

2020
ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
PHOENITRON HOLDINGS LIMITED

STOCK CODE: 8066.HK

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ABOUT THE GROUP

Phoenitron Holdings Limited (hereby referred to as “Phoenitron” or the “Company”, together with its subsidiaries, the “Group”) is a conglomerate, principally engaged in the contract manufacturing and sales of smart cards and sales and trading of scrap metals for the year ended 31 December 2020 (the “Current Year”). The Group headquarters in Hong Kong and its investments are across the Greater China.

Contract manufacturing and sales of smart cards

The Group has highly automated smart card production facilities, distribution network and strong sales and marketing teams in Hong Kong and Shenzhen. The Group is principally engaged in the manufacturing of contact smart cards, contactless smart cards and dual contact smart cards combining both. The plants of the Group are equipped with art card printing, milling, embossing, assembly and personalization equipment. At the same time through a product management system and customer after-sales services, the Group provides best-quality, new smartcard product innovations and convenient and speedy delivery services to the customers.

During the Current Year, the Group continued to focus on solidifying the relationship with existing customers and expanding the client base and overall market share. Meanwhile, the Group also made greater efforts in implementing cost-cutting and streamlining measures and increasing average productivity by enhancing the operational efficiency. The Group will also be searching for opportunities to provide certain higher-value-added card services (for example, machine-to-machine (M2M) smart card related business) in the coming year.

Sales and trading of scrap metals

In view of the uncertainties brought by COVID-19 on the global economy, the Group adopted a prudent approach to temporarily suspend its sales and trading of scrap metals transactions in Taiwan and hence there was no revenue generated during the Current Year. The Group expects that there will be gradual resumption of the business when there is a clearer sign of recovery and stability of the global economy.

ABOUT THE REPORT

The Group launched its fifth "Environmental, Social and Governance Report" (the “Report”) with pleasure, which highlights the Group’s policies, measures and performance in the environment, social and governance aspects. The Report is written in both Chinese and English, and it has been posted on the website of the Group at (www.phoenitron.com) and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at (www.hkexnews.hk).

Scope of Report

The Report mainly reports on the sustainability performance of the Group during the Current Year. Same as previous year, the scope of this annual report covers the operation of the Shenzhen plant (the “Shenzhen Plant”) of the Group concerning the contract manufacturing and sales of smart card business, which accounted for 100% of the Group's total turnover. The Group will regularly review the scope of the Report based on the principle of materiality to ensure that comprehensive and accurate information will be provided to investors and other stakeholders.

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, and is based on four reporting principles, including Materiality, Quantitative, Balance and Consistency. A complete index that references the Guide is inserted at the end of the Report for readers' easy reference.

Application Principle	Definition	Application of the Reporting Principle
Materiality	Focusing on environmental, social and governance issues that have a significant impact on the Group and its stakeholders.	The Group identified environmental, social and governance issues that have a significant impact on the Group's business through board questionnaires and made a disclosure on their key points.
Quantitative	Key performance indicators should be measurable and, where appropriate, comparable.	The Group records and estimates quantitative data and compares it with past performance where feasible.
Balance	The Report should present the Group's environmental, social and governance performance of the Current Year in an unbiased manner, selective or omissive reporting should be avoided.	The Report presented the Group's environmental, social and governance performance in an objective manner and also described the facing challenges and solutions.
Consistency	The Report should be disclosed in a consistent manner, so that indicators can be compared meaningfully and corporate performance can be understood.	Wherever feasible, the Group uses consistent statistical methods. In the event of any changes that may affect comparisons with previous reports, the Group will make an explanation accordingly.

CONFIRMATION AND APPROVAL

The information cited by the Group comes from official internal documents and statistical reports of the Group. The Group has internal control and formal review procedures to ensure that the information presented in the Report is accurate and reliable. The Report was confirmed and approved by the Company's board of directors (the "Board") on 23 June 2021.

Feedback

The Group values stakeholders' views and suggestions. Should you have any comments or suggestions regarding the Report and the sustainability performance of our Group, please contact us:

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MESSAGE FROM THE MANAGEMENT

In 2020, the COVID-19 pandemic had caused uncertainty and change to economy at a global scale. However, the Group was able to achieve sustainable development in business, environment and society simultaneously by prudently maintaining sound business operation and proactively integrating environment and social factors into the governance structure and the operation process.

At the governance level, the Board assumes overall responsibility for the supervision of sustainable development. At the same time, it authorizes the establishment of sustainable development working group to take charge of the implementation and coordination of the sustainability issues of the Group. During the Current Year, the Group also revised the “Group Environmental and Social Policies” to clarify the direction and commitment on the aspects of environmental and social issues.

For the sake of managing each of the sustainable development issues in a more effective way, one board questionnaire was conducted during the Current Year to identify the issues with great influence on our business operation. Issues identified during the Current Year consisted of employment system, health and safety, product responsibility, anti-corruption, the environment and natural resources as well as use of resources. For this purpose, the Group has implemented varied policies and measures to improve the operation efficiency of the Group on one hand and minimize the impact on the surrounding environment and communities on the other hand.

The COVID-19 pandemic has also caused change to the Group’s operation. Specifically, the Group has always kept alert in order to safeguard the staff’s health and safety by taking various epidemic prevention and control measures to mitigate the risk of the spread of virus. For example, the Group has supplied protective articles for them and sterilized the offices and production workshops. Meanwhile, the Group also kept tight communication with the staff and customers all along to ensure that they were fully aware of the policies and measures adopted by the Group amid the pandemic. Thus, they will have confidence in the Group’s operation and products. Also, the Group is actively preparing and implementing various measures, we expect that the production efficiency will be improved in a rapid manner after the pandemic to meet the greater demand upon the recovery of economy.

