

# QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1348

## Environmental Social and Governance Report

# 2019



Toys Division

Financial Services  
Division

\*For identification purpose only



# Environmental, Social and Governance Report 2019

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# Environmental, Social and Governance Report 2019

## INTRODUCTION

Quali-Smart Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group’s shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. We are also engaged in charitable activities to fulfill corporate social responsibility. This report covers environmental, social and governance matters of the Group for the year commencing on 1 April 2018 to 31 March 2019 (“**Reporting Period**”).

The Group is committed to minimize its environmental impact throughout its business processes. Through stringent environmental control in operations, we strive to ensure that applicable environmental laws are complied with. We review and evaluate from time to time the efficiency and effectiveness of our environmental initiatives. It is our aim to strike a fine balance between environmental protection and business growth.

## REPORTING STANDARDS

This environmental, social and governance report (“**ESG Report**”) has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

## ABOUT THE GROUP

During the Reporting Period, the Group mainly engaged in toy manufacturing primarily on an OEM basis (“**Toy Division**”) and the provision of financial services in securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services (“**Financial Services Division**”). In view of the relative materiality of impact of the operations of both the Toy Division and the Financial Services Division to the Group’s overall business performance as well as on various ESG aspects during the Reporting Period, the Board is of the opinion that both the Toy Division and Financial Services Division are included in this ESG Report.

## STAKEHOLDERS’ ENGAGEMENT AND MATERIALITY

For the purpose of identifying significant aspects relevant to the Group, we have the involvement of the management of the Group and the key stakeholders including shareholders, employees and sub-contractors in discussing and reviewing key areas of attention for the Group from time to time to further direct its ESG approach and attention on sustainability issues. In view of no material change in the Group’s business model and external compliance requirement, the Group adopted the same basis in determining the materiality of stakeholders involvement as in previous reporting period.

The Group values input and feedback from its stakeholders as they bring potential impacts to the Group’s business. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group’s operation and performances. The Group has included board members, senior management and frontline staff to identify key ESG aspects and challenges in the Reporting Period. Through discussion and data gathered among the relevant management members and divisions, the Group was able to obtain better understanding on stakeholders’ concern on corporate environmental-friendly policy, employment and labour practice, as well as training and development policy. As a result, the management further identified air emission, environmental protection measures, labour protection as well as anti-corruption as top material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group’s ESG management.



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## A. THE ENVIRONMENT

The Group is committed to protecting the environment and sustainability in the long-term by incorporating various environmental-friendly aspects in formulating its business operating policies and practices. We have established procedures to ensure our operation and businesses are in compliance with the applicable safety and environmental regulations, aiming to minimize the consumption of natural resources and hence protecting the environment during the Reporting Period.

During the Reporting Period, the manufacture of toy products by the Toy Division of the Group was continued to be mainly sub-contracted out to qualified entities and factories. Despite outsourcing, the Group still adopted strict policies by imposing corresponding requirements on our engaged sub-contractors for the manufacturing services rendered as if we had to comply with the same requirements ourselves in accordance with the relevant laws and regulations relating to environmental protection, including the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of the PRC, Regulations on Administration of Construction Project Environmental Protection, Prevention and Control of Atmospheric Pollution of the PRC and Prevention and Control of the Water Pollution Law of the PRC, amongst others. During the Reporting Period, the Toy Division was not aware that it had been the subject of any material non-compliance incidents or material claims in the form of any compensation or penalty levied for environmental disruption caused by the sub-contractors engaged by the Group for its business.

For the Financial Services Division, we believe that the industry it operates in is not a major source of environmental pollution and there was minimal emission of waste gas, wastewater discharged and generating of solid waste. During the Reporting Period, the Financial Services Division had not been subject to any environmental claims, complaints or non-compliance enforcement actions.

