

coolpad 酷派

COOLPAD GROUP LIMITED

酷派集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2369)



coolpad

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approach

Coolpad Group Limited (“Coolpad” or the “Company”) and its subsidiaries (collectively, the “Group” or “we”) are committed to maintaining the strong position as a leading smartphone developer and manufacturer in the People’s Republic of China (“PRC”), while integrating sustainability into our business strategy. Various factors, including business related challenges, work ethics, global trends, laws and regulations, etc., are taken into account in order to constantly promote business growth and achieve sustainability.

The Group recognizes its responsibility to be accountable to all its stakeholders, including customers, potential investors and shareholders, employees, suppliers, non-governmental organizations (“NGOs”) and local community. Understanding the needs and expectations of the stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, the Group has established a tailor-made communication method in order to better meet each stakeholder’s expectations.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

The Group is pleased to present its Environmental, Social and Governance (“ESG”) Report. The content contained herein focuses on providing an overview of the environmental, social and governance performance of our major operations in the PRC for the year ended 31 December 2020 (the “Reporting Year”). It helps us to keep a close eye on our current performance as well as the opportunities to improve our performance. The Reporting Year coincides with our financial year.

Scope of the Report

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” 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 two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in the PRC from 1 January 2020 to 31 December 2020.

For the Reporting Year, the material ESG issues are those which have or may have a significant impact on:

- The PRC’s telecommunication products industry;
- The global telecommunication products market;
- The current or future environment or society in which we operate;
- Our financial performance or operations; and/or
- Our stakeholders’ assessments, decisions and actions.

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group’s audited annual financial statements for the year ended 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About Coolpad

Our Business

Coolpad was listed on the Main Board of the Stock Exchange with stock code 2369. The principal operating activity of the Group is development, production and sales of smartphones and smart accessories. Due to the high quality of our smart products, we have maintained the leading position in the telecommunication industry.

Our Vision

To maintain the leading developer and manufacturer position in the industry in order to produce high quality telecommunication products in the PRC and further to the global market.

Our Mission

To provide the best and safe products to meet customers' demands and create value to the shareholders and investors based on our experienced and reliable development and production team with extensive knowledge of the industry.

Board of Directors (the "Board")

As at the date of this report, the Board consists of:

| Executive Directors | Non-Executive Directors | Independent Non-Executive Directors |
|--|----------------------------------|--|
| Mr. Chen Jiajun <i>(Chairman and Chief Executive Officer)</i> | Mr. Liang Rui Mr. Ng Wai Hung | Dr. Huang Dazhan Mr. Xie Weixin |
| Mr. Ma Fei | – | Mr. Chan King Chung |
| Mr. Xu Yibo | – | Mr. Guo Jinghui |
| Mr. Lam Ting Fung Freeman | | |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Stakeholders

Coolpad actively strives to better understand and engage its stakeholders to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

| Stakeholders | Probable issues of concern | Communication and responses |
|-------------------------------|--|--|
| HKEx | Compliance with listing rules, timely and accurate announcements. | Meetings, training, roadshows, workshops, programs, website updates and announcements. |
| Government | Compliance with laws and regulations, prevention of tax evasion, and social welfare. | Interaction and visits, government inspections, tax returns and other information. |
| Suppliers | Payment schedule, stable demand. | Site visits. |
| Shareholders/Investors | Corporate governance system, business strategies and performance, and investment returns. | Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts. |
| Media & Public | Corporate governance, environmental protection, and human right. | Issue of newsletters on the Company's website. |
| Customers | Product quality, delivery times, reasonable prices, service value, labour protection and work safety. | Site visits and after-sales services. |
| Employees | Rights and benefits, employee compensation, training and development, work hours, and working environment. | Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes. |
| Community | Community environment, employment and community development, and social welfare. | Community activities, employee voluntary activities, community welfare subsidies and charitable donations. |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Section A: Environmental

The Group understands the high importance of environmental protection, in respect of which it promises not to sacrifice the environment in exchange of its business. In this respect, we strongly believe that a healthy environment is the basis of the Group’s sustainable development. Thus, we are committed to operating in an accountable and sustainable way by integrating environmental protection and social responsibility considerations in our day-to-day operations through various measures so as to decrease the related carbon emission level and the relevant intensity¹.

For the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to be alert to any non-compliance behavior relating to critical environmental problems.

Emissions

Air Pollution Emission

During the production process of smart products, there were no significant gaseous fuel consumptions. The material air pollutants emitted from the petrol consumption of automobile usage, mainly for transferring employees between the head office in Shenzhen and the workshops in Dongguan, during the Reporting Year. The aforementioned air pollutants are composed of sulphur oxides (“SO_x”), nitrogen oxides (“NO_x”) and particulate matter (“PM”). During the Reporting Year, the total petrol consumptions were approximately 16,000 Liter (“L”) (2019: 13,000 L), with an increase of 23.08% due to increase in operational needs. The total air pollutants produced was approximately to 125 kg (2019: 99 kg), with an intensity of approximately 0.17 kg per employee (2019: 0.15 kg per employee). All mobile machineries are under frequent checks and maintenance to ensure the energy efficiency. Also, our drivers planned the route ahead with the shortest distance and travelling time to reduce unnecessary fuel consumption.

