



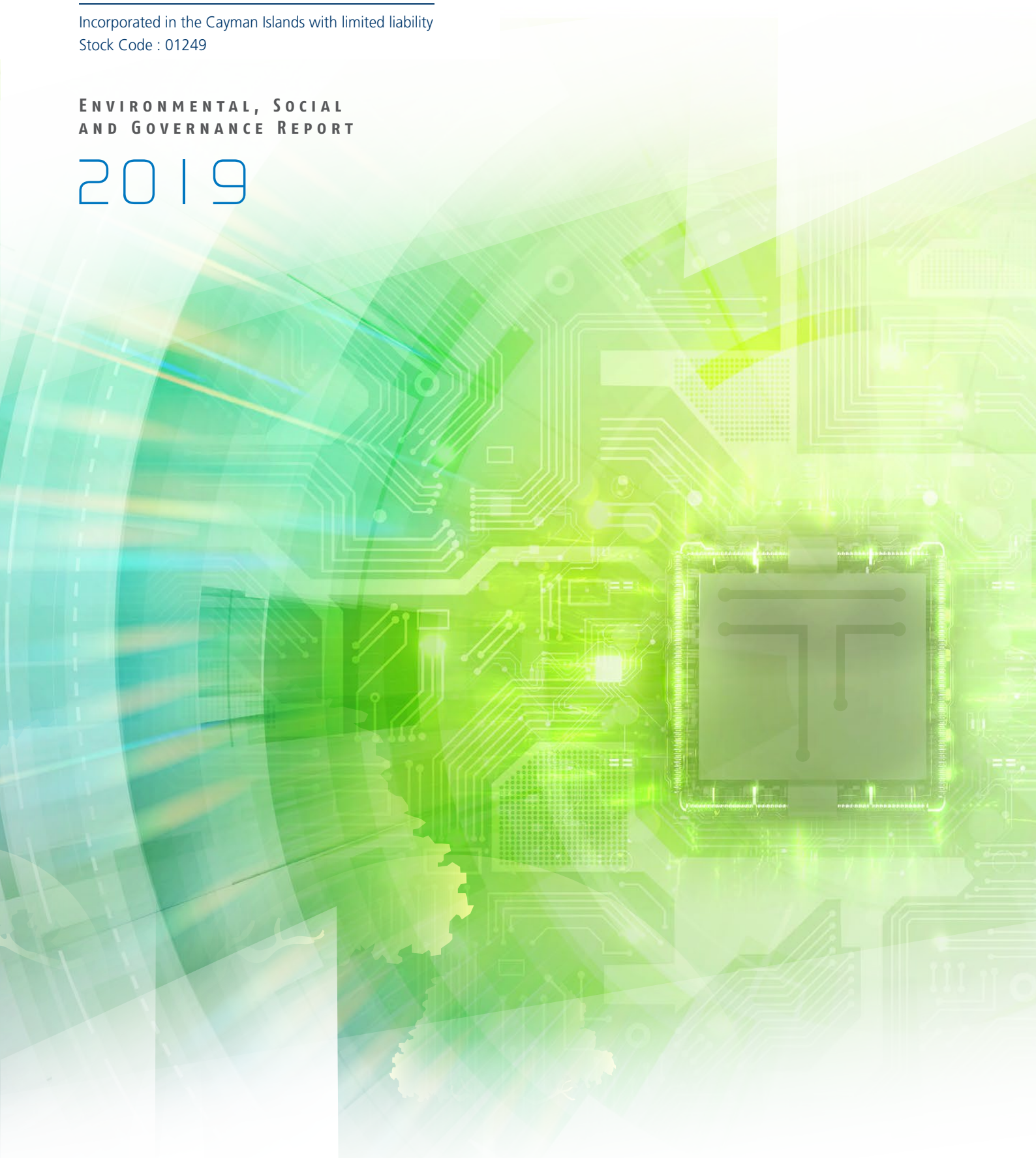
TONLY ELECTRONICS HOLDINGS LIMITED

通力電子控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 01249

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2019



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I. ABOUT THIS REPORT

1.1 INTRODUCTION TO THE REPORT

This is the 2019 annual Environmental, Social and Governance (hereinafter referred to as "ESG") Report (hereinafter referred to as "ESG Report" or "this Report") of Tonly Electronics Holdings Limited ("Tonly Electronics" or the "Company", and together with its subsidiaries be referred to as the "Group" or "We"). This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This Report covers the Group's activities, challenges and measures adopted in the ESG aspect from 1 January 2019 to 31 December 2019 (the "period under review" or "2019"), elucidating in full the performance and management policies in respect of corporate social responsibilities during the period under review with discussions focused on issues concerned by stakeholders, as well as how the Group embodies its sustainable development in respect of economy, environment and community.

In preparation for this Report, the Group made adequate communications with our stakeholders with an aim to making sure that the information contained in this Report conforms to the requirements of four reporting principles in terms of materiality, quantification, balance and consistency. The Group will continue to enlarge its scope of disclosure to enhance its performance and disclosure of matters in relation to sustainable development.

1.2 SCOPE OF THE REPORT

The ESG policies and management initiatives contained in this Report are applicable to Tonly Electronics and all of its wholly-owned subsidiaries. Unless otherwise specified, data listed in this Report only covers the Group's operational location in Huizhou, the People's Republic of China ("PRC"). The operational location in Huizhou is the Group's principal production base where most of the staff work, and therefore we believe that data derived from the operational location in Huizhou is adequate in covering the general situation of the Group.

1.3 COMMENT AND RESPONSE

We welcome comments from all stakeholders on the Group's performance and management policies in respect of sustainable development. We can be reached via the following contact methods:

Tel: (852)2437 7460

Email: ir@tonlyele.com

2. CHAIRMAN'S STATEMENT

I, on behalf of Tonly Electronics, am pleased to announce the fourth ESG report of the Group for the year ended 31 December 2019, which sets out the sustainability performance and achievement of the Group in respect of the environmental protection, caring for the staff, corporate operations and social engagement in 2019.

With its specialisation in the development and application of electro-acoustic and smart product technology, Tonly Electronics is committed to becoming a globally leading comprehensive solution and service provider of innovative smart products. We have always been devoted to providing customers with quality products and carrying through the concept of sustainable development in our splendid course of development over a decade. While aspiring after operational effectiveness, the Group is able to minimise impacts on the environment and to create values of sustainable development for the communities where our businesses are located.

A green enterprise represents the irresistible general trend of long-term corporate sustainable development. With a mission to alleviate the negative impact by the operation on the environment, Tonly Electronics minimises its negative impact on the environment. We promote energy conservation, reduction of water and electricity usage and treatment of hazardous and non-hazardous wastes generated in the course of operation scientifically and effectively to minimise adverse impacts that our production and operation may have on the environment. By establishing the ISO14001 Environment Management System, the Group has developed the "Management Standards for Environment-related Substances to be Controlled", which provides clear and detailed requirements and explanations on electronic products and related materials, accessories and packaging materials. We have also appropriated a fixed amount of fund for energy conservation with a working group in place to ensure orderly implementation of energy conservation work. In the future, we would spare no effort in unfolding EP work and performing our unwavering commitment to environmental protection.

Apart from environmental protection, Tonly Electronics upholds the principle of Quality First. The Group always adheres to the business philosophy of R&D and innovation, prompt response to customers and stringent quality control in the cooperation and win-win situation with our customers, so as to acquire customers' high recognition. To this end, the Group has established an internal sound quality assurance ("QA") mode to cover and effectively monitor the entire business process including product development, trial and mass production, delivery and market feedback. To enhance the quality and satisfactoriness of our after-sale services, we have also devised the "Handling Procedures of Customer Complaints", so as to expedite the handling of customer complaints and live up to expectations that every customer may have for Tonly Electronics.

2. CHAIRMAN'S STATEMENT

Tonly Electronics knows well that corporate sustainable development is inevitably linked to sincere support from and long-term cooperation with business partners, and that only by development in an all-win situation would values created by an enterprise be maximised. In this regard, we strive to forge a multi-win situation among Tonly Electronics, customers and suppliers. While maintaining a good and long-term cooperative business relationship with suppliers, the Group also pays attention to the continued improvement of the social responsibility that our supply chain should bear. In order to continue to augment the supply chain's awareness of social responsibility and relevant capability, the Group has developed different policies and monitoring system for the management of first-time suppliers as well as the management of environmental and social risks of the supply chain, which promote the domestic procurement and put forward the requirements to suppliers in relation to energy conservation, emission reduction and environmental protection, thereby motivating ourselves as well as the suppliers to formulate proper environmental policies.

As a listed company, Tonly Electronics has always placed great emphasis on fighting corruption and advocating probity, adhering at all times to business ethics, persisting in operating with integrity and complying strictly with business behaviour standards, such as the explicit prohibition on receiving illicit payments by staff in whatever manner. We believe that practicing a corporate governance and supervisory system of high standard is the driving force for the Group's sustainable and healthy development. We have all along also stuck to our commitments on corporate sustainable development and corporate social responsibility. The Group has put social responsibility affairs as one of its priorities, established a documented social responsibility management system and adopted a dynamic cycle of "planning, implementation, examination and assessment" to improve our social responsibility management system continuously.

Adhering to the concept of "assuming social responsibility and to be a responsible corporate citizen", we understand that an enterprise has a greater responsibility to contribute to and support the community. Tonly Electronics has played an active role in encouraging staff to take part in public welfare activities, such as organising staff to take part in charitable activities like voluntary tree-planting, and so forth, so as to create sustainable social values hand in hand.

Looking ahead, Tonly Electronics would keep firmly in mind its corporate missions of "Generating profits for shareholders. Creating values for customers. Providing opportunities for employees. Assuming social responsibility", focus on providing customers with products with higher quality-price ratio and services that are more attentive and generate greater values for cooperation partners, while reinforcing continuously the discharge of corporate social responsibilities to attain the goal of sustainable development.

Tonly Electronics Holdings Limited

LIAO Qian

Chairman

3. ABOUT TONLY ELECTRONICS

3.1 OUR BUSINESS

Tonly Electronics was established in 2000. In 2002, the Group started its original design manufacturing (the "ODM") business of video products and gradually actualised the transformation into a diversified product portfolio, including video, audio, smart voice and other types of products.

The Group is committed to becoming a globally leading comprehensive solution and service provider of innovative smart products. With its specialisation in the development and application of electro-acoustic and smart product technology and its rapid mass manufacturing capacity with high quality-price ratios, we provide its cooperation partners with one-stop comprehensive solutions in respect of audio and electroacoustic products. With its high-quality products and its expeditious services rendered in ODM and original equipment manufacturing (the "OEM") businesses, and adhering to the concept of win-win and joint growth, the Group has built solid partnerships with a number of internationally and domestically renowned brands. Through customers' sales network, our various products have been sold to Europe, North America, Asia, Latin America and other parts of the world.

The Group has an R&D team of approximately 900 members including experts in different fields, which possesses strong capabilities in pre-research, audio & video product development, electro-acoustic product development and software development, and has established R&D centres in Shenzhen, Huizhou, Xi'an and other places. The Group owns extensive technologies and has years of experience in design cooperation with domestic and overseas renowned corporations, allowing it to quickly grasp market and technology trends and provide comprehensive design solutions.

The Group has established its global manufacturing base in Huizhou city, Guangdong province and manufacturing facilities overseas. We own industry-leading production lines and advanced test equipment. By maintaining an efficient global supply chain management system and with the flexible production management technology, the Group can satisfy its cooperation partners' diversified demands. In light of the vast development potential of smart products, and in addition to continued transformation and upgrade of its audio and video businesses, we will accelerate the development of smart product market and in the meantime strengthen collaborations with strategic partners and further our resource input in expanding the smart business, in the R&D of various innovative products and in actively opening up of the field of application.

3. ABOUT TONLY ELECTRONICS

3.2 CORPORATE GOVERNANCE

The Group has always been devoted to generating values for shareholders and providing customers with quality products. We aim at achieving a high standard of corporate governance and business ethics in pursuing its mission of becoming the world’s important participant in the AV and smart speaker industry. Pursuant to the code provisions of the code on corporate governance as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange, the information of the Group’s corporate governance practice is set out in the corporate governance report of the 2019 annual report as the guidelines for corporate governance of the Company, and steps have been taken to comply with the code wherever appropriate.

The corporate culture of the Group is set out below:

Vision

To be a globally leading total solution and service provider of the innovative smart products

Missions

Generating profits for shareholders

Creating values for customers

Providing opportunities for employees

Assuming social responsibility

Work Theme

Focus on market needs

Help staff enjoy work

Promote staff development

3. ABOUT TONLY ELECTRONICS

3.3 BUSINESS HIGHLIGHTS 2019

2019 was an unusual year for the development of the PRC's economy or even global economy. The Sino-US trade tariffs issue has been changeable, trade barriers arose around the world and certain PRC enterprises were included in the entity list of the US, all of which have posed significant challenges to the economic development of the PRC and the world. Nevertheless, in 2019, the PRC's gross domestic product (GDP) amounted to RMB99,086.5 billion, which reached US\$14,400 billion (converted at the annual average exchange rate) and remained the second place in the world with a year-on-year increase of 6.1%. Such growth met the expected target of 6.0%-6.5% and contributed to approximately 30% of global economic growth.

With regard to industry development, according to a report published by Strategy Analytics, a third-party market analysis institution, the global sales volume of smart speakers reached 146.9 million units in 2019, representing an increase of 70% as compared to 2018 and setting a record high. Among other things, although Amazon and Google still ranked the first and second in terms of shipments, their respective market shares reduced significantly as compared to the same period last year. Meanwhile, Chinese brands maintained their strong momentums with the market shares of Baidu, Ali (阿里) and Xiaomi still rose steadily. As for True Wireless Stereo (TWS) earphones market, according to the information from Counterpoint, a market research institution, the global shipments of TWS earphones was 120 million units in 2019, representing a year-on-year growth of 160% and a market size of approximately US\$15 billion, of which Apple AirPods occupied the dominant position, while other brands were also improving.

3. ABOUT TONLY ELECTRONICS

BUSINESS REVIEW

During the period under review, the Group recorded a turnover of approximately HK\$8,146.6 million, representing a year-on-year growth of 11.6% which was primarily due to the growth in the new audio, smart audio speaker, headphones and ancillary product businesses. Gross profit amounted to approximately HK\$1,095.5 million, representing a year-on-year growth of 31.7%. Gross profit margin increased by 2.0% from 11.4% in the same period last year to 13.4%, which was attributable to the improvement of production layout and efficiency as well as the decrease in cost of certain raw materials. Benefiting from the increase in turnover and gross profit margin as well as effective cost control, profit attributable to the owners of the parent company during the period under review increased by 20.4% year-on-year to approximately HK\$268.7 million.

During the period under review, the Group implemented cost reduction and efficiency enhancement measure at all departments and centres in order to enhance inter-department synergy and maximise the productivity of production lines and equipment. The production system personnel were enhanced. An asset shared-management mechanism was established to enhance the reusability of assets and reasonably eliminate obsolete equipment and equipment with outdated technology, which enhanced the utilisation rate of assets. The Group has established subsidiaries in Vietnam to construct its own overseas plant, so as to continuously enhance the overseas supply chain capacity and to extend its vertical integration capability overseas. In order to further improve productivity, the Group also continued to enhance production automation and its digitisation capability.

During the period under review, the Group endeavoured to develop its audio product, smart product and ancillary product businesses, among which products including smart speakers, headphones and soundbars grew rapidly. Based on the analysis by product category, the turnover of the Group's audio products, headphones, video products, IoT related products, ancillary products and other businesses amounted to approximately HK\$5,823.9 million, HK\$1,055.2 million, HK\$211.0 million, HK\$128.3 million, HK\$786.6 million and HK\$141.6 million respectively, representing a year-on-year increase of 5.1% and 49.7%, a decrease of 46.8% and 20.4%, an increase of 70.1% and 306.7% respectively.

