

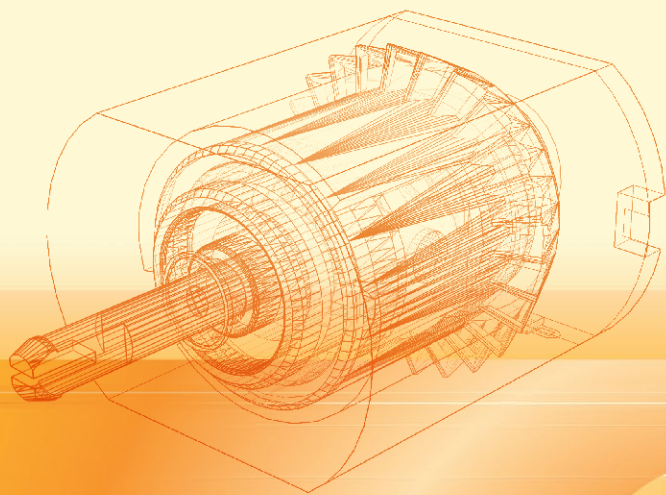


KIN YAT HOLDINGS LIMITED
建溢集團有限公司

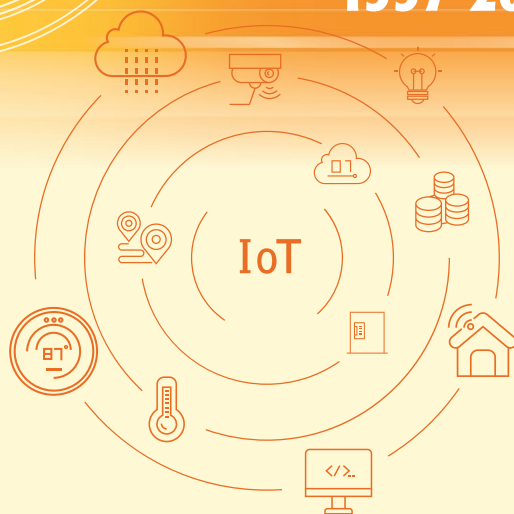
website: <http://www.kinyat.com.hk>

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)



**LISTING
ANNIVERSARY
1997-2017**



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT
2017



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first annual standalone environmental, social and governance (“ESG”) report (the “ESG Report”) published by Kin Yat Holdings Limited (the “Company”) and together with its subsidiaries (collectively the “Group”, “we” or “us”).

With a great vision to create and deliver long-term value for our stakeholders, we take a proactive approach to bring positive impacts on the people and environment. Through incorporating corporate social responsibility (“CSR”) into our broad range of business operations, from electrical and electronic products and motors manufacturing to real estate development, we strive to minimise adverse impacts on the environment, ensure long-term employee and consumer trust, and strengthen the communities.



Thinking and acting responsibly guides us the ways in doing business – to care about how we manage operational footprint, how we make products, how we treat employees, how we stay in integrity, and how we serve the community. To share with our stakeholders regarding the corporate social performance and build trust through transparency, we are pleased to publish our ESG Report this year. The ESG Report covers the financial year from 1 April 2016 to 31 March 2017, with the scope confining to:

- Offices located in Hong Kong;
- Electrical and electronic products: production facilities in Shenzhen City (“Shenzhen”) and Shaoguan City (“Shaoguan”), located in Guangdong Province, the People’s Republic of China (the “PRC”);
- Motors: production facilities in Shixing County (“Shixing”) and Dushan County (“Dushan”) located in Guangdong Province and Guizhou Province (“Guizhou”), the PRC respectively;
- Real estate development: residential and commercial property projects in Dushan.

