

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the “ESG Report”) which summarises the environmental, social and governance (“ESG”) initiatives, programmes and performance of Daisho Microline Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) as well as demonstrates its commitment to sustainability.

The Group specialises in manufacturing double-side, multi-layer and HDI circuit board which are widely used in automotive electronics, communication equipment, industrial use controller, power supply, and medical equipment, etc.

The Group is strongly committed to corporate social responsibility (“CSR”), recognising that long-term business success is dependent on our relationship with all stakeholders – both inside and outside the Group – and that adopting responsible management practices is essential. At our Group, CSR is about achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment. The Group strives to embed socially responsible values throughout our organisation, impacting our day-to-day operations.

#### Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee (the “CSR Committee”), comprising members of management of the Group, is responsible for setting the CSR strategy and directing the CSR activities. The CSR Committee also reviews, approves, supervises and monitors the implementation of all CSR initiatives. The Group’s CSR policy is subject to review and approval by the CSR Committee. This policy sets out the principles that are applicable to the whole group, aiming at making progress towards the Group’s sustainability vision.

#### Approach and Principles

All CSR strategy and activities are in line with the Group’s mission, values, guiding principles, as well as the corporate governance framework. Sustainable approach and principles are also considered and adopted in the Group. The Group will continue to promote sustainable practices and maintain close communication with its stakeholders, creating values for all stakeholders in the long run.

### SCOPE OF REPORTING

This ESG Report covers the Group’s environmental and social performances of its major business operation in Huizhou, Guangdong Province, the People’s Republic of China (the “PRC”), unless otherwise stated. The reporting scope of this ESG Report included a newly acquired printing business and printed circuit boards business and excluded vessel chartering business which has been in process of disposal. The ESG key performance indicators (“KPIs”) are gathered and are shown in the ESG Report supplementing by explanatory notes to establish benchmarks. The Group will continue to assess the major ESG aspects of different businesses to determine whether to expand the scope of reporting.

### REPORTING FRAMEWORK

The ESG Report has been prepared with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

For the Group’s corporate governance practices, please refer to the section “Corporate Governance Report” contained in this Annual Report.

### REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year from 1 April 2020 to 31 March 2021 (the “Reporting Period” or “2021”).

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### STAKEHOLDER ENGAGEMENT

The Group values feedback of its stakeholders as they bring invaluable directions for continuous development to the Group. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operation and performances. By using the diversified cooperation methods and communication channels shown in the table below, we bring the expectation of our stakeholders into our operation and ESG strategies.

#### Stakeholders

Shareholders/Investors

#### Key Communication Channels

- Annual general meetings
- Financial reports
- Announcements and circulars

Customers

- Customer service hotline
- Emails
- Customer meetings
- After-sales services

Employees

- Staff Appraisals
- Regular meetings
- Emails and telephone calls
- Employee handbook
- Customised trainings

