

[®] 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)

Environmental, Social and Governance Report 2018

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	2
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT	3
BUSINESS INTEGRITY	4
Anti-corruption	4
Customer Privacy and Protection of Intellectual Property Rights	5
EMPLOYMENT	6
Labour Practices	6
Training and Development	8
Occupational Health and Safety	9
QUALITY, SUSTAINABLE & SAFE PRODUCTS	10
Manufacturing Business	10
Real Estate Development Business	13
ENVIRONMENTAL FOOTPRINT REDUCTION	14
Air Emission	15
Greenhouse Gas Emission	15
Use of Resources	16
Waste Management	20
COMMUNITY INVESTMENT	22
ESG REPORTING GUIDE INDEX	23

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With a great vision to create and deliver long-term value for our stakeholders, Kin Yat Holding Limited (hereafter, "Kin Yat", "the Company", "We"), together with its subsidiaries (collectively, the "Group") takes a proactive approach to bring positive impacts on the people and the environment. In practice, we appreciate and fully recognise corporate social responsibility ("CSR") is an integral part of our long-term sustainable business growth and development. Through incorporating CSR considerations into our broad range of business operations,

from electrical and electronic products and motors manufacturing to real estate development and property management, we strive to minimise adverse impacts to the environment, ensure long-term employee and consumer trust, and strengthen the relationships with our communities.

Thinking and acting responsibly guides us the ways of doing business - to care about how we stay in integrity, how we treat our employees, how we manufacture quality, sustainable and safe products, how we manage our environmental footprints, and how we serve and contribute to the community. To share with our stakeholders regarding the corporate social performance and build trust through transparency, we are pleased to publish our standalone environmental, social and governance ("ESG") report (the "ESG Report") for the financial year from 1 April 2017 to 31 March 2018 (hereafter, "FY2018", the "Reporting Period"). Its scope covers our offices in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC") and major subsidiaries of the Company, as listed below:

Business Integrity Community Employment Investment Corporate Social Responsibility Quality, Sustainable & Environmental Footprint Reduction Safe Products Customers Satisfaction & Trust

Hong Kong Offices:

- Kin Yat Holdings Limited
- Standard Motor Company Limited

Electrical and Electronic Products Production:

- Shenzhen Kin Yat Power Electronic Company Limited ("SZKYP")
- Shaoguan Turbo Electronic Technology Company Limited ("Shaoguan Turbo")

Motors Production:

- Shixing Standard Motor Company Limited ("Shixing Standard")
- Guizhou Standard Electric Motor Company Limited ("Guizhou Standard")



– Guizhou Kin Yat Property Company Limited ("Guizhou KY")

This ESG Report was prepared in accordance with and fully complied with the "comply or explain" provisions of Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx"). This is also the first year that the Group has begun to disclose information on environmental and social key performance indicators ("KPIs"), marking another significant step of the Group's ESG development.

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Kin Yat always gives top priority to stakeholder interests and treasures the valued views from our stakeholders. This year, we have employed an independent third party to carry out a stakeholder engagement through an online questionnaire survey, which also serves as a vital exercise to understand our stakeholders' insights and concerns, and to determine the material ESG topics pertinent to our business activities. We identified and invited key stakeholders, including those from the board of directors, employees, suppliers and contractors, media, customers and community to participate in the questionnaire survey and rate a total of 22 ESG issues regarding their significance and relevance toward our business operations.

A materiality assessment was then conducted to prioritise each ESG issue and analyse their importance based on the survey result. The materiality of each ESG topic is illustrated in the graph below:



Materiality Assessment

Based on the result of the materiality assessment, the top five ESG topics concerned by our stakeholders are identified and they are: ethical business, child labour, forced labour, customer privacy and intellectual properties. With better understanding on stakeholders' expectations, we will continue to review and formulate our ESG strategies and management approaches in order to continually improve our ESG performance, and to sustain our business growth.

BUSINESS INTEGRITY

Kin Yat strongly believes that honesty, integrity and fairness are the core value of the Group, which can help to safeguard our shareholders' interests, corporate reputation and brand. We are committed to putting integrity as the heart of all our business activities and promoting an ethical culture of the Company. We expect everyone in the Group to comply with relevant local and national laws and regulations, and stand against any form of bribery, fraud, extortion and corruption in order to sustain our business continuity and maintain our corporate image.

Anti-corruption

We have a zero tolerance policy for corruption and bribery in our workplace, and expect our employees strive to sustain a high level of governance. We have established an "Anti-corruption and Anti-bribery Management Procedure" and a "Code of Conduct" in our Staff Handbook, which set out the rules and principles for our staff to be abided by when carrying out our business activities. We prohibit our people to solicit or receive any kind of advantages such as gifts, money and entertainment privately from our customers, suppliers or any interested parties. Employees will be subject to disciplinary action, which includes dismissal if violation of the rules is found. We also require our suppliers to follow the same business ethical standard in our business dealings. For instance, suppliers are mandated to sign a declaration against corruption before commencing the business relationship with the Group, so that we can ensure our business activities are of fairness, transparency, and integrity.