3. ABOUT TONLY ELECTRONICS

During the period under review, benefiting from the rapid growth in the global market of smart products and the advantage of leading product technology and the initial market layout, the smart product business of the Group maintained growth and the proportion of the revenue generated by it to the total turnover increased to 16.3%. Meanwhile, the ancillary product business which is ancillary to the smart product business also benefited from the overall market growth, especially in respect of precision plastic injection, structural parts with new form and speaker units, all of which achieved remarkable results. In addition, with the shipments of Bluetooth headphones of the Group maintaining rapid growth, the Group has achieved large-scale shipments for TWS earphones and enhanced technology development of active noise reduction and voice interaction functions. The Group continued to consolidate its leading position of Bluetooth speakers and enhance its market share of soundbars.

PRODUCT RESEARCH AND DEVELOPMENT (“R&D”) AND INNOVATION

The Group has been committed to product R&D and innovation. During the period under review, the Group’s R&D expenses amounted to HK\$370.4 million, accounting for 4.5% of its total revenue. The Group has its own R&D bases in Huizhou, Shenzhen and Xi’an. Each R&D base carried out R&D works by regions, focusing on different basic modules, product categories and forward-looking technology. Leveraging on voice technology advantages from domestic and overseas ecological chain, it actively developed and reserved new products and technology. The Group continued to devote more R&D resources to smart products epitomised by smart voice speakers and gradually established the development capability for ancillary products which are ancillary to the smart products.

In respect of the smart voice eco-platform, the Group maintained close cooperation with internet enterprises with global mainstream voice platforms and continued development of latest technologies and product coordination on the basis of mainstream voice platforms. The smart audio speaker market continued to grow and gradually developed and diversified various ecological scenes centring this market. With the integration of various human-device interactions such as voice, vision and touch and the perception, comprehension and decision-making ability of AI, a smart home in the 5G era is created. In respect of the transformation of technology and interaction method, smart audio speaker has been gradually transforming from sole-audio interaction to “audio + visual” diversified interaction. Screen-equipped smart speaker jointly developed by the Group and its customers breaks the limitation in respect of audio interaction function and content display and allows smart products to acquire audio and visual abilities.

3. ABOUT TONLY ELECTRONICS

The Group constantly develops diversified smart products and, by leveraging on its extensive experience in professional electro-acoustic design and pioneer advantages in smart speakers, the Group constantly innovates in product development to enhance the overall competitiveness of the Group and capture potential market opportunities. The Group also believes that future voice technologies will not only be limited to smart speaker products, but may also be utilised by various types of products that require voice access. Therefore, in addition to strengthening the R&D and innovation of smart voice speakers, the Group also actively explores and applies ecological ancillary products in respect of cross-field utilisation of smart voice. Apart from outstanding design and R&D, smart products that provide user-friendly experiences also require comprehensive automated testing capabilities. The Group has also established a number of automated test laboratories for smart products to better meet customer needs.

During the period under review, the Group has been enhancing its active noise reduction technology and developed various mid-to high-end earphone products with active noise reduction functions. The headphone business has maintained rapid growth. In 2019, TWS master chip manufacturers launched new generation upgraded products specially designed for Android platforms with a view to achieving dual wireless connection. Represented by the projects of Qualcomm, Bestechnic and Airoha, the TWS earphone market has experienced explosive growth. The Group has been constantly expanding the TWS earphone products development team. Combining active noise reduction and voice interaction technology and leveraging on its outstanding electroacoustic capability, the Group's TWS earphone products have realised large-scale shipments.

CUSTOMER AND MARKET EXPANSION

The Group continues to uphold the philosophy of innovation in R&D, swift customer response, and strict quality control. The Group received high recognition from customers during the process of cooperation with customers towards mutual benefits. The Group has collaborated with many well-known audio and video brands all over the world for years, and has built a strong customer base. With the rapid growth of the smart voice market, the Group can leverage on its R&D strengths in this field to better serve its customers and capture market growth opportunities together with its customers.

In the meantime, the Group will continue to eagerly expand its Internet customer base and strive for more diversified business cooperation opportunities to facilitate speedy development of smart voice Eco platform of internet customers. As global voice eco-platform advances and matures, more brands have launched or will soon launch smart products with audio interaction (including but not limited to smart speakers), and the Group will also leverage on its pioneer advantages in smart voice technologies and the foundation for cooperation in each voice eco-platform to develop a variety of ancillary products in the smart voice ecosystem.

3. ABOUT TONLY ELECTRONICS

PRODUCTION AND SUPPLY CHAIN MANAGEMENT

The Group used Huizhou Zhongkai as a core base and moulding centre integrating research, production and sales. After the commencement of operation of the new plant at Phase Two of Second Plant on land parcel No. 41 in March 2019, the externally rented factories and warehouses of the Group gradually moved back to the new plant and certain space was reserved for the production of new products, which were beneficial to the enhancement of overall production management and efficiency and reduced external rental expenses. The Group's Huizhou Puli Electroacoustic Tongqiao Industrial Park was also put into operation, forming a comprehensive industrial chain integrating carpentry, speaker assembly, high-end wooden boxes, speakers, and plastic injection. At the beginning of 2019, in order to enhance the overseas supply chain capability and to proactively respond to the potential impact of the U.S. tariff on the export of the Group's products, the Group purchased industrial land of over one hundred thousand square meters in Vietnam to establish its own overseas plant which the Group would strive to commence operation in the second half of 2020.

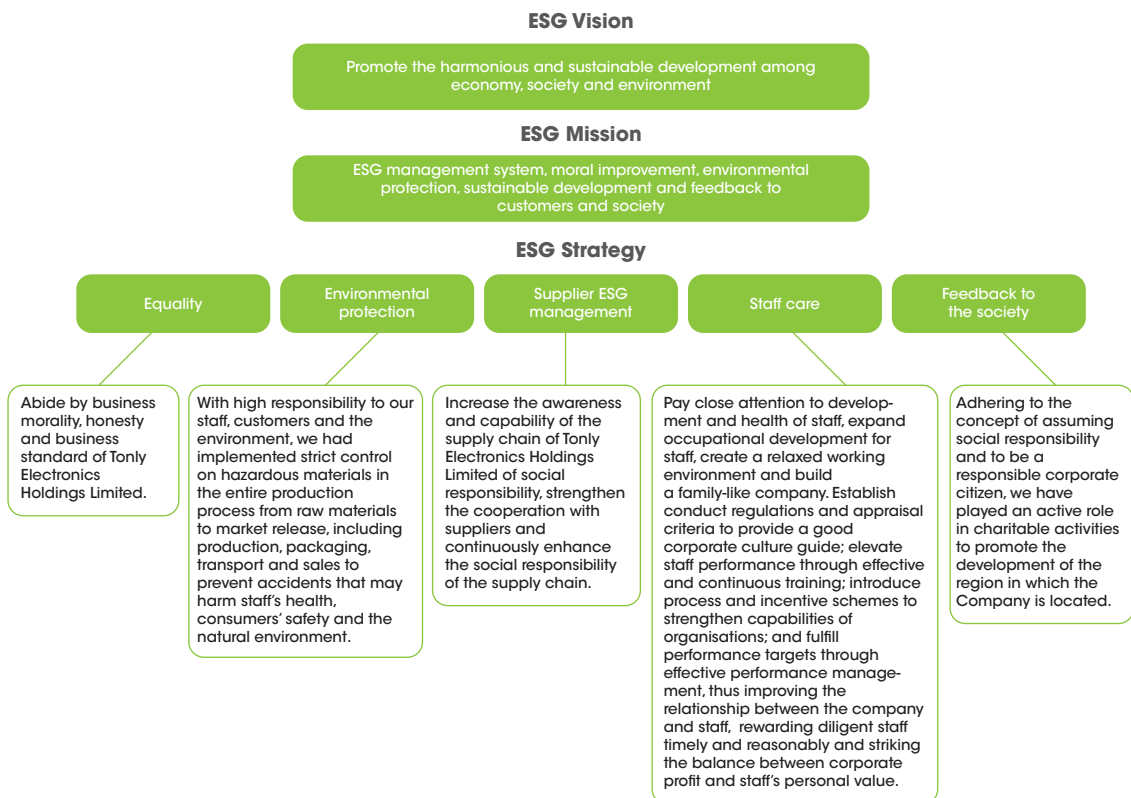
The Group is not only equipped with R&D and production abilities, but also possesses vertical integration capability of the supply chain, which enables the Group to provide customers with speaker units and sophisticated structural parts. With hot sale of smart products continuing throughout the world, the Group's ancillary business has experienced rapid growth. During the period under review, the Group continuously enhanced its capabilities in speaker units and structural components, especially the structural parts with new form related to precision moulding. Meanwhile, with the explosive growth of TWS earphone products, small forms of structural parts have experienced rapid growth and the Group has been continuously enhancing its developing capability regarding small forms of structural parts.

To tackle the labor shortage and salary increase problems in the PRC in a proactive manner, the Group continued to optimise its human resources system and establish overseas productivity. During the period under review, the Group continued to increase the proportion of automated equipment and strengthened the stability of skilled workers to boost its per capita production efficiency steadily. The Group has introduced automated test systems and automated packaging systems to facilitate a streamlined, automated, digitalised and informationised production to improve operational efficiency and quality. The Group is also dedicated to optimising the equipment and management system of its production plant. The Group implemented smart warehouse logistics management based on an industrial intelligence system, to closely integrate all aspects of supply chain, production, and logistics while enhancing the actual production capacity of the Huizhou production base.

4. OUR ESG CONCEPTS

4.1 ESG DEVELOPMENT STRATEGY

Adhering to the corporate mission of “Generating profits for shareholders. Creating values for customers. Providing opportunities for employees. Assuming social responsibility”, the Group has integrated ESG management policies in a sustainable fashion into the business model of the Group. We are committed to balancing development and interests in all aspects, while creating a corporate atmosphere of caring for employees and caring for society, we continue to develop products with environmental protection, energy conservation and sustainable development characteristics. We firmly believe that environmental protection, low carbon, resource protection and sustainable development will become the general trend of society. By continuously and steadily meeting customer needs and contributing to society, the Group will become a high-tech supplier of smart and ancillary products with industrial competitiveness that will promote the long-term development of the Group.



4. OUR ESG CONCEPTS

4.2 ESG SYSTEM CERTIFICATE

To ensure the effective implementation of ESG development strategies, the Group attaches great importance to the establishment of various management systems. Relying on the certification of various international systems as the basis, and continuous enhancement of internal management in the process of cooperation with customers, the Group formulates and implements sustainable development strategies at all levels. Presently, we have obtained the following major system certifications:

- ISO 9001: 2015 Quality management systems certification
- ISO 14001: 2015 Environmental management systems certification
- IECQ QC 080000: 2017 Hazardous substance process management certification
- ISO 45001: 2018 Occupational health and safety management systems certification
- IATF 16949: 2016 Automotive quality management system certification
- The Validated Audit Process (“VAP”) reviewed by Responsible Business Alliance (“RBA”)

Certificates of ESG Management System



ISO 9001



ISO 14001



IECQ QC 080000



ISO 45001



IATF 16949



VAP

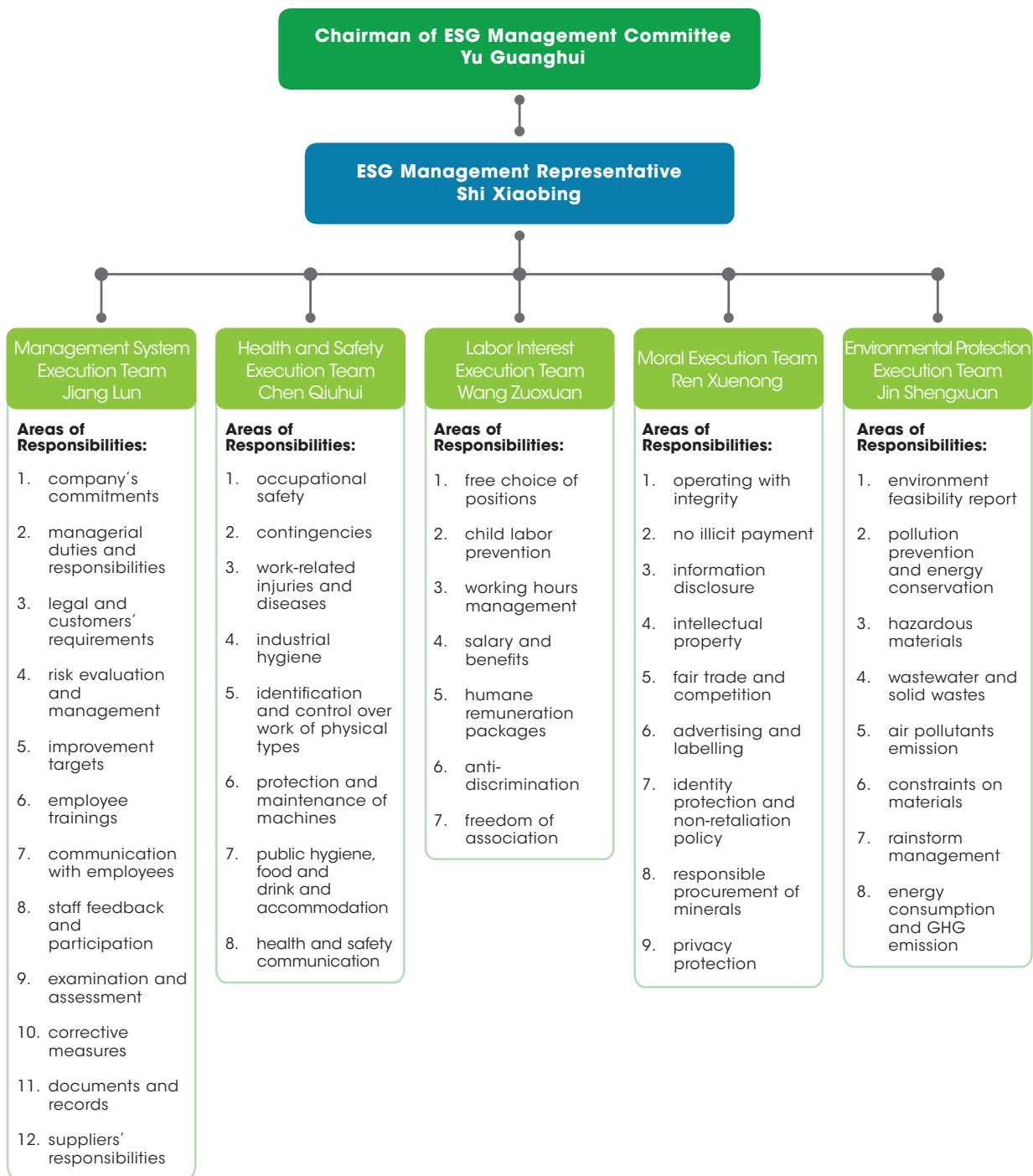
4. OUR ESG CONCEPTS

4.3 ESG MANAGEMENT SYSTEM AND ORGANISATION STRUCTURE

To ensure effective implementation of the ESG development strategies, the Group has established a rigorous internal monitoring system, developed an ESG management system which fulfils both actual needs of the enterprise and the development direction, and established an internal top down ESG work management structure in the Group. The ESG Management Committee was established to oversee ESG issues; identify, evaluate and manage material ESG issues; and review progress on ESG issues of the Group under the supervision of the board of directors. The members of the ESG Management Committee include our executive director as the chairman, quality control supervisor and the heads of all departments. In order to improve the monitoring efficiency, the ESG Management Committee has set up five executive teams in respect of management system, health and safety, labor interests, ethics and environmental protection and clearly defined their respective responsibilities and division of work. These provide the Group with organisational level, systematic level and management level support in respect of its social sustainable development.

