

# NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021



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# 1. ABOUT THIS REPORT

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## 1.1 OVERVIEW OF OUR BUSINESS

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 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 2020 to 31 March 2021. 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 principal operations in the three major business segments, including our five offices and four hotels (The Putman, 99 Bonham, The Jervis and One96) in Hong Kong, two offices in Canada, and our watch manufacturing facility in Shenzhen. We also report on the environmental KPIs of active property construction activities performed by our contractors in the reporting year as listed below:

| <b>Project</b>  | <b>Location</b> | <b>Nature</b>              | <b>ESG data included</b> |
|---|-----------------|----------------------------|--------------------------|
| 3 South Bay Close   | Hong Kong       | Residential                | Y                        |
| 45 Tai Tam Road   | Hong Kong       | Residential                | Y                        |
| 39 Deep Water Bay 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 <sup>rd</sup> 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                        |

## 1.3 REPORTING REFERENCE

This ESG report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (“ESG Reporting 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 2021 of the Group.

## 1.4 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](mailto:info@nationalholdings.com.hk).

### 2.1 GOVERNANCE OF ESG MATTERS

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

Currently, ESG matters are managed by business segments, where each division is responsible for identifying, assessing, and mitigating current and potential ESG risks to seize opportunities for improvement. Business divisions report back to the head office on their ESG progress and performance annually, where dedicated personnel collate the information into the annual ESG reporting with the help of a third-party consultant. Through this practice, the Board and management receive updates and provide feedback on the Group's ESG risks and opportunities, performance, and progress towards any target set. To better manage ESG matters, the Group is looking into establishing an ESG working group with representatives from its three major business segments, namely watch manufacturing and trading, property development and hotel operation, to coordinate the ESG efforts of different business segments.

### 2.2 STAKEHOLDER ENGAGEMENT

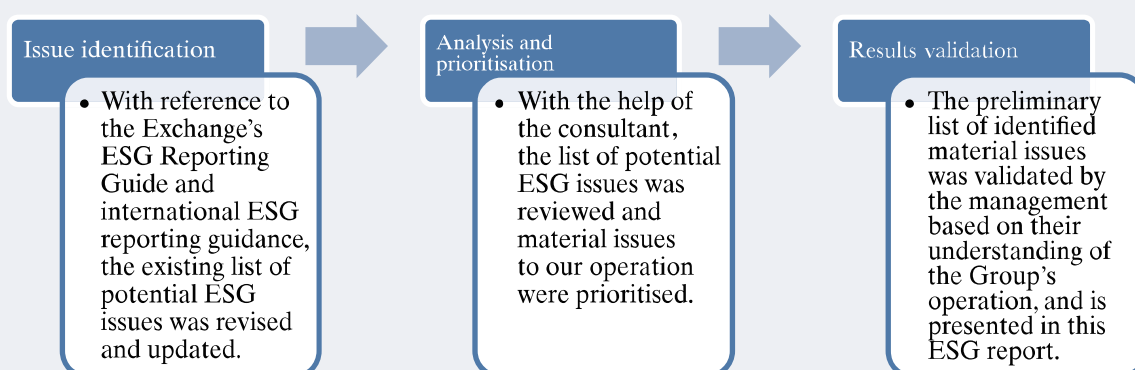
Proactively engaging with our stakeholders is a core component of our business. We believe that encouraging sustainable practices with our stakeholders is vital to our community and our business. This includes effective planning and management of ESG matters for all our stakeholders.

Our key stakeholders are our clients, employees, suppliers, contractors, and professionals that are engaged in our diverse business segments. We work closely with these stakeholders to determine how best to implement our ESG commitments into our policies and processes. We obtain ongoing feedback from these stakeholders through various daily interactions and engagement channels. We hope that we can continue to make a positive impact on the community and the environment by encouraging our stakeholders to imbed sustainability in aspects of their lives.

As we progress through our ESG journey we will continue to actively work with our stakeholders to inform and include them in key decisions that not only impact our sustainability initiatives and policies, but also to seek feedback. This extends to periodically reviewing our materiality issues as needed.