Going forward, the Group will continue to improve sustainability governance, identify various sustainable development risks and take corresponding measures as early as possible to reduce operational risks. At the same time, the Group also intends to deepen the communication with stakeholders to get in-depth understanding of their expectations and demands, so as to improve the Group’s performance and thus creating sustainable value for every stakeholder in the long run.

Lily Wu
Chairman
Phoenitron Holdings Limited

SUSTAINABILITY GOVERNANCE

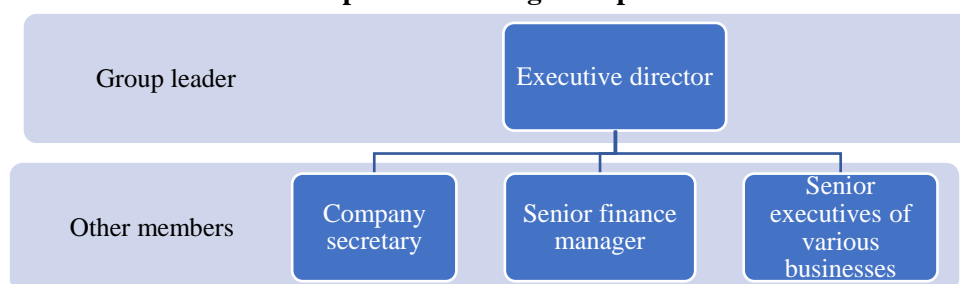
The Group is of the view that sound corporate governance is one of the key factors for effective management, which shall create sustainable value for the shareholders and boost confidence of the investors. The Board is responsible for the management of the Group's business and financial condition and authorize the management of the Company to manage day-to-day business. At the same time, the Board is fully aware of the importance of sustainable development and promises to incorporate environmental and social considerations into the business decision-making process, and referring to the opinions of internal and external stakeholders to realize the corporate value of business, environment and society in parallel.

The Board is ultimately responsible for the Group's sustainable development related matters, such as overseeing the Group's sustainable development policies, measures and performance, which include:

- To oversee the formulation and implementation of the objectives of environmental, social and governance policies;
- To assess and identify environmental, social and governance risks and opportunities;
- To ensure the effective operation of environmental, social and governance risk management and internal control systems;
- To review the performance of environmental, social and governance works; and
- To review and approve the annual environmental, social and governance report.

The Board also authorizes the sustainable development working group (the "Working Group") to take charge of the carrying out of sustainable development works, which include collecting and analysing data as well as identifying, assessing and managing significant environmental, social and governance-related issues. The Working Group also regularly reviews the progress in relevant objectives. An executive director of the Company serves as the head of the Working Group, who is responsible for leading the Working Group and reporting regularly to the Board. The company secretary and a senior finance manager of the Company serve as deputy team leader and coordinator of the Working Group respectively, they are responsible for managing sustainable development issues and compliance issues, as well as liaison and communication of the Working Group respectively.

Structure of the Sustainable Development Working Group



The Board also revised the "Group Environmental and Social Policy" during the Current Year to further improve the Group's direction and commitment to sustainable development. The Board will regularly review relevant policies and measures to ensure their effective implementation, so as to assist the Group in implementing corporate sustainable development.

Risk Management

The Board is responsible for maintaining the effectiveness of the internal control and risk management systems. During the Current Year, the Board conducted a review on the effectiveness of the internal control and risk management systems which covered financial, operational, compliance procedural and risk management functions. Under the supervision of the Board and the Working Group, each operating point of the Group is responsible for conducting data analysis and regular inspection in order to identify

current and potential sustainable development risks and thus taking corresponding policies and measures by importance and reporting operating performance to the Board in due course.

In order to improve sustainability risk management, the Group plans to incorporate sustainable development-related issues into risk management, so as to effectively respond to the opportunities and challenges of sustainable development.

COMMUNICATION WITH STAKEHOLDERS

The Group strives to maintain good communication with stakeholders¹ and will take into consideration the stakeholders' views in developing various policies and measures in order to ensure that the Group meets their expectations and requirements on business operations. By communicating with internal and external stakeholders through diverse channels, the Group is able to understand their views accordingly.

Group of stakeholders	Main contact information
The board of directors, the management and the staff	Meetings of the board of directors, internal communication, company activities and company meetings
Shareholders and investors	Annual general meetings, company website, annual reports, meetings, seminars and letters
Customers	Meetings with customers, emails and phone calls
Suppliers and contractors	Suppliers evaluation and meetings
Government and regulatory authorities	Meetings, phone calls, site visits and seminars
Banks	Meetings, emails and phone calls
Community groups	Community investment plans, donations, volunteers and philanthropy activities

Significant Sustainable Development Issues

During the Current Year, the Group has delegated an independent sustainable development advisor to conduct one board questionnaire that aimed to understand the Board's opinion on each environmental, social and governance issue in business operations. Based on the findings, the Group identified six significant sustainable development issues as its future sustainability direction and focused on them in the Report.

Significant Sustainable Development Issues (by Significance)

Scope	Significant sustainable development issue	Impact on the environment and society	Measures implemented by the Group
Decent Working Environment	Employment System	The Group improves the employment system to promote work-life balance, which is beneficial to family harmony. A diversified and inclusive working environment also enhances social inclusiveness, which shall contribute to social harmony.	The Group offers the staff a diversified and inclusive working environment by virtue of the employment system and the "Diversification and Inclusiveness Policy", both of them are formulated in accordance with the SA 8000 "Social Accountability Management Standard"

¹ "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 board of directors, management and general staff, external shareholders and investors, customers, suppliers and contractors, government and regulatory authorities, banks and community groups, etc.

