

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PHOENITRON HOLDINGS LIMITED

STOCK CODE: 8066.HK

Contents

<i>ABOUT THE GROUP</i>	3
<i>ABOUT THE REPORT</i>	3
<i>MESSAGE FROM THE MANAGEMENT</i>	5
<i>SUSTAINABILITY GOVERNANCE</i>	6
<i>COMMUNICATION WITH STAKEHOLDERS</i>	7
<i>BUILDING A GREEN ENVIRONMENT</i>	8
<i>DECENT WORKING ENVIRONMENT</i>	12
<i>RESPONSIBLE OPERATION</i>	15
<i>MUTUAL DEVELOPMENT WITH COMMUNITY</i>	17
<i>OVERVIEW OF KEY PERFORMANCE INDICATORS</i>	18
<i>ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT</i>	
<i>INDEX</i>	21

ABOUT THE GROUP

Phoenitron Holdings Limited (hereby referred to as “Phoenitron” or the “Company”, together with its subsidiaries, the “Group”) is principally engaged in the contract manufacturing and sales of smart cards and operation of petro-chemical related business, as well as provision of customised smart card application systems.

Contract manufacturing and sales of smart cards business

In 2018, the smart cards business faces huge challenges due to market factors. Therefore, the Group strives to promote its profitability through cost cutting and improvement of operating efficiency. In addition, apart from the existing SIM card services, the Group is also considering providing certain higher-value-added card services in the coming year, such as machine-to-machine (M2M) smartcard related business.

Sales of petro-chemical products business

The Group has established Shanghai Phoenitron Petroleum & Chemical Company Limited in Shanghai, whose main business is the operation of petro-chemical related business in the Yangtze River Delta region.

Looking forward, while consolidating the basis of existing businesses, the Group will put great emphasis on developing new business areas, so as to bring more diversified development prospect for the Group.

ABOUT THE REPORT

This report is the third 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 is available in Chinese and English, and it has been uploaded on the website of Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group’s website at www.phoenitron.com.

Scope of Report

The Report presents the Group’s operation for the financial year ended 31 December 2018 (the “Reporting Period”). 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”, which is the same with the report of last year. The scope of the Report includes the operations in relation to the office located in Shanghai¹ (hereby referred to as “Shanghai Office”) which related to the sale of petro-chemical products business as well as the plant located in Shenzhen² (hereby referred to as “Shenzhen Plant”) which related to the contract manufacturing and sale of smart cards business (collectively, “Each Operating Point”), and the operations in other regions are excluded. The operations represent 99.9% of the Group’s total turnover.

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

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

At present, the Report covers the most operations of the Group. Sales of smart card application systems is excluded as it accounts for less than 0.1% of the Group's turnover. In the coming years, the Group will consider to expand the scope of disclosure gradually.

Report Standards

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. In order to let stakeholders fully understand the Group's performance in environmental, social and governance aspects, apart from the disclosure of environmental key performance indicators required in "comply or explain", the Group also report some social key performance indicators specified in the "Recommended Disclosures" under the Guide.

Confirmation and Approval

The Group has set up internal control and formal review procedures, striving to make sure that all the information represented herein is accurate and reliable. The Report was confirmed and approved by the board of directors of the Company in June 2019.

Feedback

The opinions of stakeholders are helpful for the Group to build more sound sustainable development strategy in the future. Should you have any enquiries or comments regarding the content or form of the Report, please contact us:

Address: Suite 710, 7th Floor, North Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong

Telephone: (852) 2377 1888

Facsimile: (852) 2377 2955

Email: info@phoenitron.com

MESSAGE FROM THE MANAGEMENT

With increasing attention on issues including climate changes, the Group is taking into consideration environmental and social effects in the process of making business decisions, and actively values the opinions from different internal and external stakeholders, to fulfill its corporate social responsibility. The core value of the Group lies in the achievement of a sustainable development in business, environment and society simultaneously.

In order to implement the Group's work for sustainable development in an effective manner, the Group has established a sustainable development working group, which is responsible for providing strategy guides related to sustainable development and formulating policies and goals. The working group comprises of the directors of the Group and other key members, to ensure that it is able to monitor all businesses of the Group. The power and functions of the working group are approved by the board of directors, and the working group reports to the board of directors regularly, so as to guarantee governance, efficiency and transparency.

