



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

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

股份代號 Stock Code : 918

2019/20

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

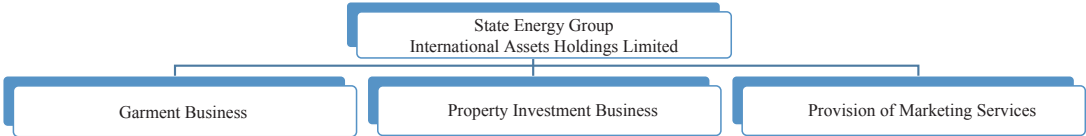
環境、社會及管治報告



ABOUT US

State Energy Group International Assets Holdings Limited (the “**Company**”, “**State Energy**” or “**we**”, stock code: 918) is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**SEHK**”). During the period from 1 April 2019 to 31 March 2020 (“**Year 2020**”), The Company and its subsidiaries (collectively, “**State Energy Group**” or the “**Group**”) focus on the business of sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products (the “**Garment Business**”), property investment (“**Property Investment Business**”) and provision of marketing services (“**Provision of Marketing Services**”).

BUSINESS STRUCTURE OF THE GROUP



ABOUT THIS REPORT

In pursuant to the requirement of the Environmental, Social and Governance Reporting Guide (the “**Guide**”) stated in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of the SEHK (the “**Main Board Listing Rules**”), the Group has prepared the Environmental Social and Governance Report for Year 2020 (thereafter “**Report**”).

While promoting sound business growth, the Group is also committed to building an environmentally-friendly corporation that maintains high quality standards in our services and operations. The Group considers social and environmental responsibilities as one of the core values in business operations to strive for greater sustainability and transparency, as well as to deliver services that foster a sustainable environment for the future generation.

This Report covers the Group's initiatives on the concepts of Environmental, Social and Governance ("ESG") and the implementation of the relevant concepts in the normal operations. The Report also provides an overview to the Group's direction in managing ESG related issues, driving for initiatives throughout the operations and communicating the Group's ESG performance results with stakeholders. The information contained herein has been sourced from official documents and statistics of the Group, and was consolidated and compiled with the information on control, management and operations as provided by a number of departments of the Group. This report is prepared in Chinese and English, both versions have already been uploaded to the Group's website at www.seiah.com.

The Group will continuously publish its ESG performance on a regular basis each year, which can be accessed by all parties at any time, to continuously enhance the transparency of information disclosure.

SCOPE OF THIS REPORT

The report covers on the Garment Business, the Property Investment Business and the Provision of Marketing Services of State Energy in Hong Kong. The board of directors (the "**Board**") has prudently evaluated the development prospects of the existing business, and will shift its focus towards actively exploring new business opportunities with greater potential going forward. Pursuant to the requirement of the Stock Exchange, the Group has included additional disclosure of the environmental key performance indicators in this report.

MATERIALITY ASSESSMENT

Sustainable development encompasses a holistic spectrum of environmental and social aspects. In order to harness the related risks and opportunities, it is crucial for the Group to determine the most material aspects. The Group adopts the three-step process of identification, prioritization and application to ensure sustainability topics are being managed and reported in accordance with their materiality.