Government and regulatory authorities

- Company website
- Legal counsel
- Meetings, emails and phone calls

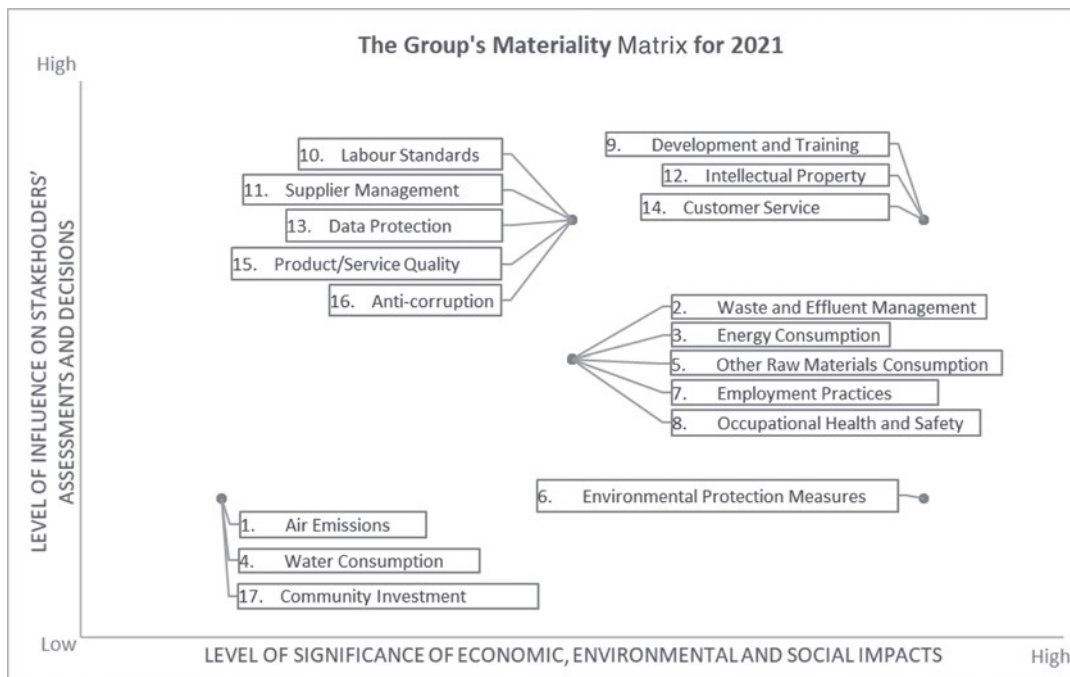
Community

- ESG Reports
- Press releases and announcements
- Annual reports

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### MATERIALITY ASSESSMENT

In hopes of understanding the views and expectations of stakeholders on the Group’s ESG performance, the Group has conducted an annual materiality assessment which specifically engaged members of the board of directors, senior management, frontline staff, and suppliers to gain further insights on ESG material aspects and challenges. They are invited to participate in the materiality survey and rate the potentially material issues. The materiality matrix below presents the result of the materiality assessment process:



The above aspects were strictly managed through strict compliance with relevant laws and regulations, and the Group’s policies and guidelines. Management of these aspects has been described in separate sections below. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to exchange ideas for advancing the Group’s ESG management.

### CONTACT US

The Group welcomes stakeholders to provide their feedback on its ESG approach and performance. Please give suggestions or share your views with the Group via email at [dminfo@daisho-microline.com.hk](mailto:dminfo@daisho-microline.com.hk).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A. ENVIRONMENTAL

#### A1. Emissions

Upholding sustainable development as the ESG management goal, the Group is devoted to implementing environmental control mechanism and monitoring measures in its business activities and workplace. The Group has formulated policies and been strictly following the ISO 14001 Environmental Management System standard to manage the environmental impact of its manufacturing operation and its preventive measures, including measures on waste treatment and use of other natural resources, and a green office policy.

The Group complies with all applicable national and local laws and regulations regarding environmental and resources management, including but not limited to the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention, Law on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, Administrative Measures for Hazardous Waste Transfer Manifests of the PRC, and Regulation on Urban Drainage and Sewage Treatment of the PRC.

During the Reporting Period, the Group did not have any non-compliance with the relevant local environmental laws and regulations in relation to air and Greenhouse Gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes.

##### *Air Pollutant Emissions*

During the Reporting Period, the main source for the Group's air pollutant emission were consumption of gaseous fuel from vehicles use and machinery. We are committed to monitoring the air emissions to comply with relevant laws, regulations and standards. Regular inspections have been taken place by the authorities and the emission concentrations were recorded within emission limits.

The Group also measures and monitors the concentration of volatile organic compounds ("VOCs"), benzene, toluene and xylene to ensure the emissions are within the emission standards set by the government. Filter bags, scrubber and bio-trickling filter are used to filter dusts, neutralise gas and deodorise air before air is emitted into the atmosphere to prevent air pollution.

The air pollutants had increased due to use of vehicles with the new business acquired during the Reporting Period.

The Summary of the Group's air pollutants emission performance is shown as below:

Air pollutant emissions	Unit	2021
Nitrogen Oxides (NOx)	kg	6.03
Sulphur Oxides (SOx)	kg	0.13
Particulate Matters (PM)	kg	0.44

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### GHG Emissions

The reported GHG emissions of the Group were attributed to the following activities:

- Direct emissions (Scope 1): combustion of petrol for mobile source, diesel for stationary source and refrigerant emission;
- Energy indirect emissions (Scope 2): purchased electricity; and
- Other indirect emissions (Scope 3): municipal freshwater and sewage processing, paper waste disposal at landfills and business air travel.

In line with the nation's strategic development of overall GHG emissions reduction to achieve the sustainable development goal of energy-saving and carbon reduction, the Group adopted the following emission reduction measures actively.

