

WAI CHUN GROUP HOLDINGS LIMITED

(1013)

ENVIRONMENTAL, SOCIAL & GOVERNANCE -

SUBJECT AREA

A - (ENVIRONMENTAL)

AND

B - (SOCIAL)

REPORT

OVERVIEW

In the year ended 31 March 2017, our Group reviewed and identified material environmental and social issues related to our business in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. These issues and aspects have a significant impact and are relevant to the Group’s ongoing operation and stakeholders. Key performance indicators (“**KPIs**”) on environmental and social issues and aspects were established during this period to allow the management to regularly monitor and review their development and results in line with our corporate strategy and policies and this report provides an update on these issues for the year ended 31 March 2018.

ESG VISION

The Group targets to be a leading network systems integrator and software developer and provider which, while providing returns to our shareholders, also ensures that our staff enjoy a satisfying and equitable workplace, whilst pursuing development in a sustainable and eco-friendly way to the benefit of our community as a whole.

ESG MANAGEMENT AND APPROACH

The Board, headed by the Chairman and having a balance of skill and experience from the Executive and Non-Executive Directors, is responsible for formulation and approval of the Group’s development, business strategies, policies, annual budget and business plans. The day-to-day management including the effective implementation of the overall strategies and initiatives adopted by the Board on operations, financial, environmental and social issues and obligations, has been delegated to the Chief Executive Officer (“**CEO**”) and its senior management team members. Through an independent internal control and risk management system, the Group ensures it fulfills and complies with its environmental and social responsibilities and obligations as required by the ESG Guide and the laws and related regulations of the PRC and the HKSAR.

It is the duty of the Board to review, address and report all the environmental and social issues listed in the Aspects and Areas in the Guide, and in response, the Board has approved its updated strategies and policies. The Board has resolved and assigned the CEO and its senior team members to have the overall responsibility to implement its adopted strategies and policies. The CEO is duty bound to explore and develop Key Performance Indicators (“KPIs”) where appropriate and necessary for future monitoring and continuing action in line with the Group’s visions, policies and goals.

MATERIAL ENVIRONMENTAL AND SOCIAL AREAS, ASPECTS AND RELATED KPIS

As recommended by the ESG Guide, the Group only prepares and reports on the environmental and social areas, aspects and KPIs which the management considers to be “material”.

A. Environmental Aspects

As a corporate citizen, we understand and respect that our Group has a responsibility to the environment and to sustainable development. The Group is principally engaged in network system integration and software development and provision, which does not generate any hazardous emissions, wastes or pollutants. In order to pursue sustainable development, we are committed to eco-friendly operations and the conservation of resources.

A1. Emissions

Our Group complies strictly with relevant environmental laws, rules and regulations in all our locations. As the Group is mainly a software and information system designer, developer, integrator and provider, our activities are mostly general office activities and we do not directly produce any emissions, discharges into water or land, or hazardous waste.

Our main emissions during our normal course of business and operation are indirect greenhouse gases, primarily carbon dioxide from energy consumption and employee travels. Therefore, reduction of energy consumption and efficient arrangement of employees' travels are our priorities. We have introduced the KPI of “**CO₂ EMISSIONS**” and in the year to 31 March 2018 (as ‘2018’), our Group indirectly via the use of electricity, generated 66.48 tonnes of greenhouse gases namely CO₂ emissions. Comparing with the previous reporting period – 1 April 2016 to 31 March 2017 (as ‘2017’), this was a 66.3 tonnes or 49.43% decrease in greenhouse gases namely Co2 emission, which was at a much lower reduction rate than the 2.4% reduction in overall business turnover between 2018 and 2017. The main reason for such an achievement was due to successful implementation of energy saving measures introduced since 2017.

There has been a small amount of waste produced from the Group's office activities such as toner cartridges, ink boxes and batteries, which require attention. We have introduced measures to ensure that they had been collected properly and transferred to qualified organizations for environmentally friendly disposal.

During the period ended 31 March 2018, our operations in Hong Kong and the PRC did not have any record of any penalty or warning related to air, water or waste pollution and discharges from any environmental department or alerts from any environmental agencies.

A2. Use of Resources

The Group is committed to save energy, water, paper and resources and to promote the sustainable development of its activities by raising the environmental awareness of its employees and business partners, and involving them in energy, water, paper and emissions saving and minimization activities through the implementation of “5R” measures under the principles of reducing, reusing, recycling, replacing and recovering.

The Group has established the KPIs for “Electricity, Water & Paper Consumption” and “CO₂ Emission” for the management to routinely monitor accordingly. The Administration Department of each office has been assigned with this task and to effectively implement all the practices adopted.

