



# DL HOLDINGS GROUP LIMITED 德林控股集團有限公司

(formerly known as Season Pacific Holdings Limited)  
(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1709**



## 2019/2020

### Environmental, Social and Governance Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) AND REPORTING

This Environmental, Social and Governance Report (the “**ESG Report**”) summarises the ESG policies, initiatives and performance of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (the “**Company**”), and its subsidiaries (collectively as the “**Group**”) for the year ended 31 March 2020.

The board of directors of the Company (the “**Board**”) is responsible for evaluating and determining the ESG-related risks and ensuring that appropriate and effective ESG risk management policies and internal control systems for ESG issues are in place. The management of the Group confirmed that the policies and systems in place were effective for the year ended 31 March 2020, and the Board confirmed the information disclosed in the ESG Report follows the Environmental Social and Governance Reporting Guide (the “**Reporting Guide**”).

The Group has a clear strategy for its business development. The Group’s values are derived from better utilisation of resources and strong relationship with stakeholders. The Group acknowledges the importance of operating its business in a responsible manner to achieve sustainable development. Sustainable development is crucial for gaining affordable capital and enhancing capabilities for long-term competitiveness. The Group is committed to responsible operation by incorporating environmental and social factors into management considerations. The Group has established and implemented a set of policies to monitor and manage the risks related to environment, employment, product and service quality control and governance. Details of the management approaches to sustainable development of different areas are illustrated in the ESG Report.

## REPORTING SCOPE

Unless stated otherwise, the ESG Report mainly covers the Group’s core business in sales of apparel products with the provision of supply chain management total solutions to customers as well as its financial services business by conducting licensed business and money lending services after the completion of the acquisition of DL Securities (HK) Limited and DA Finance (HK) Limited (the “**Acquisition**”) in November 2019.

The ESG Report is organised into two sections, focusing on environmental and social aspects respectively. Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 16 to 25 of the Annual Report 2019/2020. The Group will continue to assess the major ESG aspects and determine the reporting areas in the future ESG reporting.

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and has complied with “Comply or explain” provisions in the Listing Rules.

The ESG Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its business and ESG aspects. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to employees, customers and suppliers, through different channels such as meetings and surveys.

The Group continues to enhance its performance, deliver products and services that address stakeholders’ needs and creates greater value for the community on an ongoing basis.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, identifying key ESG issues and assessing the importance of these issues to its business and stakeholders.

The Group has evaluated the materiality in ESG aspects through the following steps:

### Step 1: Identification — Industry Benchmarking

- Relevant ESG areas were identified through the review of the relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendations from the Reporting Guide.

### Step 2: Prioritisation — Stakeholder Engagement

- The Group discussed with its key stakeholders on ESG areas and prioritised those key aspects to ensure all the key aspects were covered.

### Step 3: Validation — Determining Material Issues

- Based on the discussion with its key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with the Reporting Guide.

As a result of this process carried out for the year ended 31 March 2020, those important ESG areas were discussed in the ESG Report.

The following table summarises the Group's material ESG aspects as set out in the ESG Report:

ESG aspects as set out in the Reporting Guide	Material ESG aspects of the Group	Page
<b>A. Environmental</b>		
A1. Emissions	Managing Greenhouse Gas (“GHG”) Emissions Waste Management and Minimisation	3
A2. Use of Resources	Achieving High Energy Efficiency	5
A3. The Environment and Natural Resources	Managing Other Environmental Impact	7
<b>B. Social</b>		
B1. Employment	Recruitment, Promotion and Remuneration Diversity, Equal-opportunity, Anti-discrimination and Dismissal	7
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## CONTACT US

Comments and suggestions are welcome from the stakeholders. You may provide comments on the ESG Report or towards the Group's performance in respect of sustainable development via [ir@seazon.com.hk](mailto:ir@seazon.com.hk).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. Environmental

### A1. Emissions

The Group strives to protect the environment through the implementation of control activities and monitoring measures in its business activities and workplace. The Group strives to be environmentally responsible by adopting good environmental practices in respect of office premise, purchases of equipment and consumption of resources, and by adopting practical measures and policies to protect and preserve the environment. The Group also aims to comply with the relevant environmental laws and regulations.