| Air Pollutants | Emissions in 2020 (kg) | Emissions in 2019 (kg) | Variance |
|-----------------|------------------------------|------------------------------|----------|
| SO _x | 0.23 | 0.19 | ↑21.05% |
| NO _x | 114.02 | 90.15 | ↑26.48% |
| PM | 10.93 | 8.64 | ↑26.50% |
| Total | 125.18 | 98.98 | ↑26.47% |

¹ The different intensity figures in this report are calculated per employee, which were 734 employees as at 31 December 2020 (2019: 668).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gases Emission

During the Reporting Year, the total greenhouse gases ("GHG") emission by the Group weighted approximately 12,000 tons (2019: 8,300 tons). The key culprit of the GHG emission by the Group was the electricity consumption, which represented over 98% of the total GHG emission. Besides, there were several direct GHG emissions from the usage of electricity generators and automobiles, comprising approximately 1% of the total GHG emission. Alongside the aforementioned sources, there were also indirect emission sources noted as the electricity used in fresh water and sewage processing, paper waste disposal at landfills and business air travel by employees, representing the remaining GHG emission. In respect of our 734 employees (2019: 668), the GHG emission intensity was approximately 16.3 tons per employee (2019: 12.4 tons per employee).

As electricity consumption was the major source of the Group's carbon emission, the Group will strengthen the energy-saving monitor measures by encouraging its staff to turn off idle appliances, with the use of energy-efficient appliances as well as the promotion of the use of natural lighting in the office and workshop. Please refer to the below table for the details of GHG emission:

| GHG Emission Sources | 2020 GHG produced (tons) | 2019 GHG produced (tons) | Variance |
|--|--------------------------------|--------------------------------|----------------|
| Scope 1 – Direct emission from sources | | | |
| – Electricity generators | 0.26 ² | 3.04 | ↓91.45% |
| – Automobile | 43.24 | 34.19 | ↑26.47% |
| Scope 2 – Emissions from electricity consumption | | | |
| – Electricity consumption | 11,791.59 | 8,074.05 | ↑46.04% |
| Scope 3 – Other indirect emission sources | | | |
| – Paper waste disposal in landfills | 7.93 | 6.18 | ↑28.32% |
| – Electricity used for processing fresh water ⁴ | 77.19 | 51.75 | ↑49.16% |
| – Electricity used for processing sewage ³ | 36.94 | 25.11 | ↑47.11% |
| – Business air travel by employees | 26.74 | 76.45 | ↓65.02% |
| Grand total | 11,983.89 | 8,270.77 | ↑44.89% |

² During this Reporting Year, the Group did not use the electricity generators, except for trial runs for the month inspection uses.

³ According to the 《二氧化碳排放核算方法及數據核査表》 published by the Ministry of Ecology and Environment, PRC on 15 May 2016, the power supply discharge coefficient of Guangdong Province was set at 0.5912 kg/kWh.

⁴ The per unit electricity consumption for processing fresh water and sewage in the PRC was assumed to be at 0.606 kWh and 0.29 kWh, which were as same as the case in Hong Kong according to the latest 2018/19 Annual Report of Water Supplies Department and 2019/2020 Sustainability Report of Drainage Services Department, HKSAR.

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Waste Management

Hazardous Waste

The hazardous waste was under good control by our well-developed waste management system. All kinds of hazardous wastes generated by production plants were classified and recycled according to the urban waste classification program, and industrial hazardous waste handling contracts were signed with qualified environmental hygiene management centers and hazardous waste trading centers. During the Reporting Year, the reported amount of produced hazardous wastes, classified as categories HW08, HW29 and HW49 under the urban classification program, weighted to approximately 0.59 tons (2019: 0.15 tons), with an increase of 293.3%, mainly due to the increase in productions and the launch of the Coolpad Information Harbor. All of the produced hazardous wastes were handled properly by the external contracted parties. Hence, no significant amount of hazardous waste was disposed and emitted for the Reporting Year.

Non-Hazardous Waste

The non-hazardous waste produced by the Group was mainly the inert waste, which was the remaining scrap of materials after metal processing, electrical components and paper waste. The Group has contracted with external scrap recyclers. Most of the time, the remaining materials and components were re-sold to third parties as raw materials for further production or recycling. Hence, there was only paper waste to be disposed to the landfills. During the Reporting Year, the total re-sold materials and components weighted to approximately 17.21 tons (2019: 13.90 tons) with an increase of approximately 23.8%, whereas the total paper waste disposed by the Group weighted to approximately 1.65 tons (2019: 1.29 tons) with an increase of 27.9%, respectively compared to last year, due to the launch of the Coolpad Information Harbor and more frequent business transaction with more printed documents involved.

Waste Management Policy

The Group has established a mature policy and procedure regarding the waste management, including sewage, gaseous waste, noise, solid waste and chemicals. The policy clearly stated the proper handling procedures and the means to reduce every kind of captioned wastes. In addition, we tried our best to streamline and plan ahead our production process, improve the conversion rate of materials, reduce or replace the use of hazardous or harmful substances, and maximize integrated use of wastes generated in the course of production.

In view of the rise in paper consumption, we strive for advocating paperless work environment. We encourage our employees to use electronic documents and ERP and OA systems instead of printed documents. In addition, we spur our staff to use double-side printing and reuse the single-side-printed paper as draft paper. Based on the implementation of above measures, the Group is confident to reduce its paper consumption in the coming years.