Our management system is also recognised by the international standards. We have passed the VAP reviewed by the RBA and established the ESG Management Committee based on the five key points of the RBA code of conduct. Meanwhile, we have established a greenhouse gas ("GHG") management system based on ISO14064 to inspect GHG emission. We implemented measures for reduction of GHG emission based on the inspection results, such as management for energy consumption goal, development and use of renewable energy and green production to reduce the environment and climate impact of the GHG emission by the Company on global warming, in an endeavour to promote the sustainable corporate social responsibilities.

4. OUR ESG CONCEPTS



4. OUR ESG CONCEPTS

4.4 STAKEHOLDERS ENGAGEMENT AND SIGNIFICANT ESG ISSUES

The Group attaches great importance to the stakeholders and their comments on the ESG issues. In order to understand and respond to the issues concerned by the stakeholders, we understand the demands and recommendations of different parties through various channels and means in order to fulfill all kinds of responsibilities. We considered that stakeholders are organisations or individuals who are able to influence the decisions and activities of an enterprise or those affected by such decisions and activities. We adhere to the principles of integrity, interaction and equality and proactively push forward and optimise the communication and participation mechanism of stakeholders. Significant importance has been attached to the communication with stakeholders and the financial reports and the ESG reports are regularly published. Information disclosure has been constantly enhanced through the Company's website, internal publications and otherwise to establish and optimise the open and transparent communication and participation mechanism. We proactively build up stakeholder communication platforms to promote stakeholder participation in the Group's responsibility practices. While formulating its decisions, it gives stakeholders' requests due consideration and introduces internal and external inspection mechanism in order to achieve efficient and transparent decision making.

The Group's key stakeholders comprise investors and shareholders, customers, government organisation, third-party qualification organisation, suppliers and other collaboration partners, society and non-governmental organisations (the "NGO"). The Group would like to express its gratitude to all stakeholders for their lasting support and help. In daily operations, we integrate participation of stakeholders into the Group's management systems and business process, and continuously improves and consummates all systems and management mechanism. We deeply understand and attach significant importance to stakeholders' needs and expectations. Through various communication channels, we can understand the change of stakeholders anytime and constantly make self-adjustment in order to achieve mutual development of the Company and the society and environment. The communication channels between the Group and key stakeholders, expectations and communication results are as follows:

4. OUR ESG CONCEPTS

Stakeholders	Communication channels	Expectations	Communication results
Investors and shareholders	<ul style="list-style-type: none"> Annual meeting of strategies Information disclosure of financial report Announcement and circular 	<ul style="list-style-type: none"> Cost control Profit maximisation Establishment of energy conservation, emission reduction, green production and environmental protection system Corporate sustainable development 	<ul style="list-style-type: none"> Control wastes, purchase components according to clients' order, check timely, and control product cost Headphone transformation, vertical integration and automation Saving energy and reducing cost
Customers	<ul style="list-style-type: none"> Customer satisfaction survey Business meeting and project meeting Company website 	<ul style="list-style-type: none"> Competitive prices Provision of secure, environmentally-friendly and quality products Satisfying and providing timely solutions for clients' complaints 	<ul style="list-style-type: none"> Identification and assessment of clients' needs, control over transition of internal production processes Adherence to the concept of life cycle and design and production of environmental products
Staff	<ul style="list-style-type: none"> Activities of labor union Monthly communication meetings Quarterly communication meetings for new employees Employee newsletter and broadcasting Suggestion box Satisfaction survey Staff Seminars 	<ul style="list-style-type: none"> Harmonious and stable working environment and a just, fair, transparent and discrimination-free management system Safeguard of staff interest Staff career development Staff value achievement Staff health and safety 	<ul style="list-style-type: none"> Providing opportunities of training and learning, CTS personal development plan Making the talent building plans according to the actual needs of the departments, and formulating training plans, which shall be implemented by the responsible departments Setting up the labor union, increasing the entertainment facilities, organising labor union activities regularly and enriching leisure time of the staff Optimising salary system Providing annual health check, inspection of occupational risk and personal protective equipment (the "PPE") etc. Carrying out poverty alleviation activities Installation of exhaust treatment and ventilation facilities, reducing or prohibiting the usage of toxic and hazardous substance and monitoring work environment

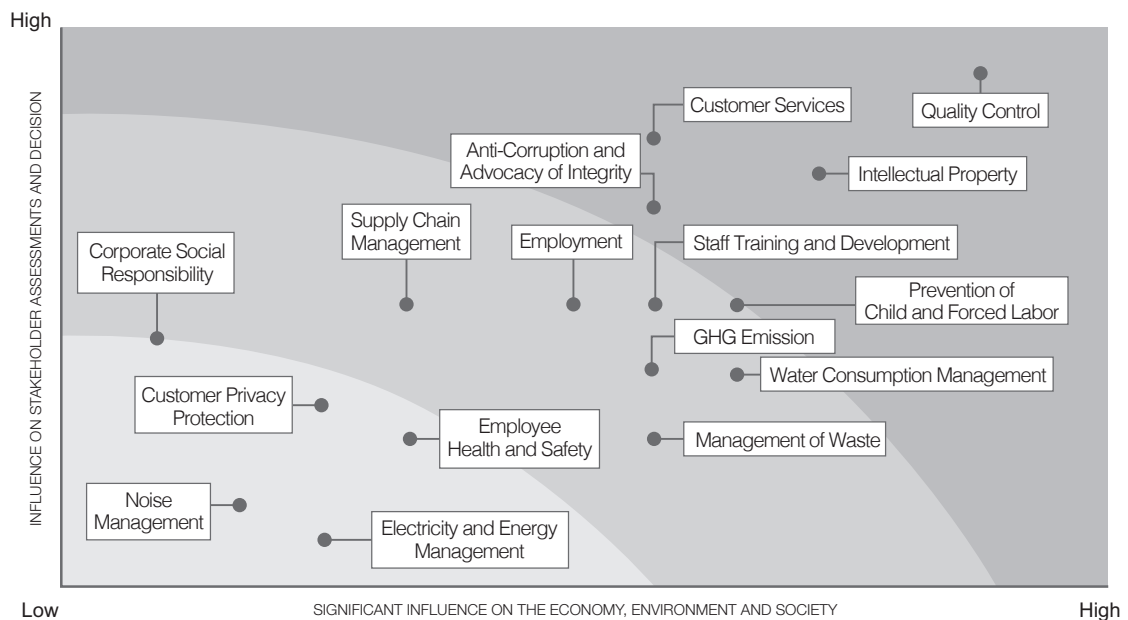
4. OUR ESG CONCEPTS

Stakeholders	Communication channels	Expectations	Communication results
Governmental organisation	<ul style="list-style-type: none"> • Inspection and monitor by government organisations • Inspection of security standards 	<ul style="list-style-type: none"> • Safe production • Energy conservation and emission reduction 	<ul style="list-style-type: none"> • Regular training for staff members in relation to safe production knowledge, regular inspection for safe production
Third-party qualification organisation	<ul style="list-style-type: none"> • Participating in interactive activities including conferences, forums etc. • Product safety inspection 	<ul style="list-style-type: none"> • Annual improvement of the system, and the appropriateness, sufficiency, efficiency of operation, products inspection and no complaint on product quality and no negative exposure 	<ul style="list-style-type: none"> • Rigorously following up on non-compliant certificates and recommendation from the evaluation of certification institutions • Setting up the management plans of the hazardous wastes, and controlling from suppliers, purchase, process and storage in the full supply chain
Suppliers and other collaboration partners	<ul style="list-style-type: none"> • Convening suppliers' meeting • Disclosing relevant information 	<ul style="list-style-type: none"> • Fair cooperation, mutual benefits in promoting the sustainable development of social responsibilities in the supply chain • The suppliers expecting to collect packaging materials to reduce waste 	<ul style="list-style-type: none"> • Signing relevant agreements
Society and NGOs	<ul style="list-style-type: none"> • ESG Report • Visits in community 	<ul style="list-style-type: none"> • Building good relationships, not to pollute and affect (air, noisy etc.) the environment • No fire, explosion or other events that implicates the safety of the surroundings • Supporting the education and the public health 	<ul style="list-style-type: none"> • Strictly running the ISO 14001 and ISO 45001 system, implementing in accordance with the system requirement and the laws and regulations and to monitor regularly • Carrying out target standard management for fire and chemicals and carrying out safety inspection to minimise probability of accidents

4. OUR ESG CONCEPTS

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, we have adopted a systematic method to conduct an annual assessment of key aspects, and invited the stakeholders of the Group to participate in the importance survey to rate potential major issues with reference to the business development strategies of the Group and industry practices. We analysed the results of the importance survey into an importance matrix. The identified important issues and concerns of the stakeholders had been reviewed and discussed with the management and disclosed in this Report. During the period under review, the importance matrix of the Group was as follows:

2019 Materiality Assessment Matrix of Tonly Electronics



The most important issues of the Group were quality control, intellectual property rights, and customer services. The Group regards the assessment results of important areas as important indicators of our overall plan for smart products and the future planning of service providers, as well as ESG policies. We formulated a series of goals aimed at strengthening the ESG strategies and promoting sustainable development of the Group. In 2019, the Group confirmed that it had established appropriate and effective management policies and internal control systems for ESG matters, and confirmed that the disclosed data met the requirements of the reporting guidelines.

5. ENVIRONMENTAL PROTECTION (EP)

With the aim of reducing the impact of operations on the environment, the Group attaches importance to responsible environmental management, and adopts establishing a sustainable natural environment as the basis of the existence and development of enterprises. The Group understands the potential impacts of our business operations on the environment. Therefore, we actively fulfilled our social responsibility to protect the environment and integrate sustainable development into the policy formulation and operation process to implement the concepts of energy saving, emission reduction and green production, and minimise the negative impact on the environment. The Group strictly complied with laws and regulations regarding exhaust gas and GHG emission, sewage discharge to water and land, and generation of hazardous and non-hazardous wastes, including but not limited to the Law of the PRC on Prevention and Control of Solid Waste Pollution Environment (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》). During the period under review, the Group was not aware of any major violations of laws and regulations related to exhaust gas and GHG emission, sewage discharge to water and land, and generation of hazardous and non-hazardous wastes that may have a significant impact on the Group.

We formulated and implemented environmental protection policies, and established relevant environmental protection internal control mechanisms in the workplace and operations. Through ISO 14001 environmental management system certification and IECQ QC 080000 hazardous substance process management certification, we established the "Environmental Substance Management System", clarified the communication mechanism and monitoring mechanism, and formulated the "Environmental Management Substance Standard" and related system documents. The standard provides clear and detailed regulations and instructions on materials, auxiliary materials, packaging materials, etc. for electronic products, in order to carry out environmental protection routine business operations, and raise the awareness of environmental protection among employees and comply with relevant laws and regulations, minimise or even refrain from using substances which are harmful to the environment. The Group will update standards in a timely manner based on actual conditions to better guide production operations and promote compliance. The environmental policy formulated by the Group aims to set the outline for environmental protection efforts. During the operation of the system, from the procurement of raw materials, product design, production, storage, transportation and delivery, to treatment after product usage, the environmental impact control was implemented throughout the life cycles of products.

5. ENVIRONMENTAL PROTECTION (EP)

The Group firmly believes that sustainable development is the global trend in the future. With the increasing awareness of investors and consumers on environmental protection and the maturity of environmental regulations, the environmental management system of the Group will encounter various new challenges. With the goals of satisfying customers and being recognised by society, we will continue to improve our management system, actively respond to future opportunities, continue to lead the ODM industry, fulfil our firm commitment to environmental protection, and contribute to the sustainable development of the environment.



5.1 EMISSIONS

During operation process, the Group's major emissions include GHG, sewage and wastes. We strive to mitigate the impact to the environment by implementing various environmental policies and encouraging emissions reduction practices.

EXHAUST GAS EMISSION

The amount of relevant air pollutant emission produced by the Group during the business operation was not significant, but we still try to reduce the exhaust gas generated from business operations as much as possible. All fuel forklifts in the factories of the Group were replaced with electric forklifts to reduce vehicle exhaust emissions. Each factory is also equipped with an exhaust gas filtration system. Exhaust gases generated during production are filtered and discharged, and the exhaust gas is regularly monitored. For the air pollutant emission of forklifts, we have also actively taken emission reduction measures, including monthly maintenance of our vehicles, and the elimination of non-compliant vehicles according to regional emission policies, thereby reducing carbon emissions and exhaust gas emission.

5. ENVIRONMENTAL PROTECTION (EP)

GREENHOUSE GAS EMISSION

The main GHG emission of the Group comes from the direct GHG emission (Scope 1) caused by the gasoline consumed by the fleet, the diesel consumed by the backup generator, the natural gas used by the canteen pipeline and the refrigerant consumed by the operation process, energy indirect GHG emission (Scope 2) caused by purchased electricity, and other indirect GHG emission (Scope 3) caused by business trips of employees. In order to facilitate the development of the country's overall GHG reduction strategy to achieve the sustainable development goals of energy saving and carbon reduction, the Group has formulated the "GHG Investigation and Management Standards" to reduce energy use, thereby reducing GHG emission, and enhancing its corporate image. The standards strictly monitors and manages the GHG generated during the entire production and operation of the Group. We encourage employees to replace non-essential overseas business trips by video conferencing. If business travel is inevitable, we encourage employees to use direct flights to reduce carbon emissions caused by each flight.

Compared with 2018, the total amount of GHG emission in 2019 increased to approximately 28,127.56 tonnes of carbon dioxide equivalent. Based on this report, on one hand, the disclosure of other indirect GHG emission (Scope 3) caused by the employee's business travel has been newly added. On the other hand, due to the newly added GHG emission caused by the refrigerant, the direct GHG emission (Scope 1) also rose. In addition, the revenue of the Group increased in 2019 and the power consumption increased accordingly, resulting in an increase in energy indirect GHG emission (Scope 2). During the period under review, the performance of the GHG emission of the Group is summarised as follows:

Indicator ⁽¹⁾	Unit	Emission
Direct GHG emission (Scope 1)	tCO ₂ e	1,369.23
Energy Indirect GHG emission (Scope 2)	tCO ₂ e	26,462.88
Other Indirect GHG emission (Scope 3)	tCO ₂ e	295.45
Total GHG emission (Scopes 1, 2 and 3)	tCO₂e	28,127.56
Intensity of total GHG emission ⁽²⁾	tCO ₂ e/employee	3.04

(1) Greenhouse gas emission data are presented in terms of carbon dioxide equivalent, and refer to the "Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard" published by the World Resources Institute and the World Business Council for Sustainable Development, as well as the newly released baseline emissions of China's regional power grids factors, the global warming potential in the "Fifth Assessment Report" and "2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2 Energy" issued by the Intergovernmental Panel on Climate Change, and the "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" released by the Stock Exchange.

(2) As of 31 December 2019, the Group had a total of 9,247 employees, and the relevant data was used to calculate other intensity data.

5. ENVIRONMENTAL PROTECTION (EP)

SEWAGE DISCHARGE

The Group regularly monitors the sewage generated in production, offices and household to comply with relevant laws and regulations and to meet the sewage discharge standard of the local government. The group mainly discharges sewage in daily production and operation. The discharged sewage will be purified by underground sewage treatment equipment and discharged into the urban sewage pipeline. During the period under review, the amount of sewage discharge of the Group was consistent with the water consumption, which was approximately 532,057.30 cubic meters. In order to reduce the amount of sewage discharge, the Group has adopted different water-saving measures, which will be mentioned in the "Water Management" section.

WASTES MANAGEMENT

The Group adheres to the principles of waste management and is committed to the rational management and disposal of waste generated by its business activities. The Group maintains high standards in waste reduction, educates employees on the importance of sustainable development, and provides them with relevant support to enhance their skills and knowledge in sustainable development. We constantly research and use environmentally friendly new materials and new processes, use clean energy, advanced technology and equipment to improve the level of production monitoring and implement clean production audits.