(1) Identification

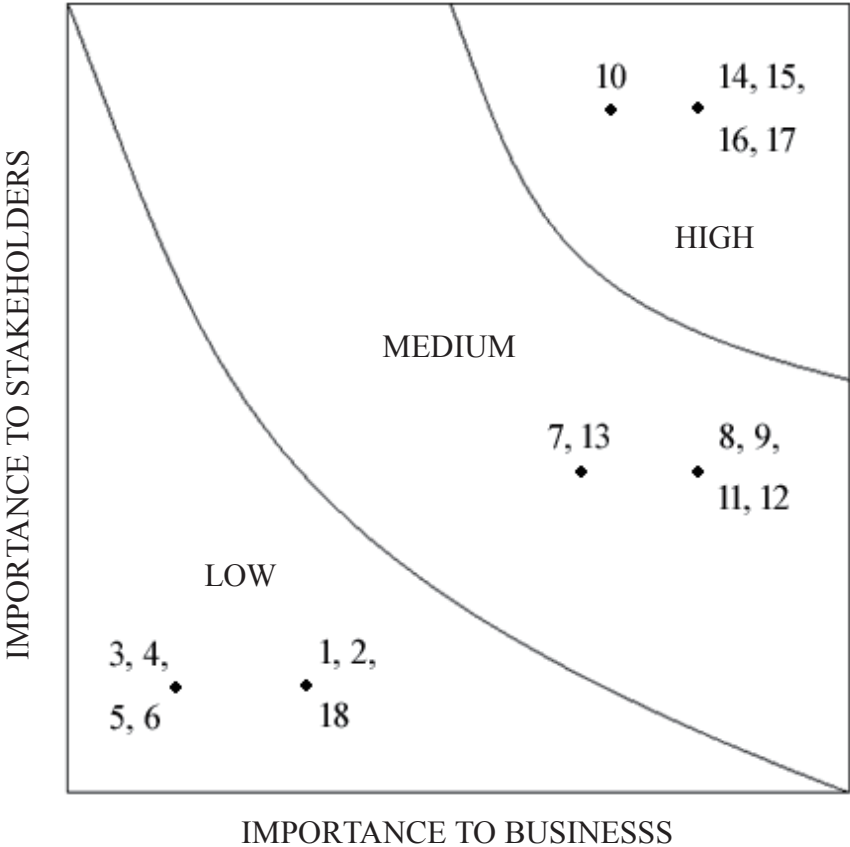
In accordance with the ESG Reporting Guide, all fundamental sustainability topics were identified. In the context of the latest sustainability landscape, the Group has determined the following 18 ESG Materiality topics that are deemed to have impact on the environment and society through our operations.

ESG Aspects		ESG Materiality Topics for the Group
A. Environmental Responsibility	A1. Emissions and Waste Generated	1. Air Emissions
	A.2. Use of Resources	2. Greenhouse Gas Emissions
	A.3. The Environment and Natural Resources	3. Waste Management
B. Social Responsibility	B1. Employment	4. Energy Consumption
	B2. Workplace Health and Safety	5. Water Consumption
	B3. Development and Training	6. Paper Consumption
	B4. Labor Standards	7. Environmental Risk Management
	B5. Supply Chain Management	8. Human Resources Practices
	B6. Product Responsibility	9. Employment and Remuneration Policies
	B7. Anti-Corruption	10. Equal Opportunity
	B8. Community Investment	11. Employees' Health and Workplace Safety
		12. Employee Development
		13. Anti-child and Forced Labor
		14. Supplier Practices
		15. Goods/Services' Quality and Customers Satisfaction
		16. Protection of Customers Privacy
		17. Anti-corruption and Anti-money Laundering
		18. Community Investment

(2) Prioritization

To determine the materiality of the selected ESG topics, the views of senior management of respective operational regions were sought. The senior management, who possess a high-level view of all the topics, were asked to score the importance of each ESG topic to stakeholder groups and the Group in each of their perspective.

Weighted according to the proportion of revenue of each operational region, the following materiality matrix resulted. The topmost-right quadrant determines the topics of high materiality.



The following chart shows the level of Materiality topics ranking:

Materiality Topics (by Ranking)	
No. Topics 14, 15, 16, 17	Supplier Practices, Goods/Services' Quality and Customers Satisfaction, Protection of Customers Privacy, Anti-corruption and Anti-money Laundering
10	Equal Opportunity
8, 9, 11, 12	Human Resources Practices, employment and Remuneration Policies, Employees' Health and Workplace Safety, Employee Development
7, 13	Environmental Risk Management, Anti-child and Forced Labor
1, 2, 18	Air Emissions, Greenhouse Gas Emissions, Community Investment
3, 4, 5, 6	Waste Management, Energy Consumption, Water Consumption, Paper Consumption

(3) Application

The Report discloses all the high and low material topics. To address topics that matter most to our stakeholders, more depth is detailed for topics of high materiality throughout the Report.

