



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019/20



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock code : 252

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the fourth environmental, social and governance report (the “Report”) prepared by Southeast Asia Properties & Finance Limited (the “Company”, together with its subsidiaries referred to as the “Group”), highlighting its environmental, social and governance (the “ESG”) performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Group is principally engaged in property investment, development and leasing, hotel operation, manufacturing and distribution of plastic packaging materials, broking and securities margin financing.

This ESG Report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of below four operational locations in Dongguan, the People’s Republic of China (the “PRC”), and Hong Kong, from 1 April 2019 to 31 March 2020 (the “Reporting Period”), unless otherwise stated.

- the manufacturing operation under the brand name of “Nan Sing” in PRC (hereafter “Nan Sing”);
- the hotel operation under the brand name of “Hotel Benito” in Hong Kong (hereafter “Hotel Benito”);
- the operation of co-working space in Hong Kong (hereafter “Everglory Centre”); and
- the headquarter in Hong Kong (hereafter the “Headquarter”).

Nan Sing is located in Dongguan, the PRC; Hotel Benito is located in Tsimshatsui, Hong Kong; and the property and financial services, and other daily business operations are located within the Everglory Centre and the Headquarter, both in Tsimshatsui, Hong Kong.

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STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant environmental and social issues, key stakeholders have been involved to help the Group to meet its potential growth and prepare for future challenges.

Based on our assessment, key material issues raised by the stakeholders all focused on social aspects, environmental aspects, on the other hand, were considered less material for the Group. Followings topics have been deemed as the most important by stakeholders:

- Development and Training
- Labour Standards
- Customer Privacy and Customer Service
- Anti-corruption

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at general@seapnf.com.hk.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

A key mission of the Group is to extend the environmental protection and social welfare. The Group adopts cleaner production principles and integrates management on product quality, environmental protection, and labour management, aiming to reach the optimum balance to achieve maximum profit, responsibility and satisfaction for stakeholders.

The Group continues to introduce state-of-the-art pollution control facilities to reduce energy and other resources use. Policy-wise promotion on environmental protection has also been implemented among internal employees and suppliers. Specifically, during the Reporting Period, the Group has reinforced several environmental protection policies including Environmental Health and Safety Policy and Carbon Emission Reduction Program, to further standardize environmental health and safety management and emission reduction practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

The major environmental impacts were generated from Nan Sing. During the manufacturing of plastic packaging materials, exhaust gas has been properly vented and filtered before releasing to the atmosphere. Minimal hazardous waste is generated on-site.

Direct and indirect environmental impacts generated by the Group during the Reporting Period mainly included the following activities: 1) consumption of gasoline and diesel (for Group-owned vehicles) and town gas; 2) consumption of purchased electricity and town gas; and 3) processing of freshwater and sewage. Their corresponding emissions were calculated and presented in section A1.

The Group is aware of the importance of environmental protection and the following milestones have been completed at Nan Sing during the Reporting Period:

- a third-party agency was hired to assist in the clean production audit. During the course of the audit, a total of 17 improvement plans were selected and implemented. Total volatile organic compounds (VOCs) emissions per unit produced and the comprehensive energy consumption per unit produced were significantly reduced.

Save as mentioned above, an activated carbon adsorption and regenerative catalytic oxidation (RCO) system was installed to deal with the VOCs emissions in the printing workshop of Nan Sing. The RCO system utilizes a packed bed system with activated carbon as adsorbents, where the activated carbon comes in contact with the gaseous stream to remove pollutants by adsorbing them onto the activated carbon. A follow-up combination of oxygen (O₂) with outlet VOCs (CXHY) is reacted within the RCO system. Through heat recovery in the RCO system, a large amount of energy is saved as the heat exchanger allows the inlet gas temperature rises to reaction temperature by absorbing heat released during combustion processes. In case that the reaction temperature is not reached, extra heat will be supplied via the automatic control system (the programmable logic controller (PLC) system) to make the reaction a complete combustion, achieving a removal rate of over 97% for the exhaust gas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

In addition, Nan Sing installed a real-time energy management system provided by a professional energy auditing firm, which enables the Group to visualize the energy consumption, to monitor and analyze the energy reduction opportunities, and to prevent waste of energy. The energy visualization LCD panel has been installed at the doorway of Nan Sing, all employees would have observed it, potentially leading to an energy education and/or promotion of environmentally-friendly behaviors.