In order to equip our colleagues to perform the highest level of business ethics in our business operations, we organised a business ethics and anti-corruption training to our employees of the Hong Kong office together with the Hong Kong Independent Commission Against Corruption during the Reporting Period. The purpose of the training was to highlight the importance of integrity in our business; to enhance our employees' knowledge on relevant laws and regulations on anti-corruption; the best practices on ethical business as well as raising our employees' awareness on corruption-prone areas and potential corruption and fraud traps in the business dealings.

We encourage our staff and business partners to report any suspected or actual event(s) of bribery, fraud, extortion and corruption in good faith. Our whistle-blowing system with clear reporting channels (e.g., complaint hotline and email) is in place and accept our employees and relevant parties to report the malpractices and misconduct directly to our top management. The identity of the whistle-blower together with the reporting information is kept in high confidentiality to protect the whistle-blower against reprisal or discrimination. Having received any reporting case, our top management will carry out the investigation immediately and make verification on the received information. In case corruption cases are found, we take immediate actions that lodge our findings to regulatory authorities.

During the Reporting Period, we confirmed that no non-compliance case relating to bribery, extortion, fraud and money laundering was identified and there was no concluded legal case regarding corrupt practices brought against the Group and our employees.

BUSINESS INTEGRITY (continued)

Customer Privacy and Protection of Intellectual Property Rights

We are devoted to protecting the privacy and the intellectual property ("IP") rights (i.e., trademarks, patents, technologies and copyrights, etc.) of the customers and the Group. We have set up strict working procedures for our staff to follow when handling confidential and sensitive information. All tangible and non-tangible assets, such as sample products, product design and advanced technology, and sensitive information, either provided by customers or the research achievement from research and development ("R&D") team, must be properly labelled and securely stored in designated area by responsible department(s). Only authorised staff can access and handle the information for operational purposes, copying and disclosing any information to any unauthorised persons or third parties without prior consent from the customers and management is strictly prohibited. Employees are required to sign a confidentiality agreement and exercise their responsibilities and obligations as stated in the agreement. Violation of the regulations will be resulted in disciplinary action.

We treasure and respect the originality and innovation of every individual invention in the Group. To further raise our senior management's awareness on the importance of the potential values of the Group's IP assets, especially those created during our production design development and the R&D process, and the need to make proper registration(s) under the local IP laws, several IP training workshops conducted by the Intellectual Property Department of Hong Kong were delivered to our senior management on the latest information and practices on IP application, registration and protection.

To prevent any infringement of IP rights, we included the terms and conditions, which in accordance with all the relevant national laws and regulations, on the IP ownership and protection measures in our service contracts and research engagement contracts, to ensure no infringement on IP rights in all our business activities. Our motor production factory in Guizhou Province ("Guizhou"), the PRC has implemented the Enterprise Intellectual Property Management System certified under GB/T 29490-2013 standard. This indicates our efforts on IP rights protection and respect the originality and innovation of invention.

During the Reporting Period, we confirmed that there is no noncompliance case relating to privacy matters of the Group's products and services and have significant impact on the Group.



EMPLOYMENT

Our employees are the greatest assets of the Group. With our people-oriented human resource management philosophy, we are committed to creating a pleasant and secure workplace, where every person finds a sense of fulfillment.

Labour Practices

The Group offers our employees attractive remuneration packages, including competitive wages, fixed working hours, overtime compensation, allowances, medical insurance, social insurance, mandatory provident fund or contributions to pension funds, discretionary bonus, as well as participation in a share option scheme. Apart from statutory leaves and annual leaves, our employees are also entitled to other additional holidays such as maternity leaves, paternity leaves, marriage leaves and compassionate leaves according to the local and national labour laws and regulations.

To build mutual trust with our staff, we are dedicated to offer a diverse, open and fair workplace. Any form of harassment and victimisation is strictly prohibited in the Group and relevant policies are established to eliminate discrimination, harassment and victimisation at the workplace. During recruitment and promotion process, as well as offering training, welfares and benefits to our employees, our focus is solely on their qualifications, manners, etiquettes and working performance, and are regardless of gender, sexual orientation, age, colour, nationality, disability, religion, pregnancy, political inclination and union membership. For those employees who consecutively violate the Company's rules and regulations, they are subject to the disciplinary actions including the termination of employment.

The Group respects fully the human rights and the recruitment of child and forced labour is strictly prohibited in our workplace. Comprehensive recruitment procedures are in place to verify the age, identity and employment eligibility qualification of applicants before commencement of work and all employees sign their labour contracts consensually. We place special protection on the well-being of employees such as the disabled, pregnant and teenage workers, for not arranging labour-intensive, high-risk and overtime work for them. We also fully comply with the Code of Business Practices issued by the International Council of Toy Industries and have obtained certifications for the two electrical and electronic products factories.



