



# 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

## 2017/18

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告



SOCIAL



ENVIRONMENTAL



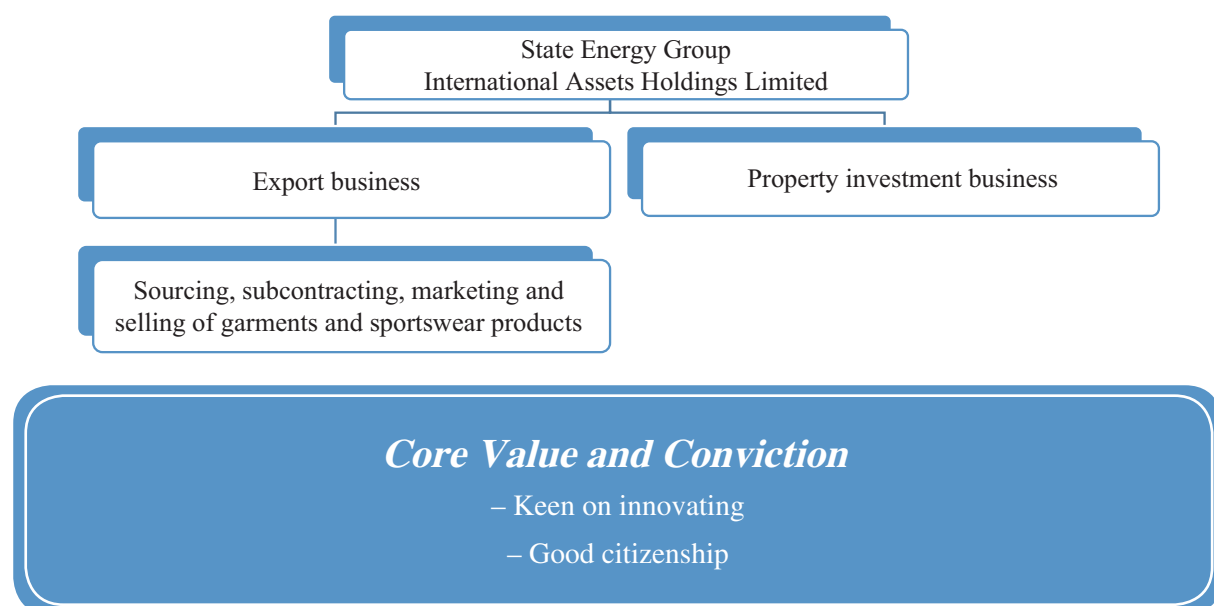
GOVERNANCE

## About the Group

State Energy Group International Assets Holdings Limited (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 of garments and sportswear business (the “**Export Business**”) and property investment business during the period from 1 April 2017 to 31 March 2018 (“**Year 2018**”).

## Business Structure of the Group



## About this report

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

The Group has enhanced its environmental policies, optimised the efficiency in the use of energy and resources, advocated and promoted environmental protection and reduced the impact of its business development on the environment.

As a responsible corporate citizen, the Group strictly follows the regulatory requirements on employment, human rights, labour rights, supply chain management, product responsibility and anti-corruption. The Group cares for the community and the environmental disadvantages as well as creates value for stakeholders including its employees, suppliers, clients, the community in order to make contribution to the overall advancement and sustainable development of the society.

## Reporting Year

All information contained herein reflects the performance of State Energy on environmental management and social responsibility in Year 2018. 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 covers on the operation of the Export Business segment of the headquarters of State Energy in Hong Kong, which involves the sale of outerwears and other garments to overseas customers. The Board has prudently evaluated the development prospects of the existing business, and will shift its 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 has included additional disclosure of the environmental key performance indicators in this report.

## Reporting Standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 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 a number of departments of the Group. This report is prepared in Chinese and English, both versions have already been uploaded to the Group’s website at [www.seiah.com](http://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](mailto: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 in Year 2018 are set out below. In order to prepare this report, the Group has engaged a third party consulting 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 communication with the stakeholders in Year 2018:

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"><li>• Directors of the Company</li><li>• Employees</li></ul>	<ul style="list-style-type: none"><li>• Shareholders and Investors</li><li>• Customers</li><li>• Suppliers</li><li>• Banks</li><li>• Business Partners</li></ul>
<p>Ways of Communications:</p> <p>Meetings, e-mails, interviews, phone, websites, 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 “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 higher 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**