COMMUNICATION WITH STAKEHOLDERS

The ESG Reporting Guide of the Stock Exchange states four reporting principles, which include materiality, quantitiveness, balance and consistency, as the foundation in preparation of the “Environmental, Social and Governance Report”. As emphasized by the Stock Exchange, the participation of stakeholders is an evaluation method of materiality. By means of communicating with stakeholders, enterprises could understand the general opinion and identify important environmental and social issues.

The Group believes that identifying and addressing stakeholder views lay a solid foundation to the long-term growth and success of the Group. In order to prepare this report, the Group has engaged an independent professional party to conduct a materiality analysis by interviewing the management and incorporating the advice of professional consultants to clarify important reporting issues, which serve as the determination basis for the direction of the Group’s sustainable development.

The below table presents key stakeholders of the Group as well as how the Group communicate with them through variety of engagement and channels during Year 2020.

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"> • Directors of the Company • Management • Administrative Personnel • General Staff 	<ul style="list-style-type: none"> • Shareholders and Investors • Customers • Suppliers • Banks • Business Partners • Local Community Group
<p>Communication Channels: Meeting, interviews, direct mail, staff performance appraisal interviews, internal publications, Annual General Meeting, Extraordinary General Meeting, hotline and suggestion boxes.</p>	

The operations of State Energy Group have impacts on various stakeholders, while stakeholders have different expectations of the Group. Looking forward, the Group will continuously strengthen its communications with its stakeholders, and extensively collect stakeholders’ opinions on various ways that would lead to a more comprehensive materiality analysis. Meanwhile, the Group would also enhance the reporting principles in terms of quantitiveness, balance and consistency, and the presentation of content and information of the report are defined in a way which better conforms to stakeholders’ expectations.

ENVIRONMENTAL RESPONSIBILITY

The Group is committed to operating business activities in a clean and sustainable manner. Our business typically engages in the business of sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, property investment and provision of marketing services. As the Group does not engage in any complicated manufacturing operations, the environmental impacts of our facilities and offices are limited to air emission from vehicles, the management of waste and resource conservation. The Group strives to curb emissions and waste, as well as conserve energy and water resources.

Aspect A1: Emissions and Waste Generated

The Group implements robust systems to ensure all pollutant discharges, waste disposal and handling are compliant with regulatory standards. Our operations do not discharge any matter to water and/or land bodies.

Fuel consumption of a motor vehicle is the major source of nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matter (“PM”) emissions. The motor vehicle is strictly used for picking up the staff and business activities in Hong Kong and Mainland China. In Year 2020, the motor vehicle is no longer in use, hence the fuel consumption declined significantly.

Gaseous Emissions from the Use of a Motor Vehicle:

Environmental Performance	Unit	2020	2019
NOx	Kg	0	0.0021
SOx	Kg	0	0.008
PM	Kg	0	0.0002

Greenhouse gas (“GHG”) emission	Unit	2020	2019
Total GHG emission	Kg CO _{2e}	11,703	15,638
GHG emission Intensity (Total GHG emission/Total area of operations)	Kg CO _{2e} /M ²	26.7	38.8

Environmental Performance	Unit	2020	2019
Hazardous wastes produced	Kg CO _{2e}	0	0
Intensity of hazardous wastes produced	Kg CO _{2e} /M ²	N/A	N/A
Non-hazardous wastes produced	Kg	400	535*
Intensity of non-hazardous wastes produced	Kg/M ²	0.9	1.33*

* The figures are restated for consistent comparison purpose.

During the Year 2020, the Group has encountered no incident of non-compliance with applicable laws and regulations related to air emissions discharges, waste disposal and handling. Major applicable laws and regulations are detailed in respective sections.