Maintaining 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 in which employees are encouraged to express their opinions. We also encourage our staff to make suggestions or report any grievances through our established feedback channels such as our mail and suggestion box. 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.

EMPLOYMENT (continued)

Labour Practices (continued)

During the Reporting Period, the staff profile of the Group, as divided by gender, age group, geographical region and employment type, is illustrated in the charts below:

By Gender



By Age Group

Number of Employees



By Geographical Region

Number of Employees



By Employment Type

Number of Employees







Employee Turnover Rate







During the Reporting Period, we confirmed that there was no breach of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that had a significant impact on the Group.

EMPLOYMENT (continued)

Training and Development

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 training and development system is operated for capacity development and productivity enhancement. Every year, we identify the staff's training needs and develop training plans according to the requirements of different job positions and the corporate strategic approach ahead. A wide range of training programmes are offered to our staff through both internal and external training, which can be broadly divided into 3 categories:

New Staff Orientation On-job Training Specialised Job Training • Personal Competencies • Equipment & Machanaries Company Overview Operations • Staff Responsibilities and Obligations Management Skills • Introduction of Industry Regulations • Laws, Regulations & Industry • Chemical Usage

- & ISO Management Systems
- Codes of Practices
- Standards ISO Management Systems
- Corporate Management Procedures
- High-risk activities

To promote a culture of learning and to encourage our employees to undertake continuous learning, a "Continuous Education Subsidy Fund" is set up for eligible employees to acquire new industry-related knowledge and qualifications in order to advance their area of professionalism. The effectiveness and suitability of the organised training will be evaluated by the Group to make continuous improvement on future training opportunities for employees.

During the Reporting Period, the staff training profile of the Group, as divided by gender and employment category, is illustrated in the charts below:

By Gender



By Employee Category









EMPLOYMENT (continued)

Occupational Health and Safety

We are committed to putting working safety as well as providing a healthy and safe working environment for our employees as our first responsibility. In the electrical and electronic factories, we have established the Environmental, Health and Safety ("EHS") System with a policy of preventing accidents and providing employees with a safe workplace. The EHS committee, with representatives from various departments and safety officer, conducts regular safety risk identification assessments to determine the potential occupational safety risks and hazardous exposure to workers in the workplace. Corresponding EHS manual, working instructions, operational guidelines and provision of personal protective equipment, first-aid kits and safety equipment are in place to avoid, reduce and mitigate the safety hazards in workplace to safeguard our employees. Daily safety inspection and regular EHS meeting are carried out to review the effectiveness of the safety control measures and ensure they are well in place. Occupational hazardous inspection of the workplace is regularly conducted by external certified parties to ensure compliance and the adequacy of in-house safety precautionary and control measures. The abovementioned safety control management system is also adopted similarly in our motor production factories and property development segment.

To ensure our employees are competent to discharge their safety and health responsibilities and raise their safety awareness, a wide range of safety training programmes are provided. For instance, all newly-joined staff receives safety induction training 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 before operating with required special techniques. Furthermore, we have developed "Emergency Preparedness and Handling Working Guideline" which outlines the procedures and response actions that shall be taken for emergency situations (e.g., natural disasters, fire & chemical leakage, etc.). Emergency drills are regularly organised to strengthen the capability of our workers for emergency handling and rescue execution.

During the Reporting Period, we recorded in total of 531 lost days due to work injuries and no work-related fatality. We confirmed that no breaches of providing a safe working environment and protecting employees from occupational hazards had been identified.

Work-life Balance

We care for the well-being of our staff, both physically and mentally. Therefore, we strive to maintain a good balance between work and personal lives of our employees so that they can enjoy their leisure time aside from work tasks. To do so, various recreational activities, including dinner gatherings, cycling, badmintons, basketball competitions and Company tour were organised over the year with active participation from our employees. To create a family-like work environment, we also celebrate the traditional festivals with our employees, including Chinese New Year Art Festival, Christmas Festival and Mid-Autumn Festival Carnivals, during the Reporting Period.

QUALITY, SUSTAINABLE & SAFE PRODUCTS

The Group has developed and provided a diverse range of products and services including toys, AI robotic cleaners, smart-home-appliances, motors, real estate development as well as the provision for property management services. With a commitment to the well-being of our customers and other stakeholders, we do not only focus on delivering quality products, but also place emphasis on creating sustainable products that provide mutual benefits to the environment and society.

Manufacturing Business

We are committed to offering quality and innovative products to cope with evolving customers' needs and gain customers' trust and satisfaction through our ongoing engineering and production-process innovations. To maintain our leading position in the industry, we continuously invest in R&D to improve existing products and develop new products. In addition, a performance-based incentive scheme is also set up for employees to encourage technological innovation and development of new patents.

Our factories have established a comprehensive quality management system, certified to be in conformity with the international standard ISO 9001, to address all the quality control issues from our production lifecycle – from design, material sourcing, manufacturing to delivering quality products systematically and striving for continuous improvement. Besides, sustainable practices are embedded in our production processes such that they are more environmentally friendly and cleaner production are achieved.