### A1. Emissions

The Group noted that there was greenhouse gas emission, wastewater discharge and solid waste generated from the manufacturing plants operated by the sub-contractors for the Toy Division. Our Toy Division has required its sub-contractors to adopt environmental protection measures to enhance the efficiency of usage of energy, water and materials in order to reduce certain greenhouse gas emission, unfavorable impact of wastewater discharge and to improve energy conservation. During the Reporting Period, we required our sub-contractors to have proper systems in place for exhausted gas treatment with activated carbon absorption technology to process the exhausted gas discharged during the production process on spraying and injection molding. Such system setup fulfilled the requirement imposed by the local environmental governing body and was in compliance with relevant environmental protection standards. Meanwhile, we noted that there was limited wastewater generated from the operation of the Toy Division. Even so, we also required our sub-contractors to use filtering tank installed inside the manufacturing plant to eliminate unfavorable elements in the wastewater collected by the domestic sewage first and then arranged for discharge to public sewage drainage. Regular review on wastewater was also performed by qualified and authorised entity. To minimize the amount of hazardous and non-hazardous solid waste generated by the manufacturing plant of our sub-contractors, our Toy Division required our sub-contractors to store separately the solid waste in designated areas within the manufacturing plants and further pass to relevant authorised entities for proper handling, either passing to relevant recycling companies to handle or to be collected by local government hygiene department for processing. To ensure the satisfactory compliance by our sub-contractors during the Reporting Period, our management paid regular site visits to the manufacturing plants of our sub-contractors and reviewed relevant compliance certificates issued to our sub-contractors by the relevant local authorities. Our major sub-contractor was awarded the Environment Management System Certificate for compliance with the ISO14001 standard by the China Quality Certification Centre.

For the Financial Services Division, due to its nature of business, we believe that its business does not have significant impact on the environment in terms of greenhouse gas, wastewater, land emissions and discharge of hazardous and non-hazardous solid waste except for general office power consumption in the form of office lighting, computer and other office equipment operation, printing paper consumption for clients reporting and general business transaction recording. In general, the Group also adopted measures such as installing power saving lighting facilities and encouraging the use of electronic record for daily businesses with clients and internal communication and the use of recycled paper for printing.

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Set forth below are the statistics of greenhouse gas emissions by the Toy Division and the Financial Services Division of the Group during the Reporting Period:

Greenhouse Gas (GHG) Emissions	Emissions of CO <sub>2</sub> (in tonnes)				Intensity (note 3)			
	Toy Division		Financial Services Division		Toy Division		Financial Services Division	
	2019	2018	2019	2018	2019	2018	2019	2018
Direct emissions from the use of Diesel and LPG	645	672	N/A	N/A	0.000064	0.000028	N/A	N/A
Indirect emissions from the use of Purchased Electricity (note 1)*	8,094	9,590	80	86	0.000802	0.000402	2.75	2.76
Other indirect emissions from Water consumption (note 2)*	139	141	N/A	N/A	0.000014	0.000006	N/A	N/A
<b>Total</b>	<b>8,878</b>	<b>10,403</b>	<b>80</b>	<b>86</b>				

Note 1: Emission factor of 0.5912 tCO<sub>2</sub>/MWh was applied to purchased electricity in Guangdong Province of the PRC as per the provincial grid average carbon dioxide emission factor of the PRC (省級電網平均二氧化碳排放因子).

Note 2: During the Reporting Period, the manufacturing plant of the sub-contractors of the Group located in Foshan city Nanhai district of the Guangdong province consumed a total of approximately 345,211 m<sup>3</sup> (2018: 333,459 m<sup>3</sup>)# of fresh water for its operation, contributing to an emission of an equivalent of approximately 139 tonnes (2018:141 tonnes)# of carbon dioxide.

Note 3: Intensity measured for Toy Division is measured in tonne of CO<sub>2</sub> per unit of toy product produced. Intensity measured for Financial Services Division is measured in tonnes of CO<sub>2</sub> per number of employee for such division.

\* Comparative figures for 2018 have been restated due to arithmetic adjustment.

It was noted that the major air pollutant emission sources of the Group is mainly generated from the use of motor vehicles for the transport of finished products and manufacturing related materials of the Toy Division. The following table shows the pollutant emissions during the Reporting Period:

Pollutant	Emission Volume (tonnes)		Intensity*	
	2019	2018	2019	2018
Nitrogen Oxides (NO <sub>x</sub> )#	2320	2413	0.00022	0.000097
Sulphur Oxides (SO <sub>x</sub> )#	4	8	0.0000004	0.0000002
Respiratory Suspended Particles (RSP)	103	108	0.00001	0.000005

\* Intensity measured in tonne per unit of toy product produced.

# Comparative figures for 2018 have been restated due to reclassification.

During the Reporting Period, the Group has generated harmful or hazardous waste during the toy manufacturing process. The total amount of hazardous waste generated by the Toy Division of the Group during the Reporting Period was approximately 2.4 tonnes (2018: 2.3 tonnes). To properly handle the hazardous waste, our major sub-contractors engaged qualified entities to collect and properly process such waste on a regular basis to ensure compliance with the environmental protection requirements as imposed by the local authorities.