In order to mitigate the environmental impact produced by the Group's operations, it has adopted and implemented relevant environmental policies. These policies apply the waste management principle of "Reduce, Reuse, Recycle and Replace" as well as the principle of emission mitigation, with the objectives of minimising the adverse environmental impact and ensuring the waste disposal or emission being conducted in an environmentally responsible manner. The Group continually seeks for different opportunities to pursue eco-friendly initiatives and enhances its environmental performance by reducing energy consumption and use of other resources.

For the year ended 31 March 2020, the Group has not identified any material non-compliance of environmental laws and regulations in Hong Kong, including but not limited to the Waste Disposal Ordinance of the Laws of Hong Kong.

#### *Managing GHG Emissions*

The Group generates limited GHG emissions, mainly arising from the petrol consumed in business vehicles and electricity consumption of the office. For the year ended 31 March 2020, the Group's total GHG emissions amounted to approximately 64 tonnes carbon dioxide equivalent ("tCO<sub>2</sub>e") and the GHG emissions intensity was approximately 1.52 tCO<sub>2</sub>e per employee. The detailed summary of the GHG emissions is shown as below:

<b>GHG Performance Summary</b> <sup>Note 1</sup>	<b>Unit</b>	<b>For the year ended 31 March 2020</b>	<b>For the year ended 31 March 2019</b>
Direct GHG emissions (Scope 1)			
— petrol consumption	tCO <sub>2</sub> e	<b>9</b>	8
Energy indirect GHG emissions (Scope 2)			
— electricity consumption	tCO <sub>2</sub> e	<b>55</b>	46
Total GHG emissions (Scope 1 and Scope 2)	tCO <sub>2</sub> e	<b>64</b>	54
Intensity of GHG emissions <sup>Note 2</sup>			
Total GHG emissions (Scope 1 and Scope 2) per employee	tCO <sub>2</sub> e per employee	<b>1.52</b>	2.08

Notes:

1. GHG emission data is presented in terms of tCO<sub>2</sub>e and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, the "Sustainability Report 2019" published by the CLP Group and the "Sustainability Report 2019" published by the HK Electric Investments.
2. The intensity data in the ESG Report was calculated based on the total number of full-time employees employed by the Group as at 31 March 2020 and 2019, which was 42 and 26, respectively.

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Since the electricity consumption accounts for a major source of GHG emissions, the Group has adopted green measures in the office to improve its operational efficiency and to reduce the GHG emissions by minimising energy consumption. These measures will be stated at the “Achieving High Energy Efficiency” section of aspect A2 in detail. In summary, the GHG emissions of the Group for the year ended 31 March 2020 increased by approximately 19% while its intensity reduced by approximately 27%, compared to such for the year ended 31 March 2019. This is due to the expansion of reporting scope to a new business operation in provision of financial services as a result of the Acquisition.

Since the Group has no industrial production or any factory facilities, the Group did not produce significant direct air emissions.

## *Discharges into Water*

For the year ended 31 March 2020, the Group did not consume significant amount of water through its business activities, and therefore its business activities did not generate material portion of discharges into water. The wastewater discharged by the Group is appropriately treated and discharged into the sewage system maintained by the Drainage Services Department. The amount of water consumption of the Group represents the wastewater discharge volume. The details of water consumption will be presented in the “Water Consumption and Use of Packaging Materials” section in aspect A2.

## Waste Management and Minimisation

### *Hazardous Wastes Handling Method*

Although the Group did not generate any hazardous wastes for the year ended 31 March 2020, the Group has established guidelines of governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, which would be in compliance with the relevant environmental laws and regulations.