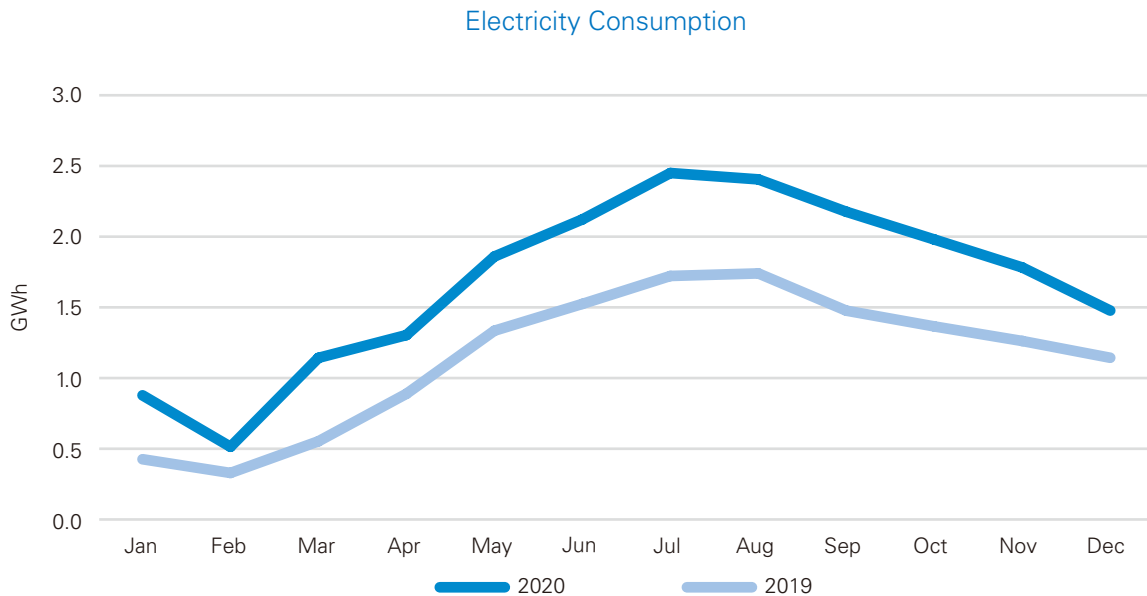
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group initiates to become an environmental-friendly and -sustainable enterprise. To reduce carbon emission and footprint, we have undertaken carbon reduction measures in our daily operations.

Electricity Consumption

During the Reporting Year, the total electricity consumption was approximately to 19.94 GWh (2019: 13.66 GWh), with an intensity of approximately 27.17 MWh per employee (2019: 20.45 MWh per employee). Compared to the total electricity consumption of 13.66 GWh in 2019, there was a significant rise of 46.0% due to more frequent business activities and production during the Reporting Year.



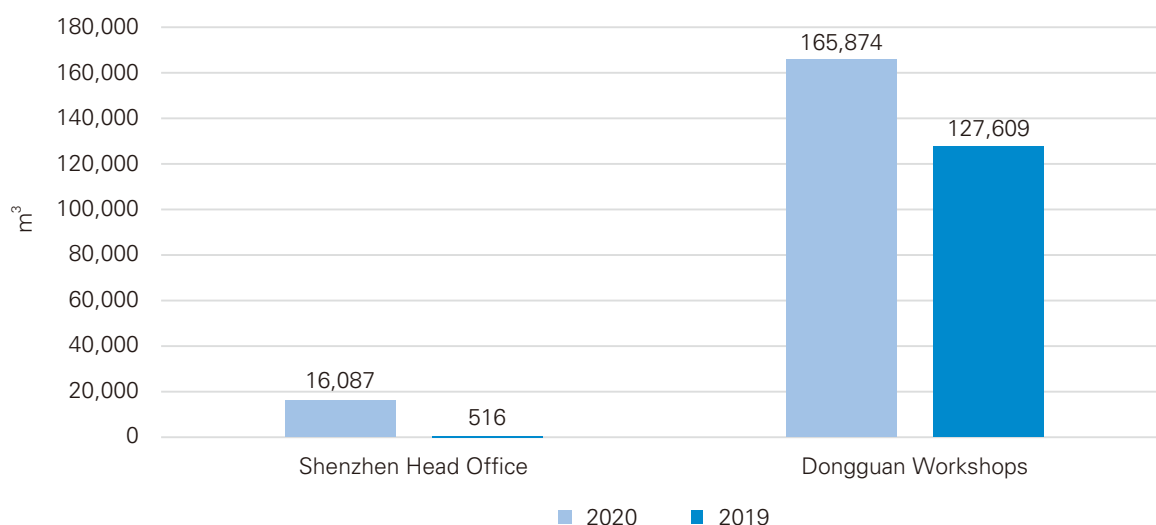
Nonetheless, the Group has emphasized the essentialness of energy conservation. The Group spurs every employee to switch off all idle appliances, and ensure that all electronic equipment is switched off after work hours. In the office and workshops, the Group has encouraged its staff to develop an energy-saving habit by using natural light whenever possible instead of electric lighting. The air-conditioning system is set to be above 26°C in summer and below 22°C in winter. Besides, the Group has explicitly specified a responsible person for energy conservation purpose. The Group has formulated an in-time statistical analysis of energy consumption of different business units for the sake of better monitoring process. In the foreseeable future, we promise to make more efforts on the topic of energy conservation to further reduce our carbon footprint.

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Water Consumption

As one of the most precious natural resources, water resource must be cherished by the Group as an essential target. During the Reporting Year, the Group consumed 181,961 tons (2019: 128,125 tons) water in our business operations, with an increase of 42.02% when comparing with the previous year, in which the Shenzhen head office and Dongguan workshops comprised of 8.8% and 91.2% (2019: 0.4% and 99.6%) of the total water consumption respectively, with an intensity of approximately 248 tons water per employee (2019: 192 tons water per employee). Due to the launch of Coolpad Information Harbor in 2020, the water consumption level in Shenzhen head office has been significantly increased during the Reporting Year. The Group has also encouraged its staff to save and use less water by helping our staff develop a sense of environmental protection awareness.

Water Consumption



As our water sources were from the governmental body, there was no water supply issue identified for the Reporting Year.

Packaging Materials

During the Reporting Year, the packaging materials, which were mainly the packaging paper boxes, used in the Group's daily operations weighted to 474.4 tons (2019: 479.8 tons), with a decrease of 1.1% compared to last year. Our packaging materials were used and purchased align with our production plan. Thus, there were no significant disposal of packaging materials to be identified during the Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental and Natural Resources

Alongside the aforementioned aspects, the Group has also developed wide range of written policies for its employees to comply with for the sake of minimizing the negative impact on the environment. The Group drives its employees to follow the policies by weekly checks on the effectiveness of the implementation among different departments. With a satisfying result for at least three consecutive weeks, an incentive bonus will be rewarded to the corresponding departments. In this regard, not only can it reduce the carbon footprints produced by the Group, but it also helps establish a sense of responsibility regarding environmental sustainability.

In addition to the internal management, the Group also emphasizes the cooperation with its suppliers on environmental protection. Suppliers are required to sign a commitment for not using any materials harmful to the environment and promise to comply with the relevant global regulations, including “the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment” (“RoHS”) and “Registration, Evaluation, Authorization and Restriction of Chemicals” (“REACH”).

Moreover, in terms of further reduce the consumption of electrical energy, the Group has equipped with some appliances that are energy-saving and operate with renewable energy. For example, LED light bulbs and solar energy heaters are installed in the head office. Electricity generators using solar energy are also equipped in the workshops. By these means, the Group can effectively reduce the electrical energy consumption, as well as the corresponding carbon footprints.

As for our efforts made on environmental protection, we are pleased to report that there was no material non-compliance issue regarding relevant laws and regulations for the Reporting Year.

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Section B: Social

Employment

The Group places huge importance on its most treasurable assets – its employees. We value our employees’ contribution and dedication to our business development. For the sake of the mutual interests for both, we aim to grow with our employees for the future boom of the Group.

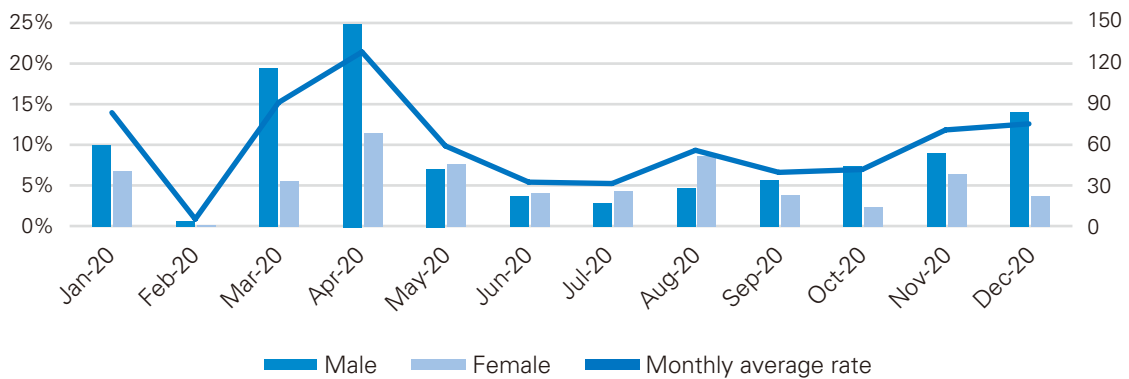
Employee Benefits

The Group has established a long-term favorable relationship with our employees. We offer competitive and attractive remuneration package, including on-the-job internal and external training, medical benefits, transportation allowances, meal allowances, year-end bonus and performance-based incentive bonus, to our employees. The Group also provides Social Insurance and Housing Provident Fund to all its employees. Mutual funds are collected from volunteers to provide to the applicants who are in serious sickness of economic difficulties. We continuously assess our employees based on their performance for the decision of salary increase, bonus amount and promotion chance in order to keep them up to the Group’s standard and reward them for their contributions.

Attractive number of leaves, including marriage leave, compassionate leave, maternity leave, pregnancy-checkup leave, breastfeeding leave and paternity leave, are provided to our employees to ensure that they can enjoy work-life balance. Also, the Group regularly organizes different types of employee activities, such as birthday party, important festival party, annual dinner, football matches and staff picnic.

During the Reporting Year, the market competitive employee benefits help keep a healthy monthly average turnover rate as approximately 10%.

Number of Turnover and Turnover Rate by Gender



The Group strictly abides with the Labour Law of the People’s Republic of China, Social Insurance Law of the People’s Republic of China, Regulations on Management of Housing Provident Fund and other relevant laws and regulations which cover all employment protection and benefits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Harmonious Workplace

To cultivate an engaging working environment, a spacious rest room with comfy sofas and facilities are created for employees to take a break from their work, free snacks and drinks are also provided for refreshment. Aside from that, green plants are placed in the office area to build a lively and bracing work environment.



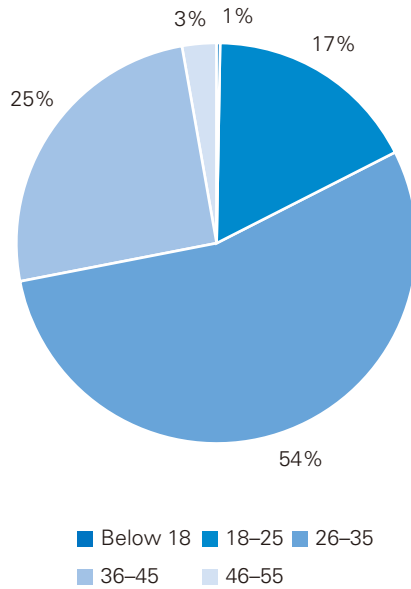
Rest room with adequate facilities

To diversify the background exposure of the Group, we hire people based on experience, expertise and values, regardless of race, colour, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. We promote equal opportunities and diversity for all employees.

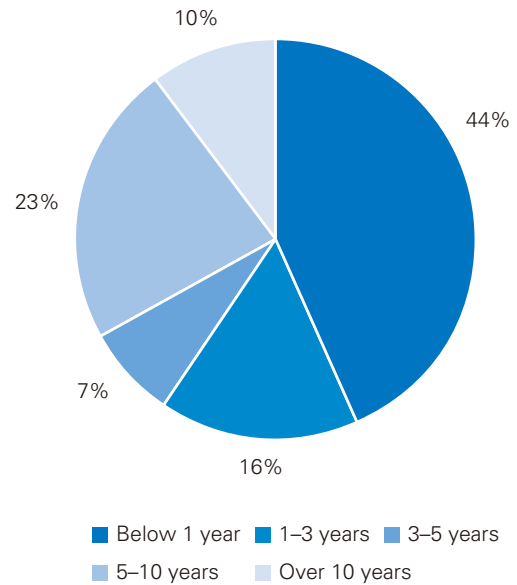
As at 31 December 2020, our employees' male-to-female ratio was approximately 2:1, with 507 as male and 227 as female for a total of 734 employees. In addition, our employees are from different age groups. During the Reporting Year, the Group had started to provide additional learning opportunities to those teenagers aged below 18 as part-time staff during their leisure time. In respect of our harmonious work environment and effective human resources policies, approximately 40% of our staff have contributed for the Group for over 3 years, which indicates that most of the employees are loyal to the Group. We treasure every single employee and strive for building a trustful and strong bond with them. We aim to drive employee engagement and retention in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Structure by Age Group



Employee Structure by Years of Service



Health and Safety

The Group is committed to safeguarding the safety, health and welfare of all employees, workers, and general public likely to be affected by the ordinary operations of the Group. To redeem our commitment, we have established certain safety policies. The policies state clearly the safety requirements of every possible damage source, including from machinery, lifting, electric shock, pressure vessel, toxic gas and suffocation, falling, mobile vehicles and safety equipment. In case any kinds of accident occur, the Group formulates a well-developed emergency handling and reporting procedure to alleviate the possible lost in a most effective and efficiency way.

The Group understands that preventive measures are way more important than reactive measures. Therefore, the Group organizes fire and emergency drill in Dongguan workshops on a regular basis to help our employees be familiar with the treatment procedures of emergency accidents. Reports of the drills are reviewed for improvement. In addition, there are enough fire equipment, such as fire extinguishers and fire hydrants, placed in both the office building and workshops. The fire equipment is under regular checks to ensure that it is in good condition. Safety training is also provided to our employees to ensure that they fully understand our safety policies and requirements, and protect them from getting any injuries.

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A detailed escape route and layout of the office were posted in the noticeable area to prepare employees for emergency.

Our office is also well equipped with fire-fighting equipment in case of fire.

In the view of COVID-19 pandemic, the Group pays extra attention in creating a safe and healthy environment for its employees. To control the number of confirmed cases from happening, the building also curbs the number of employees in the lift to be 6 or below. Alcoholic sanitizers were placed in the office area, buildings are sterilized in a frequent interval, surgical masks are distributed to its employees and staff are required to put on surgical masks and record body temperature every day to prevent germs dispersion.

The Group has strictly complied with the relevant laws and regulations on providing safe work environment and protecting its employees from any occupation hazard. During the Reporting Year, there was only 1 injury or fatal cases reported within the Group. We will continue to strive for a safe and healthy work environment for our employees and workers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group underlines the indispensableness of employee improvement. The Group promises to provide sufficient and efficient training to its employees. We also focus on the ability requirements of each level of employees to ensure that our employees are grooming with the Company at the same time.

During the Reporting Year, the Group has implemented an annual training plan which aims to enhance general capabilities and solidify the specific skills and knowledge related to the job position. The training program is conducted in diversified training methods, including but not limited to online lectures, on-the-job trainings and case studies. We also encourage our staff to attend external training and courses by reimbursing the tuition fees. Induction trainings are also offered to our new recruits to provide an overview of our business and a comprehensive introduction of the departmental operations and job responsibilities. We have performance appraisal on a regular basis to assess our employees' skills and knowledge. If any of the employees lag behind, additional training with assessments will be provided to keep our employees on track to maintain the work quality. Incentive rewards will be realized according to the points that are formed by the quantified evaluation results.

As mentioned above in section Health and Safety, our employees are required to attend safety trainings. The safety trainings focus on the prevention of accidents, with safety procedures for using machineries and handling chemicals, and emergency dealing and reporting procedures.

During the Reporting Year, total number of 1,663 employees (including resigned employees) received a total of 10,982 hours of training, in which 90% of the total number of staff (including resigned employees) attended.

Labor Standards

The Group strictly abides by the relevant laws and regulations with regard to child labour, minimum wage specified by the government, and Social Insurance and Housing Provident Fund scheme. We are delighted to announce that we have not encountered major risks in human rights and employment matters so far. The Group guarantees that no employee is made to work against his/her will, or work under forced labour, or subject to coercion related to work. During our recruitment process, documentation of being legally eligible to work in the Group is obtained and verified. Except for those part-time staff described in section Employment, there was no employee recruited under the age of 18. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. The management will investigate into any reported cases immediately, and take further follow-up actions if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Management

As a group to develop, manufacture and sell smart products, we recognize the essentialness of the supply chain management of our inventories. During the supplier selection process, we consider the qualification, reputation, product quality, quality consistency and the ability to deliver on time among the suppliers. We obtain the material samples for our internal testing to ensure the material supplies are up to our strict standards. A professional evaluation team will also be formed to perform on-site inspection for the production process of the suppliers. Only the suppliers with a pass result in the initial assessment can be added into our approved supplier list. During the Reporting Year, we have traded with approximately 290 suppliers from the Mainland China, Hong Kong, Taiwan, Singapore and Sweden. The Group conducts annual assessment of the approved suppliers to confirm that they are up to its required standards. We remove any of the suppliers with unsatisfying results from the approved supplier list to ensure that we produce the best quality of products using the high-quality raw materials. Moreover, if any suppliers are found to be below our requirements and standards, warning letters will also be sent as an alert.

Besides the supplier selection and maintenance, we also place high importance on the contracting process with our suppliers. To safeguard the interests of both the Group and the counterparties, all contracts are under its Legal Department's review before signing to ensure the legal terms and obligations fulfil its requirements.

Not only do we focus on the upstream suppliers, but we also emphasize the development of long-term relationship with the downstream customers. As mentioned, on-time delivery is the fundamental key to manage the supply chain. To enhance the effectiveness and efficiency of delivering products to our customers, the Group has established an efficient supply chain management system that links between manufacturers, suppliers, distributors and retailers by optimising the allocation of resources. In this regard, we can provide best-quality products to our customers in a timely manner at the most reasonable price.

Product Responsibility

Since the Group specializes on the development and manufacturing of smartphones and smart accessories, we are committed to complying with and even exceeding applicable industrial and safety standards and quality control for the sake of safeguarding both the company reputation and the public interests.

Quality Standards

The Group has established a comprehensive, strict quality control system, covering the whole product life cycle, including quality of product planning, R&D design quality, manufacturing quality, supplier quality, sales service quality, reliability test, customer satisfaction, quality of operation, etc. The Group's business process has achieved effective integration of multiple sets of quality management system, unified execution, and met certification requirements. The Group currently has passed ISO9001, ISO14001, OHSAS18000, QC080000, CNAS, CMMI L3 and other management system certification.

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Product Certification

Before our products launched, certification reports must be obtained to comply with the standards required by relevant regulations and rules set in different regions, including the United States, the European Union, Asia-pacific region, etc. Our legal team constantly monitors the updates on the aforementioned rules and regulations to ensure that our products are up to the global standards.

Intellectual Property Rights

The Group attached great importance to Intellectual Property protection in order to better fulfil its product responsibility. The Group has registered wide range of trademarks and Intellectual Property (“IP”) rights for its products. No infringement is tolerated by the Group. Beyond that, the Group had also appointed a Chief IP Officer to focus on Company IP & trademarks management. The Group hold a strong belief that by respecting and protecting Intellectual Property, we can promote industry innovation and create a healthy and sustainable development of the industry. During the Reporting Year, there were 14 patents and 2 trademarks successfully registered by the Group.

Customers’ Response

The Group always treasures the customer relationship as an invaluable asset. We have formulated a thorough after-sale service network to effectively handle complaint by our customer service department. All complaint will be recorded in details to facilitate the follow-up actions as well as for future references to improve our product and sale-service quality. During the Reporting Year, we are glad to announce that there were no complaints regarding product quality reported. The total number of returned products was 19, which comprised of only approximately 0.0018% of the total number (1,069,321) of delivered goods. We will continue to keep the well-established relationship with our customers by providing top quality products.