To reduce the Group's carbon footprint, employees are encouraged to take public transports when commuting to/from work. Virtual communication is also encouraged for meetings with colleagues, business partners and clients to reduce the frequency of business trips. When meeting in-person is inevitable, the Group chooses the most energy-efficient method. Flights would only be taken when necessary. Economic class, which has a lower emission, is always preferred. The Group keeps tracks of and monitors employees' business air travel.

In addition to the aforementioned practices, the Group actively adopts energy-saving measures to reduce GHG emission, which is explained in the section "Energy Consumption" in Aspect A2.

During the Reporting Period, the overall intensity of the GHG emissions of the Group is approximately 0.10 tCO<sub>2</sub>e/m<sup>2</sup>.

The summary of the Group's GHG emissions is shown as below:

Scope of GHG emissions <sup>1</sup>	Unit	2021
Combustion of petrol for mobile source	tCO <sub>2</sub> e	18.58
Combustion of diesel for stationary source	tCO <sub>2</sub> e	3.92
Release of refrigerants	tCO <sub>2</sub> e	88
<b>Scope 1 Direct emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>110.50</b>
Purchased electricity <sup>2</sup>	tCO <sub>2</sub> e	1,346.21
<b>Scope 2 Energy indirect emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>1,346.21</b>
Electricity used for freshwater processing and sewage processing	tCO <sub>2</sub> e	11.49
Paper waste disposed at landfill	tCO <sub>2</sub> e	6.01
Business air travel <sup>3</sup>	tCO <sub>2</sub> e	0.41
<b>Scope 3 Other indirect emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>17.91</b>
<b>Total GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>1,474.62</b>
<b>Intensity<sup>4</sup></b>	<b>tCO<sub>2</sub>e/m<sup>2</sup></b>	<b>0.10</b>

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Note:

1. GHG emissions data are presented in terms of carbon dioxide equivalent and the emission factors were based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 ("AR5").
2. Combined margin emission factor of approximately 0.51 tCO<sub>2</sub>/MWh was used for purchased electricity in Guangdong Province of the PRC.
3. Emissions from air travel were calculated using the online tool provided by the International Civil Aviation Organisation.
4. The total floor area of the Group during the year ended 31 March 2021 was approximately 15,166.44m<sup>2</sup>. These numbers would also be used for calculating other intensity data in the ESG Report.

### *Wastewater Discharge and Treatment*

The Group ensures that wastewater is treated properly and has met the standard of the PRC before discharge. Wastewater treatment processes, including sedimentation, aerobic and anaerobic digestion, and pH adjustment, are applied onsite. The Group monitors the wastewater parameters, such as chemical oxygen demand, total suspended solid, pH, nitrogen content, heavy metal content, etc., and ensures that the effluent meets all permitted effluent limits.

### *Hazardous Wastes*

The Group adheres to the wastes management principle and strives to properly manage and dispose wastes produced during its business activities. The Group has developed and implemented hazardous waste handling procedures. Hazardous wastes generated from the factory are classified with reference to the National Hazardous Waste List, and properly stored in designated area and collected by licensed collectors. During the Reporting Period, the total hazardous wastes intensity of the Group was 0.0001 tonnes/m<sup>2</sup>.

The summary of the Group's performance of hazardous wastes during the Reporting Period is shown as below:

Types of hazardous wastes	Unit	2021
Waste cloths	Tonnes	0.50
Waste ink cans	Tonnes	1.00
<b>Total hazardous wastes</b>	<b>Tonnes</b>	<b>1.50</b>
<b>Intensity</b>	<b>Tonnes/m<sup>2</sup></b>	<b>0.0001</b>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Non-hazardous Wastes*

Non-hazardous wastes generated by the Group mainly consisted of plastic and paper packaging materials. When collecting, storing, transporting and handling solid wastes, the Group avoids diffusion and leakage, and forbids any unpermitted disposal of wastes. All waste generated by the Group is stored in specified areas with strict monitoring. All kinds of waste are collected and proceeded by licensed collectors.

To reduce waste at source, the Group has established and implemented a green office policy to encourage a wise use of resources while promoting waste reduction at the source. The waste reduction measures are as follows:

- Promote 3Rs – Reduce, reuse and recycle;
- Promote a paperless office by replacing paper documents with digital document;
- Print on both sides of paper;
- Reuse single-side used paper; and
- Recycle printer ink cartridges in office.