In order to respond to various risks arising from issues related to sustainable development, each operating point of the Group has implemented appropriate risk management system based on their respective scale. The sustainable development working group would collect and analyse data regularly, to identify the priority of the different issues, assess the relevant performance and conduct continuous improvement, to avoid risks to the business.

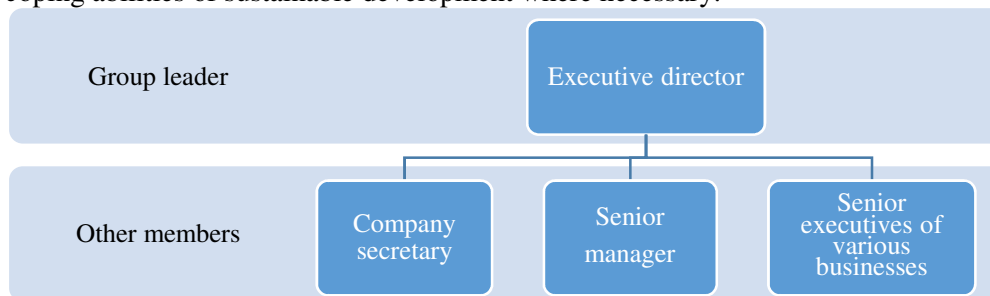
Both the sale of petro-chemical products and the contract manufacturing and sale of smart cards businesses of the Group involve the utilization of natural resources and could lead to various environmental and social influences. During the Reporting Period, the Group selects the use of resources, development and training as well as product responsibility as the material issues for sustainable development, and actively evaluates, controls and enhances the Group's performance in such aspects.

Although the Group is still pursuing sustainable development at present, we will adhere to the corporate core value, to better assist in promoting the improvement of environmental and social performance in the whole industry. With the support of stakeholders and all sectors of society, the Group will continue to fulfill its corporate social responsibility. I invite all stakeholders to provide valuable opinions on this Report to help us achieve continuous progress.

Lily WU
Chairman
Phoenitron Holdings Limited

SUSTAINABILITY GOVERNANCE

The board of directors of the Company understands that good corporate governance strategies enable the Group to better manage the opportunities and challenges it faces in the process of sustainable development, while contributing to the achievement of its own business development. Currently, Phoenitron has set up a sustainable development working group which is authorized by the board of directors to take charge of all the Group's work on sustainable development and reports to the board of directors on a regular basis. The working group may also work with external experts to ensure the Group's coping abilities of sustainable development where necessary.



In addition, risk management, as an important part of corporate governance strategies, is crucial to future development for the Group. Under the supervision of the board of directors and the sustainable development working group, Each Operating Point of the Group will learn about the risks about sustainable development as arise in the process of operation and take corresponding measures by data analysis and regular inspection.

Outlook: Improving management of sustainable development risks

The board of directors understands that the existing systems of internal control and risk management play an important role in identifying sustainable development risks. In the future, the Company plans to continue to deepen such functions under the support of the board of directors and the sustainable development working group so as to further improve its management work of sustainable development risks.

COMMUNICATION WITH STAKEHOLDERS

The Group attaches great importance to stakeholder³ engagement, and expects to strengthen its daily communication with stakeholders, which not only enable stakeholders to understand the progress achieved and the plans made by the Group in sustainable development but also enable us to learn about the opinions and needs of different stakeholders, such that the Group can review the potential risks and opportunities in sustainable development.

Internal stakeholders	External stakeholders
Directors, management and general staff	Government authorities, customers, contractors, suppliers, banks and community groups
Method of communication	
Meetings, e-mails, letters, phone calls, company website and internal communication	

To formulate the Group's strategy of and direction to sustainable development and to identify environmental and social issues that are critical for the Group and its stakeholders, the Group has commissioned a professional consulting firm to conduct interviews with the management. In combination with the results of the interview and the advices of consultants, the Group selected three material issues from the eleven environmental and social aspects set out in the Guide as focuses of the Report.



Outlook: Strengthening communication with stakeholders
The Group believes that the opinions of stakeholders can better help the management of the Group to identify the sustainable development risks and formulate corresponding improvement measures on such basis. Therefore, the Group will consider further understanding of the level of concern and suggestions of internal and external stakeholders on different sustainable development issues by increasing the communication with stakeholders, such as focus group or online questionnaires, etc.