As the impact on natural environment from Hotel Benito, Everglory Centre and the Headquarter are insignificant, no such data was presented in this Report.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas (GHG) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

VOCs from printing workshop was the major direct on-site air emissions generated at Nan Sing. Non-methane hydrocarbon from film blowing workshops and cooking fumes from canteen are other types of air emissions at Nan Sing. All on-site air emissions were monitored and met the emission level set by both national standards — Integrated Emission Standard of Air Pollutants (GB16297–1996) and local standard — Emission Limit of Air Pollutants (DB44/27–2001).

Direct air emissions, including both GHG and non-GHG were generated from the consumption of gasoline and diesel for group-owned vehicles and consumption of purchased town gas for Hotel Benito. Indirect GHG emissions — due to the Group's activity but owned or controlled by another entity — were also generated from the consumption of purchased electricity and town gas, and processing of freshwater and sewage.

As Everglory Centre and the Headquarter did not generate major air emissions, no such data was presented in this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A1. Emissions (Continued)

A1.1 Air Emissions (Continued)

Vehicle Operation and Emissions

Passenger cars operated on gasoline as well as lorries operated on diesel were used for daily business operations. Their combustion generated several air emissions include nitrogen oxides (NO_x), sulphur oxides (SO_x) and respiratory suspended particles (PM).

| Non-GHG Emission | Mobile fuel source | 2020 (kg) | 2019 (kg) |
|------------------|---------------------|--------------|--------------|
| NO _x | Gasoline and diesel | 791.91 | 996.89 |
| SO _x | Gasoline and diesel | 1.49 | 1.96 |
| PM | Gasoline and diesel | 58.98 | 73.47 |

Note: Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Town Gas Consumption and Emissions

During the Reporting Period, town gas supplied by The Hong Kong and China Gas Company Limited was used for Hotel Benito, resulting in an annual consumption of 587,808 MJ (2019: 802,800 MJ) of town gas. The consumption of town gas generated SO_x and NO_x as presented in the following table. In addition, it also generated GHG emissions, presented in the next section.

| Non-GHG Emission | Fuel source | 2020 (kg) | 2019 (kg) |
|------------------|-------------|--------------|--------------|
| NO _x | Town gas | 2.36 | 3.23 |
| SO _x | Town gas | 0.01 | 0.02 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A1. Emissions (Continued)

A1.2 Greenhouse Gas (GHG) Emissions

There were 6,833.58 tonnes (2019: 9,878.25 tonnes) of carbon dioxide equivalent (CO₂eq.) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the Reporting Period. The GHG reported included the following activities and scopes:

- Direct (scope 1) GHG emissions from the consumption of gasoline, diesel, and town gas;
- Energy indirect (scope 2) GHG emissions from purchased electricity and town gas; and
- Other indirect (scope 3) GHG emissions from municipal freshwater and sewage processing.

Other indirect GHG emissions during the Reporting Period such as those from waste paper landfilling, mitigated GHG from paper recycling, and business air travel were cut-off due to their insignificant impact estimated.

| GHG Emission | | 2020 (tonnes of CO ₂ eq.) | % | 2019 (tonnes of CO ₂ eq.) | % |
|------------------------------|------------------------------------|--|-------|--|-------|
| Scope 1 | | | | | |
| Direct GHG emissions | Gasoline and diesel ¹ | 246.50 | | 324.90 | |
| | Town gas (stationary) ¹ | 31.30 | | 42.70 | |
| <i>Scope 1 total</i> | | 277.80 | 4.1 | 367.60 | 3.7 |
| Scope 2 | | | | | |
| Indirect GHG emissions | Purchased electricity ² | 6,519.71 | | 9,459.21 | |
| | Purchased town gas ³ | 7.31 | | 9.43 | |
| <i>Scope 2 total</i> | | 6,527.02 | 95.5 | 9,468.64 | 95.9 |
| Scope 3 | | | | | |
| Other Indirect GHG emissions | Freshwater and sewage | 28.76 | | 42.01 | |
| <i>Scope 3 total</i> | | 28.76 | 0.4 | 42.01 | 0.4 |
| Total GHG | | 6,833.58 | 100.0 | 9,878.25 | 100.0 |

Note 1: Emission factors were made reference to Appendix 27 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor (EF) of 0.54 and 0.50 kg CO₂eq./kWh (2019: 0.63 and 0.51 kg CO₂eq./kWh) was used for purchased electricity in Dongguan and Hong Kong, respectively during the Reporting Period.