Aspect A2: Use of Resources

State Energy understands that effective resource management is closely related to environmental protection and corporate sustainability goals. Due to the nature of offices' operations and business, the major resources consumed by the Group are electricity, water and paper. The Green Policy provides various energy-saving measures for office activities. The Group has enabled the off timer function of office equipment such as photocopiers, printers and computer monitors in its offices, allowing such equipment which have been idle for a long time to automatically power down to save electricity. The Group also considers the gradual replacement of energy-saving lamps, including installation of additional automatic light sensors where appropriate. More than 30% of the office paper which the staff members used were from recyclable sources. The Group focus on purchasing supplies such as tissue paper manufactured from recycled materials. As stated in the Green Policy, the Group encourages its staff members to scale down font size and reduce paper margins and set up double-sided printing.

The Group incorporates environmental issues into its business plan systematically, including formulating more detailed corporate internal guidelines for environmental protection, as well as formulating sustainable development policies and road maps in the long term and proactively promoting a number of environmental protection campaigns.

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

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

Sources	Unit	2019	2018
Energy Consumption:			
Electricity consumption	KWh	12,843	18,772
Electricity consumption intensity	KWh/M ²	28	47
Water Consumption:			
Water consumption	Cubic metre ("M ³ ")	0	26
Water consumption intensity	M ³ /M ²	0	0.06

Aspect A3: The Environment and Natural Resources

The Group is committed to providing a complete picture of our environmental initiatives. We strive to build an eco-conscious culture that ingrains positive lifestyle and habits among employees. We encourage the use of public transportation, and offer job ticket incentives at some locations. Our event management is also an avenue by which we seek to integrate sustainability principles. Events are usually held on-site and avoid the use of disposal utensils. For catering, locally grown/produced items are preferred as opposed to packaged items with a higher carbon footprint. Green procurement is adopted at some locations through the purchase of eco-friendly cleaning solutions.

SOCIAL RESPONSIBILITY

State Energy Group ingrains social responsibility into all aspects of its operations. Maintaining honest and authentic dialogue with our staff, the Group seeks to address their needs and views that ensure our conduct is responsible at all times. We commit to offering a fair and safe workplace with staff development opportunities. Furthermore, the Group commits to the delivery of quality products grounded on ethical business conduct and supply chain management, as well as to meaningful engagements with the community.

Aspect B1: Employment

State Energy considers its staff as one of the most important assets, which underpins the growth of the corporation. The Group believes that each employee deserves respect and is committed to providing a pleasant working environment for them. The “Staff Code” of the Group expressly provides policies in respect of compensation, recruitment and dismissal, promotion, working hours, rest periods, equal opportunity, and other benefits and welfare.

Remuneration and welfare:

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance and experience. We conduct annual performance appraisals and remuneration review that take reference of prevailing market trends. Employees are entitled to performance-linked bonuses, retirement benefit schemes, as well as medical coverage.

Recruitment and promotion:

The human resources department conducts a comprehensive recruitment review process to ensure that the data provided by the candidates are accurate. The Group's recruitment and promotion process are carried out in a fair and open manner for all employees. Employees are recognized and rewarded by their contribution, work performance and skills, and outcomes will not be affected by any discrimination on the grounds of age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors. In cases of resignation and/or dismissal, the entire procedure is compliant with statutory requirements, with exit interviews conducted as necessary. Long-serving employees are recognized through award schemes. The Group monitors turnover rate with a view to continuously improve our human resources management.

Anti-discrimination and diversity:

The Group is an equal opportunity employer and does not discriminate on the basis of age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation. The Group embraces diversity and inclusion in its employment policy that builds a respectful workplace, where equal opportunities with regard to recruitment and promotion are given to staff with disabilities. Necessary accommodations to work environment are also carried out to meet their needs. All personnel staff receive training related to non-discriminatory practices for the surest measure. The Group strives to ensure a safe and secure workplace with zero tolerance to any form of abuse and/or sexual harassment in the workplace. Staff grievance and disciplinary procedures of the Group are established to ensure all submitted cases are treated with confidentiality and fairness.

