



State Energy Group International Assets Holdings Limited
國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

股份代號 Stock Code : 918



2016/17

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

環境、社會及管治報告

Content

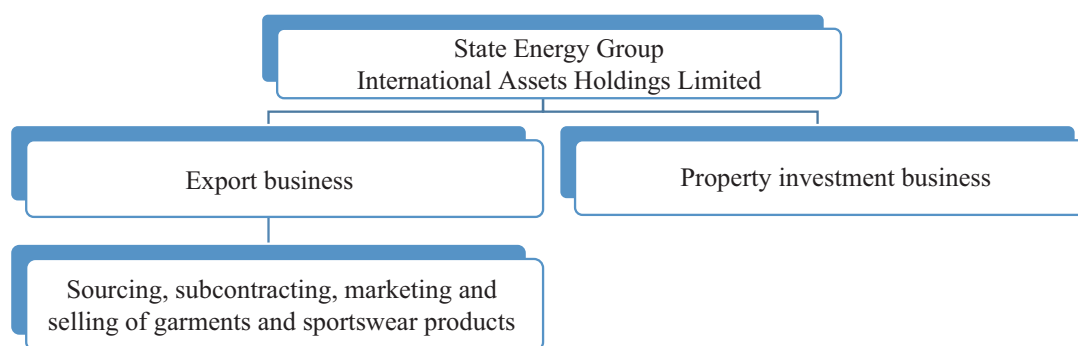
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About the Group

State Energy Group International Assets Holdings Limited¹ (the “**Company**”, together with its subsidiaries, “**State Energy**” or the “**Group**”) is a company incorporated in Bermuda with limited liability and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Group is principally engaged in the export and property investment business during the reporting period.

Business Structure of the Group



The year of 2016 marks the turning point and positioning for new advancement of State Energy. In order to enhance our sustainable profitability and improve our operational results, the board (the “**Board**”) of directors of the Company has prudently evaluated the development prospect of the export business, and will allocate more resources in developing the property investment business and financial services. Benefiting from the “One Belt, One Road” initiative of the People’s Republic of China (the “**PRC**”), the Group will develop high-end properties, specialised properties, new industry cities or park projects in countries or areas along the “One Belt, One Road”, and establish a diversified property investment portfolio by using the property funds model. Meanwhile, the Group will commence the asset management business through the setup of our own or joint investment funds. For details of the Group’s financial review and business development, please refer to the annual report.

Core Value and Conviction

- Keen on innovating
- Good citizenship

1 The English name of the Company has been changed from “Takson Holdings Limited” to “State Energy Group International Assets Holdings Limited” and the Chinese name “國能集團國際資產控股有限公司” has been adopted as the secondary name of the Company to replace its existing name in Chinese “第一德勝控股有限公司” which had been used for identification purpose only.

About this Report

This report is the first “Environmental, Social and Governance Report” published by State Energy. The Group is committed to disclosing our practices and performance on sustainable development in a transparent and open manner, in order to enhance our stakeholders’ confidence in and understanding of the Group. To do so, the Group has appointed a third party consultant to prepare this report to ensure the objectivity of the report.

Reporting Year

All information contained herein reflects the performance of State Energy on environmental management and social responsibility during the period from 1 April 2016 to 31 March 2017. In the future, the Group will publish an “Environmental, Social and Governance Report” on a regular basis each year, which can be accessed by all parties at any time, to continuously enhance the transparency of information disclosure.

Scope of this Report

The report focuses on the operation of the export business segment of the headquarters of State Energy in Hong Kong, which involves the sale of outerwear and other garments to overseas customers. The Board has prudently evaluated the development prospects of the existing business, and will shift our focus towards actively exploring new business opportunities with greater potential going forward. The reporting scope of next year’s report may be subject to possible adjustment accordingly. Pursuant to the requirements of the Stock Exchange, the Group would also include additional disclosure of the environmental key performance indicators in the next year’s report, which would further lead to higher transparency in the report.

