EXPERT SYSTEMS HOLDINGS LIMITED

思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code ：8319

Environmental, Social and Governance Report

2018

Environmental, Social and Governance Report

INTRODUCTION AND APPROACH TO ESG AND REPORTING

Expert Systems Holdings Limited (the "Company", together with its subsidiaries, the "Group", "We" or "Our") is one of the Hong Kong's leading information technology ("IT") infrastructure solutions providers. Our business objective is to maintain our position as one of the preferred and trustworthy IT infrastructure solutions providers that specialises in helping corporate and institutional customers to maximise values from their IT engagements.

The Group is pleased to present the second Environmental, Social and Governance ("ESG") Report (the "ESG Report") for the financial year ended 31 March 2018 (the "Reporting Period"). The ESG Report summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The Group believes sustainability is a key to achieve continuous success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

ESG Governance Structure

The Group has established an ESG working taskforce (the "Taskforce"), composed of staff from relevant departments during the Reporting Period, in which, full-time staff has been assigned to collect the data relevant to ESG and compile an ESG report. The Taskforce would periodically report to the Board of Directors, assisting in the assessment and identification of the risk management of the Group on ESG aspects and whether its internal control system is appropriate and effective. The Taskforce reviews the ESG performance of the Group, including environmental protection, labour practices, and other ESG aspects. The Board of Directors sets the tone at the top for its ESG strategy, and is responsible for ensuring effective risk management and internal controls.

REPORTING SCOPE

The ESG Report generally covers the Group's key business and operational activities in Hong Kong, which represents the Group's major source of revenue. The ESG key performance indicator ("KPI") data is gathered and included from the companies and subsidiaries under the Group's direct operational control. The Group will continue to assess the major ESG aspects of different businesses to determine whether it needs to be included in the future ESG reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 16 to 24 of the Company's Annual Report 2018.

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REPORTING PERIOD

The ESG Report specifics the ESG activities, challenges and measures being taken during the Reporting Period (the financial year ended 31 March 2018).

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our key stakeholders, including but not limited to shareholders and investors, customers and business partners, employees, suppliers, regulatory bodies and government authorities, as well as media, non-governmental organisation ("NGO") and public, since our listing.

In formulating operational strategies and ESG measures, we take into account the stakeholders' expectations and strive to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified communication channels, shown as below.

| Stakeholders	Communication Channel
Shareholders and investors	• General Meeting and Other Shareholder Meetings • Annual Reports, Interim and Quarterly Reports • Announcements and Circulars • Website
Customers and business partners	• Customer Satisfaction Survey • Sales Team • Customer Support Hotline & Email • Workshops
Employees	• Trainings, Seminars and Briefing Sessions • Regular Performance Reviews
Suppliers	• Supplier Management Meetings and Events • Supplier Audit • Procurement Manager
Regulatory bodies and government authorities	• Compliance Officer • Compliance Adviser
Media, NGO and Public	• Community Activities and Partner Programs • Media • External Marketing Company

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

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MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG report, assisted the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material ESG issues to collect the information from the stakeholders of the Group, including but not limited to, the Group's customers, suppliers, employees, etc.