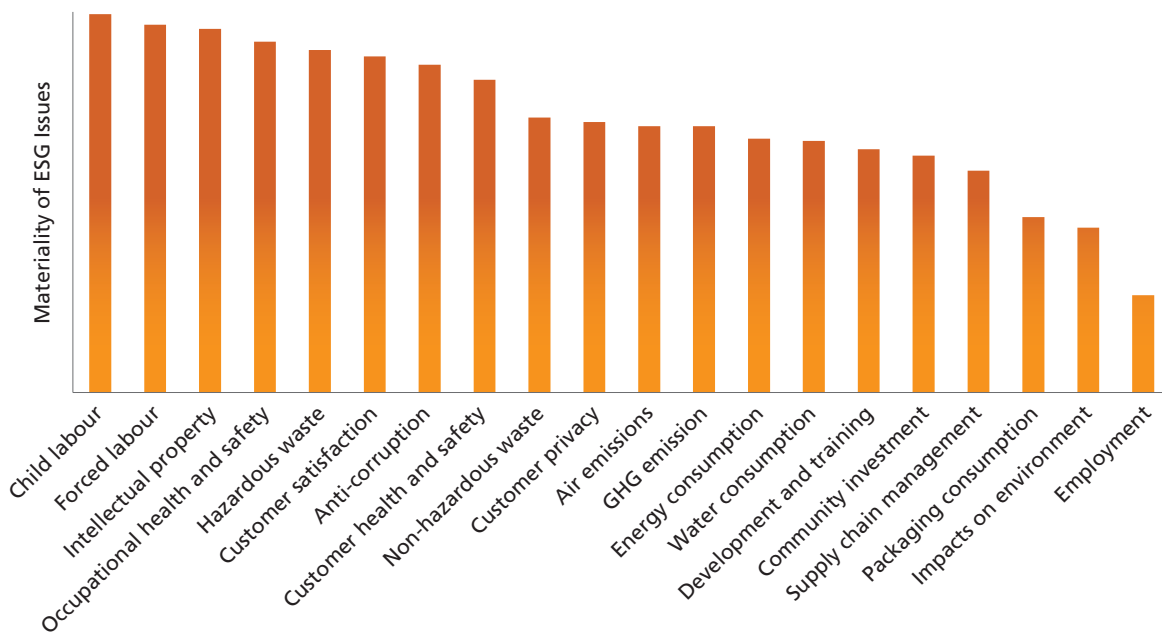
The ESG Report was prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“HKEx”), as well as solely reference to the General Disclosures. Through ESG reporting, we hope to continually refine our corporate strategy for sustainable business growth, and deliver long-term value for our stakeholders.

We would like to hear your feedback on our first ESG Report, feel free to email us at esg@kinyat.com.hk.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To engage our key stakeholders and understand their insight on the relative importance of specific ESG issues, we conducted an online questionnaire during the reporting year. Both internal and external stakeholders, including the Company's board of directors, employees, and suppliers, were engaged to rate a total of 20 ESG issues based on their concerns, needs, and interests. Through the online questionnaire, we are able to have a better understanding of stakeholders' concerns and expectations, which can then be used in formulating ESG reporting, as well as implement the best strategic plan for sustainable business growth. The materiality of each ESG topic is illustrated in the graph below:

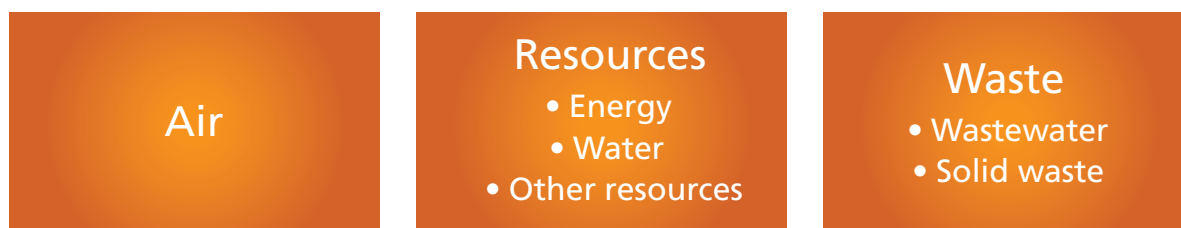
Materiality Assessment



OPERATIONAL FOOTPRINT

Being a responsible enterprise, it is our responsibility to take a lead, together with our employees, suppliers and contractors, to improve the resources efficiency of our business operations and minimise our impact on the environment. Our factories have acquired the internationally recognised ISO 14001 certifications for their Environmental Management System (“EMS”). Through the implementation of EMS, we manage our environmental issues systemically to reduce our footprint not only for compliance but also, for continuous improvement.