Reporting Standards

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” issued by the Stock Exchange. State Energy’s environmental, social and governance performance is precisely outlined in this report. The information contained herein has been sourced from official documents and statistics of the Group, and was consolidated and compiled with the information on control, management and operations as provided by each department in accordance with the Group’s relevant policies. In this report, the last chapter contains a complete index of the content herein for readers’ quick reference. This report is prepared in two languages, Chinese and English, both versions have already been uploaded to our website at www.seiah.com.

Comments & Feedback

With your precious comments on this report in terms of content and format, State Energy may benefit from continuous improvement. For any enquiries or suggestions, please provide your opinions by email to enquiries@seiah.com. This would be helpful to us in continuously enhancing the Group’s environmental, social and governance performance.

Communication with Stakeholders

The “Environmental, Social and Governance Reporting Guide” of the Stock Exchange states four reporting principles, which include materiality, quantitateness, balance and consistency, as the foundation in preparation of the “Environmental, Social and Governance Report”. As emphasised by the Stock Exchange, the participation of stakeholders is an evaluation method of materiality. By means of communicating with stakeholders, enterprises could understand the general opinion and identify important environmental and social issues.

For State Energy, stakeholders represent groups and individuals who have significant impact on the Group’s business, or those who are affected by the Group’s business. State Energy has been maintaining contact with key stakeholders, and the various ways in which the Group has communicated with stakeholders during the reporting period are set out below. In order to prepare this report, the Group has engaged a professional consultancy company to conduct a materiality analysis by interviewing the management and incorporated the advice of professional consultants to clarify important reporting issues, which serve as the determination basis for the direction of the Group’s sustainable development.

Ways of Communications with Stakeholders during the Reporting Period

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none">• Directors of the Company• Employees	<ul style="list-style-type: none">• Shareholders and Investors• Customers• Suppliers• Banks• Business Partners
<p>Ways of Communications:</p> <p>Meetings, e-mails, interviews, phone, websites, brochures, annual general meetings and other general meetings, annual reports, announcements, examination and assessment, feedback forms</p>	

The operations of State Energy have impacts on various stakeholders, while stakeholders have different expectations of the Group. Looking forward, the Group will continuously strengthen its communications with its stakeholders, and extensively collect stakeholders’ opinions on various ways that would lead to a more comprehensive materiality analysis. Meanwhile, the Group would also enhance the reporting principles in terms of quantitateness, balance and consistency, and the presentation of content and information of the report are defined in a way which better conforms to stakeholders’ expectations.

Message from our Management

“As a responsible listed company, we are responsible to society and are actively taking steps to facilitate social sustainability.”

I am pleased to publish the first “Environmental, Social and Governance Report” of State Energy. This marks our new milestone in the environmental, social and governance aspect. Not only do we hope to strengthen corporate performance on environmental protection and social caring continuously, we also emphasise stakeholders’ demands and expectations, and aim at enhancing the transparency of information disclosure through publishing annual reports, in response to stakeholders’ concerns. Based on our existing business, we will actively evaluate the potential business opportunities arising from the “One Belt, One Road” initiative, in order to explore a new motivation for the Group’s sustainability.

Sustainable development represents an agreed orientation for countries around the world. As a socially responsible company, we understand that the operation of a company will have certain impacts on the environment. As a result, we have implemented a green office policy throughout our office and adopted various proactive measures to reduce emissions and enhance efficiency of resources utilization, with our commitment to minimise any negative impact on the environment.

The growth of State Energy hinges on the effort of all the employees. With an aim to retain and attract more high caliber talents, we endeavor to provide a working environment imbued with positive energy. Staff development and growth are essential. We have provided various types of targeted trainings to our staff based on the actual needs of different departments and functions as well as a platform for career development, thereby facilitating them to gain satisfaction from their work. During the course of business reorganisation in this year, we emphasised on the importance of employees’ suggestions and needs with a view to enhancing their sense of commitment and enabling them to adapt to the new development guidelines.