Data Privacy

Written policies and procedures are concretely covering the topics including the treatment of confidential information, security of confidential information and disclosure of confidential information. Unauthorized access of the Group’s information system and take-away of sensitive information are strictly prohibited. Our staff are required to sign Non-disclosure Agreement (“NDA”) upon recruitment. Confidential information is under strict monitor to prevent any direct or indirect information leakage to external parties through any means.

Relevant Laws and Regulations

Actively notifying the compliance issues and inspecting among any deficiencies can prevent problems from escalating. Therefore, the Group keeps a close eye on the updates of relevant regulations and codes to revise its policies and operations accordingly to prevent any malpractice. We will continue to strive for providing high quality products to our precious customers. During the Reporting Year, the Group had strictly complied with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

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Anti-corruption

The Group has established a wide range of “Anti-Bribery & Anti-Corruption Management Policy” to state clearly the definition of bribery and corruption, the Group’s stance and the responsibilities of its employees during various procedures such as procurement and tendering. The Group severely prohibits its employees to accept any forms of gifts and benefits beyond proper permission. During the Reporting Year, there was no concluded legal case regarding any forms of fraud brought against the Group or its employees.

The Group encourages its employees to report alleged malpractices or misconduct. We value and welcome our employees to report any suspected malpractices through various channels. Management takes immediate action to investigate the issue. The Group promises to fully support the whistleblowers and the identity of the whistleblowers is also well protected.

The Group had strictly complied with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

Community Investment

The Group has been actively involved in the community investment. During the Reporting Year, the Group has collaborated with the Government and developed its own surgical mask production line, we have donated a total number of 32,800 surgical masks and 100 forehead thermometers to overcome the plight with the citizens as a result of COVID-19, with a value of approximately HK\$68,000.

Other than resources distribution, the Group also care about poor teenagers and students. During the Reporting Year, the Group has devoted 48 hours in voluntary work related to the educational field. We aim to invest more resources into voluntary activities for the sake of positively contributing to the society.



Regulatory Compliance

The Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to emissions, employment, health and safety, labour standards, product responsibility and anti-corruption during the Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Data

| Emissions Indicators | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--------------------------------|--------------------------------|
| Air Emissions | | |
| Total air emissions | 125.18 kg | 98.98 kg |
| Air emission intensity | 0.17 kg per employee | 0.15 kg per employee |
| NO _x emission | | |
| Light goods vehicle (petrol) | 114.02 kg | 90.15 kg |
| SO _x emission | | |
| Light goods vehicle (petrol) | 0.23 kg | 0.19 kg |
| PM emission | | |
| Light goods vehicle (petrol) | 10.93 kg | 8.64 kg |
| Greenhouse Gas Emissions | | |
| Total greenhouse gas emissions | 11,983.89 tons | 8,270.77 tons |
| Greenhouse gas emission intensity | 16.33 tons per employee | 12.38 tons per employee |
| CO ₂ emission | | |
| Electricity generator (diesel oil) | 0.26 tons | 3.03 tons |
| Light goods vehicle (petrol) | 37.70 tons | 29.81 tons |
| Refrigerants | – | – |
| Electricity consumption | 11,791.59 tons | 8,074.05 tons |
| Electricity used for processing fresh water | 77.19 tons | 51.75 tons |
| Electricity used for processing sewage | 36.94 tons | 25.11 tons |
| Paper waste disposal at landfills | 7.93 tons | 6.18 tons |
| Business air travel | 26.74 tons | 76.45 tons |
| CH ₄ emission | | |
| Electricity generator (diesel oil) | – | 0.001 tons |
| Light goods vehicle (petrol) | 0.068 tons | 0.054 tons |
| N ₂ O emission | | |
| Electricity generator (diesel oil) | – | 0.003 tons |
| Light goods vehicle (petrol) | 5.47 tons | 4.33 tons |
| Hazardous waste produced | | |
| Total hazardous waste reported | 0.590 tons | 0.150 tons |
| Non-hazardous waste produced | | |
| Paper waste disposed | 1.65 tons | 1.29 tons |
| Industrial waste re-sold | 17.21 tons | 13.90 tons |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Emissions Indicators | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---------------------------------|--------------------------------|
| Use of Resources Indicators | | |
| Electricity consumption | | |
| Total electricity consumption | 19.95 GWh | 13.66 GWh |
| Shenzhen Head Office | 0.71 GWh | 0.52 GWh |
| Dongguan workshops | 19.24 GWh | 13.14 GWh |
| Electricity consumption intensity | 27.17 MWh per employee | 20.45 MWh per employee |
| Water Consumption | | |
| Total water consumption | 181,961 tons | 128,125 tons |
| Shenzhen Head Office | 16,087 tons | 516 tons |
| Dongguan workshops | 165,874 tons | 127,609 tons |
| Water consumption intensity | 247.90 tons per employee | 191.80 tons per employee |
| Packaging Materials | | |
| Total packaging materials consumption | 474.4 tons | 479.8 tons |
| Packaging materials consumption intensity | 0.65 tons per employee | 0.72 tons per employee |

