

Environmental, Social and Governance Report 2019

Sky Light Holdings Limited
天彩控股有限公司

Stock Code **3882**

Incorporated in the Cayman Islands with limited liability



Environmental, Social and Governance Report

About this Report

This report covers certain environmental and social responsibility aspects underlying Sky Light Holdings Limited (“Sky Light” or the “Company”) and its subsidiaries’ (the Company together with its subsidiaries referred to as the “Group” or “we”) business operations in the People’s Republic of China (the “PRC”) and in the Socialist Republic of Vietnam (the “Vietnam”) for the financial year ended 31 December 2019 (“the year”) and is prepared with reference to the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company has complied with the “comply or explain” provisions set out in the ESG Reporting Guide during the year under review.

This report has been reviewed and approved by the Company’s board of directors (the “Board”).

Report scope

Taken into consideration of the roles of the operating offices of the Group in Hong Kong and overseas countries where the economic activities do not constitute any significant part of the Group, therefore this report only covers the Group’s sustainability performance and initiatives of our office quarters and manufacturing facilities in Shenzhen and Heyuan, PRC and in Hanoi, Vietnam, unless otherwise stated.

This report supplements our 2019 Annual Report, and discloses our progress on certain environmental and social responsibility aspects from 1 January 2019 to 31 December 2019. For governance section, please refer to our 2019 Annual Report pages 19 to 34. Due to gaps in legal requirements across regions where the Company operates, certain quantitative indicators are not yet applied to some of our subsidiaries. The Company will work to ensure that these indicators are included in one set of unified standard statistics in our future environmental, social and governance reports.

Feedback

We have taken into consideration the interests and requirements of different stakeholders as much as possible in the compilation of this report and by no means the product is a fixed format to be adopted. The current reporting phase aims to be plain, clear, and easy to read. The Company shall in the future continue to improve on the content and delivery of information disclosed in the report.

How to obtain this Report

The report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. The PDF version of this report is available on Stock Exchange’s website and our website. Please visit the section headed “INVESTOR RELATIONS — Financial Reports” on the Company’s website: <http://www.sky-light.com.hk>. To be environmental friendly, we do not publish hard copies.

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We welcome your feedback on our reporting for 2019 and any suggestions you have in terms of what you would like to see incorporated in our future reports. To contact us, you may do so at:

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Corporate Social Responsibility At Sky Light

As a worldwide smart imaging total solutions provider, corporate social responsibility (“CSR”) is an integral part of our business strategy. We are committed to operating in a manner that is economically, socially and environmentally sustainable while balancing the interests of our various stakeholders and providing valuable products to society. Meeting this commitment is an important management objective and the individual and collective responsibility of the Group’s employees.

CSR Governance Structure

The Board supports the CSR commitment. The development of the CSR policies is the responsibility of the CSR office (“CSR Office”), which is chaired by Mr. Tang Wing Fong Terry, the chief executive officer of the Group and the chairman of the Board. The CSR Office meets regularly and reports directly to the audit committee of the Company (the “Audit Committee”) and the Board.

Parties	CSR Responsibilities
Board of Directors	<ul style="list-style-type: none">Monitors corporate governance practices and procedures; and maintains appropriate and effective risk management and internal control systems of the Group to ensure compliance with applicable rules and regulations
Audit Committee	<ul style="list-style-type: none">Assists the Board with ensuring the objectivity and credibility of financial reporting, and that the directors have exercised care, diligence and skills prescribed by law when presenting results to shareholdersAssists the Board with ensuring that risk management and effective internal control systems are in place and good corporate governance standards and practices are maintained
CSR Office	<ul style="list-style-type: none">Ensures that the Company operates in a manner that enhances its positive contribution to society and the environmentReviews the Company’s CSR strategy, principles and policiesSets guidance and direction of and oversees CSR practices and proceduresMonitors progress on CSR and related activitiesPromotes CSR internally and externallyOrganizes and implements CSR initiatives
Departments and Business Units	<ul style="list-style-type: none">Implement CSR practices and ensure CSR compliance in daily operations

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The Group has a dedicated environmental, health and safety team that strives to meet relevant local/international standards relating to the Group's operations. The Group's facilities are operated under ISO9001:2015 Quality Management System. The Group actively manages its business in an environmentally and socially responsible manner consistent with the system adopted and the below sections present a brief summary of these policies and their implementation during the year.

Group Policies Relating To Environmental Protection

The Group do not involve major environmental contamination risk. As the manufacturing facilities are based in the PRC and the Vietnam, it is generally in compliance with the applicable laws and regulations that have a significant impact on the Group relating to environmental protection (including air and greenhouse gas emissions, generation of hazardous and non-hazardous waste, etc), including but not limited to the Environmental Protection Law of the PRC, the Environmental Protection Tax Law of the PRC, the Environmental Protection Law of the Vietnam, and other relevant emission standards, implementation plans, management regulations, technical guidelines, etc.

With a view to complying with the relevant environmental laws and regulations and minimising the impact on the environment arising from the Group's business operations, the Group has developed and implemented an environmental management program ("EMP") for the purpose of identifying aspects of the Group's operations ("Aspects") that may have significant impact on the environment in light of applicable laws and otherwise.

Under the EMP, representatives from each operational department and business unit within the Group will meet yearly with the Group's CSR Office to review its key processes and identify possible Aspects underlying the operation of such department. The Group's department heads will then discuss with the CSR Office regarding any significant Aspects identified, and design measures aiming at reducing the environmental impacts arising from such Aspects. These measures will be documented and the related staff will be provided with suitable training, with CSR Office's supervision and reporting to the Audit Committee from time to time to ensure effective implementation

Emissions and Waste Generation

The principal types of emissions and wastes generated from the Group's business operations, i.e. injection moulding, assembly of printed circuit board, assembly and packaging of products and its components, transportation, etc. The Group believes these emissions do not have a significant adverse effect on the environment:

- Air Emissions**

Air emissions are principally emitted from (i) motor vehicles for the transportation of products and personnel and (ii) forklifts for inter-plant transportation. The emissions data of third-party transport vehicles during the year are unavailable to the Group. The Group owns 4 motor vehicles which are used as product transportation and for other business uses. The Group also owns 2 forklifts. The air emissions from the self-owned motor vehicles and forklifts are listed below:

2019	Total volume emitted (approx. kilograms)	Intensity of emission (approx. kilograms per million HK\$ revenue)
Nitrogen oxides (NO _x)	342.5	0.62
Particulate matters (PM)	6.9	0.01

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2018	Total volume emitted (approx. kilograms)	Intensity of emission (approx. kilograms per million HK\$ revenue)
Nitrogen oxides (NO _x)	1,088.7	1.10
Particulate matters (PM)	29.7	0.03

- Greenhouse Gases and Carbon Emissions**

During the soldering process in the camera manufacturing, reflow waste gas, of approximately 200.0 tCO₂e (2018: approximately 395.9 tCO₂e) or approximately 0.36 tCO₂e per million HK\$ revenue (2018: approximately 0.40 tCO₂e per million HK\$ revenue), was generated. Although the volume is immaterial, such waste gas will be collected and exhausted by a 15-meter high funnel via turbine extraction.

In addition to the above direct gas emissions, the use of electricity by the Group is also indirectly attributable to production of greenhouse gases, most notably carbon dioxide, in the electricity generation process. With reference to the kilowatt-hour (kWh) power generation to carbon dioxide emission ratio published by the local government, during the year, approximately 6,690.0 tCO₂e (2018: approximately 11,109.9 tCO₂e) of carbon dioxide in total and approximately 12.2 tCO₂e of carbon dioxide per million HK\$ revenue (2018: approximately 11.2 tCO₂e of carbon dioxide per million HK\$ revenue) were attributable to the Group's electricity usage in the office and factory quarters in the PRC and the Vietnam.

- Non-hazardous and Hazardous Wastes**

The Group generates non-hazardous wastes such as metallic frames from forming process, paper from product packaging and office use, plastic by-products such as plastics nozzles clogs and injection molding defects from the production process and plastic containers and glass bottles for storage of raw materials before utilisation. These non-hazardous wastes are mostly recyclables and collected by licensed recycling companies. During the year, the following non-hazardous wastes have been generated:

2019	Total volume (approx. tonnes)
Plastic	128.5
Metal	6.2
Cardboard	16.6
General Refuse	3.4
Total non-hazardous wastes	154.7
Intensity per million HK\$ revenue	0.3

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2018	Total volume (approx. tonnes)
Plastic	166.9
Metal	42.9
Cardboard	72.8
General Refuse	14.3
Total non-hazardous wastes	296.9
Intensity per million HK\$ revenue	0.3

The Group did not receive any notification regarding sewage discharge violation during the year. The Group believes that the discharged sewage does not pose material impact on the surrounding environment which is different from that posed by local domestic sewage discharges.

In addition, the Group generates certain hazardous wastes such as containers for machine oil and oil paint, organic solvents, industrial alcohol, machine oil, etc. from the production process. During the year, the Group has engaged licensed waste disposal service providers to process accumulated hazardous wastes totalling approximately 4.6 tonnes (2018: approximately 21.9 tonnes) or approximately 0.008 tonnes per million HK\$ revenue (2018: approximately 0.02 tonnes per million HK\$ revenue) in accordance with the requirements under the laws of PRC and the Vietnam.

Measures Undertaken to Reduce Emissions and Wastes and Results Achieved

With a view to minimising the environmental impact brought by these emissions and wastes, the Group has adopted the following measures during the year to supplement its EMP:

1. Implementing clear guidelines as to business uses and maintenance of corporate vehicles, recording and monitoring the consumption of fuel on a continuing basis so as to enhance efficiency in their deployment and reduce emissions. The Group advocates less vehicle utilization, and encourages employees to go to work by carpooling and on bicycle or green walking. Furthermore, the Group's corporate vehicles are inspected regularly at government's designated inspection sites to ensure adherence to the prevailing emission standard, and vehicles not conforming to exhaust emission requirements will not be used. Through the implementation of these measures, the emissions of NO_x and PM were reduced by approximately 0.48 kilograms per million HK\$ revenue and 0.02 kilograms per million HK\$ revenue when comparing to 2018, respectively;
2. Understanding better the Group's suppliers and subcontractors and taking into account their environmental and social responsibility practices in the selection process. Please refer to the subsection headed "Social Responsibility Operational Practices — Supply Chain Management" below in this ESG Report for further details;

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3. Continuing to commission hazardous wastes to licensed waste disposal service providers, which will further process these wastes for reuse/storage. As for the non-hazardous wastes, the Group has adopted a waste classification approach and inspired its employees to make a positive impact on the minimization of daily waste by bringing their own lunch boxes to reduce plastic waste. Given the effective implementation of these measures, the intensity of the generation of non-hazardous wastes from the Group remain unchanged in 2019;
4. Periodically arranging environmental compliance inspections to ensure the Group's compliance with the applicable local environmental laws and regulations relating to the Group's operations. The Group has commissioned independent environmental inspections at its factory site in Shenzhen and Hanoi in 2019, as regards its compliance with applicable regulations on effluents, emissions and noise. The Group's production facility in Shenzhen and in Hanoi has been certified by the inspecting agencies for compliance with the relevant environmental standards, benefiting from which the Group had not experienced any material environmental incidents arising from its manufacturing activities. No material administrative sanctions or penalties were imposed on the Group during the year; and
5. Installing various specific waste gas treatment equipment in the factories, such as a 15-meter high waste gas funnel etc. To reduce the consumption of electricity, please refer to the subsection headed "Resources Consumption — Electricity" below in this ESG Report for further details.

Resources Consumption

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations with a view to developing an energy-efficient culture. The principal types of resources utilised by the Group in its business operations during the year, and the measures undertaken by the Group to promote efficient usage are discussed below:

- **Electricity**

Electricity is necessary for each stage of the Group's production process and is the main source of energy used. During the year, the Group's office quarters, factory facilities and dormitory premises utilised an aggregate electricity of approximately 6.7 million kWh or approximately 12.2 kWh per thousand HK\$ revenue (2018: approximately 11.1 million kWh or approximately 11.2 kWh per thousand HK\$ revenue).

Most of the Group's factory quarters and office premises are illuminated with LED or other energy efficient lights.

The Group has adopted an internal policy during the year to promote conservative energy uses. Under the policy, the usage of electricity in different departments is continuously monitored and there are clear guidelines on the operating hours/energy-saving measures in respect of electrical appliances such as office equipment and lighting and air conditioning facilities. For example, for energy conservation, lightings in stairwells are switched off during day time when there is sufficient light, electrical appliances with high energy consumption characteristics are modified to the extent practicable to improve energy efficiency, LED lights are used in offices and workshops, and the temperature of air conditioner is set at 26°C or above etc. In addition, energy consumption efficiency of electrical appliances will also be taken into account when purchases are being considered. The overall usage of electricity in dormitory premises can keep at a lower level as that of 2018.

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- **Fuel Oil**

Apart from transportation of products via logistics companies, the Group also utilises 4 motor vehicles (2018: 7) as product transportation back-up and for other business uses. The Group also maintains 2 forklifts (2018: 2). During the year, the Group consumed a total of approximately 34,000 litres or approximately 0.06 litres per thousand HK\$ revenue of fuel oil (2018: approximately 103,000 litres or approximately 0.1 litres per thousand HK\$ revenue), over 90% of which were consumed by motor vehicles. The Group has adopted policies to promote efficient use of corporate vehicles as described above, resulting in approximately 69,000 litres fuel oil were saved.

- **Documentary Paper**

The Group's utilised, respectively, approximately 3.8 tonnes or approximately 7.0 kilograms per million HK\$ revenue (2018: approximately 7.1 tonnes or approximately 7.2 kilograms per million HK\$ revenue) of paper in the daily business operation during the year for documentary uses. To facilitate efficient paper usage, the Group launched office automation software to reduce paper usage during internal approval process and has put in place internal guidelines regarding paper conservation. Pursuant to these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, and paperless internal correspondences, etc. are also adopted.

- **Water**

The Group's production process does not involve high level of water consumption as the water employed in cooling processes and waterproof testing processes can be re-used in the same production process. Save as aforesaid, all water resources are consumed by employees in the factory quarters and the staff's dormitories in the PRC and the Vietnam.

Currently, water resources supply comes from the local government via its domestic water supply and the Group has not encountered any difficulty in procuring such water supply during the year. The aggregate volume of domestic water consumed at the Group's office and factory quarters during the year amounted to approximately 54,000 tonnes or approximately 98.1 tonnes per million HK\$ revenue (2018: approximately 82,000 tonnes or approximately 82.9 tonnes per million HK\$ revenue). The Group has adopted internal guidelines and provides staff education to promote water conservation, such as

- place "SAVE WATER" posters and banners at the water using areas to remind staff;
- advocate the importance of water conservation for new employee during orientation briefings;
- build dual flush toilets system in the Company;
- routinely inspects and upkeeps water supply facilities

Through the implementation of these measures, the water consumption of the Group in 2019 reduced by approximately 34% when compared with the figure in 2018.

To further ensure quality of water supplied for staff use, the Group has also adopted clear guidelines regarding sanitisation and filtration in water supply and storage facilities.

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- **Packaging Materials for Finished Goods**

When designing products, one of the top issues of concern is the products' environmental impact. The Group employs an environmentally friendly approach that accommodates with both design and sustainability concepts. While satisfying the customers, the Group is proactively sourcing renewable materials that meet all of its environmental requirements.

In addition, the Group encourages operational staffs to prioritize materials reuse. Some of the packaging materials such as cardboard boxes and wooden crates are utilized to the maximum extent. In the effort to operate with maximum efficiency, the data collection scope has been expanded to capture the data of packaging used for the finished products. This helps the Group to efficiently manage its resources and prompts the Group to explore alternative packaging solutions. Total packaging material used for finished products during the year was approximately 129,000 tonnes (2018: approximately 264,000 tonnes).

The Group also promotes the "3R" Program which aims at minimising, to the extent practicable, the amount of wastes produced during the course of the Group's business operations. The term "3R" represents:

- (a) Reduction — reducing the volume of relative toxicity of wastes generated to the extent practicable, by using alternative materials, processes and procedures;
- (b) Reuse — reusing wastes generated and returning unused materials such as plastic containers and packaging cartons; and
- (c) Recycling — converting waste materials into usable materials or extracting useful substances from them, such as recycling scrap metal, packaging material and paper.

During the year, to the best of the Directors' knowledge, the Group did not receive any complaint from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the year, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

The Environment and Natural Resources

According to the relevant environment laws and regulations of the PRC and Vietnam, and the inspection reports of independent environmental inspection agencies, the Group believes that its production and business operation activities do not have a significant impact on the environment and natural resources. The Group has disclosed different ways and strategies above to reduce environmental impact brought by the business operation.

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Group Policies Relating To Corporate Social Responsibility Practices

The Group believes that its employees are indispensable in its achievement of success, and is committed to ensuring the health, safety and general welfare of its employees at work. In addition, the Group provides various job-related seminars, workshops and training courses for the employees' continuous development. Further, the Group has also adopted a number of social responsibility practices for the support of the community and upholding the Group's business integrity.

Employment and Labour Practices

Health and Safety

The Group is committed to providing a safe working environment to its employees. The Group has adopted an internal framework to assist the Group in identifying and controlling health and safety risks and reducing workplace injuries which complies with the relevant laws and regulations in the PRC and Vietnam, including but not limited to:

- (i) Laws of the PRC on Prevention and Control of Occupational Diseases, Production Safety Law of the PRC, Fire Control Law of the PRC, and Regulation on Work-related Injury Insurance of the PRC, and
- (ii) Law on Occupational safety and hygiene (No: 84/2015/QH13), and Law on fire prevention and fighting (No: 40/2013/QH13) in the Vietnam.

The below sets out a few examples of the practices adopted by the Group in compliance with the above laws and regulations in relation to workplace safety, and for reducing accident rate at the workplace:

- Providing health checks to its staff members as appropriate prior to commencement of employment and during the employment
- Streamlining production process on a continuous basis and reducing/eliminating the use of known hazardous substances in the Group's manufacturing process to the extent practicable
- Employing certified contractors for regular inspection of fire safety equipment
- Providing personal protective equipment and other safety equipment at the workplace
- Supervising and providing specific technical training to staff members who may come in contact with potentially hazardous substances
- Prohibiting smoking at the workplace, factory quarters and dormitories
- Providing safety training to staff members nearly 10 times during the year
- Practising at least 2 times emergency responses in the case of fire or other hazards
- Regular cleaning of the water supply filters and daily garbage removal
- Conduction of safety checking 3 times daily

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During the year, the Group strictly complied with the aforementioned laws and regulations, and had no material violations of any health and safety laws and regulations. In addition, the Group recorded no work-related fatalities.



Vocational Training and Development

Considering its employees to be indispensable to the Group's business achievements, apart from safety related training as mentioned above, the Group also provides both internal and external training programs to its employees regularly with a view to enhancing their work quality and personal development. Such training covers topics such as:

- Orientation to Sky Light — training programs are held for college graduates and new employees
- Product knowledge enhancement — training programs are held on a regular basis to familiarise its staff with the Group's products
- Market updates — staff members are brought abreast with technology development and market conditions of the electronics industry
- General training — general systems of the Group and specific systems of individual departments
- Management systems training
- Occupational safety and health training
- Management and communication techniques training
- English skill

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During the year, the Group has provided/procured in aggregate over approximately 8,000 hours (the sum of each training hours, which was calculated by attendees multiplied by each session hours) of job-related training on the above topics to its staff (2018: approximately 14,405 hours).

Employment and Labour Standards

The Company strives to be a responsible employer and the Group is committed to implementing good employment practices, and advocates ethics and human rights at the workplace.

(a) Practices on recruitment process

The Group is an equal opportunity employer and recruits employees from the open market. Its employment policy is based on individual merits, suitability to the relevant job requirements, and fairness. The Group prohibits discrimination against potential candidates in the recruitment process on account of their race, colour, religion, sex and gender identity/sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions.

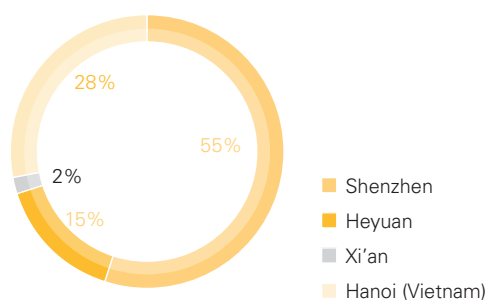
The Group does not hire any persons aged below 18. During the recruitment process, job applicants will be requested to produce identity proof to ensure compliance with the Group's policy as stated above. The Group has also formulated other policies to clearly prohibit child labour, established a confidential and anonymous complaint mechanism and regularly reviews the procedures of recruitment agencies to ensure the verification of the age of their employees as a standard process and makes it a selecting criteria of agents. If job application of child labour is found, the Group will communicate with its legal guardian and arrange handling methods. If there is illegal behavior, platforms for reporting to management are established within the Group, for example, employees can report in person or by e-mails.

The Group makes constant assessment and adjustment in labour employment in light of the Group's economic performance. Employee who is dismissed due to the Group's human optimization program will be compensated according to the Labour Law of the PRC or Labour Law (No: 10/2012/QH13) in Vietnam.

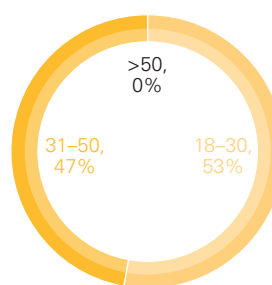
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During the year, all employees of the Group are aged 18 or above. The following diagrams illustrate the Group's staff composition in the PRC and the Vietnam as at 31 December 2019:

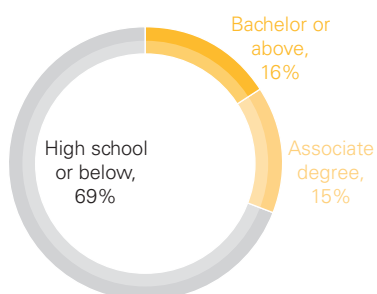
**Geographical Distribution
as at 31 December 2019**



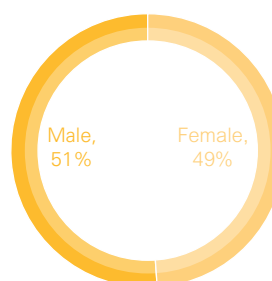
**Age Profile
as at 31 December 2019**



**Educational Profile
as at 31 December 2019**

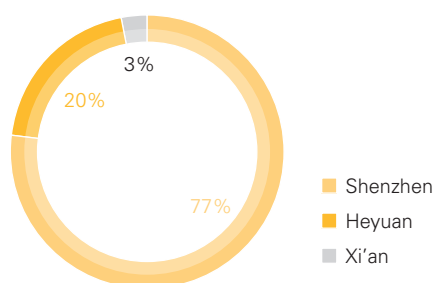


**Gender Profile
as at 31 December 2019**

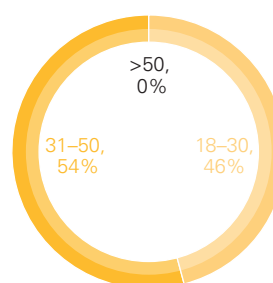


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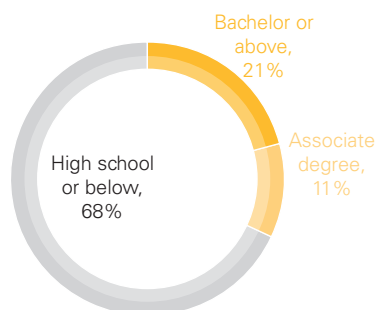
**Geographical Distribution
as at 31 December 2018**



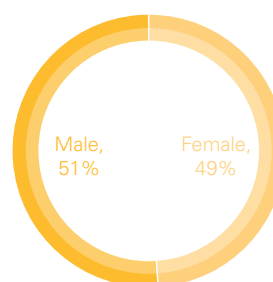
**Age Profile
as at 31 December 2018**



**Educational Profile
as at 31 December 2018**



**Gender Profile
as at 31 December 2018**



(b) Practices on remuneration and promotion

The Group recognizes its employees as its greatest assets. In order to attract, motivate and retain talents, the Group offers competitive remuneration packages. The remuneration of each employee will be determined with reference to a number of factors including educational background, experience, job duties, professional skills and technical capabilities, as well as salary level for similar job positions in the industry. The Company has also adopted the share option scheme upon listing of the Company's shares on the Main Board of the Stock Exchange, under which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives. The Group adopts an open-door communication policy and carries out annual review with its employees on their performance during the year, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

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(c) Practices on working hours and general welfare

The resting time of the Group's employees is well respected and the employees are also entitled paid holidays pursuant to statutory requirements. Under normal circumstances, the regular work week shall not exceed 48 hours. The Group shall allow employees at least 24 consecutive hours of rest in every week. All overtime work shall be consensual. The Group shall not request overtime on a regular basis and shall compensate all overtime work at a higher rate as required by the Labour Laws of the PRC and the Vietnam or otherwise under their respective employment contracts. There is a computerised attendance registration system in place to continuously monitor the working hours of the employees. During working hours, the employees' personal movements are not restricted in any way. By reviewing the working hours of the employees, the Group strives to ensure that no forced labour is being used in the Group's business operations. The Group also adopts a no-violence policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

Besides, the Group also makes statutory pension scheme contributions for the benefit of employees in accordance with the relevant legal requirements.

To enhance overall morale of its employees, the Group also organises company events such as New Year Party, lantern riddles guessing on Mid Autumn Day, Department Tourism, tug-of-war, etc. to allow the staff members to gather outside of work for bonding and team-building.



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The Group believes, to the best of the Directors' knowledge and belief, that during the year, it is generally in compliance with the applicable laws and regulations that have a significant impact on the Company regarding prevention of child and forced labour, recruitment and promotion, working hours, overtime, vacation, equal opportunity, diversity, anti-discrimination, minimum wage requirements, and compensation and dismissal, including but not limited to:

- (i) Labour Law of the PRC, Labour Contract Law of the PRC, Social Insurance Law of the PRC, Law of the PRC on Promotion of Employment, Law of the PRC on Protection of Minors, Law of the PRC on Protection of Disabled Persons, Provision of the State Council on Employees' Working Hours in the PRC and other relevant labour regulations in the PRC, and
- (ii) Labour Law (No:10/2012/QH13) of Vietnam, Law on Social Insurance (No:58/2014/QH13) of Vietnam, Law on the Trade Unions (No:12/2012/QH13) of Vietnam, Children Law (No:102/2016/QH13) of Vietnam and other relevant Labour regulations in Vietnam.

In addition, it has not received any complaint or notification from governmental authorities for contravention of any of the employment practices referred to above.

Social Responsibility Operational Practices

Supply Chain Management

To ensure the Group's product quality, its raw materials and products procurement policy is to select only those suppliers on an approved list who have passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group also practises ethical procurement and targets to source raw materials from socially responsible suppliers. To achieve this, all personnel with supply chain management responsibilities are trained to ensure, to the extent practicable, that selected suppliers are legally compliant in respect of materials and products provided to the Group, especially with respect to compliance with laws against slavery and human trafficking, and other employment — and environment-related laws. Conformity by suppliers with the relevant industrial standards and ethical business norms in their supply of materials and products to the Group is one of the supplier selection criteria that the Group takes into account. Suppliers' fulfilment of the environment, health and safety requirements of the Group are relevant factors which will be taken into account by the Group in its supplier selection process.

Apart from continuously monitoring the quality of products and materials procured under quality assurance agreements entered into with suppliers, the Group will also review suppliers' environmental and social responsibility-related practices annually through, for example, site inspections and interviews. The Group's management will review the procurement process and may source materials/products from alternative suppliers when a supplier has been identified by the Group to have deficient environmental and social responsibility practices and has not made any improvement upon request.

Product Responsibility

The Group has put in place a sound quality management system. All our products are subject to thorough and comprehensive testing to meet customers' requirements and international standards. The Group strictly complied with the Product Quality Law of the PRC and Law on Product and Goods Quality of the Vietnam and other product-related laws to establish formal management policies for the health and safety, advertisement, labelling and privacy of products and set up specific policies on process quality control and finished product management. Besides, the Group has obtained ISO9001:2015 Quality Management System certificate and conducted customer satisfaction survey regularly.

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The Group has devised a stringent materials specification and implemented internal standards to ensure that the use of hazardous substances in the manufacturing of its products is reduced or eliminated to the extent practicable. To ensure adherence to this policy, the Group conducts periodic assessment through internal quality assurance department or third-party inspection agencies on all products manufactured by it against international standards and other benchmarks prescribed by applicable legislation such as the European RoHS (Restriction of Hazardous Substances Directive), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) standards and HAF (Halogen — and Antimony-Free) standards. The assessment covers the entire product lifecycle from the research and development phase to customer sale and product waste disposal.

The Group's suppliers also entered into quality assurance agreements regarding control of hazardous substances and their adherence to the assurance undertakings is also a factor taken into account at the Group's annual review as a part of its supply chain management.

In terms of product description and labelling, as the Group's products are self-manufactured or sourced from third-party suppliers in accordance with the customer's order and detailed specifications regarding the product are set out in the respective agreements/purchase orders with the customers, or are otherwise available upon customer's request, its product packaging can therefore maintain a relatively simple design.

During the year, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

We also carefully safeguard corporate confidentiality, customers' confidentiality and our employees' privacy. We have implemented strict IT policies, plant access procedures and documentation access authorization systems to safeguard the confidentiality and privacy.

The below sets out a few examples of the practices adopted by the Group in relation to safeguard the confidentiality and privacy.

- There are entrance guards and security station at the main gate of the factory, and no unauthorized person is allowed to enter.
- Employees must wear the identification card when entering the factory.
- All visitors (including customers, suppliers, and applicants) must make an appointment or be brought into the factory by a dedicated person, and verify and register their identity information.
- Without the management approval, no person shall take photographs in sensitive or confidential area in the factory.
- Network and computer equipment set up security measures and encryption.
- Important systems and sensitive data are stored in a stand-alone environment, and document server access control measures are established to prevent unauthorized access.
- The Group signed a confidentiality agreement with internal employees. Without the management approval, all of the confidential information shall not be copied and provided to any third party.

During the year, there were no reported cases of claims of breach of confidentiality and privacy.

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Anti-corruption Practices

Conducting business with integrity is one of the core values underlying the Group's business operations and the Group believes an effective anti-corruption mechanism is the cornerstone for the sustainable and organic growth of the Group. In compliance with *the Company Law of the PRC, the Law of the PRC on Bidding and Tendering, Anti-money Laundering Law of the PRC, Criminal Law of the PRC, the Interim Provisions on Prohibiting Commercial Bribery, Anti-corruption Law of the Vietnam(No:36/2018/QH14), Law on Bidding of the Vietnam (No:43/2013/QH13), etc.*, the Group has adopted and circulated internally clear guidelines for employees which strictly prohibit bribery, extortion, fraud, money laundering and other acts such as gambling and personal loans with persons having business relationships with the Group, misappropriation of the Group's assets, inappropriate charitable donation or sponsorship, unlawful solicitation of business or favourable treatment, provision or acceptance of "kickbacks" or unreasonable gifts, entertainments or other improper benefits, etc. and require its personnel to declare any interests in the Group's business partners, suppliers and advisers that may conflict with the Group's business interests.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Audit Committee has designated the head of Group Internal Audit to receive on its behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations for action resulting from investigation into complaints.

Employees are also required to comply strictly with applicable laws relating to the above acts which regulated by the jurisdiction where the Group's subsidiaries operates. It is also a term under the Group's standard employment contract that legal non-compliance will constitute a ground of termination of employment. The Group also expects its suppliers and business partners to similarly abide by the relevant local anti-corruption laws.

During the year, the Group has not received any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

Community Participation

The Group believes that community support is important to the Group's success. The priorities of our community investment programme are social welfare and the environment. Through the employee volunteer programs, we have close collaboration with local volunteer service organizations and participate in some community services, including tree planting and visit the nursing home for the elders.

Looking to the future, the Group will continue focusing to our core value of promoting sustainable development goals. The Group encourages and enables our employees to contribute to the community through donations or volunteering.

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