



僑雄國際控股有限公司
Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading
the Way Towards
a Bright Future

Environmental, Social
and Governance Report
2017

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I. ABOUT THIS REPORT

The purpose of this Environmental, Social and Governance (hereinafter called “**ESG**”) Report is not only to communicate the sustainability strategies, management approaches and performances of Kiu Hung International Holdings Limited and its subsidiaries (collectively the “**Group**” or “**we**”) with the stakeholders, but also strengthen the Group’s understanding towards their ongoing activities in sustainable development of the society and the environment as a whole. This ESG Report summarizes the efforts and achievements made by the Group in corporate social responsibility and sustainable development.

The Group hopes to develop its business objectives and creates shareholder/investor value, while at the same time protects the ecological environment by fully utilizing resources and minimizing the emission of pollutants during operation. As a responsible and visionary corporate, we have to balance the relationship between operations and environment by continuously optimizing operations management, business strategies and policies on environmental protection, training and development, and community investment; and contribute towards the sustainable development of the globe, human being and our business.

Scope and Period of Reporting

The ESG Report covers the Group’s main business in the manufacturing and trading of toys and gifts items, and presents the Group’s strategic approach to sustainability and performance in the environmental and social aspects in the above business for the financial year ended 31 December 2017. A summary of the environmental indicators and the performance data are listed out at the “Environmental Performance Data Summary”.

Reporting Guidelines

The ESG Report has been prepared in accordance with the updated Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

II. ENVIRONMENTAL PROTECTION

1. Management of Emissions

The Group puts great effort in environmental management of our factories as we fully aware of the greenhouse gas and various wastes are generated during operation. The objective is to reduce their impact on the environment. We monitor the environmental performance of the plant in a regulated and systematic manner. For areas that require special attention, we have formulated a set of policies and procedures to monitor the emission of greenhouse gas and waste, and to ensure that all productions are in compliance with the national and local environmental standards. We also identify updates to the related environmental laws and regulations from time to time, and provide training to all the related staff to ensure their operation is in full compliance.

Management of greenhouse gas emissions

In order to meet the emission standards of air pollutants, the Group has established relevant procedures to control and monitor the emissions of greenhouse gas. To minimize the generation of greenhouse gas, energy-saving and energy efficiency measures are implemented.

Management of disposal of solid waste

In order to comply with relevant laws and regulations, the Group has established relevant procedures to manage and monitor the treatment process of disposal of solid wastes. Solid wastes mainly include recyclable wastes and resin waste which is non-hazardous. We reduce the generation of solid wastes through production process and recycle the solid wastes whenever applicable. We collect solid wastes by category. We formulate relevant waste separation measures for non-hazardous wastes recycling and external processing. We have adopted waste management policies including waste avoidance, reducing waste from its source and reuse, recycling and responsible disposal of waste, in order to lighten the load of landfills.

Management of Sewage

The Group's sewage is mainly organic solvents such as HW08 and HW12. We have formulated various policies to handle different types of sewage in order to comply with local government laws and regulations.

Compliance

During the reporting period, there were no confirmed non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

2. Management of Resources Utilization

In order to comply with relevant laws and regulations, the use of water, electricity and fuel are controlled as long as the production and office operations are not negatively impacted. The level of energy consumption is reviewed and assessed regularly, and the corresponding measures will be taken in the case of excessive consumption or wastage.

Conservation of Energy

The Group emphasizes on saving electricity. We strictly select energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Electrical equipment, including lighting, air-conditioners and electric fans, etc. are turned on according to need during office hours, and staffs are encouraged to have them switched off when not in use or when they go off duty. Auxiliary electricity meter is installed to monitor electricity consumption. On office floors, LED lighting and natural light are deployed as much as possible. The Group controls the use of energy and improve resource usage efficiency through daily management and monitoring of energy consumption.

During the reporting period, the Group's main business in the manufacturing and trading of toys and gifts items consumed 1,227.68 megawatt hours of electricity 12,863.44 liters of gasoline and 1,781.28 liters of diesel. With reference to the guidelines of the Greenhouse Gas Protocol and the regional emission factors, greenhouse gas emissions are calculated from the above-mentioned data. For total carbon dioxide emission during the reporting period, Scope 1 emissions and Scope 2 emissions were 34.20 tonnes and 992.70 tonnes respectively.

