

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

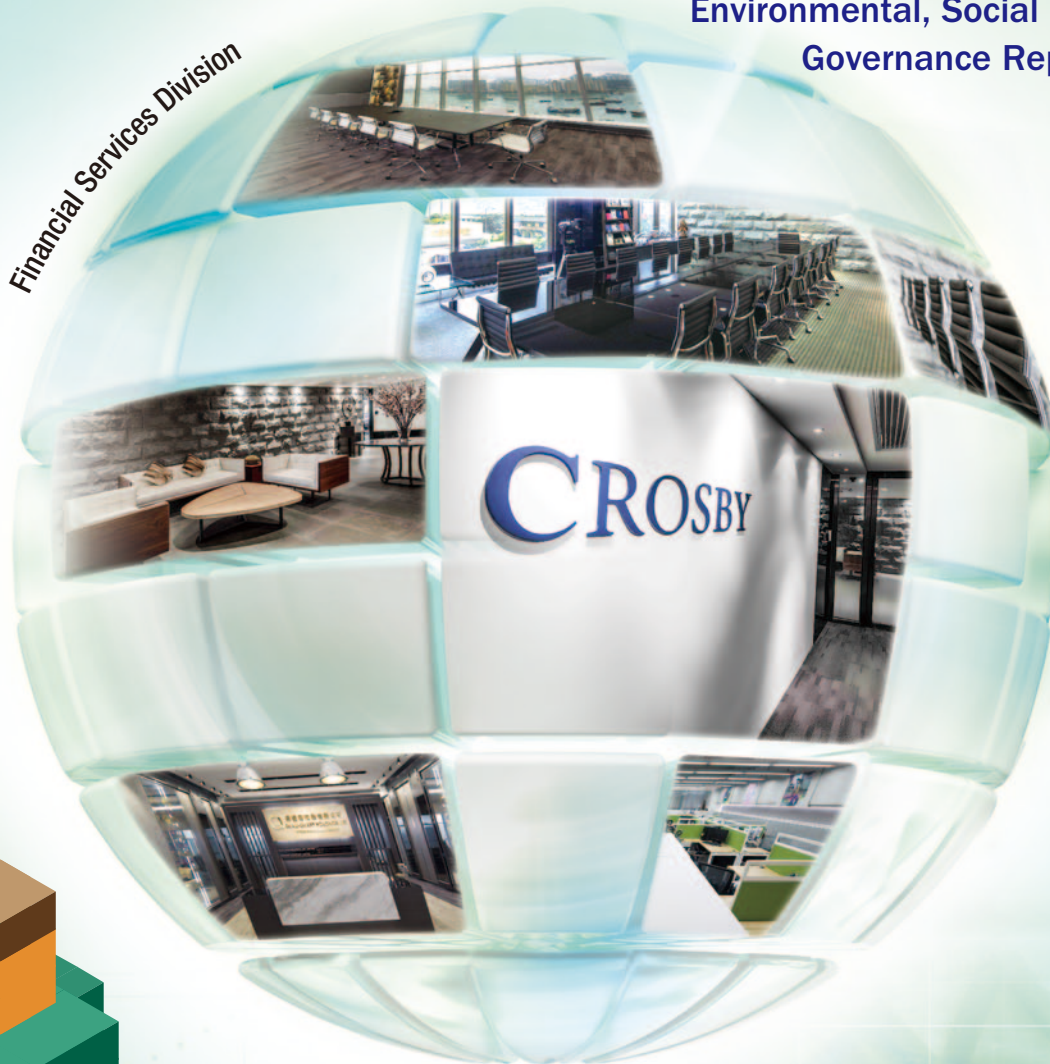
(Incorporated in the Cayman Islands with limited liability)

Stock code : 1348

2017

Environmental, Social and Governance Report

Financial Services Division



Toys Division



IT Division

Environmental, Social and Governance Report 2017



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INTRODUCTION

Quali-Smart Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group’s shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. We are also engaged in charitable activities to fulfill corporate social responsibility. This report covers environmental, social and governance matters of the Group for the year commencing on 1 April 2016 to 31 March 2017 (“**Reporting Period**”).

REPORTING STANDARDS

This environmental, social and governance report (“**ESG Report**”) has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

STAKEHOLDERS’ ENGAGEMENT

For the purpose of identifying the significant aspects of the Group, we have the involvement of the management of the Group and the key stakeholders including investors, shareholders and employees in discussing and reviewing key areas of attention for the Group to further direct its ESG approach and attention on sustainability issues.

ABOUT THE GROUP

The Group mainly engages as toy manufacturer offering services primarily on an OEM basis (“**Toy Division**”) and financial services particularly in securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services (“**Financial Services Division**”) and information technology services in form of provision of digital media design, marketing and project management services as well as website application (“**IT Division**”). In view of the impact of the operation of the Toy Division and the Financial Services Division to the Group’s business performance as well as on various ESG aspects during the Reporting Period, the Board is of the opinion that the Toy Division and Financial Services Division will be focused in this ESG Report.