### *Non-hazardous Wastes Handling Method*

The emphasis of the Group’s environmental policies (the “**Environmental Policies**”) is carbon reduction and waste reduction based on the principle of “Reduce, Reuse, Recycle and Replace” to minimise consumption and wastage of environmental resources.

With the aim of minimising the environmental impact of generating non-hazardous wastes from its business operations, the Group has implemented measures to handle such wastes and launched different waste reduction initiatives.

For the year ended 31 March 2020, the volume of non-hazardous wastes generated by the Group is shown as below:

Non-hazardous waste category	Unit	For the	For the
		year ended	year ended
		31 March 2020	31 March 2019
Paper <sup>Note 3</sup>	Tonnes	<b>1.39</b>	0.87
Intensity — Paper usage per employee	Tonnes per employee	<b>0.03</b>	0.03
Toner cartridge	Pieces	<b>21</b>	19
Intensity — Toner cartridge usage per employee	Pieces per employee	<b>0.5</b>	0.73

Note:

- Paper consumption in 2020 and 2019 were equivalent to approximately 111 boxes and 70 boxes of paper respectively.

The Group regularly monitors the consumption volume of paper and toner cartridges and has implemented a number of waste reduction measures. The Group also maintains high standard in waste reduction and educates its employees about the importance of sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The staff in the workplace takes the responsibilities for the waste management in the Group's office, with reference to the established Environmental Policies, including but not limited to the following:

- utilising of "paperless communication" where applicable such as e-leave system for employees, and e-brochures for distributing to customers;
- promoting the use of recycled paper and toner or other eco-friendly materials;
- using high performance and quality all-in-one "multi-function printers" that incorporate printer, scanner and copier functions into a single device. This can be shared among different departments in order to reduce the total number of different kinds of devices so as to minimise power consumption and carbon footprint as well as follow-up maintenance;
- redeploying office furniture where possible to reduce the amount of wastes going to landfill; and
- placing appropriate signage on walls and bins, stating what type of waste or recyclable should be placed in the bin.

Throughout the measures implemented, the staff's sense of minimising resource wastage has been continuously fostered and awareness of their responsibilities in workplace's waste management has been strengthened. Furthermore, the Group's paper consumption increased by approximately 60% and its intensity remained unchanged compared to such in the year ended 31 March 2019 due to the expansion of reporting scope to a new business operation in provision of financial services as a result of the Acquisition.

## A2. Use of Resources

The Group continues its initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

The Group has established relevant policies and procedures in governing the use of resources, with reference to the objectives of achieving high energy efficiency and reducing the unnecessary use of materials.

### *Achieving High Energy Efficiency*

Energy policies, which are one of the Group's fundamental policies, have been developed to optimise energy conservation. All employees must implement the adopted measures, including the purchase of energy-efficient products and services, and assume responsibility for the Group's overall energy efficiency. By building up an energy management system, the Group develops and regularly reviews its energy targets to continuously enhance the Group's energy performance. Unexpected high consumption of electricity will be investigated to find out the root cause and take preventive measures.

For the year ended 31 March 2020, the Group's consumption volume in following energy types were:

Energy Types	Unit	For the	For the
		year ended	year ended
		31 March 2020	31 March 2019
Petrol <sup>Note 4</sup>	kWh	<b>31,972</b>	28,865
Intensity — Petrol consumption per employee	kWh per employee	<b>761.24</b>	1,110.19
Electricity	kWh	<b>103,567</b>	90,641
Intensity — Electricity consumption per employee	kWh per employee	<b>2,465.88</b>	3,486.19

Note:

4. Petrol consumption in 2020 and 2019 were equivalent to approximately 3,299 litres and 2,987 litres respectively.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 31 March 2020, the Group has performed the following measures relating to energy conservation:

- using energy efficient LED lighting to replace energy-inefficient light bulbs by phases;
- adopting higher energy-efficient office equipment in our workplace;
- encouraging staff to utilise teleconferences and video conferences in reducing air and carbon emissions related to transportation needed for meetings;
- encouraging employees to turn off idle equipment, computers and lightings, when not in use or after working hours;
- monitoring the energy usage on a monthly basis, along with investigating any significant variance in usage;
- arranging regular examination of the business vehicles on petrol consumption;
- performing vehicle and equipment maintenance on a regular basis to prevent inefficient fuel consumption or abnormal operations; and
- encouraging staff to participate in campaigns or activities relating to the promotion of green environment.