### 2.3 MATERIALITY REVIEW

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



## 2. OUR APPROACH

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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

The Group is firmly committed to protecting the environment and illustrates this through various initiatives. We are committed to minimising our waste and carbon emission output and have adopted various creative alternatives and methods to constantly improve. Further, we actively encourage our employees and other stakeholders to also protect the environment in their respective activities.

#### **Watch Manufacturing**

In our watch manufacturing practice, we mainly source watch components and assemble them to create our final products. We do our best to ensure that we reduce our impact on the environment through our process line, and have concluded that our major source of chemical wastes is the use of lubricants within our production line, as well as the air emissions generated from soldering. We have adopted an environmental management system with reference to ISO14001, which assists us in managing our manufacturing procedures to be more sustainable.

Nevertheless, to mitigate adverse environmental impacts, we have implemented various mechanisms into our watch manufacturing business. We have both specific and broad targets for our watch business to ensure that environmental concerns are considered at every element of our manufacturing process. We have introduced more eco-friendly product design and processes, and we seek to better understand our existing environmental footprint to subsequently reduce that footprint.

#### **Property Development**

Engaging closely with our contractors, vendors and other stakeholders is a key aspect of our property development business. Although it can sometimes be challenging to incorporate sustainable practices in construction, we are firmly committed to minimising any adverse impacts on the environment. For example, beginning with the design phase, we employ green building guidelines, such as BEAM<sup>1</sup> and LEED<sup>2</sup>, for all new buildings. In all, we emphasize green features in every step of our property development process.

For instance, the structures of our building have taken the environment into account with the use of double insulated glass units as window panels which minimize the heat that can permeate through the window.

#### **Hotel Operations**

The nature of the hotel and hospitality industry can present some challenges when considering sustainable alternatives. This is especially prevalent when taking into account that hotels offer 24-hour service to guests. The two key areas of challenge in the operation of hotels are the use of resources and waste management.

#### **Offices**

Much like every other business segment of the Group, our offices pledge to reduce adverse environmental impacts. This is seen through efficient use of resources and strict waste management. Further, we also encourage our staff to follow the model of “Reuse, Reduce and Recycle” in their daily lives to continue our positive impacts on society.

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

<sup>2</sup> 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.

## 3. ENVIRONMENT

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### 3.1 USE OF RESOURCES

On a whole, the Group aspires to limit the use of resources ensuring that they are utilised efficiently where needed. Upon reflecting on our use of resources, we have concluded that electricity is the most substantial resource used amongst our operations. In order to minimise our impact, we monitor our monthly electricity, water and fuel consumptions, and those data allow us to analyse the areas to be improved.

#### **Watch Manufacturing**

We endeavour to minimise waste and unnecessary resource utilisation in the manufacturing process. We set aspirational targets to challenge ourselves to continuously improve. Annually we seek to reduce our electricity and our water consumption by 10% compared to the previous year. Furthermore, through encouraging a better understanding of the environment from our employees we hope that they will take small steps in their daily work to reduce waste.

#### **Property Development**

The environmental impacts of buildings over their lifetimes are determined by several factors including materials, design, construction, use, and demolition. With material comprising a significant proportion of building environmental footprint, we are committed to reducing and reusing materials where practical. For example, we have implemented double insulated glass units as window panels to minimize the permeation of heat into our buildings, and therefore reducing air conditioning costs. Further, to reduce the use of electricity during its use phase, we prioritise the use of LED lights over other lightings during the design phase. In addition to optimising the resource consumption of the buildings, we also aim for a provision of at least 20% of greenery area for plants and trees in the common space of our property developments.

Additionally, the Group is also committed to reducing water consumption through the implementation of design features, such as water-saving fixtures and rainwater retention for flushing, together with a variety of initiatives.