A. Environment

The Group is committed to protect the environment and sustainability in long-term by incorporating various environmental friendly aspects in formulating its businesses operating policies and practices. We have established procedures to ensure our operation and businesses are in compliance with the applicable safety and environmental regulations, aiming to minimize the consumption of natural resources and hence protecting the environment during the Reporting Period.

During the Reporting Period, the Toy Division of the Group operated its own manufacturing plant for the first half year and such manufacturing plant was disposed with certain subsidiaries of the Group holding that subsequently and hence the manufacturing service was then sub-contracted out to qualified entities in the second half of the Reporting Period. Subsequent to the disposal of the subsidiaries operating the manufacturing plant, the Group still adopted strict policies by imposing corresponding requirement on our engaged sub-contractors for the manufacturing services rendered as if we complied same requirement by ourselves in accordance with the relevant laws and regulations relating to environmental protection. During the Reporting Period, the Toy Division had not been the subject of any claims in the form of any compensation or penalty levied for environmental disruption by the production plants engaged by the Group for business.

For the Financial Services Division, we believe that the industry it operates not a major source of environmental pollution and there was minimal emission of waste gas, wastewater discharged and generating of solid waste. During the Reporting Period, the Financial Services Division had not been subject to any environmental claims or complaint.

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A.1 Emissions

The Group noted that there was greenhouse gas emission, wastewater discharge and solid waste generated from the operation of our manufacturing plant for the Toy Division, whenever it was operated by the Group directly for the first half year of the Reporting Period as well as such manufacturing function being sub-contracted out in the second half year of the Reporting Period following the disposal of certain subsidiaries holding such manufacturing plant for the Group. Our Toy Division has adopted certain management policies and measures on environmental protection for enhancing the efficiency of usage of energy, water and materials in order to reduce the greenhouse gas emission, unfavorable impact of wastewater discharge and to improve energy conservation. At time of operating the manufacturing plant of the Toy Division by the Group during the Reporting Period, we had installed exhausted gas treatment system with the activated carbon absorption technology to process the exhausted gas discharged during the production process on spraying and injection molding. Such system setup fulfilled the requirement imposed by the local environmental governing body and was in compliance with relevant environmental protection standard. Meanwhile, we noted that there was limited wastewater generated from the operation of the Toy Division. Even so, we also used filtering tank installed inside the manufacturing plant to eliminate unfavorable element in the wastewater collected by the domestic sewage first and then arranged to discharge to public sewage drainage. Regular review on wastewater was also performed by qualified and authorised entity. To minimize and handle properly between hazardous and non-hazardous nature of solid waste generated by the manufacturing plant, our Toy Division stored separately the solid waste in designated area within the manufacturing plant and further passed to relevant authorised entities for proper handling, either passing to relevant recycling companies to handle or be collected by local government hygiene department to process. Subsequent to the disposal of the manufacturing plant held by certain subsidiaries of the Group during the Reporting Period, same requirement of practice as above were imposed on our sub-contractors on outsourced manufacturing services to adhere for compliance.

For the Financial Services Division, inherent from its nature of business, we believe that their business does not have significant impact on the environment in terms of discharges into greenhouse gas, wastewater, land emissions and hazardous and non-hazardous solid waste except for general office power consumption in form of office lighting, computer and other office equipment operation, printing paper consumption for clients reporting and and general business transaction recording. In general, the Group also adopted measures such as installing power saving lighting facilities; use of electronic record for daily businesses with clients and internal communication.

A.2 Consumption of Resources and Environment

For the purpose of fuel and power saving, our Toy Division installed energy saving facilities on certain injection molding machines such as the use of standby mode of operation instead of ongoing motors running mode to enhance their power utilization efficiency. Besides, production lines were modified under a lean production approach by simplifying and shortening the production processes and hence to minimize and shorten the components delivery need and relevant packaging materials consumed. Meanwhile, we noted that water consumption was not significant during the production process for the Toy Division. Besides, our Toy Division has switched to use biodiesel to general diesel for canteen kitchen operating usage as well as the use of vinyl machine for production purpose that allowed us to make use of energy with less polluting impact.

In general, the Group requires our employees to switch off office electronic facilities such as lighting, business and computer equipment during unattended hours in relevant office or working area and encourages the employees to set the temperature of the air-conditioning system for the working area within optimal temperature level or have such be switched off whoever last leaving the working area or office. We also encourage to work in more electronic-oriented over paper printout, whenever applicable. In order to enhance the awareness of such resource saving practice, slogan and reminder message were posted around the power switches or equipment stations throughout the working area.