We are committed to reducing the footprints generated from our operational activities, with the following focus areas:



Air Emissions

We are constantly working to reduce air emissions in our business activities so as to ensure the pollutants do not pose risks to the environment and people. As part of meeting the requirements of national and regional laws and regulations, air pollutants – mainly organic gases, ashes and dust from our industrial machineries – are identified and properly managed before releasing into the atmosphere. For example, installation of air filtration system and/or ventilation system to meet the emission standards and seal off gas pipelines and treatment facilities to prevent leakage. To monitor continuous compliance, internal and third party testing is conducted regularly at specific high-risk locations. In the case of non-compliance, we will immediately stop the relevant operations, followed by remediation plan in place until the performance is improved.

Use of Resources

In our operational activities, we consume various types of resources such as energy, water and raw materials. To promote efficient use of resources, we provide awareness campaigns such as regular training programmes or displaying posters so that our employees can implement green practices in the workplace. To strive for continuous improvement, we have installed metering systems at our factories to measure the amount of energy/water use. Monthly review is conducted to identify areas of improvement by comparing consumption patterns, which then guide us to implement effective corrective measures. In addition, our Shenzhen factory has been preparing annual Greenhouses Gas (“GHG”) reporting to understand the emission sources and identify areas to manage the emissions.

We have implemented various measures to achieve low-carbon operations at our offices and factories, and extended the scope to encourage resource-efficient construction. The details are presented below:

OPERATIONAL FOOTPRINT *(continued)*

Use of Resources *(continued)*

Promoting Green Office

While offices do not pose a direct pollution risk, they use significant amount of resources such as paper, stationary and electricity. To promote a green culture at offices, we set up policies to use resources efficiently and hence, reduce waste. Regular check is conducted to ensure green practices are implemented appropriately.

- Paper: double-sided printing, reuse of single-sided paper and use of electronic means in disseminating information such as e-bulletin boards;
- Stationary/equipment: recycle used ink cartridge, switch off electrical appliances after office hours;
- Energy/water: turn on the air-conditioning when necessary and set air-conditioning temperature at 25 degrees celsius, regular leakage tests on faucets.

Green procurement practices are also implemented at offices, such as opting for refillable ball pens and energy efficient equipment, to conserve energy use and reduce wastage.

Conserving Resources in Factories

In the factories, a substantial amount of electricity is used which generates significant amount of GHG emissions. We have put a lot of effort in cutting energy consumption and improving energy efficiency by installing energy-efficient equipment and upgrading existing machineries. The following are some examples of the green measures we implemented:

Energy efficient lighting

Energy-efficient LED lightings are adopted across our factories to replace traditional lighting system.

Heat recovery system

In factories located at Shixing, Shaoguan and Dushan, heat is recovered from the rotatory screw air compressors for water heating in staff dormitories.

Heat recovery technologies are employed for the energy-intensive plastic moulding processes in our Shenzhen factory.

Water cooling system

To alleviate the electricity during peak period, our factories located in Shenzhen, Shixing and Dushan used the water cooling system during off-peak period to cool down the factories in day time to meet the air conditioning needs.

OPERATIONAL FOOTPRINT *(continued)*

Use of Resources *(continued)*

Managing Resources in Real Estate Development

In the construction projects of our real estate development segment, we require contractors to uphold our standards of using energy and water efficiently. The consumptions at worksites are monitored and recorded to identify any abnormal situations such as leaking or equipment failure, so they can be managed efficiently. Penalties are also given for any improper use of electricity and water.

Waste Management

In accordance with national and regional standards, we have formulated a systematic waste management for both wastewater and solid waste. We ensure the quality of wastewater discharged from our operational sites meets the regulatory standards. In case wastewater contains contaminants such as oil and chemicals that cannot be discharged directly, we store them carefully to avoid leakage, followed by collection from licensed third party for further treatment. Regular testing is also conducted by accredited organisation to monitor the quality of wastewater discharged and corrective action plan is implemented when necessary.

For solid waste, standardised procedure is implemented and training is provided to ensure effective management for compliance, as well as waste reduction:



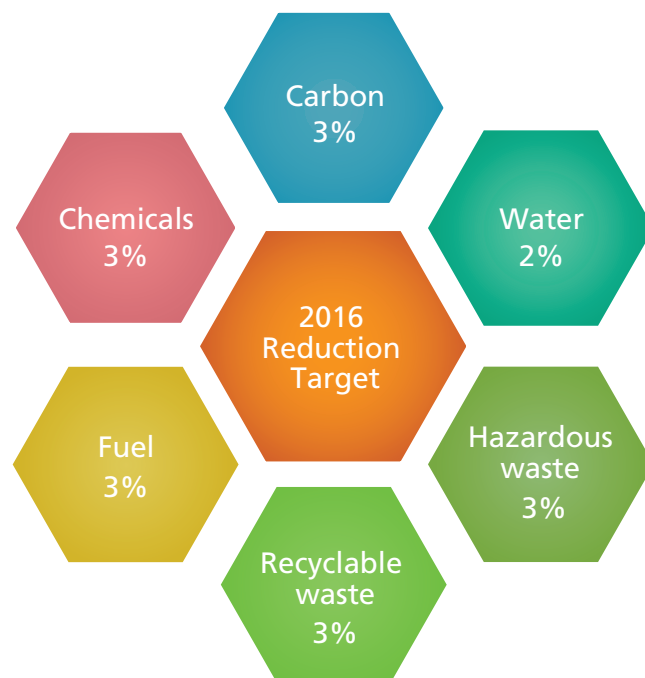
We promote waste recycling in our operations. Instead of sending to landfills, we encourage employees to separate the waste for recycling by placing various bins in workplaces to sort different types of wastes. Recyclable waste, such as metal, plastic, electronics and paper, is sorted and sent to third party for further treatment. For hazardous waste, we have designated collection points and is collected by accredited third party. We also find ways to reduce hazardous waste, for instance, Shenzhen factory is working to reduce chemical use in the spraying process, and modify the design of printed circuit board to reduce generation of waste from edge trim.

OPERATIONAL FOOTPRINT *(continued)*

Waste Management *(continued)*

Environmental target-setting in Shenzhen

As the special economic zone of China, the Shenzhen Government has been making considerable actions to tackle climate change issues, by setting low carbon development plan and goals. To align with the low-carbon development of Shenzhen Government, our Shenzhen factory has made commitment to limiting our operational footprint. Reduction targets – including carbon emission, water, hazardous waste, recyclable waste, petrol and chemical consumption, are set and action plans are formulated annually to encourage efficient use of resources and minimise adverse environmental impacts. The following listed our targets for the year 2016 and all the targets were achieved.



SUSTAINABLE PRODUCTS

The Group has developed a diverse range of products including toy, AI robotic cleaner, smart-home-appliance, motor, and real estate. With a commitment to the well-being of our customers and other stakeholders, we not only focus on delivering quality products, but also place emphasis on creating sustainable products that provide benefits to the environment and society.

Manufacturing Business

To maintain a sustainable development of our businesses and cope with evolving customers' needs and global market trends, we continued to invest in research and development ("R&D") to improve existing products and develop new products. A performance-based incentive scheme is also set up for employees to encourage technological innovation and new patents so that we can continuously take the lead in the industry. Apart from R&D, sustainable practices are embedded in our product development process – from designing, sourcing to manufacturing in order to deliver quality products for our customers.



Product Design

We aim to eliminate negative environment impact at the design stage. To do so, a set of design principles are established, for example, we use product life-cycle analysis to design sustainable products, replace traditional materials with non-toxic, recyclable and recoverable materials which have a lower environmental impact, and design manufacturing processes which are more energy efficient and generate less waste.

Sourcing & Supplier Selection

In the procurement process, we source raw materials responsibly and oversee the supplier selection process.

We always encourage the use of sustainable materials, the raw materials use in our manufacturing business should be recyclable, durable, environmentally friendly as well as harmless and safe to use. We also continued to collect and adopt customers' environmental requirements and meet relevant standards such as Restriction of Hazardous Substances Directive ("RoHS") or Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") for the use of chemical substances.

Suppliers are selected not only based on the services, cost, and product quality, but also their green practices in operations such as the use of green production technology and any environmental certifications obtained. After the selection process, qualified suppliers are required to submit agreements and third party test reports on the strict use of hazardous substances. Regular onsite assessment is also conducted to ensure their compliance levels and product performance in operations. If their performance fails to meet our standards, we make suggestions and help suppliers implement corrective action plans. Continuous failure in meeting our standards may result in discontinuing the business relationship.

SUSTAINABLE PRODUCTS *(continued)*

Manufacturing Business *(continued)*

Product Manufacturing

In the manufacturing process, we place consideration on maximising the use of resources and reducing the generation of pollutants. For example, to conserve energy and manpower, we purchased energy efficient equipment and invested in automated systems in our production lines. The automated systems also improve safety by eliminating the need for workers to conduct dangerous operations. We also look for opportunities to reduce chemical use and hence, generation of hazardous waste, through eliminating processes such as spraying and pad printing where possible, and modifying the injection molding process.