During the Reporting Period, the total non-hazardous wastes intensity of the Group is 0.003 tonnes/m<sup>2</sup>.

The summary of the Group's performance of non-hazardous wastes during the Reporting Period is shown below:

Non-hazardous wastes	Unit	2021
General waste	Tonnes	41.60
Paper waste	Tonnes	1.25
<b>Total non-hazardous waste</b>	<b>Tonnes</b>	<b>42.85</b>
<b>Intensity</b>	<b>Tonnes/m<sup>2</sup></b>	<b>0.003</b>

### **A2. Use of Resources**

The Group recognises that its operation consumes a huge amount of energy and water resources. To reduce resources utilisation, the Group has formulated management policies regarding the use of energy and resources, which monitor and manage the consumption of fuel, electricity, water, raw materials, packaging materials, office paper and other office necessities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Energy Consumption*

The energy consumption involved in the Group's operation includes the use of electricity and fuel. To improve the energy efficiency performance, the Group continues to implement the following initiatives, including but not limited to:

- Develop electricity consumption systems to calculate and analyse the total electricity consumption to ensure rational and effective energy use;
- Choose energy-saving air-conditioning and other electronic appliances;
- Adopt LED lightings whenever possible;
- Select energy efficient equipment for production;
- Educate and enhance employees' awareness to reduce unnecessary electricity use;
- Promote electricity conservation behaviours among employees; and
- Post energy saving reminders.

The summary of the Group's energy consumption during the Reporting Period is shown as below:

Types of energy	Unit	2021
Direct energy consumption – Petrol	MWh	68
Direct energy consumption – Diesel	MWh	16
Indirect energy consumption – Purchased Electricity	MWh	2,646
<b>Total energy consumption</b>	<b>MWh</b>	<b>2,730</b>
<b>Intensity</b>	<b>MWh/m<sup>2</sup></b>	<b>0.18</b>

### *Water Consumption*

The Group's water consumption is supplied by the municipal water suppliers. There was no significant issue in sourcing water during the Reporting Period.

To enhance its water conservation performance, the Group keeps track of its monthly water consumption and controls consumption by the following initiatives:

- Deploy water efficient treatment facilities and technologies;
- Reuse greywater whenever possible;
- Post waster saving labels as reminders; and
- Install automatic water taps.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The summary of the Group's performance of water consumption during the Reporting Period is shown as below:

Indicators	Unit	2021
Total water consumption	m <sup>3</sup>	27,550
Intensity	m <sup>3</sup> /m <sup>2</sup>	1.82

### *Packaging Materials*

During the Reporting Period, the Group has generated paper box, bubble wrap and plastic tape as wrapping materials. The Group has made a great effort to reduce the usage as much as possible with a view to protecting the environment.

The packing materials are not only free of harmful substance, but they are also recyclable. Customers can easily recycle the packaging materials after use. The Group will continue to minimise its adverse impact on the environment through regular monitoring, assessment and evaluation of performances.

The summary of the Group's performance of packaging material during the Reporting Period is shown as below:

Types of packaging materials	Unit	2021
Paper box	Pieces	6,500
Bubble wrap	Pieces	4,550
Plastic tape	Grams	180

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A3. The Environment and Natural Resources

The Group recognises its responsibility in minimising the negative environmental impacts of its operations on the environment and natural resources. To achieve sustainable development and generate long term values to its stakeholders and community, the Group has integrated the concept of environmental protection into its internal management and carried out continuous monitoring during its daily operations.

#### *Significant Impacts of Activities on the Environment*

The Group's production generates exhaust gas, dust and smoke, hazardous wastes, wastewater and noise nuisance. The Group has therefore taken the following actions to minimise significant impact on the environment and natural resources:

- Treat wastewater before discharge;
- Filter gases before emitting into the atmosphere;
- Reduce production noise level and vibration by sound insulation wall;
- Reduce waste production and consumption of energy and natural resources;
- Engage only licenced collectors to collect and treat hazardous waste;
- Promote green office policy and initiatives;
- Promote recycling;
- Use eco-friendly materials;
- Prevent pollution and reduce carbon footprint; and
- Promote environmentally responsible practices among employees, customers, suppliers, contractors and business partners.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

