppliers

In selecting suppliers, the Group would give priority to their compliance with laws and regulations. Besides, the price and quality of services or goods, delivery capability of suppliers, service and integrity are taken into consideration in determining whether to cooperate with such suppliers. Additionally, suppliers are also required to comply with international principles on human rights, environmental protection, labour safety, forced labour and child labour.

Main products purchased by Shenzhen Plant are comprised of card-base materials and packaging materials. In view of actual situation of business operation, the Purchasing Control Procedures has been established and implemented under the requirements of the Group Policies, which specifies the duties and requirements of all relevant departments and procedures of selecting suppliers.



Assessment of Suppliers

Shenzhen Plant would assess whether suppliers are in compliance with requirements of the Group through surveys and on-site assessments. Employees that carry out investigation into suppliers are required to make a field assessment report, with nine assessment items such as product quality direction and objective of the Company, quality management system, product design control, production management, inspection and staff training inclusive. Each item would be rated as “Good”, “Fair” or “Poor”. Where there are more than five items that are rated as “Poor”, such supplier would be regarded as disqualified. Suppliers are required to sign an undertaking to ensure their compliance with the environmental policies and requirements stipulated by Shenzhen Plant during the period of which they provide products and services to Shenzhen Plant. If any violation against relevant requirements on the aspect of suppliers is found, the Group will investigate the suppliers. Proper solutions will be devised and follow-up checks will be made to see whether they have been effectively executed. During the Reporting Period, there was no record of violations by the

Group's suppliers.

Product Responsibility

Product responsibility is regarded by Phoenitron as the critical factor for the success of the Group's development, in which product quality is an integrated part of the Group's product responsibility. The Group has policies in place, such that business operations are normalized, the duties and responsibilities of relevant executive personnel are clearly specified, production procedures are monitored and analysed, systems are regularly assessed, and measures for improvement are adopted to ensure that the manufacturing operation may be continuously improved and that products are guaranteed with excellent quality.

Product Quality Management

Various mobile smart cards are the main products produced in Shenzhen Plant of the Group. The Management Manual was formulated and implemented based on the Group Policies, and the quality management system was established according to requirements under the standard of ISO9001:2015, which specify quality management requirements on various aspects of production procedures, performance evaluation and continuous improvement. Moreover, quality direction and objective is also set to assign work to each respective department in detailed terms, targeting to achieve a customer satisfaction level of more than 95% and an on-time delivery rate of 100%. During the Reporting Period, the customer satisfaction level was 97% and the on-time delivery rate was 90%, which was in line with the objective set by the Group.

Quality Direction: Customer and Quality First, and Premium Service Preferred Based on Delivery Time

Maintainence of Customers' Data

The Group attaches great importance to the protection of the privacy of our customers. Safety assurance mechanisms has been established for all different phases of handling product data submitted by customers from data receipt, storage, internal transmission, processing, delivery and erasure, and an operating record will be saved. Further, the Group keeps communication with our customers in respect of the foreseeable risks, to guarantee the security coverage for our customers' data.

The Confidentiality Management System of Customers' Information, that clarifies the duties and responsibilities as well as operation procedures of respective department, has been formulated and implemented. For example, upon receipt of orders from customers, the marketing department is required to store related information by category based on the extent of confidentiality and set permissions for personnel accessing to such information. While in the process of production, customers' information is kept by a specially-assigned person and regularly reviewed by setting up an account. Any malicious disclosure of customers' information by employees is not allowed. In case of violation, such employee would be subject to disciplinary action. In case of disclosure of customers' information by mistake, Shenzhen Plant would take immediate remediation measures by notifying relevant employees, establishing a management group, informing the customers and bearing corresponding compensation.

Customer Feedback Handling

The Group places high regards on customer feedback and handles customer complaint in a prudent manner. Upon receipt of complaint filed by customers, Shenzhen Plant would, based on the "8D problem-solving method", investigate the cause for product problem, prepare a report and share such report with customer, in order to notify them what correction and preventative actions should be taken. During the Reporting Period, the Group was not aware of any product-related complaint filed by customers, being evidence that there was no quality problem in batch size with our products and that we are not involved in any recall of products.

Intellectual Property Protection

We are aware of, highly value and respect the importance of intellectual property. Requirements of protecting customers' properties are set out in the Management Manual of Shenzhen Plant. Intellectual property is regard as the property of the customers. It is provided that no employees are allowed to copy, demonstrate, disseminate and reveal to a third party such property without permission of the customer. *

The activities of the Group are not involved in any advertising-related matters. During the reporting period, the Group did not find any violation cases in relation to product responsibility.