Employee communications:

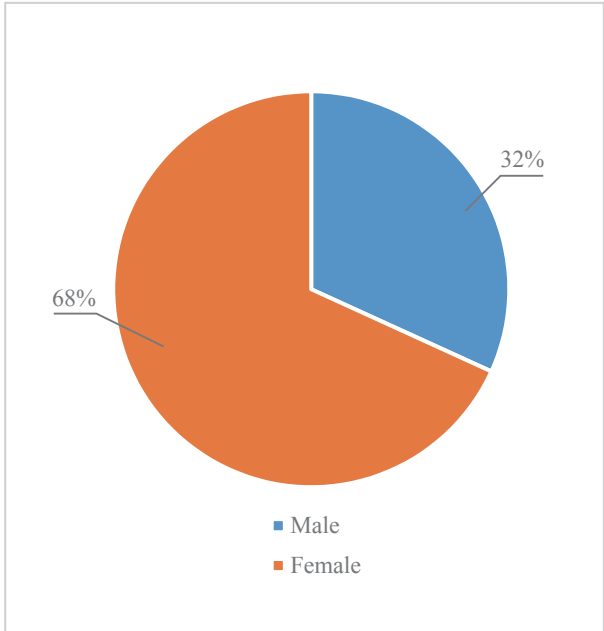
The Group's policies and procedures included in the human resources manuals are reviewed and updated regularly. The Group discourages and disallows any behavior that violates the regulations in the human resources policies. Offenders will receive warning, and the Group has the right to terminate employment contract with offenders for any serious violations. The Group's staff grievance mechanism is a confidential channel by which staff may report suspected cases of rights infringement, which are then handled according to formal procedures. Other regular communication channels include newsletters, circular notices, notice boards, as well as working groups. Staff satisfaction surveys and staff motivation schemes were also conducted which further demonstrate our commitment to improving the working environment.

Work-life balance:

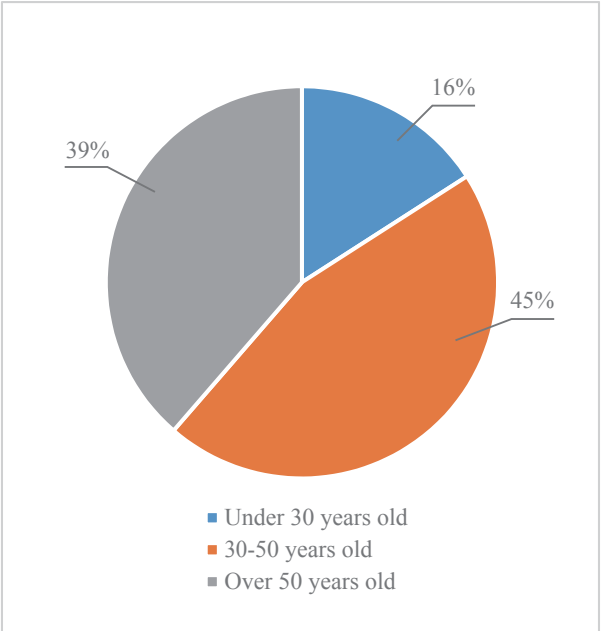
The Group seeks to cultivate a culture of healthy work-life balance. All working hours comply with national laws and benchmark industry standards, and overtime work is voluntary. The Group assists staff to balance commitments outside of work by offering a range of leaves, which include annual, marriage, maternity, paternity, compassionate and others. To encourage social bonding in the workplace, the Group has also arranged recreational events during the Year 2020, such as various dinner gatherings, sport activities, birthday and festive celebrations.