We are committed to driving business partners to consider factors such as environmental protection, society and governance compliance, as well as product responsibility in their operations. We believe that the business model of sustainable development needs to be extended to the upstream and downstream of the supply chain, so that our overall operation performance on environment and society could be improved. In the gradual transformation of our business, we uphold the concept of sustainable development while striving to create value for the community where we operate our business.

Establishing a business model of sustainable development is a process of continuous improvement for corporates. Facing the business opportunities brought by the PRC’s “One Belt, One Road” initiative, we will hold on to the Group’s core value and conviction. Moving forward, we will partner with our respectable business partners, customers, shareholders and all staff members and put our best foot forward in the face of future opportunities and challenges.

For and on behalf of the Board

Zhou Xinyu

Chief Executive Officer

State Energy Group International Assets Holdings Limited

Environment Protection

Emissions

The global economy is facing unprecedented challenges because of climate change. Extreme weather conditions have direct or indirect impact on the ability of different entities to obtain resources and maintain operations. The reduction of greenhouse gas emissions is the most important mitigation measure in handling the climate change, while carbon footprint assessment provides the foundation for such reduction. According to the disclosure requirements for environmental key performance indicators by the Stock Exchange, State Energy has included the carbon assessment in the 2017 work plan as the first step towards carbon reduction. This year, the Group drafted the “Green Office Policy” (the “**Green Policy**”) which provides staff members with a concrete guidance on enhancement of the environmental performance of its offices. The Group will implement the Green Policy in the next reporting year and explain the policy details to all staff members through e-mails and internal staff training, etc., to ensure that the policy is implemented in practice.

In November 2016, the Paris Agreement officially came into effect, aiming to prevent the global temperature from rising over a limit of 2 degrees Celsius as compared to the temperature recorded before industrialization by the end of the century, and further control the range of such rise within 1.5 degrees Celsius.

As the headquarter of State Energy does not involve production and manufacturing, its operations do not lead to emission of significant pollutants. However, the Group understands that the operations of its offices inevitably produce office wastes such as waste paper, which indirectly brings upon greenhouse gas emissions to the environment. Thus, the Group’s Green Policy focuses on source management. For instance, when preparing meetings or events, the Group makes great effort to reduce waste generation through advocating that staff should get to locations of meetings or events by foot or by public transportation, replacing printed notes or meeting materials by electronic signs to show meeting details, avoiding serving any bottled water and using disposable eating utensils, and donating excess food and beverages to food banks or recycling organisations.

As for waste management, State Energy strives to promote sorting recyclables instead of discarding waste directly among its staff. The Group encourages its employees to recycle office supplies and reduce wastage. The Group has set up recycling bins in its office for waste paper, plastic and office equipment. During the reporting period, the Group has not found any case of violating emissions-related regulations.

Use of Resources

State Energy understands that effective resource management is closely related to environmental protection and corporate sustainability goals. Due to the nature of our offices' operations and business, the major resources consumed by the Group are electricity and paper. Our Green Policy provides various energy-saving measures for office activities. The Group has enabled the off timer function of office equipment such as photocopiers, printers and computer monitors in our offices, allowing such equipment which have been idle for a long time to automatically power down to save electricity. The Group also considers the gradual replacement of energy-saving lamps, including installation of additional automatic light sensors where appropriate. More than 30% of the office paper we used were from sustainable sources. We focus on purchasing supplies manufactured from recycled materials such as tissue paper. As stated in our Green Policy, we encourage our staff members to scale down font size and reduce paper margins and set up double-sided printing.

The Group will consider establishing an environmental committee to incorporate environmental issues into its business plan systematically, including formulating more detailed corporate internal guidelines for environmental protection, as well as formulating sustainable development policies and road maps in the long term and proactively promoting a number of environmental protection campaigns.