Hazardous Wastes

The production process of electronic products inevitably produces waste resin slag, wastewater from water curtain booths, waste board edges and other harmful waste, as well as raw material packaging materials such as plastic buckets. The Group stipulates that all hazardous waste generated must be placed in isolation and passed to qualified TCL Environmental Technology for disposal. In order to minimise the impact of the Group's operations on the environment, we endeavour to streamline the production process, increase the conversion rates of materials, and reduce and replace the use of toxic and bad substances in order to reduce the production of hazardous waste.

Through such measures, our employees' awareness of hazardous wastes handling has improved.

5. ENVIRONMENTAL PROTECTION (EP)

Compared with 2018, the total amount of hazardous waste discharged in 2019 increased to approximately 67.86 tonnes, mainly due to a wider hazardous wastes types disclosure added, including waste resin slag and wastewater from water curtain booths. During the period under review, the hazardous waste disposal performance of the Group is summarised as follows:

Types of hazardous waste	Unit	Disposal
Scrap edge	tonnes	12.50
Plastic bucket	tonnes	1.22
Waste lamp	tonnes	0.25
Used batteries	tonnes	0.41
Waste organic solution	tonnes	3.87
Used motor oil	tonnes	0.20
Waste resin residue	tonnes	27.59
Ion exchange resin	tonnes	0.89
Wastewater from water curtain booths	tonnes	20.93
Total disposal of hazardous wastes	tonnes	67.86
Intensity of total hazardous wastes disposal	tonnes/employee	0.007

Non-hazardous Wastes

In the course of business operations of the Group, materials and packaging such as waste card boards and plastics, and waste from defective products such as electronic belts and waste speakers are generated. The Group has established corresponding environmental protection policies and has made every effort to reduce waste. We use an automated system in the material warehouse, input data from the computer to the system to automatically select the target material, reduce the workload of employees and the chance of errors, in order to improve quality and reduce consumption. We improve the utilisation of raw materials by reducing the production of defective products and reduce the content of useful ingredients in fixed waste. In addition, after proper collection and disposal of all wastes, all wastes will be passed to the recyclers for treatment in order to use environmentally friendly ways to deal with non-hazardous waste generated by the Group. For packaging materials such as pallets, cartons, etc., we will return the materials to suppliers for multiple reuse so as to maximise the life cycles of the packaging materials.

5. ENVIRONMENTAL PROTECTION (EP)

In order to reduce paper consumption, the Group promotes office automation ("OA") and encourages employees to participate in paper reduction management in offices and warehouses. We make full use of the online system in the office: control and publish documents, store production records through automated systems; employees circulate documents and communication through electronic media; notices on general affairs, data transmission, etc. are carried out through network systems to minimise printing and photocopying documents and the use of paper to reduce the production impact on the environment. Through such emission reduction measures, the awareness of reducing the discharge of non-hazardous waste among the employees has been improved.

Non-hazardous wastes was a new disclosure in 2019, so there is no data for 2018. During the period under review, the performance of non-hazardous waste disposal of the Group is summarised as follows:

Types of non-hazardous wastes	Unit	Disposal
Scrap paper	tonnes	971.09
Plastic	tonnes	180.45
Expanded polystyrene ("EPS") foam	tonnes	4.68
Integrated circuit ("IC") board	tonnes	11.88
Electronic belt	tonnes	70.41
Waste card board	tonnes	456.56
Waste speaker	tonnes	32.95
Waste plastic film	tonnes	14.90
Disc	tonnes	16.46
Rags	tonnes	73.73
Waste miscellaneous plastic film	tonnes	85.92
Pearl cotton	tonnes	10.75
Total disposal of non-hazardous wastes	tonnes	1,929.78
Intensity of total non-hazardous wastes disposal	tonnes/employee	0.21

5. ENVIRONMENTAL PROTECTION (EP)

Food Wastes

In addition to the proper disposal of wastes in production activities, Tonly Electronics also pays attention to the effective disposal of canteen wastes. The leftovers in the canteen are collected by designated personnel twice a day for special treatment. The waste cooking oil in the canteen is collected by a qualified company designated by the state for unified processing by the government. To support environmental protection, we encourage reducing food waste from the source, and plan to implement a number of measures to reduce food waste, such as making good use of food ingredients to reduce waste. Compared with 2018, the total food waste discharge in 2019 increased to approximately 313.40 tonnes mainly due to increase in employees. During the period under review, the performance on food waste discharge of the Group is summarised as follows:

Types of food wastes	Unit	Disposal
Leftovers	tonnes	312.00
Waste cooking oil	tonnes	1.40
Total food waste disposal	tonnes	313.40
Intensity of total food wastes disposal	tonnes/employee	0.03

5.2 RESOURCES AND ENERGY MANAGEMENT

The Group aims to actively promote the effective use of resources. Through the establishment of the ISO 14001 environmental management system, it ensures the rational and efficient use of resources for business operations and promotes a green operating environment. The Group sets fixed funds for energy conservation every year, sets up working groups to ensure the energy conservation steps are carried out in an orderly manner, and conducts energy conservation knowledge publicity and education in a timely manner. Through a sound management system, the implementation effect of energy conservation work is guaranteed in terms of capital, manpower, material resources and policy.

Energy and resource improvement and control mainly focus on four areas: manufacturing workshop, canteen, dormitory and office area. The energy control scheme includes three steps. The first step is to analyse previous energy consumption data at the beginning of the year and set a target and management plan for the coming year. The second step is to implement and review the target and management plan of energy. The third step is to prepare statistics, analyse the data and promote education for the target.

5. ENVIRONMENTAL PROTECTION (EP)

WATER MANAGEMENT

Given the large number of equipment and workers as well as its massive area, the crucial part for water conservation shall be in manufacturing workshop. The Group shall start from the water usage for equipment and daily cleaning to improve the efficiency of water usage. The Group checks the washroom facilities every day, including taps, flushing valves and water pipes, to ensure proper functioning. In case of situations such as prolonged failure or overrunning of flushing valves, dripping taps, broken pipes or loose connections, the checkers would timely report such cases to their superiors and close the general valve in the water supply area concerned to prevent wastage. The checkers would also check the air-conditioning and water tower facilities on a daily basis to ensure proper functioning and, in case of irregularity, close the water valve timely for the purpose of preventing any wastage caused by leakage, and check the water consumption of air-conditioners to prevent wastage. In case of failure of an air-conditioner, we would repair it as far as possible or, if impossible, replace it with a new energy-saving air-conditioner. Monthly statistics of water consumption data is conducted to analyse the reason if the data exceed the specified level and make improvement. Various posters promoting water-saving are plastered in the manufacturing workshop.

The canteen and the dormitory areas are the focus areas where the Group improves facilities, recycles water and saves water. In 2019, we extended the water saving scheme from the previous year. The canteen still adopted floor washers to replace the traditional way of using water to clean the floor, which fulfilled cleaning purpose with minimum amount of water. Water used for washing vegetables was reused to clean the floor outside the canteen in order to reduce waste of water. In addition, automatic equipment is introduced to the canteen and properties. Automatic dish washers are used in the canteen for cleaning cutlery in order to reduce the water wastage due to manual washing and reduce the massive water usage for rinsing due to overuse of dishwashing liquid. High-pressure washing vehicles are used for cleaning the exterior of the properties to replace water hoses in order to enhance cleaning efficiency and reduce the use of clean water. The management members of the canteen regularly provide workers with water conservation trainings. Water conservation posters are plastered on the exterior walls, stairs and interior walls of the canteen. Energy saving water tanks continue to be used in dormitories and water storage of the water tanks are adjusted. The volume of water used for flushing is controlled every time to achieve water conservation. If leakage is spotted, water valves shall be closed at once and repair shall be carried out in a timely manner to reduce the waste of water resources when workers clean it. The water consumption volume was assessed one day before the semi-annual cleaning of the water tank of the Group which was carried out twice this year and municipal water supply was suspended in advance which reduced the wastage of clean water stored in the water tank the next day when cleaning. Based on the volume of the water tank, water wastage shall be reduced by approximately 950 m³ every year.

Based on the Group's business nature and place of operation, we have not experienced any significant problems in seeking appropriate water sources.

5. ENVIRONMENTAL PROTECTION (EP)

The water consumption in 2019 increased to approximately 532,057.30 m³ as compared to 2018, which was mainly attributable to the increase in the business activities and total revenue of the Group. During the period under review, the water usage of the Group is summarised as follows:

Indicator	Unit	Consumption
Total water consumption	m ³	532,057.30
Intensity of total water consumption	m ³ /employee	57.54

ELECTRICITY AND ENERGY MANAGEMENT

The main energy used in the Group's operation includes diesel consumed by the vehicles and backup generators, natural gas in the canteen pipeline and electricity consumed in our operation. We utilised the core of the ISO14001 Environment Management System and performed Plan-Do-Check-Act (the "PDCA") cycle for multiple times to continuously improve our energy management system. In respect of planning, the responsible department would, at the beginning of the year, assess the power-saving target for each month and set the management plan for power-saving target indicators based on the power consumption data for each region, the Group's order data and output and other information in the previous year, while conducting daily checks as to whether there is any wastage or device failure in air-conditioners, meeting rooms and large-power electric appliances for timely maintenance or replacement of devices in case of failure. There are also daily checks on special devices such as wave crest soldering machines, backflow soldering machines and air compressors, as well as weekly cleaning and maintenance of production devices to improve power efficiency. We would also collect monthly statistics on power-saving data to identify exceedance and, in such case, analyse the reason and make correction and, otherwise, analyse and make correction to the abnormal parts. The target indicators and management plan will be assessed and examined quarterly to ensure that the solution remains effective.

In addition, the Group has achieved efficient energy use through other energy-saving measures. Failed lights are replaced with energy-saving lighting tubes. Damaged or old facilities would be replaced with energy-saving devices with the same output. Air conditioners and lights are turned off timely after working hours or after meetings to reduce use of power. There are designated staff on duty to conduct patrols on power use and, in the case that lights are on in an empty area, turn off the lights timely to avoid wastage. Power-saving promotion posters are put up in the office area, canteen, dormitory, corridors and stairs; power-saving posters or reminders are displayed near the printers. Power-saving tips are disseminated by means of the Group's radio programs.

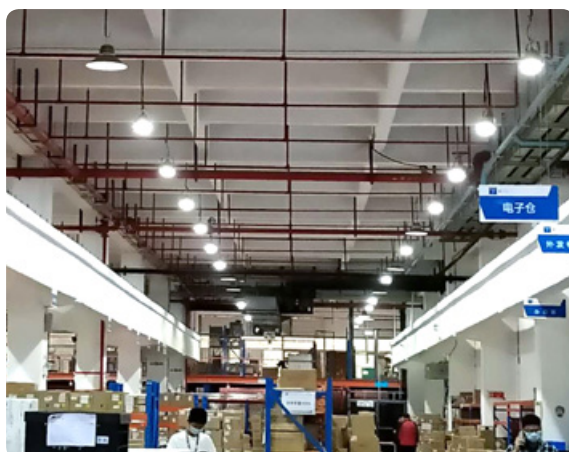
5. ENVIRONMENTAL PROTECTION (EP)

To execute better the plans of saving power according to the natural climate condition of the district the Group is based at, we started the renewable energy power generation project. After assuring the safety, an aggregate of 16,500 square meters of the idle roofs of its factories were used to construct the distributed roof solar power generation system. The system is a power station, which would not consume power and water etc., and it uses the solar panels (photoelectric conversion efficiency of 16.0% and above) to generate power for factory use. The system is estimated to generate 1.3 million kWh every year, equivalent to saving 420 tonnes coal yearly or lessen carbon emission by approximately 1,200 tonnes yearly, which could bring about RMB1.58 million of economy of scale every year simultaneously. The construction started in April 2017 and ended in September 2017. During the period under review, the solar power generation system generated a total of 1,358.04 MWh, which brought obvious energy-saving efficiency to the Group.



Solar photovoltaic power generation project

In the factory, the use of the LED lighting device was vigorously promoted to replace the traditional lighting, which is expected to achieve an outstanding result of saving 500 MWh a year. Meanwhile, the upgrade of the device and technological innovation largely decreased the energy consumption of the central air conditioner. To reduce the use of compressed air and the times of turning on the equipment, we have incorporated surface mount technology (the "SMT") vacuum energy-saving technology to reduce the use of compressed air and the on time of equipment, which is expected to save 300 MWh a year.



Using LED lights for the entire factory



SMT vacuum for energy conservation

5. ENVIRONMENTAL PROTECTION (EP)

The total energy consumption in 2019 increased to approximately 52,673.62 MWh, which was mainly attributable to the increase in the business activities and total revenue of the Group. In addition, the fuel forklifts in factory area have all been replaced with electric forklifts by the Group, which reduced vehicular emissions to air and led to the increase in electricity usage. During the period under review, the Group's performance on energy use is summarised as follows:

Types of energy	Unit	Consumption
Diesel ⁽¹⁾	MWh	97.10
Petrol ⁽²⁾	MWh	1,549.21
Natural gas ⁽³⁾	MWh	858.28
Electricity	MWh	48,810.99
Power generated by solar generators	MWh	1,358.04
Total energy consumption	MWh	52,673.62
Intensity of total energy consumption	MWh/employee	5.70

(1) In 2019, the actual consumption of diesel was approximately 9,072.00L.

(2) In 2019, the actual consumption of petrol was approximately 159,854.91L.

(3) In 2019, the actual consumption of natural gas was approximately 82,062.00 m³.

5. ENVIRONMENTAL PROTECTION (EP)

PACKAGING MATERIALS MANAGEMENT

Apart from energy and water resources, the main resources used by the Group also included packaging materials. We understand that a huge amount of packaging materials, such as carton box and plastics, was consumed in our daily operations. We have developed a guideline for packaging materials verification and conducted an annual review based on the packaging material consumption rate. We also used larger carton box to pack more products, so as to fully utilise all packaging materials and avoid over-packaging.

The usage of packaging materials in 2019 decreased to approximately 10,018.76 tonnes, in which the usage of paper edge boards, paper-made pallets, paper-made covers, cardboards and manuals has been added. The Group will continue to implement the packaging material management guidelines and minimise the impact caused by the usage of packaging materials and its operation on the environment. During the period under review, the performance of the usage of packaging materials by the Group is summarised as follows:

Types of packaging materials	Unit	Consumption
Carton box	tonnes	8,474.50
Plastics and EPS	tonnes	185.92
Manuals	tonnes	977.87
Paper edge boards, paper-made pallets, paper-made covers and cardboards	tonnes	380.47
Total consumption of packaging materials	tonnes	10,018.76
Intensity of total packaging material consumption	tonnes/employee	1.08

As the Group sells various types of electronic products, which consume very different amounts of packaging materials, intensity data of per unit produced may not be meaningful, thus it is not listed in this Report.

5.3 NOISE MANAGEMENT

The Group strictly operates in accordance with the requirements of the equipment and insist on daily maintenance of the equipment to prevent the equipment from generating abnormal noise. We strengthen noise monitoring by methods including finding out the sources of noise and reason for exceedance and then carrying out rectification as soon as possible if noise standards are exceeded. For noise-abated areas, on-site noise reduction measures and personal protective equipment should be taken to reduce the impact of noise on employees and the surrounding environment.

6. CARING FOR THE STAFF

6.1 EMPLOYMENT

The Group always considers the staff its greatest treasure, and we deeply recognise that human resources are the cornerstone of corporate sustainable development. Therefore, we have established relevant employment policies and adopted people-oriented administration guiding principle to fully unleash our employees’ potential. The relevant employment policies cover issues relating to employment, remuneration, promotion, working hours and rest time, diversity and equal opportunities. The Group creates a warm living and working atmosphere for the staff and shows its care for them through its comprehensive remuneration and benefit packages, various trainings and development opportunities and diversified staff caring activities.