During the Year 2020 under review, the Group employed a total of 44 employees. The details distribution of workforce classified by different catalogues are listed as follows:

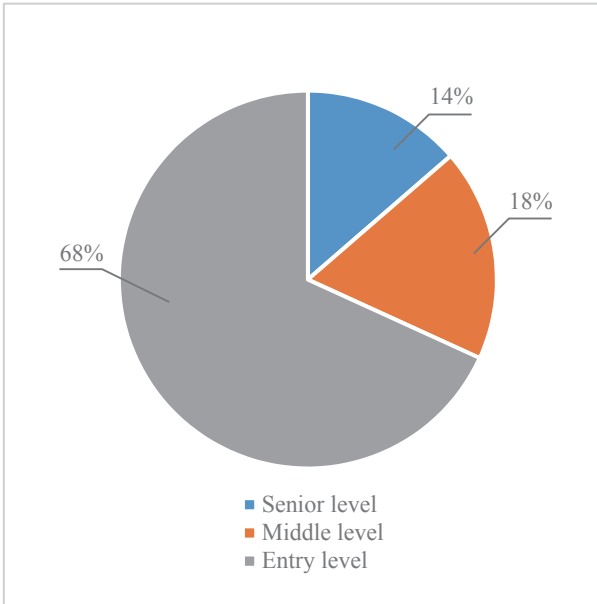
By Gender



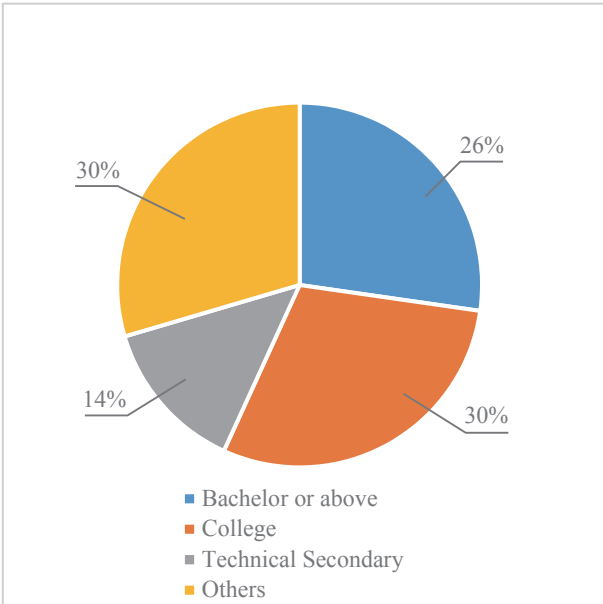
By Age Group



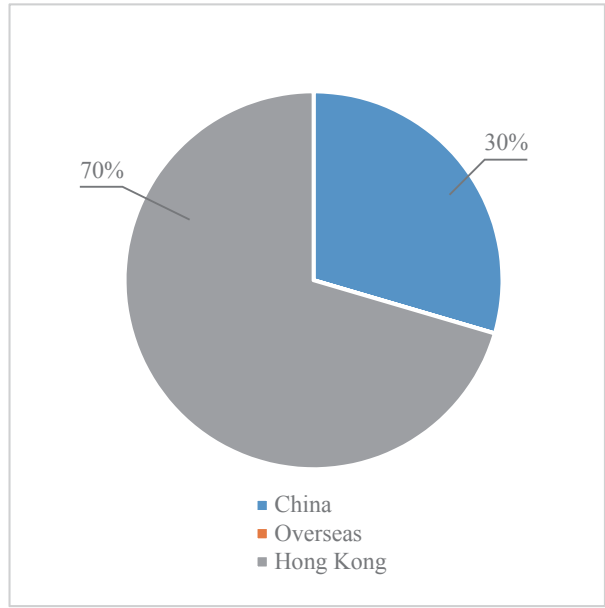
By Employment Category



By Academic Qualifications



By Nationality Level



Aspect B2: Workplace Health and Safety

Regardless of local laws or international standards, regulatory bodies all have in place the basic requirements in relation to health and safety in workplaces. Due to its business nature, the current business operations of State Energy primarily involve office work and that no position has been identified as having high safety risks. The Group not only strictly complies with the relevant laws and regulations in Hong Kong, but also sets out “Code of Employee Safety Management”. The above policy aims to foster awareness of safety of employees and regulate the employee’s behaviors during their daily work. The policy also states that fire-fighting equipments such as fire extinguishers are required to be equipped at the workplace, and safety training and fire drills for employees are conducted regularly, in order to enhance employees’ capability to cope with unexpected incidents and allow them to perform safety protection in a timely manner.