The total amount of non-hazardous waste generated by the Group during the Reporting Period mainly consisted of packing materials consumed in terms of cardboard, packing belts and buckles and scrapped metal and plastic materials of approximately 244 tonnes (2018: 101 tonnes) in total. Other such waste was relatively not significant mainly in form of general office waste and the relevant data is not available. The Group has reviewed its current system and aims to improve the relevant measures to quantify such waste.



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## A2. Consumption of Resources

For the purpose of fuel and power saving, our Toy Division required our sub-contractors to have energy saving facilities installed on certain injection molding machines such as the use of standby mode of operation instead of ongoing motors running mode to enhance their power utilization efficiency. Besides, relevant production lines of our sub-contractors were modified under a lean production approach by simplifying and shortening the production processes and hence to minimize and shorten the components delivery need and relevant packaging materials consumed. Meanwhile, we noted that water consumption was not significant during the sub-contracted production process for the Toy Division. Besides, our Toy Division has switched to adopt the use of biodiesel to general diesel for their canteen kitchen operating usage as well as the use of vinyl machine for production purpose that allowed us to make use of energy with less polluting impact.

In general, the Group requires our employees to switch off office electronic facilities such as lighting, business and computer equipment during unattended hours in the relevant office or working areas and encourages employees to set the temperature of the air-conditioning systems for the working areas within optimal temperature level or turn off all the lights when leaving the working areas or the office at night. We also encourage employees to refrain from unnecessary paper printing if it is practicable to do so. In order to enhance the awareness of such resource saving practice, slogan and reminder messages were posted around the power switches or equipment stations throughout the working areas.

Set forth below are the statistics of consumption of certain resources by the Toy Division and Financial Services Division of the Group during the Reporting Period:

Consumption of resources

	Toy Division		Financial Services Division		Total	
	2019	2018	2019	2018	2019	2018
Electricity (kWh) <sup>#</sup>	<b>13,700,027</b>	16,231,883	<b>100,869</b>	108,260	<b>13,800,896</b>	16,340,143
Water consumption (m <sup>3</sup> ) <sup>#</sup>	<b>345,282</b>	333,541	–	–	<b>345,282</b>	333,541

<sup>#</sup> comparative figures for 2018 have been restated due to arithmetic adjustment.

## A3. The Environment and Natural Resources

We are committed to building an environmental-friendly corporate which strives to minimize our usage of energy and office stationery and encourage recycling of materials used in the office and working area. Our Financial Services Division also offers electronic statements and trade confirmation with their clients in order minimize paper usage. Moreover, our Toy Division also processed those broken plastic containers for production line by regrinding and remoulding them into new containers for further use to minimize solid waste generated.

In general, the Group is determined in adopting energy saving measures such as utilization of power-saving office lighting system in the form of LEDs or T5 fluorescent tubes and the maximization of the use of natural daylight for office lighting purpose. Also, we maintain water filtering equipment for staff consumption purpose instead of using bottled water and install water-saving dispensing tap equipment for the office washrooms in order to reduce water wastage. During the Reporting Period, the Group was not aware that it had been the subject of any environmental claims, lawsuits, penalties or disciplinary actions, nor was there any material non-compliance of the relevant laws and regulations related to environmental protection or the consumption of natural resources, including those set out on page 3 of this report.

Please refer to the previous paragraph A2 for the statistics of the consumption of certain resources by the Group during the Reporting Period.

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## B. SOCIAL

### B1. Employment

The Group believes that our business success is dependent on our experienced talents. We promote equal opportunities to all our employees. The remuneration package and employment benefits are reviewed annually by reference to prevailing market standard as well on individual merits. We do strictly comply with relevant laws and regulations for our employment system in terms of recruitment, compensation and benefits, as well as safety measures adopted.

On recruiting talents, both internal and external sources are reviewed for identifying appropriate individuals to fit in the available openings. The Group did not tolerate for discrimination concern in terms of race, gender, age, social hierarchy, religion and disability be any of the talent recruiting selection criteria. All applicants have equal opportunities for an interview as long as they possess the academic background, skill and legitimate age level as per job requirement stated. Collaterals or deposits of any kind are prohibited for acceptance from employees and we do allow employees right to freedom to prevent forced labour.