We have considered feedback from the relevant stakeholders in determining the Group's material ESG aspects to be covered in the ESG Report. The Group's materiality matrix for the Reporting Period is described in the following diagram.
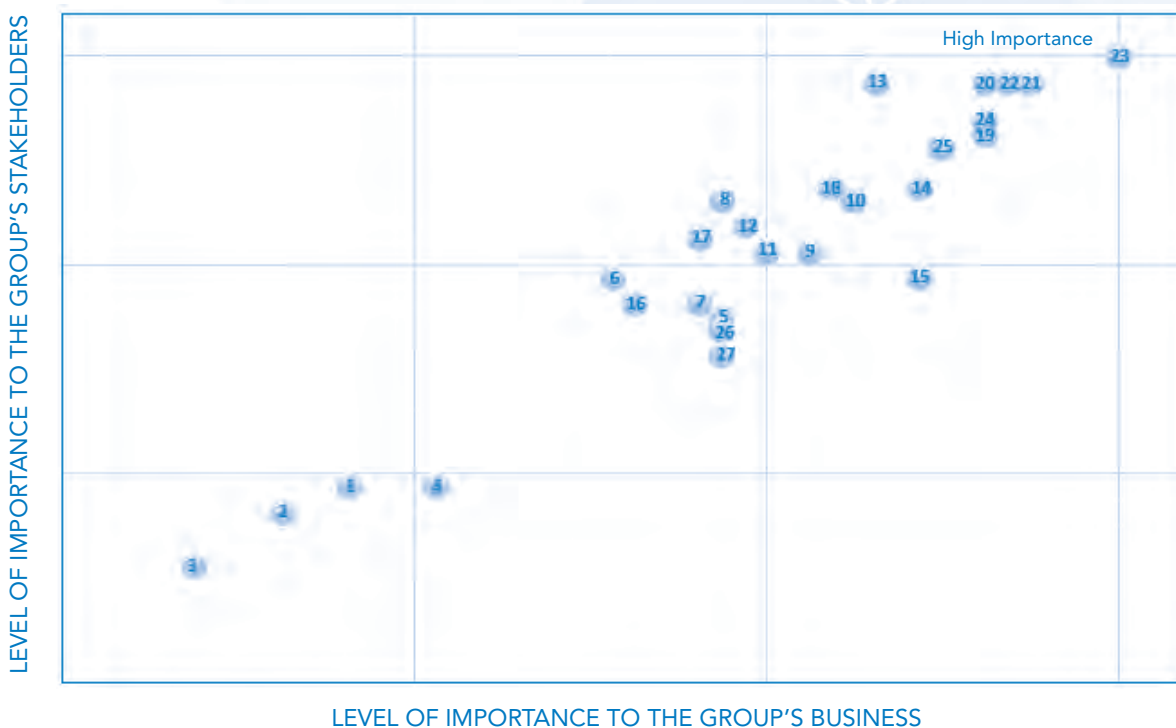
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Environment	Employment	Operational Practices	Community Participation
1. Greenhouse Gas Emission 2. Waste Management 3. Water Consumption 4. Energy Consumption 5. Working Environment	6. Recruitment, Promotion and Dismissal 7. Participation of Employees 8. Remuneration and Benefits of Employees 9. Diversity and Equal-Opportunity 10. Work-life Balance 11. Communication Channels with Employees 12. Employment Practices and Labour Practice 13. Occupational Health and Safety 14. Development and Training of Employees 15. Prevent Child Labour and Forced Labour	16. Green Procurement 17. Local Procurement 18. Fair and Open Procurement 19. Quality of Service 20. Customer Service 21. Customer Privacy Protection 22. Intellectual Property Protection 23. Anti-Corruption and Anti-Fraud 24. Internal Control 25. Whistleblowing Mechanism	26. Corporate Social Responsibility 27. Raising Employees' Awareness on Social Responsibility

Based on the materiality assessment results, the Group was informed of the topics that stakeholders were highly concerned about. The Group is focused upon diversity and equal-opportunity, work-life balance, occupational health and safety, development and training of employees, fair and open procurement, quality of service, customer service, customer privacy protection, intellectual property protection, anti-corruption and anti-fraud, internal control and whistleblowing mechanism. In the ESG Report, we will further disclose the Group's performance in terms of relevant aspects, and consider the results as important reference points for the planning of ESG management for the next financial year.

The recognition of sustainable development and environmental protection are the most fundamental elements to the operation of the Group, as well as the relationship and satisfaction of all our employees have become the top priorities in the Group's operation.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and internal control systems for ESG issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

CONTACT US

We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to enquiry@expertsystems.com.hk.

Environmental, Social and Governance Report

A. ENVIRONMENT

A1. Emissions

General Disclosure and KPI

We recognise our responsibilities towards the potential direct and indirect environmental impacts associated with our business operations.

By integrating environmental consideration into our decision making processes, we embrace our responsibilities to create an environmentally sustainable business. This is achieved through innovating and implementing measures that promote energy consumption, waste reduction and any other green initiatives across the life cycle of our products and services. We are also committed to educating our employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the environmental impact produced by the Group's operations, we have adopted and implemented Environmental Policy and have communicated such policies to our employees. These policies apply the waste management principles of "Reduce, Reuse, Recycle and Replace" as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

In the long run, the Group will enhance its energy saving management in minimising the usage of lighting, air conditioning and electronic appliances and track its energy consumption regularly.