Electricity is the main source of energy and resource used by our offices in our daily operations. To reduce energy consumption, the Group regularly monitors its electricity consumption in our Hong Kong and Beijing offices and has implemented policies for employees to turn off lights, air-conditioning and computers when not in use. The Group does not consume material amounts of water in its operations. In the year to 31 March 2018, the Group consumed an aggregate of 73,560 Kwh of electricity of which 33,142 Kwh was for the Hong Kong operations and 40,418 Kwh was for the Beijing operations. This was 68,249 Kwh or 48.13% less in aggregate than in 2017 (2017: 141,809 Kwh) despite only a 2.4% reduction in overall business turnover between 2018 and 2017. Although our Hong Kong head office achieved a 20.25% saving on the use of electricity in 2018 over 2017, the Beijing office, however achieved a more impressive saving of 59.68% on the same corresponding period. The Group will continue to implement its energy saving measures and to encourage employees to save more.

Other resources such as fresh water and consumables, namely paper and printing ink have also been used, but their volumes and/or quantities have been small.

A3. The Environment and Natural Resources

Our Group's business and operations do not directly generate any material hazardous emissions or waste or waste natural resources. We are, however, committed to being environmentally friendly and responsible and have adopted policies and procedures in line with the internationally recognized "5R" principles and practices which aim to extract maximum practical benefits from products use while generating the minimum amount of waste:

Reduce: reduce waste material

Reuse: reuse waste material without processing

Recycle: reuse materials as resources

Refuse: avoid purchases

Recover: recover materials in a different form

Constantly reviewing and implementing these practices and directing our employees on the importance of "green practices", not only preserves natural resources but also provides cost savings for the Group. We have policies on reducing use of electricity through turning off lights, computers and air-conditioning in our office environments and also encourage the regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, and other common office equipment to reduce the frequency of replacement.

B. Social Employment and Labour Practices

The Group's business development and growth relies heavily on the skills, passion and commitment of its employees and see our employees as our most valuable asset. We are committed to complying with all the laws, rules and regulations on the employment arrangements including the Labour Laws of the PRC and the Employment Ordinance of the HKSAR, and have totally forbidden the recruitment of child labour and forced labour.

The Group is also committed to providing equal opportunities to all employees on recruitment, promotion, compensation and benefits, and to establishing a happy, harmonious, safe and healthy working environment for all employees. The Group strives to strengthen its human resources management with employee oriented policies to encourage motivation and innovation and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with its employees.

B1. Employment

Our Group recognizes our employees are a key stakeholder contributor to our business and its growth, and we are committed to providing our staff with a satisfying and equitable workplace where our staff and our company can grow together. The Human Resources Manager has been charged with the responsibility and duty to ensure all the statutory obligations of the Group have been fulfilled and complied with in a legitimate manner and the Group has adopted an Employee Handbook and company policies that cover a wide range of employment protection and benefits, and comply in all aspects with the relevant labour laws, rules and regulations of HKSAR and the PRC.

On employment, the Group has adopted a mixed policy of external recruitment and international promotion for vacancies. All vacancies are open to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability, and to be selected on qualification, skill and competency basis. All successful employees must enter into proper and standardized contracts in writing between the respective employees and the Group. Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience.

The Group provides and maintains statutory benefits to all qualified employees including but not limited to mandatory provident funds (for Hong Kong employees) and unemployment, retirement and housing insurance (for PRC employees), medical insurance, work injury insurance and compensation and statutory holidays pursuant to the requirements of the laws of the PRC and HKSAR.

Employees' remuneration packages have been determined with reference to the prevailing market level in line with their competency, qualifications and experience. The Group has honoured all obligations to our employees including the payment of salaries and wages, holidays and leave, compensation, insurance and health benefits without disputes as at year end 31 March 2018, same as 2017.

The Human Resources Manager has prepared an "Employment Record" with breakdown of total number of employees in different levels and sectors based on gender and age distribution as a KPI for the management to monitor the Group's employment status regularly. As at 31 March 2018, we employed a total of 11 (2017: 13) in our headquarters in Hong Kong, of which 5 are male (2017: 6) and 6 are female (2017: 7), and 10 (2017: 35) in our PRC operations, of which 4 are male (2017: 18) and 6 are female (2017: 17). The decrease in the number of PRC staff was mainly due to tighter cost control measures employed by the Group and certain labour-intensive work processes outsourced to cut costs during the year ended 31 March 2018.

B2. Health and Safety

The Employees Rules and Regulations and our Employment and Labour contracts include details on health and safety protection, and the Group fully complies with the labour laws and regulations of PRC and Employment Ordinance of HKSAR. The Group at all times provides a safe working environment and adopts "employees-oriented" human resources policies which aim to provide a happy, harmonious, safe and healthy working environment for all our employees and minimize the risk of any occupational hazards. The Group ensures at all time having safety equipment and medical facilities for emergency needs in offices.

In the year ended 31 March 2018, same as 2017, the Group did not record any compensation claim or work related injury investigation by any relevant government officials in the PRC and the HKSAR.