#### **Hotel Operation**

We are firmly committed to reducing the environmental footprint of our hotels. However, the nature of the hospitality industry means that our efforts depend significantly on the choices of our guests. Nevertheless, we encourage our guests to make use of all the sustainable alternatives that we provide. We reduce the consumption of a substantial amount of resources by closing certain floors of our hotels during times when guest room utilization is low. This policy assists in saving electricity, gas, and water.

Similar to many hotels worldwide we provide an “Environmental Friendly Card” in every room and our guests may place it on their bed to indicate that they do not require the bedding to be changed. This significantly reduced the consumption of electricity and water for laundry. The second aspect of this initiative is requesting guests to hang their towels to show that they are not required for laundry.

Following on from this, we also close rooms and floors in our hotels when there is a substantial vacancy to reduce unnecessary energy consumptions in idle areas. We are also looking at smart energy management systems that will further lower our energy use.

### 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

We have identified hazardous waste generation and air emissions as the key environmental emission aspects in our business operation. In the following sections, we have provided a breakdown of these implications within each of our business segments.

### 3.2.1 Waste Management

#### *Watch manufacturing*

Our watch manufacturing division is mainly involved in the assembly of watch parts into final products. We do not manufacture the components ourselves but work closely with suppliers who produce the watch parts. The assembly process generates minimal waste and pollution, with only a small amount of chemical waste generated comprising of waste batteries, spent oils and extracts from the lubricants used for machinery. 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 paper and plastic packaging wastes generated in the process.

In managing the wastes generated, we appoint licenced contractors to properly collect and dispose of both hazardous and non-hazardous wastes. We also have a clear separation between chemical and non-chemical wastes. Further, all our staff are properly trained in the correct separation, treatment and disposal of such chemical waste.

#### *Property Development*

Construction and demolition wastes are the major sources of waste generation in property development projects. To reduce such wastes, we seek to reuse and recycle them wherever possible. To achieve a reduction in waste output, our contractors have implemented management plans to guide waste disposal through effectively avoiding and reducing waste generation.

In Hong Kong, we avoid abortive works with careful design and planning to reduce construction waste. Where practicable, timber planks will be reused to reduce the generation of waste materials.

In Canada, each of our contractors will enforce a construction waste management plan to reduce the amount of waste generated. The contractors are also responsible for the segregation of waste and planning for the recycling of materials.



### 3. ENVIRONMENT

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Other than construction waste, chemical wastes such as paints and solvents are also generated during the construction process. The Group works closely with our contractors to ensure hazardous waste are properly managed and disposed of. The handling of such chemical waste follows a management plan that complies with the relevant industry guidance and regulatory requirements.

#### ***Hotel Operations***

The major types of wastes generated in our hotel operation include food waste and domestic waste from our guests. To reduce landfill waste, we encourage guests to separate plastics, cans and paper from the general waste by providing recycling bins.

As the result of routine maintenance work, our hotels also generate a small amount of hazardous waste such as used paints and light tubes. To reduce the environmental impact, we use paints that comply with the Environmental Protection Department's standard and store any hazardous waste properly for collection by the authorised waste collector appointed.

A new initiative that we developed this year is a water bottle recycle programme, which was conducted through a third-party waste recycler. Besides collaborating with recyclers, we also endeavored to source environmentally friendly raw materials where possible to reduce our environmental impact.

#### ***Main Office***

The main office of the Group produces a minimal amount of waste considering the nature of its operation. It does, however, also endeavour to minimise and correctly dispose of any waste generated. This is achieved through adopting electronic methods for communication instead of paper-based methods, providing recycle bins to collect used paper, plastic bottles, packaging materials and ink cartridges, as well as using double-sided printing when hardcopies are necessary.

#### **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 undertake routine inspections of our exhaust emissions. The testing parameters include lead, tin and non-methane hydrocarbons, which comply with the relevant provincial standards.

##### ***Property Development***

The nature of construction works leads to some inevitable air pollution, particularly in the form of air and dust pollution. As we employ third-party contractors, we do not have direct control over the operation of the construction sites. However, to minimise the air emissions from our construction sites, we undertake routine checks and work closely with our contractors to make sure that they comply with all relevant environmental protection laws and regulations.