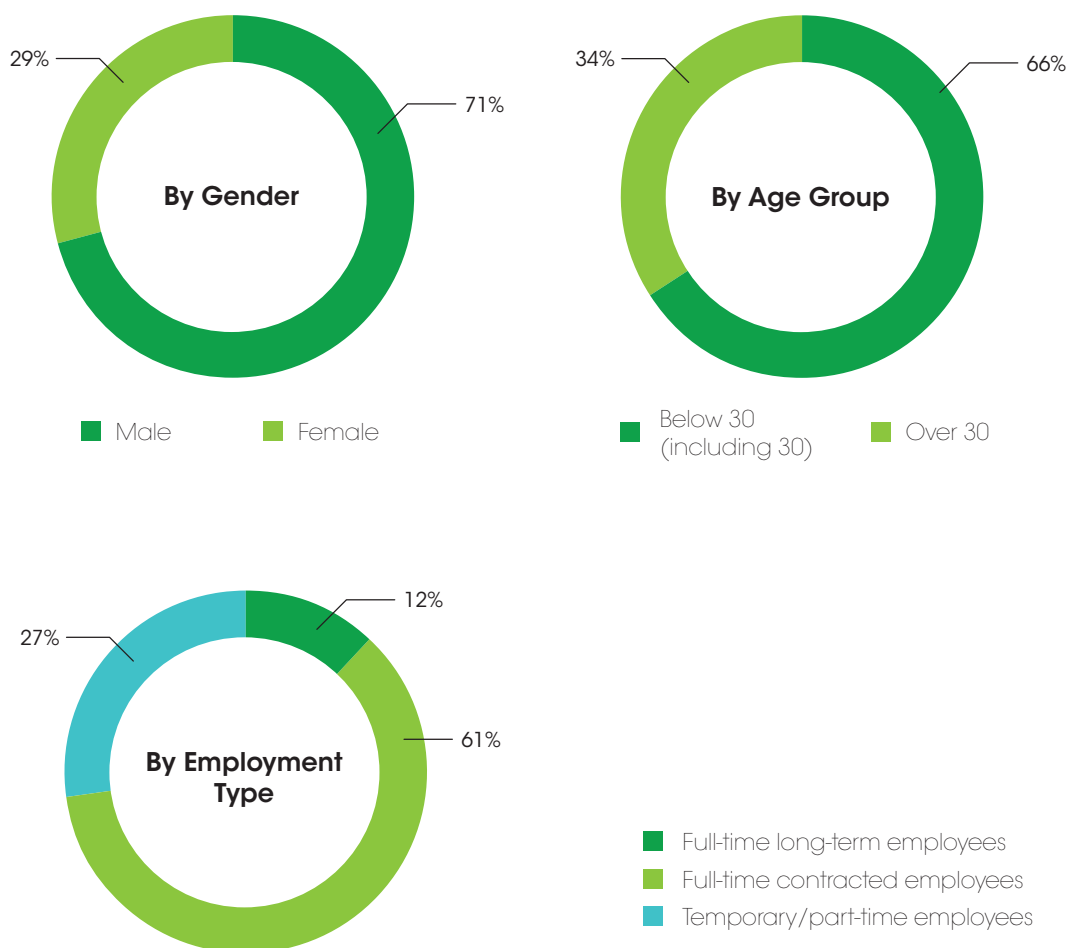
The Group strictly complies with the laws and regulations in relation to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare, which include but is not limited to the “Labor Contract Law of the People’s Republic of China”, the “Social Insurance Law of the People’s Republic of China” and the “Labor Law of the People’s Republic of China”. During the period under review, the Group was not aware of any material non-compliance with the laws and regulations in relation to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare that may have a significant impact on the Group.



Our objectives: happy work, healthy life and harmonious development

6. CARING FOR THE STAFF

As of 31 December 2019, the Group had a total of 9,247 employees, the breakdown of which is as follows:



By location and business:

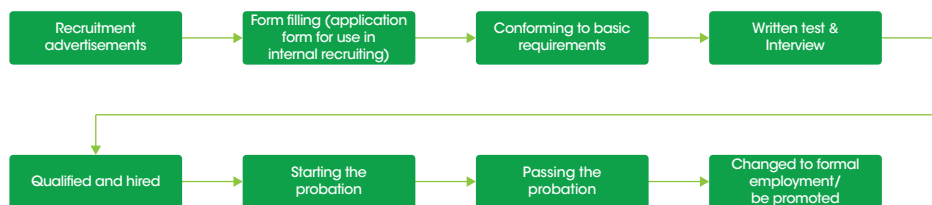
Location/business	Production	HR	Quality	Administration	Others	Total
Hong Kong	1	-	-	-	9	10
Huizhou	6,427	50	818	220	821	8,336
Xi'an	2	2	35	1	111	151
Shenzhen	44	2	17	6	218	287
Beihai	418	3	16	4	1	442
Vietnam	12	2	3	3	1	21
Total	6,904	59	889	234	1,161	9,247

6. CARING FOR THE STAFF

RECRUITMENT, PROMOTION AND DISMISSAL

During the recruitment process, the Group adheres to the principles of openness, fairness and impartiality, proactively implements the strategy of realising an outstanding enterprise with talented staff, and continuously develop and improve the talent recruitment and selection mechanism. The Group has formulated a transparent and unified recruitment process, which is set out in the "Administrative Regulations on the staff recruitment". By detailing recruitment applications, recruitment procedures, prohibitions and responsibilities, unifying assessment standards, and comprehensively considering the applicant's mindset, knowledge, morality, ability, experience and physical fitness, the Group shall choose the best applicants and continue to engage and recruit excellent talents.

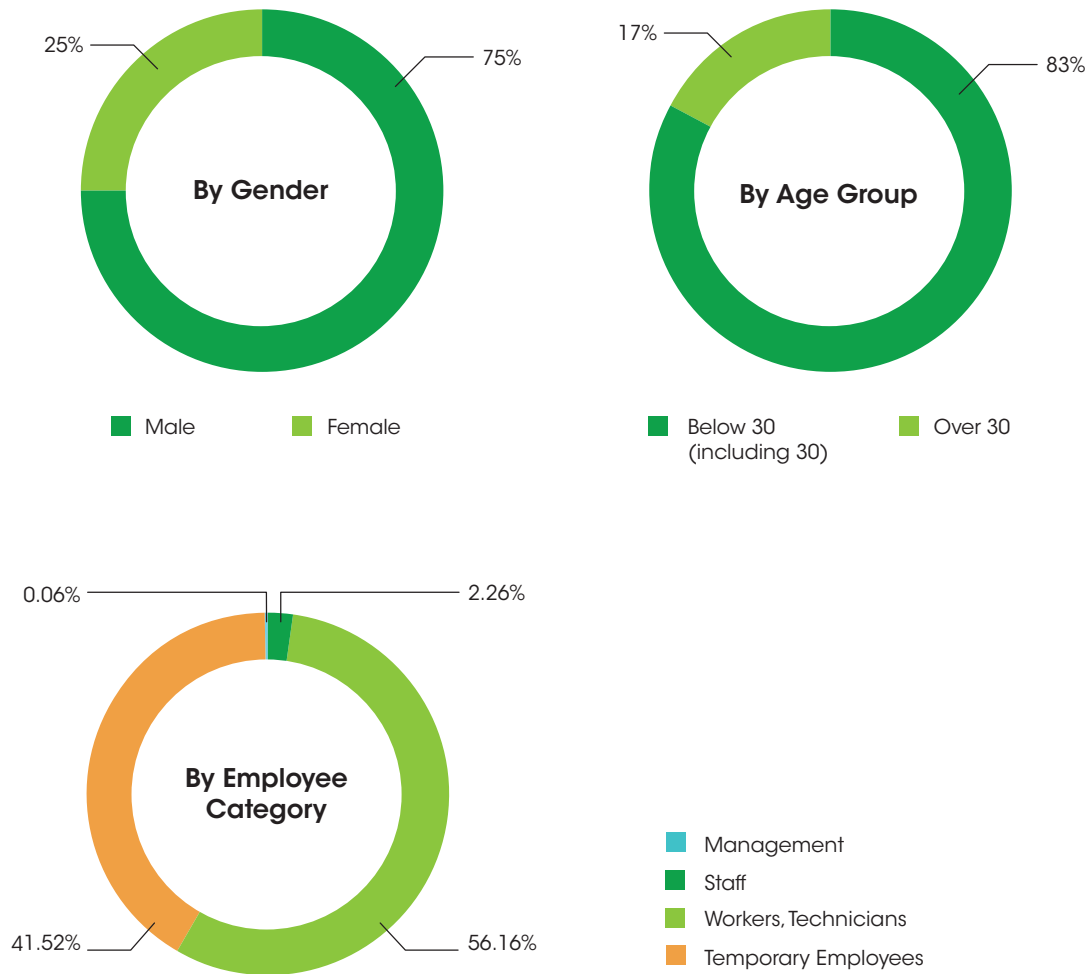
The Group has clear requirements and procedures for the management of promotion, transfer and demotion of personnel to regulate the process of termination as well as protect the interests of both employees and the Company. In order to construct a fair, smooth and clear occupational promotion path for our staff and unleash their potential, we would start recruiting internally for any vacancies and employees with equivalent qualifications are prioritised for assessment, in which work attitude, professional skills, work performance and other factors will be the main considerations.



In case of dismissal of employees, the Group would ensure that the severance procedures are in compliance with the internal policies (e.g. employee handbook) and relevant laws and regulations. Termination of employment contracts shall be based on reasonable and legitimate reasons. For employees whose work performance is unsatisfactory or who repeatedly make mistakes, a verbal warning will be given before issuing a warning letter. For those who keep making mistakes after multiple times of persuasion, the Group will consider the retrenchment, carry out necessary severance procedures and make adequate redundancy compensation in accordance with the relevant laws.

6. CARING FOR THE STAFF

During the period under review, the overall employee turnover rate of the Group was approximately 16.1%. The distribution by different categories (calculated as the sum of the same category being 100%) is as follows:



EQUAL OPPORTUNITY, DIVERSIFICATION AND ANTI-DISCRIMINATION

In order to provide our staff with a working environment with fairness and diversity and free of discrimination, the Group strictly abides by the national and local government regulations and adopts a fair, just and open recruitment process, with an aim to provide equal opportunities in respect of employment and maintain a workplace at which nobody is differentially treated, excluded or given preference out of his/her race, colour, age, family background, gender, religion, ethnicity or social origin. As to recruitment, training and promotion processes, we practice the principle of impartialness in respect of all candidates to protect the employees' rights and interests as well as create and maintain an inclusive and collaborative workplace culture.

6. CARING FOR THE STAFF

REMUNERATION AND BENEFITS

We deeply realise that remuneration and benefit system is a vital embodiment of corporate conscience and staff values. We are strictly in compliance with the relevant laws and regulations and strive to provide all employees with their entitled remuneration and benefits. The Group provides comprehensive remuneration packages to our employees. Annual salaries of the staff comprise three parts, namely monthly salaries, year-end double pay and annual performance bonus, adopted with the implementation of a confidential remuneration system. In addition, our staff are entitled to statutory holidays and annual leave in accordance with the law. They can also submit a leave application prescribed by the Group, including but not limited to sick leave, bereavement leave, wedding leave, maternity leave, and work injury leave to strike a balance between life and work. To cater for staff needs, we also provide all staff with social insurances (pension insurance, medical insurance, unemployment insurance, work-injury insurance and maternity insurance) and an annual body check.

In addition, to care and cater for the breastfeeding needs of working mothers, we have created a private, hygienic, safe and comfortable environment for working mothers with breastfeeding needs. On 12 August 2016, our labor union has built a "Mommy Corner" for use by female workers who are pregnant or breastfeeding. Despite the size of the "Mommy Corner", it is equipped with the necessities of a breastfeeding mother such as sofas, tables, a refrigerator and a mother's pack including wet tissues, tissues, breast pads, feeding bottle/pacifier sterilisers, bottle cleaners and other daily necessities. These devices or supplies are regularly replenished and replaced.



Loving "Mommy Corner"

6. CARING FOR THE STAFF

WORK-LIFE BALANCE

The Group truly understands that the devotion and loyalty of the staff have a significant impact on the scope of corporate development. It is highly important to maintain the daily life of employees, so it emphasises the adherence to the management concept of “people-oriented and staff first” by providing employees with a work-life balanced lifestyle in order to achieve the desire and goal of “happy work, healthy life, harmonious development”, and harmony between work and life. We have improved welfare and communication systems, and actively organised various employee activities. From policy formulation to specific operation and implementation, we enhance employees’ happiness from a little care, and let employees work with peace of mind and live a happy life.

With our internal publication named “Passionate Home”, propaganda exhibition boards, roll-up stands, posters, e-mail promotion, etc., we promptly publicise the events and culture organised by the Group, and report on the working spirit, working ideas, various news events and activities of the union, thereby creating an organisational and harmonious atmosphere good for both the employees and the employer. These activities include but are not limited to:

- The Group organises entertainment and various leisure contests and activities from time to time to provide our staff with a platform for exchange, study and growth after busy and onerous working hours. These types of activities not only activate the corporate culture, but also enhance staff’s working skills and qualities which facilitate staff growth and Company development;
- The Group regularly organises entertainment and leisure activities for the staff to alleviate work pressure and enrich their leisure lives. As we care about the leisure lives of the staff we have built gyms, dance rooms, singing practice rooms, ball game sports centres and staff libraries managed by designated personnel. It offers books to staff for free to enrich their lives and sponsors various hobby clubs and outdoor activities, allowing them to model their temperament, optimise their knowledge structure and improving their health apart from working. Outdoor team activity is held annually to strengthen team building and effective communication. There are 8 major cultural or sports hobby clubs formed under the labor union and activity expenses are sponsored by the Group. All clubs organise various activities every week, which enhances the cohesion between the staff and the Company while strengthening its communication with the staff, forming a sound interaction cycle;

6. CARING FOR THE STAFF



Field outreach activities of the centres



Tug-of-war, basketball, hiking and table tennis competition

6. CARING FOR THE STAFF

- The Group also encourages our staff to join activities held by the labor union; and



Organising and holding annual meeting of the Labor Union Representatives



Red Revolution Education Tour for party cadres

- In addition to providing staff with meticulous care at work, the Company also hopes that our staff can feel the warmth and care of “home” through small things. During major Chinese traditional festivals such as Spring Festival, Dragon Boat Festival and Mid-Autumn Festival, the Company will organise various activities for our staff to send the Company’s sincere festive blessing to our staff. We will arrange a birthday party at staff level quarterly for those staff having birthdays during the quarter. At the afternoon tea events, our staff share cakes and make wishes together, and we will arrange lucky draw and offer small gifts to staff in order to enhance team building and effective communication.



Organising dumplings wrapping activities during Spring Festival and gift packs sending consolation activities



Garden tour during Mid-Autumn Festival

6. CARING FOR THE STAFF



Puli Electroacoustic's Family Day activity



**I am the Reader, Huizhou Radio Sunshine 100 at
TCL Tonly**



"Staff's Home" Cultural and Leisure Activity Centre



**Care for and bring warmth to employees ---
the labor union of Tonly expressed
condolences to employees in need**

6. CARING FOR THE STAFF

STAFF COMMUNICATION

In order to better listen to the staff, the Group has set up appropriate channels for a smooth communication between our staff and the management. Diversified communication channels and a complete communication mechanism, including suggestion box, quarterly new-staff communication meeting, mailbox and phone, satisfaction survey conducted through mobile communication applications and staff forum have been established by the Group and the human resources department will collect our employees' opinions and recommendations to address the existing problems with the responsible personnel from each department for the improvement of our relationship with the staff. The Group believes that the Company's shortcomings shall only be identified in a timely manner by carefully listening to our employees' opinions. Therefore, we are committed to ensuring smooth information exchange to improve the operation of the Group and enable our employees to make progress with the Group.