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Social Data

| Employment Indicators | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--------------------------------|
| Employment | | |
| Total number of employees | 734 | 668 |
| By Gender | | |
| Male | 507 | 443 |
| Female | 227 | 225 |
| By Years of Service | | |
| Below 1 year | 320 | 229 |
| 1–3 years | 117 | 94 |
| 3–5 years | 55 | 85 |
| 5–10 years | 168 | 209 |
| Above 10 years | 74 | 51 |
| By Age Group | | |
| Below 18 (as part-time staff) | 4 | 7 |
| 18–25 | 125 | 108 |
| 26–35 | 400 | 380 |
| 36–45 | 185 | 155 |
| 46–55 | 20 | 18 |
| Employment turnover | | |
| Total number of employee turnover | 1,033 | 386 |
| % of employee turnover (monthly average) | 9.87% | 5.78% |
| By Gender (monthly average) | | |
| Male | 9.09% | 5.54% |
| Female | 11.21% | 6.25% |
| Health and Safety Indicators | | |
| Number of reported injuries | 1 | – |
| Number of lost days | 27.67 | – |
| Development and Training Indicators | | |
| Total number of hours of staff training | 10,982 | 1,926.5 |
| Total number of employee received training | 1,663 | 733 |
| Male | 1,081 | 481 |
| Female | 582 | 252 |
| Percentage of employees received training | 90% | 86% |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Supply Chain Indicators | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--------------------------------|
| Total number of suppliers did business in Reporting Year | 287 | Not disclosed |
| The PRC | 246 | Not disclosed |
| Taiwan | 2 | Not disclosed |
| Hong Kong | 37 | Not disclosed |
| Singapore | 1 | Not disclosed |
| Sweden | 1 | Not disclosed |
| Product Responsibility Indicators | | |
| Total number of complaints received | – | 1 |
| Total number of goods returned | 19 | 12 |
| Total number of goods delivered | 1,069,321 | 2,916,753 |
| Percentage of goods returned | 0.0018% | 0.0004% |
| Anti-corruption Indicators | | |
| Number of conducted legal cases regarding corruption | – | – |
| Community Indicators | | |
| Community Investment | | |
| Corporate charitable donation (equivalent amount) | HK\$68,000 | HK\$6,572,381 |
| Employee volunteering | | |
| Number of employee volunteers | 2 | – |
| Total number of service hours | 48 | – |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Reporting Guide and Reference

A. Environmental

Reference in this Report

| A1. Emissions | Page # |
|--|--------|
| Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 5-7 |
| KPI A1.1 The types of emissions and respective emission data. | 5-7 |
| KPI A1.2 Greenhouse gas emission in total (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility). | 6 |
| KPI A1.3 Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility). | 7 |
| KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g per unit of production volume, per facility). | 7 |
| KPI A1.5 Description of measures to mitigate emissions and results achieved. | 5-7 |
| KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 7 |

| A2. Use of Resources | Page # |
|--|--------|
| Policies on the efficient use of resources, including energy, water and other raw materials. | 8-9 |
| KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility). | 8 |
| KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 9 |
| KPI A2.3 Description of energy use efficiency initiatives and results achieved. | 8-9 |
| KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 9 |
| KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | 9 |

| A3. The Environment and Natural Resources | Page # |
|--|--------|
| Policies on minimizing the issuer’s significant impact on the environment and natural resources. | 10 |
| KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 10 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

Reference in this Report

| B1. Employment | Page # |
|--|---------------|
| Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 11–13 |
| KPI B1.1 Total workforce by gender, employment type, age Group and geographical region. | 12–13 |
| KPI B1.2 Employment turnover rate by gender, age Group and geographical region. | 11 |

| B2. Health and Safety | Page # |
|--|---------------|
| Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. | 13–14 |
| KPI B2.1 Fatality number and rate. | 14 |
| KPI B2.2 Lost days due to work injury. | 14 |
| KPI B2.3 Description of occupational health and safety measures adopted how they are implemented and monitored. | 13–14 |

| B3. Development and training | Page # |
|---|---------------|
| Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 15 |
| KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.). | 15 |
| KPI B3.2 The average training hours completed per employee by gender and employee category. | 15 |

| B4. Labour standards | Page # |
|---|---------------|
| Policies and compliance with laws and regulations relating to preventing child and forced labour. | 15 |
| KPI B4.1 Description of measures to review employment practices to avoid child and forced labour. | 15 |
| KPI B4.2 Description of steps taken to eliminate such practices when discovered. | 15 |

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B. Social

Reference in this Report

| B5. Supply chain management | Page # |
|--|---------------|
| Policies on managing environmental and social risks of the supply chain. | 16 |
| KPI B5.1 Number of suppliers by geographical region. | 16 |
| KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 16 |

| B6. Product responsibility | Page # |
|--|---------------|
| Policies and compliance with laws and regulations relating to health and safety. Advertising, labeling and privacy matters relating to products and services provided and method of redress. | 16–17 |
| KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 17 |
| KPI B6.2 Number of products and service related complaints received and how they are dealt with. | 17 |
| KPI B6.3 Description of practices relating to observing and protecting intellectual property rights. | 17 |
| KPI B6.4 Description of quality assurance process and recall procedures. | 17 |
| KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored. | 17 |

| B7. Anti-corruption | Page # |
|---|---------------|
| Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering. | 18 |
| KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases. | 18 |
| KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 18 |

| B8. Community investment | Page # |
|--|---------------|
| Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests. | 18 |
| KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | 18 |
| KPI B8.2 Resources contributed (e.g. money or time) to the focus area. | 18 |