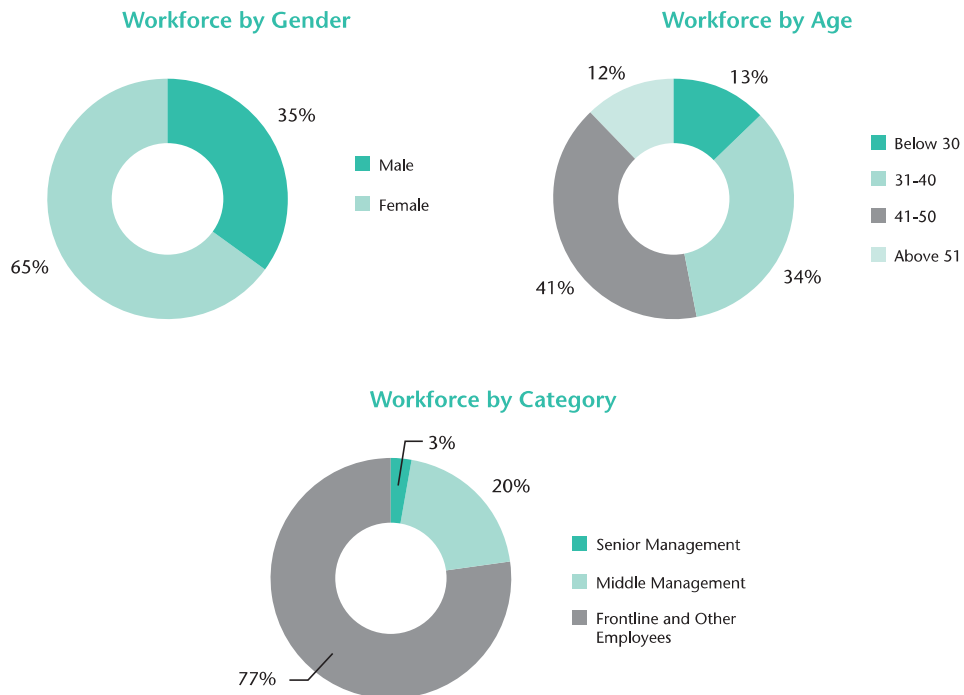
### B. SOCIAL

#### B1. Employment

Human resources are the foundation to support the development of the Group. To fulfil its vision on people-oriented management and to realise the full potential of employees, the Group has formulated human resources management policy, which covers aspects of compensation and dismissal, recruitment and promotion, and welfare, etc. The Group complies with national and local laws and regulations regarding employment, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. The Group did not note any cases of material non-compliance with laws and regulations regarding its benefits and welfare, compensation and dismissal, equal opportunity, diversity and anti-discrimination and other labour practice during the Reporting Period.

##### *Employee Composition*

As of 31 March 2021, the Group had 262 employees under the reporting scope of the ESG Report, 261 of whom were full-time employees from China and 1 from other region. The figures below illustrate the distribution of workforce:



##### *Employee Benefits and Welfare*

The Group believes that employees are important assets and the core of its competitive advantage. Therefore, we are dedicated to improving our employment system in order to attract, cultivate and retain talents and believe that this will contribute significantly to the Group's success. It provides competitive remuneration packages and fringe benefits, including basic salary, different types of leave (annual, sick, maternity, funeral, injury and breast-feeding), insurance, housing provident fund, allowance, subsidy and bonus to its employees.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Recruitment, Promotion, Compensation and Dismissal*

Employees' qualification, professional skills and experiences exert a significant influence on the quality of services. In line with the need of business development and the principles of fairness and justice, the Group selects the best and suitable qualified candidates through robust and transparent recruitment processes. The selection is based on the candidate's suitability for the position and potential to fulfil the Group's current and future needs.

The Group's employees are subject to regular review on their work performance. The appraisal results will provide reference standards for salary adjustment, bonus distribution, and promotion.

The Group has adopted a 40-hour work week, with 8 hours a day for 5 days a week, excluding rest periods. Employees working overtime are entitled to compensation leave. Departments planning to work outside working hours shall inform and seek approval from the human resources department.

When either party, the Group or the employee, wants to terminate the employment contract, a prior notice in writing of no less than 30 days should be provided to the other party. The Group helps employees eligible for retirement complete retirement procedures in accordance with the national laws for the entitlement to pension benefits.