Quarterly new staff communication meeting

6. CARING FOR THE STAFF

6.2 EMPLOYEE HEALTH AND SAFETY

The Group puts great emphasis on the health and safety of employees. With a responsible attitude towards employees, customers and the environment, the Group is committed to providing a safe working environment for our employees, in which safe production responsibilities are clearly stated and the national laws and regulations on safety are implemented. We have put in place the work safety guidelines for all employees, which set out our work safety policies and promote workplace safety. The "Safety Assessment" policy has been formulated for executing a proactive anti-terrorism work and ensuring the safety of workplace and operating locations. We also adopt internal training programs and the code on workplace health and safety procedures to educate our staff on the importance of correct practices regarding health and safety in workplace.

The Group is in strict compliance with the laws and regulations in relation to health and safety, including but not limited to the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", the "Production Safety Law of the People's Republic of China", the "Labor Law of the People's Republic of China", the "Occupational Safety and Health Ordinance" and the "Fire Control Law of the People's Republic of China". During the period under review, the Group was not aware of any material non-compliance with the laws and regulations in relation to health and safety that may have a significant impact on the Group.

SAFE PRODUCTION

The Group strives to provide employees with a safe working environment. Through establishing and optimising the occupational health and safety management systems that receive ISO45001 certification, we build a safety culture that is conducive to the long-term corporate development, prevent and reduce safety accidents, and safeguard our employees and national property safety. "Safety first, focus on prevention and comprehensive management" are the directions of production safety that we insist on, under which we strictly supervise the entire production process from raw materials to product launch, establish a safety management accountability system of "person-in-charge held responsible" and formulate a comprehensive production safety system and management procedures. We have clear powers and responsibilities for each safety department. Each department is independent but cooperative to improve the safety management level. Tonly Electronics safety production committee (the "Safety Committee") is in charge of the Group's safety production work and the permanent functional department of the Safety Committee, Tonly Electronics safety production office (the "Safety Committee Office") directly manages and take the responsibility for daily safety management affairs. According to the regulations of the Group, the first person held responsible for safety management of his/her department is the person-in-charge of each department. These persons will enter into the Letter of Production Safety Liability (《安全管理責任書》) with the Safety Committee each year pursuant to which they will strengthen the internal safety management matters of the department.

6. CARING FOR THE STAFF

To ensure production and operational safety and to prevent accidents, we have established four safety systems in areas of fire safety, safety on using electricity, safety on hazardous chemicals and construction safety to improve our safety facilities:

- As to fire safety, the Group organises fire drills every year and Tonly Electronics volunteer firefighters to participate in fire equipment utilisation training. We also carry out monthly checks on firefighting devices and, for key areas (hazardous item warehouse, power room, canteen, air compressor room, server room, UPS room, pump room and fire control room), weekly inspections on firefighting facilities;
- To strengthen safety on the use of electricity, the Safety Committee Office and the administrative office of the plant will carry out a daily patrol regarding safety on the use of electricity and timely report or even punish any irregularities in a rigorous manner;
- To avoid safety hazards due to improper use of hazardous chemicals, we have formulated the "Provisions on Management of Hazardous Chemicals" (《危險化學品管理規定》) which strictly regulates the use of toxic and harmful substance and the specific method of use, storage and transportation of hazardous chemicals and prohibits any toxic and harmful substances from entering the production, packaging, distribution, sales and other processes to prevent any incidents that harm staff's health, consumers' safety and the natural environment, so as to safeguard operators and the operational process; and
- As to construction safety management, the Group's infrastructure department strictly adheres to the principle of "three simultaneous" (三同時) (i.e. firefighting facilities must be designed, constructed and put into use simultaneously with the main project) upon new construction, renovation and expansion of projects. Meanwhile, we require our construction units to enter into the Construction Safety Agreement (《施工安全協議書》) prior to the commencement of construction and commence construction in the Company only after obtaining the Job Sheet issued by the administrative department. To safeguard the safety and health of workers, we require operators who are involved in dangerous tasks or may easily cause danger to themselves or others to take safety precautions and wear labor protective articles and tools before the operation.

6. CARING FOR THE STAFF

Other safety measures are as follows:



Fire drill is organised 15 times a year, covering all factories, dormitories, canteens and building complexes



Organising fire equipment utilisation training for volunteer firefighters of Tonly Electronics



Safety quiz competition for the staff organised at each centre



**Promotion and training on occupational safety risks
Chemical leakage emergency drill**

The health and safety performance of the Group's employees in the past three year is summarised as follows:

Occupational health and safety figures	2019	2018	2017
Number of work-related fatalities	-	-	-
Lost days due to work injury (Number of absent days due to work injury)	817	175	292
Number of work injury cases ⁶	21	6	20
Total work hours (for calculation of work injury rate) ⁶	29,576,802	29,264,626	13,377,270
Work injury rate per 0.2 million work hours	0.142%	0.041%	0.299%
Lost day rate	5.525%	1.197%	4.358%

Remark:

6. Subject to the work injury recognised by the Social Insurance Authority.

6. CARING FOR THE STAFF

The work injury rate increased from approximately 0.041% in 2018 to approximately 0.142% in 2019. Even though it is still within a safe range, the Group is still committed to strengthening the occupational safety management system for staff and improving the safety training for frontline employees to ensure the Group provides our staff with a safe working environment.

SAFETY TRAINING

To enhance the safety awareness of the staff, we require all departments to participate in a variety of safety drills and safety training organised regularly every year so as to raise employees' alertness and ability to tackle safety incidents. We have also established a three-level safety training system managed by the Safety Committee Office for new joiners, which includes company-level safety training, workshop-level safety training led by the administrative office of the plant and the team-level job safety training led by workshop leader.

As to employees engaging in special types of work, we provide relevant labor protection and safety training to avoid work injury accidents. Special operators (electricians, welders, tin smelting workers, motor vehicle drivers, forklift truck operators, lift mechanics, pressure vessel operators, personnel who are frequently exposed to hazardous chemicals and etc.) must attend professional training in accordance with the relevant PRC requirements and get on board only after obtaining the qualifications or passing the exam for special types of work operations.

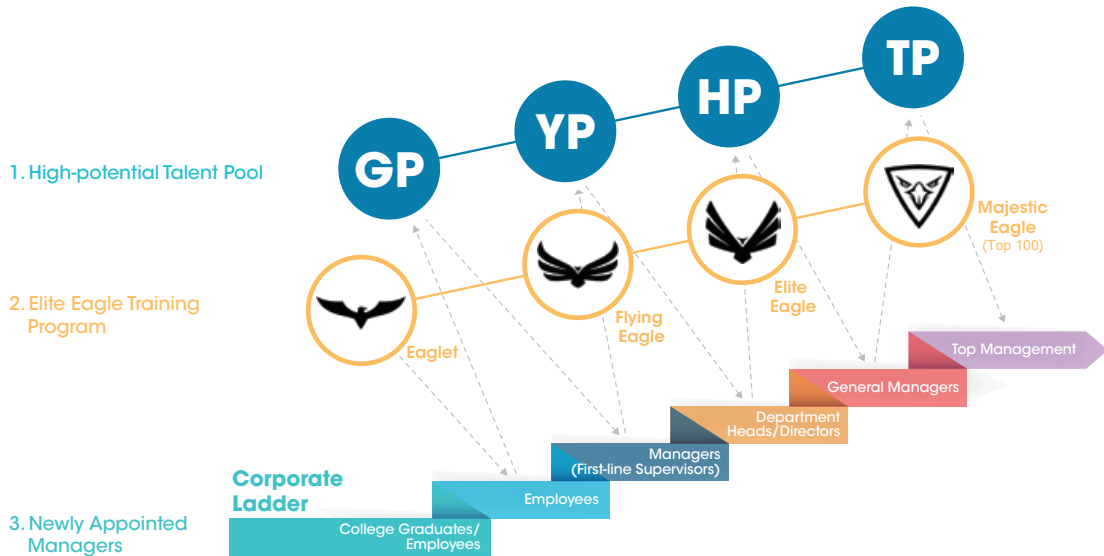
6.3 TRAINING AND DEVELOPMENT

The Group understands the importance of outstanding employees for sustained success. Therefore, the Group provides a variety of internal trainings for realising employees' potentials in order to strengthen their capability to discharge their duties and take on challenges at work. New recruits are required to receive induction training after joining the Group and pre-service training before taking up a post. Only after passing assessment can they assume the position. In practice, a staff may also receive on-the-job training to amass related professional knowledge and fulfil the actual needs of work. We encourage a staff to, if necessary, enrol in trainings held by professional training organisations or institutions to improve relevant skills.

In the past year, to cope with the demand of the Group for professionals, we continually recruited the industry's professionals. We also carried out an "Elite Eagle Training Program" to focus on the development of the capabilities of technical professionals and reinforce knowledge training in key business areas. In addition, we organised a six sigma training and coaching program to strive for the cultivation of engineers with a set of define, measure, analyse, improve and control (the "DMAIC") logical thinking, and to be familiar with surveying and workflow improvement tools. Moreover, in order to enhance the management skills of the core foundation management staff of headphones, moulding, electro-acoustic businesses, the Company launched a kick start training camp so that our staff are able to grow together with us while supporting our business.

6. CARING FOR THE STAFF

The Company has three types of talent training system:



During the period under review, the number of trainees of the Group reached 25,353 and the total training hours were 353,547 hours, the breakdown of which is as follows:

Staff Training Statistics	Total number of employees trained	Total training hours (hour)	Average training hours (hour)
Total number and hours of staff trained	25,353	353,547	14
By gender			
Male	15,090	229,810	15
Female	10,263	123,737	12
By employment type			
Management	8	112	14
Controllers, General managers (Centre)	7	503	72
Department heads, Officers	60	2,602	43
Other staff	2,674	33,874	13
Workers, Technicians	12,306	172,284	14
Temporary employees	10,298	144,172	14

6. CARING FOR THE STAFF

6.4 PREVENTION OF CHILD AND FORCED LABOR

During the recruitment process, the Group rigidly prohibits the use of underage labor (the "Child Labor") or forced and covert forced overtime working in its operations according to the laws and regulations. The Group strictly complies with the laws and regulations in relation to the prevention of the Child Labor or forced labor, including but not limited to the "Labor Law of the People's Republic of China", the "Special Protection for Juvenile Workers" and the "Provisions on the Prohibition of Using Child Labor". During the period under review, the Group was not aware of any material non-compliance with the laws and regulations in relation to the prevention of the Child Labor or forced labor that may have a significant impact on the Group.

In order to prevent recruiting the Child Labor by mistake, we scrupulously verify identification documents during the recruitment process to avoid such incidents. Once child labor is discovered, the Group will forthwith terminate the employment of such child worker, contact his/her parents or legal guardians and arrange to return such child worker to his/her original living place as soon as possible, and all related expenses will be borne by the Group.

The Group is committed not to force staff to work overtime and that overtime pay must be made to staff members who work overtime in strict compliance with the relevant laws and regulations, so as to protect our staff's interests. The Group has established comprehensive employment rules and regulations and operated a working system of five working days, totalling 40 hours per week, which stipulate that all departments and plants shall make reasonable arrangement of work and production schedule for staff to work with reasonable efforts. With regard to staff health, we do not encourage overtime work. If an employee is required to work overtime, he/she may be reimbursed with a reasonable compensation by tendering written application for overtime payment. The Group makes overtime payment to all staff who work overtime and, in reference to actual circumstances of the Group, develops relevant employee policies which include but are not limited to "Tonly Electronics Employee Handbook" for strengthening its administrative management and enhancing corporate culture.

7. CORPORATE OPERATIONS

7.1 PRODUCT RESPONSIBILITY

The Group attaches great importance to production quality and corporate reputation, and always adheres to the excellence of service quality, safe and healthy production management and highly responsible supply chain management strategy. Adhering to a highly responsible attitude towards employees, customers and the environment, the Group actively safeguards the quality of products and services through internal control, is committed to producing high-quality products that meet international industry standards, and has always maintained communication with customers to ensure that it understands and meets customer needs and expectations. We look forward to continuously improving our products and services to achieve 100% customer satisfaction.

The Group strictly abides by laws and regulations related to health and safety, advertising, labelling and privacy matters of products and services and method of redress, including but not limited to the Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the Law of the PRC on Product Quality (《中華人民共和國產品質量法》), the Law of the PRC on Advertising (《中華人民共和國廣告法》), the Law of the PRC on Consumer Rights Protection (《中華人民共和國消費者權益保護法》), the Law of the PRC on Trademark (《中華人民共和國商標法》), and the Law of the PRC on Patent (《中華人民共和國專利法》). During the period under review, the Group was not aware of any major violations of laws and regulations on health and safety, advertising, labelling and privacy matters in relation to our products and services and method of redress that may have a significant impact on the Group.

QUALITY CONTROL

The Group sees product quality as our top-priority. We strictly control product quality during operation, and establish a sound quality assurance model within the Group. Our quality control system has obtained ISO9001 quality management system certification, covering all aspects of businesses with effective monitoring from product development, trial production, mass production, delivery to final market feedback. The optimised quality assurance system structure ensures the consistent high quality of the products and effectively protects the rights and interests of consumers.

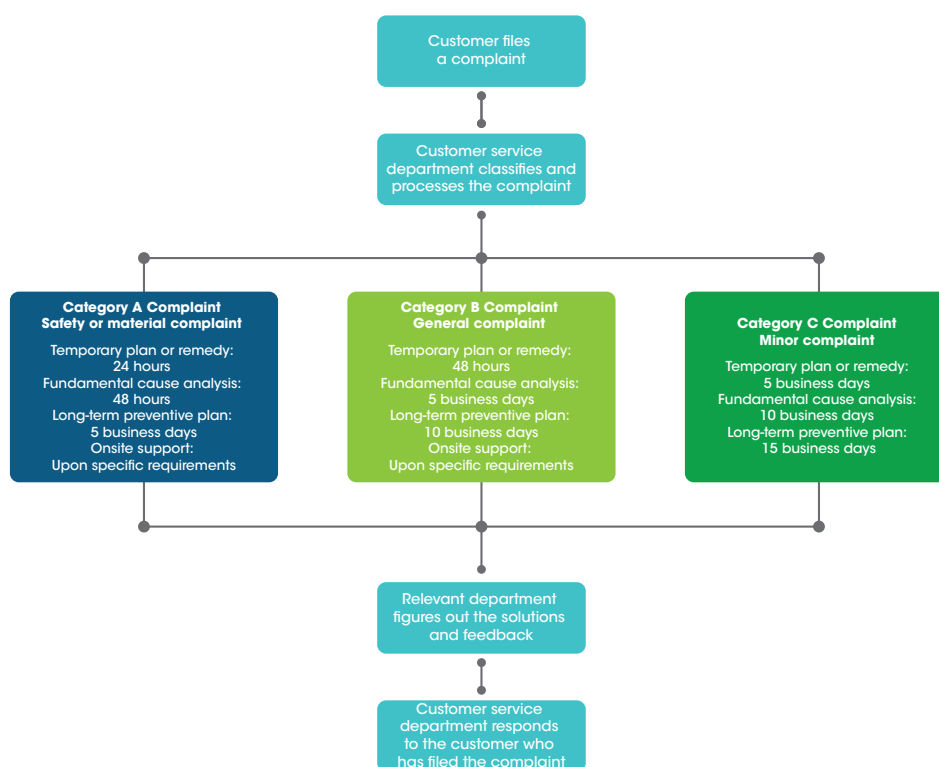
In order to establish a supervision mechanism for quality management, we have formulated the "Company Quality Objectives" to ensure the quality of the Group's products, and adhere to the inspection of the quality of raw materials, processed semi-finished products and finished products to guarantee that the product quality meets the prescribed requirements. We also clearly divide the responsibilities of different departments and related personnel in the entire process to ensure that all procedures can be duly executed. For unqualified raw materials or products, we have formulated the "Unqualified Product Management" and "Corrective Action Control Procedures" to standardise the process of handling defective products, and record according to the "Quality Accident Definitions and Reporting Procedures" to indicate potential issues. The factory management department is responsible for checking the implementation of the management system and quality management, strengthening product management, and ensuring that electronic products to be sold are of excellent quality, safe and effective.