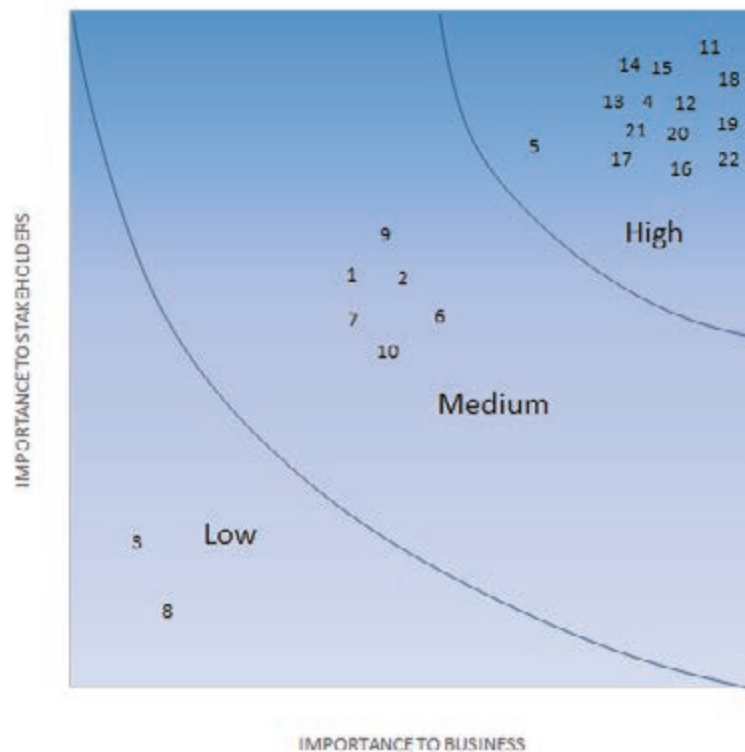
*Chairman*

**State Energy Group International Assets Holdings Limited**

## Materiality

In Year 2018, the Company undertook their first comprehensive materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards their business.

ESG issues Materiality Matrix



#	Issues	Category	Result
1	Greenhouse gas emissions	Environmental	Medium
2	Energy consumption	Environmental	Medium
3	Water consumption	Environmental	Low
4	Waste	Environmental	High
5	Saving energy measures	Environmental	High
6	Use of raw materials and packaging materials	Environmental	Medium
7	Utilization of energy resources	Environmental	Medium
8	Use of chemicals	Environmental	Low
9	Local community engagement	Social	High
10	Community investment	Social	Medium
11	Occupational health and safety	Social	High
12	Labour standards in supply chain	Social	High
13	Training and development	Social	High
14	Employee welfare	Social	High
15	Inclusion and equal opportunities	Social	High
16	Talent attraction and retention	Social	High
17	Economic value generated	Operating practices	High
18	Corporate governance	Operating practices	High
19	Anti-corruption	Operating practices	High
20	Supply chain management	Operating practices	High
21	Customer satisfaction	Operating practices	High
22	Customer privacy	Operating practices	High

## 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 2018 work plan as the first step towards carbon reduction. In Year 2018, the Group implemented the “Green Office Policy” (the “**Green Policy**”) which provides staff members with a concrete guidance on enhancement of the environmental performance of its offices.

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. In Year 2018, the Group has not found any case of violating emissions-related regulations.

Fuel consumption of a motor vehicle is the major source of nitrogen oxides (“**NO<sub>x</sub>**”), sulphur oxides (“**SO<sub>x</sub>**”) and particulate matter (“**PM**”) emissions. The motor vehicle is strictly used for picking up the staff and business activities.

## Gaseous Emissions from the Use of a Motor Vehicle

Environmental Performance	Unit	Total
NO <sub>x</sub>	Kg	1.03
SO <sub>x</sub>	Kg	0.02
PM	Kg	0.08

GHG emission	Unit	Total
GHG emission (Scope 1)	Kg CO <sub>2</sub> e	3,312
GHG emission (Scope 2)	Kg CO <sub>2</sub> e	12,489
GHG emission (Scope 3)	Kg CO <sub>2</sub> e	5,000
Total GHG emission	Kg CO <sub>2</sub> e	20,801
Total area	M <sup>2</sup>	403
GHG emission Intensity	Kg CO <sub>2</sub> e/M <sup>2</sup>	52

Scope 1: It represents the petrol consumption from a motor vehicle.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

Environmental Performance	Unit	Total
Hazardous wastes produced	Kg	Note 1
Intensity of hazardous wastes produced	Kg CO <sub>2</sub> e/M <sup>2</sup>	N/A
Non-hazardous wastes produced	Kg	1,095
Intensity of non-hazardous wastes produced	Kg CO <sub>2</sub> e/M <sup>2</sup>	3

Note 1: Hazardous wastes produced by Wanchai office are minimal. Therefore, no relevant figure is quantified.