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

BUILDING A GREEN ENVIRONMENT

Reducing negative impact on the environment in the process of operation has always been the focus of the Group. The Group has coordinated the management of environment-related matters by formulating the Group Environmental and Social Policies. Meanwhile, Shenzhen Plant has developed the Environmental System Operation Control Procedures to ensure that its business is in compliance with the environmental policies.

Resource Conservation

The Group is committed to reducing the use of resources in the course of daily production and daily work by strengthening work related to resource management. In order to improve the efficiency of resource utilization, Shenzhen Plant has formulated various measures to prevent resource waste, such as:

Scope of resource utilization	Measures
Water	<ul style="list-style-type: none"> ● Enhance staff's awareness of water saving and encourage them to turn off faucets tightly in a timely manner after using.
Electricity	<ul style="list-style-type: none"> ● All employees are required to turn off all production and office equipment when they leave the office; and ● Actively promote the use of all kinds of energy-saving equipment while strictly prohibiting employees from using high-power electrical appliances in the dormitory;
Paper	<ul style="list-style-type: none"> ● The management department should analyse the paper consumption and improve abnormal consumption; and ● Encourage employees to communicate and exchange opinions with each other via electronic documents in daily work.
Raw material	<ul style="list-style-type: none"> ● The production department should make statistics of the ratio of raw and auxiliary materials consumed on a monthly basis. In case that the ratio exceeds the standardized ratio, the production department should analyse the reasons timely and propose improvement measures; and ● The engineering department should mandatorily disassemble the scrapped mechanical parts and recycle the undamaged components.

The Shanghai Office has improved its resource conservation efforts by establishing a clear management plan, such as use of energy-saving equipment, regular maintenance of equipment and implementation of water saving solutions.

During the Reporting Period, the most energy consumption came from power consumption, reaching 2,052.9MWh, which accounted for 97.4% of the total energy consumption. In addition, compared with last year, the power consumption of Shenzhen Plant increased by approximately 13.6%, mainly because the output during the Reporting Period increased by approximately 18.8% compared with 2017.

Use of energy	Unit	Shanghai Office		Shenzhen Plant	
		2018	2017	2018	2017
Gasoline	MWh equivalent	N/A	N/A	54.6	55.2
Electricity	MWh	13.6	13.62	2,039.3	1,795.48
Total energy consumption	MWh equivalent	13.6	13.62	2,093.9	1,850.68

Management of Emissions

Air emissions

Air emissions of Shenzhen Plant mainly comprise of nitrogen oxides, sulphur oxides and respirable suspended particulates discharged by vehicles while consuming fuel. In view of this, the Group has standardised the use of vehicles through internal guide to reduce the generation of air emissions. Due to the nature of the business, Shanghai Office is not exhausting emissions.

The emission data of nitrogen oxides, sulphur oxides and respirable suspended particulates is basically the same as that in 2017.

Types of emissions ⁴	Shenzhen Plant		Unit
	2018	2017	
Nitrogen oxides	2.67	2.6	kg
Sulphur oxides	0.46	0.46	
Respirable suspended particulates	0.25	0.24	

Greenhouse gas emissions

The Group pays attention to its own carbon footprint and is committed to regulating the greenhouse gas generated during its operation in accordance with the Group Environmental and Social Policies. The Group will introduce international certification standards to make continuous improvements to its daily operations, such as optimizing production process or regulating employees' behaviour, for the purpose of reducing greenhouse gas generation.

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 Each Operating Point. The assessment was made with reference to the Guidelines issued by the National Development and Reform Commission of the People's Republic of China⁵, the guidelines issued by Shanghai Municipal Development & Reform Commission⁶ and the international standards such as ISO14064-1 and Greenhouse Gas Protocol to ensure the accuracy of environmental KPI information. The Group's total greenhouse gas emissions were 1,099.0 tonnes in the Reporting Period, up 13% as compared with emissions in 2017, mainly due to the increase in output. The carbon emissions were mainly from the use of electricity purchased in Scope 2, accounting for 98.8% of total emissions, followed by fossil fuel combustion in Scope 1, accounting for 1.2% of total emissions.