Product Design

We aim to reduce negative environmental impact in our production. To do so, we have adopted the concept of "life-cycling thinking" and "4R principles" (reduce, reuse, recycle and recover), and established a set of principles for the designing of sustainable products. For examples, we replace traditional materials with non-toxic, recyclable, biodegradable and recoverable materials; we make the products with less packaging materials and higher energy efficiency. We improve manufacturing processes so that they are more energy-efficient and generate less waste.

QUALITY, SUSTAINABLE & SAFE PRODUCTS (continued)

Manufacturing Business (continued)

Material Sourcing & Supplier Management

We always encourage the use of sustainable materials. The raw materials to be employed should be recyclable, durable, environmentally friendly as well as healthy and safe to be used. We mainly source and purchase materials and goods in local region to reduce the distance of transportation, hence minimising the fuel consumption and greenhouse gas ("GHG") emissions. We also continue to collect and adopt customers' environmental requirements and meet relevant industrial standards such as Restriction of Hazardous Substances ("ROHS") or Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") for the use of chemical substances.

We understand the selection of suppliers is the prime importance to maintain our high quality products. We have implemented the Group's purchasing policy (the "Purchasing Policy") with comprehensive supplier selection and assessment process to choose competent and reliable vendors appropriately for green raw material provision.

Under the Purchasing Policy, suppliers are chosen not solely based on the services, cost, and product quality, but also taking into account their labour, environmental and safety practices in their operations. We prioritise engagement of suppliers to those who have obtained ISO 9001, ISO 14001 or other certifications recognised in the industry. Accordingly, all potential suppliers are required to undergo supplier



selection assessment before they can become our on-list qualified vendors. They are requested to fill in the vendor survey form for evaluation on their technical competencies, practices and performances on quality, safety and environmental management, and on regulatory compliance. Site visit will be arranged to observe the actual operation of the supplier when necessary. Simultaneously, sample products with declarations of compliance with hazardous substance requirements such as RoHS and REACH as well as third party laboratory testing reports on the strict use of hazardous substances are required to be submitted for our review to safeguard the material safety. After fulfilling all the essential requirements, such suppliers can be registered as our qualified suppliers.

Regular supplier performance assessment, including on-site inspections, are conducted to evaluate the compliance levels and product performance of all existing suppliers. If any individual supplier's performance fails to meet our standards, we make suggestions and recommendations to help suppliers to implement corrective action plans. Continuous failure in meeting our standards may result in discontinuing the business relationship.

During the Reporting Period, under our Purchasing Policy, the Group has engaged a total of 869 suppliers with most of them (i.e., 99%) are from Hong Kong and the PRC.

QUALITY, SUSTAINABLE & SAFE PRODUCTS (continued)

Manufacturing Business (continued)

Product Manufacturing

In our manufacturing processes, we place extra consideration on maximising the use of resources and reducing the generation of pollutants. For example, to conserve energy and manpower, we use energy efficient equipment and through automated systems in our production lines to reduce the demand for workers to conduct dangerous operations so as to improve occupational safety. 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 and Safety Assurance

Product quality is of high priority to us. To maintain the quality of our products beyond the required standards, we have implemented stringent quality control monitoring procedures and carried out regular sampling checks – from incoming materials, semi-products to final products by our Quality Control Department, Quality Assurance Department and our specialist quality engineers. We have also established testing laboratories that are equipped with precise testing instrument for materials and products sample testing to ensure our products' quality, safety and reliability.

By conducting incoming material checks, we make sure the deliverables are identical to the specifications (i.e., models, size, quantity) stated in the purchase orders or sample products, and they are complied with the relevant national and international industrial standards and regulations, before they are used for mass production. Our effective quality control helps us to screen out defective products during manufacturing processes, and allow us to make correction/rectification immediately regarding to the reported abnormal circumstances. Besides, our final product quality checks ensure all the manufactured products are free from defects and can meet the required product specifications before delivery.

All products with defects identified in production chain will be subject to re-work, repair or scrapped in accordance with our "Non-conformity Goods Control Procedures". Product defect analysis is further conducted by our Quality Assurance Department and responsible quality engineers to understand the causes and identify solutions to eliminate defects in the future.

To safeguard end-users and to ensure they can use our products in the right ways, safety label(s) and user manual with different languages and/or instruction sheet are provided together with our products. For our toy products, safety labels with safety alert symbol(s) and product safety statements are adhered and displayed at the packaging to remind users.

QUALITY, SUSTAINABLE & SAFE PRODUCTS (continued)

Manufacturing Business (continued)

Customer Services

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 distributing customer satisfaction surveys and establishing after-sales service system to deal with customer complaints, collect their feedbacks and measure their experience. Based on the valued feedbacks from our customers, we can have a better understanding on our products and service quality, and thus help us to identify the areas for improvement and enhancing customer satisfaction.