Product Quality

Product quality is a high priority for us, in particular, related to the wellness of our customers of that we are highly aware. Our factories have established comprehensive quality management system certified to the international standard ISO 9001 to ensure product quality that satisfies customer needs and strive for continuous improvement. To ensure our products meet the standards when delivering to customers, we set up procedures for sampling checks from raw materials, semi-products to final products. We also make efforts to ensure product quality and reliability through strengthening our capabilities in the factories, such as equip with precision test instrumentation, establish testing laboratories and install effective quality-control mechanisms. In case a defective product is found, product defect analysis is conducted to understand the causes and identify solutions to eliminate defects in the future.

Apart from the quality control and assurance measures, we strive to maintain good customer relationship and keep them satisfied with our products by gaining insights into their perceptions and experiences. We engage with customers through various channels, such as establishing after-sales service system to deal with customer complaints and distributing customer satisfaction surveys to measure their experience in order to continually improve our products.

Real Estate Development Business

We strive to minimise environmental impacts and also safeguard the health and safety of our customers in the development of real estates. Construction materials including wood and paints are carefully selected to meet the national standards. Green design such as installation of energy-efficient lighting and capture of daylights is incorporated. In addition, a Construction Quality Management Manual which outlines the requirements ranging from procurement to inspection, is developed to maintain project quality and safety. To ensure the air quality of our real estates do not cause health impact to the residents, testing was conducted in 2016 which confirmed that the air quality meets the national standards.

EMPLOYMENT

Our employees are our greatest assets. We strive to create a pleasant and secure workplace, where every person finds a sense of fulfilment. To build mutual trust, we have policies to eliminate discrimination, harassment, and victimisation at the workplace. We also place special protection on the well-being of employees such as disabled, pregnant and underage workers, for not arranging labour-intensive, high-risk and overtime work for them.

During recruitment and promotion process, our focus is on the qualifications, manners and etiquettes and working performance. We also strictly prohibit forced and child labour at our workplaces. National legislations on labour standard are followed to provide our employees with appropriate working hours, salaries and holidays. We also fully comply with the International Council of Toy Industries (ICTI) Code of Business Practices and obtained certifications for the electrical and electronic products factories.



Open dialogue is essential in an employer-and-employee relationship which enables us to understand employees' view and gather their ideas for improvement. For example, we respect and support freedom of association which employees are encouraged to express their opinions, feedback channels such as mail and suggestion box are set up for whistle-blowing. In our real estate development segment, we also set up a Staff Suggestion Day every month to listen to our staff's suggestions and to deal with any inquiries and complaints.

Development and Training

We are determined to strengthen employees' job skills and performance to promote the growth and development of our employees. Rooted in our corporate culture, a comprehensive development and training system is operated for capacity development and productivity enhancement. Every year, we develop training plans according to the requirements for different job positions and the corporate strategic approach ahead. A wide range of training programmes are offered through both internal and external training, which can be broadly divided into 3 categories:

Orientation

- Company overview
- Industry regulations
- Codes of practices

General job training

- Personal competencies
- Management

Specialised job training

- Facilities operations
- Chemical usage

In Hong Kong, to create a culture of learning, an "Education Subsidy Scheme" is set up for eligible employees to acquire new industry-related knowledge.



EMPLOYMENT *(continued)*

Occupational Health and Safety

We are committed to providing healthy and safe working environment for our employees. To raise safety awareness among employees, a wide range of safety training programmes are provided – all newly-joined staff receive safety induction on how to cope with accidents and emergencies, while specialised training such as the safe operation of forklift truck and chemical handling procedures are provided to technical workers. We have implemented safety measures to make first-aid kits, common medicine, safety equipment and personal protective equipment available to our workers. In addition, we conduct occupational hazards identification and monitor regularly in factories to ensure compliance and protect the health of workers.

In the electrical and electronic factories, we also establish the Environmental, Health and Safety (“EHS”) System with an aim to reduce and prevent accidents and provide employees with a safe working environment. Through identifying workplace hazards, various guidelines are set to prevent accidents. The EHS committee, with representatives from various departments, conducts regular meetings to share and discuss EHS issues and ensure safety measures are well in place.