	Health and Safety	The production process of the Group involves the use of different production machines and chemicals, which poses risks to the health and safety of employees. In the event of an accident, the use of medical resources would also be increased.	The Group formulated the "Occupational Health Management System" to provide employees with protective equipment, occupational physical examination and occupational health training.
Operational Responsibility	Product Responsibility	Product quality is the key factor to maintain customer satisfaction. The Group attaches great importance to improving the durability of products, prolonging the service life of products and avoiding excessive waste production.	The Group conducts testing and analysis of the entire production process in accordance with the "Management Manual", and has established the ISO 9001:2015 quality management system to control the quality of each product.
	Anti-corruption	Cultivating the anti-corruption awareness of staff is conducive to the construction of a fairer and more civilized society.	The Group has anti-corruption mechanism in place for the employees to report any corruption cases. Meanwhile, the Group organizes anti-corruption trainings for the employees to enhance their awareness of anti-corruption.
Building A Green Environment	The Environment and Natural Resources	The Group has taken into account of environmental factors in making business decision to avoid those decisions which will cause damage to the environment and a waste of resources.	The Group engages a detection company to conduct noise detection on the Shenzhen Plant in order to make sure that noise emission is in compliance with operational standards and local laws and regulations.
	Use of Resources	The Group needs to consume different kinds of limited resources in the production process, including electricity, water, paper and various raw materials. To effectively use resources and reduce the impact on the environment, the Group needs to implement different resource saving measures.	The Group formulated the "2019 Environmental Goals, Objectives and Management Plan".

Going forward, the Group will strengthen communication with its stakeholders and collect their opinions and expectations on operation of the Group through different communication activities such as focus group interviews and stakeholder questionnaires, so as to improve its sustainability strategy and measures.

DECENT WORKING ENVIRONMENT

Sustained development of the Group depends on persistent efforts and contribution of its staff team. To this end, the Group is committed to providing employees with a good working environment, where enabling them to settle down in their works and stretch their potential to the full. The Group has formulated a series of personnel policies such as the “Group Environmental and Social Policies”, the “Human Resources Management Procedure”, the “Occupational Health Management System” and the “Social Accountability Management Handbook”, so as to explain employees’ rights and interests and work arrangements.

Employment System

A sound employment system contributes to attracting talents and stabilizing team morale, thus maintaining the Group’s competitiveness. For this purpose, the Group has, based on the requirements under the SA 8000 “Social Accountability Management Standard”, formulated a series of personnel policies related to recruitment, dismissal, remuneration, promotion, working hours, rest periods, equal opportunities, diversification, anti-discrimination, other benefits and welfare.

Recruitment and dismissal	Adopting a strict recruitment and selection procedures and based on the principle of merit-based recruitment, the Group selects suitable candidates in a fair, open and just manner. The Group or employees may also propose to terminate the labour contract as required, and complete the leave procedures in accordance with the requirements.
Remuneration, benefits and welfare, and promotion	The Group pays remuneration and benefits based on the functions of employees, which include housing and communication allowance, meal allowance and social insurance, etc. After evaluation by departments, outstanding employees will be granted year-end bonuses and win a promotion opportunity.
Working hours and rest periods	The Group arranges the working hours of employees in accordance with the “Attendance Management System”, and also provides different paid-leaves for employees, including annual leave, marital leave and maternity leave, etc.

The Group understands that talent diversification is conducive to business development of the Group in the long run. To this end, the Group strives to create a diversified and inclusive environment for employees. The Group prohibits any form of discrimination and sexual harassment behaviors. In terms of employment matters such as recruitment and promotion, the Group has formulated the “Diversification and Inclusiveness Policy” and undertook that all employees and job applicants will be provided with equal opportunity. All decisions about recruitment and promotion are made based on job requirements, the Group will not subject employees and job applicants to unfair treatment because of age, gender, sexual orientation, marital or family status, disability, race, nationality, religion or political view.

The Group has developed an Employee Complaint and Suggestion Management System for the employees to file complaints and make suggestions for improvement to the management on the Company’s operation. All complaints and suggestions are seriously handled on an objective and confidential principle.

During the Current Year, the Group employed a total of 124 employees. The proportions of male and female employees were 69% and 31%, with the majority of employees falling into the age groups of below 30 and 30-40, which accounted for 85% of the total number of employees. The new hire and employee turnover rates were 45% and 47%, respectively.

Health and Safety

The Group emphasizes occupational health and safety of employees and is committed to offering them a safe and healthy working environment. The Group has formulated the “Group Environmental and Social Policies” that sets forth the Group’s commitment to occupational health and safety. Each of the business units has also formulated occupational safety management system and set up a task responsible department to conduct occupational hygiene works. Among them, the Shenzhen Plant has formulated the “Occupational Health Management System” and the “Social Accountability Management Handbook” to work out management measures in respect of all safety issues to safeguard the health and safety of employees.

For the sake of employees’ safety, the Group provided employees with protective equipment and developed an operation code for production equipment to ensure operation safety. In addition, the Group provided them with annual body check for occupational health to ensure physical health. In terms of the use of chemicals and hazardous substances, the Group has also established guidelines on the use and transportation, identification and storage, leakage and disposal, and regularly reviewed the chemical use procedures and its protective measures, so as to ensure compliance with the requirements of operation and local laws, as well as mitigating the impacts of safety risks and hidden dangers on operation and employees.

In order to enhance employees’ awareness of occupational health, the Group provided occupational health training to employees. At the same time, in response to potential risks of safety incidents and environmental disaster, the Group has developed emergency response management plans and measures, and conducted fire drills and emergency drills periodically to enhance employees’ emergency awareness. Furthermore, the Group will also inspect and maintain emergency equipment as and when appropriate. In case of safety incidents, the Group will conduct post-incident investigations to find out the causes, and corrective and preventive measures will be taken in the case of absence of or deviation from operational procedures.

A strike of work-life balance is conducive to enhancing work efficiency for employees. Therefore, the Group provides various sports and recreational activities for employees from time to time to enhance their general health status.