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We are committed to build an environmental-friendly corporate which strives to minimize our usage of energy and office stationery and encourage recycling of materials used in the office and working area. Our Financial Services Division also offers electronic statements and trade confirmation with their clients in order minimize paper usage. Moreover, our Toy Division also processed those broken plastic containers for production line by regrinding and remoulding them into new containers for further use to minimize solid waste generated.

In general, the Group's is determined in adopting energy saving measures such as utilization of power-saving office lighting system in the form of LEDs or T5 fluorescent tube and maximization of the use of natural daylight as office lighting purpose. Also, we maintain water filtering equipment for staff consumption purpose instead of using bottled water and install water-saving dispensing tap equipment for the office washrooms in order to reduce water wastage. During the Reporting Period, the Group had not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

B. Social

B1. Employment

The Group believes that our business success is relying on our experienced talents employed. We promote equal opportunities to all our employees. The remuneration package and employment benefits are reviewed annually by reference to prevailing market standard as well on individual merits. We do strictly comply with relevant laws and regulations for our employment system in terms of recruitment, compensation and benefits, as well as safety measures adopted.

On recruiting talents, both internal and external sources will be reviewed for identifying appropriate individuals to fit in the available openings. The Group did not tolerate for discrimination concern in terms of race, gender, age, social hierarchy, religion and disability be any of the talent recruiting selection criteria. All applicants have equal opportunities for an interview as long as they possess the academic background, skill and legitimate age level as per job requirement stated. Collaterals or deposits of any kind is prohibited for acceptance from employees and we do allow employees right to freedom to prevent forced labour.

We offer competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. Salaries are reviewed on regular basis and revised with reference to performance appraisals and market trend. Employees of the Group are entitled to discretionary bonus, provident fund scheme, medical insurance and various types of incentive paid leave in addition to annual leave, sick leave, maternity leave and relevant compensation as required by the relevant laws and regulation as imposed in the relevant territories of operation.

Remuneration packages of the Group were determined with reference to its remuneration policy based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. Working hours and leave is maintained and granted in strict compliance with relevant laws and regulation. As for terminated employees, we will give adequate notice and basis of termination in accordance with applicable laws and those specified in the employment contracts. Our employment benefits include mandatory provident fund, medical and health insurance covering in-patient and out-patient benefit levels, all benefit details are provided to new employee together with the employee handbook.

The performance appraisal cycle varies according to the positions of the employees. Performance appraisal of staff is conducted annually. The performance appraisal is supervised by respective executive Directors of the Group. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group. In order to promote and maintain a healthy atmosphere for the employees, the Group also organized annual dinner gathering among the staff with the management to share an enjoyable time further to ordinary working environment.

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The Toy Division had strict policies in selecting its sub-contractors by imposing corresponding requirement on them in respect of social responsibilities on workers welfare maintenance as well as proper compliance of the relevant regulation applicable to them within their territories of operation. During the Reporting Period, the Toy Division had not been the subject of any claims in the form of any compensation or penalty levied for inappropriate treatment towards workers by the manufacturing plants engaged by the Group or its sub-contractor for business.

For the purpose of creating a fair and harmonious working environment, the Group established proper communication system between the employees and the management so that allowing sufficient opportunities and channels for comments and feedback exchange between the parties. Communication can be made either by written form or oral form. Any reported subject will be further reviewed and investigated by independent management member for proper remedial or follow up action taken.

B2. Health and Safety

Considering our employees as valuable assets for contributing to the Group's success and sustainability, their health and safety as well as well-being is also major concern the Group attends to. We did strictly comply with the laws and regulations regarding labour safety and hygienic condition for our employees in relevant operating territories. The Group provided our employees with necessary protective equipment to carry out their duties. Besides, we also arranged applicable medical protection plan for our employees to attend their respective needs for necessary physical examination or medical treatment. During the Reporting Period, the Group did not have any safety non-compliance incident.

B3. Development and Training

The Group provides on job training to our employees in order to assist them to adapt to their work and the Group's culture effectively and efficiently. The Group also provides on-job training, in-house training session as well as subsidies to qualified employees in attending external training sessions to improve their skill and knowledge in performing their jobs and social responsibility knowledge.

Our Financial Service Division ensured their licensed personnel be updated with timely and adequate professional training as required by relevant requirement under respective regulations by way of tracking their compliance on Continuous Professional Training. There was also offered assistance, including tuition fee subsidy, education allowances for relevant seminar/courses and also reimbursement for relevant professional membership fees to encourage development and training to the staff of the Financial Services Division. Besides, staff were also encouraged to share or circulate public information of industry development/regulatory update as they may obtain from their information channels.