When complaints regarding the products' quality are received, our responsible departments will investigate the cases and address the complaints in accordance with our corresponding complaint handling guidelines in a timely manner. The cause(s) of the cases will be identified, and where necessary, corrections are taken to rectify the current practices, and relevant corrective actions will be further taken to avoid the recurrence of the similar cases in the future.

In case any products are recalled due to product safety, irrespective of whether it is initiated by customer or by the Group, a product recall team will be formed and follow our "Product Recall Control Procedures" to critically evaluate the need of a total product recall. After the decision on recalling all the shipped and/or sold goods has been made, a corresponding action plan will be determined and launched, including suspension of product production, and the engagement of an accredited external laboratory to carry out quality and safety testing to verify the problem(s) found. Subsequently, corrective actions will be formulated and the effectiveness of the corrective plans will be assessed to prevent similar incidents to occur in the future.

During the Reporting Period, the Group received in total of 367 cases of product complaints and no sold or shipped products was subject to recalls due to health and safety reasons.

Real Estate Development Business

The Group strive to offer quality properties and also safeguard the health and safety of our customers in real estates' developments. To maintain the quality of projects, we have established a "Construction Quality Management Manual" which outlines the requirements at various stages ranging from procurement to final completion inspection. For instance, construction materials including wood and paints are carefully selected to meet the national standards; regular meetings and relevant "Quality-Safety-Environment" inspections with the main contractor are carried out to ensure the national standards are complied.

ENVIRONMENTAL FOOTPRINT REDUCTION

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 environmental policy (the "Environmental Policy") commits the Group to maintain proper controls on our environmental issues in our operation and reduce the adverse influences on the environment, through the following:

- complying with all applicable environmental laws and regulations, and other industrial requirements;
- preventing environmental pollutions by developing innovative and advanced technology for production and minimising the use of hazardous substances;
- raising staff awareness on environmental protection;
- seeking every opportunity to produce green products; and
- making continuous improvement of environmental management system ("EMS") to enhance the environmental performance continually.

In line with our commitments as stated in our Environmental Policy, we strive to reduce our environmental footprints and pollutions generated from all stages of our production cycle and operation, with the following focus areas:



The Group has implemented the EMS for our factory operations which is certified to be in conformity with the international ISO 14001 standard. Through the EMS implementation along with clear environmental policy, we can identify the significant environmental aspects, risks and opportunities of the Group and thus manage the associated impacts with appropriate control measures systematically. The launched EMS system helps us to comply with all the applicable laws and regulations, reducing our environmental footprints in operations, as well as helping us to make continuous improvements on our environmental performance.

Air Emission

We are constantly working to reduce air emissions in our business activities so as to minimising the emission of the pollutants and the negative impacts on the environment and the surrounding residents. As part of meeting the requirements of national and regional laws and regulations, air pollutants – mainly volatile organic compounds gases from paint spraying processes, ashes and dust from our industrial machineries are identified and received proper air treatment before releasing into the atmosphere. For example, installation of air filtration system, water scrubber and ventilation system to keep indoor air quality beyond the emission standards.

To monitor continuous compliance, regular internal and external certified party testing is conducted, particularly at specific high-risk locations. In case of any non-compliance, we will immediately stop the relevant operations, followed by remediation plan in place until the performance is improved.

Likewise, we use cleaner energy such as natural gas and fuel with low sulphur content to minimise emission of air pollutants such as nitrogen oxides (" NO_x "), sulphur oxides (" SO_x ") and particulate matter ("PM") from the Group's stationary combustion, vehicles and forklift trucks. We also conduct annual maintenance check on the machines and equipment to make sure their functions are in optimal condition.

During FY2018, the main air-pollutants were produced from our operational activities.

	Unit	FY2018	
Type of Air Emission			
NOx	Kilogram ("kg")	349,931.42	
SOx	kg	1,739.46	
PM	kg	1.84	

Greenhouse Gas Emission

Global warming has become the biggest environmental challenge that we are facing nowadays. To shoulder the responsibility in tackling global warming, we take initiatives to enhance the energy efficiency of production process and develop green products projects so as to reduce the direct and indirect carbon emission, as well as the use of energy. In addition, our SZKYP factory has conducted an annual GHG verification to assure the carbon emission of our production activities are in conformity to the requirements of the Shenzhen Emission Trading Scheme. The details of emissions management measures will be further explained in "Manufacturing Business" & "Use of Resources" sections.

Greenhouse Gas Emission (continued)

During FY2018, the total GHG emissions from our operations were 44,967.16 tonnes ("tonne(s)") of carbon dioxide equivalent (" tCO_2e "). Details of the GHG emissions from our operations are presented below:

Unit	FY2018
tCO2e	1,024.66
tCO2e	21.13
tCO2e	387.89
tCO2e	543.73
tCO2e	71.91
tCO2e	43,841.80
tCO2e	124.22
tCO2e	26,841.65
tCO2e	16,643.66
tCO2e	232.27
tCO2e	100.70
tCO2e	44,967.16
tCO2e/employee tCO2e/annual sales (HKD'000)	4.46 0.023
	tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e tCO2e

Note 1: The other indirect emission (Scope 3) includes business travel only.