Measures Took to Respond to the COVID-19 Pandemic

In face of the COVID-19 pandemic, the Group keeps alert to the development of pandemic and has taken a series of pandemic prevention and control measures in order to mitigate intra-business unit virus transmission, and safeguarding the health and safety of employees, which include:

- Conducting body temperature measurement for employees at the entrances and exits of plants;
- Providing protective articles such as gloves, surgical masks and protective footwear to employees, as well as offering hand sanitizers in major places;
- Disinfecting plants, offices and production workshops periodically;
- Any employee suffering from physical abnormality, a fever, weakness or breathing difficulties is required to report to the management and send to hospital for treatment;
- Prohibiting physical visits and advising visitors to adopt alternative ways for contact; and
- Distributing pandemic prevention information and health knowledge to employees in due course to enhance employees’ awareness of pandemic prevention.

Development and Training

The Group is committed to providing employees with diversified training and development opportunities to enhance their work skills and professional knowledges, thus maintaining the Group's overall competitiveness. The Group has formulated the "Group Environmental and Social Policies" to implement training and development policies. At the same time, the Shenzhen Plant has also developed well-established employee training plan in accordance with the "Training Control Procedure" and the "Orientation Training Procedure for New Employees". In order to make sure that employee trainings are under effective management, the Group has created training files for each employee to record the training content and performance. According to the "Training Control Procedure", the Group provides the following training:

Training type	Training content
Orientation training	New hire are required to accept orientation training, which mainly includes the study of corporate culture, teamwork and disciplines, product quality and safety awareness. They are also required to have pre-job internship to make sure that they are fit for the job requirements.
Technical training	According to the production process and employee position requirements, trainings of job professional knowledge, process flow, machine operation and new product will be provided to employees.
External training	According to the employee position requirements, employees are provided with opportunities for external trainings to improve their professional knowledge and skills.

Percentage of employee accepting training	Total training hours received by employees	Percentage of employees subject to regular appraisal
94%	1,284 hours	59%

Labour Standards

The Group recognizes that both the employment of child labour and forced labour violate basic human rights and international labour conventions. Therefore, the Group prohibits the employment of child labour and any form of forced labour, and has set forth in the "Social Accountability Management Handbook" and the "Human Resources Management Procedure" its commitment to and measures for child labour and forced labour.

The Group prohibits the employment of illegal child labour. In the process of recruitment, the personnel and administration department of the Group will verify the identity documents of the job applicants to ensure that they meet the minimum working age requirements of local laws and regulations. If it is found that a child labour is hired by mistake, the Group shall immediately cease their works. Besides, the Group shall take remedial actions and be responsible for all required expenses of the child labour under legal working age according to the "Child Labour Rescue Management Procedure".

In addition, it is stipulated in the Group's "Social Accountability Management Handbook" that no deposits shall be taken from employees or no employees' identity documents shall be withheld, and all employees are required to work on a voluntary basis. The Group has formulated resignation procedures, pursuant to which, employees can apply for resignation as required and obtain wages to which they are entitled to leave freely.

OPERATION RESPONSIBILITY

The Group upholds the highest standards of business ethics and provides customers with high quality products and services. The Group has established the “Group Environmental and Social Policies” and a series of policies on product responsibility, anti-corruption and supply chain management to standardize daily operating procedures.

Product Responsibility

The Group adopts strict standards for the production process of its products. The Shenzhen Plant has formulated policies on product quality, complaint handling procedures and customers’ privacy protection to ensure that product quality meets the requirements of customers and local policy.

Product responsibility	Management measures
Product quality	The Group has established a quality management system that complies with ISO 9001:2015 certification, and comprehensively monitors and analyses the production process in order to control the product quality effectively and ensure that the product quality can be complied with the customer requirements. The Group also regularly reviews the quality management system and adopts improvement measures to improve the production process and enhance product quality. There was no case of product recall during the Current Year.
Label management	The Group attaches different labels to raw materials, semi-finished products and finished products for classification management and traceability purposes. In accordance with “Control Procedures on Product Identification and Traceability”, all labels set out information such as product name, product number, quantity and inspector’s name for future quality monitoring and management purposes.
Customers’ privacy	The Group attaches great importance to customers’ privacy and has formulated a security protection mechanism in accordance with the “Confidentiality Management System of Customers’ Information”, with an aim to protect customer product data at different stages such as receipt, storage, internal transmission, processing, delivery and destruction. Customer data shall be classified and archived according to the degree of confidentiality, access rights and operation records are set to ensure the security of customer data. If any security breaches and data leakages are discovered, the Group will immediately take remedial measures, notify customers and discuss solutions.
Intellectual property	The Group respects intellectual property rights and prohibits any employee from disclosing any customers’ intellectual property rights and related information to third parties without the customers’ approval. The Group adopts measures to protect intellectual property rights in accordance with the “Management Manual” to reduce the risk of data leakage during its business operations.
Complaint handling	The Group has established a customer complaint mechanism for customers to make complaints about product quality issues. The Group will investigate relevant complaints and formulate corrective measures to meet customer requirements. During the Current Year, the Group received a total of seven customer complaints mainly about product quality problems, including card appearance problems and loose small sim. As such, the Group analyzed the reasons and took corrective measures. During the Current Year, all complaints have been properly resolved.

Supply Chain Management

Good supply chain management is essential for both provision of quality products and daily operations of corporate. The Shenzhen Plant regulates the procurement and supplier selection process in accordance with the “Social Accountability Management Handbook”, “Purchasing Control Procedures” and “SA8000 Social Accountability Standards”. As a responsible company, the Group believes that the suppliers’ environmental and social performance including human rights, environmental protection, labour safety, forced labour and child labour should also be considered in the procurement process other than considering only the price, quality, delivery capability, service, integrity and compliance. Furthermore, purchase raw materials with relatively less environmental impact where practicable.