7. CORPORATE OPERATIONS

CUSTOMER SERVICES

During the period under review, the Group did not have any products that needed to be recalled for safety and health reasons, and received a total of 336 complaints on products and services that mainly related to defects in certain goods, packaging damage, and customer services. In response to these complaints, the Group has strengthened our quality control management and customer service quality, and strives to meet customer expectations through various product quality control systems and policies.

In the process of customer services, we mainly provide technical supports to customers through visits, telephone communication, and correspondence exchange in a proactive manner. Meanwhile, in order to speed up the processing of customer complaints, and improve the quality and satisfaction of after-sales services, the Group has formulated "Customer-related process control" and "Customer complaint handling process". When receiving a complaint, the customer service department will confirm, verify, classify and sorting. Complaints shall be classified into complaint grades A, B or C according to actual situations and recorded in "Customer Complaint Handling Form" as case filing. At the same time, the cases will be directed to the relevant responsible departments where, after receiving the relevant complaints, they will generally respond to the customer service department within one business day on the cause of complaint, analysis of the investigation results, handling status and preventive measures. The following is the flow chart of customer complaint handling:



Procedures for Handling Customer Complaints

7. CORPORATE OPERATIONS

CUSTOMER PRIVACY PROTECTION

The Group strictly and carefully manages customer files to avoid customer privacy leakage. Customer information and customer data are part of the resources of the Group. No person may sell, share, or disclose them for any purpose. Every employee must sign and abide by the "Non-Disclosure Agreement" and protect customer information and data in accordance with the requirements of the Group. We strictly abide by the laws and regulations related to privacy, including but not limited to the Law of the PRC on Consumer Rights Protection (《中華人民共和國消費者權益保護法》). We have formulated the "Contract Management Standards for Strategic Clients" (《戰略客戶合同管理規範》) to protect the interests of customers and the Group. Customers always have the right to review and modify their data and opt not to participate in any direct marketing activities. We are firmly committed to protecting customer privacy, thereby gaining the trust and confidence of customers, maintaining the competitiveness of the Group in the market, and being the driving force for the sustainable business development and service quality assurance of the Group.

INTELLECTUAL PROPERTY

As a manufacturer of electronic products, the Group fully understands the importance of protecting intellectual property rights. The technology of electronic products is important commercial data, and we are committed to protecting the intellectual property rights of the Group and its customers. The Group has formulated the "Intellectual Property Protection Procedures" to safeguard the legitimate interests of intellectual property held by the Group with the established intellectual property protection system. Moreover, when receiving orders from customers, the Group will also obtain confidential information from customers. We strictly regulate employees to protect the intellectual property rights of customers' data and their products, to help maintain long-term cooperative relations with customers and to abide by laws and regulations concerning protection of trade secrets.

The Group strictly abides by relevant laws and regulations, closely monitors infringements in the market, and combats any infringements such as counterfeit trademarks. When we notice that others have infringed on the intellectual property rights of Group, such as malicious registration, impersonation of the Group's trademark, etc., the Group will consult relevant lawyers and expert consultants to protect the intellectual property rights of the Group under their guidance. For those who infringe intellectual property rights, we will bring a lawsuit to the court in accordance with Article 213 of the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) to protect the legitimate interests of intellectual property held by the Group. In addition, we also avoid infringing on the intellectual property rights of others. For the same types of goods or services, regarding the use of words or graphics similar to or the same as registered trademarks, graphics, or combinations thereof, we will conduct patent searches for the same types and similar products or technical functions, and analyse their patents to avoid infringement of intellectual property rights and protect the intellectual property rights of the Group and its business partners from third-party infringement and economic losses.

7. CORPORATE OPERATIONS

PRODUCT R&D

Along with the transformation of the business and constant expansion of the scale of the Group, as well as the advancement and development of various new technologies, we have to acquire considerable technologies and devote more resources in product research and development. We have been devoted to researching and developing new products. R&D bases are established in Huizhou, Shenzhen and Xi'an with a total of approximately 900 team members. While developing and introducing new products as per the request of individual customers, forward-looking R&D of fundamental technology in relation to the products will also be carried out. In recent years, the Group has devoted more R&D resources to development of smart products, particularly smart audio speakers, and gradually built up pre-emptive advantage for product R&D in this field.

Case Study I:

With the rapid development of intelligent voice interaction technology, smart voice speakers have the largest market share. As a main ODM collaboration partner for various smart audio platforms in the world, Tonly Electronics cooperated with a domestic internet company to launch smart terminal series products in 2019.

Leading 2MIC solution, 11.09 mm at the thinnest part of the products, 7-inch high-definition In-Plane-Switching ("IPS") large screen, front sound output, innovative use of silicone gel materials to effectively isolate the speakers from the outer shell of the products, suspended structure to avoid friction and pollution of the sound quality caused by the vibration of the speakers, and hence bring an audio-visual feast for the end users.

In order to cope with the rapid needs of customers, the project team tackled difficulties and achieved smooth mass production of the project in four months. At the same time, 30 sets of replication moulds were quickly imported to meet the rapid increase of products and meet the sales demands of customers during "Double 11" annual sales gala.

Case Study II:

With keen market insight, Customer J pioneered the development of a new generation of channel surround sound bar BAR5.1 Surround in 2019 with the major ODM partner Tonly Electronics, which uses high-performance multi-beam technology and the powerful output power of 550 watts that greatly improves the consumer audio-visual experience. It aims at integrating artificial intelligence with the brand's iconic sound effects and stylish designs to impress users with sincere products and promote the new trend of the audio market.

The project team made an all-out effort for eight months to overcome the new process of iron mesh gradient holes, the use of DuPont pin connections between P plates and horn shrapnel, so that the products were successfully mass produced in the third quarter and delivered on time and highly praised by customers. It also fully reflects the capability of the Group to develop Soundbar products.

7. CORPORATE OPERATIONS

LOGISTICS SYSTEM

The Group has a comprehensive logistics and operational management system so that we can ensure products are speedily and accurately delivered to customers. We have formulated the "Regulations on Shipping Operational Management" and the "Regulations on Carriage Operation Management", which direct the personnel at the sales centre and shipping personnel to manage the operations of shipping arrangements and instruct the operations of logistics service providers in accordance with customers' and the Group's standards respectively. Those regulations also set out the complete safety procedures for shipping emergencies and assist relevant personnel to handle possible emergencies which may arise in the course of shipping.

Meanwhile, according to the business model, we have formulated training materials including "Logistics Professional Knowledge" and "International Trading Terms" and provided systematic training for the staff members in relevant departments and engaging in the relevant business, especially the training for newly recruited employees. The training explained the key points and time node requirements of various transportation modes in every section, and performance responsibilities and obligations of purchasers and vendors under different trading terms, which raises work efficiency and reduces waste of logistics costs. We have a complete Supply Chain Support System and Manufacturing Execution System ("MES") operation module with personalized and intelligent report output, which ensure shipment data can be quickly and accurately exported in accordance with customers' requirements. We are committed to delivering the products efficiently and accurately to our customers via quality logistics service providers and cargo transportation agencies.

ADVERTISING AND LABELLING

In order to ensure that the labels of the products of the Group meet the actual conditions of the products, the Group has formulated the "Fair Trading, Advertising, Competition Management Procedures" to regulate the use of the labels of electronic products of the Group and ensure that the content of the labels meets the relevant national requirements. For all electronic product labels of the Group, the marketing department is responsible for revising and producing the labels on the outer packaging of products in accordance with laws and regulations; the warehouses are responsible for checking the labels on the outer packaging of products to ensure that the pasted labels are clear and prominent. We have established rigorous monitoring procedures to guarantee that the content of electronic product labels truly and accurately reflects product quality, and does not contain prohibited content stipulated by the state, such as content compared with the efficacy and safety of the products of other enterprises. During the promotion process, we strictly require the sales and marketing team to abide by all laws and regulations related to the use of advertisements and labels to avoid any form of false publicity.

7. CORPORATE OPERATIONS

7.2 SUPPLY CHAIN MANAGEMENT

As a comprehensive solution and manufacturing service provider of innovative smart products, the suppliers of the Group are mainly manufacturers and suppliers of electronic parts or components, including integrated circuits, cores, plastic machinery parts, hardware machinery parts, etc. We have a complete procurement system and strict procurement standards for the suppliers. We insist on careful screening of brands and products which have good growth potential in the electronic parts market, and contact relevant manufacturers and initiate negotiation and procurement procedures. This not only guarantees the interests of the Group and customers, but is also an urge on the suppliers. While maintaining a good long-term partnership with the suppliers, the Group also asks for excellent quality of the suppliers' products and services.

To assess and evaluate the suppliers and meet the production requirements, based on the PRC's related labor, environment and quality laws and regulations, together with the high standards and stringent requirements of the Group, we have formulated relevant policy documents including the "Supplier Selection and Control Procedures" (《供方的選擇和控制程序》), the "Purchasing Control Procedures" (《採購控制程序》), the "Supplier Development and Management Procedures" (《供應商開發與管理流程》) and the "Supplier Quality Extension Management Practice" (《供應商品質延伸管理規範》), which ensure the purchasing items are in compliance with the requirements in all aspects such as quality, delivery and services so as to ensure the sources, specifications and quality of materials. We will also conduct a risk assessment of our suppliers and implement anti-terrorism work in accordance with the "Anti-Terrorism Management Procedures" (《反恐管理程序》). We have organised a procurement knowledge contest for responsible employees to improve their procurement skills.



Procurement Knowledge Contest in Procurement Centre

7. CORPORATE OPERATIONS

FIRST SUPPLIER MANAGEMENT

In order to strengthen the management of business operation quality, ensure that legal and reliable electronic parts are purchased from legally qualified companies, the Group has formulated "New Supplier Development Program" (《新供應商開發計劃》) to standardise the review of the legal qualifications, quality reputation, and legality of the first-run variety, quality reliability of new suppliers. While identifying new suppliers, our procurement department first shortlists some existing qualified suppliers from our "Qualified Supplier List" (《合格供方名單》), then selects the best-suited based on their merits. Our Source/Supplier Quality Assurance ("SQA") Department is responsible for assessing the pre-selected material suppliers on quality, environmental substances, social responsibility system, etc., according to the "Administrative Practices for Supplier Assessment" (《供應商審查管理規範》). The SQA Department also monitors suppliers' performance of annual review and evaluation of their sub-suppliers.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT ON SUPPLY CHAIN

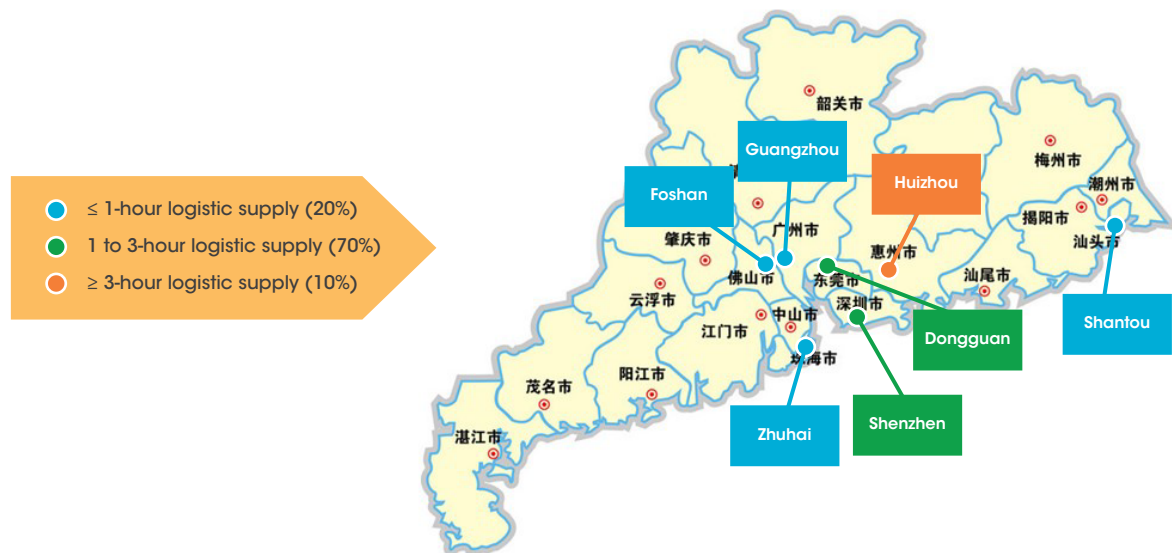
Assessing the environmental and social risks of suppliers is an important part of supply chain management. The Group is committed to reducing the environmental and social risks of the suppliers through various supply chain management policies to safeguard the interests of the Group, investors or other stakeholders.

Based on the latest developments in the international community and national policies, the Group puts forward new requirements for suppliers on emission reduction and environmental protection, motivates the suppliers to formulate appropriate environmental policies, promotes energy-saving emission reduction and low-carbon production, as well as encourages suppliers to conduct regular self-reviews. The Group has also selected the transportation distance of suppliers as one of the important selection criteria. Currently, the main suppliers of the Group are concentrated in Guangdong Province, accounting for 90% in aggregate. The remaining 8% are located out of the province and 2% are from overseas regions including Korea, Japan, Malaysia, Austria, Singapore and Taiwan. During the period under review, the distribution of the suppliers of the Group is as follows:

Region	Number of Suppliers
The PRC (including Hong Kong and Taiwan)	794
Japan	2
Korea	4
Singapore	1
Others	8
Total	809

7. CORPORATE OPERATIONS

The geographical distribution of suppliers in the province is as follows:



Geographical distribution of suppliers

The Group's main factory in Huizhou takes less than three hours for logistics. With the geographical advantage of being adjacent to Shenzhen, Hong Kong and Dongguan and situated at the core area of Pearl River Delta region, the Group can reduce carbon emissions and environmental impact with short-distance transportation. It realises speedy and easy resource allocation at lower costs, creating an efficient and flexible supply chain. The Group has been fulfilling corporate responsibility and taking practical actions to promote the sustainable development of itself and its suppliers, thereby reducing the environmental risks of suppliers.

The Group is also committed to continuously improving the quality of suppliers and achieving a double harvest of industrial development and social benefits. The Group requires all qualified suppliers shall be ISO9001-certified (TS16949 or QS9000-certified for automotive parts suppliers) and continuous improvement to promote the establishment of management systems such as ISO14001 and QC080000. We persist in implementing our system of assessing existing qualified suppliers on a regular basis. We have devised the "Annual Qualified Supplier Assessment Program" (《年度合格供應商例行審查計劃》) to check, among others, suppliers' corporate social responsibility ("CSR"), quality system audit ("QSA") and quality process audit ("QPA") under the circumstances. Based on the outcome, we update the information of suppliers in a timely manner and eliminate unqualified suppliers so as to implement the concept of social responsibility into the supply chain management system, reduce the social risks of suppliers, and promote the sustainable development of the industry.

7. CORPORATE OPERATIONS

7.3 ANTI-CORRUPTION AND ADVOCACY OF INTEGRITY

The Group has always given weight to work concerning prevention and punishment of corruption, acted in accordance with the principle of integrity, and persisted in operating with probity. We believe that an incorruptibility corporate culture is the key to the continued success of the Group. Therefore, we attach utmost importance to the work and system formation of anti-corruption and advocacy of integrity. The anti-corruption work of the Group adheres to the principle of prevention, advocates a corporate culture of integrity, and strives to create an environment of probity.

The Group strictly abides by the laws and regulations on preventing bribery, extortion, fraud and money laundering, including but not limited to the Company Law of the PRC (《中華人民共和國公司法》), the Law of the PRC on Bidding and Tendering (《中華人民共和國招標投標法》), the Criminal Law of the PRC (《中華人民共和國刑法》), the Law of the PRC on Anti-Unfair Competition (《中華人民共和國反不正當競爭法》), and the Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). During the period under review, the Group was not aware of any major violations of laws and regulations related to the prevention of bribery, extortion, fraud and money laundering that may have a significant impact on the Group, and there were no closed corruption litigation cases.

