

NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

CONTENTS

	PAGES	
1	About this report	2
1.1	Overview	2
1.2	About our business	2
1.3	Scope of this report	2
1.4	Reporting reference	2
1.5	Source of information and contact	3
2	Our approach	4
2.1	ESG working group	4
2.2	Stakeholder engagement	4
2.3	Materiality assessment	4
3	Environment	6
3.1	Use of resources	7
3.2	Emissions	8
3.2.1	Waste management	8
3.2.2	Air emissions	10
3.2.3	Other emissions	10
3.2.4	Regulatory compliance	11
3.3	Environmental performance data table	11
4	Employment and labour practices	12
4.1	Recruitment and employee benefits	12
4.2	Health and safety	13
4.3	Development and training	15
4.4	Anti-corruption	15
5	Product responsibility	16
5.1	Securing products and services quality	16
5.2	Supply chain management	17
6	Community investment	18
A	The Exchange's ESG Index	19

1 ABOUT THIS REPORT

1.1 OVERVIEW

National Electronics Holdings Limited (“the Company”) is an investment holding company. The Company, along with its subsidiaries (“the Group”), is mainly engaged in the manufacturing, assembly and sale of electronic watches and watch parts; trading of watch movements and watch parts; property development and investment; and hotel operation.

1.2 ABOUT OUR BUSINESS

The Group engages mainly in the manufacturing, assembly and sale of electronic watches and watch parts; trading of watch movements and watch parts; property development and investment; and hotel operation.

1.3 SCOPE OF THIS REPORT

This Environmental, Social and Governance (“ESG”) Report covers the Group’s initiatives and progress for the reporting period from 1 April 2019 to 31 March 2020. The scope covers the three main operating segments of the Group – manufacturing, assembly and sale of electronic watches and watch parts, and trading of watch movements and watch parts; property development and investment; and hotel operation.

The reported environmental Key Performance Indicators (“KPIs”) cover the Group’s operation in the three major business segments, including our four offices and four hotels (The Putman, 99 Bonham, The Jervois and One96) in Hong Kong, two offices in Canada, and our watch manufacturing facility in Shenzhen. While we conduct property development projects through construction contractors, we are also reporting the environmental KPIs of active property construction activities performed by our contractors in the reporting year. Below is the list of active property development projects and their ESG data inclusion status for the financial year ended 31 March 2020:

Project	Location	Nature	ESG data included
3 South Bay Close	Hong Kong	Residential	Y
45 Tai Tam Road	Hong Kong	Residential	Y
A parcel of land located at Yinkai Industrial Park, Nanning City	China	Industrial	N
Properties located at No. 2, No. 2-1 and No. 2-2, Herfeng 3 rd Road, New Taipei City	Taiwan	Residential	Y
Phase III of 88 Queen Street East, Toronto	Canada	Commercial and residential	Y
77 Shuter Street, Toronto	Canada	Commercial and residential	Y

1.4 REPORTING REFERENCE

This ESG report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (“ESG Guide”) in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Exchange”). For corporate governance provisions, please refer to the Annual Report 2020 of the Group.

1.5 SOURCE OF INFORMATION AND CONTACT

The information disclosed in this report has been sourced from the Group's internal records and information collected from the construction contractors of our property development projects. The Group's management and the respective departments have confirmed all information in this report. If you have any questions or comments regarding any part of this report, please contact us at info@nationalholdings.com.hk.

2 OUR APPROACH

2.1 ESG WORKING GROUP

The Group strives to evaluate and determine the potential risks and opportunities of ESG issues arising from its operation. ESG issues with potential significant impacts on the Group are discussed at the board level as and when necessary.

To better manage ESG matters, the Group plans to establish an ESG working group with representatives from its three major business segments – watch manufacturing and trading, property development and hotel operation. The representatives from various business segments shall co-operate for the management and disclosure of ESG issues. The working group would also be responsible for identifying, assessing and mitigating current and potential ESG risks to seize opportunities for improvement.

2.2 STAKEHOLDER ENGAGEMENT

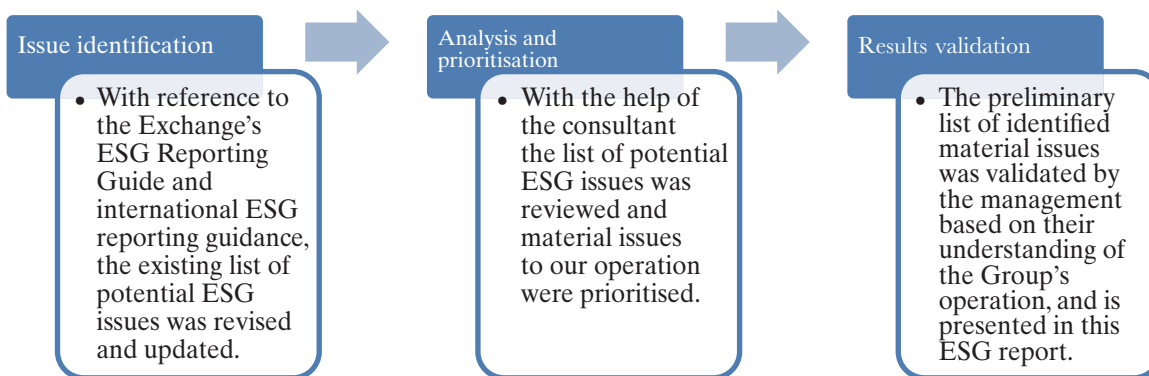
One of the core components of the Group's business and sustainability strategies is stakeholder engagement. Stakeholder inputs are important for effective planning and management of ESG matters.

Our key stakeholders include clients, employees, suppliers and contractors as well as professionals engaged in property development and investment. Through various stakeholder engagement channels and our daily contact with business partners, we are able to obtain important inputs for our decision-making, enabling us to continuously improve and make progress towards our ESG commitments.

In the future, we will continue to review and update our list of materiality issues as appropriate, and conduct additional stakeholder engagement exercise to obtain more comprehensive feedback from our various stakeholders for the continuous improvement of our ESG performance.

2.3 MATERIALITY ASSESSMENT

Through our consultant, we revisited our list of material ESG issues and prioritised the ESG issues in accordance with their significance for a strategic and focused report. The process of the materiality assessment is summarised below:



Summarised below are the material ESG issues identified from the materiality review process:

Environmental issues

Waste management

Energy use

Water use

Social issues

Health and safety

Labour practices

Supply chain management

Product responsibility

Anti-corruption

3 ENVIRONMENT

We strive to minimise the environmental impact of our operation by improving resource efficiency and reducing environmental emissions. To achieve this goal, after taking different nature of our business segments into consideration, we adopted various measures and encouraged our employees and service providers to do the same.

Watch manufacturing

The major activities of the watch manufacturing segment are assemble externally sourced parts and components. The major environmental impact of our manufacturing process is the chemical waste from the use of lubricants as well as air emissions generated from soldering. We have adopted an environmental management system with reference to ISO14001 in order to better manage our manufacturing process.

Under the environmental management system, we have set relative environmental targets, and seek to continuously improve our environmental performance through the measures below when practicable:

- Understanding both local and global regulatory requirements related to environmental protection;
- Considering more eco-friendly product design;
- Adopting more environment-friendly procedures in the production process in accordance with the latest environmental performance standards (such as monitoring level of exhaust gases and indoor air quality in manufacturing facility);
- Collaborating more with suppliers, and responding better to global environmental supply chain pressures;
- Implementing strategic planning for long-term environmental improvements; and
- Enhancing environmental awareness of our employees.

Property development

In our property development projects, we work closely with our contractors and service providers in managing the environmental impact of the construction sites. Starting from the design phase, we consider green building guidelines, such as BEAM¹ and LEED², for all new buildings. During the design phase, we had incorporated environment-friendly or green design features where practicable.

In the construction phase, we do not directly engage in construction activities; however, we collaborate with our contractors to implement proper on-site environmental management. This is aimed at ensuring environmental regulatory compliance as well as monitoring the environmental performance, including air emissions, noise produced and wastewater discharge, etc.

Hotel Operation

Our hotels operate round the clock and we rent out the shops and cafes to third parties. In our hotel operation, we have identified two environmental aspects to focus on in the future – use of resources and waste management.

¹ Building Environmental Assessment Method (BEAM) is the Hong Kong rating tool for green buildings.

² Leadership in Energy and Environmental Design (LEED) is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.

Offices

In order to advocate environment-friendly working practices at our offices, we endeavour to promote the efficient use of resources and minimising waste produced across our offices. In addition, we strive to improve our environmental performance by encouraging our staff to follow the concept of “Reuse, Reduce and Recycle”.

3.1 USE OF RESOURCES

The Group strives to use resources efficiently and to conserve resources in its operation. Among the various types of resources used in our operation, we have identified electricity as the most consumed resource. We maintained records of our monthly utilities including electricity, water and fuel consumption. With this data, we are able to analyse our base-line consumption of resources and whether any improvements can be made.

Watch manufacturing

We seek to reduce energy and water consumption from the daily operation in our facility and this year we reduced consumption of electricity by 11% from various saving initiatives coupled with the impact of COVID-19 on our production in early 2020. By enhancing the environmental awareness of our employees, we seek to lower the electricity and water consumption in our facility, and reducing the wastage of resources.

Property development

As a property developer, we are not the end-user of the completed units. However, to reduce the environmental impact produced by the units, we incorporated resource-efficient designs and adopted high-efficiency equipment when practical.

The residential development at 45 Tai Tam Road, which is currently being marketed, is BEAM registered. In the project, we introduced several design features such as usage of double insulated glass units as windowpanes to minimise solar heat gain, and Variant Refrigerant Volume central air conditioning system to save energy. We have reserved at least 20% greenery area as common area for residents. There are also other design features we have used where practicable to reduce energy consumption, including:

- Energy-efficient LED light fixtures;
- Occupancy sensors to turn off the lights in unmanned areas;
- Energy-efficient appliances and water-efficient fixtures; and
- Retention and treatment of rainwater for flushing.

For the sold property located in 7 St. Thomas Street, Canada, we had also introduced several green design features, such as a green roof and rainwater collection for flushing. There are also occupancy sensors to control the lighting at the lobby, parking garage and corridors of the property for reducing energy consumption from idle lighting. The project is pending for LEED Core and Shell Gold Certification.

3 ENVIRONMENT

Hotel operation

While we strive to improve the resource efficiency in our hotel operation, a significant amount of the resource consumption comes from our guest rooms, where we have limited control over the consumption habits of our hotel guests. To encourage guests to conserve resources and avoid unnecessary change of room towels and bed sheets, occupants can place an Environmentally Friendly Card on the bed or towels if there is no need for replacement. For vacant rooms, all appliances will be turned off and the air-conditioning will be set at 27 °C to reduce electricity consumption.

To optimise the energy management at our hotels, we are exploring the feasibility of introducing an Energy Management System to our hotels. Depending on the results of preliminary study, we expect the installation to take place next year.

Offices

We have implemented various measures at our offices to save energy and minimise the use of resources. These measures include the following:

- Keeping the air-conditioned room temperature at approximately 25°C;
- Switching off lights in unoccupied rooms and shutting down idle computers;
- Installing drinking water dispensers to reduce the use of bottled water;
- Switching to energy-saving mode for office equipment and electronic appliances after a period of inactivity; and
- Adopting duplex printing and minimising the printing of documents by using electronic soft copies and communication channels whenever practicable.

3.2 EMISSIONS

Hazardous waste generation and air emissions have been identified as the most significant environmental emission aspects in our business operation. In the following sections, we have provided further details of their relevance and control measures taken to properly manage these emissions as well as the regulation compliance status.

3.2.1 Waste management

Watch manufacturing

The watch manufacturing division is mainly involved in the assembly of parts and components into the final product. While the process itself does not generate significant environmental impacts or risk of pollution, there is a small amount of chemical wastes such as waste batteries, spent oils and lubricants for machines. If improperly disposed of the chemicals and heavy metals in these wastes, such as mercury, lead, cadmium and nickel, may result in environmental contamination. Besides the chemical wastes, there are also packaging waste (mainly plastic and paper) generated in the process.

We adopted proper waste management measures at our facility to handle the hazardous and general wastes from our operation. Licensed waste contractors are appointed to properly collect and dispose of such wastes, and wastes of packaging materials are separated from other general wastes for recycling.

Hotel operation

In the daily operation of our hotels, food waste accounts for a major part of the waste generated, along with other domestic waste from our guests. To reduce waste disposal, recycling bins are provided to separate recyclable materials including plastic bottles, cans, and used paper etc.

We have been actively providing more environmentally friendly options for guests. For example, we have started a trial of placing water dispensers in our guest rooms and office in June 2019. This would help to reduce the need for bottled water and generate less plastic waste.

From time to time there are also a limited amount of hazardous waste, mainly from the use of paints and replacement of light tubes during routine maintenance. We selected paints that comply with Environmental Protection Department's standard, and stored used light tubes for collection by authorised waste collector for proper handling.

Property development

Construction and demolition wastes are the major source of waste generation in property development projects. To reduce the amount of disposed waste being sent to landfill sites, we minimise construction and demolition waste through reuse and recycling. To ensure proper handling of the construction wastes and hazardous wastes, our contractors implemented waste management plans to guide waste disposal and effectively avoid and reduce waste generation.

For our Hong Kong projects, abortive works are avoided through careful planning and design to reduce construction waste. We reuse timber planks as much as possible to reduce the generation of waste materials.

For our Canadian projects, each contractor implements a construction waste management plan to limit the amount of waste generated. The contractors also segregate the waste and plan the recycling of materials.

Besides construction waste, chemical wastes like paints and solvents are also generated during construction works. We work closely with our contractors to ensure hazardous waste are properly managed and disposed of. In the handling of such wastes, our contractors follow the waste management plan of individual sites, which complies with the relevant industry guidance and regulatory requirements.

Head office

With no manufacturing or servicing activities, our head office generates an insignificant amount of general waste. We have adopted the following measures to reduce the generation of such waste:

- Adopting electronic means for internal communication to replace hardcopies when possible;
- Recycling of food waste like coffee grounds when practicable;

3 ENVIRONMENT

- Providing recycling bins to collect used paper, plastic bottles, packaging materials and ink cartridges; and
- Using double-sided printing and reusing scrap paper.

3.2.2 Air emissions

Watch manufacturing

In our watch manufacturing process, air emissions mainly come from soldering, volatile organic solvents and lube oil, and metal dust from cutting machinery. We have ensured air ventilation is adequate and have appointed a third-party agency to regularly perform tests on our exhaust emissions. The testing parameters include lead, tin and non-methane hydrocarbons. According to the test results in November 2019, our air emission levels are in compliance with the relevant provincial standards.

Property development

During property development, dust emissions from construction works and air emissions from vehicle exhausts are inevitable. Since the construction works are conducted by our contractors, we do not have direct control over the emissions from construction sites. However, we have worked closely with our contractors to ensure their compliance with the local environmental protection laws and regulations.

To minimise air pollution, we have regularly inspected and maintained plants and machineries at the construction sites so as to prevent excessive air emissions. Water is sprayed for dust suppression on site and road sweepers are utilised to lower the impact of dust emissions to the surroundings. We are in compliance with local regulations such as Ontario's Local Air Quality Regulation during the reporting year.

3.2.3 Other emissions

Property development

Besides air and waste emissions, construction sites also generate noise and wastewater which will negatively affect the surrounding environment if not properly managed. Since we are not directly engaged in the construction work, we have worked closely with our contractors to properly manage the noise and wastewater discharge.

To mitigate the impact of construction noise on the surrounding environment, our contractors have followed the time and date specifications of noise permits or other local regulations on construction works. From time to time, construction plants are inspected to maintain optimal condition of the machineries and minimise the generation of noise.

For wastewater discharge, our contractors have followed relevant local regulations and monitor the quality of wastewater discharge to avoid contamination of public drains. In Hong Kong, sedimentation tanks are used to treat the wastewater before discharge. In Canada, wastewater is pumped into a portable storage tank to prevent runoff into the municipal sewers.

3.2.4 Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions for our manufacturing facility, construction sites and operating properties including hotels.

3.3 ENVIRONMENTAL PERFORMANCE DATA TABLE

Group-level³	Unit	2020⁴	2019
Total energy consumption ⁵	GJ	18,506	20,817
Use of electricity	kWh	4,104,281	4,657,580
Use of town gas	unit	65,474	67,988
Use of natural gas	m ³	2,438	2,276
Use of diesel	litre	670	1,220
Use of gasoline	litre	14,226	19,878
Use of water	m ³	28,362	30,695
Solid hazardous waste disposal	kg	11	13
Liquid hazardous waste disposal	litre	54	165
Construction projects	Unit	2020⁶	2019
Total energy consumption ⁵	GJ	12,958	10,647
Use of electricity	kWh	1,606,111 ⁷	283,320
Use of natural gas	m ³	177,377	239,066
Use of diesel	litre	4,086	4,266
Use of water	m ³	435	221

3 Excludes contractor consumptions at our property development sites, which is reported separately in the column “Construction projects”

4 Due to the business disruption brought by COVID-19 in the first quarter of 2020, there was a reduction in energy consumption, which affects the direct comparison of year-on-year data.

5 Energy conversion factors are extracted from the UK Government GHG Conversion Factors for Company Reporting 2020 published by the Department for Business, Energy & Industrial Strategy and the Towngas ESG Report 2019.

6 Due to the difference in project phase and completion of projects during the period, the contractor consumptions are not directly comparable.

7 The major increase in electricity consumption was mainly from the 77 Shuter Street Project, which was not occupied and the building facilities were operating at a minimum level from September 2019 to May 2020.

4 EMPLOYMENT AND LABOUR PRACTICES

We attach great importance to talent attraction and development, and have fair and transparent processes for the recruitment, employment and development of talents. We provide a harmonious, friendly and safe working environment, and support employees' individual development to help them to achieve their potential.

4.1 RECRUITMENT AND EMPLOYEE BENEFITS

Talent recruitment

The recruitment of high calibre talent is a crucial driver of our business growth. We are an equal opportunity employer, and we welcome talents from different backgrounds and strive to ensure a fair recruitment process. We select applicants solely based on their qualifications, demonstrated skills and achievements and not based on their race, colour, religion, national origin, gender, age, disability, sexual orientation, marital status or other status protected by law.

We offer competitive remuneration packages to retain and motivate employees. These packages are reviewed annually to reflect each employee's performance and contribution. The Group is committed to internal promotions, where employees with extraordinary performance are encouraged to take up more responsibility. Promotion decisions are made by the senior management based on merit, efficiency and ability.

Remuneration package and benefits

We offer various benefits to full-time employees. Apart from the provision of social plan contributions as required by local laws and regulations, employees are entitled to a leave option according to local labour laws and regulations, including public holiday, paid annual leave, sick leave, maternity leave, paternity leave and personal leave.

We understand that employees give importance to personal growth opportunity and exposure. We encourage internal transfers to provide our staff with exposure to greater value-added experiences. For example, at our hotel operation, we put up internal advertisements for additional manpower and replacements. Interested employees can submit their applications directly to the Human Resources Department. All applications are treated fairly with strict confidentiality.

Building up an atmosphere of trust

The attitude of employees reflects the health of the organisation. We understand that effective internal communication builds productivity and satisfaction. Our employees can voice their opinion through various communication channels, which fosters an atmosphere of mutual trust between the Group and employees.

As the primary channel of communication, we encourage our line managers to hold regular briefings or meetings with their team members. Managers shall organise counselling, acknowledge and encourage improvement in performances and give career guidance where appropriate. We also encourage employees to give their constructive opinions and suggestions to their supervisors or the Human Resources Department. All grievances and complaints are taken seriously, and all information received are treated as confidential.

We have made efforts to promote bonding between our employees. We have organised company events such as New Year and Christmas lunches to give colleagues opportunities to interact with each other in a relaxed environment and enjoy a sense of belonging.

Labour standards

The Group respects human rights of all its members of staff and forbids the use of child and forced labour in its operations. In addition, we have complied with all relevant local regulations, such as Labour Law of the People's Republic of China, Provisions on the Prohibition of Using Child Labour and the Employment Ordinance of Hong Kong.

The Group has procedures in place to prevent child labour. For instance, the age of the candidates is verified during the recruitment process by checking their identification documents to prevent the employment of underage labour.

Furthermore, the Group does not tolerate forced labour. Staff's working hours and entitlements, including rest and leave days, are protected by their labour contract. For overtime, employees are entitled to be compensated upon approval of their managers.

Regulatory compliance

During the year under review, the Group was not aware of any material non-compliance with laws and regulations relating to employment and child or forced labour.

4.2 HEALTH AND SAFETY

We are always committed to providing a safe working environment for employees and strictly comply with all applicable safety and health laws and regulations.

Watch manufacturing

In our watch manufacturing business, we are committed to providing our employees a safe and healthy workplace by minimising their exposure to potential health and safety risks.

We continued to ensure a healthy working environment for our workers and conducted indoor air quality (IAQ) monitoring regularly in our facility for chemicals such as benzene, toluene, xylene, acetone, butanone and ethyl acetate. We have also conducted tests on the quality of our drinking water as well as the noise level at the facility. Based on the latest results of these tests, the quality of our indoor air and drinking water complies with the limits set forth by the standards of "Occupational exposure limits for hazardous agents in the workplace" and "Standards for drinking water quality" imposed by the Chinese government.

To promote the awareness of employees, we also provided training to workers on environmental, health and safety at work. We have placed first-aid kits in every production area of the facility and have stationed first-aid officers trained by the Red Cross. In the event of any major injury, proper treatment at the local medical centres will be provided to the injured employee. All safety equipment and measures are in place as per applicable laws and regulations.

During the reporting period, there were no reported case of injury from our watch manufacturing business.

Property development

Construction safety remains the key concern of the property development business. We outsourced construction works to contractors with a good reputation, and encourage them to strive for the goal of zero accident at all our construction sites. Regular project meetings are held to keep track of the environmental and safety performance of the contractors.

4 EMPLOYMENT AND LABOUR PRACTICES

Hotel operation

Though hotels have a low-risk working environment, we still emphasise work safety to our employees. We also provide environmental safety and health training as well as fire safety training to enhance the safety awareness of employees. Employees may also refer to the Employee Handbook for guidelines on dealing with fire and work-related injuries.

To ensure fire safety, staff members should be familiar with all safety precautions and regulations as prescribed by the Group in order to protect guests and themselves from danger. In case of any emergency, employees are required to immediately report to the relevant manager or Human Resources department, and inform the Front Desk of the exact location of the incident.

During the reporting period, there were a total of 2 minor injuries, resulting in 5 working days lost.

Measures to prevent the spreading of COVID-19

While we continue to uphold a high level of safety standard in our operations, we have also taken various measures to prevent the spread of the disease. As basic safeguards, employees are required to measure their temperature, and we have provided masks, gloves and sanitisers at work to protect our employees.

Depending on the latest situation, we have also adopted flexible work arrangements to minimise the chance of infecting and spreading the disease among employees. When there is a confirmed COVID-19 case reported in the building our employee lives in, the employee concerned is required to report to the Group as soon as possible. In appropriate circumstances, the employee concerned may be requested to work from home and self-quarantine for up to 14 days at the discretion of the Group, and resume to work at office only if he/she has presented documentation showing a negative results for COVID-19.

For our hotel operation, we also follow the general guidelines from Centre for Health Protection, which includes:

- Staff should wear a surgical mask and maintain good personal hygiene;
- Enhance cleaning and disinfection of the premises, where commonly touched areas (e.g. lift buttons) are disinfected at least once every two hours during daytime;
- Maintain good ventilation of the premises by maximizing fresh air intake and changing/cleaning the ventilation system filter regularly;
- Ensure the drainage systems (U-traps) are in proper function;
- Measure body temperature for all in-house and check-in guest;
- Require all guests to fill out health declaration form during check-in; and
- Provide 70-80% alcohol-based hand rub to guests in public areas and prepare adequate amount of surgical mask for use.

Regulatory compliance

During the year under review, the Group was not aware of any non-compliance with laws and regulations relating to occupational health and safety.

4.3 DEVELOPMENT AND TRAINING

We firmly believe that the competency of our employees is an important driver of our long-term development. Therefore, our staff members are provided with training opportunities to support their career advancement as well as to meet our developmental needs.

We provide new joiners with orientation programmes to acquaint them with basic knowledge of the Group and our policies. We also provide employees with training tailored to their responsibility at work. For example, workers at our watch manufacturing branch would receive safety training, while associates at our hotels would receive trainings for English writing and grooming to improve the communication with our guests.

Besides internal training, we also support our staff to seek external resources for their professional development. For example, hotel associates who have completed two years of service are also eligible to apply for an Educational Assistance Scheme, which offers sponsorship to our hotel associates and encourages them to attend external training to gain new knowledge and skills, helping them in the current job or future advancement.

4.4 ANTI-CORRUPTION

Towards bribery and corruption, we take a zero-tolerance attitude and strive to maintain the highest level of integrity and ethical conduct in our business activities. This relies on our employees at all levels to preserve the integrity of the Group by adopting the highest standards of behaviour in their dealings with the Group, each other and the public at large. We have in place the Code of Conduct (“Code”) and Staff Handbook to provide guidance to our directors and employees.

The Code provides guidance on the behaviour of our directors and employees. The principles of conduct and ethics to be followed are outlined in the Code. It also emphasises the importance of avoiding conflict of interest and safeguarding confidential information.

All directors and employees of the Group are required to avoid any situation that does or may involve a conflict between their personal interests and the Group’s interests. All directors and employees are obliged to promote the Group’s best interest at all times.

The Group expects directors and employees to take all means or actions they reasonably can to avoid any conflict of interest. In case a conflict of interest arises or is likely to arise, the staff involved must promptly report to his or her supervisor or the Audit and Risk Management Committee of the Company.

Directors and employees are responsible for safeguarding any confidential information they have access to. No confidential information regarding the Group should be discussed with anyone outside the Group except where disclosure is needed to enable the Group to carry on its business or where there is no reason to believe that the disclosure may result in any economic loss for the Group.

Any employee contravening the Group’s Code is liable to disciplinary action. Depending on the nature of the incident, misconduct may result in verbal warning, written warning, or dismissal. In certain cases the Group may also report the offence to the appropriate authorities.

Regulatory compliance

During the year under review, the Group was not aware of any material breach of laws and regulations relating to bribery, extortion, fraud and money laundering.

5 PRODUCT RESPONSIBILITY

While we engage in different business activities, quality is the universal emphasis when we provide products and services to our clients. To ensure that we provide quality products and services, a number of quality control initiatives have been implemented to ensure our products and services are consistently up to standard.

5.1 SECURING PRODUCTS AND SERVICES QUALITY

Watch manufacturing

Through research and development, we strive to continuously improve product quality. We are committed to creating quality products and have obtained ISO9001 certification for our watch manufacturing business.

Our products are subjected to stringent quality control tests, including the following:

- A series of inspections from parts to final products, regarding their appearance, packaging, specification and brand logo, etc., are conducted on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the production house for assessments, with the reason for the defect investigated and recorded.

Property development

In our property business, we work together with expert consultants from the design, construction plan, technical management and sales to after-sales services to provide the best products to our customers. For every property development project, our team strives to consider the design from the perspective of end users by taking into account their needs.

While we strive to provide quality properties to our clients, building safety is also one of our top priorities. To ensure the safety of our property developments, we comply with all local health and safety regulations regarding building designs, including fire safety and other necessary provisions.

We generally employ external property agents to market our development projects. Though we do not have direct control of their actions, we work closely with our external agents to ensure they use accurate communication materials and do not use exaggerating or misleading statements. We are in compliance with relevant regulations and guidelines, including the Residential Properties (First-hand Sales) Ordinance and the self-regulatory regime of the Real Estate Developers Association of Hong Kong.

Hotel operation

At our hotels, we treat customers' information as private and confidential. As stated in our Employee Handbook, we are committed to safeguarding the privacy of our guests and our staff adheres to the highest standards. When handling client information, employees may refer to the information security guidelines for guidance. To prevent data leakage, all confidential information is shredded or destroyed after use.

Regulatory compliance

During the year under review, the Group was not aware of any material non-compliance with laws and regulations relating to our products and services.

5.2 SUPPLY CHAIN MANAGEMENT

We consider our suppliers as partners and expect them to make a fair return when they do business with us. When selecting our suppliers, we pay attention to both objective criteria such as price and quality, as well as other intangible criteria such as integrity and reliability. We appoint suppliers and service providers based on strict ethical standards, which enhance the confidence of our customers.

While we firmly believe that the engagement of services or the procurement of goods should be mainly based on price, quality and timely delivery, we also take into account the ESG performance of our service providers, particularly regarding regulatory compliance on environment, employment and labour as well as health and safety.

Watch manufacturing

In our watch manufacturing business, we depend on various suppliers to support our production. As effective supply chain management is one of the most important parts of our operational process, we have developed and implemented policies on the selection and evaluation of suppliers.

Our suppliers are evaluated on a regular basis. We aim to assist underperforming suppliers to improve their product quality and standard of services. We would reevaluate our partnership with those who do not meet our requirements.

Property development

In our property construction business, we only work with major contractors with a solid reputation in the industry as well as a good record in health, safety and environmental issues. We have developed long-term partnerships with various major contractors in Hong Kong. For the year under review, we were not aware of any material violations regarding health and safety by our contractors.

Hotel operation

In our hotel business, we promote fairness and openness as well as aim to develop long-term relationships with suppliers and contractors. Transparent procurement and tendering procedures are in place to support our business operation. The purchase of goods and hiring of services should solely be based on need, price and quality. Our procurement policies and procedures follow the principles below:

- Genuine need for goods and services;
- Consideration of 2-3 quotations unless the required item is classified as sole supply item;
- Compliance with laws; and
- Management controls to prevent and detect bribery, fraud or other malpractices in the process of procurement and tendering.

We have revised the procurement guidelines in the reporting year to ensure better control of the procurement procedure. In the future, we will continue to progressively enhance the assessment and monitoring of the ESG performance of our suppliers.

6 COMMUNITY INVESTMENT

The wellbeing of the surrounding community and the environment where we operate in is important for the long-term growth of our business. As a responsible corporation, we encourage and support our employees to participate in community events and make charitable donations, contributing to the development of the society.

	Aspects	Section	Remarks
A	Environmental		
A1	Emissions	3.2	
	Information on:		
	a) the policies; and		
	b) 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.		
A1.1	The types of emissions and respective emission data.	–	While we are not able to directly measure the total air emission, we ensure compliance to the relevant air emission level limits set by regulatory bodies.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Greenhouse gas emission is not a material aspect of the Group. We will continue to observe any changes in regulatory requirements and update our disclosure accordingly.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Non-hazardous waste is not a material ESG aspect of the Group.
A1.5	Description of measures to mitigate emissions and result achieved.	3.2	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.2	

A THE EXCHANGE'S ESG INDEX

	Aspects	Section	Remarks
A2	Use of resources	3.1	
	Policies on the efficient use of resources, including energy, water and other raw materials.		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.3	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3	
A2.3	Description of energy use efficiency initiatives and result achieved.	3.1	
A2.4	Description of whether any issue in sourcing water that is fit for purpose, water-efficiency initiatives and results achieved.	3.1	There is no issue in sourcing water that is fit for purpose.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	Packaging material is not a material ESG aspect of the Group.
A3	Environment and natural resources	3.1-3.2	
	Policies on minimising the issuer's significant impacts on the environment and natural resources.		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	3.1-3.2	

	Aspects	Section	Remarks
B	Social		
B1	Employment	4.1	
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
B2	Health and safety	4.2	
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to providing a safe working environment and protecting employees from occupational hazards.		
B3	Development and training	4.3	
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B4	Labour standards	4.1	
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to preventing child and forced labour.		
B5	Supply chain management	5.2	
	Policies on managing environmental and social risks of the supply chain.		

A THE EXCHANGE'S ESG INDEX

	Aspects	Section	Remarks
B6	Product responsibility Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.1	
B7	Anti-corruption Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.4	
B8	Community investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6	