In order to ensure that suppliers comply with the Group’s requirements and local laws and regulations, the Group requires suppliers to sign the “Environmental Protection Commitment Agreement” and undertake to comply with the requirements of the Group’s “SA8000 Social Accountability Standards”, so as to ensure that suppliers’ supplies will be complied with the Group’s requirements for environment, human rights, and employee safety and labour. The Group will also inspect the suppliers’ supply performance through questionnaires and field visits. If the performance is found to be unsatisfactory, the Group will discuss with them to understand their difficulties and formulate solutions to ensure that the suppliers meet the supply requirements. In addition, in order to strengthen employees’ awareness of green procurement and the sustainable development of suppliers, the Group also regularly arranges trainings for employees to understand the current development of green procurement in the industry and enhance employees’ perception and awareness.

During the Current Year, the Group engaged a total of seven suppliers, and all of them were engaged in accordance with practices. All suppliers were from Mainland China, mainly providing product raw materials and equipment.

Anti-corruption

Honesty, fairness, transparency and accountability are the important core values of the Group. The Group firmly believes that the effective implementation of the anti-corruption policies will not only gain the continuous trust from customers, but also enhance employees’ recognition and sense of belonging. The Group adopts a zero-tolerance attitude towards any form of corruption and bribery. The Group has formulated a series of anti-corruption policies and codes, such as the “Group Environmental and Social Policies” as well as the “Anti-corruption and Anti-bribery Control Procedure” and “Gift and Gifting Procedure” of the Shenzhen Plant, all of these clarify the Group’s position on anti-corruption.

The Group strictly prohibits any bribery, blackmail, fraud and money laundering by employees during the operation process. Employees should not accept or request gifts and gifting from any suppliers. If it cannot be refused due to special circumstances, employees should report to the upper management to avoid conflicts of interest and handle them in accordance with relevant policies. The Group has also included anti-corruption related clauses into business contracts with suppliers, and required suppliers to sign the “Letter of Undertaking of Non-bribery/Non-corruption for Suppliers” to ensure that they are aware of the Group’s requirements and expectations for maintaining business ethics and corporate integrity.

If any corruption cases or suspected cases are discovered, the Group will immediately commission relevant business department to investigate and report the results to the audit committee and management. At the same time, the Group regularly reviews the anti-corruption mechanism through the internal audit system to ensure the effectiveness of the mechanism.

In order to strengthen employees’ awareness of anti-corruption and corporate integrity culture, the Group provided 116 employees with 2 hours of anti-corruption trainings during the Current Year. During the Current Year, the Group did not receive any corruption litigation cases against the enterprise or its employees.

BUILDING A GREEN ENVIRONMENT

The Group is fully aware of the importance of environmental protection practices by enterprises, and is committed to integrating environmental policies and sustainable development elements into its daily operations and decision-making processes. The Group has formulated the “Group Environmental and Social Policies” and implemented various measures on emission management, use of resources, environment and natural resources and climate change.

Climate Change

As a responsible corporate citizen, the Group understands that climate change will have different impacts on daily operations. Accordingly, the Group has included policies and strategies in the “Group Environmental and Social Policies” to address climate change, and adopted various response measures to mitigate the risks and impacts on the Group:

- Regularly assess the risks of climate change, implement risk mitigation measures and incorporate them into the Group’s risk management;
- Implement energy-saving measures in all facilities under the Group to reduce carbon emissions from production and operations;
- Purchase raw materials from suppliers and deliver finished products to customers in a more economical mode;
- Product and packaging innovations to achieve more efficient use of consumer goods and energy consumption; and
- Encourage employees, suppliers and customers to minimize carbon emissions in their daily business activities.

Resource Conversation

The Group uses electricity, water, paper and raw materials in its operations. In order to effectively use of various precious resources, the Shenzhen Plant has formulated the “Environmental System Operation Control Procedure”, which set environmental objectives for use of electricity, water and paper, and established a number of resource management measures covering production process, material procurement and administrative management to save resources.

“2020 Annual Environmental Objectives, Indicators and Management Plan”

Environmental Category	Environmental Management Indicators	Progress on the Current Year Objectives
Power consumption	Monthly electricity consumption is maintained at not more than 17kWh for every 1,000 smart cards produced.	Up to standard
Water consumption	Monthly water consumption is not more than 1 cubic metre per person.	Not up to standard (The Group will review the objective and the measures that can be implemented)
Paper consumption	Monthly paper consumption is not more than 15 reams of paper.	Not up to standard (The Group will review the objective and the measures that can be implemented)

The Group’s resource management measures

Power consumption	<ul style="list-style-type: none"> • Require employees to turn off unnecessary office equipment when they leave the office, and set to power-saving mode when idle; • Regularly repair and maintain electrical equipment, and arrange transformations for high energy consumption equipment; • Implement sub-divisional lighting and remove some lamps to reduce excessive lighting; and • Post energy-saving signs to strengthen employees’ awareness of electricity conservation.
Water consumption	<ul style="list-style-type: none"> • Calculate the water consumption monthly, analyze the water consumption data and take water conservation measures as needed; • Regularly inspect and maintain water facilities, modify and repair appliances that consume large amounts of water; and • Post water-saving signs to enhance employees’ awareness of water conservation.

Paper consumption	<ul style="list-style-type: none"> • Promote the use of electronic communication as a communication channel for daily work; • Encourage employees to use double-sided printing and refuse excessive copying; • Regularly inspect paper equipment to ensure that problems are dealt with as soon as possible; and • Promote the importance of paper conservation among employees and strengthen their awareness of paper conservation.
Raw materials	<ul style="list-style-type: none"> • Standardize the production process in accordance with the requirements of the quality management system; • Calculate the consumption of raw materials every month and implement conservation measures to reduce excessive consumption of raw materials; and • Dismantle obsolete mechanical parts and recycle undamaged parts.