B3. Development and Training

The Group supports and encourages all employees to continue learning and improving their knowledge and job skills for the benefit of the employees as well as the Group.

As required by the related laws, the Group provides to newly recruited employees the basic business skill and introduction to the Group's rules and regulations and corporate culture training to improve their qualities, abilities and safety awareness in order to adapt to their new positions earlier. Furthermore, the Group provides an education allowance on an application and discretionary basis in order to encourage employees to actively participate in position-related training organized by external institutions in order to enhance individual professional quality and ability.

The Human Resource Manager has maintained a record on the internal and external training programs provided to and sponsored for employees as a KPI for the senior management to monitor and to review their effectiveness in relation to the investment costs.

B4. Labour Standards

The Group strictly complies with the Labour Laws of PRC and the Employment Ordinances of HKSAR, and adopts their respective standards as well as local market practices as its minimum labour standard on labour protection and welfare including recruitment, dismissal, promotion, leave and holidays, benefits as well as ensuring equal employment opportunities to all sexes, genders, ages, races and religions.

The Group is against any form of child or forced labour and as a formality, the Group maintains private and concise files on all employees which includes information such as the employees' personal background information and credentials including copies of ID and passport, academic qualifications and certificates, references, and performance assessment by seniors.

In the year ended 31 March 2018, same as 2017, no labour disputes or litigation have been reported and the Group paid all wages and salaries, benefits and compensation on time.

C. Operating Practices & Social Investment

C1. Supply Chain Management

Our Group strives to manage risks in its supply chain through an established set of procedures and has appointed a Commercial Representative (“CR”) to be responsible for a specific purchase. The CR is delegated the full responsibility of purchase contract negotiation and signing, and implementation of the purchase contract involving order(s) placement, liaison with suppliers, products and services delivery and quality checking, payment, etc.

The Group conducts its sourcing and purchases on a carefully screened, monitored and transparent process. The CR is required to compare quotations from different suppliers to ensure cost efficiency and quality guarantee. Furthermore, the CR is required to check all the outcomes of products, technology and/or services purchased in line with the terms and conditions of the purchase contracts signed.

In the year ended 31 March 2018, same as the last reporting period, all Group’s procurement was conducted through local suppliers in Hong Kong and the PRC. A local supplier is defined as an organisation that provides a product or service to the Group and that is based in the same geographical market as the Group without transnational payments to the supplier made.

C2. Product Responsibility

Product quality

Our Group is deeply aware of the importance of product and service quality on its reputation, brand name and the financial performance of its overall business. We are committed to ensuring the utmost confidence and satisfaction from our customers. The Group sells integrated network and system solutions mostly in the form of software to clients in the PRC under tender. Tailor-made features, qualities including user-friendliness and ease of application, security and after sale repair and maintenance services are the most important considerations and requirements for our sales.

We strictly comply with the Product Quality Law of the PRC (中國產品質量法), the PRC Law on Protection of the Rights and Interests of Consumers (中國消費者權益保護法) and other relevant laws and regulations for our operations in the PRC.

In the year ended 31 March 2018, there were no products, technology or services defects, complaints, or intellectual right infringement reported.

Intellectual property rights

The Group recognizes intellectual property rights.

For its services and hardware procurement, the Group uses the procedures stated in our “Supply Chain Management” internal control system to prevent the Group from purchasing poor quality products or services or counterfeit items from its suppliers. The Group did not receive any intellectual property rights complaints during the year ended 31 March 2018, same as 2017.

Consumer data protection

In Hong Kong and the PRC, our group generates lots of private data from our customers and employees and at all times abide by the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, regulations and requirements in both Hong Kong and the PRC. The data of our employees, customers and suppliers are kept under a secure system by our senior management, and use of this data is subject to strict rules and procedures. We did not experience any private information leakage during the year ended 31 March 2018, same as 2017.

C3. Anti-corruption

The Group strictly prohibits any form of bribery and corruption and all staff are required to comply with both all the relevant laws and regulations in the countries we operate in, and also the Group’s internal policies. The Group established an “Internal Audit System”, under which the audit committee is authorized by the Board to create an environment of anti-corruption and anti-fraud, and conducts regular reviews of the internal control systems so as to regulate the conduct and behaviour of employees and ensure they comply with relevant laws and regulations, and overall to create an atmosphere of integrity and dedication and prevent any prejudice to the Group’s reputation and interest. The Group reported no bribery or corruption cases as at year end 31 March 2018.

C4. Community Investment

The Group has carried out its business and operation in an environmentally and socially friendly manner, and has allocated resources to support training of more skilled, competent and innovative software designers and developers. The Group encourages employees to provide voluntary services to, and participate in voluntary and charitable events to support society, the local community and those in need. Our encouragement includes allowing staff to apply for paid leave for volunteer work.