Anti-corruption

Phoenitron is committed to carrying out operation work by adhering to the principles of truthfulness, fairness, transparency and responsibility. Each Operating Point has the code of anti-corruption in place to prevent corruption.

The Group regulates prevention of corruption by its employees, customers, suppliers, service providers and contractors according to respective codes of conduct and practices as stipulated in the Anti-corruption and Anti-bribery Control Procedure and the Gift and Gifting Procedure, demonstrating that the Group adopts a zero-tolerance policy on any kind of corruption practices including bribery, extortion, fraud and money laundering, and undertakes to run business in an honest, ethical and professional manner.

According to the Anti-corruption and Anti-bribery Control Procedure, staff in important position of the Group, including senior management, sales personnel and purchasing staff, are required to sign the "Letter of Undertaking of Non-bribery/Non-corruption" (the "Letter of Undertaking"). Besides, all the customers, suppliers, service providers and contractors that have business dealings with the Group are also required to sign the Letter of Undertaking, undertaking that they shall discharge the obligations thereunder, never conduct any form of corruption and consciously accept the supervision of monitoring department.

During the Reporting Period, no corruption litigations towards the Group or its employees have arisen in the Group.

PHOENITRON AND EMPLOYEES

Development and Training

The Group Policies highlight the importance of staff training and learning, and a sound training program has been developed to enhance the employees' ability, so as to respond to specific business requirements. By providing on-the-job training, the Group targets to strengthen employee competency and expand their skills, thus offering employees with opportunities to seek personal development within the Group.

The Group has established the orientation training management system for new employees to ensure that they can understand job requirements. The trainings accepted include explaining to new employees job requirements and providing training on technology learnings before they take up their posts. Upon such trainings, they will go through an internship stage and will not engage in works until they pass the examination for internship. In case of unsatisfactory performance during the internship period, the employees are required to accept additional trainings to figure out solutions for better performance.

The Group implements the Training Control Procedure in Shenzhen Plant, which provides that the leader of each department is required to develop an annual training plan and monthly training plan to organise employees to accept various trainings. The Training Control Procedure also specifies the types of trainings and assessment criterias. Specifically, trainings are divided into three classes by the content and purpose, namely orientation training, safety training and technical training, while assessment may be carried out in different ways such as written examination, theories and operational practices. Meanwhile, evaluating the training accepted by employees in Shenzhen Plant is also required to learn feedback on the training outcomes from employees as well as the effectiveness of trainings.

During the Reporting Period, the Group organises ten trainings mainly about corporate culture, professional skills and communication skills for new employees, ordinary employees and mid-level management, in forms including internal and external lectures and actual operation. According to the statistics, an aggregate of 51 new employees have participated the trainings with a passing rate of 94.1% achieved.



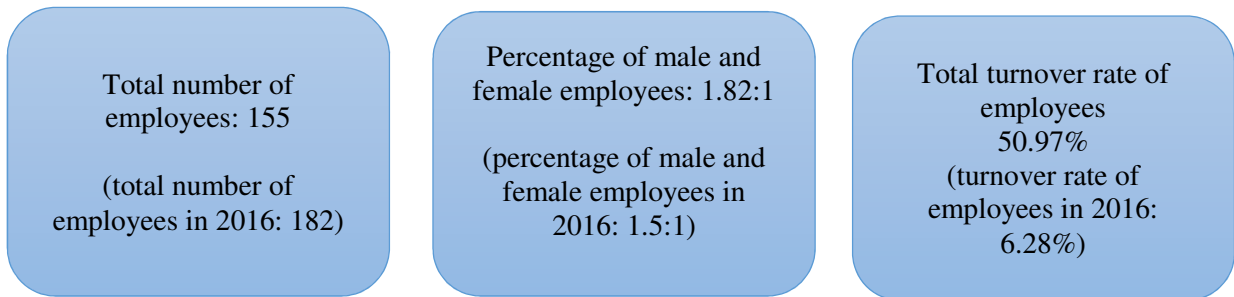
Promotion of employees in Phoenitron is managed by Working Rules and Employee Promotion System based on their professional skills, working experience and qualification, work performance, adaptability and potential. The Group will give priority to internal staff where there is a vacancy. External personnel will only be employed when there is no suitable candidate within the Group. Furthermore, the Group uniformly implements promotion scheme for employee through assessment every year.