At our construction sites, regular inspections are made to ensure that plants and machinery are properly maintained to minimise air pollution. Dust suppression practices such as water spraying are also in place to lower the impact of dust emissions on the surrounding environment. Depending on the location of the development project, we comply with different local air pollution requirements such as the Air Pollution Control Ordinance in Hong Kong, or the Air Quality Regulation guidelines in Ontario, Canada.

#### 3.2.3 Other Emissions

##### *Property Development*

Coupled with construction waste and air pollution are the noise emission and wastewater discharge at the construction sites, which could bring a negative impact to the surrounding environment if not properly managed. While we do not perform the construction activities ourselves, we work closely with our contractors to properly manage the noise and wastewater discharge over the construction of our properties.

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 sites are inspected to maintain optimal condition of the machinery 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 factories, construction sites and operating properties including hotels.

### 3.3 ENVIRONMENTAL PERFORMANCE DATA TABLE

| <b>Group-level<sup>3</sup></b>        | <b>Unit</b>    | <b>2021<sup>4</sup></b> | <b>2020</b> |
|---------------------------------------|----------------|-------------------------|-------------|
| Total energy consumption <sup>5</sup> | GJ             | 14,497                  | 18,506      |
| Use of electricity                    | kWh            | 3,223,696               | 4,104,281   |
| Use of town gas                       | unit           | 53,407                  | 65,474      |
| Use of natural gas                    | m <sup>3</sup> | N/A <sup>6</sup>        | 2,438       |
| Use of diesel                         | litre          | 2,244                   | 670         |
| Use of gasoline                       | litre          | 7,533                   | 14,226      |
| Use of water                          | m <sup>3</sup> | 26,840                  | 28,362      |
| Solid hazardous waste disposal        | kg             | Negligible              | 11          |
| Liquid hazardous waste disposal       | litre          | Negligible              | 54          |
| <b>Construction projects</b>          | <b>Unit</b>    | <b>2021<sup>7</sup></b> | <b>2020</b> |
| Total energy consumption <sup>5</sup> | GJ             | 6,660                   | 12,958      |
| Use of electricity                    | kWh            | 272,366                 | 1,606,111   |
| Use of natural gas                    | m <sup>3</sup> | 107,777                 | 177,377     |
| Use of diesel                         | litre          | 39,146                  | 4,086       |
| Use of water                          | m <sup>3</sup> | 21,576                  | 435         |

<sup>3</sup> Excludes contractor consumptions at our property development sites, which is reported separately in the column "Construction projects".

<sup>4</sup> Due to the COVID-19 pandemic, there were major fluctuations in our consumptions and direct year-on-year comparison is not advised.

<sup>5</sup> Energy conversion factors are extracted from the UK Government GHG Conversion Factors for Company Reporting 2021 published by the Department for Business, Energy & Industrial Strategy and the Towngas ESG Report 2020.

<sup>6</sup> There was no natural gas consumption in 2021 due to the ownership transfer of the property using natural gas for heating.

<sup>7</sup> Due to the difference in project phase and completion of projects during the period, the contractor consumptions are not directly comparable.

## 4. EMPLOYMENT AND LABOUR PRACTICE

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Our staff are a core pillar of all our businesses. To attract and retain the best people, we adopt a fair and transparent recruitment process, provide a respectful and safe working environment, as well as offer a comprehensive and competitive benefits package along with learning and professional development opportunities.

### 4.1 RECRUITMENT AND EMPLOYEE BENEFITS

#### **Talent Recruitment**

A strong employment workforce begins with hiring the right people. We are a proud equal opportunity employer, and we welcome people from a diverse range of backgrounds and skills. We select our employees based on skill, qualification, experience and achievements, and we do not take their race, religion, nationality, gender, age, sexual orientation, marital status, or disability into account.