Within our policy framework, we continually look for different opportunities to pursue environmental friendly initiatives, enhance our environmental performance by reducing energy and use of other resources.

The Group has not identified any material non-compliance of relevant environmental laws and regulations during the Reporting Period. The relevant environmental laws and regulations include, but are not limited to Waste Disposal Ordinance.

Air Emission

Due to our business nature, the Group considers the relevant air emission generated is not significant. However, we still strive to mitigate the air pollutants generated from our operation as much as possible.

Greenhouse Gas Emission ("GHG")

The Group's major sources of GHG emissions are from the electricity supplied by the relevant service providers. To reduce GHG emissions, measures such as electricity conservation initiatives are adopted and discussed in section A2. Through these GHG emissions mitigating measures, the employees' awareness on GHG emissions mitigation has been enhanced.

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Summary of GHG Emissions Performance:

GHG Scope*	Total emissions in tonnes	Intensity — Total GHG emissions per employee (tonnes/employee)	Intensity — Total GHG emissions per square meter (tonnes/m²)
Total GHG emissions	62.13 tonnes	0.79 tonne	0.07 tonne

* GHG emissions data are presented in terms of carbon dioxide equivalent, with reference to, including but not limited to, the Sustainability Report 2017 published by the CLP Power Hong Kong Limited and the Sustainability Report 2017 published by the Hongkong Electric Company Limited.

Waste Management

Hazardous waste handling method

Despite the Group did not generate hazardous wastes during the Reporting Period, the Group has established guidelines of governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, which is complied with the relevant environmental regulations and rules.

Non-hazardous waste handling method

The Group's Environmental Policy emphasises carbon reduction and waste reduction with the principle of "Reduce, Reuse, Recycle and Replace" to promote better utilisation of environmental resources. The Group is committed to promoting an environmental-friendly mindset among its employees.

Summary of Non-hazardous Waste Discharge Performance:

Type of Non-hazardous Waste	Total disposal volume	Intensity — Total non-hazardous waste disposed per employee (unit/employee)
Office paper	114,537.00 Pages (print-out)	1,449.84
Toner cartridge	26.00 Pieces	0.33

In order to minimise the environmental impact of non-hazardous wastes generated in business operations, the Group has initiated different measures to deal with such waste.

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Our staff and the designated administrative staff in the workplace collectively take the responsibilities in waste management in our office and warehouse, in reference to the environmental policies, including but not limited to the following:

- Utilising electronic communication where applicable such as e-leave system, e-cards for festival greetings, medical e-claims and e-brochures for distributing to customers;

- Reducing printing and paper wastage by minimising the font size and deleting the unnecessary blank space in the document;

- Promoting upcycling, recycling and the use of recycled paper and toner or environmental friendly materials;

- Using high performance and quality of multi-function printers which incorporate the functionality of printer, scanner and copier into single device. The printers are shared among different departments so as to have a smaller footprint;

- Redeploying office furniture within the Group where possible to reduce the amount of material going to landfill;

- Redeploying computer and notebook within the Group where possible;

- Minimising waste wherever feasible;

- Sorting recycled waste into appropriate receptacles, educating employees on sorting methods if needed; and

- Placing appropriate signage on walls and bins, stating what type of waste or recyclable should be placed in the bin.

Through these waste management measures, the employees' awareness on waste management has been enhanced.

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A2. Use of Resources

General Disclosure and KPI

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, electricity are frequently consumed, and the Group has established relevant policies and procedures to manage the effective use of resources, with reference to achieving higher energy efficiency and reducing the unnecessary materials use.

Energy Management System

Energy policy has been developed to set energy conservation as one of the Group's fundamental policies. All employees must implement the adopted measures, including the purchase of energy-efficient products and services, and are responsible for the Group's overall energy efficiency. Through the establishment of an energy management system, we develop and regularly review our energy goals and targets to continuously enhance the Group's energy performance.