The Environment and Natural Resources

In addition to the above issues on greenhouse gas emissions, waste and resource use, the daily office operations of State Energy has no significant direct impact on the environment and natural resources. Through the Green Policy, the Group encourages its employees to take the initiative to procure designs that are durable, reusable, recyclable or degradable to reduce the environmental impact of our products at every stage of their lifecycles. The Group encourages the staff to purchase local, seasonal and organic food when preparing corporate events, so as to reduce the impact of transportation and production process on the environment. Moreover, the Group implements the concept of 'going green' and 'low carbon' in its daily operations, and conveys green messages of environmental protection to participants by organising various meetings or events.

Cherishing our Employees

Development and Training

State Energy firmly believes that fostering and retaining talent is a core part of ensuring corporate development and strengthening its competitiveness. As of 31 March 2017, the Group had a total of 16 employees (31 March 2016: 45 employees). The Group has prepared its management system on staff training, which formed the basis of planning and implementation of training system. The Group has provided various types of targeted training to our staff based on the actual needs of different departments and functions, and developed personalised training development programs for key positions, aiming to motivate employees to develop their potential.

State Energy offers induction orientation and appropriate assistance for every newly-joined staff member. The induction orientation mainly introduces the Group, our corporate culture, rules and regulations and code of conduct, etc., which enables staff to fit into the corporate culture of the Group and further understand their working environment and responsibility. The Group is committed to establishing a platform for career development for our staff and to providing on-job internal training relating to professional skills, general management skills, career development and mentality. Also, our staff are provided with the opportunity to attend business training organised by external training organizations. Based on its business development requirements, the Group will consider to cooperate with relevant training organizations or institutions engaged in providing training for certain management or technical personnel in key positions.

Training for new staff	Training for existing staff		Entrusted training
	Internal training	External training	
<input type="checkbox"/> Introduction of the Group	<input type="checkbox"/> Professional skills	<input type="checkbox"/> Business training	<input type="checkbox"/> Training for management personnel
<input type="checkbox"/> Corporate culture	<input type="checkbox"/> General management skills		<input type="checkbox"/> Training for technical personnel
<input type="checkbox"/> Rules and regulations	<input type="checkbox"/> Career development and mentality		
<input type="checkbox"/> Code of conduct			

Making plans on staff training is a major initiative to regulate State Energy's training management. Employees' attendance of various types of training will be recorded by the Group to avoid duplication of training, which would facilitate effective utilisation of corporate resources. Meanwhile, to ensure that there will be continuity in high-quality training, training plans are taken as an important proof for evaluating and assessing performance of the training organizational department. Looking ahead, the Group will strengthen its staff communication mechanism and gather staff feedback on training. The Group plans to collect feedback on training including satisfaction surveys from participating staff, and to review the implementation of training programs in a timely manner, so that the effectiveness of the training system could be further enhanced.

Employment and Labour Standards

State Energy considers its staff as the most important asset, which underpins the growth of the corporation. The Group believes that each employee deserves respect and is committed to providing a pleasant working environment for them. The “Staff Code” of the Group expressly provides policies in respect of compensation, recruitment and dismissal, promotion, working hours, rest periods, equal opportunity, and other benefits and welfare.

State Energy adopts reasonable arrangements and continuous improvement in the Group’s human resources on the principle of “openness, equality, competition and merits”. The Group will first attempt internal selection and promotion of outstanding employees who can meet the requirements of the recruiting posts; on this basis, then consider open recruitment. We are committed to providing all candidates with equal opportunities, regardless of their gender, race, religion and referee. The Group plans to strengthen the policy on anti-discrimination in the workplace, including measures to handle discrimination case, to raise employee awareness of equality, thereby creating a fair environment free from discrimination. The Group also believes that diversified employees show more creativity, and the synergy of different cultures, backgrounds and experiences can contribute to innovative thinking at work.