To retain, motivate and reward our strong workforce we offer all of our staff, no matter their seniority, competitive remuneration packages. All of these remuneration packages are reviewed annually to ensure they accurately reflect their contribution and performance.

#### **Remuneration Package and Benefits**

In addition to monetary compensations and statutory annual leaves prescribed by local laws, we offer our employees a generous leave policy through public holidays, paid annual leave, sick leave, maternity leave, paternity leave and personal leave.

We proactively support our staff in their professional growth and encourage internal transfer and promotions where appropriate. We do our best to give our staff a breadth of exposure, training, and development to upskill them across a range of disciplines. As a company we are committed to keeping talent within the group and therefore, we endeavour to promote within where we can. Promotion decisions would be made based on the merit, efficiency and ability of the respective employee to ensure fairness.

#### **Building up an Atmosphere of Trust**

We believe that our employee's trust in our business and management is a key indicator of our success. We encourage open, honest two-way communication within our internal systems, as we believe that communication is the foundation of productivity and satisfaction.

The primary form of communication that we draw upon is through our line managers, whom we encourage to hold regular briefings with their teams. These regular briefings consist of not only counselling, performance reviews, and career guidance, but also provides a periodic platform in which both the team leader and the team can voice concerns, seek clarification, or share best practices. In addition to these meetings, employees are also able to voice suggestions or provide feedback directly to management or human resources should that be necessary.

We hope to foster a positive workforce by promoting bonding between our employees. Throughout the year we organise various fun staff events including but not limited to New Year and Christmas lunches. This provides a platform for our staff to enjoy getting to know each other better but also facilitates a strong sense of comradery and teamwork.

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## 4. EMPLOYMENT AND LABOUR PRACTICE

### **Labour Standards**

As a company, we are committed to upholding high labour standards. We also strictly adhere to all local labour laws and regulations such as the Labour Law of the People's Republic of China, Provisions on the Prohibition of Using Child Labour and the Employment Ordinance of Hong Kong. We do not tolerate any form of forced or child labour and have established mechanisms within the business structure to ensure that this does not occur. For example, although we do not discriminate on age when processing prospective employee's applications, we do ensure that they are above the local legal employment age.

In conjunction with this, we also respect human rights and ensure that all our employees are treated fairly and are not overworked. We encourage our staff to take regular breaks and rest days, as well as enjoy all benefits and entitlements afforded to them through their employment agreements.

### **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 remain committed to upholding a safe and working environment. With COVID-19 hitting the world in the reporting period, additional measures were taken to protect the health of our employees.

### **Watch Manufacturing**

Although the manufacturing industry can present additional health and safety challenges, we pledge to foster a safe and healthy working environment for our staff. To this end, we conducted periodic indoor air quality monitoring, as well as tracking the levels of the various chemicals used in our watch manufacturing. These chemicals include benzene, toluene, xylene, acetone, butanone and ethyl acetate.

In addition to ensuring high air quality, we conduct regular testing of our water to ensure that it is safe for consumption and usage. Further, we also regularly monitor our machinery to ensure that there is an acceptable level of noise emission and ensure we do not cause excessive disturbance to our local community. We have implemented internal policies to achieve the above and also to ensure that we comply with local laws, regulations and standards including the "Occupational exposure limits for hazardous agents in the workplace" and "Standards for drinking water quality" imposed by the Chinese government.

Furthermore, we provide robust health and safety training to our employees to ensure that they are aware of the risks that exist and how to mitigate and respond to those risks. This training consists of environmental, health and safety at work, but also first-aid training by the Red Cross. Additionally, we have first-aid kits placed frequently throughout our workplace. We ensure that we closely monitor the local laws and regulations regarding health and safety to ensure that we are always in compliance.

We have no injuries to report from our watch manufacturing business during this reporting period.