Scopes	Each Operating Point		Unit
	2018	2017	
Scope 1: Direct greenhouse gas emissions	13.3	13.5	tonnes carbon dioxide equivalent
Scope 2: Energy indirect greenhouse gas emissions	1,085.6	957.1	
Scope 3: Other indirect greenhouse gas emissions	0	0	

⁴ Shanghai Office was not involved in air emissions during the Reporting Period, so the air emissions included the data of Shenzhen Plant only.

⁵ Guidelines on the Calculation and Report of Greenhouse Gas Emissions by Electronic Equipment Manufacturing Companies (for Trial Implementation)

⁶ Shanghai Greenhouse Gas Emission Accounting and Reporting Guide (Trial Edition)

Waste

Each Operating Point generates hazardous and non-hazardous waste in its daily operation, such as waste oil, packaging paper, kitchen waste, waste plastics and PVC⁷, etc.. In order to reduce the generation of waste, measures on managing waste have been stipulated in the Group Environmental and Social Policies and the Environmental System Operation Control Procedures, such as:

- Each department should set up special places or containers to store waste. For hazardous waste, rain-proof, leak-proof and ventilation fire-fighting facilities should be set up;
- Posting corresponding warning signs near different waste collection containers; and
- Enhancing staff's awareness of waste separation by training.

During the Reporting Period, a total of 35.9 tonnes of non-hazardous waste was generated in Each Operating Point, up 11% from last year, mainly due to the increase in output. All non-hazardous waste was handed over to the municipal authorities for clearance. In addition, a total of 0.5 tonnes of hazardous waste was generated in Shenzhen Plant and collected by qualified contractors.

Non-hazardous waste	Shanghai Office		Shenzhen Plant	
	2018	2017	2018	2017
Output (tonne)	0.9	0.56	35.0	31.9

Hazardous waste	Shanghai Office		Shenzhen Plant	
	2018		2018	
Output (tonne)	0		0.5	

There was no hazardous waste generated in Shanghai Office in 2017. Shenzhen Plant has entrusted a specialized third-party institution to process the hazardous waste with no quantitative data available for last year, therefore, the data for hazardous waste was not compared with that in 2017.

Wastewater discharge

According to the Group Environmental and Social Policies, Each Operating Point shall establish a sewage discharge system, which can discharge only after treatment. During the Reporting Period, all the domestic wastewater from Shanghai Office was discharged into municipal network via the discharge pipeline. In addition, Shenzhen Plant implements DB44/26-2001 secondary standard for the treatment of domestic wastewater. The domestic wastewater from Shenzhen Plant is discharged into the septic tank via the pipeline, and then discharged into the municipal sewage pipeline after being processed by the septic tank. The operation of Shenzhen Plant was not involved in industrial wastewater discharge.

Outlook: Improving policies relating to community investment

To address the greenhouse gas emission, the Group will continue to assess, record and disclose its greenhouse gas emissions and other environmental data on an annual 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.

⁷ Representing polyvinyl chloride

The Environment and Natural Resources

The Group is committed to reducing the impact on the environment and natural resources in its daily operations. The operation of Shenzhen Plant may result in fires due to hazardous waste leakage, Shenzhen Plant therefore has formulated the Management Procedures for Emergency Response Plans, which aim to standardise the emergency handling procedures. In addition, the environmental impact of the newly constructed, renovated and expanded projects of Shenzhen Plant shall be reviewed by engineering department, and upon the completion of such projects, the internal environmental factors and Chemicals List shall be updated by respective departments according to the project conditions.

During the Reporting Period, the Group made capital contributions of RMB12,000 in Shenzhen Plant to carry out a test on its discharge of domestic wastewater and noise so as to minimise the impact on the surrounding environment of our operation.

The Group has complied with relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Solid Waste Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》). During the Reporting Period, Each Operating Point of the Group did not identify any internal whistleblowing or violation cases related to emissions or the environment.

DECENT WORKING ENVIRONMENT

Creating a good working environment for employees has always been the pursuit of the Group. The Group endeavors to safeguard its employee's rights in training and development, employment, health and safety, and labor standards by formulating a number of staff protection policies.

Development and Training

The Group believes that the growth and development of an enterprise depends on the continuous improvement of its employees. Each Operating Point of the Group has formulated the Group Environmental and Social Policies, the Training Control Procedure, the Orientation Training Management System of New Employees and the Employee Promotion System, to specify the training management procedures and regulate the employee training activities.