Note 3: Emission factor (EF) of 0.597 kg CO₂eq./unit (2019: 0.564 kg CO₂eq./unit) was used for scope 2 GHG of purchased town gas during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A1. Emissions (Continued)

A1.3 Hazardous Waste

Hazardous waste generated at Nan Sing included waste oil and ink bottles and thinner bottles, all of which were recollected by suppliers, without recording the waste amount. Other hazardous waste materials including waste cloth containing waste ink were treated according to the local standard and were all subject to the supervision by local Environmental Protection Agency. To further avoid regulatory and operational risks, the Group has established contracts with special waste collectors, with following waste types and treatment methods specified in the contract:

| Hazardous waste type per National Catalogue of Hazardous Wastes | Hazardous waste name | Transportation mode | Waste treatment method |
|---|----------------------------|---------------------|------------------------|
| HW12 | Waste ink | In barrel | Incineration |
| HW49 | Waste activated carbon | In barrel | Incineration |
| HW49 | Waste cloth containing ink | In barrel | Incineration |

The Group will consider recording the waste generation amount after the waste collection system being stabilized.

For Hotel Benito, Everglory Centre and the Headquarter, their business operations did not involve generation of significant hazardous wastes, hence no such data is being presented in this Report.

A1.4 Non-hazardous Waste

Major non-hazardous waste generated at Nan Sing mainly included the scrap materials during production. Scraps were reused/re-manufactured at Nan Sing to reduce on-site waste generation as well as for economic purposes.

Non-hazardous waste generated at three operations sites in Hong Kong mainly included: waste office paper, waste packaging materials, and other non-office paper such as newspapers and cardboard. A total of 0.64 tonnes (2019: 0.93 tonnes) of office paper were recycled in Headquarter during the Reporting Period. The Group will consider recording the amount of non-hazardous waste generated in other sites in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A1. Emissions (Continued)

A1.5 Measures to Mitigate Emissions

The air pollution control system installed in Nan Sing will effectively control the VOCs and other exhaust gaseous emissions during film blowing and printing processes. The exhaust gas from the printing shop can be centrally collected and discharged.

Hotel Benito, Everglory Centre and the Headquarter did not involve any significant direct emissions hence no information related to emission mitigation is presented.

A1.6 Wastes Reduction and Initiatives

Nan Sing formulated the Waste Control Guidelines to regulate waste management. The practices brought in a waste reduction, resource saving, as well as economic benefits for the Group. For example:

- the Group reused incoming wooden pallets without any new purchase;
- the on-site industrial waste generation was largely reduced by re-using production scraps during the manufacturing processes;
- proper training and daily supervision were provided to production personnel to reduce the generation of scrap materials;
- the incoming waste packaging materials such as waste paper, wood pallets were internally maintained, repaired, and reused whenever possible, or further collected by qualified companies;
- waste categorization bins were provided to control the separation of hazardous and non-hazardous waste, and increase recovery of recyclable waste; and
- waste paper was collected and treated by designated department (e.g. pressing) for downstream recycling.

The Group will continue identifying areas to better manage and improve the waste management system, to further reduce waste generation and the burden to landfill.