The Group is not aware of any material non-compliance with the Occupational Safety and Health Ordinance and other applicable laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in Year 2020.

During Year 2020, no case of work-related injury or death was recorded by the Group, and no non-compliance with law that resulted in significant fines or sanctions had been reported.

Aspect B3: Development and Training

State Energy firmly believes that fostering and retaining talent is a core part of ensuring corporate development and strengthening its competitiveness. As of 31 March 2020, the Group had a total of 44 employees (31 March 2019: 24 employees). The Group has prepared its management system on staff training, which formed the basis of planning and implementation of training system. The Group has provided various types of targeted training to its staff based on the actual needs of different departments and functions, and developed personalized training development programs for key positions, aiming to motivate employees to develop their potential. The Group has also encouraged staff to engage in external programmes, such as online courses for continuous professional development and skill set enhancement.

State Energy offers induction orientation and appropriate assistance for every newly-joined staff member. The induction orientation mainly introduces the Group, its corporate culture, rules and regulations and code of conduct, etc., which enables staff to fit into the corporate culture of the Group and further understand their working environment and responsibility. The Group is committed to establishing a platform for career development for its staff and to providing on-job internal training relating to professional skills, general management skills, career development and mentality. Also, staff are provided with the opportunity to attend business training organized by external training organizations. Based on its business development requirements, the Group will consider to cooperate with relevant training organizations or institutions engaged in providing training for certain management or technical personnel in key positions.

Training for new staff	Training for existing staff		Entrusted training
	Internal training	External training	
<ul style="list-style-type: none"> • Introduction of the Group • Corporate culture • Rules and regulations • Code of conduct 	<ul style="list-style-type: none"> • Professional skills • General management skills • Career development and mentality 	<ul style="list-style-type: none"> • Business training 	<ul style="list-style-type: none"> • Training for management personnel • Training for technical personnel

Looking ahead, the Group will strengthen its staff communication mechanism and gather staff feedback on training. The Group plans to collect feedback on training including satisfaction surveys from participating staff, and to review the implementation of training programs in a timely manner, so that the effectiveness of the training system could be further enhanced.

Aspect B4: Labour Standards

Child and forced labour, though seemingly irrelevant to most developed societies, are in fact easily present in the value chain of any business operation. To combat against such practices, the Group prohibits all forms of child labour and forced labour or modern slavery, as defined by the International Labour Organization, not only in its operations but also throughout its supply chain.

The Group has established and implemented the Slavery and Human Trafficking Statement which contains fundamental principles as set out in the International Bill of Human Rights.

The Group prohibits any form of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude. Any form of discrimination, harassment or bullying is not tolerated. The Group extends its commitment to its suppliers by requiring all business partners to take measures to avoid and eliminate any form of forced, bonded or compulsory labour, or human trafficking. The rights and freedoms of every individual is protected as no worker is asked to surrender identification documents nor lodge deposits as a condition of employment. Cases of child labour in our businesses are averted by conducting age verification of all job applicants.

The Group is not aware of any non-compliance with the Employment Ordinance, Employment of Children Regulations and other applicable laws and regulations relating to preventing child or forced labour on the Group in Year 2020.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2020.

Aspect B5: Supply Chain Management

State Energy adheres to the principle of transparency and implements the values of honesty, integrity and fairness in the supply chain management. When selecting suppliers, the Group takes into account the factors such as quality of services and products, past performance and reputation of the suppliers. When dealing with suppliers of goods and services, the approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group.

State Energy shall continue to enhance its own environmental and social performances, and continue to perfect its supply chain management. In the long run, the Group shall cooperate with its business partners closely, and encourage communication and exchange of experiences among its partners to achieve sustainable development, so as to facilitate the sustainable growth of the whole industry.