We offer competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. Salaries are reviewed on a regular basis and revised with reference to performance appraisals and market trend. Employees of the Group are entitled to discretionary bonus, provident fund scheme, medical insurance and various types of incentive paid leave in addition to annual leave, sick leave, maternity leave and relevant compensation as required by the relevant laws and regulation as imposed in the relevant territories of operation.

Remuneration packages of the Group were determined with reference to its remuneration policy based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. Working hours and leave is maintained and granted in strict compliance with relevant laws and regulation. As for terminated employees, we will give adequate notice and basis of termination in accordance with applicable laws and those specified in the employment contracts. Our employment benefits include mandatory provident fund, medical and health insurance covering in-patient and out-patient benefit levels, all benefit details are provided to new employee together with the employee handbook.

The performance appraisal cycle varies according to the positions of the employees. Performance appraisal of staff is conducted annually. The performance appraisal is supervised by respective executive Directors of the Group. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group. In order to promote and maintain a healthy atmosphere for the employees, the Group also organized annual dinner gathering among the staff with the management to share an enjoyable time further to ordinary working environment.

The Toy Division had strict policies in selecting its sub-contractors by imposing corresponding requirement on them in respect of social responsibilities on workers welfare maintenance as well as proper compliance of the relevant regulation applicable to them within their territories of operation, including but not limited to the Labour Law of the PRC, PRC Employment Contract Law and the Social Insurance Law of the PRC. During the Reporting Period, the Toy Division was not aware that there was any material non-compliance of the relevant laws and regulations caused by our sub-contractors in servicing us, nor was it the subject of any material claims in the form of any compensation or penalty levied for inappropriate treatment towards workers employed by the manufacturing plants engaged by the Group or its sub-contractors for business.

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For the purpose of creating a fair and harmonious working environment, the Group established proper communication system between the employees and the management in order to allow for sufficient opportunities and channels for comments and feedback exchange between the parties. Communication can be made either by written form or oral form. Any reported subject will be further reviewed and investigated by independent management member for proper remedial or follow up action taken. During the Reporting Period, the Group strictly complied with the Hong Kong Employment Ordinance and the various anti-discrimination ordinances in Hong Kong. There was also no reporting of material incidents between the employees and the management that required follow-up actions.

During the Reporting Period, the details of the employees' distribution by gender of the Group are as follows:

	<b>Male</b>		<b>%</b>		<b>Female</b>		<b>%</b>		<b>Total</b>		<b>%</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Directors and senior management	<b>16</b>	18	<b>80</b>	86	<b>4</b>	3	<b>20</b>	14	<b>20</b>	21	<b>100</b>	100
General staff	<b>21</b>	22	<b>66</b>	61	<b>11</b>	14	<b>34</b>	39	<b>32</b>	36	<b>100</b>	100
<b>Total employees</b>	<b>37</b>	40	<b>71</b>	70	<b>15</b>	17	<b>29</b>	30	<b>52</b>	57	<b>100</b>	100

Notes:

1. All employees of the Group were based in Hong Kong.
2. The turnover rate of employees for the Reporting Period was approximately 1% (2018:2%).
3. Number of employee is calculated on an average basis during the Reporting Period.

As one of the fundamental management principles of the Group is to maintain equality of human resource, there is no gender preference in all levels of employees and management structure. Indeed, the Group values all employees in terms of their contribution to the Group's business.

## B2. Health and Safety

Considering our employees as valuable assets for contributing to the Group's success and sustainability, their health and safety as well as well-being is also a major concern the Group attends to. We did strictly comply with the laws and regulations regarding labour safety and hygienic condition for our employees in relevant operating territories including the Occupational Safety and Health Ordinance in Hong Kong and the Law of the PRC on Prevention and Control of Occupational Diseases and Production Safety Law of the PRC. The Group provided our employees with an environmental, health and safety manual and provided workers with necessary protective equipment such as face masks, ear plugs, safety shoes and protective gloves to carry out their duties. The premises were also equipped with emergency lightings, emergency exit sign posts, fire extinguishers and fire hoses to ensure fire safety. These fire safety facilities were also checked by security staff regularly with patrol records being registered via RFID patrol systems. Fire drills were also conducted every six months to ensure staff members were familiar with fire escape routes and procedures. Besides, we also arranged applicable medical protection plan for our employees to attend their respective needs for necessary physical examination or medical treatment. During the Reporting Period, the Group was not aware of any safety non-compliance incident.