The petrol consumption and electricity consumption of the Group for the year ended 31 March 2020 increased by approximately 11% and approximately 14% respectively, while their intensity reduced by approximately 31% and approximately 29% respectively compared to such for the year ended 31 March 2019 due to the expansion of reporting scope to a new business operation in provision of financial services as a result of the Acquisition. Furthermore, the staff's sense of environmental protection and emission mitigation have been continuously fostered and awareness of their responsibilities in achieving energy saving in workplace has been strengthened.

## *Water Consumption and Use of Packaging Materials*

In addition to managing energy consumption, the Group is committed to promoting awareness of water conservation amongst its staff and other stakeholders. The water consumption of the Group contains mainly of office water consumption for basic cleaning and sanitation. The Group has been strengthening its water-saving promotion, posting water saving slogans, and guiding employees to use water reasonably.

For the year ended 31 March 2020, approximately 31 m<sup>3</sup> of water were consumed by the Group and the water consumption per employee was approximately 0.74 m<sup>3</sup>. The water consumption of the Group reduced by approximately 31% and its intensity reduced by approximately 57% for the year ended 31 March 2020 compared to such in the year ended 31 March 2019.<sup>Note 5</sup>

Due to the nature of its business, the issue in sourcing water that is fit for purpose is not relevant to the Group. Also, the Group did not have physical products for sale and therefore the use of packaging materials was nil for the year ended 31 March 2020.

Note:

5. Water consumption data was not available for the new business operation of provision of financial services.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A3. The Environment and Natural Resources

### *Managing Other Environmental Impact*

The Group pursues the best practices in environmental protection and focuses on the impact of the Group's businesses on the environment and natural resources. The Group has integrated the concept of environmental protection into its internal management and daily operations through establishing relevant policies and procedures, with the objective of minimising its adverse impact on the environment and natural resources. The main environmental impact of the Group's business is non-hazardous wastes in the form of paper and toner cartridge, and the Group's measures to minimise its impact are set out in the "Non-hazardous Wastes Handling Method" section of aspect A1 in detail.

## B. Social

### B1. Employment

Human resources are the foundation in supporting the development of the Group. Hence, the Group has established relevant policies to fulfil its vision on people-oriented management and realising the full potential of employees. These policies cover recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc.

For the year ended 31 March 2020, the Group has not identified any material non-compliance with relevant laws and regulations that have a significant impact on the Group, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The relevant laws and regulations include but are not limited to the Employment Ordinance and the Minimum Wage Ordinance of the Laws of Hong Kong.

#### *Recruitment, Promotion and Remuneration*

The Group applies robust and transparent recruitment processes based on selection by merit against the job criteria, and recruits individuals based on their suitability for the position and potential to fulfil the Group's current and future needs.

The basis for compensation and promotion are job-related skills, qualifications and performances, to ensure that the Group treats and fairly evaluates employees and applicants and compensates employees relative to the industry and local labour markets in which it operates, which consists of competitive level of fixed and variable compensation.

Remuneration packages include holidays, annual leaves, medical scheme, group insurance, mandatory provident fund, flexible leave arrangement, year-end double pay and discretionary bonus. Employees' wages and related benefits satisfy the Hong Kong government's minimum requirements.