Moreover, the Group required its employees to learn basic fire safety knowledge by internal information circulation through notice board posting or electronic broadcasting system as well as regular training session to ensure the adequate safety knowledge for employees. Also, there was occasional practice on fire emergency evacuation held at the manufacturing plant in order to promote the awareness of proper approach of the employees at site in dealing with emergency situation and hence to ascertain everyone's safety.

B4. Labour Standards

Being responsible employers, the Group strictly prohibits the use of child labour and forced labour in any part of its business operation. Policies and measures have been adopted in relevant operation policies and guidelines in order to ensure that proper review and supervision is in place to avoid the occurrence of such condition.

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B5. Supply-chain Management

In order to ensure the Group's product or services not being affected by the raw materials supplied or support service rendered, for Toy Division, we adhered strict requirement imposed by our customers, for which fundamentally derived from the international recognized standard in certifying qualified suppliers for their environmental, social and governance compliance. Regular assessment will be carried out on Group's qualified suppliers for ensuring their recognised status by referring to the imposed requirement by our customers for the Toy Division.

For our Financial Services Division, we worked with services providers being duly licensed and recognized by the relevant regulators and authorities such as bankers, fund houses, securities exchanges with proven reputation, track record and expertise.

B6. Product Responsibility

In view of our Toy Division mainly serving the international recognized branding customers on OEM basis and hence we do strictly comply with relevant requirement imposed by our customers. The Group places high importance to the quality, safety and health standards of our products. Stringent quality control inspection procedures is applied on the raw materials procurement and suppliers recruitment to product packaging to ensure quality, safety and health standards of the products.

Regarding the use of labelling on products, the Toy Division strictly adhered to strict requirement as imposed by the customers in accordance with the relevant laws to protect the customers and clients rights. The use of labels and packaging had been truly and fairly presented the characteristic of the products, technical specification and the requirement of the customers.

For Financial Services Division, businesses engaged were mainly categorised as regulated activities such as securities dealing, advising securities, corporate finance and asset management. We maintain a close monitor to ensure compliance with the standard guidelines and codes issued by the Securities and Futures Commission of Hong Kong ("SFC") as the Code of Conduct for Persons Licensed by or Registered with the SFC, Guideline on Anti-Money Laundering ("AML") and Counter Terrorist Financing, Fit and Proper Guidelines, Guidelines on Competence, Licensing Information Booklet and Guidelines on Continuous Professional Training. The Financial Services Division has comprehensive policy and procedure on data protection and privacy to ensure compliance with the Personal Data (Privacy) Ordinance. All clients' personal data are collected in accordance with our clients' written consents during account opening. Notice on Personal Data is provided with account opening documents to clients as well. Moreover, we maintain our customer services through hotline, facsimile and emails, for clients to lodge complaint. All complaints received are delivered to the Compliance department for their review and investigation as well as for appropriate response or actions.

B7. Anti-corruption

The Group commits to operate its businesses under a fair, honest with high integrity environment. All management and employees are required to strictly follow the Group's policies in respect on code of conduct to raise the awareness to prevent fraud, bribery or money laundering. Proper guidelines and terms have been incorporated in the staff handbooks and employment contracts and code of conducts in order to convey the Group's message clearly to the employees and management for good practices and compliance with relevant regulations.

The compliance manual of the Financial Services Division has set out the policies and procedures for anti-corruption anti-money laundering. There are procedures to report any suspicious transactions or fraudulent actions to the Compliance Department and management. All employees are required to read and acknowledge their receipt of this manual.

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B8. Investing in Community

The Group treasures the importance of support from social community on its businesses and its social responsibilities towards the community. During the Reporting Period, the Group made donation to Vocational Training Council of Hong Kong in scholarship titled “Outstanding Industrial Attachment Scholarship 2017/18” established for the purpose of awarding the VTC students who achieved outstanding performance during their industrial attachments. Besides, the Group also made donation to The Hong Kong Federation of Youth Groups for the campaign titled “Neighbourhood First” for which established for the purpose of encouraging the young people to care for and support their neighbours of the local community in Hong Kong by showing them care and concern, with a sense of responsibility and civic mindedness. Apart from participation in Hong Kong, our Group also invited the aged senior of the local community to join the our annual chinese year celebrating gathering held at the venue our production venue located in the People’s Republic of China.

GENERAL

During the Reporting Period, the manufacturing plant operated by our Toy Division and our engaged sub-contractor have also been recognized by the ICTI CARE Foundation with the Seal of Compliance to confirm their implementation of a Code of Business Practices system, which complies with the requirements of ICTI Code of Business Practices (2013 Version) by The International Council of Toy Industries (ICTI).

CORPORATE GOVERNANCE

For details on corporate governance matter of the Group, it can be referred to pages 8 to 17 of the Corporate Governance Report included in the Annual Report 2017 of the Company.