The remuneration and benefits provided by State Energy are in compliance with the laws and regulations in Hong Kong. To retain talent and enhance their competitiveness, we strive to keep improving the level of remuneration and benefits of our employees. Various factors such as working performance assessment, annual profitability of the Company and change in market rate have been integrated into the Group’s wage adjustment mechanism, and our employees will be offered cash incentives and salary increments according to their work performance and ability. To understand the work performance of employees, and to improve their performance and development, the Group has set up a performance appraisal system to conduct annual performance appraisals for all employees. The appraisal places emphasis on evaluation of work performances, which includes performance of responsibilities, work tasks completed and efficiency, effort on performance improvement, spirit of innovation, and teamwork performance, etc. The appraisal report will serve as the basis for employees’ remuneration adjustment or further promotion.

State Energy is fully aware that child labour and forced labour violate fundamental human rights, International Labour Conventions and Recommendations and pose a threat to sustainable social and economic development. New staff are required to provide their identity documents and original academic certificates on their induction day for examination, of which administrative staff will collect photocopies and keep detailed records. The Group only performs the requirements as set out under the labour contract without causing any constrain on the employment relationships between the staff and the company by any unfair means. The staff has the right to deliberately terminate their labour contracts in compliance with laws and regulations.

During the reporting period, State Energy was not aware of any child or forced labour case, and did not identify any violation of employment and labour standards.

Health and Safety

Regardless of state laws or international standards, regulatory bodies all have in place the basic requirements in relation to health and safety in workplaces. Due to its business nature, the current business operations of State Energy primarily involves office work and no position has been identified as having high safety risks. The Group not only strictly complies with the relevant laws and regulations in Hong Kong, but also sets out “Code of Employee Safety Management”. The above policy aims to foster awareness of safety of employees and regulate the employee’s behaviors during their daily work. The policy also states that fire-fighting equipment such as fire extinguishers are required to be equipped at the workplace, and safety training and fire drills for employee are conducted regularly, in order to enhance employees’ capability to cope with unexpected incidents and allow them to perform safety protection in a timely manner.

During the reporting period, no violation of health and safety-related regulations was found by the Group, and no case of work-related injury or death was recorded.

Operating Practices

Supply Chain Management

Although State Energy's current export business does not involve production and manufacturing, the Group deeply understands that it has to play an important role in the entire lifecycle of its products and services, and that proper management of the supply chain is the key for maintaining the brand's reputation, ensuring business sustainability and managing operational costs. Highly valuing the cooperation with suppliers and manufacturers, the Group regards them as key business partners and hopes to establish a long-term stable supply chain through mutual cooperation. When selecting its suppliers and manufacturers, State Energy shall consider their pricing, quality of products and services, and delivery time, as well as evaluates their abilities to comply with the regulations in regards to environmental protection, social and corporate governance aspects.

State Energy shall identify manufacturers to the needs of our customers, and ensure their compliance to the laws and regulations of the country, region and place of domicile of the customers. Management of the Group shall conduct site visits at the suppliers' and manufacturers' factories, and at the same time, our customers shall engage professional quality testing companies to visit the factories of our manufacturers, and evaluate the working environment and the operation of production lines, and to conduct sampling inspection on the finished goods, so as to ensure that the operations of the manufacturers fulfill the requirements of our customers in terms of environmental protection, and social and corporate governance compliance. During the reporting period, the Group mainly cooperated with five manufacturers in the PRC who have maintained a long term and stable relationship with the Group. Selected factories shall comply with the relevant Chinese laws and regulations, such as the "Production Safety Law of the People's Republic of China" and the "Product Quality Law of the People's Republic of China". During the year, our customers all came from the United States. All of our manufacturers and production procedures must comply with the environmental protection regulations and standards of the United States.

State Energy shall continue to enhance our own environmental and social performances, and continue to perfect our supply chain management. In the long run, the Group shall cooperate with our business partners closely, and encourage communication and exchange of experiences among our partners to achieve sustainable development, so as to facilitate the sustainable growth of the whole industry.

Product Responsibility

Under the highly competitive market environment, expectations of customers towards products and services keep increasing. State Energy understands that, in order to gain the trust and support of customers, we have to create the maximum value for our customers. The Group endeavors to supply products that meet the needs of our customers, and to ensure the compliance of health and safety standards of our garments supplied to our customers, including the compliance of relevant national and regional laws and regulations in terms of packaging, labelling and advertisement.