Energy

During the Current Year, the Group consumed a total of 2,269.8 MWh, of which 2,200.3 MWh was electricity consumption, accounting for 97% of the total consumption.

Energy Use	2020	2019
Gasoline (MWh)	69.5	43.7
Electricity (MWh)	2,200.3	2,207.8
Total energy consumption (MWh)	2,269.8	2,251.5
Energy intensity (MWh/HK\$ million (by output value))	29.8	38.7

Water consumption

The total water consumption of the Group was 3,265 m³, and the intensity of water consumption was 26.3 m³/employee. The Group sourced water from municipal supply and faced no issue in sourcing water fit for purpose.

Water consumption	2020	2019
Total water consumption (m³)	3,265	3,310
Intensity of water consumption (m ³ /employee (by number of employees))	26.3	26.3

Raw materials and packaging materials

The Group uses paper, raw materials and packaging materials (including plastic and wood) during its production process. During the Current Year, the Group consumed a total of 137.8 tonnes of such materials. The use of such materials by the Group increased by 6% as compared to the previous year, mainly due to intensified COVID-19 epidemic overseas, which led to an increase in demand for domestic order capacity.

The Environment and Natural Resources

The Group understands that the operation process will have a significant impact on the surrounding environment and natural resources. As such, the Group regularly monitors the impact of its business operations on the environment, identifies and manages major environmental risks. In response to chemical leakage, fire and other environmental accidents, the Group has formulated the “Management Procedures for Emergency Response Plans” to reduce pollution to the atmosphere and adjacent water and soil caused by accidents.

Before plant construction or any project expansion, the Group will also conduct environmental assessment to identify and evaluate the potential impact of the project on the surrounding environment and environmental factors to ensure that the impact on the surrounding environment is minimized during the construction period.

The production equipment of the Shenzhen Plant generates noise pollution during its operation process. As such, the Group has formulated the “Environmental System Operation Control Procedures” to implement noise control, and conduct daily inspections and maintenance of plant machinery and equipment to ensure that the noise emissions of the plant meet the requirements of national standards. In addition, the Group also regularly entrusts an external testing company to conduct noise monitoring for the plant in accordance with the “National Standard GB2348-2008 Noise Standard of the People’s Republic of China”. The Group will implement improvement measures based on the relevant testing results.

“2020 Annual Environmental Objectives, Indicators and Management Plan”

Environmental Category	Environmental Management Indicators	Progress on the Current Year Objectives
Noise emission	The noise emission of the Shenzhen Plant must comply with the national standard GB12348-2008, maintaining not more than 60 decibels during the day and not more than 50 decibels at night.	Up to standard

Emission Management

The emissions from the daily business operations of the Group include greenhouse gases, air pollutants, hazardous and non-hazardous wastes, and sewage. The Group is committed to reducing emissions, so as to reduce the impact on the surrounding environment. The Group has formulated the “Group Environmental and Social Policies” and “Environmental System Operation Control Procedure” to specify the Group’s policies and measures for emission management.

Air emissions

The Group’s main air emissions come from combustion of energy used by vehicles, mainly including nitrogen oxides, sulphur oxides and respirable suspended particulates. During the Current Year, the emissions of nitrogen oxides, sulphur oxides and respirable suspended particulates were 2.01, 0.56 and 0.19 kg, respectively. Compared with the previous year, the pollutant emissions during the Current Year increased slightly, mainly due to the increase in gasoline consumption by vehicles as a result of less use of public transportation caused by the COVID-19 epidemic.

Air emissions ² (kg)	2020	2019
Nitrogen oxides	2.01	1.74
Sulphur oxides	0.56	0.37
Respirable suspended particulates	0.19	0.16

Regarding air pollutant emissions, the Group has made different requirements for transportation arrangements and business trips, such as integrating transportation arrangements and selecting more environment-friendly transportation service providers to minimize emissions. At the same time, the Group encourages employees to use electronic communication technology for meetings to reduce unnecessary business trips.

Greenhouse gas emissions

In order to calculate the greenhouse gas emissions generated by its operations, the Group continued to commission Carbon Care Asia, a consultancy firm, to conduct a carbon assessment. Carbon assessment is quantified in accordance with the guidelines³ issued by the National Development and Reform Commission of the People’s Republic of China, as well as international standards such as ISO 14064-1 and the Greenhouse Gas Protocol.

² Only air pollutant emissions related to fossil fuel combustion from mobile sources are included.

³ “Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Electronic Equipment Manufacturing Enterprises (Trial)”

During the Current Year, the Group's total greenhouse gas emissions amounted to 1,557.4 tonnes carbon dioxide equivalent, mainly come from purchased electricity outside in scope 2, accounting for 86% of the total emissions, followed by the combustion of mobile source fossil fuels and fugitive emissions related to refrigerants in scope 1, accounting for 14% of the total emissions. Compared with the previous year, the Group's greenhouse gas emissions increased by 2%, mainly due to intensified COVID-19 epidemic overseas, which led to an increase in demand for domestic order capacity.

Greenhouse gas emissions (tonnes carbon dioxide equivalent)	2020	2019
Scope 1 : Direct greenhouse gas emissions ⁴	215.0	183.2
Scope 2 : Energy indirect greenhouse gas emissions	1,342.4	1,347.0
Total greenhouse gas emissions	1,557.4	1,530.2
Intensity of greenhouse gas (tonnes carbon dioxide equivalent/HK\$ million (by output value))	20.5	26.3

In order to further formulate emission reduction objectives, the Group will continue to formulate the directions and measures of emission reduction by assessing and recording annual air pollutants and greenhouse gas emissions data, and disclose the Group's performance during the year to stakeholders.