The energy management system is implemented with annual review to assist in achieving our energy saving objectives and targets. Moreover, monthly monitoring of the usage of electricity and water and other materials is implemented. Unexpected high consumption of electricity will be investigated to find out the root cause and take preventive measures.

Summary of Energy Consumption Performance:

Type of Energy	Energy Consumption Volume	Intensity — Total energy consumption per employee (kWh/employee)	Intensity — Total energy consumption per square meter (kWh/m²)
Electricity	100,653.00kWh	1,274.09 kWh	111.04 kWh

During the Reporting Period, the Group has performed the following measures relating to energy conservation:

- Replacing energy efficient LED lighting to replace energy-inefficient light bulbs by phases;

- Adopting higher energy-efficiency office equipment in our workplace;

- Encouraging our staff to utilise teleconferences and video conferences if appropriate;

- Regularly publicising environmental protection messages to our staff via emails;

- Posting up green messages on the information portal and message board to appeal for colleagues' continued support in energy and conservation; and

- Encouraging our staff to participate in campaign/activities relating to the promotion of green environment;

Through these energy conservation measures, the employees' awareness on energy conservation has been enhanced.

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Water Consumption

The water consumption of the Group is only limited to basic cleaning and sanitation. We do not consume significant amounts of water through our business activities. The majority of the water supply facilities are provided and managed by property management company. We encourage all employees to develop the habit of conserving water consciously. The Group has been strengthening its water-saving promotion, posting water-saving slogans, and guiding employees to use water reasonably. Through these water conservation measures, the employees' awareness on water conservation has been enhanced.

Packaging Materials

Due to the nature of business, the Group did not produce any substantial use of packaging materials during the Reporting Period.

A3. Environment and Natural Resources

General Disclosure and KPI

Although the core business of the Group does not have a long-term impact on the environment and natural resources, as a continuing commitment to good corporate social responsibility, we recognise the responsibility to minimise the negative impact on the environment to achieve sustainable development for generating long-term values to our stakeholders and community as a whole.

We regularly assess the environmental risks of our business, and adopt necessary precautions to reduce the risks and ensure the compliance with relevant laws and regulations.

Working Environment

To ensure a good working environment for our employees, indoor air quality in our workplace is regularly monitored. The cleaning services for air conditioning system are conducted in the workplace regularly and such measure resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles. We also perform the pest control on carpet and clean dusty on ceiling, lightboxes and fan coils.

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B. SOCIETY

B1. Employment

General disclosure

Human resources are the foundation in supporting the development of the Group. Hence, we have established Employment Policy to fulfil our vision on people-oriented management and realising the full potential of employees. The Employment Policy covers recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc. We review, and if necessary revise, this Policy and our employment practices at least annually to ensure continuous improvements of our employment standards.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations in that would have a significant impact on the Group. The employment related laws and regulations include, but are not limited to Employment Ordinance and Minimum Wage Ordinance.

Recruitment and Remuneration

We apply robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and potential to fulfill the Group's current and future needs.

Our basis for compensation and promotion are job-related skills, qualifications and performances, ensuring that we treat and evaluate employees and applicants in a fair way and compensate employees relative to the industry and local labour markets in which we operate, which consists of competitive level of fixed and variable compensation including cash, shares and other benefits. Remuneration packages include holidays, annual leave, sick leave, medical scheme, group insurance, mandatory provident fund and discretionary bonus.

Work-life Balance

We recognise the importance of maintaining a healthy lifestyle and work-life balance of our employees. We support a work-life balance workplace through the regular review of employee's working environment, working hours and rest periods. We also actively engage its employees through social, employee bonding, outing, volunteer works and charity activities. We have conducted the following to organise work-life balancing activities for employees:

- Annual party;

- BBQ party; and

- Celebration of festivals.

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Promotion and Career Development

The promotion of the Group's employees is subject to review regularly. Supervisor discusses the performance with employee in facilitating an effective two-way communication for advancement. A performance evaluation is conducted to provide both supervisors and employees the opportunity to discuss job tasks, identify and correct weaknesses, encourage and recognise strengths, and discuss positive, purposeful approaches for meeting goals. Based on the evaluation result, we offer rewards to employees in encouraging continuous improvement.

Diversity, Equal opportunity and Anti-Discrimination

We recognise the value of a diverse and skilled workforce and are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. This covers all aspects of employment, including selection, job assignment, compensation, discipline, termination, access to benefits and training.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor or the Human Resources and Administration Department ("HRA"). We strive to ensure that complaints, grievances and concerns, including whistle blowing, are dealt with promptly and confidentially. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

With the aim of ensuring fair and equal protection for all employees, we have zero tolerance on sexual harassment or abuse in the workplace in any form.

The Ratio of Men to Women of the Group

Male	Percentage	Female	Percentage	Total	Percentage
41	51.90%	38	48.10%	79	100.00%

The Age Distribution among Employees of the Group

Under 30 years old	30–39 years old	40–49 years old	50 years old or above	Total
24	27	21	7	79
30.38%	34.18%	26.58%	8.86%	100.00%

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The Average Employee Turnover Rate by Age Group and Gender

Under 30 years old	30–39 years old	40–49 years old	50 years old or above
7 2.69%	11 3.47%	5 1.95%	0 0.00%

Male		Female	
8 1.62%		15 3.39%	

Total			
23 2.44%			

B2. Health and Safety

General Disclosure

We are committed to providing and maintaining a safe and healthy environment for all our employees, contractors, customers and others who visit or work on our premises and preventing work-related accidents, injuries and illnesses. We believe that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group has established Health and Safety Policy on the prevention and remediation of safety accidents, and detection on potential safety hazards in workplace, to maintain a safe working environment. We review, and if necessary revise, this Policy and our health and safety practices at least annually to ensure continuous improvements of our health and safety standards.

The Group follows the occupational health and safety guidelines recommended by Labour Department and Occupational Safety and Health Council, and regularly encourages employees to attend relating workshops or training courses. HRA also takes responsibilities for offices' occupational health and safety and relevant promotions and monitoring.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation was paid to its employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found. The laws and regulations relevant to health and safety include, but are not limited to Occupational Safety and Health Ordinance and Employees' Compensation Ordinance.

Safety Measures

The HRA of the Group is responsible for monitoring and reviewing the safety and security management periodically, and performing regular checking in both office and warehouse to ensure furniture, fixtures, fittings and fire safety equipment are maintained in good conditions.

Proper light and ventilation are also ensured to safeguard employees' health. Moreover, first aid boxes are available at easily accessible locations in both office and warehouse. HRA is responsible to ensure the supplies inside the first aid boxes are not outdated and functional.

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Safety Training

Employees should attend the training organised by the Group, on occupational safety and environmental control. Emergency and evacuation procedures were established to respond timely and orderly in any major safety accidents. Moreover, fire exit route floor plans and exit signs have been posted to inform our employees the exit route of our office and a crises and emergency seminar has been held for our employees for their better handling of emergencies during the Reporting Period. The Group fosters employee involvement through the HRA team to maintain a safe working environment, employees are free to provide feedbacks on improving the workplace safety and to report any potential hazards that may lead to injury or danger.

Employee Health Management

The Group offers comprehensive health care coverage for our entire workforce. The Group has also continued to organise work-life balancing activities for employees, implemented green projects at our own premises and carried out other activities to promote healthy living practices. Health and safety communications are provided to employees to present the relevant information and raise awareness of occupational health and safety issues.

B3. Development and Training

General Disclosure

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents have made to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of our customers, our talents and the society.

Training and Development Policies

The Group understands that training and development are indispensable for its staff to keep abreast of the latest trend in IT industry and the dynamic pace in current domestic market. In light of this, the Group provides regular training, development programmes and training sponsorship.

To ensure the effectiveness of the training program, the Group developed Training and People Development Policy in controlling the training related procedures. A training plan is developed by management based on the requirements from various departments and employees. We review, and if necessary revise this Policy and our training and staff development activities at least annually to continuously improve relevant provision. Training content is regularly updated to ensure contents are relevant to stakeholder's changing needs such as law and regulation, technology change, market trend, product trend and customer behaviour change.

For the development of IT staff, the Group encourages department heads to work closely in assessing areas of training and development for their subordinates to improve their capabilities and ability in career advancement. Sponsorships are available to employees who have met certain conditions set by the Group.