In Hotel Benito, Everglory Centre and the Headquarter, we encourage employees to adopt pro-environmental behaviors such as printing paper on both sides.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A2. Use of Resources

A2.1 Energy Consumption

Total electricity consumption by the Group was 12,107,615 Kilowatt-hour (kWh) (2019: 15,205,416 kWh) during the Reporting Period. Due to different operational nature, the intensity was calculated separately for each site.

| Direct energy source (electricity) | 2020 | | 2019 | |
|---------------------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| | Consumption (kWh) | Intensity (kWh/m ²) | Consumption (kWh) | Intensity (kWh/m ²) |
| Nan Sing | 11,053,440 | 2,211 | 14,162,400 | 2,833 |
| Hotel Benito | 728,168 | 331 | 707,654 | 322 |
| Everglory Centre | 144,920 | 160 | 154,415 | 170 |
| Headquarter | 181,087 | 270 | 180,947 | 270 |
| Total | 12,107,615 | | 15,205,416 | |

Consumption of gasoline, diesel, and town gas were converted to indirect energy consumption.

| Indirect energy source | 2020 | | 2019 | |
|------------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|
| | Direct consumption | Indirect consumption (kWh) | Direct consumption | Indirect consumption (kWh) |
| Gasoline (in liter) | 5,846 | 53,287 | 12,120 | 110,473 |
| Diesel (in liter) | 87,287 | 879,846 | 100,439 | 1,113,215 |
| Town gas (in MJ) | 12,246 | 163,280 | 802,801 | 223,000 |
| Total | | 1,096,413 | | 1,446,688 |

Note: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A2. Use of Resources (Continued)

A2.2 Water Consumption

The Group did not consume a significant amount of water for its business activities. The total water consumption for the Group was 39,397 m³ (2019: 57,559 m³) during the Reporting Period. No issues on sourcing water were reported during the Reporting Period. Water has been consumed for commercial and domestic purposes as the manufacturing processes in Nan Sing does not involve consumption of water. The water bill in the headquarter was paid by the building management hence no information related to the consumption data is presented.

| Site | 2020 | | 2019 | |
|------------------|-------------------------------------|---|-------------------------------------|---|
| | Water consumption (m ³) | Intensity (m ³ /m ²) | Water consumption (m ³) | Intensity (m ³ /m ²) |
| Nan Sing | 35,570 | 7.11 | 51,562 | 10.31 |
| Hotel Benito | 3,797 | 1.73 | 5,918 | 2.69 |
| Everglory Centre | 30 | 0.03 | 79 | 0.09 |
| Total | 39,397 | | 57,559 | |

A2.3 Energy Use Efficiency Initiatives

Nan Sing was the major energy user and the Group has formulated the Energy Management Procedures and Guidelines to regulate relevant activities. In detail, the following energy saving measurement and achievements were recorded during the Reporting Period:

- the Group has replaced 95% of the lighting system to energy efficient LED lighting system; with an ultimate goal of replacing all old lighting system;
- the clean production audit was initiated and initially completed, and relevant energy conservation and emission reduction measures were carried out according to the clean production audit plan, so that the total VOCs emissions per unit product and the comprehensive energy consumption per unit product were greatly reduced; and
- old motors were replaced by energy-saving motors, resulting a 7% reduction in energy consumption.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A2. Use of Resources (Continued)

A2.3 Energy Use Efficiency Initiatives (Continued)

For Hotel Benito, the following energy saving and efficiency schemes were implemented:

- using energy efficient LED lighting systems for public areas;
- using motion sensing lights for wardrobe in hotel rooms;
- pre-setting room temperature for public areas at 25 degrees Celsius; and
- placing signs in hotel rooms to encourage guests to reuse bedsheets and towels.

Electricity was the most significant source of emission in office settings, consequently, employees are reminded to switch off lights, air conditioners, computers, monitors and equipment before leaving work.

A2.4 Water Use Efficiency Initiatives

The Group's business operation did not involve any significant use of water. Dual flush toilets were installed at the Hotel Benito. For Nan Sing, Everglory Centre and the Headquarter, water was mainly used for domestic purpose, hence no information in relation to water use efficiency initiatives is presented in this report.

A2.5 Packaging Material

Nan Sing consumed packaging materials, which are mainly cartons and gummed paper purchased from outside suppliers. The Group did not implement relevant measures to improve the recyclability of packaging materials. Nevertheless, some waste cartons and some packaging paper have been collected by qualified recyclers.