Employment

Phoenitron has always regarded employees as foundation to its growth. The Group has complied with recruitment related laws and regulations, and job applicants will not be treated unfairly due to reasons such as age, gender, race, religion, marital status, sexual orientation or disabilities. At the same time, the Group is committed to preventing discrimination or sexual harassment of any kind in the workplace. The Group has established an employment management mechanism with reference to the requirements of the SA8000 social accountability standards, which specifies employees’ rights and responsibilities in terms of remuneration and benefits, working hours, health and safety, anti-discrimination, promotion, freedom of association and right to collective bargaining.

In order to ensure good communication between the Group’s management and its employees, and to encourage employees to actively reflect the Company’s operating conditions and propose suggestions for improvement to the management, the Group has formulated management system of staff complaint and suggestions, which specifies the ways and methods for an employee to file a complaint and offer suggestions by way of interview, letters and general manager’s mailbox, etc. During the Reporting Period, there were no reported cases of staff complaint in the Group.

Phoenitron hopes that every employee can achieve a work-life balance and continuously provides employees with various cultural and recreational activities. In addition, the Group provides employees with various welfares and job allowances, including housing and communication allowance, work injury insurance, old-age insurance, medical insurance, meal allowance, pension, year-end bonuses and paid leaves.



During the Reporting Period, total turnover rate of employees was relatively significant due to decreased demand for operating personnel resulting from the factory relocation of the Group, and the improvement of operation efficiency of the equipment. Moreover, the factory relocation also had impact on the stability of orders to some extent, thus affecting the turnover of employees. The Group will pay persistent attention to the employment of staff to respond to any change.

Looking ahead, the Group plans to improve the diversification policy of employment to hire staff with different backgrounds for the purpose of establishing a diversified and integrated work team. During the Reporting Period, the Group did not identify any violations related to employment.

Health and Safety

Phoenitron cares about the health and safety of our employees and is committed to providing a pleasant working environment for our employees and caring for their well-being. Therefore, the Group has established and implemented the occupational health management policy to prevent, control and eliminate occupational disease hazards, safeguard the health and relevant rights of the Group's employees, as well as improving the working environment.

The Group has established the emergency response management measures for potential environmental impacts (such as fire hazards) in our daily operations. Through routine fire drills, raising staff awareness and installing good firefighting equipment, risks of fire incidents, environmental pollution and property loss may be reduced.

The Group has formed an occupational health and safety team in Shenzhen Plant comprised of the management department, safety department and supervisors of relevant workshops. According to the Occupational Health Management System implemented in Shenzhen Plant, employees are required to abide by administrative rules on protective equipment and hazardous articles, on prevention and control as well as on occupational diseases. It is specified in the administrative rules on protective equipment and hazardous articles that protective equipment must be distributed and recorded by a designated person, and that the hazardous articles must be placed at a designated location, managed by a designated person who shall also keep the usage record. The administrative rules on prevention and control illustrate the responsible persons for occupational health training and for publicity of occupational hazards, as well as the responsible persons and the requirements for operating procedure of occupational health. In addition, the occupational health and safety team will occasionally inspect the safety and health in Shenzhen Plant, keep a record and provide advice and corrective measures. It is stipulated in the administrative rules on occupational diseases that annual physical examination is required for an employee that takes up a position with potential occupational diseases. Examination reports of employees with occupational disease or suspected of occupational disease will be submitted to the health administrative department in the jurisdiction. Upon suffering from occupational diseases, the employee must be removed from his/her post immediately. During the Reporting Period, there was no case identified that an employee has suffered from occupational disease.

During the Reporting Period, the Group did not identify any violations related to occupational health nor any work-related injury.

Labour Standards

Phoenitron is in strict compliance with all applicable laws and conventions, and has put in place policies and measures against child and forced labour. The Group would verify each applicant's actual age by checking his/her identity documents during the recruitment process to prevent employing any child labour. In addition, the Group makes sure that employees are working on a voluntary basis and does not allow for any kind of forced labour. Receiving deposits from newly-employed or working employees and keeping employees' identification documents are also prohibited. The Social Accountability Management Handbook of Shenzhen Plant also specifies child labour rescue and control procedures. Once any employment of child labour is identified, the Group will immediately terminate the labour contract with him/her, send him/her back to the residence of his/her guardian and bear any expense arose during such course. Meanwhile, the Group will also review employment practices from time to time to avoid child and

forced labour.