Waste

The Group is committed to reducing the generation of hazardous and non-hazardous waste in its daily operation, including waste reduction at the source, classification for collection and recycling.

Procedures to manage waste

Kinds of waste	Waste collected during the Current Year	Procedures to manage waste
Hazardous waste	Air conditioning refrigerant, air compressor oil, toner, ink cartridge, scrapped lamps, oily waste rags, refills and ink bottles	<ul style="list-style-type: none"> Collect and store identified hazardous waste in a unified way Arrange hazardous waste recycling companies to carry out waste diversion and maintain relevant records
General non-hazardous waste	Household waste	<ul style="list-style-type: none"> Disposed of upon unified collection
Recycling waste	Packaging paper and plastic	<ul style="list-style-type: none"> Sorted and delivered to recyclers for recycling and sale

For hazardous waste management, the Group also places various firefighting equipment at the storage places of hazardous waste. Meanwhile, the Group also regularly provides training on the classification and storage of hazardous waste for all employees and enhances their knowledge of disposing of hazardous wastes. The Group has formulated its environmental management goal relating to discharge of hazardous waste in the "2020 Environmental Goals, Objectives and Management Plan", requiring that all hazardous waste should be sorted according to solid and liquid hazardous waste and collected and treated by environmental protection companies. Such goal has been successfully achieved during the Current Year.

⁴ Scope 1 includes the combustion of mobile source fossil fuel and fugitive emissions related to refrigerants. Due to the one-time addition of several years' refrigerant for use to the Shenzhen Plant, the related fugitive emissions should be distributed equally between the years.

During the Current Year, the Group generated a total of 0.5 tonnes of hazardous waste, mainly including waste oil from the Shenzhen Plant. All hazardous waste has been collected by qualified recycling companies. Meanwhile, the Group generated 33.1 tonnes of non-hazardous waste including packaging paper, plastic and other daily waste during the Current Year. Packaging paper and plastic are delivered to recyclers for recycling and sale, while general daily waste is disposed of upon unified collection.

Waste	2020	2019
Total output of hazardous waste (tonnes)	0.5	0.5
Density (tonnes/thousand m ²)	0.08	0.08
Total output of non-hazardous waste (tonnes)	33.1	31.5
Density (tonnes/thousand m ²)	5.52	5.25

Wastewater discharge

The wastewater of the Group mainly comes from the domestic wastewater in Shenzhen Plant. In order to ensure the safe discharge of wastewater, the Group has established a set of sewage discharge system in accordance with the DB44/26-2001 secondary standard of "Guangdong Province Local Standard Water Pollutant Discharge Limits". The domestic wastewater from the Group is discharged into the septic tank via the pipeline, and then discharged into the municipal sewage pipeline after being processed by the septic tank.

MUTUAL DEVELOPMENT WITH COMMUNITY

Practicing the tenet of "from the community, for the community", the Group is committed to performing corporate social responsibility to give benefit to the surrounding communities. The Group has formulated the "Group Environmental and Social Policies" and the "Giving Back to the Society and Social Investment Management System" to implement the Group's direction of community investment.

The Group encourages employees to actively participate in the public affairs and serve various surrounding communities in order to bring positive impacts to the society. During the Current Year, the Group allocated a total of RMB17,000 and 100 hours for different activities in the community, which mainly focused on labour employment and the natural environment.

Charity-based recruitment event organised by human resources market organisations

During the Current Year, the Group continued to participate in public welfare talent recruitment events organised by human resources market organisations, and conducted recruitment for different job positions of the Group. A total of 10 employees were sent out to participate in this event and RMB2,000 were invested.

Tree-planting activity organised by sub-district offices

During the Current Year, the Group also participated in tree-planting activities organised by community sub-district offices to practice greening the surrounding environment. A total of 20 employees were sent out to participate in this event and RMB15,000 were invested.

Looking ahead, the Group will continue to participate in other different community projects and give back to the society.

COMPLIANCE PERFORMANCE

Level	Laws and regulations that have significant impacts on the Group	Significant impacts on the Group and ways to ensure the compliance with these laws and regulations
Emissions	"The Environmental Protection Law of the People's Republic of China"	The Group has implemented the ISO 14001 environmental system and regularly conducts external audits every year. It has entered into an agreement for directional recycling with a professional treatment company on the generation of the environmentally hazardous waste. This portion of expenditure is approximately RMB30,000 each year. The Group conducts daily business operations in strict accordance with the Environmental Protection Law and invites third party to conduct ISO 14001 external audits to ensure the operation of the Group meets the standards.
Employment	"The Labour Law of the People's Republic of China"	The restrictions of national labour regulations on overtime hours have a certain impact on the hiring of employees by the Group. The Group needs recruited more employees, and the overall wage expenditure has increased by approximately 5-10%. However, the Group will continue to strictly follow the labour laws stipulated by the state and sign labour contracts with employees to protect their rights and interests.
Health and safety	"The Production Safety Law of the People's Republic of China" "The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" "The Fire Control Law of the People's Republic of China"	The Group considers that safety is an important element of its production operations, which enables the Company to develop continuously and steadily. The Group pays attention to the health and safety of employees and strives to reduce the harm to employees caused by production operations. In addition to a series of occupational safety measures, the Group also regularly provides employees with relevant training on production safety, fire protection, and occupational health.
Labour standards	"The Labour Law of the People's Republic of China" "The Law of the People's Republic of China on the Protection of Minors"	The Group prohibits child labour and forced labour. The Group strictly complies with the national labour regulations and protects the rights and interests of minors. The Group is aware of that violating laws and regulations will be subject to penalties by regulatory authorities. In the process of recruitment, the Group will check employed persons' identity supporting documents to ensure they meet the working age.
Product responsibility	"The Product Quality Law of the People's Republic of China"	The Group attaches importance to product quality and regards high-level product quality as its operation goal. The Group has established a quality management system that meets ISO 9001:2015 certification. The Group monitors and analyses the entire production process to control product quality. Meanwhile, the Group regularly conducts training on product quality for employees to ensure improvement of product quality in the production process.