Aspect B6: Product Responsibility

Under the highly competitive market environment, expectations of customers towards products and services keep increasing. The Group understands that, in order to gain the trust and support of customers, the Group has to create the maximum value for its customers. The Group endeavors to supply products that meet the needs of its customers, and to ensure the compliance of health and safety standards of its garments supplied to its customers, including the compliance of relevant national and regional laws and regulations in terms of packaging, labelling and advertisement.

To ensure the supply of highest quality products to customers, State Energy shall conduct internal quality sampling inspections on the raw materials for manufacturing and finished goods. The Group has set up feedback and complaints procedures for its customers and shall implement remedies in respect thereof, such as return, recall or revoke products. The Group values the opinions and feedbacks of each customer, and shall continue to improve the quality of products supplied by us in accordance to such feedbacks. The Group has also complied with the requirements of “Personal Data (Privacy) Ordinance” in Hong Kong and takes customers’ privacy seriously.



Display areas of Hung Hom office



Hung Hom office overview

The Group is not aware of any material non-compliance with the Personal Data (Privacy) Ordinance and other applicable laws and regulations that has a significant impact relating to health and safety, labelling and privacy matters relating to products and services provided and methods of redress on the Group in Year 2020.

No significant fines had been reported in Year 2020.

Aspect B7: Anti-Corruption

State Energy believes that integrity is the fundamental value of responsible corporate operations, as well as the root of maintaining competitive advantages and sustainable development. The Group values the good characters and conducts of its staff members, and has zero tolerance over any behavioral misconduct, including corruption, bribery, extortion, fraud or money laundering. The “Anti-Fraud System” of the Group sets out the concept and format of such misconduct, the vesting of responsibilities of anti-fraud endeavors, the complaints, receiving and reporting procedures of fraudulent activity, preventions and control of fraudulent activity, protection of informants, as well as the remedies and disciplinary actions on fraudulent cases, in order to incorporate the management principles of anti-corruption in the business operations.

In respect of unverified reports from the general staff, the office of the Board shall conduct joint evaluation with the human resources department of the Company to decide whether to conduct an investigation. Should the case involve any senior management of the Group, with the permission of the Board and the audit committee, the standing officer of the anti-fraud unit and the management of the respective department shall form a joint special investigation unit to conduct a joint investigation. Any staff confirmed to be involved in such fraudulent activities shall be subject to disciplinary actions within the Group, or, any misconduct of a criminal nature shall be referred to the judicial authorities for processing under the laws. Regardless of conducting special investigation or not, the Group shall respond to the complaining persons in regards to the result of the investigation, and shall record in detail the complaint and investigation materials and keep the relevant files for record.

State Energy shall maintain the confidentiality of the reported information and relevant information of the complaining persons, and restrict any staff member receiving such complains or involved in the investigation from disclosing any such information without authorization or verification. The abovementioned system is applicable to all staff members. In Year 2020, the anti-corruption measures of the Group was in effect, and no court cases involving corruption of the Group or staff members have arisen.

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance and other applicable laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering in Year 2020.

There was no legal case concerning corruption brought against the Group or its employees in Year 2020.

Aspect B8: Community Investment

As the market places focus more on corporate behaviors and social responsibilities, the pursuit of maximizing financial returns to reward shareholders is no longer the only goal of corporate management. State Energy pays close attention to its bonds with the community where it operates and is well aware of the importance of different stakeholders' expectations. The Group firmly believes that balancing the interests between shareholders and other stakeholders is the only way to achieve the long-term business development in a stable and healthy manner.

State Energy will be formulating the definite policies in relation to social investments, and shall incorporate such corporate social responsibilities and social care projects into the schedules of each department. The Group is studying the possibility of establishing the specialized committee to plan and promote such activities in relation to the sustainable development of communities based on its own prospect and objective in respect of the Group's sustainable future.



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