

World-link

LOGISTICS

WORLD-LINK LOGISTICS (ASIA) HOLDING LIMITED

環宇物流(亞洲)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6083



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Message from the Chairman

I am pleased to present the Environmental, Social and Governance Report (the “ESG Report”) of World-Link Logistics (Asia) Holding Limited (the “Company”), together with its subsidiaries (“the Group” or “we”) for the year ended 31 December 2018 (the “Reporting Period”, “2018”), which contains our achievements in 2018 and our commitment for improvement of sustainability performance.

In addition to upholding the principle of “Service-driven, Customer-oriented and Quality-first”, we incorporate the concept of sustainability into our business operation and development. We are committed to providing each customer with quality services and generating maximum value for customers through standardised work procedure, and provision of customised comprehensive logistics solutions and exclusive supporting services to our customers. Realizing the rising importance of the cold chain segment, we decide to include it in our environmental, social and governance (“ESG”) disclosure.

The Group believes that talents are the cornerstone of the corporation. We are committed to creating a safe and fair workplace, so that staff are motivated to thrive with the Group. We also adhere to the “people-oriented” human resource management strategy and value the opportunities for our employees to reach full potential via trainings and development. As a responsible corporation, we also highly value business ethics and integrity, striving our best to comply with laws and regulations, and preventing corruption in our operations. To improve efficiency in the use of resources, the Group has introduced high-performance equipment to streamline the operational procedures, thereby reducing resource consumption.

In the future, we will continue to implement and enhance the management and performance of our ESG practices, while expanding our businesses and making contributions to the employees, shareholders, environment and society.

WORLD-LINK LOGISTICS (ASIA) HOLDING LIMITED

Yeung Kwong Fat

Chairman and Chief Executive Officer

Environmental, Social and Governance Report

Introduction, Environmental, Social and Governance Policies

This ESG Report summarizes the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

As one of the well-established logistics services providers in Hong Kong, we believe sustainability is the key to achieve continuous success, and we have integrated it into our business strategies.

ESG Governance Structure

The Group has set up an ESG working taskforce (the “Taskforce”), composed of staff from relevant departments, in which, full-time staff has been assigned to collect ESG data and to compile an ESG report. The Taskforce would periodically report to the Board of Directors, assist in the assessment and identification of 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, labour practices, and other ESG aspects. The Board of Directors sets the tone at the top for its ESG strategies, and is responsible for ensuring effective risk management and internal controls.

Scope of Reporting

This ESG Report covers the Group’s business activities in Hong Kong, which represent the Group’s major sources of revenue. Data collection and disclosures mainly focused on the operations of the Group at its principal places of businesses, being two warehouses and an office in Hong Kong, with a total area of over 400,000 square feet located in the Allied Cargo Centre and the Leader Industrial Centre. We have expanded our scope of disclosure in this ESG Report to include also our cold chain business segment and the office this year. The ESG key performance indicators (“KPIs”) data is gathered and included under the Group’s direct operational control companies and subsidiaries. The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

Reporting Framework

The ESG Report has been prepared in compliance with all applicable provisions set out in the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) contained in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited.

Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018.

Environmental, Social and Governance Report

Stakeholder Engagement

The stakeholder¹ engagement plays a crucial role in our business administration, which helps us to identify any potential risks and opportunities. Communicating and understanding the insights of stakeholders allow the Group's business practices to be in line with their needs and expectation, and enable proper handling of feedbacks from different stakeholders. Regular communication with key stakeholders within or outside the Group has been conducted through various channels, which provides the opportunity for stakeholders to understand our development and operational approach on one hand, and on the other hand for us to heed their opinions, so as to prioritize different issues by the importance and formulate corresponding policies.

Relevant Stakeholders

Communication Channels

| | |
|--|--|
| Investors and shareholders | Annual general meetings and other shareholders meetings Annual and interim reports Announcements and circulars Company website |
| Government and regulatory institutes Suppliers and contractors Employees | Regular performance reports Supplier management meetings and events Regular performance reviews Trainings, seminars and briefing sections |
| Customers and business partners | Customer service team Customer service manager |
| Media, non-governmental organizations ("NGOs") and the public | External marketing campaign ESG report |

Note:

1. Stakeholders, also refers to as "interested parties", "equity holders" or "parties involved", means any group or individual who have significant impact on or under significant impact of the business of the Group.

Materiality Assessment

We have considered feedback from the relevant stakeholders in determining the Group's material ESG aspects to be covered in this ESG Report. Summarizing the results, the following three (out of eleven) environmental and social aspects from the ESG Reporting Guide have been selected as the key focuses of this ESG Report.

Health and Safety

Development and Training

Anti-corruption

As at the year ended 31 December 2018, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

Contact Us

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or our performances in sustainable development by the following means:

Address: 3/F, Allied Cargo Centre, 150-164 Texaco Road, Tsuen Wan, Hong Kong
Email: info@world-link.com.hk

Environmental, Social and Governance Report

A. Environmental

A1. Emissions

General Disclosure and KPIs

Given the close relationship between greenhouse gas (“GHG”) emissions, climate change and global warming, entities from all countries have set measures and goals for carbon reduction. We also recognise our responsibilities towards the potential direct and indirect negative 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 implementing measures that promote energy conservation, 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 compliance with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the adverse environmental impact produced by the Group’s operations, we have adopted and implemented an “Environmental and Natural Resources Policy” and have communicated such policy to our employees. Within our policy framework, we continually look for different opportunities to pursue environmentally friendly initiatives, enhance our environmental performance by reducing consumption of energy and use of other resources.

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

During the Reporting Period, the Group has not identified any material non-compliance with the relevant environmental laws and regulations, including but not limited to the “Waste Disposal Ordinance” and “Motor Vehicle Idling (Fixed Penalty) Ordinance”.

As a corporation providing logistics services, the Group’s daily operation has limited impacts on the environments while its emissions are limited to GHG, domestic waste water, and non-hazardous wastes, which mainly come from the use of resources in our warehouses and the cold chain segment in Hong Kong. Nevertheless, the Group still focuses on nurturing and strengthening employees’ awareness of environmental protection in their daily work processes, and actively implement the Group’s environmental protection measures, with an aim to lower the emission of GHG and reduce the generation of non-hazardous wastes.

Exhaust Gas Emissions

In line with the development approach for the global development of low-carbon economy, we have formulated an “Emission Policy” to implement administrative measures to address our main sources of emissions, i.e. emissions from company vehicles and forklift trucks. Currently, all forklifts in our warehouses are electric-driven, which allow minimization of air pollutant discharge.

During the Reporting Period, the Group’s exhaust gas emissions were as follows:

| Types of exhaust gas ¹ | Unit | Emission amount |
|-----------------------------------|------|-----------------|
| Sulphur Oxides (SOx) | kg | 0.40 |
| Nitrogen Oxides (NOx) | kg | 289.26 |
| Particulate Matter (PM) | kg | 28.53 |

A. Environmental (Continued)

A1. Emissions (Continued)

General Disclosure and KPIs (Continued)

Exhaust Gas Emissions (Continued)

Note:

1. Calculation of NOx and PM are based on estimated travelling distance from amount of fuel consumed.

Details of measures we have adopted are as follow:

- Controlled the selection of vehicles;
- Phased out diesel vehicles and replaced them with less polluted vehicles, whenever possible;
- Strengthened the regular examination of exhaust gases from business vehicles;
- Monitored vehicles with heavy emissions; and
- Promoted the importance of vehicle maintenance and environmentally friendly driving habits.

GHG Emissions

The principal GHG emissions of the Group are generated from petrol and diesel consumed by vehicles (Scope 1) and purchased electricity (Scope 2), only a minority is generated by business travels (Scope 3). The Group will continue to evaluate, record and disclose its data of GHG emissions on an annual basis.

There is an increase in the Group's total GHG emissions by about 24%, from approximately 740.00 tCO₂e in 2017 to approximately 917.01 tCO₂e in 2018. This is due to the increase in the indirect GHG emissions (Scope 2) resulted from purchased electricity related to the expansion of the cold chain business segment. During the Reporting Period, the Group's GHG emissions and its intensity were as follows:

| Indicator ¹ | Unit | GHG emissions amount |
|--|--------------------------------|----------------------|
| Direct GHG emissions (Scope 1) – petrol and diesel consumption | tCO ₂ e | 66.62 |
| Indirect GHG emissions (Scope 2) – purchased electricity | tCO ₂ e | 847.98 |
| Other indirect GHG emissions (Scope 3) – business air travel | tCO ₂ e | 2.41 |
| Total GHG emissions (Scope 1, 2 and 3) | tCO ₂ e | 917.01 |
| Intensity ² | tCO ₂ e/square feet | 0.002 |

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Greenhouse Gas Inventory Guidance Direct Emissions from Mobile Combustion Sources" issued by the United States Environmental Protection Agency, the latest released emission factors of CLP, "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
2. As at 31 December 2018, the Group's total floor area was 400,000 square feet. The data is also used for calculating other intensity data.

Environmental, Social and Governance Report

A. Environmental (Continued)

A1. Emissions (Continued)

General Disclosure and KPIs (Continued)

GHG Emissions (Continued)

The policies we have adopted in minimizing GHG emissions from transportation are mainly covered in the section "Exhaust Gas Emissions". To reduce scope 3 emission, we have also adopted other measures such as encouraging our staff to utilize teleconferences and video conferences, to reduce air and carbon emissions related to transportation needed for meetings.

The Group actively adopts electricity conservation and energy saving measures as well as other initiatives to reduce GHG emissions, which include:

- Actively adopt measures for environmental protection, energy conservation, and water saving. Relevant measures are described in the sections "Energy Efficiency" and "Water Consumption" under Aspect A2; and
- Actively adopt waste sorting and recycling. Relevant measures are described in the section "Waste Management" in this chapter.

Through these GHG emissions mitigating measures, the employees' awareness on GHG emissions mitigation has been enhanced.

Sewage Discharge

We do not consume significant volume of water through our business activities, and therefore our business activities did not generate material portion of sewage discharge. The majority of the water supply and discharge facilities are provided and managed by property management company.

Waste Management

Hazardous wastes handling method

We have established clear guidelines governing the management and disposal of hazardous wastes. Whenever there are any hazardous wastes produced, they are temporarily stored and treated separately with general or other non-hazardous wastes to prevent contamination.

During the Reporting Period, most of the hazardous waste handled by the Group were customers expired products. The total amount of hazardous waste discharged increased from approximately 520.00 tonnes in 2017 to approximately 1,629.00 tonnes in 2018.

The Group's major hazardous wastes discharge performance and its intensity were as follow:

| Hazardous waste category | Unit | Disposal amount |
|----------------------------|--------------------|-----------------|
| Customers expired products | tonnes | 1,629.00 |
| Intensity | tonnes/square feet | 0.004 |

A. Environmental (Continued)

A1. Emissions (Continued)

General Disclosure and KPIs (Continued)

Waste Management (Continued)

Non-hazardous wastes handling method

Realizing the rising importance of proper waste disposal, the Group sets out procedure for waste disposal. We have improved our “Environmental and Natural Resources Policy” and related measures to emphasis waste reduction with the principle of 4Rs, namely “Reduce, Reuse, Recycle and Replace”, to promote better utilization of environmental resources. We are committed to promoting an environmentally friendly mindset among our employees.