## 4. EMPLOYMENT AND LABOUR PRACTICE

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### Property Development

Much like our watch manufacturing business, property development presents extra additional health and safety challenges and requirements that we are committed to meeting. Although we outsource most aspects of our construction work, we remain committed to high standards of health and safety. Therefore, with this in mind, we only work with external vendors that align with our standards of good reputation, and health and safety. Furthermore, we encourage our external vendors to strive for zero accident goals for all construction projects. To facilitate this, we conduct regular meetings and inspections with these vendors to ensure that these vendors comply with high standards of positive environmental impact and health and safety. We have also implemented a compulsory temperature check at the entrances of all our construction sites.

### Hotel Operation

Although the hotel industry has comparatively lower risks in terms of physical health and safety, we remain vigilant in continuing our standards of health and safety in our hotels. Much like our other operations, we ensure that our staff receive robust and up-to-date health and safety training. The training ensures that our staff are all aware of the health and safety risks and responsibilities that arise through our hotel operations.

One of the training that we conduct for our staff is regarding fire safety to equip our staff with the skills of what to do in the unlikely event of a fire. We have captured all of our health and safety procedures and protocols in our Employee Handbook which provides detailed guidance on how to approach any work-related injuries or health and safety-related challenges should they arise.

We have also implemented clear protocols of how our staff should respond to a health and safety crisis. For example, should a fire arise in one of our hotels, employees are required to immediately call the front desk to inform the exact location of smoke and fire, and try to put out the fire with the nearest available fire extinguisher provided that such act does not cause danger to oneself or others. For situations that cannot be controlled, the emergency services will be contacted.

During the reporting period, there were no incidents to be noted in our hotel operations.

### Measures to Prevent COVID-19

Following on from the previous year, we have implemented additional health and safety policies to protect our staff and patrons against the COVID-19 pandemic. Some of our additional policies include temperature testing as well as provision of surgical masks, gloves, and disinfectant sanitisers throughout our workplace to protect our employees and patrons.

Similar to the previous year, we continue to provide our staff with flexible work arrangements where necessary. For example, we allowed work from home where appropriate, and a team rotation system was set up to protect our staff by reducing the change of cross-infection.

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

- Wearing surgical masks and maintaining good personal hygiene;
- Enhancing cleaning and disinfection of the premises, where commonly touched areas (e.g. lift buttons) are disinfected at least once every two hours during daytime;
- Maintaining good ventilation of the premises by maximizing fresh air intake and changing/cleaning the ventilation system filter regularly;

## 4. EMPLOYMENT AND LABOUR PRACTICE

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- Ensuring the drainage systems (U-traps) are in proper function;
- Measuring body temperature for all in-house and check-in guests;
- Requiring all guests to fill out health declaration form during check-in; and
- Providing 70-80% alcohol-based hand rub to guests in public areas and prepare an adequate amount of surgical masks for use.

### Regulatory compliance

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

### 4.3 DEVELOPMENT AND TRAINING

We strongly believe our employees and their skills are the keys to succeeding in all our businesses. To support this, we ensure continuous and quality training for all our employees. This not only ensures the development and upskilling of our staff but also the long-term prosperity of our business.

Our development and training opportunities begin when new staff join our business. The onboarding process provided to new staff includes a comprehensive understanding of the Company and all the businesses that operate within the company structure, as well as all company policies. Coupled with this, is the training that is provided specifically to their roles. For example, employees who go on to work at our watch manufacturing business will receive the relevant safety training relating to the role (such as machinery safety). Whereas the staff in our hotel operations receive English language and communication training as well as grooming training.

In addition to our internal training programs, we also support our staff in seeking out external training and development opportunities. We facilitate this support through an Educational Assistance Scheme, which offers sponsorship to our hotel associates and encourages those who have served more than 2 years of service to seek external training to further their professional development and growth.

In our watch manufacturing business, we have introduced a new environmental and safety health training course. Participated by our employees of this business, the training provided employees with guidance and knowledge in different aspects of the production process, such as electrical safety, machinery operations, fire safety, environmental protection, hazardous chemicals management and personal protection. In 2021, each of our watch manufacturing division staff received 36 hours of training on environmental health and safety.