## Compliance with relevant laws and regulations

The Group is not aware of any non-compliance with the Waste Disposal Ordinance and other applicable laws and regulations that has an impact relating to air and greenhouse gas emissions, discharging into water and land, generation of hazardous and non-hazardous waste of the Group in Year 2018.

No fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in Year 2018.

## 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 offices' operations and business, the major resources consumed by the Group are electricity, water and paper. The 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 its 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 staff used were from recyclable sources. The Group focus on purchasing supplies manufactured from recycled materials such as tissue paper. As stated in the Green Policy, the Group encourages its 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.

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption GHG emissions and waste disposed from its Wanchai office. Wanchai office adheres to the concept of energy conservation and emission reduction for green office. The major resources used by the Group are principally attributed to electricity and water consumed at Wanchai office. The Group aims to improve its energy efficiency so as to achieve low-carbon practice and emission reduction year by year. The details and results achieved are listed as follows:

Projects	Details and results achieved
Light-emitting diode (LED)	Partial lightings of the Wanchai office have been installed with light-emitting diodes instead of compact fluorescent lamps which can reduce electricity consumption as compared with compact fluorescent lamps.
Water consumption	During the cleaning of Wanchai office, the cleaning workers were strictly controlled for using of water and frequency of cleaning. As a result, the consumption of water was saved.
Non-hazardous waste	Non-hazardous wastes generated from the Wanchai office includes plastic bottle, paper for office use and kitchen waste. The Group has contributed its best effort to minimise the impact on the environment by using recyclable raw materials or supplementary materials in the production process. The Group promoted separation of wastes such as cartons and plastic bottles, which were placed in certain areas assigned to recycled suppliers for collection.

Environmental Performance	Unit	Total
Electricity Consumption	KWh	15,809
Electricity Intensity	KWh per M <sup>2</sup>	39
Water Consumption	M <sup>3</sup>	4,928
Water Intensity	M <sup>3</sup> per M <sup>2</sup>	12
Packaging material Consumption	Kg	Note 1
Packaging material Intensity	Kg per M <sup>2</sup>	N/A

Note 1: No packaging material is consumed by Wanchai office.