### *Equal Opportunity, Diversity and Anti-discrimination*

The Group respects diversity in the workplace. The Group provides equal opportunities for all employees in respect of recruitment, job advancement, compensation and benefits, and training and development. Employees are not discriminated against or deprived of such opportunities based on gender, ethnic background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group does not tolerate any forms of discrimination.

### *Communication with Employees*

The Group strives to create a motivating work environment by enhancing communication. It encourages open communication and provides channels for employees to express their concerns. Birthday party is held every month to celebrate and reward employees. This also enhances employees' engagement, enhancing work motivation and dedication.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B2. Health and Safety

#### *Occupational Health and Safety*

Providing a healthy and safe work environment is of paramount importance to the Group. The Group complies with the Work Safety Law of the PRC and the Law of the PRC on the prevention and Control of Occupational Diseases. Safety Policies have been outlined in the Employee Handbook. To pursue occupational health and production safety, the Group has established policies on different aspects, including safe production, occupational health and safety, personal protective equipment usage, fire safety and emergency response. Employees shall strictly observe all safety operation rules, pay attention to the working procedures, and use personal protection equipment and fire extinguishing facilities correctly.

During the Reporting Period, there was no material non-compliance with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. There was 177 lost days due to work injury.

The summary of the Group's fatality and injury record during the Reporting Period is shown as below:

Indicators	Unit	2021
Work related fatality	Number	–
Lost days due to work injury	Lost days	177

#### *Managing Safety Risk*

The Group has established a safety management system to manage safety elements and mitigate the potential safety risks in the workplace. It conducts manufacturing process in strict compliance with the corresponding safety requirements, identifies safety hazards, conducts regular safety inspections and monitors working procedures. Besides, the Group provides employees with personal protective equipment, such as gloves and safety goggle, and trainings relating to safety measures of risky works, such as hot working and lifting operations. The Group ensures good ventilation in the work environment for maintaining suitable and comfortable temperature and humidity. For departments that are at higher risk of exposure to occupational hazards, regular medical examinations are provided.

#### *Promoting Safety Measures*

The Group has taken further measures to promote behavioural change in order to improve employee's awareness of the importance of health and safety. In the factory, smoking and setting off firecrackers are strictly prohibited. Every department shall require employees to switch off electricity supply, close doors and windows and check fire equipment before leaving the factory. Employees shall pay attention to safety when handling heavy objects and seek for assistance if possible. If any machine, instrument or switch malfunctions, or if any attendant feels uncomfortable, gets injured or infected, employees shall report to supervisors immediately.

#### *Safety Precaution and Response*

Fire safety and chemical safety are the major risks in the Group's operations. Fire drills and chemical spill drills were carefully planned, conducted and recorded every year, ensuring employees to be familiar with the emergency plan and able to evacuate and response quickly and safely. There are clear exit channels, emergency lights, firefighting equipment and other safety equipment in the workplace. The emergency exits are cleaned and inspected regularly and shall always be kept clear from obstruction. Spill kits and first aid kits are available at all production sites. They are replaced after use and inspected regularly.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *The Preventive Measures of the Outbreak of Coronavirus Pandemic ("COVID-19")*

In response to the outbreak of the COVID-19 pandemic, the Group has taken measures to enhance health and safety precautions in the workplace to ensure the health of employees and the Group's business continuity. In addition to strengthening the sanitation of its operations, the Group strictly conducts stringent temperature checks at its factories and canteens, requires staff to wear surgical masks at work, and reminds employees of the importance of maintaining personal hygiene. We encourage employees to maintain a safe social distance, avoid group meals, and reduce contact with outside parties.

### **B3 Development and Training**

The Group believes that development and training are crucial for employees to discharge their duties more effectively and efficiently. To nurture talents and support continuous development of employees, the Group has established relevant training policy which caters to the needs of employees from different positions through diversified training models, including but not limited to the orientation and internal on-the-job trainings. Through these training programs, employees can familiarise themselves with the Group's vision and operation, and with professional knowledge.

During the Reporting Period, the Group provided a total of 768 hours of training to its employees, or 2.93 average training hours per employee. Approximately 10% of its employees received training. Training topics includes operation skills, safety measures, and professional knowledge, such as ISO standard and electrical engineering knowledge.