To ensure the supply of highest quality products to customers, State Energy shall conduct internal quality sampling inspections on the raw materials for manufacturing. All finished goods shall be accompanied by product warranties issued by independent professional institutions, assuring the quality of finished products that satisfy the standards of our customers. The Group shall purchase product liabilities insurance for all garments and products in consideration of its local own risk control. We have set up feedback and complaints procedures for our customers and shall implement remedies in respect thereof, such as return, recall or revoke products. The Group values the opinions and feedbacks of each customer, and shall continue to improve the quality of products supplied by us in accordance to such feedbacks. The Group has also complied with the requirements of “Personal Data (Privacy) Ordinance” in Hong Kong and take customers’ privacy seriously. During the reporting period, the Group received no customer complaint, and is not aware of any case of non-compliance in terms of product responsibilities, breaches of customer privacy or losses of customer data.

Anti-corruption

State Energy believes that integrity is the fundamental value of responsible corporate operations, as well as the root of maintaining competitive advantages and sustainable development. The Group values the good characters and conduct of our staff members, and has zero tolerance over any behavioral misconduct, including corruption, bribery, extortion, fraud or money laundering. The “Anti-Fraud System” of the Group sets out the concept and format of such misconduct, the vesting of responsibilities of anti-fraud endeavors, the complaints, receiving and reporting procedures of fraudulent activity, preventions and control of fraudulent activity, protection of informants, as well as the remedies and disciplinary actions on fraudulent cases, in order to incorporate the management principles of anti-corruption in our business operations.

According to Transparency International, which is an international organization, the definition of “Corruption” is “the abuse of entrusted power for private gain”. Anti-corruption is one of the basic elements of corporate social responsibilities required by global standards. The “United Nations Convention against Corruption” implemented since 2005 is the first international convention that covers aspects of corruption. In recent years, the Chinese Government has been actively implementing anti-corruption measures. The United Nations Convention is also effective in the PRC (including Hong Kong).

In respect of unverified reports from the general staff, the office of the Board shall conduct joint evaluation with the human resources department of the Company to decide whether to conduct an investigation. Should the case involve any senior management of the Group, with the permission of the Board and the audit committee, the standing officer of the anti-fraud unit and the management of the respective department shall form a joint special investigation unit to conduct a joint investigation. Any staff confirmed to be involved in such fraudulent activities shall be subject to disciplinary actions within the Group, or, any misconduct of a criminal nature shall be referred to the judicial authorities for processing under the laws. Regardless of conducting special investigation or not, the Group shall respond to the complaining persons in regards to the result of the investigation, and shall record in detail the complaint and investigation materials and keep the relevant files for record.

State Energy shall maintain the confidentiality of the reported information and relevant information of the complaining persons, and restrict any staff member receiving such complains or involved in the investigation from disclosing any such information without authorization or verification. The abovementioned system is applicable to all staff members. During the reporting period, the anti-corruption measures of the Group were in effect, and no court cases involving corruption of the Group or staff members have arisen.

Caring our Community

As the market places focus more on corporate behaviors and social responsibilities, the pursuit of maximizing financial returns to reward shareholders is no longer the only goal of corporate management. State Energy pays close attention to its bonds with the community where it operates and is well aware of the importance of different stakeholders' expectations. The Group firmly believes that balancing the interests between shareholders and other stakeholders is the only way to achieve the long-term business development in a stable and healthy manner.

State Energy will be formulating the definite policies in relation to social investments, and shall incorporate such corporate social responsibilities and social care projects into the schedules of each department. The Group is studying the possibility of establishing the specialised committee to plan and promote such activities in relation to the sustainable development of communities based on our own prospect and objective in respect of the Group's sustainable future.

“Environmental, Social and Governance Reporting Guide” Content Index

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B5 Supply Chain Management		
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