No work-related fatalities nor any lost days due to work injury took place during the Reporting Period. Our major sub-contractors was also accredited with the Occupational Health and Safety Management System Certificate issued by the China Quality Certification Centre and the seal of compliance on the requirements of the ICTI Ethical Toy Program.



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## B3. Development and Training

The Group provides on-the-job training to our employees in order to assist them to adapt to their work and the Group's culture effectively and efficiently. The Group also provides in-house training session as well as subsidies to qualified employees in attending external training sessions to improve their skill and knowledge in performing their jobs and social responsibility knowledge.

Our Financial Services Division ensured their licensed personnel be updated with timely and adequate professional training as required under the Hong Kong Securities and Futures Ordinance by tracking their compliance on the continuous professional training requirements. During the Reporting Period, the Group was not aware of any material non-compliance of such requirements by the licensed persons of the Financial Services Division. There was also offered assistance, including tuition fee subsidy, education allowances for relevant seminar/courses and also reimbursement for relevant professional membership fees to encourage development and training to the staff of the Financial Services Division. Besides, staff were also encouraged to share or circulate public information of industry development/regulatory update as they may obtain from their own information channels.

The Group is aware of the continuous development and updates of relevant laws and regulations. Our Head of Compliance of the Financial Service Division is responsible for gathering all the relevant regulatory changes and he works closely with our Company Secretary to determine the appropriate continuous professional training required for relevant staff and directors to update their knowledge and skills in order to maintain their professional competence and remain fit and proper.

The Group is committed to providing support for our directors, responsible officers, licensed representatives and other employees in continuous professional training and encourages them to attend training programmes organised by various professional bodies.

Furthermore, pursuant to the provision A.6.5 under Appendix 14 of the Main Board Listing Rules, all directors of the Company are required to participate in continuous professional training to develop and refresh their knowledge and skills. During the Reporting Period, all directors of the Company complied with the requirement of the Listing Rules in attending relevant continuous professional training by way of attending business seminars or forum with attendance record provided.

Moreover, the Group required all employees to learn basic fire safety knowledge by circulation of internal information through notice board posting or electronic broadcasting system as well as regular training session to ensure the employees have adequate safety knowledge. Also, there was occasional practice on fire emergency evacuation held at the manufacturing plants and office premises in order to promote the awareness of proper approach of the employees in dealing with emergency situation and hence to ascertain everyone's safety.

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## B4. Labour Standards

Being a responsible employer, the Group strictly prohibits the use of child labour and forced labour in any part of its business operation. Policies and measures have been adopted in relevant operation policies and guidelines in order to ensure that proper review and supervision is in place to avoid the occurrence of such condition.

The Group establishes comprehensive recruitment procedures to prevent employment of candidates under the age of 16. Human resources department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employees are in line with the regulatory requirement. Face-to-face meeting with new employees is arranged before their job commencement to ensure no forced labour. During the Reporting Period, the Group was in compliance with the relevant laws pertaining to anti-child labour in Hong Kong, including the Employment of Children Regulations under the Employment Ordinance in Hong Kong.

For our Toy Division, we imposed the same requirement on our sub-contractors and ascertained that our sub-contractors complied with relevant standards required by our customers, which were fundamentally derived from internationally-recognized standards in compliance with the requirements of the International Council of Toy Industries (ICTI) Ethical Toy Program. Such program is noted to uphold various standards in support of the rights and well-being of factory workers.

During the Reporting Period, our major sub-contractors were recognized with the seal of compliance on the ICTI Ethical Toy Program.

## B5. Supply Chain Management

In order to ensure the Group's product or services not being affected by the quality of the raw materials supplied or support service rendered for our Toy Division, we adhered to the strict requirements imposed by our customers, which were fundamentally derived from internationally recognized standards in certifying qualified suppliers for their environmental, social and governance compliance. Regular assessments were carried out on the Group's qualified suppliers to ensure they comply with the relevant requirements set out by the ICTI and the environmental and labour regulation applicable in their jurisdictions.

During the Reporting Period, the major sub-contractors of our Toy Division were recognized with the seal of compliance on the ICTI Code of Business Practices and the ISO9001 certificates. We were not aware of any material non-compliance incidents caused by our sub-contractors when they were engaged in servicing us.