### Employee training statistics (as at 31 March 2021)

| Employee category |                | Average hours trained | Percentage of employees trained |
|-------------------|----------------|-----------------------|---------------------------------|
| By gender         | Male           | 12                    | 32%                             |
|                   | Female         | 11                    | 26%                             |
| By employee rank  | Management     | 13                    | 52%                             |
|                   | Non-management | 11                    | 25%                             |

## 4. EMPLOYMENT AND LABOUR PRACTICE

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### 4.4 ANTI-CORRUPTION

We have a zero-tolerance policy towards bribery and corruption as we seek to preserve a high standard of integrity and ethics in all of our businesses. To achieve this, all of our staff have to follow and adopt our high standards of integrity and ethics in both the internal and external facing aspects of their roles. To illustrate our standards in more detail we have outlined our expectations through our Code of Conduct (“Code”) and Staff Handbook to guide our directors and employees.

The Code guides 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 Company are required to avoid any situation that does or may involve a conflict between their personal interests and the Company’s best interests. All directors and employees are always obliged to promote the Company’s best interest.

The Company expects directors and employees to take reasonable steps to avoid any conflict of interest. Should a conflict of interest arise 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 Company should be discussed with anyone outside the Company except where disclosure is needed to enable the Company to carry on its business.

Any employee contravening the Company’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 situations, the Company will 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.

Operate in a variety of industries, providing a high-quality product and service is a universal priority for the different divisions of the Group. To ensure that we do provide such high-quality products and services we implemented a variety of policies and quality control initiatives.

### 5.1 SECURING PRODUCTS AND SERVICES QUALITY

#### **Watch Manufacturing**

We strive to continuously improve our products through research and development, as well as stringent quality control procedures and testing. We are also committed to creating quality products and have obtained the ISO9001 certification for our watch manufacturing business.

We apply the following quality control testing to our products:

- 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**

We seek consultations from experts regarding the design, construction, planning and technical management of all our property development projects. We approach each property design by considering the perspectives of those who will be the users at the end of the project. This point of view allows us to consider the practical outcomes of the designs we make during the construction process.

We simultaneously strive for supreme quality in the building of our properties as well as adhering to local health and safety laws and regulation guides.

Once construction has concluded we employ third party external property agents to assist in the marketing and business development phase of our properties. Although we outsource this aspect of the process, we work closely with these agents to ensure that their implementations are in line with our aims. For example, the communication methods and content used by these agents must adhere to our standards and provide an accurate illustration of our projects. We comply 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 Operations**

As hotel operators, we are privy to an abundance of private and personal information provided by guests. We take the protection of this personal and confidential data very seriously and have thus put in protection mechanisms to ensure that this data is kept safe and secure. This features as an aspect of our employee training and is also available in our Staff Handbook so that employees can refer back to it should they require any imminent clarification.

#### **Regulatory compliance**

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



## 5. PRODUCT RESPONSIBILITY

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### 5.2 SUPPLY CHAIN MANAGEMENT

We use the services of many vendors and contractors through our different businesses, and it is very important to us that they also uphold high standards of safety, care and ethics. When selecting our suppliers, we consider price, quality, reputation, integrity and reliability amongst other factors, but we also analyse each supplier's ESG performance as well as their health and safety standards. We appoint suppliers and service providers based on strict ethical standards, which enhance the confidence of our customers. We hold our vendors to the same high ethical standards that we set for our staff.

#### **Watch Manufacturing**

Our watch manufacturing business relies on numerous suppliers to support our production and assemble of high-quality watches. To effectively and efficiently manage our supply chain, we have developed and implemented a number of policies to monitor and constantly improves our processes.

To this end, we regularly evaluate our suppliers to ensure that they meet our standards of ethics, health and safety and quality.