The Group has established the training programs for its employees. In addition to internal training, the Group also provides external training opportunities targeted to further improve its employees' working skills. External training activities shall be organised based on the employees' working characteristics.

Furthermore, trainings have been divided into three parts by Shenzhen Plant, namely, orientation training, safety training and technical training.

Training type	Training content
Orientation training	The employees shall receive trainings covering corporate profile, disciplines and regulations, product quality and safety awareness, etc.
Safety training	Each of the departments shall provide trainings on personal safety, property safety and product safety for its employees according to their own characteristics.
Technical training	To ensure that the employees have professional knowledge in their positions, each of the departments shall help employees timely know the application of new products and technologies based on the production characteristics.

Upon the completion of trainings, the relevant departments will set up training files for each of training employees with details of training contents and appraisal results of the employees.

During the Reporting Period, the Group conducted a total of eight trainings, which mainly comprised topics of corporate system and execution training, quality standards training and ISO system training.

Number of employees
trained
156 employees

Average training hours
5.72 hours

Employment System

The Group believes that the establishment of a sound employment system is an important guarantee to protect the basic rights and interests of employees from infringement. In this regards, the Group has formulated the Group Environmental and Social Policies to regulate the Group's arrangements in terms of equal opportunity, compensation and benefits and working hours. Meanwhile, Each Operating Point has also formulated the policies including the Working Rules, the Social Accountability Management Handbook and the Employee Promotion System to further establish the Group's framework in relation to the employment of employees.

Employment system		
<u>Compensation and dismissal</u> <ul style="list-style-type: none"> - Compensation: Salary payment shall be determined according to the seniority and professional skills of employees, and recorded into the employee labour contracts for providing guarantees. - Resignation: The employees are required to give the Group 30 days' prior written notice if they leave the Group. The departed employees shall complete the leave and handover procedures in accordance with the requirements. 	<u>Recruitment and promotion</u> <ul style="list-style-type: none"> - Recruitment: All employee employment practices shall comply with national and local laws and regulations. The Group shall adhere to the principle of equal negotiation to sign employment contracts with its employees. - Promotion: In order to expand the promotion space of employees, the management department will perform regular or irregular promotion appraisal annually to all of its employees. Moreover, the Group will give priority to internal staff where there is a vacancy. 	<u>Working hours and rest periods</u> <p>Each Operating Point of the Group undertakes that it will arrange working hours and rest periods for employees in strict accordance with governing laws and regulations.</p>
<u>Equal opportunity</u> <p>The Group undertakes that it will recruit suitable employees only based on the job requirements, and ensures that no employees will receive any unfair treatment due to age, gender, race and sexual orientation.</p>	<u>Anti-discrimination</u> <p>The Group is strictly prohibited from engaging in or supporting any discrimination on the grounds of race, nationality, religion, sexual orientation or political relations.</p>	<u>Other benefits and welfare</u> <p>In addition to the national statutory welfare and benefits, the Group also offers its employees other benefits, including communication allowance, meal allowance and year-end bonuses.</p>

The Group's policies regarding the diversification of employment, which are currently being drafted, will be reviewed by the relevant departments of the Group in the future. The Group has complied with relevant laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). The Group did not identify any violation cases related to employment during the Reporting Period.

Health and Safety

The Group focuses on safeguarding our employees' health and safety during the process of production. In this regard, Each Operating Point has in place policies to safeguard our employees' health and safety, including the Group Environmental and Social Policies, the Working Rules and the Occupational Health Management System, in a bid to provide the employees with healthy and safe working environment.

In view of the fact that chemicals are utilised during our process of production, the Group shall transport, label and store chemicals based on features of diverse chemicals in the normal course of business, and establish detailed guidance for leakage treatment. Meanwhile, the Group also mitigates health and safety risks in workplace through routine fire drills and equipment maintenance.

Prevention and treatment of occupational diseases is also regarded as an important issue in running business. To mitigate the hazard of occupational diseases, Shenzhen Plant has organised employees engaging in works with the risk of suffering from occupational diseases to take occupational health physical examination annually a time. Once diagnosed with occupational diseases, an employee shall be reassigned and accept periodic check arranged by relevant departments.

Our Group has complied with relevant laws and regulations including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Laws on Prevention and Treatment of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》). During the Reporting Period, the Group is no aware of any breach in respect of health and safety.

Labour Standards

The employment of child and forced labour in workplace is strictly prohibited and is regulated by the Group Environmental and Social Policies and the Social Accountability Management Handbook. Through these efforts, the Group is committed to preventing our employees' legitimate interest from infringement.

The Group has undertaken that it shall strictly prohibit the employment of child labour in workplace. During the recruitment process, the Group will check candidates' identity documents to make sure that their age meets the minimum age requirement under national and local laws and regulations. Once any employment of child labour identified, the Group will terminate his/her duties immediately.

In addition, the Group makes sure that all employees are working on a voluntary basis and that it shall never be involved in any form of forced labour, whether directly or indirectly. Moreover, Shenzhen Plant has also formulated the Social Accountability Management Handbook and promised to respect the employees' right to quit at their discretion.

Our Group has complied with relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Law on the Protection of the Minors of the People's Republic of China (《中華人民共和國未成年人保護法》). During the Reporting Period, the Group is not aware of any breach in respect of child labour or forced labour.

RESPONSIBLE OPERATION

As a responsible enterprise, the Group has always been pursuing for the provision of high-quality products and services and the practice of commercial ethics. Accordingly, the Group has established a series of policies on product responsibility, supply chain management and anti-corruption to make sure that operation by the Group is under requirements of various parties.

Product Responsibility

Each Operating Point of the Group has passed internal systems such as the Group Environmental and Social Policies, the Management Manual, the Control Procedures on Product Identification and Traceability as well as the Confidentiality Management System of Customers' Information respectively, to make sure that product quality, complaint handling and customers' privacy is in conformity with relevant national and local laws and regulations.

Product responsibility	Management measures
Product quality	To guarantee that our product quality is in conformity with requirement, the Group will monitor and analyse the whole process of production and propose targeted improvement measures based on monitoring results, to make sure that our product quality is continuously improved. Besides, Shenzhen Plant has established the ISO 90001:2015 Quality Management System under necessary resource support from senior management (such as human resource and facilities, etc.) to make sure that the quality management system are strictly implemented.
Label management	It is stipulated in the Control Procedures on Product Identification and Traceability of Shenzhen Plant that, finished goods shall undergo several procedures including the inspection of product name, product number and quantity by relevant department when warehousing, and be pasted with a "PASSED" label.
Customers' privacy	The Group has developed a safety mechanism to protect customers' privacy and data as well as keeping operation record for future inspection. In addition, Shenzhen Plant has in place the Confidentiality Management System of Customers' Information. It is specified in the system that employees are strictly prohibited to reveal customers' information; in case of disclosure of customers' information caused by fault in work, such employee shall take remedial measures in no time and make compensation.
Intellectual property	The Group highly values the protection of customer's intellectual property. Shenzhen Plant has undertaken in the Management Manual that customer's tangible assets including intellectual property shall be under strict management of its relevant department and it is strictly prohibited to reveal such information to any third party without permission from customer. Meanwhile, the Group also keeps alert to prevent its intellectual property from leakage in cooperation with customer.
Complaint handling	It is specified in the Management Manual that, in case of user's complaint caused by product defects, relevant departments shall analyse the reason causes such defects and timely take actions to eliminate the unqualified products, and then inform the customers with resolution.

The Group has complied with relevant laws and regulations such as the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). During the Reporting Period, the Group did not find any violation cases in relation to product responsibility.

Supply Chain Management

Supply chain management is crucial to the production quality of the Group. The Group believes that the good supply chain management could help to provide better products and services. Apart from product quality, the social and environmental factors are also important considerations of the Group when selecting suppliers. The Group has formulated the Group Environmental and Social Policies, and Shenzhen Plant has also formulated such internal policies as the Social Accountability Management Handbook and the Purchasing Control Procedures to specify the supplier management policies.

Scope of supplier screening	Content
Environment	The Group signs the Environmental Protection Commitment Agreement with suppliers, demanding them to comply with the relevant environmental laws and regulations required by the government. In addition, the Group enhances the environmental awareness of its employees through internal trainings.
Society	The Group demands suppliers to attach importance to protection of human rights, labour safety, prevention of forced labour and etc. Moreover, all suppliers should also undertake to comply with the relevant requirements formulated by the Group with reference to the SA 8000 ⁸ social accountability standards.

In order to guarantee the product quality, environmental and social performance of suppliers to meet the requirements of the Group, the Group evaluates the suppliers by questionnaire or on-site inspection. Qualified suppliers will be included in the List of Recognised Suppliers for selection.

Anti-corruption

Anti-corruption is not only the social requirements to the enterprises, but also an important way to demonstrate their social responsibilities. The Group strictly forbids bribery, extortion, fraud and money laundering in the process of operation, striving to achieve fair and ethic operations.

The Group has the code of anti-corruption in place to prevent corruption. Meanwhile, the relevant departments shall immediately conduct investigation on any potential or occurred corruption cases, and report the progress of the investigation to the management in a timely manner. In addition to the internal requirements, the Group also includes anti-corruption provisions in the contracts with other partners to ensure they are aware of the Group's policy on anti-corruption.

According to the Anti-corruption and Anti-bribery Control Procedure and the Gift and Gifting Procedure of Shenzhen Plant, staff in important position are required to sign the "Letter of Undertaking of Non-bribery/Non-corruption" with the plant, undertaking to discharge the anti-corruption obligations and accept the management of the relevant department consciously. The employees shall refuse the gifts from the suppliers, customers or other partners in their daily work. If the gifts cannot be refused for specific reasons, the employees shall inform their superiors for further action.

The Group complies with the relevant laws and regulations, such as Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不當競爭法》) and Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). During the Reporting Period, no violation of corruption-related laws and regulations have identified, and no corruption litigations towards the Group or its employees have arisen in the Group.

⁸ The first international ethical standard globally, with an aim to ensure the products provided by the suppliers can meet the requirements of social accountability standards.

MUTUAL DEVELOPMENT WITH COMMUNITY

The Group has been watching closely the real needs of the community in which it operates, and encourages its employees to participate in various services in the community. The Group has formulated the Group Environmental and Social Policies based on its own situation, and Shenzhen Plant has also formulated the Giving Back to the Society and Social Investment Management System to support the continuous development of the community.

During the Reporting Period, the Group has invested RMB15,000 in Each Operating Point for various investment activities in the community, such as participation in job fair and Tree-planting Day activities.

During the Reporting Period, Shenzhen Plant has participated in the job fair organised by the relevant organisations in which it operates with public welfare nature to offer jobs to different applicants. A total of 6 volunteers from Shenzhen Plant participated in the activity.

Shenzhen Plant chooses a day to be Tree-planting Day every year. Like previous year, Shenzhen Plant organised 25 employees to participate in the public welfare tree-planting activity during the Reporting Period, so as to improve the natural environment around the operating points.

Outlook: improving the relevant policies on community investment
In the future, we will continue to strengthen the relevant policies by incorporating such aspects as scope of focus and management process to regulate the Group's different community investments.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

Environmental Key Performance Indicators		Data		Unit
		2018	2017	
Atmospheric pollutants	Nitrogen oxides	2.67	2.60	kg
	Sulphur oxides	0.46	0.46	kg
	Suspended particulates	0.25	0.24	kg
Greenhouse gas	Scope 1	13.3	13.5	tonnes carbon dioxide equivalent
	Scope 2	1,085.6	957.1	tonnes carbon dioxide equivalent
	Total greenhouse gas emissions	1,099.0	970.6	tonnes carbon dioxide equivalent
	Intensity of greenhouse gas (by per square meter)	0.18	0.16	tonnes carbon dioxide equivalent/m ²
Hazardous waste	Total hazardous waste	0.5	0	tonne
	Intensity of hazardous waste (by per thousand square meter)	0.080	N/A	tonne/thousand m ²
Non-hazardous waste	Total non-hazardous	35.9	32.4	tonne
	Intensity of non-hazardous (by per thousand square meter)	5.739	5.190	tonne/thousand m ²
Energy	Gasoline	54.6	55.2	MWh equivalent
	Electricity	2,052.9	1,809.1	MWh
	Total energy consumption	2,107.5	1,864.3	MWh equivalent
	Intensity of energy (by per square meter)	0.34	0.30	MWh equivalent/m ²
Water consumption⁹	Total water consumption	3,604	3,392	m ³
	Intensity of water consumption (by number of employees)	28.8	21.9	m ³ /employee
Packaging Materials	Total packaging materials	170.00	139.37	tonne
	Intensity of packaging materials (by output)	0.58	0.57	tonne/million smart cards

⁹ The water consumption in 2017 Annual Report has been corrected.

Social Performance – Employment and Labour Practice

Statistic Data			Shanghai Office	Shenzhen Plant	Total
Number of employees	Gender	Male	2	74	76
		Female	3	46	49
	Age	Aged below 30	0	77	77
		Aged 30-40	2	37	39
		Aged 41-50	3	4	7
		Aged above 50	0	2	2
	Position	Main leaders	0	2	2
		Senior management	1	10	11
		Middle management	1	9	10
		Ordinary employees	3	99	102
Total number of employees		5	120	125	
Number of new employees	Gender	Male	0	29	29
		Female	0	17	17
	Age	Aged below 30	0	38	38
		Aged 30-40	0	8	8
		Aged 41-50	0	0	0
		Aged above 50	0	0	0
	Position	Main leaders	0	0	0
		Senior management	0	0	0
		Middle management	0	0	0
		Ordinary employees	0	46	46
Percentage of new employees		0%	38.3%	36.8%	
Number of employee turnover	Gender	Male	0	44	44
		Female	1	32	33
	Age	Aged below 30	0	62	62
		Aged 30-40	1	14	15
		Aged 41-50	0	0	0
		Aged above 50	0	0	0
	Position	Main leaders	0	0	0
		Senior management	0	0	0
		Middle management	0	0	0
		Ordinary employees	1	76	77
Percentage of employee turnover		20%	63.3%	61.6%	

Region	Number and rate of work related fatalities	Number of work injury	Lost days due to work injury	Absentee days
Shanghai Office	0	0	0	0
Shenzhen Plant	0	0	0	63
Total	0	0	0	63

Statistic Data			Shenzhen Plant ¹⁰
Number of individuals trained	Gender	Male	97
		Female	59
	Position	Main leaders	0
		Senior management	0
		Middle management	12
		Ordinary employees	144
Percentage of trained employees	Gender	Male	100%
		Female	100%
	Position	Main leaders	0%
		Senior management	0%
		Middle management	100%
		Ordinary employees	100%
Average training hours(hour)	Gender	Male	5.6
		Female	5.9
	Position	Main leaders	0
		Senior management	0
		Middle management	6.3
		Ordinary employees	6.4

Location of suppliers	Shanghai Office	Shenzhen Plant
Mainland China	1	8

¹⁰ The total number of trained employees is 156, which is more than the total number of employees in Shenzhen Plant and the reason is that some trained employees have left office during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject Areas	Contents	Page Index/Notes
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.	9-11
A1.1	The types of emissions and respective emissions data.	9 ; 18
A1.2	Greenhouse gas emissions in total and intensity.	9 ; 18
A1.3	Total hazardous waste produced and intensity.	10 ; 18
A1.4	Total non-hazardous waste produced and intensity.	10 ; 18
A1.5	Description of measures to mitigate emissions and results achieved.	9-10
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	10
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources.	8
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	8;18
A2.2	Water consumption in total and intensity.	18
A2.3	Description of energy use efficiency initiatives and results achieved.	8
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8 ; The Group has no issue in sourcing water
A2.5	Total packaging material used for finished products and with reference to per unit produced.	18
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	11
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	11
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
B1.1	Total workforce by gender, employment type, age group and geographical region.	19
B1.2	Employee turnover rate by gender, age group and geographical region.	19
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.	20
B2.2	Lost days due to work injury.	20
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
B3.1	The percentage of employees trained by gender and employee category.	20
B3.2	The average training hours completed per employee by gender and employee category.	12 ; 20
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
B4.1	Description of measures to review employment practices to avoid child and forced labour.	14
B4.2	Description of steps taken to eliminate such practices when discovered.	14
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	16
B5.1	Number of supplier by geographical region.	20
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	16
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.	15
B6.2	Number of products and service related complaints received and how they are dealt with.	15
B6.3	Description of practices relating to observing and protecting intellectual property rights.	15
B6.4	Description of quality assurance process and recall procedures.	15
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	15
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.	16
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.	16
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	16
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.	17
B8.2	Resources contributed to the focus area.	17