For our Financial Services Division, we primarily worked with services providers that were duly licensed and recognized by the relevant regulators and authorities such as bankers, fund houses, securities exchanges with proven reputation, track record and expertise.



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## B6. Product Responsibility

In view of our Toy Division mainly serving the internationally recognized branded customers on an OEM basis we strictly comply with relevant product responsibility requirements imposed by our customers. The Group places high importance on the quality, safety and health standards of our products. Stringent quality control inspection procedures are applied on raw materials procurement and suppliers recruitment to product packaging to ensure quality, safety and health standards of the products. We also required our major sub-contractor to have its own physical and chemical laboratories for testing the quality and safety of the raw materials and finished products. These laboratories also obtained accreditation certificates from the China National Accreditation Service for Conformity Assessment and the Consumer Product Safety Commission of the United States.

Regarding the use of labelling on products, the Toy Division strictly adhered to strict requirements imposed by our customers in accordance with the relevant laws to protect the customers and clients' rights. The use of labels and packaging information also fairly presented the characteristics of the products, technical specification and the requirements of the customers.

During the Reporting Period, the Group was not aware of any products sold or shipped which were subject to recalls for safety and health reasons nor were there any customers complaints received by the Toy Division. The Toy Division was also not aware of any material non-compliance with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters, including the Product Quality Law of the PRC, the Products Liability Law of the US and the Consumer Product Safety Improvement Act of the US, during the Reporting Period.

For the Financial Services Division, it was mainly engaged in regulated activities such as securities dealing, advising securities, corporate finance and asset management. We maintain a close monitor to ensure compliance with the standard guidelines and codes issued by the Securities and Futures Commission of Hong Kong ("**SFC**") as the Code of Conduct for Persons Licensed by or Registered with the SFC, Guideline on Anti-Money Laundering ("**AML**") and Counter Terrorist Financing, Fit and Proper Guidelines, Guidelines on Competence, Licensing Handbook and Guidelines on Continuous Professional Training and other circulars and guidance issued by the SFC from time to time. The Financial Services Division has comprehensive policy and procedure on data protection and privacy to ensure compliance with the Personal Data (Privacy) Ordinance. All clients' personal data are collected in accordance with our clients' written consents during account opening. Notice on Personal Data is provided with account opening documents to clients as well. Moreover, we maintain our customer services through hotline, facsimile and emails, for clients to lodge complaint. All complaints received are delivered to the Compliance department for their review and investigation as well as for appropriate response or actions. Furthermore, we conduct know-your-client interviews and product suitability tests for our clients to ensure they understand their risk appetites and only suitable products are offered to them. During the Reporting Period, the Financial Services Division of the Group was not aware of any material non-compliances with the relevant laws and regulations it is subject to and it is not aware of any material complaints received from its customers.

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## B7. Anti-corruption

The Group commits to operating its businesses under a fair, honest with high integrity environment. All management and employees are required to strictly follow the Group's policies in respect on code of conduct to raise the awareness to prevent fraud, bribery or money laundering. Proper guidelines and terms have been incorporated in the staff handbooks and employment contracts and code of conducts in order to convey the Group's message clearly to the employees and management for good practices and compliance with relevant regulations.

The compliance manual of the Financial Services Division has set out the policies and procedures for anti-corruption anti-money laundering. The Financial Services Division and its staff are strictly prohibited from offering, paying, soliciting or accepting any kind of bribe. There are procedures to report any suspicious transactions or fraudulent actions to the Compliance Department and management. All employees are required to read and acknowledge their receipt of this manual. We also conduct know-your-client interviews and due diligence with our clients to understand their background, their businesses, ascertain their sources of funds and examine if they are on any sanction lists using third-party systems.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering including the Hong Kong Prevention of Bribery Ordinance, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance of Hong Kong and the SFC Guideline on Anti-Money Laundering and Counter-Terrorist Financing.

## B8. Investing in Community

The Group treasures the importance of supporting social community in its businesses and its social responsibilities towards the community. During the Reporting Period, the Group made donation to Vocational Training Council of Hong Kong in the form of a scholarship titled "Outstanding Industrial Attachment Scholarship 2018/19" established for the purpose of awarding VTC students who achieved outstanding performance during their industrial attachments.

The Group is not aware of any laws and regulations applicable to it in investing in community.

## CORPORATE GOVERNANCE

For details on corporate governance matter of the Group, it can be referred to pages 9 to 18 of the Corporate Governance Report included in the Annual Report 2019 of the Company.