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, raising the staff's environmental awareness for long lasting behaviour change is our priority. We provide awareness campaigns such as organising regular training programmes or displaying posters in the workplace so that our employees can implement green practices in the workplace. To strive for continuous improvement, we have installed metering systems in 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 SZKYP factory has been preparing annual GHG reporting to understand the emission sources and identify areas to manage the emissions.

Use of Resources (continued)

Conserving Resources in Factories

In our factories, electricity and fuels are utilised for production which generates GHG emissions. We have put substantial 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 Equipment Adoption

- Energy-efficient LED lightings are adopted across our factories to replace traditional lightings system
- Old or malfunctioned machineries are replaced by energy efficient models to maximise the energy efficiency

Heat Recovery System

- In SZKYP, Shaoguan Turbo and Guizhou Standard, heat from the rotatory screw air compressors is collected and used for water heating in staff dormitories
- Heat technologies are employed for the energy-intensive plastic moulding processes in SZKYP

Water Cooling Air-conditioning System

- In SZKYP and Shixing Standard, a water cooling air-conditioning system is used to cool down the water during off-peak periods and cooling the factory at day time, in which alleviates power consumption during peak periods in day time
- Guizhou Standard implemented a recirculating water system to use underground water for indoor cooling

Fresh water is a precious resource in the planet that we shall conserve. Though our daily water consumption is mainly used in the staff canteen and for general cleansing purpose, to use water wisely and conservatively, we carry out daily inspection to ensure all the water supply facilities are properly functioned or switched off to avoid water wastage. Further, a monthly review is also conducted to identify any unusual situation on water consumption and the corresponding areas for improvement. Since all the water for our operational activities are metered and supplied by local water supplies company, there was no issue in sourcing water that is fit for purpose during the Reporting Period.

As electrical and electronic products and motor manufacturer, we carefully select various packaging materials (e.g., cardboard, polyethylene foam, carton and plastics) for the sale and transportation of the products. To limit the use of packaging materials and meanwhile save costs on materials purchasing, we strive to select materials with high recyclable content, with a high biodegradability and minimal or no toxic substance. For instance, we are replacing foam packaging with cardboard and switching plastic tape packaging to paper tape throughout our operations. Furthermore, we constantly reviewed our practices in product packaging by striking a good balance between protection of products and consumption of materials. For instance, we make constant modifications on product packaging by reducing the secondary packaging to be disposed to landfills and thus harms the environment.

Use of Resources (continued)

Promoting Green Office

While our operations in offices do not pose significant emissions and pollution impacts to the environment, certain amount of resources such as paper, stationary and electricity are unavoidably consumed. To promote a green culture in offices, we set up the following green office policies to enable resources are used efficiently and hence, waste reduction:

- Paper: double-sided printing, reuse of single-sided paper and use of electronic means in disseminating information.
- Stationary/equipment: use of mechanical pencils, recycle used ink cartridge, set the electrical appliances (e.g., computers and printers) in energy saving mode by default, switch off electrical appliances after office hours.
- Energy/water: turn on the air-conditioning when necessary and set air-conditioning temperature at 25°C, regular leakage tests on faucets.

Regular check is conducted to ensure green practices are implemented appropriately. Moreover, green procurement practices are also implemented in offices, such as opting for refillable ball pens, recyclable paper for printing use and energy efficient equipment, to conserve energy use and reduce wastage.

Use of Resources (continued)

During FY2018, the resources utilisation for our operations is summarised in the table below:

	Unit	FY2018
Type of Resources		
Electricity	Kilowatt hour "kWh"	48,843,632.84
Intensity	kWh/employee	4,844.16
Water	kWh/annual sales (HKD'000) cubic meter ("m³")	24.87 466,227.86
Intensity	m³/employee	46.24
Stationary Fuel	m³/annual sales (HKD'000)	0.24
– Diesel Oil	litre	51,334.52
 Liquefied Petroleum Gas 	kg	1,888.96
– Acetylene	kg	61.00
Mobile Fuel		
– Diesel Oil	litre	16,918.47
 Unleaded Petrol 	litre	91,608.52
Intensity		
- Stationary Fuel		5.00
i. Diesel Oil	litre/employee	5.09
ii Lizza (ind Dataslavan Car	litre/annual sales (HKD'000)	0.026
ii. Liquefied Petroleum Gas	kg/employee	0.19
	kg/annual sales (HKD'000)	0.00096 0.0060
iii. Acetylene	kg/employee kg/annual sales (HKD'000)	0.000031
– Mobile Fuel	ky/allitual sales (HKD 000)	0.000031
i. Diesel Oil	litre/employee	1.68
	litre/annual sales (HKD'000)	0.0086
ii. Unleaded Petrol	litre/employee	9.09
	litre/annual sales (HKD'000)	0.047
Paper		
– A4	tonne	38.70
– A3	tonne	0.39
Refrigerant		
– R22	kg	342.40
Total Packaging Materials Consumption	tonne	4,249.58
Intensity	tonne/annual sales (HKD'000)	0.0022

Use of Resources (continued)

Managing Resources in Real Estate Development

Kin Yat believes business goes hand in hand with the long term well-being of the society and commit the following policies to minimise the environmental footprints in our construction projects.