Conservation of Water

We hope every staff can make the best use of water resources and reduce wastage. We have checked regularly the water facilities, pipes and taps to prevent wasting water. We also enhance our staff's awareness in water conservation. Once damaged pipes or valves or water leakage is found, the staff shall inform relevant department to repair them in a timely manner. Effective water-saving production methods and instruments are adopted. During the reporting period, the Group's main business in the manufacturing and trading of toys and gifts items consumed 24.07 tonnes of water.

Conservation of Paper

We promote saving papers and avoid wastage. We encourage print jobs in double-sides, reuse single-sided papers, and put recycle double-sided printed papers in recycle paper collection boxes. Apart from the waste paper with confidential information, the waste paper should be shipped to paper mill or scrap paper company so as to be recycled into new paper. Besides, packaging materials such as color box, inner box and paper box are used for packaging our products. During the reporting period, the Group's main business in the manufacturing and trading of toys and gifts items consumed approximately 0.02 tonnes of paper and approximately 5.60 tonnes of packaging materials.

Compliance

During the reporting period, the Group did not involve in any non-compliance incident relating to the environment.

3. The Environment and Natural Resources

We care for and to protect the nature and hope that everyone can take part in it and build a beautiful world together. In order to let employees know the importance of our environmental impact, we continue to adopt various policies, measures, and actions in reducing carbon footprint, and to minimize the impact to the environment from daily lives and business activities. We hope that every staff can start from themselves, convey the message of protecting the environment to their families, friends and business partners; to build more powerful cohesion in alleviating climate change together.

III. EMPLOYMENT AND LABOR PRACTICES

In order to provide our employees a comfortable and harmonious work place and a well-established management system; we formulate our human resources strategies based on the Group's long-term development plan and the best interests of our employees in creating an internal harmonious company culture. Employees are valuable resources to us. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. We hope that our employees can cherish and promote the corporate culture development; and to keep on making progress.

Talent Selection

We follow the principles of fairness, equality, competitive and non-discrimination to hire outstanding talents, and devote to protect human right and privacy of employees. During staff recruitment, knowledge, ability, morality, physical fitness and job requirements are used as the selection standards, and they are not discriminated against because of their age, sex, sexual orientation, race, disability, marital status, pregnancy, religion and political factions, so as to maintain employment equality. We provide equal opportunities to employees in providing benefits, promotion, performance appraisal, training and career development. We work together with our employees to create a win-win situation.

Labor Standards

The Group respects human rights and strictly prohibit any unethical hiring practices, including child labor and forced labor in the workplace. Policies and procedures are established to comply with the relevant labor laws and regulations. During the recruitment process, we review the identity documents of the applicants and never hires any applicant below the legal working age.

Compensation and Welfare

The Group attracts and retains outstanding talents with competitive remuneration packages and regularly examines their salary levels to ensure it is up to standard. The Group collects up-to-date remuneration data within their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries are set according to their knowledge, skills, experiences and educational background against their corresponding work requirements. We protect their rights of rest days and holidays.

Development and Training

In order to align the staff career development with the long-term corporate business plan, we establish a comprehensive staff training programme aiming at building an excellent, professional, well-trained and responsible corporate team. This can raise our people's quality and ability, and can also enhance their team cohesion; thereby increasing the work efficiency. The Group conducts performance evaluation each year, and provided appropriate training to staffs based on the assessment result. According to the Group's Human Resource Management System requirements, HR manager is responsible for carrying out related assessment and training.

Health and Safety

In order to consistently implement the principle of safe production and occupational health, and to comply with the relevant laws and regulations, we have established various policies and procedures to strengthen our management and to make sure that we provide a safe, joyful and healthy working environment to our employees. We also provide frequent trainings to our staff for their awareness, knowledge and techniques of safety. Employees are provided with necessary protective supplies in accordance with the national requirements so that they can work under safe and hygienic conditions and to reduce the risk of accidents.

To ensure equipment and facilities are kept in good condition and to control risk and prevent safety incidents from happening, we inspect production equipment and facilities, and fire facilities (including fire extinguishers and fire hose, etc.), on a regular basis, report abnormalities for immediate repair arrangement and keep proper regular inspection and repair and maintenance record.

We give a lot of attention to fire safety in our factory and established guidelines in this area. Emergency measures such as fire or explosion emergency plan is established. We also organize fire drill so as to raise our employees' awareness in fire safety.

Compliance

During the reporting period, the Group did not have violations relating to labor practices.

IV. OPERATING PRACTICES

Supply Chain Management

The Group is dedicated to maintaining long-term, stable and strategic cooperative relationships with leading suppliers, and are committed to a strategic procurement-led approach, achieving co-development with our suppliers on the basis of equality and win-win situation. To strengthen the supply chain management, we have adopted strict procurement management and evaluation systems for both new and existing suppliers, and “approved supplier list” is prepared. An assessment system is established for continued engagement of suppliers. We require the suppliers of products or services to possess recognized qualifications and with good internal control system, stable quality, on-time delivery, offering reasonable price, comply with laws and regulations and have the required professional skills and qualities. We only cooperate with the suppliers that share common moral values and standard with us. When a supplier is found to be inconsistent with our policy or contractual requirements, we will terminate future cooperation with that supplier until the situation has been improved. As such, we can ascertain that the suppliers selected are competitive and qualified products and services are provided.

Product Responsibility

The Group bases on the spirit of excellence and perseverance as well as the determination in overcoming challenges to realize our mission to do what are required by our customers. With technological advancement and improved living standards, customers are increasingly demanding for product quality. We have formulated policies and procedures to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements. If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints via our after-sales service. We will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled. After handling a customer complaint, documentation will be archived properly. The relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, in order to keep the quality of our product and service improving. We aim to provide the customers with accurate product information and high-quality products and develop recovery policy.

Compliance

During the reporting period, we did not have any material violations or litigation regarding our products.

Anti-corruption

The Group firmly believes fairness, honesty and integrity are the important commercial assets. We formulate policies and procedures, and rewards and punishment mechanism to provide rules for employees’ conduct of obtaining personal interests in carrying out one’s job duties, bribes, extortion, frauds, money laundering in breach of policies, regulations and laws. We are determinant in combating corruption and contribute to building an uncorrupted society.

Compliance

During the reporting period, there was no legal action against the Group and our employees for corruptions.

V. COMMUNITY INVESTMENT

We are a responsible taxpayer and offer job opportunities to ease the local employment pressure. We have maintained good manufacturing operation, actively promoting environmental protection and to achieve good development order; and to some certain extent, we have contributed to social stability and building a harmonious community. We donate money, goods or services, directly to support and fund projects of various social services agencies. We also encourage our stakeholders including the staffs and customers to donate.

VI. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2017
Greenhouse gas:		
Scope 1:		
Total	Tonnes	34.20
Intensity	Tonnes (per production unit)	—*
Scope 2:		
Total	Tonnes	992.70
Intensity	Tonnes (per production unit)	—*
Air emissions:		
Nitrogen oxides	Tonnes	2.67
Sulfur oxides	Tonnes	0.23
Particles	Tonnes	0.35
Non-hazardous wastes:		
Solid wastes generated:		
Total	kg	135
Intensity	kg (per production unit)	—*
Sewage discharged:		
Total	kg	102
Intensity	kg (per production unit)	—*
Packaging materials used:		
Total	Tonnes	5.60
Intensity	Tonnes (per production unit)	—*

* Data less than 0.01

	Unit	2017
Natural resources consumption:		
Electricity:		
Total	MWh	1,227.68
Intensity	MWh (per production unit)	—*
Gasoline:		
Total	Liter	12,863.44
Intensity	Liter (per production unit)	—*
Diesel:		
Total	Liter	1,781.28
Intensity	Liter (per production unit)	—*
Water:		
Total	Tonnes	24.07
Intensity	Tonnes (per production unit)	—*
* Data less than 0.01		

VII. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HONG KONG STOCK EXCHANGE

Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3–5
KPI A1.1	The types of emissions and respective emissions data.	4–5
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3–5
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3

Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4–5
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	9
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	5
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5

Key Performance Indicators ("KPIs")	Reporting Guideline	Page
	B. Social¹	
Aspect B1 General Disclosure	Employment and Labor Practices Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5–6
Aspect B2 General Disclosure	Health and Safety Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6
Aspect B3 General Disclosure	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6
Aspect B4 General Disclosure	Labor Standards Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5
Aspect B5 General Disclosure	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	7

Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
Aspect B6 General Disclosure	Product Responsibility Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7
Aspect B7 General Disclosure	Anti-corruption Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7
Aspect B8 General Disclosure	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.	8

¹ Pursuant to Appendix 27 of the “Main Board Listing Rules”, the KPIs under Area B “Social” are recommended disclosures only. Therefore, the Group choose not to disclose those KPIs in this report.