The promotion of the Group's employees is subject to regular review. The Group has established objective performance indicators for annual performance evaluation. Based on the evaluation result, the Group offers rewards to employees for encouraging their continuous improvement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Diversity, Equal-opportunity, Anti-discrimination and Dismissal*

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

The Group is dedicated to providing equal opportunity in all aspects of employment and maintaining a workplace that is free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation.

With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace.

Dismissal process will only proceed after communicating the problems with an employee prior to the official dismissal.

## **B2. Health and Safety**

### *Health and Safety Management*

The Group is committed to providing and maintaining a safe and healthy environment for all employees. The Group has established policies on the prevention and remediation of accidents, and detection on potential health and safety hazards in workplace, to maintain a safe working environment.

The Group follows the occupational health and safety guidelines recommended by the Labour Department and the Occupational Safety and Health Council.

The Human Resources and Administration Department of the Group (“**HRA**”) takes responsibilities for occupational health and safety and relevant promotion and monitoring. It is responsible for monitoring and reviewing the health and safety policies periodically, and performing regular checking in the office to ensure the health and safety of employees.

Moreover, first aid boxes are available at easily accessible locations in the office. HRA is responsible to ensure the supplies inside the first aid boxes are functional and not outdated. Fire evacuation drill is organised at least on an annual basis to improve employees’ capability to deal with potential fire hazards. The Group has also set a clear guideline of work arrangement for typhoon and rainstorm warning.

The Group also offers comprehensive health care coverage for employees. Health and safety guidelines are provided to employees to raise awareness of occupational health and safety issues.

For the year ended 31 March 2020, the Group has not identified any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Occupational Safety and Health Ordinance of the Laws of Hong Kong.

After the outbreak of the coronavirus (“**COVID-19**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and region. The Group will pay close attention to the development of the outbreak of COVID-19 and evaluate its potential impact on the employees’ health and safety of the Group. Apart from strengthening the sanitation in its operations to ensure a healthy and safe working environment, precautionary measures such as temperature screening before entering the workplace, and ensuring sufficient disinfection supplies such as face masks and hand sanitisers in the offices are implemented.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B3. Development and Training

### *Talent Development*

The Group regards its staff as the most important asset and resource. It recognises the valuable contribution its talents make to the continued success of the Group. The Group is committed to inspiring its human capital towards delivering excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of customers and society. In light of this, the Group is committed to providing induction trainings as well as on-the-job education and trainings for its employees in order to enhance their knowledge and skills. The Group would also send employees to the China Import and Export Fair (Canton Fair) to explore their horizons about the current market development. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job duties more efficiently and effectively and to better prepare for career opportunities which may arise.

To ensure the effectiveness of the training program, the Group has developed relevant policies in controlling the training related procedures. A training plan is developed by the management of the Group based on the requirements from various departments and employees. Training content is regularly updated to ensure contents are relevant to stakeholder's changing needs such as laws and regulations, market trend, product trend and customer behavioral change.

Recognising the value of the skills and experience of the staff, the Group has adopted a policy that any promotions will be considered internally first before hiring any outsider. It is the Group's policy to select the most suitable candidate for promoting to a higher rank based on merit, rather than on the seniority of the candidates.

## B4. Labour Standards

### *Anti-child and Forced Labour*

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and conducts recruitment based on the Employment Ordinance of the Laws of Hong Kong. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The HRA also ensures identity documents are carefully checked. All work should be voluntary and should not be performed under threat of penalty or coercion. If there is any violation, it will be dealt with according to the circumstances as clearly stated in the Group's "Staff Handbook".

Moreover, the Group does not accept any suppliers to engage any employee who is younger than the minimum employment age in the relevant country, or the maximum age of compulsory education, whichever is higher.

For the year ended 31 March 2020, the Group has not identified any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to preventing child or forced labour.

## B5. Supply Chain Management

### *Environmental and Social Responsibility of Suppliers*

The Group has maintained long term and stable relationships with its major suppliers which comprise suppliers of apparel products. Suppliers are evaluated carefully and are subject to regular monitoring and assessment.