During the Current Year, the Group did not violate the above relevant laws and regulations that had a significant impact on the Group. Meanwhile, for the anti-corruption aspect, the Group has no relevant laws and regulations that have a significant impact on the Group.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental Performance

Environmental Key Performance Indicators		2020	2019	Unit
Atmospheric pollutants⁵	Nitrogen oxides	2.01	1.74	kg
	Sulphur oxides	0.56	0.37	kg
	Respirable suspended particulates	0.19	0.16	kg
Greenhouse gas	Scope 1 ⁶	215.0	183.2	tonnes carbon dioxide equivalent
	Scope 2 ⁷	1,342.4	1,347.0	tonnes carbon dioxide equivalent
	Total greenhouse gas emissions	1,557.4	1,530.2	tonnes carbon dioxide equivalent
	Intensity of greenhouse gas emissions (by output value)	20.5	26.3	tonnes carbon dioxide equivalent/ HK\$ million
Hazardous waste	Total hazardous waste	0.5	0.5	tonne
	Intensity of hazardous waste (by per thousand square metre)	0.08	0.08	tonne/thousand m ²
Non-hazardous waste	Total non-hazardous waste	33.1	31.5	tonne
	Intensity of non-hazardous waste (by per thousand square metre)	5.52	5.25	tonne/thousand m ²
Energy	Gasoline	69.5	43.7	MWh
	Electricity	2,200.3	2,207.8	MWh
	Total energy consumption	2,269.8	2,251.5	MWh
	Intensity of energy (by output value)	29.8	38.7	MWh/ HK\$ million
Water consumption	Total water consumption	3,265	3,310	m ³
	Intensity of water consumption (by number of employees)	26.3	26.3	m ³ /employee
Main raw materials and packaging materials	Total main raw materials and packaging materials	137.8	130.0	tonne
	Intensity of main raw materials and packaging materials (by output value)	1.81	2.23	tonne/ HK\$ million

⁵ Including only atmospheric pollutant emissions related to the combustion of mobile source fossil fuels.

⁶ Including the combustion of mobile source fossil fuels and fugitive emissions related to refrigerants. Since refrigerants for several years were added one-off to the Shenzhen Plant during the Current Year, the related fugitive emissions should be evenly distributed among the years.

⁷ Representing the electricity use of purchased energy.

Social Performance

Employee distribution			2020	2019
Number of employees	Gender	Male	86	87
		Female	38	39
	Age	Below 30	58	58
		30-40	48	50
		41-50	17	17
		Above 50	1	1
	Position	Main leaders	2	2
		Senior management	11	11
		Middle management	10	10
		Ordinary employees	101	103
Total number of employees			124	126
Number and percentage of new hires	Gender	Male	41 (48%)	41 (47%)
		Female	15 (39%)	15 (38%)
	Age	Below 30	35 (60%)	35 (60%)
		30-40	19 (40%)	19 (38%)
		41-50	2 (12%)	2 (12%)
		Above 50	0 (0%)	0 (0%)
	Position	Main leaders	0 (0%)	0 (0%)
		Senior management	0 (0%)	0 (0%)
		Middle management	0 (0%)	0 (0%)
		Ordinary employees	56 (55%)	56 (54%)
Percentage of new hires			45%	44%
Number and percentage of employee turnover	Gender	Male	42 (49%)	37 (43%)
		Female	16 (42%)	13 (33%)
	Age	Below 30	36 (62%)	34 (59%)
		30-40	22 (46%)	16 (32%)
		41-50	0 (0%)	0 (0%)
		Above 50	0 (0%)	0 (0%)
	Position	Main leaders	0 (0%)	0 (0%)
		Senior management	0 (0%)	0 (0%)
		Middle management	0 (0%)	0 (0%)
		Ordinary employees	58 (57%)	50 (49%)
Percentage of employee turnover			47%	40%

Occupational safety and health performance		2020	2019
Number and rate of work-related fatalities		0 (0%)	0 (0%)
Number of work injury		0	1
Lost days due to work injury		0	2

Staff training		2020	2019	
Number and percentage of trained individuals ⁸	Gender	Male	82 (95%)	87 (100%)
		Female	34 (89%)	39 (100%)
	Position	Main leaders	2 (100%)	2 (100%)
		Senior management	11 (100%)	11 (100%)
		Middle management	10 (100%)	10 (100%)
		Ordinary employees	93 (92%)	103 (100%)
Average training time (hour)	Gender	Male	10.3	10.8
		Female	10.5	11.7
	Position	Main leaders	6	4
		Senior management	5.5	6
		Middle management	9.6	8.2
		Ordinary employees	11	12
Number of employees who receive a regular performance and career development review	Gender	Male	56	56
		Female	17	17
	Position	Main leaders	2	2
		Senior management	11	11
		Middle management	10	10
		Ordinary employees	50	50

Location of suppliers	2020	Percentage of suppliers implementing relevant practices ⁹
Mainland China	7	100%

⁸ For 2020, breakdown of trainees by gender: male (71%) and female (29%); breakdown of trainees by position: main leaders (2%), senior management (9%), middle management (9%) and ordinary employees (80%). For 2019, breakdown of trainees by gender: male (69%) and female (31%); breakdown of trainees by position: main leaders (2%), senior management (9%), middle management (8%) and ordinary employees (81%).

⁹ The Group selects suppliers in accordance with the "Social Accountability Management Handbook", the "Procurement Control Procedures" and the "SA8000 Standards for Social Responsibility".

"ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" CONTENT INDEX

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