The summary of the Group's average training hour record during the Reporting Period is shown as below:

<b>Group</b>	<b>Unit</b>	<b>2021</b>
<b>By Gender</b>		
Male	Hours	2.26
Female	Hours	3.11
<b>By Employee Category</b>		
Senior Management	Hours	13.71
Middle Management	Hours	1.85
Frontline and Other Employees	Hours	2.84
Average training hours per employee	Hours	2.93

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B4. Labour Standards

#### *General Disclosure*

The Group has formulated internal guidelines and labour policy to ensure that there are no child labour nor forced labour in the Group. No teenagers under the statutory minimum working age will be employed. The Group requires all new employees to provide true and accurate personal identification information. The human resources department is responsible for checking new employees' identification documents, such as identity card and academic certificates, to ensure that they are legally entitled to work for the Group.

In addition, the Group prohibits any form of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude. Any form of discrimination, harassment or bullying is not tolerated. The Group does not force its employees to work overtime in daily operations. Regulation on overtime working hours has been set and compensation leave is provided to employees. All employees have signed the employment contract and agreed on the stipulated employment terms and conditions. If violation is involved, it will be dealt with in the light of circumstances.

During the Reporting Period, there was no material non-compliance with applicable laws and regulations in relation to the prevention of child and forced labour, including but not limited to the Labour Law and the Labour Contract Law of the PRC.

### B5. Supply Chain Management

The Group believes that proper management of its supply chain could help mitigating the indirect environmental and social risks and bring positive impact to the Group, the natural environment and the society. Policies and procedures have been established for the management of the performance of its supply chain.

The Group has established a supplier review and selection system to assess the qualifications of new suppliers and the performance of existing suppliers. The Group arranges on-site audits and reviews the manufacturing process reports, materials details and test reports of the potential suppliers to ensure they meet customers' and the Group's requirements regarding quality. The Group also considers their environmental and social performance to ensure they work in an ethical and responsible manner. Suppliers shall not violate regulations such as Restriction of Hazardous Substances (RoHS) Directive, Waste Electrical and Electronic Equipment (WEEE) Directive, and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). Only companies who pass all audits are qualified to be the Group's suppliers.

For existing suppliers, regular performance evaluations are conducted. According to the Group's assessment system, suppliers are assessed and scored with respect to their quality management, product price, service and punctuality. The Group only selects qualified suppliers that have passed the supplier assessments. Priorities are also given to suppliers awarded with environmental management system certificates. Besides, suppliers are required to sign agreements such as the Letter of Commitment to Restricted Substances and the DML Green Procurement Standards to show their commitments to product quality and environmental performance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B6. Product Responsibility

The Group is committed to providing products and services with high standard of quality, safety and security, and protecting intellectual property right and personal data. To provide qualified products and services to customers, the Group has established a product safety and risk management system. The Group strictly complies with all relevant laws and regulations, including but not limited to Law of the PRC on the Protection of Consumer Rights and Interests, Advertisement Law of the PRC, Interim Measures for the Administration of Internet Advertising, and Product Quality Law of the PRC.

During the Reporting Period, there was no material non-compliance relating to health and safety, advertising, labelling and privacy matters regarding products and services provided.

#### *Product Quality Assurance*

The Group guarantees high product quality and after-sales service. It has established a quality management system in accordance with ISO 9000 Quality Management System, which provides clear processes for various levels of inspections and states the responsibility of different departments. It has also established survey and interview system to collect feedbacks from customers. Queries and feedbacks are answered, rectified, and recorded in a systematic manner.

Different departments of the Group are taking the lead in providing its customers the best possible experience. Responsibilities of each department are presented below.

Departments	Responsibility
Engineering and Technology Department	<ul style="list-style-type: none"> <li>Conduct risk analysis and risk management</li> <li>Provide technical support</li> </ul>
Production Department	<ul style="list-style-type: none"> <li>Ensure safety production</li> <li>Perform risk management</li> </ul>
Quality Management Department	<ul style="list-style-type: none"> <li>Conduct product safety inspection</li> <li>Review suppliers' management capabilities regarding product safety</li> </ul>
Administrative Department	<ul style="list-style-type: none"> <li>Provide training on product safety responsibilities for employees</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Customer Satisfaction*

The Group actively communicates with customers and immediately takes measures to resolve any complaint. When a complaint is received, the quality management department will conduct an internal investigation and analysis. The Group communicates with customers and responds to the complaint within a specified period. If necessary, the market department will arrange the product return process. The Group will document the case and formulate measures for improvement. The figure below outlines the procedures for handling customer complaints:



During the Reporting Period, the Group recalled 6 units of products and received 4 complaints from customers as the appearance of products did not meet customers' requirements. All recalled products are improved under the supervision of quality assurance engineer and all complaints are resolved through communication. No material non-compliance with laws and regulations in relation to product health and safety was recorded and no product was recalled due to health and safety reasons during the Reporting Period.