No major packaging materials were involved for business operations in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (CONTINUED)

A3. The Environment and Natural Resources

For the production processes in Nan Sing, the company has formulated Chemical Control Procedures to manage the use of chemicals, mainly including lacquer thinner, solvent ink, and water-based ink. All chemicals were stored in a special warehouse, accessible only by designated personnel, who was responsible for the management of chemicals. Production department can only claim for a certain amount of chemicals for daily consumption not exceeding a pre-set quota, to ensure no excess chemicals stored in the production workshop.

In addition to the chemical usage, the major impacts on the environment were the air pollution caused by exhaust gases, with the new treatment facility installed, it is expected that air pollutants will be further controlled and reduced. The indirect impacts caused by the consumption of electricity has been identified as another major source of environmental impacts. The Group is actively planning to apply for the cleaner production certification, while strengthening environmental protection and reducing energy consumption.

The Group's water consumption and wastewater discharge have been managed properly to minimize impacts on the regional water body. Domestic wastewater has been treated at on-site septic tanks before discharging into the municipal wastewater pipelines.

The Group's production does not cause a major impact on the surrounding acoustic environment. Various machinery and cooling tower all meet the requirements.

The Group will continue to keep a close eye on any updates of relevant laws and regulations.

Environmental impacts of the business operations in Hong Kong were not significant during the Reporting Period.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

I. Employment and labour practices

B1. Employment

Several internal procedures including the Guidelines and Policies for the Management of Social Responsibility, the Employment Management Procedure, the Labour and Welfare Control Procedure, the Human Resources Management Procedure continue to serve as the guideline and working procedure to manage employment and labour-related practices. During the Reporting Period, there were no major changes in employment policies for the Group's business operation.

No 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 had been identified during the Reporting Period.

Employees' rights and benefits, including public holidays, annual paid leave, sick leave, maternity leave have been formulated and executed per the Labour Law of the PRC, Labour Contract Law of the PRC, Salary Payment Regulations of the PRC, and the Employment Ordinance in Hong Kong. Employees have been provided with medical insurance, social insurance coverage, housing provident fund in the PRC, and mandatory provident fund in Hong Kong. Free accommodation and discounted meal plans have also been provided to Nan Sing employees.

Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, nationality, ethnic background, religion, political affiliation, age, marital status, and physical disability.

As at 31 March 2020, the Group had a total number of 333 employees (2019: 380 employees).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

I. Employment and labour practices (Continued)

B1. Employment (Continued)

| | 2020 | 2019 |
|----------------------------------|------------|------|
| Total number of employees | 333 | 380 |
| By employee type | | |
| Full-time | 331 | 379 |
| Part-time | 2 | 1 |
| By employee category | | |
| Senior management | 10 | 13 |
| Middle management | 60 | 59 |
| Frontline and other staff | 263 | 308 |
| By age group | | |
| 18–25 | 12 | 18 |
| 26–35 | 44 | 74 |
| 36–45 | 94 | 110 |
| 46–55 | 130 | 137 |
| 56 or above | 53 | 41 |
| By gender | | |
| Male | 201 | 234 |
| Female | 132 | 146 |
| By region | | |
| PRC | 261 | 309 |
| Hong Kong | 72 | 71 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

I. Employment and labour practices (Continued)

B1. Employment (Continued)

The overall staff turnover rate was around 35% (2019: 33%) during the Reporting Period, all turnover staff were full-time employees. Among the total 116 (2019: 124) employees who left the Group, 105 (2019: 108) were frontline staff in Nan Sing, such high turnover is a common phenomenon in the manufacturing industry in the PRC.

| | 2020 | 2019 |
|---------------------------------|------------|------|
| Number of employees left | 116 | 124 |
| Turnover Rate | 35% | 33% |
| By employee category | | |
| Senior management | 1 | 1 |
| Middle management | 0 | 1 |
| Frontline and other staff | 115 | 122 |
| By age group | | |
| 18–25 | 26 | 27 |
| 26–35 | 33 | 32 |
| 36–45 | 30 | 33 |
| 46–55 | 22 | 24 |
| 56 or above | 5 | 8 |
| By gender | | |
| Male | 75 | 79 |
| Female | 41 | 45 |
| By region | | |
| PRC | 105 | 105 |
| Hong Kong | 11 | 19 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

I. Employment and labour practices (Continued)

B2. Employee Health and Safety

The Group has in place internal safety guidelines to provide employees with a safe workplace and ensure compliance with relevant laws and regulations in the PRC and Hong Kong. The Group has formulated the Environmental Health and Safety Policy and Environmental Health and Safety Management Procedures to manage employee environmental health and safety. The Group specially implemented following schemes to ensure a healthy and safe working environment for employees, and to minimize the potential risk of work-related accidents and injuries:

- hiring an external testing company to test the workshop environment to ensure the indoor air pollutants were all within the permissible level;
- performing internal checks using company-owned noise meter, volatile organic compounds sensor and hygrometer;
- providing annual occupational disease inspection for employees who were exposed to chemical products and/or who worked in workshops with a high level of noise;
- providing personal protective equipment such as helmet, masks, gloves, and earplugs to workshop employees; and
- installing new exhaust gas system and treatment facility in the workshop to strengthen ventilation.

During the Reporting Period, due to the outbreak of Coronavirus (COVID-19), extra measures have been implemented in our office premises and factory area such as wearing masks, checking body temperature, cleaning of common area (e.g. switches, door handle, water machines, printers, etc), using conferences or video call instead of having unnecessary business travel and face-to-face meeting.

The Group strictly follows relevant laws and regulations such as Law of the PRC on the Prevention and Control of Occupational Diseases, and Law on Safety Production. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to occupational health and safety had been identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

I. Employment and labour practices (Continued)

B2. Employee Health and Safety (Continued)

Work-related minor injuries cases were reported in Nan Sing.

| | 2020 | 2019 |
|------------------------------------|------|------|
| Work-related fatality | Nil | Nil |
| Work injury cases >3 days | 9 | 9 |
| Work injury cases <= 3 days | 7 | 12 |
| Total lost days due to work injury | 262 | 295 |

B3. Development and Training

The Human Resources Management Procedure continues to serve to manage employee development and training, guiding orientation training, on-the-job training activities, as well as training effects measurement. Training needs were identified at the end of each year, according to the employees' performance and feedback, the changes of the external environment, and forecast of production and development trends.

General training sessions provided to employees included those organized by the human resource department such as orientation, quality, operation skills, and management system training. The training effects have been measured through written examinations, interviews, and on-site operation assessment. In addition, external training such as management and leadership skills training were provided to management personnel.

B4. Labour Standards

The Group strictly follows the Labour Law of the PRC, the labour Contract Law of the PRC, the Law on the Protection of Minors, and the Employment Ordinance in Hong Kong to manage labour practices. Internally, the Employment Management Procedure continues to guide recruitment policies, to eliminate recruitment of child or forced labour.

Background checks were conducted for new employees and all employees must show their original Identity Card to prove their legal identity. In case of any child or forced labour encountered, labour contract will be ceased immediately, and the Group will report to the legal entity. During the Reporting Period, no non-compliance in relation to labour standards as required by related laws and regulations was noted, and there was no child nor forced labour in the Group's business operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

2. Operating Practices

B5. Supply Chain Management

The Group has standard procedures for engaging suppliers and contractors related to its business operation. The Group encourages suppliers to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance.

For Nan Sing production, key suppliers were reviewed and screened carefully to ensure that their quality, price, and production capability meet the Group's expectations and standards.

Hotel Benito maintained a preferred supplier list, they have undergone the year-end evaluation to ensure high standards of their products and/or service provided on a continuous basis.

B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising

The Group ensures that any labelling information and marketing materials do not contain any misleading content. Specific standards have been followed such as GB 21660 (2008): The General Requirement for Environment, Safety Identification, and Marking of Shopping Plastics Bags.

During the Reporting Period, the Group occasionally attended various exhibitions in Thailand, Japan, Australia, etc. to promote its products. The Group strictly abided by applicable laws and regulations to guide marketing, advertising, and trading activities such as the Advertisement Law of the PRC, the Customs Law of the PRC, Foreign Trade Law of the PRC.