## 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 have 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.

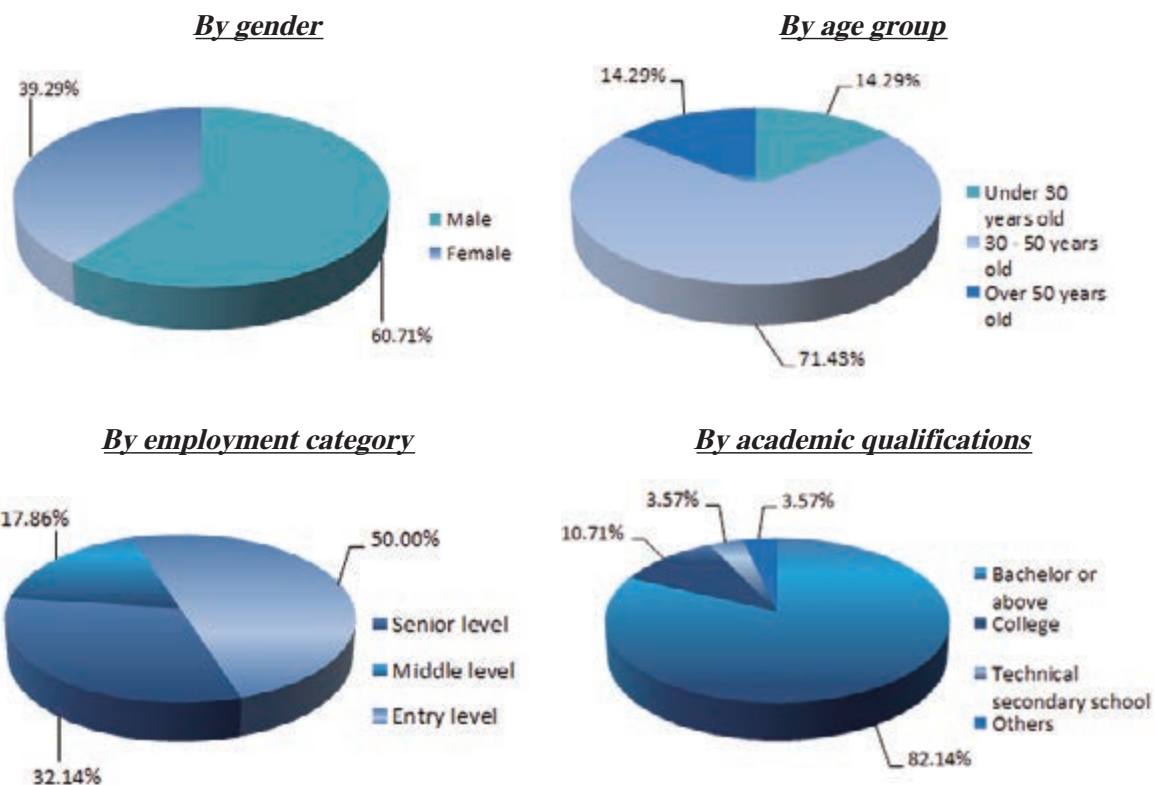
## Employment

State Energy considers its staff as one of the most important assets, 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 attempt internal selection and promotion of outstanding employees who can meet the requirements of the recruiting posts; on this basis, then consider open recruitment. The Group is 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, the Group strives to keep improving the level of remuneration and benefits of its 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 its 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.

## Distribution of workforce classified by different catalogues



The Group emphasises equal opportunities for all employees in respect of hiring, pay rates, training and development, promotion and other terms of employment. The Group is committed to providing a work environment that is free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation.

The working hours for general employees are normally not more than 8 hours a day and 40 hours a week. Integrated computation of working hours is implemented with reference to the requirements of the Employment Ordinance of the Hong Kong.

Treatment of employee's misconduct must be fair and reasonable under all circumstances. Misconduct may lead to a warning, and more serious misconduct may lead to a dismissal. Any acts of misconduct are to be reported to the human resources and administration department. In Year 2018, no incident of serious misconduct was identified.

The Group has diversified cultures including the employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

#### *Compliance with relevant laws and regulations*

The Group is not aware of any material non-compliance with the Employment Ordinance, Employees' Compensation Ordinance and other applicable laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group in Year 2018.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2018.

## Health and Safety

Regardless of local 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 involve 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 equipments such as fire extinguishers are required to be equipped at the workplace, and safety training and fire drills for employees 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.

No case of work-related injury or death was recorded by the Group during the Year 2018.

### *Compliance with relevant laws and regulations*

The Group is not aware of any material non-compliance with the Occupational Safety and Health Ordinance and other applicable laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in Year 2018.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2018.

## 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 2018, the Group had a total of 38 employees (31 March 2017: 16 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 its 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, its 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 its staff and to providing on-job internal training relating to professional skills, general management skills, career development and mentality. Also, 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	
<ul style="list-style-type: none"> <li>• Introduction of the Group</li> <li>• Corporate culture</li> <li>• Rules and regulations</li> <li>• Code of conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Professional skills</li> <li>• General management skills</li> <li>• Career development and mentality</li> </ul>	<ul style="list-style-type: none"> <li>• Business training</li> </ul>	<ul style="list-style-type: none"> <li>• Training for management personnel</li> <li>• Training for technical personnel</li> </ul>

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.

## **Labour Standards**

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.

### *Compliance with relevant laws and regulations*

The Group is not aware of any non-compliance with the Employment Ordinance, Employment of Children Regulations and other applicable laws and regulations relating to preventing child or forced labour on the Group in Year 2018.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2018.

## 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 the customers, and ensure the 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, its customers shall engage professional quality testing companies to visit the factories of its 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 its customers in terms of environmental protection, and social and corporate governance compliance. The Year 2018, the Group mainly cooperated with three manufacturers in the PRC. 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". In Year 2018, the major customer came from the Hong Kong. All of its manufacturers and production procedures must comply with the environmental protection regulations and standards of the PRC.

State Energy shall continue to enhance its own environmental and social performances, and continue to perfect its supply chain management. In the long run, the Group shall cooperate with its business partners closely, and encourage communication and exchange of experiences among its 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. The Group understands that, in order to gain the trust and support of customers, the Group has to create the maximum value for its customers. The Group endeavors to supply products that meet the needs of its customers, and to ensure the compliance of health and safety standards of its garments supplied to its 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 and finished goods. The Group has set up feedback and complaints procedures for its 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 takes customers’ privacy seriously. The Year 2018, 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.

### *Compliance with relevant laws and regulations*

The Group is not aware of any material non-compliance with the Personal Data (Privacy) Ordinance and other applicable laws and regulations that has a significant impact relating to health and safety, labelling and privacy matters relating to products and services provided and methods of redress on the Group in Year 2018.

No significant fines had been reported in Year 2018.

## 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 conducts of its 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 the 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. In Year 2018, the anti-corruption measures of the Group was in effect, and no court cases involving corruption of the Group or staff members have arisen.

### *Compliance with relevant laws and regulations*

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering in Year 2018.

There was no legal case concerning corruption brought against the Group or its employees in Year 2018.

### **Caring the 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 its own prospect and objective in respect of the Group's sustainable future.



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