During the Reporting Period, the Group was not aware of any violations related to labour standards.

PHOENITRON AND COMMUNITY

Adhering to its aim of “Receiving from Society, Giving to Society”, Phoenitron is committed to providing support for community surrounding the operating point and encourages its employees to participate in public affairs proactively to give back to the society.

The Group has actively participated in various environmental protection, sports and art and culture events for the communities, and an aggregate of RMB20,000 was invested into community welfare during the Reporting Period. Shenzhen Plant has a community tree farming program in place to hold an annual tree-farming event to plant 50 trees in the community. It cost the Shenzhen Plant RMB10,000 during the Reporting Period. Furthermore, the Group is also devoted to promoting community prosperity by leveraging on its own business operation. An amount of RMB10,000 has been invested into charity-based recruitment event. Moreover, the Group encourages the local workforce to work in the region by participating in a talent recruitment event held by a local organization and providing job positions.

Looking forward, the Group will pay constant attention to the demand of community, improve its policies about community investment and better its performance in community investment.

SUMMARY OF ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS
Summary of Environmental Key Performance Indicators

| Environmental Key Performance Indicators | | Data | Unit |
|--|---|---------|---|
| Atmospheric pollutants | Nitrogen oxides | 2.60 | kg |
| | Sulphur oxides | 0.46 | kg |
| | Suspended particulates | 0.24 | kg |
| Greenhouse gas | Scope 1 | 13.5 | tonnes carbon dioxide equivalent |
| | Scope 2 | 957.1 | tonnes carbon dioxide equivalent |
| | Total greenhouse gas emissions | 970.6 | tonnes carbon dioxide equivalent |
| | Intensity of greenhouse gas (by per square meter) | 0.16 | tonnes carbon dioxide equivalent/m ² |
| Hazardous waste ^ | Total hazardous waste | N/A | Tonne |
| | Intensity of hazardous waste (by per square meter) | N/A | kg/m ² |
| Total non-hazardous waste* | Total non-hazardous waste | 32.4 | Tonne |
| | Intensity of non-hazardous (by per square meter) | 0.005 | kg/m ² |
| Energy | Gasoline | 198.8 | GJ |
| | Electricity | 1,809.1 | MWh |
| | Total energy consumption | 6,711.6 | GJ |
| | Intensity of energy (by per square meter) | 1.07 | GJ/m ² |
| Water consumption | Total water consumption | 1,834 | m ³ |
| | Intensity of water consumption (by number of employees) | 11.8 | m ³ /employee |
| Packaging Materials | Total packaging materials | 139.37 | Tonne |
| | Intensity of packaging materials (by output) | 0.57 | Tonne/million smart cards |

^ There was no hazardous waste generated in Shanghai Office. Shenzhen Plant has entrusted a specialized third-party institution to process the hazardous wastes generated with no quantitative data available, therefore, it is unable to disclose the relevant data.

Summary of Social Key Performance Indicators

Number of Employees

| Gender | Position | Aged below 30 | Aged 30-40 | Aged 41-50 | Aged above 50 | Total Number of employees | Male to female staff ratio |
|---------------|--------------------|---------------|------------|------------|---------------|---------------------------|----------------------------|
| Male | Main leaders | 0 | 2 | 0 | 0 | 155 | 1.82:1 |
| | Senior management | 0 | 0 | 1 | 0 | | |
| | Middle management | 8 | 11 | 3 | 1 | | |
| | Ordinary employees | 50 | 20 | 4 | 0 | | |
| Female | Main leaders | 0 | 0 | 0 | 0 | | |
| | Senior management | 0 | 0 | 0 | 0 | | |
| | Middle management | 2 | 10 | 2 | 2 | | |
| | Ordinary employees | 29 | 8 | 2 | 0 | | |

Number of New Employees

| Gender | Position | Aged below 30 | Aged 30-40 | Aged 41-50 | Aged above 50 | Total number of new employees | Percentage of new employees over the total number of employees |
|---------------|--------------------|---------------|------------|------------|---------------|-------------------------------|--|
| Male | Main leaders | 0 | 0 | 0 | 0 | 52 | 33.5% |
| | Senior management | 0 | 0 | 0 | 0 | | |
| | Middle management | 0 | 0 | 0 | 0 | | |
| | Ordinary employees | 30 | 5 | 1 | 0 | | |
| Female | Main leaders | 0 | 0 | 0 | 0 | | |
| | Senior management | 0 | 0 | 0 | 0 | | |
| | Middle management | 0 | 0 | 1 | 0 | | |
| | Ordinary employees | 10 | 5 | 0 | 0 | | |