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The Group's Average Training Hours by Gender

Employees' Gender	Average Training Hours by Gender
Male	22.02
Female	22.50

The Group's Average Training Hours by Employment Category

Employment Category	Average Training Hours by Employment Category
Junior	22.50
Middle	22.50
Senior	2.00

Training Programmes

Successful training and staff development lead to the overall enhancement of organisation efficiency in delivering its vision. We are committed to providing training opportunities that are relevant and ensuring availability of appropriate resources with the following focuses:

- Customer Centric: Equipping our talents with necessary skills and knowledge to discharge their duties effectively and efficiently, with the aim to serving our customers;

- Talent Centric: Assisting and encouraging employees to identify, review and formulate their own individual development plans through annual objective setting and performance review process, so as to strengthen their capabilities in areas including self-motivation, self-confidence, leadership and team work; and

- Social Responsibility: Ensuring our talents uphold the interest of key stakeholders as part of their daily routine, such as safeguarding customer privacy, protecting the environment and contributing to the society.

B4. Labour Standards

General Disclosure

Prevention of Child Labor or Forced Labor

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and conducts recruitment based on the Hong Kong Employment Ordinance. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' of personal data. The HRA also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of the circumstances as clearly stated in the Group's Staff Handbook.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group. The child and forced labour-related laws and regulations include, but are not limited to Employment Ordinance.

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B5. Supply Chain Management

General Disclosure

The IT infrastructure solutions we provide to our customers include procurement of hardware and/or software from our third party suppliers. Our suppliers include prominent international and local hardware and/or software manufacturers and distributors. We normally source our products from our manufacturer suppliers directly or through their authorised distributors. The Group has maintained long term and stable relationships with major suppliers. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. The Group has formulated Purchase and Payment Policy to manage its suppliers and the Policy is reviewed at least annually. Up to 31 March 2018, the Group had 530 of local suppliers and 32 overseas suppliers, the local procurement percentage was 94.31%.

Environmental and Social Responsibility of Suppliers

In view of the increasing environmental concerns in society, the Group is aware of the importance in managing environmental and social risks of its supply chain. The Group has embedded environmental and social consideration in the procurement process and supplier communication. The Group will continue to monitor its supply chain regarding the environmental and social standards.

During the Reporting Period, the Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on business ethics, environmental protection, human rights and labour practices.

Fair and Open Procurement

We have also formed rules to ensure that the suppliers could participate in competitions in an open and fair way. The Group should not have differentiated or discriminated treatment on certain suppliers; it would strictly monitor and prevent all kinds of business bribery; and employees or personnel having any interest relationship with the supplier should not be involved in the related business activity.

B6. Product Responsibility

General Disclosure

The satisfaction of our customers is the cornerstone of the sustainable development of the Group. We are convinced that the success of our clients means the success of our Group, and have been emphasizing the customer-centric business philosophy in our operation at all levels of the Group. Therefore, we strive to optimize and improve the quality of products and services according to the requests of the customers.

During the Reporting Period, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress. Moreover, there was no recall of products for safety and health reasons and no complaints received during the Reporting Period. The relevant laws and regulations include but are not limited to Copyright Ordinance and Personal Data (Privacy) Ordinance.

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Intellectual Property ("IP") Rights

The Group registered a trademark in Hong Kong and Macau respectively. The Group has the responsibility to protect the security of its assets such as financial information, IP, or employee details entrusted to the Group by third parties. For any infringement of its IP, the Group will urge infringers to cease such infringement. The human resources department of the Group will take further action if infringement continues.

To protect third party IP rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing or using software in violation of its copyright or license terms as part of the Group's information security policy. Prior authorisation is required in order to install any free software and installation of software is constantly monitored. Employees in violation of the policy will be subject to disciplinary action. The Group will also notify the manufacturers if any illegal or unauthorised use of their hardware and/or software is noticed.

Customer Privacy Protection

The Group respects the values and rights of the customers' information assets, and in the process of providing our customers with products and services, we strictly comply with the customers' information security management systems and standards. In order to providing high quality services, we are determined to strengthen the protection of customers' privacy. Our employees are professionally trained to maintain the confidentiality of our customers' information. The Group adheres to the Personal Data (Privacy) Ordinance of Hong Kong and expressly reiterates confidentiality obligations in its Customer Database and Privacy Handling Policy. Electronic sensitive information are secured with passwords and stored in separated and restricted drives. Only authorised employees are granted to access particular drives according to their needs and rights. Printed sensitive information are also stored securely and its access is restricted to authorised employees. Electronic sensitive information should be disposed properly and ensure that no data remains and printed sensitive information should be destroyed only under secure conditions. We also have a data backup system through which our back-up data is stored in different locations to reduce the risk of data loss. We have also implemented firewall, anti-virus and anti-spam solutions for our IT systems to prevent leakage of confidential information, which are upgraded constantly.

Customer Service

In addition, the Group has established Quality Assurance and Recall Procedures to handle customers' feedbacks or complaints in a professional manner.

When product quality issue is addressed by customer complaint, regulator notification, internal discovery or laboratory report, Sales Operations Manager will have feedback and follow up the issue with related vendor. Management team will assess the risk on the product quality issue to consider any further action, i.e. stop selling the product, recall the sold products, etc. Once a product recall action is initiated, by Management team, vendors, distributors or relevant government departments, Management team will release an announcement to all related departments, i.e. Sales & Marketing Department, Procurement Department, Logistic Department, etc. Sales Operations Manager will draft an email about the product recall program to the affected customers. Sales Administrators will prepare the customer list of the affected customers and send the product recall program email to them. And they have to keep follow up with the customers on the product recall arrangement. Logistic Department will consolidate all the recalled products, and then return to the vendors or dispose properly.

Sales Operations Department reviews the feedback or complaints and then provide action plans and coordinates relevant teams to address them. The Sales Operations Department will also escalate the feedbacks or complaints to Management team if necessary.

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B7. Anti-Corruption

General Disclosure

The Group does not tolerate any corruptions, frauds and all other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in how we conduct business.

During the Reporting Period, the Group did not notify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering and did not have any concluded legal cases regarding corrupt practices brought against the Group or our employees. The relevant laws and regulations include, but are not limited to Prevention of Bribery Ordinance.

Internal Control

We have established an Anti-fraud Policy to help to define appropriate methods in handling conflict of interests, accepting advantages, leakage of confidential information, embezzlement of the Group's assets in one's position, fraudulent financial statements, etc. to comply with the relevant laws and regulations. All employees should decline an offer of advantage if acceptance of it could affect their objectivity in conducting the Group's business. Employees will be subjected to disciplinary actions if they are found violating the Anti-fraud Policy after investigation. Disciplinary actions include verbal or written warnings, demotion and dismissal, and the case may be reported to law-enforcement authorities for possible prosecution, depending on the situation.

Whistleblowing Policy

In order to further achieve and maintain the highest standards of openness, probity and accountability, the Group has also implemented a whistleblowing policy. This policy allows all employees of the Group as well as independent third parties (e.g. customers, suppliers, sub-contractors, creditors and debtors) who deal with any employees to report any possible improprieties, misconducts, malpractices or irregularities in matters of financial reporting, internal control or other matters to the Board of Directors or the Audit Committee anonymously. Reports and complaints received will be handled in a prompt and fair manner. In some cases, the Group might need to refer the case to the competent authorities. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions, the identity of the whistle-blower will be kept confidential where possible. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

We have appointed an independent internal control consultant to undertake a review of the adequacy and effectiveness of our internal control systems during the Reporting Period. The Board of Directors and the Audit Committee will supervise and review the implementation and effectiveness of the internal control systems on a regular basis.

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B8. Community Investment

General Disclosure

The Group is committed to embolden and support the public by the means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizen in the daily work life throughout the Group. We aim to promote the stability of the society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare concerns. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

Community Participation

We participate in community activities, for example, donations, volunteering services, sponsorships, etc. With participation in community events to help people in need, we believe it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole.

Raising Awareness of Employees

Our employees are encouraged to donate to recognised charitable institutions in order to help people in need, so that they can gain education and care. We also encourage our employees to suggest areas of contribution based on their personal experiences in the community.

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