In order to prevent fraud, strengthen the governance and internal control of the Group, safeguard the legitimate rights and interests of the Group and its stakeholders, standardise business operations and mitigate operational risks, the Group formulated the "Procedures for Integrity Operation and No Unjustified Income Control" (《廉潔經營、無不正當收入控制程序》) in accordance with its business objectives, laws and regulations, and the provisions and requirements of regulatory authorities, taking into consideration the actual situation of the Group. It regulates the specific behaviours of employees in the course of business activities, and precludes all internal and external personnel of the Group from using deception and other illegal means to seek personal illicit interests, damage the legitimate economic interests of the Company, or an act of seeking improper company economic benefits. It provides guidance on the direction and methods for employees to abide by professional ethics and adhere to the principle of integrity.

7. CORPORATE OPERATIONS

The anti-bribery policy of the Group aims to ensure the realisation of the Group's business objectives and the continuous, stable and healthy development of the Group. By clarifying the powers, responsibilities, rewards and punishment systems of each department, we strengthened the construction of precautionary and control mechanism on internal corruption. The Management Engineering Department is responsible for implementing relevant policies and conducting follow-up supervision and investigation through a sound supervision mechanism. The Group implements a commitment to commercial bribery prevention system for key aspects and key posts which the personnel must sign the "Anti-Bribery/Anti-Corruption Pledge" (《反賄賂／反腐敗承諾書》) to ensure that they consciously comply with the relevant requirements of anti-corruption and advocacy of integrity and promise not to commit unethical behaviours.

The Group has also set up "Anti-terrorism Management Procedures for Suppliers" (《供應商反恐管理程序》) in order to prevent extortion during operation. All employees of the Group must sign and abide by the "Probity Agreement" (《廉潔協議書》) and promise not to engage in acts that directly or indirectly constitute corruption or illegality, and will assume legal responsibilities to ensure that all employees are aware of the specific requirements of the Group of their behaviours, which require them to consciously regulate their own behaviours. In addition, "Customer Credit Management System" (《客戶信用額度管理制度》) and other anti-money laundering measures have been implemented. Through analysing clients' financial status, we assess their credit and risk to prevent money laundering.

WHISTLE-BLOWING POLICY

The Group has instituted a barrier-free, transparent and safe tip-off channel to build and maintain our culture of integrity and transparency. Through the "Employee Complaint Whistle-blowing Procedures" (《員工投訴舉報程序》), we have established a comprehensive and multi-channel mechanism to encourage employees and companies having business dealings with us to report and bring the corruption acts to light, and strengthen the effectiveness of anti-corruption monitoring. We also have the "Administrative Regulations on the Protection of Informer(s)" (《保護舉報者的管理規定》) in place to maintain confidentiality of the information of whistle-blowers. The Group strictly prohibits the disclosure of the reporting situation to the person or department being reported; it is also prohibited to present the original and copies of the reporting materials during investigation and verification to ensure that complainants and informants are protected in the course of assisting the investigation. Investigators are strictly prohibited from identifying handwriting of anonymous reporting letters and materials, and reporting materials shall not be borrowed at will to preserve the confidentiality of the informants' identities.

8. SOCIAL ENGAGEMENT

8.1 CORPORATE SOCIAL RESPONSIBILITY

While the corporate development maintains a good trend, the Group keeps giving back to society in mind and thrives with the community. The Group, in adhering to the concept of "Assuming the social responsibility, to be an outstanding corporate citizen", actively participates in social and charity activities in where we operate so as to facilitate local development. We are committed to participating in social welfare and charitable activities, city beautification, ecology and environmental protection and actively organising various youth voluntary activities to help underprivileged people from the perspective of social needs. By providing financial and in-kind support to them, we create sustainable social value.

AWARDS RECEIVED

Under the guidance and support of Huizhou Federation of Trade Unions, the Group's working committee and the labor union of Tonly Electronics, Tonly Female Staff Innovation Workshop (通力女職工創新工作室) was established in May 2018, with an aim to create a platform for female staff to show their talents, promote the innovation development of female staff, enable the female staff to bring their enormous talents into full play, and facilitate the contribution by female staff in the area of corporate technological development, skill and talent cultivation, etc. At the beginning of March 2019, Tonly Female Staff Innovation Workshop won the honorary title of "Woman Pace-setter Group" (三八紅旗手集體) presented by Guangdong Province (Women) Members Association (廣東省婦女聯合會).

At the "Commendation Conference of Labor Model" (勞模表彰大會) held for celebrating the "May Day" International Workers' Day in Guangdong Province, the chief research officer of the Group's research and development centre was awarded the "Guangdong May Day Labor Medal" (廣東省五一勞動獎章) for recognition of the realisation of decent work and comprehensive development.

The Group's care for the community and social engagement have been widely recognised and won many awards. During the period under review, TCL Group was selected as the "Huizhou Advanced Grassroots Party Organization" (惠州市先進基層黨組織) by the Huizhou Municipal Party Committee. In the future, we will continue to put efforts in making greater contributions to our corporate social responsibility.

8. SOCIAL ENGAGEMENT

TONLY YOUTH VOLUNTEERS

Tonly Electronics Youth Volunteer Team (the "Tonly Youth Volunteers") is a volunteer team in reliance upon the party working committee with over 200 members since its official establishment. With the aim of "Helping others and Achieving our success", the Tonly Youth Volunteers have organised a number of voluntary activities and jointly create a sustainable society in adhering to the Group's concept of encouraging staff to participate in social welfare activities.

- VOLUNTARY TREE PLANTING ACTIVITY AT HONGHUA LAKE

In March every year since 2012, the Tonly Youth Volunteers have organised volunteers to participate in the environmental protection activity of voluntary tree-planting at Honghua Lake for eight consecutive years. Together, our volunteers planted trees in the hope of a green future. By supporting environmental protection with action, we hope to keep on organising this green charity event to bring positive impact on the environment. At the tree-planting activity in 2019, Tonly Youth Volunteers organised 89 persons to plant a total of 200 trees in 2 hours.



Voluntary tree planting activity at Honghua Lake

8. SOCIAL ENGAGEMENT

- FOOTBRIDGE CLEAN-UP EVENT

In order to expand the social influence and establish a positive image of enthusiasm towards public welfare, the Tonly Youth Volunteers have organised clean-up events to sweep the footbridges adjacent to the Company for three consecutive years since 2017, making a contribution to the environment protection in the society. At the end of December 2019, the Tonly Youth Volunteers organised the third footbridge clean-up event with 65 participants for the purpose of helping people and improving our community.



Footbridge Clean-up Event

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Aspects, General Disclosures and KPIs			
KPIs	Descriptions	Section/Statement	Page
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. ENVIRONMENTAL PROTECTION (EP) 5.1 EMISSIONS	20
KPI A1.1 (Comply or explain)	The types of emissions and respective emissions data.	5.1 EMISSIONS	22
KPI A1.2 (Comply or explain)	Greenhouse gas emissions in total (in tonnes) and intensity.	5.1 EMISSIONS	22
KPI A1.3 (Comply or explain)	Total hazardous waste produced (in tonnes) and intensity.	5.1 EMISSIONS	24
KPI A1.4 (“Comply or explain”)	Total non-hazardous waste produced (in tonnes) and intensity.	5.1 EMISSIONS	25
KPI A1.5 (Comply or explain)	Description of measures to mitigate emissions and results achieved.	5 ENVIRONMENTAL PROTECTION (EP) 5.1 EMISSIONS	20
KPI A1.6 (Comply or explain)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.1 EMISSIONS	23

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Aspects, General Disclosures and KPIs	Descriptions	Section/Statement	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 RESOURCES AND ENERGY MANAGEMENT	26
KPI A2.1 (Comply or explain)	Direct and/or indirect energy consumption by type in total and intensity.	5.2 RESOURCES AND ENERGY MANAGEMENT	30
KPI A2.2 (Comply or explain)	Water consumption in total and intensity.	5.2 RESOURCES AND ENERGY MANAGEMENT	28
KPI A2.3 (Comply or explain)	Description of energy use efficiency initiatives and results achieved.	5.2 RESOURCES AND ENERGY MANAGEMENT	28
KPI A2.4 (Comply or explain)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.2 RESOURCES AND ENERGY MANAGEMENT	27
KPI A2.5 (Comply or explain)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	5.2 RESOURCES AND ENERGY MANAGEMENT	31
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5. ENVIRONMENTAL PROTECTION (EP)	20
KPI A3.1 (Comply or explain)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION (EP)	20
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 EMPLOYMENT	32
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	6.1 EMPLOYMENT	33
KPI B1.2 (Recommended Disclosures)	Employee turnover rate by gender, age group and geographical region.	6.1 EMPLOYMENT	35

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Aspects, General Disclosures and KPIs			
KPIs	Descriptions	Section/Statement	Page
<i>Aspect B2: Health and Safety</i>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 EMPLOYEE HEALTH AND SAFETY	42
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities.	6.2 EMPLOYEE HEALTH AND SAFETY	44
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	6.2 EMPLOYEE HEALTH AND SAFETY	44
KPI B2.3 (Recommended Disclosures)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2 EMPLOYEE HEALTH AND SAFETY	42
<i>Aspect B3: Development and Training</i>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 TRAINING AND DEVELOPMENT	45
KPI B3.2 (Recommended Disclosures)	The average training hours completed per employee by gender and employee category.	6.3 TRAINING AND DEVELOPMENT	46

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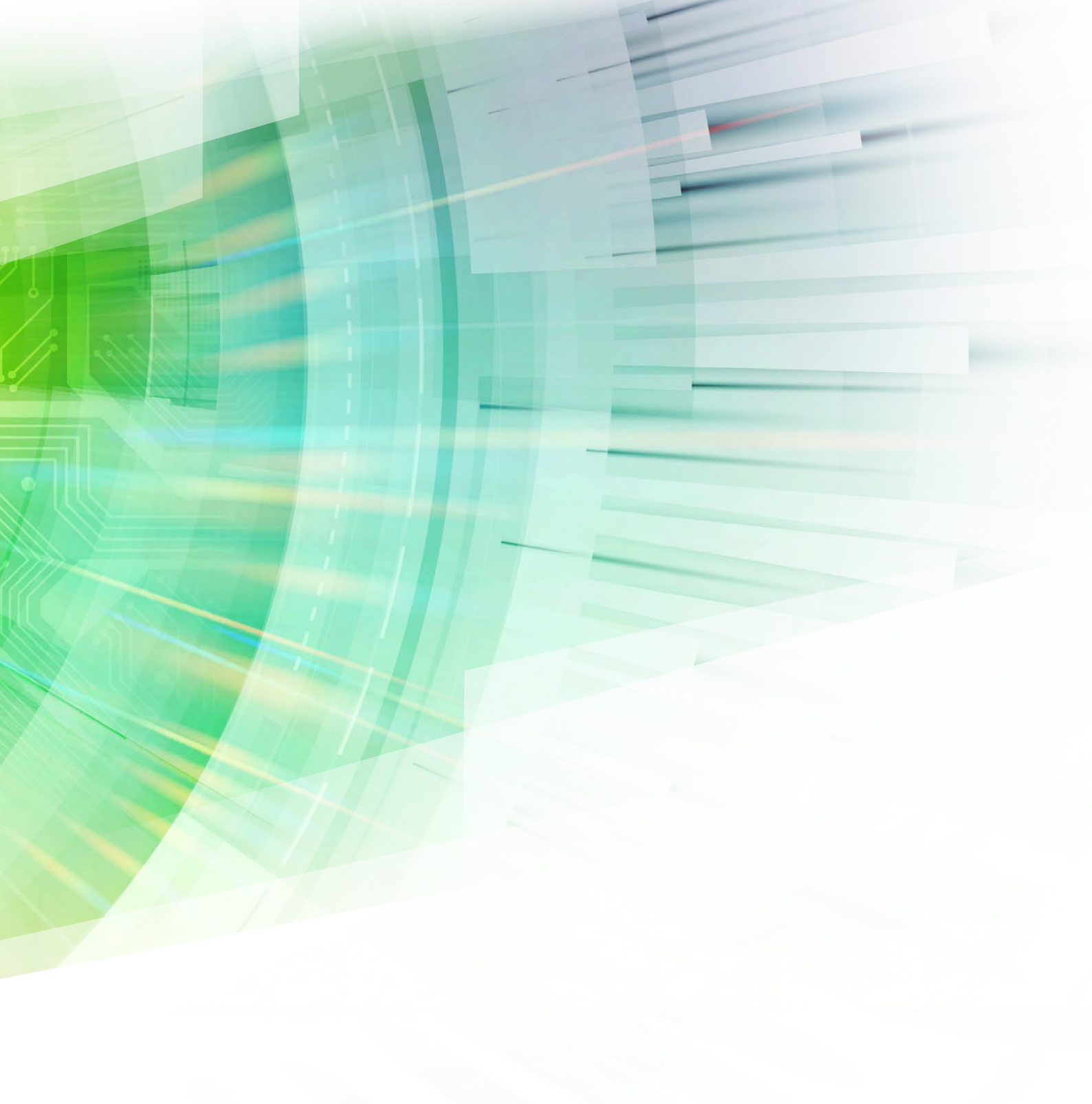
Aspects, General Disclosures and KPIs	Descriptions	Section/Statement	Page
Aspect B4: Labor Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	6.4 PREVENTION OF CHILD AND FORCED LABOR	47
KPI B4.1 (“Recommended Disclosures”)	Description of measures to review employment practices to avoid child and forced labor.	6.4 PREVENTION OF CHILD AND FORCED LABOR	47
KPI B4.2 (Recommended Disclosures)	Description of steps taken to eliminate such practices when discovered.	6.4 PREVENTION OF CHILD AND FORCED LABOR	47
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7.2 SUPPLY CHAIN MANAGEMENT	53
KPI B5.1 (Recommended Disclosures)	Number of suppliers by geographical region.	7.2 SUPPLY CHAIN MANAGEMENT	54
KPI B5.2 (Recommended Disclosures)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	7.2 SUPPLY CHAIN MANAGEMENT	53

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Aspects, General Disclosures and KPIs			
KPIs	Descriptions	Section/Statement	Page
<i>Aspect B6: Product Responsibility</i>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7.1 PRODUCT RESPONSIBILITY	48
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	7.1 PRODUCT RESPONSIBILITY	49
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	7.1 PRODUCT RESPONSIBILITY	49
KPI B6.3 (Recommended Disclosures)	Description of practices relating to observing and protecting intellectual property rights.	7.1 PRODUCT RESPONSIBILITY	50
KPI B6.4 (Recommended Disclosures)	Description of quality assurance process and recall procedures.	7.1 PRODUCT RESPONSIBILITY	48
KPI B6.5 (Recommended Disclosures)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7.1 PRODUCT RESPONSIBILITY	50

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Aspects, General Disclosures and KPIs	Descriptions	Section/Statement	Page
Aspect B7: Anticorruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7.3 ANTI-CORRUPTION AND ADVOCACY OF INTEGRITY	56
KPI B7.1 (Recommended Disclosures)	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.	7.3 ANTI-CORRUPTION AND ADVOCACY OF INTEGRITY	56
KPI B7.2 (Recommended Disclosures)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	7.3 ANTI-CORRUPTION AND ADVOCACY OF INTEGRITY	57
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8.1 CORPORATE SOCIAL RESPONSIBILITY	58
KPI B8.1 (Recommended Disclosures)	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	8.1 CORPORATE SOCIAL RESPONSIBILITY	58
KPI B8.2 (Recommended Disclosures)	Resources contributed (e.g. money or time) to the focus area.	8.1 CORPORATE SOCIAL RESPONSIBILITY	59



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