Number of Employee Turnover

| Gender | Position | Aged below 30 | Aged 30-40 | Aged 41-50 | Aged above 50 | Total number of employee turnover | Percentage of employee turnover over the total number of employees |
|--------|--------------------|---------------|------------|------------|---------------|-----------------------------------|--|
| Male | Main leaders | 0 | 0 | 0 | 0 | 79 | 50.97% |
| | Senior management | 0 | 0 | 0 | 0 | | |
| | Middle management | 0 | 0 | 0 | 0 | | |
| | Ordinary employees | 41 | 4 | 0 | 0 | | |
| Female | Main leaders | 0 | 0 | 0 | 0 | | |
| | Senior management | 0 | 0 | 0 | 0 | | |
| | Middle management | 0 | 0 | 0 | 0 | | |
| | Ordinary employees | 28 | 6 | 0 | 0 | | |

Summary of Health and Safety Performance Indicators of Employees

| Number and rate of work related fatalities | Rate of work injury (per thousand employees) | Lost days due to work injury | Percentage of working day lost due to work injury |
|--|--|------------------------------|---|
| 0 | 0 | 0 | 0 |

Training and Appraisal on Performance and Career Development Regularly

| Category | | Main leaders | Senior management | Middle management | Ordinary employees |
|--|--------|--------------|-------------------|-------------------|--------------------|
| Number of individuals trained | Male | 0 | 0 | 8 | 84 |
| | Female | 0 | 0 | 2 | 34 |
| Number of hours trained | Male | 0 | 0 | 84 | 972 |
| | Female | 0 | 0 | 56 | 688 |
| Percentage of trained employees over total employees trained | | 82.6% | | | |
| Average training hours | | 11.61 | | | |

Suppliers

| Location of suppliers | Products supplied | Number of suppliers | Percentage of suppliers in compliance with requirement of the Company |
|-----------------------|-------------------------|---------------------|---|
| Mainland China | Card-body materials | 2 | 100% |
| Mainland China | Packaging materials | 2 | 100% |
| Mainland China | Petro-chemical products | 3 | 100% |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

| Subject Areas | Contents | Page Index/Notes |
|---|---|----------------------------|
| A. Environmental | | |
| A1 Emissions | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 8-10 |
| A1.1 | The types of emissions and respective emissions data. | 8-9, 16 |
| A1.2 | Greenhouse gas emissions in total and intensity. | 8-9, 16 |
| A1.3 | Total hazardous waste produced and intensity. | 9, 16 |
| A1.4 | Total non-hazardous waste produced and intensity. | 9, 16 |
| A1.5 | Description of measures to mitigate emissions and results achieved. | 8-10 |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 9 |
| A2 Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 7-8 |
| A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | 7, 16 |
| A2.2 | Water consumption in total and intensity. | 16 |
| A2.3 | Description of energy use efficiency initiatives and results achieved. | 7-8 |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | No issue in sourcing water |
| A2.5 | Total packaging material used for finished products and with reference to per unit produced. | 16 |
| A3 The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | 10 |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 10 |
| B. Social | | |
| B1 Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 13-14 |
| B1.1 | Total workforce by gender, employment type, age group and geographical region. | 13, 17 |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | 13, 18 |
| B2 Health and Safety | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 14 |
| B2.1 | Number and rate of work-related fatalities. | 18 |
| B2.2 | Lost days due to work injury. | 18 |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | 14 |
| B3 Development and Training | | |

| | | |
|-----------------------------------|---|-----------|
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 12-13 |
| B3.1 | The percentage of employees trained by gender and employee category. | 13, 18 |
| B3.2 | The average training hours completed per employee by gender and employee category. | 13, 18 |
| B4 Labour Standards | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 14-15 |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 14-15 |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | 14-15 |
| B5 Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 10-11 |
| B5.1 | Number of supplier by geographical region. | 19 |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 10-11, 19 |
| B6 Product Responsibility | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 11-12 |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 12 |
| B6.4 | Description of quality assurance process and recall procedures. | 11 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 11 |
| B7 Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 12 |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | 12 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 12 |
| B8 Community Investment | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 15 |
| B8.1 | Focus areas of contribution. | 15 |
| B8.2 | Resources contributed to the focus area. | 15 |