### *Privacy Protection*

To safeguard corporate or customers' personal data, the Group continues to strengthen the information security system and assigned designated department to govern the authorities and accessibilities of data.

All employees shall observe the employee confidentiality agreement, which states clearly that their obligation to safeguard confidential information. Unauthorised access or abuse of confidential information could result in disciplinary action, including dismissal. Disclosure of business information, business secrets, technical information and other company secrets is also strictly prohibited. Employees can be subject to a civil suit for the breach of confidentiality.

The Group has also installed and updated firewalls to prevent data leakage. Pirated and counterfeit software are also prohibited in the Group. No substantiated complaints regarding the breach of client privacy, identified leak, theft, or loss of customer information was received during the Reporting Period.

### *Advertising and Labelling of Products*

The Group respects the customers' rights and is committed in providing accurate marketing information for customers in connection with their purchase decisions. The Group strictly regulates and reviews the advertising materials to protect the interests of our customers. Labelling of our products should also be accurate, legitimate, clear, and not misleading in order to avoid any non-compliance with relevant laws and regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Intellectual Property Rights*

The Group endeavours to protect intellectual property rights. Intellectual properties and technical specifications of the Group and customers are protected and managed by a designated department. Employees shall not copy or disclose any information, including but not limited to designs, techniques and trade information, to third parties without the Group's consent.

### **B7. Anti-corruption**

The Group believes that honesty, integrity and fairness are fundamental elements to the Group. All employees are expected to discharge their duties in an honest and ethical manner as outlined in the Employee Handbook. The Group has also stipulated the Code of Conduct. Any bribery, theft, fraud and misappropriation are prohibited. All directors and employees shall avoid conflicts of personal interest and their professional duties, and shall not obtain benefits from or provide benefits to customers, suppliers, business partners or other related parties. Employees shall declare all conflicts of interests and all gifts received. Improper benefits including banquets, entertainment, cash, stocks, equities, securities, valuables and properties, etc., shall not be accepted. During the Reporting Period, the Group has arranged a two-hour anti-corruption training session for all Board members and employees to cultivate employees' commitment to integrity in order to create a healthy corporate culture.

All employees are encouraged to assist in tackling fraud, corruption and other malpractice, and report any suspected cases to the management. When there is any suspected case in the violation of laws, regulations or the Group's policy, the Group will investigate and impose disciplinary actions, which could result in dismissal.

During the Reporting Period, there was no material non-compliance with applicable laws and regulations relating to anti-corruption that could have a significant impact on the Group. The relevant laws and regulations include, but are not limited to the Company Law of the PRC and Bidding Law of the PRC.

### **B8. Community Investment**

The Group is committed to operating as a responsible corporate and contributing to the economic and social development of local communities. It continuously works with its partners to support community programmes that bring positive social impacts. It is also dedicated to fostering employees' sense of social responsibility by encouraging them to participate in volunteering service and charitable activities during their working hours and leisure time.

Though the Group does not have policy on community investment, it actively supports elderly and the underprivileged groups to improve their quality of life. During the Reporting Period, 20 employees visited an elderly centre, chatted with the residents, and handed out gift packs, sharing joy and happiness. The Group will continue exploring volunteer opportunities in the future.

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### THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Pollutant Emissions, Wastewater Discharge and Treatment
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Hazardous Wastes
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Non-hazardous Wastes
KPI A1.5	Description of reduction initiatives and results achieved.	Emissions – Air Pollutant Emissions, GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Hazardous Wastes, Non-hazardous Wastes
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Materials

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Significant Impacts of Activities on the Environment
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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, antidiscrimination, and other benefits and welfare.</li> </ul>	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment – Employee Composition
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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.</li> </ul>	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	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.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	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.	Product Responsibility

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Customer Satisfaction
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Satisfaction
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Privacy Protection
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	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.	Anti-corruption
KPI 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.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	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.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment