

TONGDA GROUP HOLDINGS LIMITED

# 2020 Environmental, Social and Governance Report

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

This is Tongda Group Holdings Limited's ("Tongda" or the "Company", together with its subsidiaries, collectively "Tongda Group" or the "Group") Environmental, Social and Governance (ESG) Report (the "Report"). This report aims to disclose the Group commitments, approach and performance in sustainable development to its stakeholders.

## REPORTING SCOPE AND PERIOD

Unless otherwise stated, this report covers the production bases in the PRC where the Group mainly operates the core businesses between 1 January 2020 to 31 December 2020 (the "Reporting Period"), including (i) handset casing and high-precision component; (ii) smart electrical appliances casings; (iii) household and sports goods; (iv) network communications facilities and other. The Group's offices (in Hong Kong, Singapore, Korea, etc.) are for supportive purpose hence do not have significant impact on the Group's overall revenue and sustainable development. Therefore, they are not included in the report and the Group's Hong Kong headquarters had also been excluded from the reporting scope of last report.

## REPORTING STANDARDS

The Report has been prepared in accordance with the disclosure requirements of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") issued by the Stock Exchange of Hong Kong Limited (the "HKEx").

## ACCESS TO THE REPORT

The Report has been prepared in both English and Chinese and is available at the Group's website at [www.tongda.com](http://www.tongda.com) and the website of HKEx. This report is in Chinese and English. If there is any inconsistency, please refer to the Chinese version.

## REPORTING PRINCIPLES

During its preparation, the Group adhered to the reporting principles of materiality, quantitative, balance and consistency in the ESG Reporting Guide. For details, please refer to the following table.

| <b>Principles</b> | <b>Application of reporting principles</b>   |
|-------------------|--|
| Materiality       | In the process of preparing this report, the Group conducted a materiality assessment to determine the major issues that are of vital importance to the Group and its major stakeholders, and then collect and disclose relevant information on major issues in a targeted manner. |
| Quantitative      | Where feasible, disclose the Group's key environmental and social performance indicators quantitatively.   |
| Balance           | The group's ESG performance has been reported in an impartial manner to ensure readers can evaluate performance rationally and objectively.  |
| Consistency       | Unless otherwise stated, the reporting scope (except for the Group's Hong Kong headquarters as stated in the reporting scope) and reporting methods of this report are generally the same as 2019, and annual comparable data are disclosed where feasible.                        |

## FEEDBACK

We value the opinions from our stakeholders, hence we welcome your feedback on our sustainability report and sustainability performance. Please share with us your views via email to [ir@tongda.com.hk](mailto:ir@tongda.com.hk).

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## MESSAGE FROM CHAIRMAN

Dear Stakeholders,

During the Reporting Period, commercial, logistics, social and trade activities were impacted extensively amid the ongoing COVID-19 pandemic across the world, leading to an economic downturn and weak consumption. Against the macro backdrop of the global economic downturn, sustained complications and evolving geopolitical landscape, the Group was fearless in the face of challenges and it managed to reinforce our existing business strengths. Our core handset business benefitted from the growth of customers and increased market share that enabled us to leverage our technological and resources advantages despite dealing with the ever-changing external environment. Consequently, the Group continued to achieve solid business performance.

The Group possesses long-term competitiveness, which is attributable to our outstanding technologies, products, talent and corporate management. Hence, our ESG management approach for this year focused on areas that were vital to sustainable development, including environment protection, management and training of talent, product quality and management of suppliers. We devoted more management resources and explored values by paying attention to every detail in our operations.

Apart from continuously boosting our Research & Development (R&D) capability and innovating our techniques and technologies as regards technology and products, the Group also improved its production capability based on market conditions, constantly optimised manufacturing management procedures and organisational structure, expedited the implementation of automated manufacturing and testing in order to enhance manufacturing efficiency and product quality. To assure that our products meet requirements of our customers and are in compliance with the laws and regulations of importing countries, the Group has constantly optimised both our supply chain as well as our channels, and carefully using raw materials while ensuring our products and safety practice match certification standards. Our factories have been awarded an ISO energy management certification. During the year, we took the initiative to engage an independent third-party organisation to assess the effectiveness of the emission and environment management system of our factories and to ensure that processing procedures complied with standards so as to lay down a solid foundation for us to constantly improve our environmental performance in the future.

On talent nurturing and corporate management, the Group not only provides a healthy and safe work environment for employees as we also support our employees and unlock their potential through communications with employees and training and motivates them to move up so as to attract and retain talent and provide protection for the Group's sustainable development. During the year, we cooperated with two leading international consulting firms to help in a series of optimisation and reform of the organisational structure, with a view to enhancing management efficiency and productivity, reducing operating costs and improving the performance of all businesses. After COVID-19's outbreak at the beginning of 2020, we swiftly led all our production bases and R&D centres to formulate in a timely fashion plans to fight the pandemic, disinfect procedures and work resumption arrangements, with the aim of resuming operation and production at our key production bases after the Chinese New Year holiday. Meanwhile, we strictly implemented measures to fight the pandemic in all production bases, enabling our operation and production to resume in an orderly manner after safeguarding the health of our employees.

With the annual ESG report, we strictly reviewed our governance performance in sustainable development which is such a critical subject. We will continue to improve our core competitiveness, closely monitor market directions and seize opportunities that arise from the industry and leverage our strengths. We will also pay great attention to the harmonious development between the Group's businesses and the environment, society and governance. We aspire to work together with all stakeholders, notably investors, customers, employees and partners. They are welcome to discuss with us continuous improvement recommendations on management issues. In the future, ESG management will continue to be our top priority. While firmly pursuing the Company's sustainable development, we will take up more social responsibilities in order for us to express our gratitude to our stakeholders and all sectors for their support and to create more long-term values.

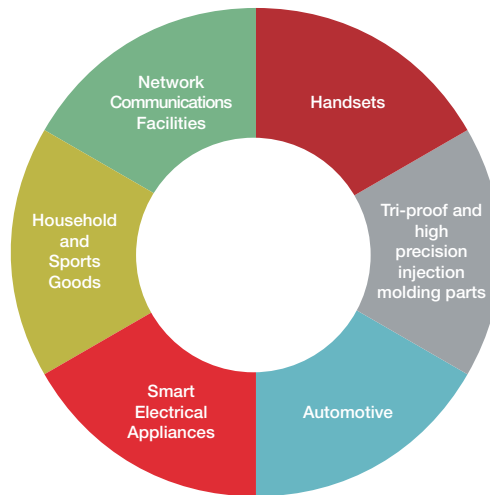
*Chairman and Chief Executive Officer*  
**Wang Ya Nan**  
**Tongda Group Holdings Limited**

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## ABOUT THE GROUP

From its establishment in 1978 and its modest start in the hardware components business, the Group has strategically transformed itself from an appliances-oriented industrial manufacturing enterprise into a globally-renowned and leading high-precision handset components supplier in the technological hardware industry after its listing in 2000 on the Main Board of The Stock Exchange of Hong Kong. The transformation was a product of forward-looking strategies, precise positioning and practical operation, early deployment, steady development and upgrade of facilities, as the Group accumulated numerous patented technologies and as it built a solid customer base. Through the listing, the Group steadily expanded its presence in the market and forged close strategic partnerships with international technology corporations in various fields. The group is firmly committed to communicate with stakeholders in an open-minded and dedicated manner as it works closely with staff to speed up decision making and it focuses on operational efficiency, as well as on promoting holistic balance between good corporate governance, environmental management and corporate social responsibility.

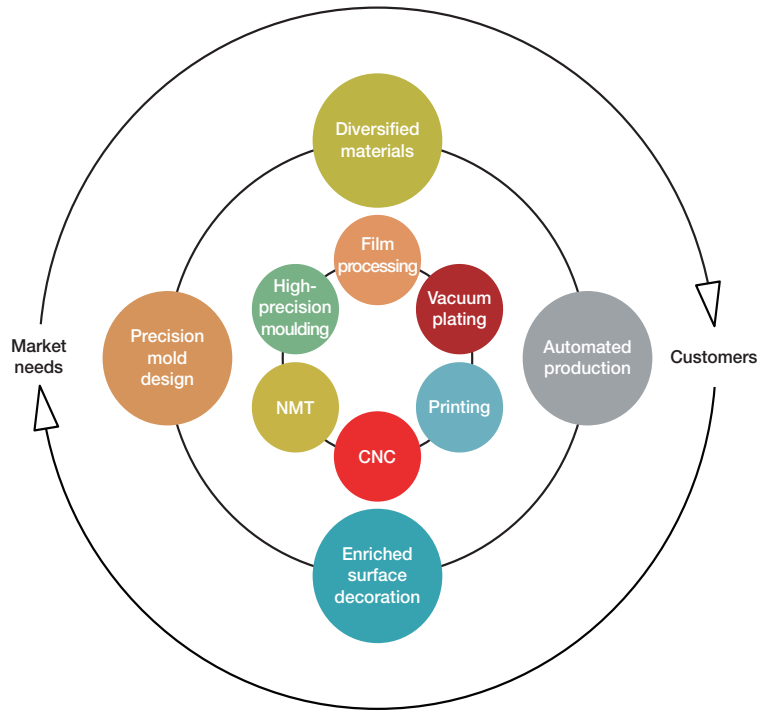
## MAJOR BUSINESS



## CORE VALUES



## OPERATING MODEL



Leverage on innovative technology and craftsmanship, together with a number of leading production technologies and listening to market needs and trends, Tongda continues to improve and develop precision mold designs, diversified raw materials and enriched surface decoration designs to consolidate product strength and diversify Customer base, thereby enhancing the competitive advantage.

## PRODUCTION SCALES AND FACILITIES

The Group is strategically located in Shishi, Xiamen and Dongguan in the PRC as the main production base of the Group. In addition, the Group has established service networks in many regions around the world with approximately 24,000 employees.

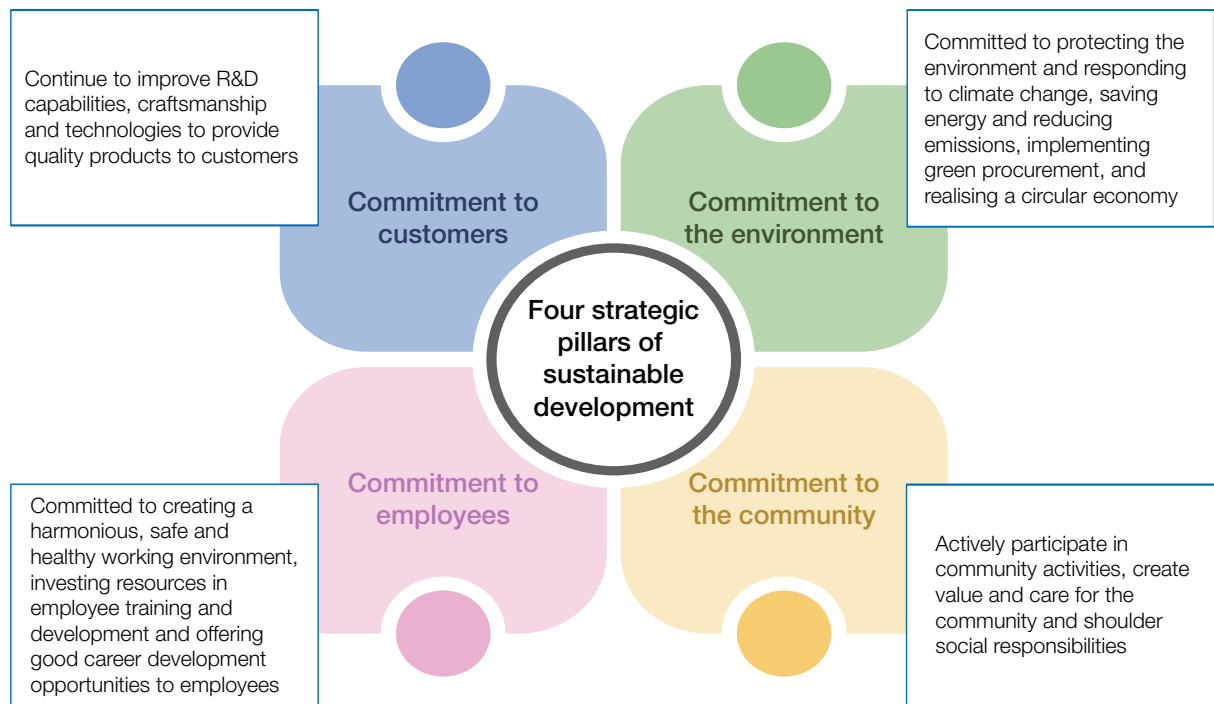
As regards factory facilities, the precision of moulds always directly influence the quality of products to a large extent. Therefore, Tongda requires a very high standard on moulds of precision handset components and other businesses. The production equipment for high-precision and complex mould manufacturing, processing and plastic injection are mainly purchased from leading machine manufacturers in the PRC, Germany and Japan.

Our production processes have been upgraded to use automated equipment, and we strive to gradually achieve the production mode of Industry 4.0, driven by connecting R&D, supply chain, production and customer services more closely to the Internet and big data for more effective management on production process in order to improve product's quality.

## OUR APPROACH TO SUSTAINABILITY

### Sustainability Strategy

The Group strives to achieve sustainable development through technological innovation. The Group is committed to communicating with all stakeholders honestly, openly and responsibly, and incorporating ESG considerations into business development and daily operations. The Group not only focuses on operational efficiency, but is also dedicated to striking a balance among good corporate governance, environmental management and corporate social responsibility, so as to create value for all stakeholders including shareholders, investors, customers, suppliers, employees, government and the community. Our sustainable development strategy is based on four strategic pillars: commitment to the environment, commitment to employees, commitment to customers, and commitment to communities.



### Sustainability Governance Structure

“Sustainable development” is one of the Group’s key philosophies. The Group has in place a cross-departmental ESG working group with members from various departments, such as Enterprise Management Center, Finance, Administration, Human Resources, Procurement, Technical Center, IT and R&D center. The working group is responsible for reporting regularly the Group’s ESG-related work performances to the Board of Directors, identifying and managing major risks, and assisting the Board in devising the Group’s sustainability strategy and regularly reviewing ESG goals. The Board is responsible for overseeing the ESG work of the Group, reviewing annually the Group’s ESG work performance and the report submitted by the ESG working group, supervising to make sure the Group’s sustainability strategy is effectively implemented. It will also relate ESG topics and issues to all departments and units, so that the Group could seize opportunities to improve its sustainability performance.

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## STAKEHOLDER ENGAGEMENT

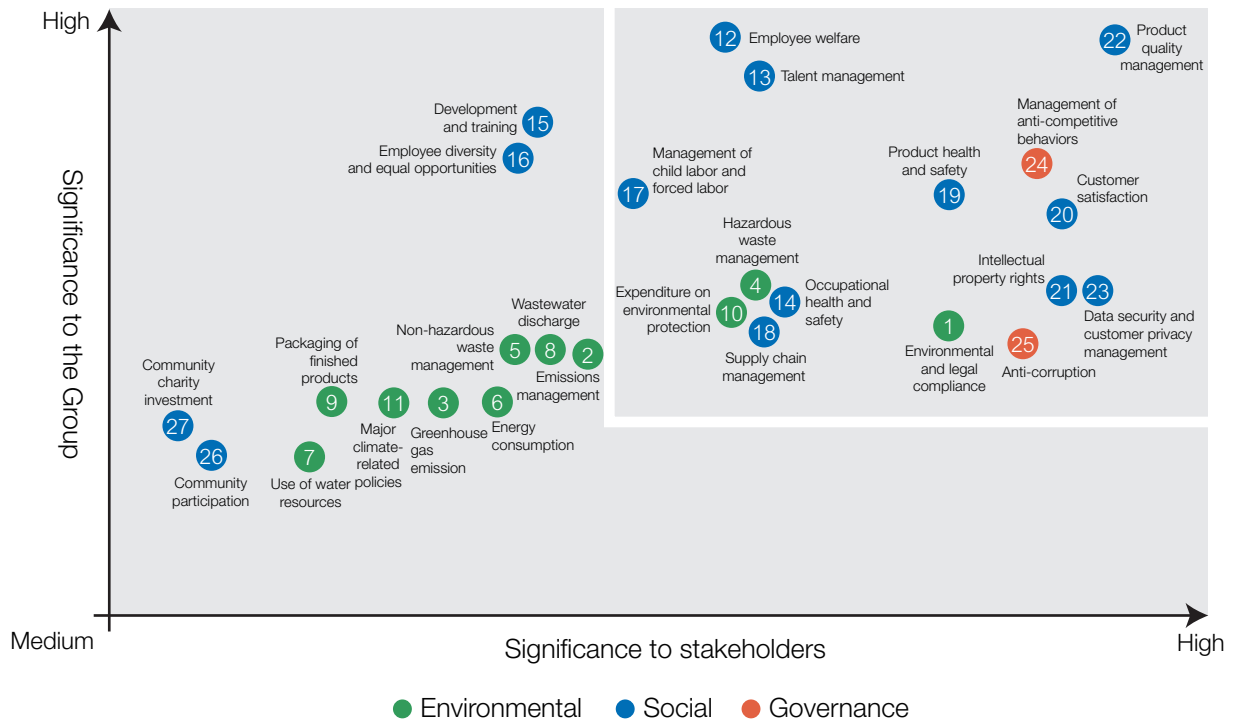
To more effectively fulfil its corporate social responsibility, Tongda Group has worked closely, on the sustainable development front, with stakeholders, including shareholders, employees, suppliers, customers, communities, and Non-Government Organisations. Via various channels and communication platforms, such as financial reports, sustainability reports, surveys, regular dialogues and meetings, the Group has maintained communication with them to understand their expectations and opinions of the Group, aiming to identify the goals most important to both parties, so that relevant improvement could be made with relevant measures.

| Stakeholders                      | Communication channels   | Issues of concern  | The Group's response and measures   |
|-----------------------------------|--|--|---|
| <b>Investors and Shareholders</b> | <ul style="list-style-type: none"> <li>Annual General Meetings and Extraordinary General Meetings</li> <li>Investor presentation</li> <li>Annual reports, interim reports and announcements</li> <li>Investors' meetings</li> </ul>  | <ul style="list-style-type: none"> <li>Safeguard shareholder interests</li> <li>Gain investment returns</li> <li>Disclose important information</li> <li>Understand the business performance and prospects of the listed group</li> </ul>  | <ul style="list-style-type: none"> <li>Convene annual general meetings and extraordinary general meetings</li> <li>Disclose important information</li> <li>Ensure the healthy development of the Company</li> </ul>   |
| <b>Customers</b>                  | <ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Seminars</li> </ul>  | <ul style="list-style-type: none"> <li>Product development and technological innovation</li> <li>Product safety and quality management</li> <li>Information security and trade secret protection</li> </ul>                                | <ul style="list-style-type: none"> <li>Strictly control R&amp;D, procurement and production and so on</li> <li>Respond quickly to customers' needs</li> <li>Improve the quality management system</li> <li>Establish an information security system and access control</li> </ul>   |
| <b>Suppliers</b>                  | <ul style="list-style-type: none"> <li>Supplier conferences</li> </ul>   | <ul style="list-style-type: none"> <li>Supply chain management and sustainable development</li> <li>Anti-corruption and anti-fraud</li> <li>Establish supplier code of conduct in compliance with laws and relevant regulations</li> </ul> | <ul style="list-style-type: none"> <li>Implement a mechanism for including and excluding suppliers</li> <li>Conduct supplier training and audit</li> <li>Sign a letter of undertaking of integrity</li> </ul>   |
| <b>Employees</b>                  | <ul style="list-style-type: none"> <li>Staff hotline, forum and Chairman mailbox</li> <li>Staff care center</li> <li>Employee satisfaction surveys</li> <li>WeChat official accounts with backend message function</li> <li>Internal newsletter</li> <li>Regular training</li> </ul> | <ul style="list-style-type: none"> <li>Employee recruitment and team building</li> <li>Employee development and training</li> <li>Employee rights and protection</li> <li>Occupational health and safety</li> </ul>                        | <ul style="list-style-type: none"> <li>Comply with labor regulations</li> <li>Establish barrier-free communication systems and processes to alleviate mental pressures on employees</li> <li>Optimise career development and training mechanism</li> <li>Provide competitive salaries and welfare</li> <li>Implement health and safety management system</li> </ul> |
| <b>Government/Community</b>       | <ul style="list-style-type: none"> <li>News reports</li> <li>Monitor information reporting and delivery</li> <li>Forums for exchange</li> </ul>  | <ul style="list-style-type: none"> <li>Abide by laws and regulations</li> <li>Promote employment</li> <li>Protect the environment</li> <li>Carry out community charity activities</li> </ul>   | <ul style="list-style-type: none"> <li>Organise voluntary activities</li> <li>Participate in community building</li> </ul>  |

## MATERIALITY ASSESSMENT

With the Environmental, Social and Governance Reporting Guide issued by the HKEx as reference, plus marrying in-depth research and peer analysis, the Group has identified 27 material sustainability topics that are important to it and its stakeholders. It also had internal and external stakeholders to fill out a questionnaire online, and in two dimensions – “importance to the Group” and “importance to stakeholders” – analyzed, ranked, reviews and assessed relevant topics and came up with 15 very important ones for disclosing in this report. The Group will regularly review these topics, make adjustments based on latest development of the industry and the Company, and plan counter measures to help improve its sustainability performance.

- Identification:
  - Potential material topics are first identified by taking reference of the HKEx guidelines and based on the results of past and existing stakeholder communication and industry trend on sustainability development
- Ranking:
  - Invite stakeholders and the Group’s management to fill out a questionnaire online to collect the scores they gave with regard to the significance of potential material topics
- Analysis:
  - Ranked the material topics based on the ranking gauged via the stakeholders and management online questionnaire. Then a quantitative analysis on the materiality issues was conducted and the analysis results were expressed in a matrix form to determine the most important issues at two levels
- Review:
  - Review the assessment process of material issues and identify room for improvement





# Environmental, Social and Governance Report

## ENVIRONMENTAL MANAGEMENT

As a company environmentally conscious and which places emphasis on sustainable development, Tongda Group is committed to protecting the environment, conserving resources, reducing pollution and tackling climate change. The Group pledges to minimise the impacts of environmental pollution, emphasise sustainable development and care for the green environment in all activities.

## TACKLE CLIMATE CHANGE

As natural resources have been consumed, used and collected excessively, the frequency and intensity of incidents such as extreme weather have kept increasing. Climate change has become a major challenge to the world today. The Group is very much alive to the urgency of the issue and has actively responded to the call of the international society by doing its utmost best to realise low-carbon green development in areas such as product design, production processes and waste recycling. It has also adopted green production technologies and sustainable supply chain to help it identify potential impacts of climate change on its business operations and make timely plans to actively respond to climate change.

Responding to emergencies such as severe weathers including strong winds, heavy rain and earthquake, or fire, toxic chemical leak explosion, etc., the Group has laid down “Emergency Preparedness and Response Management Procedures”, which include “Interim Measures for Management of Contingency Plan for Environmental Emergencies”, “Contingency Manual for Environmental Emergencies” and “Measures for Investigation and Handling of Environmental Emergencies”. Heeding Meteorological Bureau forecasts, an emergency command and liaison group will be formed, and if required, employees will be asked to work from home to lower the impacts of severe weathers on the Group and them. We will also consider the impacts of extreme weathers on our warehouses and logistics, and keep improving the facilities of our warehouses. Management work in response to extreme weathers can be generally divided into:



1. Daily management: weather information monitoring, drainage pipeline maintenance, emergency supplies management, etc.
2. Early warning management: release of early warning and information, prepare disaster relief materials, investigate and eliminate potential safety hazards, arrange safety rehearsals, etc.
3. Emergency management: setting up a special task force to deal with the crisis and carry out contingency work
4. Post-disaster management: post-disaster handling, inspection and maintenance of equipment and machinery, and
5. Report and review: post-disaster review on the effectiveness of management measures so as to improve related system

## ENVIRONMENTALLY-FRIENDLY OPERATION POLICY

Regarding the Group's environmentally-friendly operation policies, their main objectives include: 1) improve management of pollution at sources to lower and avoid the impact of wastewater, exhaust gas and solid waste on the environment; 2) conserve resources by enhancing technology and increasing good product turnout; 3) ensure the quality of product materials and suppliers, requiring provision of certificates and testing reports, and 4) encourage employees to raise environmental protection awareness and acquire environmental protection-related knowledge and skills.

The Group places major emphasis on environmental protection and energy conservation and emission reduction. Hence, it fully complies with all applicable environmental laws and regulations, and strictly abides by laws, regulations and policies, including "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Air Pollution", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Integrated Wastewater Discharge Standard", "Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution" and "Hazardous Waste Pollution Prevention Technology Policy", as well as laws, regulations and policies of local authorities. It also regularly reviews compliance of the Group's operations with environmental laws and regulations.

To lower environmental risks, the Group has established an environmental management system that meets ISO14001 standards. All major production facilities have also obtained ISO14001 certification. In addition, a third-party testing agency is hired to conduct dust, solid waste, waste water, exhaust gas and noise tests for the Group annually. During the Reporting Period, the Group's emissions were in compliance with set standards. Some of our factories have management plans drawn up for 2021 with environmental targets and indicators, helping optimise electricity usage and emissions.

The Group's business activities did not pose any material impact on the environment and natural resources. The Group communicates regularly or from time to time with environmental regulators, actively cooperates with regulators on related inspections, and takes initiative to report any major environmental issues.

During the Reporting Period, the Group was not aware of any major violations of relevant applicable laws and regulations regarding the environment aspect.

## GREEN PRODUCTION

### Energy and Carbon Emission Management

Electricity is the main energy source of the Group's businesses, used for operating production plants, where most greenhouse gas emissions of the Group have come from. During the Reporting Period, we continued to improve relevant technologies and consumed electricity of approximately 500,830.77 MWh, similar to 2019. The Group's total greenhouse gas emissions (Scope 1 and 2) were 413,862.25 tonnes of carbon dioxide equivalent, with emission intensity at 0.86 tonnes of carbon dioxide equivalent per square meter. Every year, we compile statistics on annual greenhouse gas emissions and formulate emission reduction targets for the following year.

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The Group produces precision components, and the manufacturing processes such as injection, molding, CNC, polishing, oxidation, etc. require considerable power supply. Hence, the Group has been active in adopting various energy-saving measures in operation to raise energy efficiency and reduce energy consumption. The Group strictly complies with relevant provisions of the “Energy Conservation Law of the People’s Republic of China” and has formulated internal management regulations such as the “Management Regulations for Effective Utilization of Energy Resources” and “Management Regulations for Environmental Pollutants Control” for managing all electrical equipment in its workshops, warehouses, office buildings and security duty rooms, for the purposes of improving energy efficiency, reducing energy consumption and using clean energy, and ultimately achieving the goals of reducing energy consumption and greenhouse gas emissions.

To the same end, the Group has a committee dedicated to development of energy saving technologies set up many years ago, helping it on making effective use of resources while reducing resource consumption and minimizing adverse impacts on the environment. The Group has in place an energy consumption statistical analysis system, a management system for new energy measuring instruments and carries out dynamic monitoring of the entire energy consumption process to improve energy efficiency and aid implementation of its low-carbon strategies. Using energy efficient performance appraisal management, the Group has strengthened energy saving inspection and reduced energy wastage. It also takes into account environmentally-friendly policies and how to best use natural resources in operation.

The Group has drawn up a set of management and implementation details for reducing power consumption. It promotes energy conservation to different departments, has a system to help strictly manage use of air conditioners and operation of air compressors. It monitors electricity consumption of the different departments and monthly statistics are relayed to the departments to let them know the status that they may step up related management, regularly check electricity consumption and root out wastage. Moreover, the Group has been active in pursuing energy saving transformation projects, including upgrading existing equipment (such as adopting advanced energy saving technologies and equipment, such as bringing in electric injection molding machines and switching to energy efficient lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and introducing brand new technologies (such as air conditioning water systems that work on new nano dirt removal technologies).

### Energy saving management implementation:

1. Set energy consumption indicators for various departments and evaluate performances on a monthly basis;
2. Rationalise production lines, e.g. certain production procedures be completed by day shift workers as much as possible so as to utilise sunlight;
3. Power be turned off complete when equipment and machinery production lines are in non-production state;
4. Unattended electrical equipment in living areas shall be controlled by automatic time switches to eliminate power wastage;

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5. Inspect electrical equipment in common living areas and power meters in all dormitories from time to time, and replace timely broken down electrical equipment and power meters;
6. Purchase energy-efficient vehicles; conduct regular maintenance of vehicle fleet to prevent oil leakage; and arrange for staff members with the same commute to share vehicles so as to minimise usage;
7. Train employees to adapt to an air-conditioned temperature threshold of 26°C at the staff dormitory; and
8. Dedicate individuals to take care of all production equipment in the workshop, including the turning off of all equipment after use or when not used for an extended period of time.

The following table provides a summary of our energy consumption and greenhouse gas emissions during the Reporting Period and 2019:

### Energy consumption

|                          | 2020              | 2019 <sup>1</sup> | Unit             |
|--------------------------|-------------------|-------------------|------------------|
| Total energy consumption | <b>550,027.59</b> | 527,385.17        | MWh              |
| Purchased electricity    | <b>500,830.77</b> | 483,224.73        | MWh              |
| Unleaded petrol          | <b>1,637.60</b>   | 1,770.24          | MWh              |
| Diesel oil               | <b>900.50</b>     | 1,017.39          | MWh              |
| Pipeline natural gas     | <b>46,658.72</b>  | 41,372.81         | MWh              |
| Energy intensity         | <b>1.14</b>       | 1.12              | MWh/square meter |

### Greenhouse gas emissions

|  | 2020              | 2019 <sup>1</sup> | Unit                                  |
|--|-------------------|-------------------|---------------------------------------|
| Total greenhouse gas emissions<br>(Scope 1 and 2)          | <b>413,862.25</b> | 398,595.76        | Tonnes CO <sub>2</sub> e              |
| Direct emissions (Scope 1) <sup>2</sup>                    | <b>10,274.21</b>  | 9,071.85          | Tonnes CO <sub>2</sub> e              |
| Indirect emissions (Scope 2) <sup>3</sup>                  | <b>403,588.04</b> | 389,523.91        | Tonnes CO <sub>2</sub> e              |
| Total greenhouse gas emission intensity<br>(Scope 1 and 2) | <b>0.86</b>       | 0.85              | Tonnes CO <sub>2</sub> e/square meter |

<sup>1</sup> Due to the optimization of data collection system, data related to energy consumption and greenhouse gas emission in 2019 has been restated in order to reflect the actual situation.

<sup>2</sup> According to *The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition)* published by the World Business Council for Sustainable Development and the World Resources Institute, Scope 1 direct emission is directly generated by the businesses owned or controlled by the Group, including canteen gas, boiler fuel, vehicle fuel, factory vehicle fuel, refrigerant emission rate of air-conditioning equipment, carbon dioxide emission from fire extinguishers, etc.

<sup>3</sup> Scope 2 indirect emission is generated by the emissions from the electricity consumed (purchased or acquired) within the Group.

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## AIR EMISSIONS MANAGEMENT

The Group strictly monitors and controls discharge of exhaust gas in compliance with laws and regulations such as “Law of the People’s Republic of China on Prevention and Control of Air Pollution” and local policies including “Volatile Organic Compound Emission Standards for Furniture Manufacturing Industry” in Guangdong Province, “Emission Limits for Air Pollutants”, “Emission Standards for Electroplating Pollutants”, “Emission Standards for Air Pollutants from Industrial Furnaces”, “Emission Limits for Air Pollutants from Boilers”, “Regulations of Fujian on the Prevention and Control of Atmospheric Pollution”, “Environmental Protection Management Measures for Construction Projects in Fujian”, and “Xiamen Air Pollutant Emission Control Standards”, to ensure emissions meet statutory requirements and standards. The Group has formulated standards and inspection lists, including the “Management Regulations for Environmental Pollutants Control”, “Emergency Preparedness and Response Control Procedures”, “Operation Practices for Exhaust Gas Treatment”, “Inspection Form for Exhaust Gas Equipment”, “Filter Cotton and Active Charcoal Replacement Records”, and “Maintenance Form for Exhaust Gas Treatment Facilities” in order to ensure that our emissions meet statutory standards. We also commission professional third-party organizations to conduct environmental inspections every year, so as to achieve 100% emission compliance during the Reporting Period.

For the year, the Group emitted approximately 10,109.94 kg of nitrogen oxides (NOx), 1,731.98 kg of sulfur oxides (SOx) and 167.78 kg of particulate matters (PM) during production and from gasoline use. Regarding the exhaust gas from production, through a series of measures has been implemented to control emission and reduce related impacts on the environment.

### Sources of air emissions

### Treatment methods

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>Phosphoric acid mist and sulfuric acid mist are generated in the anodizing process</li></ul>  | <ul style="list-style-type: none"><li>The Group has an alkaline spray tower maintained by dedicated personnel, with inspection done and records well kept. Inspection and maintenance of the spray tower are conducted daily and checked by environmental safety department personnel from time to time</li></ul> |
| <ul style="list-style-type: none"><li>Sulfur dioxide, particulate matters and nitrogen oxides, so on are generated during operation of boilers</li></ul>  | <ul style="list-style-type: none"><li>The Group uses clean energy, natural gas boilers, and a 12-meter tall exhaust gas cylinder to reduce impact</li></ul>   |
| <ul style="list-style-type: none"><li>The spraying process produces benzene, methyl benzene, dimethyl benzene, ethyl acetate, butyl acetate and non-methane hydrocarbons (NMHC), etc.</li></ul> | <ul style="list-style-type: none"><li>The Group has water spraying and activated carbon adsorption treatment equipment installed, arranges maintenance by special personnel and keeps related inspection records</li></ul>  |
| <ul style="list-style-type: none"><li>NMHC and VOCs are emitted in the injection molding, screen printing and drying processes</li></ul>  | <ul style="list-style-type: none"><li>The Group has these processes conducted in closed workshops, and the emissions are collected and treated by “UV photolysis + activated carbon adsorption device” to meet discharge standards</li></ul>  |

In daily operation, the main air pollutants produced by the Group mainly from automobile exhaust emission and natural gas use. To reduce exhaust gas emissions, the Group encouraged employees to take public transports or ride bicycles, and company vehicles are regularly inspected to ensure exhaust emissions meet relevant standards.

The following table summarises our exhaust gas data during the Reporting Period and 2019:

## Air emissions

|                          | 2020             | 2019 <sup>4</sup> | Unit |
|--------------------------|------------------|-------------------|------|
| Nitrogen oxides (NOx)    | <b>10,109.94</b> | 9,325.71          | Kg   |
| Sulfur oxides (SOx)      | <b>1,731.98</b>  | 1,537.02          | Kg   |
| Particulate matters (PM) | <b>167.78</b>    | 174.69            | Kg   |

## WATER RESOURCES MANAGEMENT

### Water Use

The Group mainly uses water for industrial and domestic purposes, and the former mainly in the oxidation and other production process. During the Reporting Period, the Group's total water consumption was 3,735,755.00 m<sup>3</sup>, with water consumption intensity at 7.74 m<sup>3</sup>/square meter. Using a water recycling system, it reclaimed water to replenish water in the air compressor cooling tower, for spraying by the atomization cooling system, in toilets and for other cleaning purposes, etc.

On water consumption management, the Group conducts water balance tests, and has water meters installed at water consumption points to gauge usage, and usage summaries are analyzed and compared monthly to help plug wastage. So far, the Group has not reported any problems with accessing water sources.

The Group strictly complies with the "Water Law of the People's Republic of China" and other relevant laws and regulations. The Group has formulated internal management procedures and standards such as "Management Regulations for Water Consumption". It regularly evaluates and applies water-saving technologies to improve the efficiency of related work and save water. It also strives to reduce water consumption by employing innovative technologies. Personnel are designated to patrol and inspect all cooling towers and water pipes in the Group's industrial parks regularly in a month. If water leakage is found, they will notify each user unit for maintenance in time to prevent leakage and dripping. The concentrate water produced in electrodeionization (EDI) is directed into raw water reservoir for reuse a second time, helping reduce water usage and the Group achieving its annual target of cutting monthly water consumption per RMB10,000 production value.

Specific measures to reduce water consumption:

1. Through upgrading facilities, replacing traditional flush valves with smart flush valves
2. Reuse water with the help of water filtration equipment
3. With the "sponge city" concept guiding, collect rainwater for recycling and greening use

<sup>4</sup> Due to the optimization of data collection system, data related to air emissions in 2019 has been restated in order to reflect the actual situation.

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The following table summarises our water consumption data during the Reporting Period and 2019:

### Water consumption

|                         | 2020                | 2019 <sup>5</sup> | Unit                         |
|-------------------------|---------------------|-------------------|------------------------------|
| Total water consumption | <b>3,735,755.00</b> | 3,700,648.00      | m <sup>3</sup>               |
| Intensity               | <b>7.74</b>         | 7.85              | m <sup>3</sup> /square meter |

### Wastewater Treatment

The Group mainly generates production wastewater and domestic wastewater. The wastewater discharged by the Group complies with the “Law of the People’s Republic of China on Prevention and Control of Water Pollution”, the three-tier control standards under the “Integrated Wastewater Discharge Standard” (GB 8978-1996), and also local policies such as the second time-period of three standards under the “Discharge Limits of Water Pollutant” of Guangdong Province (DB44/26-2001), “Xiamen Water Pollutant Discharge Control Standards”, Level 1 Standard B under the “Pollutant Discharge Standard of Municipal Wastewater Treatment” (GB18918-2002), Type IV Standard under the “Environmental Quality Standards for Surface Water” (GB3838-2002), and Table 2 Pearl River Delta Water Pollutant Discharge Limit under the “Electroplating Water Pollutants Emission Standard” (DB 44/1597-2015) in Guangdong Province, to ensure the wastewater discharge meets all legal standards, developed internal policy such as “Management Regulations for Water Consumption” and “Operation Regulations of Sewage Treatment System”. Professional third-party organizations are brought in to conduct environmental inspections every year.

During the Reporting Period, the Group discharged a total of 560,401.00 tonnes of wastewater. The wastewater, industrial and domestic, is processed at on-site sewage treatment plants or municipal sewage treatment plants. The factory has specific post-treatment procedures to process hazardous waste before discharging. Wastewater, for example, is processed in aerobic tanks. Regarding the wastewater generated in production processes, a series of corresponding measures have been implemented to control the discharge and recycle the wastewater, helping reduce impacts on the environment. Major measures included:

- Anodic oxidation and cleaning produce total phosphorus and electroplating wastewater. An online monitoring device operated by a local environmental protection bureau-approved third party is installed at the sewage discharge outlets
- Wastewater containing CODcr, ammonia nitrogen and total nitrogen is first processed on site, then by a third party. Pretreatment includes adjustment, two-stage precipitation reaction, coagulation precipitation; advanced treatment includes grilling, grit tank, oxidation ditch (AAO), sedimentation tank and de-nitrification tank
- Nickel-containing wastewater is processed by a separate wastewater treatment system to achieve “zero” total nickel discharge. The nickel-containing residual liquid is delivered to a qualified unit for recycling and treatment

<sup>5</sup> Due to the optimization of data collection system, data related to water consumption in 2019 has been restated in order to reflect the actual situation.

- After pretreated separately, other phosphorus-containing and dyeing wastewater, together with other wastewater, are processed by the integrated wastewater treatment facility and water recycling facility to reach the production and product water standards under the “Reuse of urban recycling water – Water quality standard for industrial uses” (GB-T19923-2005) and the specific water quality standards required by the project concerned, and then reuse in production as cleaning water by the anodizing production line, the automatic electrophoresis line, the automatic nano pre-oxidation line and automatic pretreatment line, and ultrasound operation.

Wastewater management – acidic water employing separation method

Since 2019, in order to save the cost of wastewater treatment, the Group re-planned treatment of workshop acidic wastewater based on technical analysis and monitoring, re-plan the acidic water pipe network and use PVC pipes and fittings as materials, and was able to extract usable acidic wastewater to replace sulfuric acid, and then recycled it in the wastewater treatment system. This measure has effectively and successfully reduced the use of sulfuric acid and the disposal of acid-containing wastewater.

The following table summarises our wastewater emission data during the Reporting Period and 2019:

Wastewater emissions

|                            | <b>2020</b>       | 2019 <sup>6</sup> | Unit   |
|----------------------------|-------------------|-------------------|--------|
| Total wastewater emissions | <b>560,401.00</b> | 554,833.04        | Tonnes |

<sup>6</sup> Due to the optimization of data collection system, data related to wastewater emissions in 2019 has been restated in order to reflect the actual situation.



# Environmental, Social and Governance Report

## WASTE MANAGEMENT

On waste management and recycling, the Group divides waste into two categories: non-hazardous waste and hazardous waste. It carries out waste sorting and recycling management in accordance with laws and regulations including the “Law of the People’s Republic of China on Prevention and Control of Solid Waste Pollution” and the “Hazardous Waste Pollution Prevention Technology Policy” and other policies. The Group has formulated internal management procedures and standards such as “Management Regulations for Environmental Pollutants Control”, “Hazardous Waste Management Procedures”, and “Waste Disposal and Recycling Management Regulations” to manage waste by classification and through recycling. Matching national laws, regulations and standards, the Group reduces waste, makes it harmless and turns it into useful resources, striving to improve the efficiency of resource utilization. It has in place a contingency plan to deal with potential accidents that may occur in production, storage, logistics and disposal of hazardous waste.

Hazardous waste includes the sludge from wastewater treatment, waste activated carbon, waste cutting fluid, waste lubricating oil, wastewater from water curtain cabinet, waste organic solvents, etc. The Group identifies and processes the substances strictly following local regulations to ensure safe treatment, delivery, storage, use, recycle or reuse and disposal of them, aiming to minimise the environmental impacts associated with the solid waste generated by the Group in operation. For example, each plant has a special storage room and method to sort and store different materials, such as placing oil paints and other substances in corresponding secondary containers at ventilated and thermostatic places. Moreover, the Group handles wastes depending on the situation. In general, wastes are transported only when accumulated to a certain volume to reduce transportation costs and carbon emission. Production plants have post-treatment measures to deal with wastes emitted during the production process. For example, wastes are collected by the source units and stored in the hazardous waste warehouse, then the procurement department is responsible for contacting qualified hazardous waste handling units for lawful transfer and processing of the wastes. Apart from ensuring that no hazardous substances are emitted in post-treatment, external companies, which are approved by the Energy Information Administration (EIA) are engaged to evaluate and make sure the emitted substances are hazard-free. Annual inspection of the production bases is also conducted by local environment protection authority.

Regarding waste management and recycling, during the Reporting Period, the Group recorded approximately 6,893.69 tonnes of non-hazardous waste, 4,258.49 tonnes among them are reusable waste. And, the Group recycled over 4,000.00 tonnes of waste including metal, wood and plastic generated during the Reporting Period. Paint residues and greasy wastes produced by the Group amounted to approximately 3,495.34 tonnes in aggregate. Such hazardous wastes and paint residues are manually salvaged, bagged, drained and then stored in special warehouses. Greasy wastes are collected, bagged and stored in special warehouse. As required by the “Standards on Storage and Pollution Control of Hazardous Wastes”, the Group entrusts qualified units to transfer and process the hazardous wastes. It follows the transfer and processing system as well as reporting and registration system as prescribed by local authorities.

# Environmental, Social and Governance Report

## Hazardous waste

- Hazardous waste producing units must have related past year data to report to and register with the environmental protection department
- Keep hazardous waste management records, register and file hazardous waste management plans
- Collected by the source unit and stored in hazardous waste warehouse, then the procurement department is to contact a qualified hazardous waste unit to carry out lawful transfer and processing
- Warehouse Management Department recycles all hazardous waste

## General waste

- Keep waste disposal record
- Store pollutants separately, sort waste to ease treatment
- Hire professional recycling service

The following table shows the waste discharge data of the Group during the Reporting Period and 2019:

### Hazardous waste

|                                 | 2020            | 2019 <sup>7</sup> | Unit                |
|---------------------------------|-----------------|-------------------|---------------------|
| Total amount of hazardous waste | <b>3,495.34</b> | 2,797.01          | Tonnes              |
| Hazardous waste intensity       | <b>0.01</b>     | 0.01              | Tonnes/square meter |

### Non-hazardous waste

|   | 2020            | 2019 <sup>7</sup> | Unit                |
|---|-----------------|-------------------|---------------------|
| Total amount of non-hazardous waste       | <b>6,893.69</b> | 5,099.57          | Tonnes              |
| Disposal of non-hazardous waste           | <b>2,635.20</b> | 1,365.85          | Tonnes              |
| Recycling quantity of non-hazardous waste | <b>4,258.49</b> | 3,733.72          | Tonnes              |
| Total non-hazardous waste intensity       | <b>0.01</b>     | 0.01              | Tonnes/square meter |

<sup>7</sup> Due to the optimization of data collection system, data related to waste discharge in 2019 has been restated in order to reflect actual situation.

# Environmental, Social and Governance Report

## PACKAGING MATERIAL MANAGEMENT

The Group uses packaging materials mainly for packaging finished goods. It has set the “Standards for Product Packaging Design” and “Product Packaging Management Procedures”, which serve as the guidelines for determining the qualifications of components to be delivered as well as self-manufactured packaging, and that packaging materials are compliant with the Standards. By cutting down material use, reusing and recycling of packaging materials, the Group improves the efficiency of packaging materials use, and by reducing use of packaging materials, the size and weight of packages are kept at minimum levels.

The packaging materials used by the Group include carton, blister box, corrugated paper, vacuum bag, plastics, wood and metal. To optimise resources, the Group used approximately 13,386.89 tonnes of packaging materials in aggregate for finished products during the Reporting Period, with a density of 0.03 tonnes per square meter.

To save paper, each department needs to submit a paper budget to the Human Resources department and lay down guidelines for recycling all single-side used waste papers. The Group encourages employees to use the intranet for communication with each other to achieve 50% paperless operation step by step, as well as the annual goal of reducing the packs of A4 paper used monthly per RMB10,000 production value.

The following table shows the packaging material data of the Group during the Reporting Period and 2019:

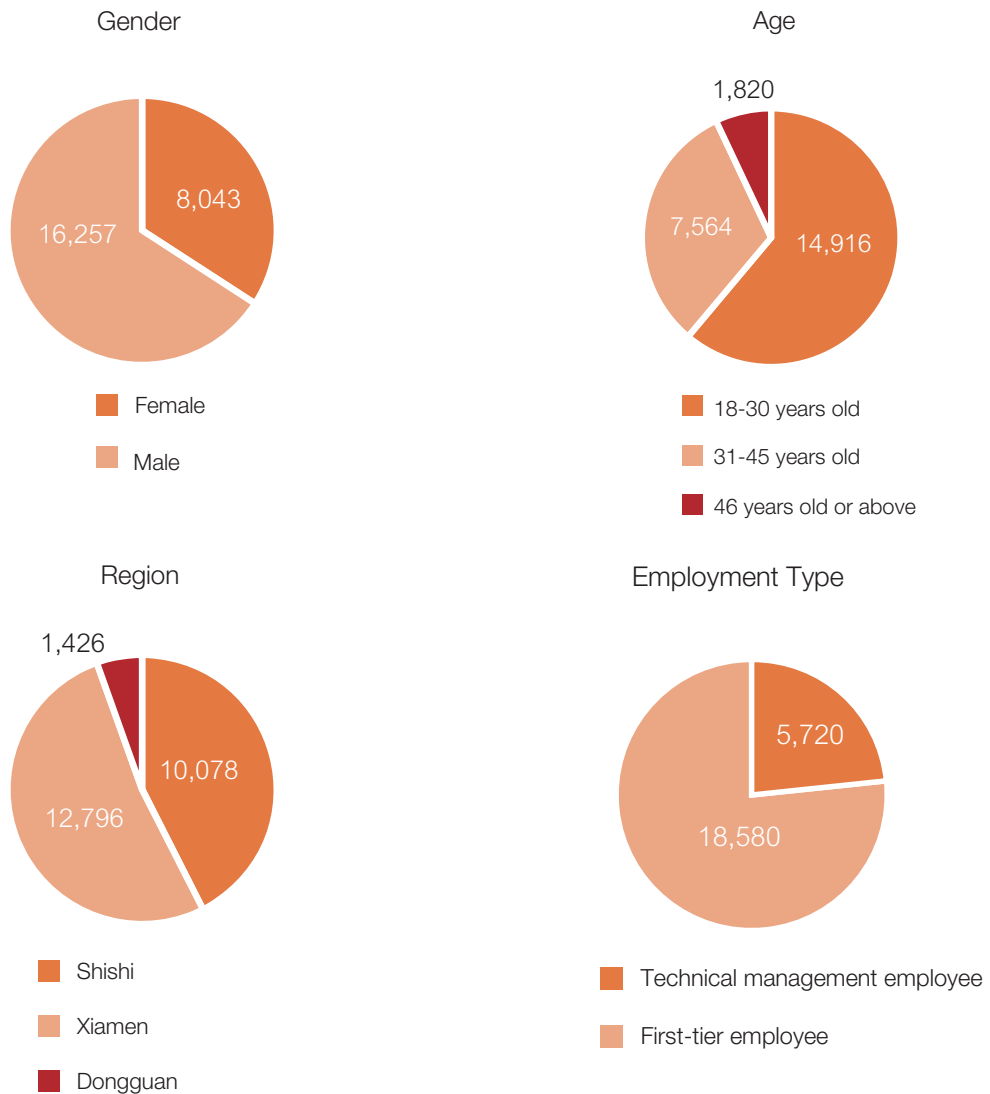
|  | 2020             | 2019 <sup>8</sup> | Unit                |
|--|------------------|-------------------|---------------------|
| Total materials used in the packaging of finished products | <b>13,386.89</b> | 14,844.95         | Tonnes              |
| Paper  | <b>9,092.57</b>  | 9,656.45          | Tonnes              |
| Plastic  | <b>3,429.00</b>  | 4,378.00          | Tonnes              |
| Timber   | <b>550.00</b>    | 551.00            | Tonnes              |
| Metal  | <b>315.32</b>    | 259.50            | Tonnes              |
| Intensity of packing material                              | <b>0.03</b>      | 0.03              | Tonnes/square meter |

<sup>8</sup> Due to the optimization of data collection system, data related to packaging material in 2019 has been restated so as to reflect actual situation.

## COMMITMENT TO EMPLOYEES

Upholding the “people first” policy, the Group is of the view personnel management is an important key to achieving sustainable business development. Thus, we believe having good personnel management and training programmes can help to improve the abilities of its employees, and in turn enhance its overall business performance. Regarding employee management, the Group strictly complies with the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China”. It is also committed to creating a harmonious, fair, safe and healthy working environment for employees, and hopes to enhance their sense of achievement by offering them training and promotion opportunities, and ultimately to create value for and help the Group in achieving sustainable development. As at the year end of FY2020, it employed more men than women workers as work nature of the Group is more physically demanding. However, the Group does not discriminate against genders in recruitment. As at 31 December 2020, the Group has approximately 24,000 employees. During the Reporting Period, the Group was not aware of any material breaches of laws and regulations related to employment and labor standards.

## NUMBER OF EMPLOYEES BY GENDER, AGE, REGION AND EMPLOYMENT TYPE



# Environmental, Social and Governance Report

## TALENT MANAGEMENT

To meet demand for and supply of various products, each department of the Group will timely review and confirm the need for additional manpower based on existing and expected staffing and production capacity, and submit written recruitment applications. The Human Resources (“HR”) Department also assesses the progress of recruitment work on a monthly basis. In addition, the Group encourages and advocates equal opportunities and diversity. It also brings in talent through different recruitment methods, including open hiring, internal referral and campus recruitment. It forbids engagement in or support discrimination based on ethnicity, social class, gender, etc. in such areas as recruitment, salary and promotion. To hire the most suitable talent, the Group will arrange interviews based on job requirements, making sure it is best capable of identifying and retaining the right talent. New recruits must receive orientation training jointly conducted by the HR department and correspondingly department before starting work.

### Development and Training

As one of the most important assets of the Group, the Group has staff development and training policies designed to help employees realise their potentials. With the Group’s operation involving a lot of new and professional technologies, to ensure employees are equipped with the latest knowledge and expertise while performing safe production, we arrange various types of internal and external job-related knowledge and skill training, including a wide array of development training for different positions, for example, courses on professional and management skills, OHSAS18001 basic knowledge training and Restriction of Hazardous Substances Directive 2002/95/EC training. The Group also supports employees in taking various external qualification examinations or attending seminars. If deemed appropriate, the Group will also invite employees in different senior positions to share their experiences as a way to foster exchange and team spirit among employees.

### Training programmes classified by position and level

Job training covers mainly skills improvement and safe operation:

|                             |   |
|-----------------------------|---|
| Skills improvement training | To strengthen employees’ knowledge of business operations and skills, the HR department organises skills improvement training annually, and basic job knowledge training will be organised internally by corresponding department.                                  |
| Safe operation training     | To strengthen safety awareness and ability to handle safety-related incidents of employees, the safety office organises safety training according to the annual safe operation training plan, which is different from the general safety training for new recruits. |

Regarding training for different level employees, the HR Department offers training based on the skill set required at different levels. It also provides uniform training and set it as a condition in assessment for promotion.

|  |   |
|--|---|
| Job skills and professional knowledge training | Each unit should identify promotion needs based on business development, formulate a promotion and development plan for each position, and arrange courses and organise training according to the plan. |
| Training course for promotion                  | The HR Department formulates a promotion and development plan according to job requirements of a position or a job level, and organises training and assessment according to the plan.                  |

In addition, the HR Department will compile an “Annual Training Summary Report” on the training results of a year. By examining the training needs of various departments, the report is helpful to the department in formulating the next “Annual Training Plans” that can meet the business needs, as well as strengthen employees’ knowledge and skills.

The “Annual Training Summary Report” includes:

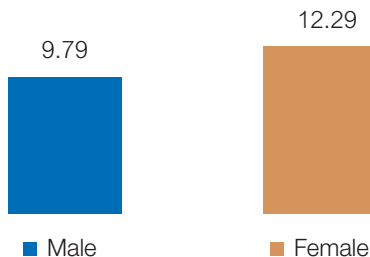
- 1) Analysis of training achievement rate and the reasons for not implementing the plan;
- 2) Status of external training, including quantity and training areas;
- 3) Evaluation of training results and issues analysis;
- 4) Key issues or suggestions to be addressed in the following year.

“Annual Training Plan” includes:

- 1) The annual training plans have to tie in with training results in the previous year and take into account the Group’s overall approach and goals for the year;
- 2) Change in functions or structure of departments or introduction of new technologies (processes), new equipment or change in production conditions;
- 3) Projects added by government bodies or with special requirements due to change in system standards.

During the Reporting Period, the Group had arranged more than 258,023 hours of training courses for employees. Average training hours by gender are as follows:

Average training hours by gender



# Environmental, Social and Governance Report

## Career Development

Regarding staff promotion, the Group will base on business development needs and the principle of “training before taking up a job”, and where feasible, as well as the ability of existing employees, to promote the most qualified employee to fill a vacancy and help improve employees’ work efficiency and sense of belonging through a series of training programmes. The Group will regularly review possibility of personnel transfers. In case an employee requests to change to another job position, the Group will make assessment and the corresponding transfer, if deemed appropriate, as soon as possible, the aim of which is to enable employees to work in the most suitable department that they could have greater job satisfaction and deliver more efficient work.

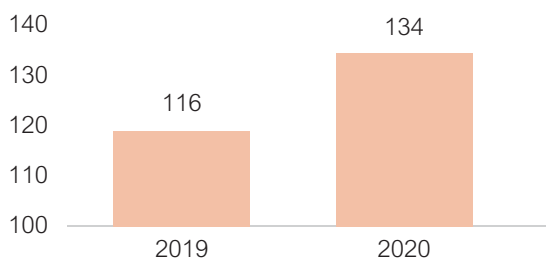
Regarding resignation, at the signed approval of the department, the HR Department will carry out handover procedure with existing employees as the “Resignation Procedure Checklist” prescribes. For an employee whose Labor Contract with the Group had expired and not renewed, employment would automatically be terminated. The Group will, as rules require, pay his/her salary and settle remuneration for work done. Should there be any serious violation of rules, we will handle the matters in accordance with the “Labor Contract Law” and related regulations to terminate employment.

## Employee Welfare

The Group provides employees with comprehensive remuneration packages and benefits according to regulations, including offering salary not lower than the local minimum wage and that meets or exceeds the basic requirements of employees. The Group strictly controls the working hours of employees and provides overtime compensation in the form of compensatory leave or overtime pay, if required. The Group also has a staff cafeteria in the factory, where employees can enjoy high-quality and healthy meals at lower prices and interact with each other during lunch time, as the Group believes can enhance employees’ productivity.

The Group listens to employees and encourages them to use different channels to share their ideas, raise questions and suggestions about the management, fellow colleagues and partners. The management will timely consider and adopt their opinions. In addition to written communications, the Group also organises different types of activities for employees and reserves funds to support group activities to the ends of helping relieve work pressure of and strengthen ties among employees. These activities include regular birthday parties and outstanding employee selection. During the Reporting Period, the Group organised over 134 activities.

Total number of activities





In May 2020, Shishi production base held the “1st May Advanced Workers Symposium” to affirm the good performances of employees in their respective positions and set expectations and higher standards on future work. Also, the workers were recognised and rewarded as a move to encourage employees to realise their full potential.



In July 2020, the Shishi production base held the Semi-Annual Outstanding Cadre Commendation Conference with the aim of encouraging employees to promote Tongda’s innovative and proactive spirit to help hasten development of the Group. A total of 80 workers joined the event.



The Group organised the Mid-Autumn Festival seminar with a total of 100 workers including management joining the seminar, the seminar aims to promote Tongda’s spirit and let employees learn more about the Group’s achievements over the years to enhance employees’ sense of belonging.



## Environmental, Social and Governance Report



In October 2020, Tongda's HR Department participated in an experiential outdoor outreach event with the objective being to improve collaboration within the department, boost cohesion and help team members relax physically and mentally. 50 workers participated in an 10 hours event.



In addition to special corporate and voluntary activities, the Group cares about its employees and organises regular internal activities to bring the management and employees closer. In December 2020, the Christmas party organised by the Group integrated games through different themes, thus greatly enhanced their sense of belonging.



The Group's employees in the PRC will be entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC. In addition to local statutory holidays such as the basic paid annual leave and maternity leave, female employees are also entitled to prenatal leave.

## COMMUNICATION WITH EMPLOYEE

The Group values the opinions of employees and believes good employee relations are crucial to long-term development of its business. Therefore, effective communication channels have been set up for employees in different age groups and assistance appropriate to their needs is offered, with the aim of maintaining a harmonious work place, and ultimately enhance work efficiency and productivity as a whole.

Channels to access the latest information of the Group are as follows:



Ways to share opinions:

- Set up an Employee Relations Department, to receive and understand employees' opinions and demands;
- Set up a 24-hour employee care hotline with dedicated staff to answer the calls and handle employees' requests;
- To fit the means of younger generation, younger employees can leave comments online or via the backend of corporate WeChat;
- Set up an employee care room to address their concerns at source;
- Set up an anonymous mailbox to regularly collect employees' thoughts and opinions, and
- Set up a Chairman mailbox to receive reports about corruption or irregular behaviors/related suggestions.

# Environmental, Social and Governance Report

## LABOUR STANDARDS

The Group strictly abides by the “Provisions on the Prohibition of Using Child Labor” and the “Law of the People’s Republic of China on the Protection of Minors”, and has formulated the “Management Rules about Child labor/ Underage worker/Students” with the aims of strengthening and regulating management of children and student workers, safeguarding their physical and mental health and legal rights, and promoting voluntary education. All works are voluntarily performed and shall not involve forced labour, debt repayment or contractually bound labour or involuntary prison labour. The Group prohibits recruitment of child labor, or workers aged below 15 (or at legally forbidden age). The HR Department also checks identity documents and conducts interview to verify the age of candidates before hiring. Should the Group discover any child labor, it would rectify the situation according to the “Child Labor Rescue and Help Procedures”, terminate the employment and arrange a physical examination to check the health of the child, and the expenses would be bore by the Group.

We do not tolerate forced labor through violence, threats, coercion or unlawful restraint. The Group does not tolerate any physical, sexual, psychological or verbal harassment or abuse of employees. We have procedures in place to ensure relevant policies are properly implemented throughout the Company. These include giving relevant training, employee interviews and surveys, and conducting onsite visits and audits regularly. Issues or enquiries raised by employees via different channels will be handled and investigated by the Group carefully and in strict confidence. During the year, the Group did not find any child labor or forced labor.

## BUSINESS ETHICS

All employees of the Group must abide by the “Law of the People’s Republic of China on Countering Unfair Competition” and the “Criminal Law of the People’s Republic of China” and other relevant regulations on prohibition of commercial bribery and related management regulations on integrity and self-discipline. Upholding the principle of “Observing the law, integrity, fairness and justice”, the Group refuses and precludes commercial bribery and gifts associated with other unscrupulous business behaviors. To effectively regulate and ensure the business ethics of the Group, and prevent internal commercial bribery and improper receipt of advantages, the Group’s “Code of Business Ethics” prescribes, among others:



Written confirmation from employees are needed when they join the Group and every year thereafter, that they understand the code of conduct applicable to their duties and positions. They must strictly follow the code of conduct to ensure compliance with the highest business conduct and ethical standards. The Audit and Risk Committee will assist the Board of Directors in monitoring the Company's risk management and internal control systems and also assess from time to time the Group's code of conduct to keep up with the changing business environment.

Informants can report suspicious cases anonymously to the ethics committee through e-mail, mailbox and hotline. The HR Department will relate the case to the relevant department after investigation, and the department must review the outcome and formulate effective preventive and improvement measures within three working days and submit them to the HR Department. The Finance Department also works with the HR Department to review internal conduct that may involve commercial bribery at least once every six months.

The Group encourages employees to report in real name behaviors that harm its interests, providing factual evidence of violation for formal investigation to be carried out quickly. To effectively protect the interests of whistleblowers, all materials related to the report will be kept strictly confidential. During the year, the Group did not receive any report concerning business ethics.

### ETHICAL RESPONSIBILITIES

- Avoid conflict of interest:
  - Report the relationship with cooperative partners (including suppliers and employees)
  - Employees shall not accept or ask for cash, gifts, benefits or hospitality in any amount
  
- Anti-corruption:
  - Report and handover monetary or non-monetary gifts received from outside parties
  
- Anti-competitive practices:
  - Be cautious when conducting business with competitors
  - Provide guidance to subordinates when they seek anti-corruption related advice
  
- Enhance ethical awareness of employees:
  - Provide monthly and annual business ethics training to new and existing employees
  - Ensure employees sign the business ethics agreement at the beginning of each year
  - Encourage subordinates to report any suspicious corruption case

# Environmental, Social and Governance Report

## ANTI-CORRUPTION

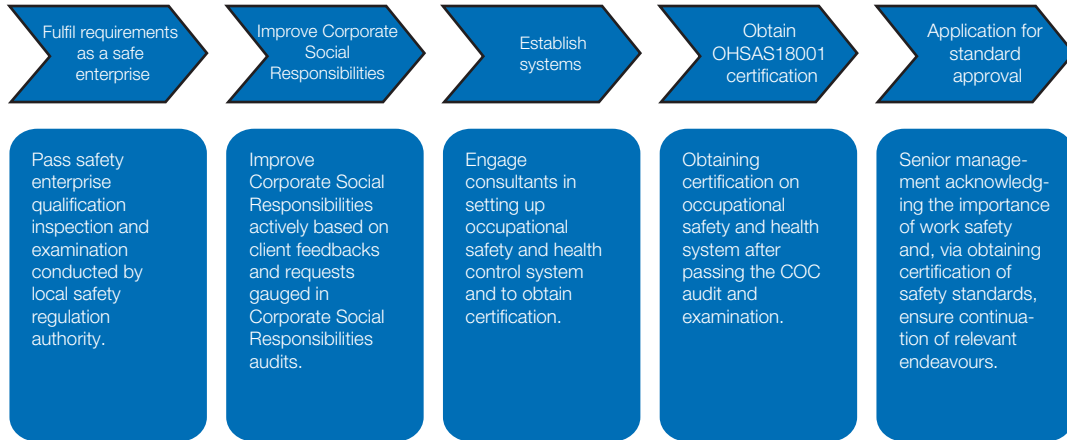
As important as business ethics, the Group is committed to weeding out acceptance of improper benefits from including all forms of corruption, extortion, bribery, fraud, money laundering and embezzlement of public funds. The Group has formulated “Regulations on Anti-Commercial Bribery Management”, “D1 Business Conduct and Ethics Procedures” and “TDSS-GL16 Anti-Corruption and Promoting Integrity Management System”, all aim to regulate business conduct and employee ethics, fight against corruption and bribery as well as provide reporting and monitoring methods for corruption and bribery cases. All employees have to sign the “D006 Self-Inspection Form for Integrity and Honesty” which sets the bar for employees’ behaviors at work. It ensures employees who refuse to be involved in business-related bribery or rebate will not be subject to demotion or other adverse consequences. The Group also has all department heads receive anti-corruption training once a year.

To ease reporting of incidents by employees, the Group has established the mailbox for corruption reporting, with the reports received and handled directly by the Executive Deputy General Manager, who can designate specific personnel to form an investigation team to examine and verify the authenticity of the reported matter. Employees also need to be conscious and acceptable to being monitored and be monitors and boldly report violations of anti-corruption regulations. In case the department head discovers any violations, he or she should immediately stop related behaviors and report the case to the General Manager Office. Any attempt to conceal, condone or harbor those behaviors is strictly prohibited.

To protect the interest of whistleblowers, all reported materials are kept in the strictest confidence by the Group. There was no concluded corruption related litigation brought against the issuer or its employees during the Reporting Period. Also, the Group was not aware of any material breaches of applicable laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering.

## OCCUPATIONAL HEALTH AND SAFETY

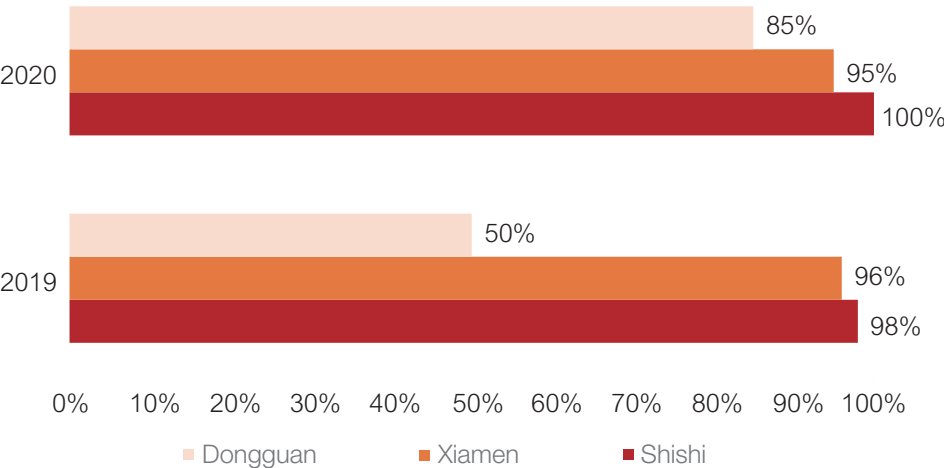
While striving to grow its business, the Group also regards protecting employees' health and safety as a top priority. It strictly abides by relevant laws and regulations, including but not limited to the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", the "Safety Production Law of the People's Republic of China" and "Regulations for the Safe Use of Chemicals in the Workplace", in the hope of eliminating and reducing risks via supervision at all levels. It also provides necessary resources to encourage embrace of health and safety, thereby create a safe working environment. To match the requirements of national laws and standards on the prevention and control of occupational disease hazards, and to strengthen the management and standards of occupational disease hazard prevention and control, plus effectively protect the health and safety of workers at work, the Group has set up an "Occupational Health Management System" based on relevant regulations including "Prevention and Treatment of Occupational Diseases" and "Provisions on the Supervision and Administration of Occupational Health at Work Sites", helping drive the establishment of industrial production safety systems. The Group's subsidiaries have also obtained certifications on occupational health and safety, namely OHSAS18001 and ISO45001 certification. The Group manages the safety and hygiene of its plants in accordance with the Labor Safety and Health Act and gives regular safe production and fire safety training to employees to raise their safety awareness. In addition, the Group provides employees in the PRC with appropriate labor protection supplies to ensure their safety and health at work. Relevant steps are as follows:



The Group has full-time safety officers in its factories to carry out daily safety inspections to check for any potential dangers and possible consequences of them. They will then immediately request the adjustment to be made. Occupational health management organizations will also provide pre-employment and regular on-the-job training (including operation position safety training, chemical operation safety training, fire safety training and special training offered by government bodies) and assessments to the Group's employees who are exposed to occupational disease hazards, making sure they master all necessary skills to prevent and control occupational hazards. In addition to regular internal training, the Group also forms voluntary fire-fighting teams to partake in government-held fire-fighting skills contest every year to help it improve related skills. During the Reporting Period, the Group was not aware of any material breaches of applicable laws and regulations regarding occupational health and safety.

# Environmental, Social and Governance Report

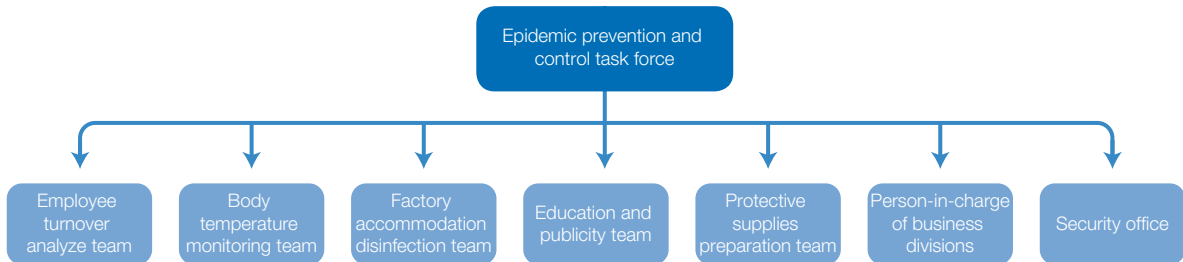
Proportion of employees participating in safety training (by region)



## COVID-19 PRECAUTIONARY MEASURES

To avoid large-scale COVID-19 outbreak in the Group's production bases, the management has quickly introduced a number of precautionary measures including leading the production bases and R&D centers to set up COVID-19 prevention and control task forces to formulate related plans, disinfection procedures and work resumption arrangements, so that normal production may resume as quickly as possible. The task forces have dedicated teams, responsible for body temperature monitoring, education and publicity and preparing prevention and protective supplies. They will use the enterprise WeChat platform to timely disseminate latest government infection control requirements and relay infection prevention knowledge to help raise the awareness and ability of employees to protect themselves. All personnel must present their health codes and check body temperature before entering the factory. After work resumed, the Group has continued to adopt strict infection control and preventive measures, including separating tables at canteens with partitions, reducing close contact among employees, maintaining good ventilation systems and providing surgical masks to employees. It aims to lift work resumption rate while assuring employees' health. It will also regularly disinfect and sterilise various zones in its factories to ensure the safety of factory personnel. During the Reporting Period, the Group did not have any reported case of COVID-19 infection, evidencing the effectiveness of its preventive measures.

### Organizational structure of the epidemic prevention and control task force





# Environmental, Social and Governance Report

## COMMITMENT TO CUSTOMERS

The Group ensures and constantly improves product quality in the development, design, manufacturing and sale processes to achieve sustainable development. It has adopted the 6S management system and built a comprehensive quality control system to assure orderly and highly effective production. Aware that emissions from its production bases might have negative impact on the environment, other than providing quality products meeting local standards, the Group also does its best to merge sustainable development concepts with its products to make them more environmentally friendly and safe for use by customers.

|                        |  |
|------------------------|--|
| Sort (SEIRI):          | Divide all items in the workplace as “necessary” and “unnecessary” to free more space              |
| Organise (SEITON):     | Place necessary items in designated spaces and label them in the workplace for easy identification |
| Tidy up (SEISO):       | Keep the workplace clean, hence quality stabilise and reduce industrial injuries                   |
| Clean (SEIKETSU):      | Keep up the above 3S results to maintain good conditions of the workplace consistently             |
| Discipline (SHITSUKE): | Groom good habits and foster team spirit among employees   |
| Safe (SECURITY):       | Emphasise employee safety training and establish a safe production environment                     |

The Group’s subsidiaries have had their quality control systems and hazardous substance management system ISO9001 and QC080000 certified respectively. The Group has a comprehensive quality control department and a series of strict management systems in place to ensure the quality standards of products meet customers’ requirements, to conduct trial production of products and random checks of mass produced products, as well as monitor product quality together with customers.

ISO9001 Quality Control System



ISO14001 Environment Management System



QC080000 Hazardous Substance Management System



### QUALITY AND SAFETY

The Group pays close attention to product quality and safety and strives to meet relevant international and local market health and safety standards in design, R&D and production. It strictly complies with relevant laws and regulations, including but not limited to the “Product Quality Law of the People’s Republic of China”, “Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS)”, “Measures for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products (China RoHS)”, “Waste Electrical and Electronic Equipment “(WEEE) Directive Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation”, “Directive of Eco-design Requirements of Energy-using Products” (EUP Directive), EU 2009/251/EC Directive, Materials for Printed Boards and Other Interconnecting Structures IEC 61249-2-21 Directive and “Model Toxics in Packaging Legislation” (CONEG) to ensure its products do not contain restricted hazardous substances or the hazardous substances in its products do not exceed permitted levels. We have also set up “Regulations for environmental substances” and required suppliers to sign the agreement of not using prohibited substances while acquiring raw materials.

The Group has quality management systems set up that cover from first contact with a customer to after-sale service. To better understand and cater to the quality requirements of customers, the Group has dedicated experts to analyze customers’ standards or quality requirements based on the “New Product Development Management Procedures” and “Trial Production Management Procedures”, so as to ensure its products meet their needs. Also in place are quality control procedures, including the “Incoming Material Inspection and Control Procedures”, “Shipment Inspection and Control Specifications” and “Product Inspection and Management Procedures”, for raw materials, semi-finished products and finished products, which ensure all processes are overseen by product quality inspection personnel. Moreover, the Group conducts product sample checks according to the “General Specifications for Sample Inspection”, and qualified products will be labelled accordingly, whereas unqualified products will be returned and reported to the production team head based on the “Identification and traceability control procedures” and “Unqualified product management procedures”. With respect to handling of and recalling product upon receipt of customer complaints and finding of unqualified products, the Group has drawn up “Customer Complaints Handling Procedures” and “Unqualified Product Management Procedures”, which threaded through from management of raw materials to production, shipment and identifying unqualified products to guarantee overall product quality. During the Reporting Period, the Group had not recalled any products for safety and health reasons. The Group was not aware of any material breaches of applicable laws and regulations regarding health and safety, advertising, labelling and privacy in relation to its products and services.

## Environmental, Social and Governance Report

Procedures of handling and recalling unqualified products:

- Respond within two hours, including carrying out preliminary fact finding and relating to customers proper contingency measure(s)
- Reach consensus with customers and execute contingency remedial measure(s) within 24 hours, coordinate personnel to implement set measure(s) and report status regularly
- Based on the condition/issue concerned, submit analysis and improvement strategy to responsible department(s) in “8D Improvement Report” form within 48 hours; the “8D Improvement Report” states the root cause of the problem and indicates the corresponding measures for containment and preventive actions
- Review and approve the “8D Improvement Report” within five days

### Enhance R&D Capabilities

The Group understands accurate execution of its forward-looking strategies and development, mastery and application of core technologies must go hand-in-hand. It focuses on the handset and high-precision components business, works closely with international customers and targets to increase involvement on the new components segment and expand its product lines and enhance profit margins. At the same time, with the 5G network gaining popularity in Mainland China as well as markets worldwide, the Group expects 5G smartphones to keep “lowering in price while specifications become more and more sophisticated”. Capable of glastic casing solution with high cost-performance ratio, the Group can provide customers with products of higher technological barriers, such as 3D and uni-body glastic casing. During the Reporting Period, the Group spent a total of approximately HK\$493.05 million on R&D.

### Intellectual Property Rights

The Group complies with all national standards as stated in the “Management Regulations for Enterprise Intellectual Property Rights” and has laid down “Guidelines for the Protection and Control of Intellectual Property Rights” and “TDA10 Organization Knowledge Management Procedure” to ensure the intellectual property rights of relevant persons are effectively protected. It also has designated persons to take care of intellectual property right documents. Its tasks are to promote the setting of standards for management of intellectual property rights across production and operational activities of the enterprise, strengthen management of intellectual property rights, and improve the standard of acquisition, maintenance, application and protection of intellectual property rights. Employees are also obliged to protect the property entrusted to them from being lost, damaged, improperly used, accessed or stolen. During the Reporting Period, the Group obtained 24 new patents, bringing the accumulative total to 188.

### After-sale Service

Product safety has always been a primary concern of the Group. It believes it is essential to have strict control measures threading through the entire product life cycle. To ensure its control measures are adequate, the Group gauges and analyzes customer satisfaction resorting to its set “Analysis and Management Procedures of Customer Satisfaction Survey” to make sure the standards of its products and services meet customers’ requirements on a timely basis, and better still exceed their expectations. In handling customer complaints, the Group would ask for a sample of the defective product and related pictures from customers to help with investigation. It will also discuss with the customer concerned on contingency measures, such as sending staffers to the site to repair products. And, to prevent similar incidents from happening in the future, a dedicated staffer will compile an improvement report with analysis of the reasons and effectiveness of the proposed countering measures, helping the devise of the final solution to address ultimately the safety issue concerned. The marketing department would send shipment schedule to the control officer every day and prepare a “Shipment Inspection Report”, which would be reviewed by the supervisor and be sent to the customer along with the products. As for unqualified products, they will be handled according to the “Non-conforming Product Control Procedure” which covers all the different stages in production from raw materials related undertakings to after-sale work.

## “Analysis and Management Procedures of Customer Satisfaction Survey”

Collection and survey methods for customer satisfaction should be selected as practical situations allow:



Telephone interviews



Questionnaires



Visits



Symposium surveys

## Advertising and Labelling

The Group formulated the “Packaging and Design Regulations”, which clearly indicates the information contained in the product labeling and more, to ensure the traceability of the product. With regards to the nature of the business, the Group does not involve in any advertising.

## SUPPLY CHAIN MANAGEMENT

Agreeing with Supply Chain Social and Environmental Responsibility (“SER”) Management practices, the Group uses such raw materials as plastics, inks, sheets, metal materials and packaging materials in production. Selection, management and evaluation of qualified suppliers are vital. And, in addition to factors like price, quality and supply stability, the Group has in place “Supplier Control and Management Procedure”, “Supplier Appraisal and Management Procedure” and “Procurement Control and Management Procedure” to make sure suppliers meet admission standards, and with appropriate control long-term and stable supplier relations can be built and the Group can be sure that purchases from suppliers meet specified requirements. Suppliers will monitor, evaluate and manage their performances monthly/annually. After the “Supplier Questionnaire” and “Supplier’s Social Responsibility Questionnaire” are collected and passed subsequent review, the procurement officer and the new supplier will sign the “Procurement Framework Agreement”, “Integrity Trading Agreement”, “Material PCN Agreement” and “Environmental Protection Agreement”.

To further ensure the quality of suppliers, even after they passed assessment, they have to go through a trial process and if they fail to meet requirement, they will be removed from the “Qualified Supplier List”. The suppliers who are on the Qualified Supplier List will be required to sign the “Integrity Undertaking”. If they do not sign or missed the deadline for signing and submitting the “Integrity Undertaking”, the Group will take measures to deal with them or set up a dedicated team to conduct on-site monitoring of high-risk suppliers.

Embracing the green partner management concept, the Group also takes into account the involvement of suppliers in fulfilling social responsibilities and environmental protection. The Group devised a set of “Management Approach on Social Responsibility” and suppliers are required to sign the “Social Responsibility Commitment” and “Guarantee of Environmental Management of Substances”. At the same time, the Group would assist suppliers in establishing management systems and request suppliers to manage energy conservation and reduce emissions, and urge them to get used to adopting more eco-friendly products and services, so as to contribute to society and the environment.

# Environmental, Social and Governance Report

## INFORMATION SECURITY AND PRIVACY MANAGEMENT

The Group understands the importance of privacy to those doing business with it. Hence, it has information confidentiality policy in place to protect privacy. It does not sell personal data to the third-party vendors. The Group's "Confidentiality Management System", "Confidentiality Agreement for Commercial Cooperation" and "Confidentiality Agreement for Employees" are there to protect suppliers, customers and employees. And, the HR Department is responsible for managing and protecting personal data and information of employees. The Resource Procurement Department is responsible for managing and protecting supplier information, and the Project Department is responsible for managing and protecting customer information. Moreover, the Group has obtained ISO27001 Information Security Management System Certification, reflective of its diligence in guiding and managing company information security, including approving information security principles, ensuring potential information security-related risks are identified and under control, and making decisions on matters related to information security.

Execution and monitoring methods are as follows:

1. The Resources Procurement Department is responsible for managing supplier information, and unless with supplier consent, will not disclose supplier's contact information;
2. Establish supplier record system, using supplier codes to assist management and avoid leaking information of suppliers;
3. Supplier records – with supplier's information and related forms – are managed by dedicated personnel. Personnel of non-procurement functions are strictly forbidden to access supplier records;
4. If personnel of the Resources Purchasing Department have to leave their desks, no files containing supplier information shall be left on the desk, and their computers must be locked also;
5. At the production site, if required by a supplier, no information about raw materials other than those agreed by the supplier shall be seen at the site;
6. Customer information, such as the name, address, telephone information and code of a customer, shall be kept confidential.

## COMMITMENT TO THE COMMUNITY

We believe that the well-being of the community is an important factor in the long-term development of our Group. Despite the impact of the epidemic, we try our best to participate in the construction and development of local communities and fulfill our corporate citizenship responsibility. During the Reporting Period, the Group continues to contribute to the community through increasing investment while organises many cultural and recreational activities for employees with an aim to relieve work pressure and help them to achieve work-life balance, and to enhance employee's sense of social responsibilities and dedication to the society. Activities organised by the Group during the Reporting Period are as follows:



In June 2020, in order to arouse the awareness for the elderly, strengthen the respect and care for the elderly. The Group organised employees to participate in the welfare activities of the nursing home, in order to enhance employees' sense of responsibility and dedication to the society.

In December 2020, Tongda (Xiamen) Smart Tech Co., Ltd, a subsidiary of the Group, organised a Social Responsibility Publicity Month for all employees, which not only can promote corporate social responsibility with practical actions, but also can cooperate with employees to promote the growth of the Group and employees together.