#### **Property Development**

In order to uphold our high standards of quality, ethics, environmental protection and health and safety, we only work with reputable suppliers. 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 Operations**

Our hotel operations also employ a variety of contractors that are also measured against high standards of quality, ethics, environmental protection and health and safety. We operate with transparent procurement and tender services to support our hotel operations. The purchase of goods and hiring of services should not solely be based on need, price and quality. Our procurement policies and procedures follow the principles below:

- There should be a genuine need for the goods and services;
- At least 2-3 quotations should be considered unless the required item is classified as sole supply item;
- The procurement process should comply with relevant laws; and
- Adequate management controls should be undertaken 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 INVOLVEMENT

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The wellbeing of our local community and the environment where we operate is a vital concern for our business. We encourage our employees to be active and generous members of our society through donations and participation in local events and programs.

## A THE EXCHANGE'S ESG REPORTING GUIDE INDEX

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| Aspects   | Section | Remarks  |
|---|---------|--|
| <b>A Environmental</b>  |         |  |
| <b>A1 Emissions</b>   | 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     |  |
| <b>A2 Use of resources</b>  | 3.1     |  |
| Policies on the efficient use of resources, including energy, water and other raw materials.  |         |  |

## A THE EXCHANGE'S ESG REPORTING GUIDE INDEX

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| Aspects  | Section | Remarks   |
|--|---------|---|
| 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 there is 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 The 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. |
| <b>A3 Environment and natural resources</b>  | 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 |   |
| <b>B Social</b>  |         |   |
| <b>B1 Employment</b>   | 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. |         |   |
| B1.1 Total workforce by gender, employment type, age group and geographical region.  | –       |   |
| B1.2 Employee turnover rate by gender, age group, and geographical region.   | –       |   |



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|           | <b>Aspects</b>  | <b>Section</b> | <b>Remarks</b> |
|-----------|---|----------------|----------------|
| <b>B2</b> | <b>Health and safety</b>  | 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.                      |                |                |
| B2.1      | Number and rate of work-related fatalities.   | 4.2            |                |
| B2.2      | Lost days due to work injury.   | 4.2            |                |
| B2.3      | Description of occupational health and safety measures adopted, how they are implemented and monitored.                   | 4.2            |                |
| <b>B3</b> | <b>Development and training</b>   | 4.3            |                |
|           | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. |                |                |
| B3.1      | The percentage of employees trained by gender and employee category (e.g. senior management, middle management).          | 4.3            |                |
| B3.2      | The average training hours completed per employee by gender and employee category.  | 4.3            |                |
| <b>B4</b> | <b>Labour standards</b>   | 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.   |                |                |

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| Aspects  | Section | Remarks |
|--|---------|---------|
| B4.1 Description of measures to review employment practices to avoid child and forced labour.  | 4.1     |         |
| B4.2 Description of steps taken to eliminate such practices when discovered.   | 4.1     |         |
| <b>B5 Supply chain management</b>  | 5.2     |         |
| Policies on managing environmental and social risks of the supply chain.   |         |         |
| B5.1 Number of suppliers by geographical region.   | –       |         |
| B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 5.2     |         |
| <b>B6 Product responsibility</b>   | 5.1     |         |
| 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.                         |         |         |
| B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | –       |         |
| B6.2 Number of products and service related complaints received and how they are dealt with.   | –       |         |
| B6.3 Description of practices relating to observing and protecting intellectual property rights.   | –       |         |

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|           | <b>Aspects</b>   | <b>Section</b> | <b>Remarks</b> |
|-----------|--|----------------|----------------|
| B6.4      | Description of quality assurance process and recall procedures.  | 5.1            |                |
| B6.5      | Description of consumer data protection and privacy policies, how they are implemented and monitored.  | 5.1            |                |
| <b>B7</b> | <b>Anti-corruption</b>   | 4.4            |                |
|           | 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.                             |                |                |
| B7.1      | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.                     | 4.4            |                |
| B7.2      | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.   | 4.4            |                |
| <b>B8</b> | <b>Community investment</b>  | 6              |                |
|           | 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. |                |                |
| B8.1      | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).  | –              |                |
| B8.2      | Resources contributed (e.g. money or time) to the focus area.  | –              |                |