- To support green building movements to serve the environmental needs of our community.
- To reduce energy consumption and improve energy efficiency by adopting environmental design of natural lighting and ventilation system.
- To use renewable or recyclable environmentally friendly building materials.
- To minimise the use of paper (through the promotion of paperless office and reuse of waste paper) and dispose of waste in an environmentally responsible manner.
- To give priority to environmentally-friendly designs, materials and construction approach and explore green alternatives for our projects.
- To increase the size of greenery areas in our projects in return the environment.

Waste Management

In accordance with national and regional standards, we have formulated a systematic waste management approaches for both wastewater and solid waste. We ensure the quality of wastewater discharged from our operational sites meets the regulatory standards. In case water contains contaminants such as oil and chemicals that cannot be discharged directly into municipal drainage, the wastewater is collected separately, stored in special lidded containers in designated area and collected by licensed waste collector for further treatment. Regular water quality testing is also conducted by accredited organisation to ensure the pollutants level of wastewater discharged is in compliance with legal standard. Corrective action plan is implemented when any non-compliance case is found.

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

Waste Segregation

 Classified into different types: recyclable, non-recyclable, hazardous and non-hazardous wastes

Waste Storage

• Each type of waste is stored in a specific area

Waste Handling

• Different handling procedures for hazardous and non-hazardous wastes

We promote waste reduction and recycling in our operations. In SZKYP factory, the waste plastic scraps are collected and reused as raw plastic materials by plastic material shredder for injection moulding. Instead of sending waste directly to landfills, we encourage employees to separate waste for recycling by placing various recycling bins at designated areas in workplaces for sorting of different types of wastes. Recyclable waste, such as metal, plastic, electronics and paper, is sorted and sent to licensed waste collectors for further recycling or treatment.

For handling of hazardous waste, the waste is collected and stored in containers with drip trays at designated collection points to avoid mixing into other non-hazardous waste or recyclable waste. Proper safety labels are attached on the containers for waste identification and the hazardous waste is regularly consigned to accredited third party for handling. We also seek every opportunity to reduce hazardous waste, for instance, SZKYP is working to reduce chemical used in the spraying process, and to modify the design of printed circuit board for reducing the generation of edge trim.

Waste Management (continued)

Our performance in waste management during FY2018 is presented below:

	Unit	FY2018
Wastewater Discharge	m³	449,257.06
Intensity	m³/employee	44.56
	m³/annual sales (HKD'000)	0.23
Type of Waste		
– Non-hazardous Waste	tonne	5,526.47
– Hazardous Waste	tonne	74.36
Intensity		
– Non-hazardous Waste	tonne/employee	0.55
	tonne/annual sales (HKD'000)	0.0028
– Hazardous Waste	tonne/employee	0.0074
	tonne/annual sales (HKD'000)	0.000038
		0.000058

Environmental target-setting in SZKYP factory

As the special economic zone of China, the Shenzhen provincial government has been making considerable action to tackle climate change issues, by setting low carbon development plan and goals. To align with the Shenzhen provincial government in combating climate change and the low-carbon development of Shenzhen, we have set out environmental targets – including carbon emission, water, hazardous and non-hazardous wastes, fuels and chemicals consumption in our SZKYP factory to reduce our operational footprint. Corresponding annual action plans are formulated to encourage efficient use of resources and minimise waste generation and emission. The following listed our targets for the year 2017 and all the targets were achieved.



During the Reporting Period, the Group confirmed that no non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharge into water and land; and generation of hazardous waste and non-hazardous waste had been identified.

COMMUNITY INVESTMENT

As a socially responsible enterprise, Kin Yat believes that we can make significant impacts on the communities through contributing to local community initiatives. We participated in a charitable activity organised by Shenzhen Baoan District Enterprise Association in January 2018 and donated daily necessities and food to a social welfare institute to share our warmth and love to the orphans.

We believe "Knowledge changes the fate" and every child shall have the right to receive education. During the Reporting Period, we continued to provide the youth educational sponsorship programme for our staff who have financial difficulties in Guizhou. Through our financial support, the children of our staff are able to complete their studies in high school and further receive tertiary education. We also strive to nurture new young talents for the industry through this scheme and invite them to join the Group after graduation.