In view of the increasing environmental concerns in society, the Group is aware of the importance in managing environmental and social risks in its supply chain. The Group adheres to the principle of "Green Procurement". In most cases, the factories of suppliers of apparel products must adhere to the environmental requirements of the Group's international clients which require strong environmental standards such as "Business Social Compliance Initiative" in practice to minimise air, noise and solid waste pollutions and energy and water consumption. The Group will continue to monitor its supply chain regarding the environmental and social standards.

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In addition, the Group has adopted the principle of “Reuse, Reduce and Recycle” (the “**3R Principle**”) throughout its apparel products supply chain to demonstrate its commitment to contribute towards a cleaner environment and be a good corporate citizen. The Group’s “Supplier Code of Conduct” (the “**Supplier Code of Conduct**”) follows the 3R Principle and requires its suppliers of apparel products, when applicable:

- to utilise energy efficient processing equipment;
- to use non-toxic chemicals in their production processes;
- to adopt clean production in their production plants; and
- to eliminate unnecessary packaging.

Moreover, the Group’s Supplier Code of Conduct also regulates its suppliers to comply with relevant local labour laws and regulations such as minimum wage, child labour, forced labour and discrimination.

The Group’s other suppliers include professional services providers and the Group has also established rules in the Supplier Code of Conduct to ensure the ethical standards of suppliers. All its suppliers must operate with high ethical standards and should not be involved in any corruption, extortion, bribery, fraud, false declarations, counterfeiting or insider trading. Moreover, the suppliers must be transparent in their policies, processes, and standards which govern their operations and which are related to their compliance with the Supplier Code of Conduct. As such, suppliers should educate their employees and managers on their rights and responsibilities related to upholding the Supplier Code of Conduct.

## **B6. Product Responsibility**

The satisfaction of customers is the cornerstone of the sustainable development of the Group. The Group is convinced that the success of its clients means the success of the Group, and has been emphasising the customer-centric business philosophy in its operations at all levels of the Group. Therefore, it strives to optimise and improve the quality of products and services according to the requests of the customers.

For the year ended 31 March 2020, the Group has not identified any material non-compliance with laws and regulations that have a significant impact on the Group concerning product health and safety, advertising, labelling and privacy matters. The relevant laws and regulations include but are not limited to the Supply of Services (Implied Terms) Ordinance and the Personal Data (Privacy) Ordinance of the Laws of Hong Kong.

### *Quality Control*

Quality control is a critical part of the Group’s supply chain management solutions that it provides to customers. The Group’s quality control in respect of the sale of apparel products with the provision of supply chain management total solutions business is mainly conducted by its staff in the merchandising department during the production stage. Merchandising staff is required to continuously monitor and inspect the apparel products produced from the time of production of proto samples (if required) to the apparels produced during inline production. The senior staff who is more experienced in technical aspects of apparel production conducts inspection of the final products prior to delivery to customers. The Group’s quality control in respect of the provision of financial services is mainly conducted by its staff in the compliance function.

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The Group has established the following quality control measures during various critical points of its supply chain management solutions:

## *Quality Control of Fabric*

Materials to be used in the production for apparels are typically sourced by the Group's third-party manufacturers. At the time when tech packs are provided to its third-party manufacturers, the Group will specify to them, among other things, the quality of fabrics and other materials that are required. It is the responsibility for third-party manufacturers to source the materials of appropriate quantity and quality from their own sources, or from sources that the Group has given to them. Any materials used in the production of salesman samples, pre-production samples and final products, are checked by the Group to ensure that they meet customer's requirements. Any materials that do not meet customer's requirements are not approved for pre-production or bulk production.

## *Quality Control of Apparel Production*

At the commencement of the pre-production and the bulk production, the Group's merchandising staff who is responsible for quality control will be required to visit the third-party manufacturers to ensure that the quality of the apparel products produced including size, cutting and fabric is within customers' specifications and is the same as the information contained in the tech packs. Any specifications that are not met are notified to the third-party manufacturers to rectify. Inspections of semi-finished apparel products are carried out at various stages of the manufacturing process with a final detailed inspection carried out on the finished apparel products before the delivery of final products to customers' designated shipping points. A final quality control inspection report is prepared which will cover, among other things, the number of pieces inspected, labelling requirements, packaging requirements and the Group will specify major and minor defects which may not be acceptable to customers.

## *Product Return and Customer Service*

As part of the terms stated in the Group's sales contracts with customers, customers are advised to count and inspect the apparels immediately when shipments are received. Products with defects or incorrect quantity are allowed for returns or discount.

Upon receiving feedback or complaint from customers, the Group will discuss with customers and find out which party is to be held responsible. If the defect is caused by the Group's manufacturers, the Group would liaise with both customers and manufacturers to compromise the solution, such as return of products or offer of discount.

## *Quality Control of Financial Services*

Following the completion of the Acquisition, the Group has identified and monitored the provision of financial services of licensed business including financial advisory services, securities research, referral and brokerage services and margin financing services, and provision of money lending services.

The Group has established internal procedures and manuals such as the "Business Plan and Internal Control Manual" (the "**Business Plan and Internal Control Manual**") to ensure that products and services provided by the Group comply with the requirements. In order to ensure that the Group's clients are treated fairly and at the highest level of integrity and that their interests are protected at all times, the Group has established the "Conflict of Interest Policy" in the Business Plan and Internal Control Manual. The Group's senior management is responsible for ensuring that the Company's systems, controls and procedures are robust and adequate to identify and manage any conflict of interest which might arise in relation to its business. Where there is a risk of damage to a client's interest that cannot be prevented, the Group shall disclose the conflict of interest to the client, agree with the client the best way to protect the client's interest and ask for the client's consent before providing any services or taking any further action.

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The Group is committed to providing clear and balanced information to its clients. Important information such as product features, terms and conditions, and any associated risks are clearly communicated to clients through emails and telephones (with recording function) so they can make informed decisions. Clients who are interested in the Group's services are required to sign a client agreement, acknowledging the terms and conditions along with the associated risks.

The Group follows the regulators' guidelines on "Anti-Money Laundering (**AML**)" and Counter Financing of Terrorism" in performing customer due diligence and customer risk assessment procedures in relation to its clients. By conducting the "Know Your Clients" (**KYC**) procedures and assessment, the Group is able to better understand and evaluate its clients' financial background, trading experience and risk tolerance level prior to providing its clients with the type of financial services or products which suit their needs.

## *Handling of Personal Data*

For the customer privacy protection, the Group takes all practicable steps and measures to ensure that personal data collected in the course of its business are protected and the Group at all times complies with the Personal Data (Privacy) Ordinance of the Laws of Hong Kong, in the collection, use, holding and processing of such information or personal data.

There is a section in relation to the "Handling of Confidential Information" under the Group's Business Plan and Internal Control Manual covering confidentiality. All staff must preserve absolute secrecy in regard to any trade secrets and confidential information, whether written or not, obtained in the course of their employment. This applies to information about clients and other parties with whom they are dealing and to information about companies, activities, techniques and working practices of the Group, such information may be financial, personal, technical or operational. In addition, all staff must not use, or allow such information to be used, for the purpose of any dealings in securities in any market. The requirement for confidentiality is a continuing obligation which remains in force after a staff member has left the Group.

The Group maintains segregated accounts in keeping customers' assets. Transactions should only be executed when customers' consent is received, or when customers' obligation is fulfilled as stated in agreed contracts. The Group has adequate records of audit work for investigations in case of suspected violations. Regular compliance audits and reviews are conducted to find out any non-compliance with regulatory requirements. Any irregularities should be immediately reported to the management of the Group.

## *Advertising and Labelling*

Based on the business nature of the Group, the Group only conducts limited publicity activities for its business operations related to sales of apparel products with the provision of supply chain management total solutions to customers. Therefore, its business operations do not involve material advertising and labelling related risks.

On the other hand, the Group has set standards for advertising and sales material. Information disclosed in all advertising and sales material must be factual. The Group also prohibits the use of false, misleading or inaccurate statements in any form of communication.

## **B7. Anti-corruption**

### *Anti-bribery and Anti-corruption*

The Group does not tolerate any corruption, fraud or other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in how it conducts business. To combat corruption and to govern conflict of interest, professional or regulatory seminars on anti-corruption have been conducted to the staff based in Hong Kong.

For the year ended 31 March 2020, the Group has not identified any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. The relevant laws and regulations include but are not limited to the Prevention of Bribery Ordinance of the Laws of Hong Kong.

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The Group has established relevant policies, such as the “Code of Conduct and Business Ethics” (“**Code of Conduct**”), to set out appropriate methods in handling conflict of interests, accepting advantages, leakage of confidential information, embezzlement of the Group’s assets in one’s position, fraudulent financial statements, etc. to comply with the relevant laws and regulations.

Unless with prior approval from senior management, employees should not give or accept any gifts, gratuities, favours or benefits that are beyond common courtesies with accepted business practices or any excessive entertainment. Any breaches are subject to disciplinary actions, including the termination of employment contracts where necessary.

On the other hand, the audit committee of the Company is also responsible for continuous evaluation of the Group’s internal control effectiveness, detecting potential deficiency, and identifying areas of improvement. Internal audit reports are distributed to the responsible departments for timely remediation if there are any areas of improvement.

Under the Group’s Code of Conduct, there is a section specifically on reporting of misconduct. Employees of the Group are encouraged to report actual or potential illegal or unethical behaviour to designated senior management personnel. Material violation of the Code of Conduct after due investigation will be reported to senior management for timely rectification and subject to disciplinary actions. Direct report of the concerns or complaints are also accepted upon the provision of all relevant information and supporting documents to the Chief Executive Officer by email, by post or by fax. Anonymous report by email is also accepted. Reports and complaints received will be handled in a prompt and fair manner. The Group has also reserved the rights to refer the case to relevant authorities if necessary.

## *AML*

The Group is particularly sensitive to any signs of money laundering and financial crimes. Apart from the compliance with laws and guidelines set out by regulatory authorities, the Group recognises that the responsibility to help protect the integrity of the financial system lies within the Group.

The Group has formulated the “AML Policy and Guidelines” (the “**AML Policy and Guidelines**”) in governing KYC and AML. Designated staff is appointed to hold responsibility for advising on KYC issues and investigating AML issues and reporting if necessary. The AML Policy and Guidelines also defines the nature of money laundering and terrorist financing, customer due diligence, procedures for client identification, simplified customer due diligence, high risk situations etc, so as to assist employees in identifying the types of risks and their relevant major characteristics. Employees are required to conduct client identification, file client’s identity materials and transactional records, check clients’ identity certification documents, register clients’ basic information, understand clients and their transaction nature through KYC policy, strengthen clients’ adequacy management, identify and evaluate the money laundering risks, as well as improve the prevention, management and control of clients’ money laundering risks. Related trainings are provided to ensure employees within the Group are well-acquainted with the regulatory updates in respect to KYC and AML.

## **B8. Community Investment**

### *Community Contribution*

The Group is committed to supporting the public by the means of social participation and contribution as part of its strategic development, and to nurturing the corporate culture and practices of corporate citizens in the daily work life throughout the Group. The Group would embrace corporate social responsibility as part of the strategic development of the Group and explores social initiatives whereby it can contribute human capital and resources. All employees of the Group are encouraged to participate on their own initiative in helping and supporting the local communities and neighbours.

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