Apart from our employees, we also care about the people who work at our construction sites. A Construction Site Safety Management Regulation, which stipulates the standards of safety construction including operation of heavy equipment and use of personal protective equipment, are established. Regular assessment is also conducted to check the safety compliance of workers.

Work-life Balance

We strive to maintain employees’ balance between work and personal lives so they can enjoy their spare time aside from work tasks. Various recreational activities, such as spring tours, dinner gatherings, and sports competitions, were organised over the year and employees were encouraged to participate. To share the joy of festivals and create a family-like work environment, we celebrate the festivals with our employees by arranging Chinese New Year and Christmas Variety Shows and Mid-Autumn Festival Carnivals during the year.

INTEGRITY IN BUSINESS

We are determined to promote ethical working environment. To safeguard our shareholders’ interests, we expect everyone in the Company to comply with relevant laws and regulations, and put integrity at the heart of all of our business activities.

Anti-corruption

We have a zero tolerance policy for corruption and expect our employees to help sustain a high level of governance. To uphold honesty, which is considered as our important business asset, we do not tolerate our people accepting or receiving any kind of advantage privately from customers, suppliers or relevant parties. We also set out practices to prevent corruption. For instance, suppliers are mandated to sign a declaration against corruption before starting the business relationship with us, so that we can ensure our business activities are of fairness, transparency and integrity. In case corruption cases are found, we take immediate actions that lodge the complaints to regulatory authorities.

Customers’ Privacy

To build customer confidence and trust, we are devoted to protecting the information of our customers and the products. We have strict guidelines in handling the privacy of our customers and require employees not to leak or disclose any confidential information through signing a confidentiality agreement. In particular, for the intellectual properties products – all sensitive information such as product design and advanced technology is strictly monitored and secured.

COMMUNITY

As a socially responsible enterprise, we believe that we can make significant impacts to the communities through contributing to local community initiatives. Collaborating with local social groups and community organisations, we participated in various community initiatives this year to help young people develop.

All children have rights to learn and develop. As a responsible corporation, we implement a pioneering educational sponsorship programme for our staff in Guizhou. Through our financial support, the family members of our staff are able to attend school and complete their studies in high school and tertiary education. We also take this chance to nurture new young talents for the industry and attract some of them to join the Group after graduation.

In addition, we continue to support the “Youth Leap Up” internship programme organised by the Kowloon Federation of Association for university students in Hong Kong. The programme enables youngsters to get better equipped with professional competence, and obtain valuable working experience in Mainland China before graduation. A charitable donation was also made to the “Outward Bound Corporate Challenge 2016” organised by the Outward Bound Trust of Hong Kong, with a mission to explore and nurture underprivileged youth.

ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures

Aspect A Environmental

		Policies & Procedures	Explanation/Reference section
A1 Emissions	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc. 	Environmental Management Manual Air Emission Control Procedure Wastewater Management Solid Waste & Hazardous Waste Management Procedure	OPERATIONAL FOOTPRINT – Air Emissions
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Management Manual Resources & Energy Control Procedure Green office & Workplaces Guidelines	OPERATIONAL FOOTPRINT – Use of Resources, Waste Management
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	Environmental Management Manual Green Procurement Guideline	OPERATIONAL FOOTPRINT SUSTAINABLE PRODUCTS

Aspect B Social

B1 Employment	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Human Resources Policy Staff Handbook	EMPLOYMENT
B2 Health and Safety	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards. 	OHS Management System EHS System	EMPLOYMENT – Occupational Health and Safety, Work-life Balance
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Training Management System Human Resources Policy	EMPLOYMENT – Development and Training
B4 Labour Standards	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant standards, rules and regulations on preventing child or forced labour. 	Staff Handbook Recruitment Procedures	EMPLOYMENT
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Procurement Control Procedure Supplier Assessment Procedure	SUSTAINABLE PRODUCTS
B6 Product Responsibility	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	Quality Manual Unqualified Product Control Process Construction Quality Management Manual	SUSTAINABLE PRODUCTS INTEGRITY IN BUSINESS – Customers' Privacy
B7 Anti-corruption	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering. 	Staff Handbook	INTEGRITY IN BUSINESS – Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Educational sponsorship programme and internship programme	COMMUNITY