ESG REPORTING GUIDE INDEX

Aspect A Environmental	e General Disclosures & KPI	Policies & Procedures	Explanation/Reference Section
A1 Emission	 Information on air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations. 	Environmental Management Manual Air Emission Control Procedure Wastewater Management Solid Waste & Hazardous Waste Management Procedure	ENVIRONMENTAL FOOTPRINT REDUCTION – Air Emission ENVIRONMENTAL FOOTPRINT REDUCTION – Greenhouse Gas Emission ENVIRONMENTAL FOOTPRINT REDUCTION – Waste Management
KPI A1.1	The types of emissions and respective emissions data.	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Air Emission
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Greenhouse Gas Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Management Manual Air Emission Control Procedure Resources & Energy Control Procedure	ENVIRONMENTAL FOOTPRINT REDUCTION – Air Emission ENVIRONMENTAL FOOTPRINT REDUCTION – Greenhouse Gas Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Solid Waste & Hazardous Waste Management Procedure	ENVIRONMENTAL FOOTPRINT REDUCTION – Waste Management
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	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Management Manual Resources & Energy Control Procedure	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Management Manual Resources & Energy Control Procedure	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources

ESG REPORTING GUIDE INDEX (continued)

HKEx ESG Reporting Guide Aspect A Environmental (CC		Policies & Procedures	Explanation/Reference Section
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Management Manual Green Procurement Guideline	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	-	ENVIRONMENTAL FOOTPRINT REDUCTION – Use of Resources QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
Aspect B Social			
B1 Employment	 Information on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. 	Human Resources Policy Human Resources Management Procedure Staff Handbook Recruitment Procedures	EMPLOYMENT – Labour Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	-	EMPLOYMENT – Labour Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	-	EMPLOYMENT – Labour Practices
B2 Health and Safety	 Information on providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. 	OHS Management System EHS Manual Emergency Preparedness and Handling Working Guideline	EMPLOYMENT – Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	-	EMPLOYMENT – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	-	EMPLOYMENT – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	OHS Management System EHS Manual Emergency Preparedness and Handling Working Guideline	EMPLOYMENT – Occupational Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Human Resources Policy Human Resources Management Procedure Training Management Procedure and Plan	EMPLOYMENT – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	-	EMPLOYMENT – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	-	EMPLOYMENT – Training and Development

ESG REPORTING GUIDE INDEX (continued)

HKEx ESG Reporting Guide (Aspect B Social (continued		Policies & Procedures	Explanation/Reference Section
B4 Labour Standards	Information on preventing child or forced labour: (a) the policies; and	Staff Handbook	EMPLOYMENT – Labour Practices
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Recruitment Procedures	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Staff Handbook	EMPLOYMENT – Labour Practices
KPI B4.2	Description of steps taken to eliminate such practices when	Recruitment Procedures Staff Handbook	EMPLOYMENT – Labour Practices
	discovered.	Recruitment Procedures	
B5 Supply Chain	Policies on managing environmental and social risks of the	The Group Purchasing Policy	QUALITY, SUSTAINABLE & SAFE
Management	supply chain.	Procurement Control Procedure	PRODUCTS – Manufacturing Business
		Supplier Assessment Procedure	
		Supplier Confidentiality Agreement	
		Supplier Anti-corruption and Anti-bribery Declaration	
		Green Procurement Guideline	
KPI B5.1	Number of suppliers by geographical region.	-	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
KPI B5.2	Description of practices relating to engaging suppliers, number	The Group Purchasing Policy	QUALITY, SUSTAINABLE & SAFE
	of suppliers where the practices are being implemented, how they are implemented and monitored.	Procurement Control Procedure	PRODUCTS – Manufacturing Business
		Supplier Assessment Procedure	
B6 Product Responsibility	Information on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress:	Quality Manual Incoming Materials Control	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
	(a) the policies; and	Procedure	5
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Process Monitoring and Product Quality Control Procedures	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Real Estate Development Business
		Intellectual property control Procedure	BUSINESS INTEGRITY - Customer Privacy & Protection of
		Customer Property Management Procedure	Intellectual Property Rights
		Information Confidentiality and Management Procedures	
		Non-conformity Goods Control Procedure	
		Product Recall Control Procedure	

ESG REPORTING GUIDE INDEX (continued)

pect B Social (continued	General Disclosures & KPI ()	Policies & Procedures	Explanation/Reference Section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	-	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	-	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property control Procedure	BUSINESS INTERITY – Customer Privacy & Protection or Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Manual Incoming Materials Control Procedure Process Monitoring and Product Quality Control Procedures Non-conformity Goods Control Procedure	QUALITY, SUSTAINABLE & SAFE PRODUCTS – Manufacturing Business
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	As the products of the Group is not directly sold to the consumer, the protection of consumer data protection and privacy is not applicable to the Group.	Not Applicable
37 Anti-corruption	 Information on bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. 	Staff Handbook Anti-corruption & Anti-bribery Management Procedure Employee Complaint & Grievance Management Procedure	BUSINESS INTEGRITY – Anti-corruptio
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	-	BUSINESS INTEGRITY – Anti-corruptic
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Staff Handbook Anti-corruption & Anti-bribery Management Procedure Employee Complaint & Grievance Management Procedure	BUSINESS INTEGRITY – Anti-corruptic
88 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 Donations to Social Welfare Institute	COMMUNITY INVESTMENT
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	-	COMMUNITY INVESTMENT
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	_	COMMUNITY INVESTMENT