For packaging materials produced at Nan Sing that are particularly used in food industry, the Group applies national, industrial, and company-specific standards to ensure consumer's health and safety, including for example GB 4806.6-2016 Hygienic Standard for Polyvinyl Chloride Resin Used as Food Packaging.

For Hotel Benito, all staff have received appropriate training in hygiene matters that are in line with their work activity and to maintain high standards of hygiene in working areas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

2. Operating Practices (Continued)

B6. Product Responsibility (Continued)

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided had been identified during the reporting period.

Quality Assurance

The Group formulated specific customer complaint handling processes to manage any complaints received from clients.

The Control Procedures on Non-Compliance and Potentially Unsafe Products assures the packaging product quality at Nan Sing. The procedure oversees the quality management from incoming materials to the manufacturing process and outgoing products. The quality personnel will examine the returned products, Customer Complaints Handling Form will be filled, root causes analysis will be performed on complaints, followed by corrective measures if needed. Preventive measurement will be implemented to avoid future mistakes. The Group applies various national, industrial, and company-specific standards during the product quality assurance and quality control, including for example:

- GB/T 2410–2008 Determination of the Luminous Transmittance and Haze of Transparent Plastics
- GB 13022–91 Plastics — Determination of Tensile Properties of Films
- GB 4806.6–2016 Hygienic Standard for Polyvinyl Chloride Resin Used as Food Packaging

Minor complaints was reported for the packaging products at Nan Sing and being properly handled during the Reporting Period. We will continue monitor and provide sufficient training to our employees in order to maintain high standard of our products.

For Hotel Benito, the Group formulated customer services policy to ensure high-quality service are provided to customers. No major complaints were received during the Reporting Period, other minor complaints have been handled in a timely manner, with effective communication with customers carried out to avoid any misunderstanding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

2. Operating Practices (Continued)

B6. Product Responsibility (Continued)

Customer Data Protection

The Group acknowledges the importance of protecting privacy and confidentiality of its customers' information. The Group prohibits the use of any personal information of clients by other parties for direct marketing purposes without the explicit and implicit consent of the client.

The Group issued the Policies & Procedures — Information Technology to prevent data leakage and misuse or abuse of customer sensitive information. For example, the Group utilizes separate broadband services for hotel guests and hotel internal use to ensure hotel network security. Anti-virus software and firewall are installed on all networked servers and constantly updated to prevent virus attack and external hacking.

Intellectual Property

The Group has constantly monitored trademarks (e.g. “Nan Sing” and “Hotel Benito”) and domain names, which were also renewed upon their expiration. To protect clients' intellectual property rights, the Group signed a confidentiality agreement with clients when appropriate. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to intellectual property rights had been identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

2. Operating Practices (Continued)

B7. Anti-corruption

The Group is committed to managing all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values. The Group issued Prevention of Bribery and Corruption policy to remind all employees that no one may solicit or accept, without the prior and specific approval of the top management, for his/her personal benefit and advantage, in money or in kind, from any customers, guests, brokers, vendors, suppliers, dealers, or person having business relation with the Group.

The Group has strictly monitored the implementation of relevant policies and procedures for anti-corruption and anti-money laundering. The Group continues to adopt basic elements of an anti-money laundering program, including:

- formulating written internal policies, procedures and controls;
- performing ongoing employee training for those responsible for carrying out transactions, initiating or establishing business relationships; and
- conducting internal audit function.

The Group continues to implement its whistleblowing policy for all levels and operations under the Group to raise concerns, in confidence, about possible improprieties in any matter related to the Group such as misconduct and malpractice. The Group ensures that no one suffers any detrimental treatment as a result of refusing to accept or offer a bribe or other corrupt activities or because they reported a concern relating to potential act(s) of bribery or corruption.

The Group has not violated, engaged to violate any law relating to corruption. The Group has not been involved in, or seek to engage in, money laundering. The Group has not aided, abetted, assisted or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (CONTINUED)

2. Operating Practices (Continued)

B8. Community Investment

As a responsible corporate citizen, we care about the well-being of our society and the development of our community. We showed our passion to the society by engaging in various community activities held by local organizations. We also encourage our staff to participate in voluntary services.