The total disposal amount of non-hazardous wastes reduced by about 37.3% from approximately 7.88 tonnes in 2017 to approximately 4.94 tonnes in 2018. During the Reporting Period, the Group’s major non-hazardous wastes discharge performance and its intensity were as follows:

| Non-hazardous waste category | Unit | Disposal amount |
|------------------------------|--------------------|-----------------|
| General waste | tonnes | 1.68 |
| Paper | tonnes | 3.26 |
| Total | tonnes | 4.94 |
| Intensity | tonnes/square feet | 0.00001 |

With the aim of minimizing the adverse environmental impacts from non-hazardous wastes generated from our business operation, the Group has implemented measures to handle such wastes and launched different reduction initiatives.

Our employees share the responsibilities for waste management in our business operations with reference to the established environmental policies and waste management approaches, including but not limited to the following:

- Utilize electronic communication where applicable such as e-cards for festival greetings and e-brochures for distribution to customers;
- Promote upcycling, recycling and the use of recycled paper or other environmentally friendly materials;
- Install waste sorting and recycling facilities at source to raise the rate of waste recovery; and
- Reduce the number of printed versions of interim and annual reports.

Employee’s waste management awareness has been raised with the implementation of the related initiatives.

Environmental, Social and Governance Report

A. Environmental (Continued)

A2. Use of Resources

General Disclosure and KPIs

The Group upholds and promotes the principle of effective use of resources, evaluating the potential environmental impacts by real-time monitoring our business operations. Through the 4Rs principles, namely, “Reduce, Reuse, Recycle and Replace”, we promote green office and operation environment to minimize the adverse environmental impacts of the Group. The employees of the Group have followed these principles, and have reduced the consumption of electricity, paper and water resources. For example, the Group’s employees implemented a paperless office by sending documents in electronic form whenever possible, in order to reduce the amount of paper consumption.

The Group has established a “Environmental and Natural Resources Policy” to give the employee a general direction on the efficient use of resources. We continue with initiatives to introduce resource efficiency and eco-friendly measures to the Group’s operations, and are committed to optimising the use of resources in all of its business operations.

During our operations, fuel, electricity and water are frequently consumed. We have recorded in details and conducted statistical analysis on the use of resources. Making reference to these data, we plan to establish policies for use of resources and set a quantitative goal for electricity and water savings so as to optimize the efficiency of use of resources in its daily operation.

Energy Efficiency

The Group always aims at minimizing the adverse environmental impacts in our operations by identifying and adopting appropriate production processes in each stage with technology. The policies and measures on energy conservation are part of our approaches in resource utilization. All employees must implement the adopted measures, including the utilization of high-performance equipment and streamlining of operational procedures. We regularly review our energy objectives and targets to enhance the Group’s energy performance continuously.

Under our “Environmental and Natural Resources Policy”, we regularly monitor and review our environmental performances on electricity and water usage as well as other materials consumption. Unexpected high consumption of electricity will be investigated to find out the root cause and take preventive measures. During the Reporting Period, the Group has performed the following measures relating to mitigating emissions:

- Streamlined the operational procedures;
- Utilized higher energy-efficiency equipment in our operations;
- Switched off lightings and electrical appliances when not in use; and
- Replaced energy-inefficient light bulbs with energy efficient LED lighting by phases.

As a result, the employees’ awareness of energy conservation has been increased through these energy-saving measures.

Environmental, Social and Governance Report

A. Environmental (Continued)

A2. Use of Resources (Continued)

General Disclosure and KPIs (Continued)

Energy Efficiency (Continued)

There is an increase in the Group's total energy consumption by about 29% from approximately 1,488,000 kWh in 2017 to approximately 1,921,656 kWh in 2018. This is due to the increase in the consumption of electricity related to the expansion of the cold chain business segment. During the Reporting Period, the energy consumption of the Group and its intensity were as follows:

| Type of energy | Unit | Consumption amount |
|-----------------------|-----------------|--------------------|
| Diesel ¹ | kWh | 192,553.04 |
| Gasoline ² | kWh | 66,399.68 |
| Electricity | kWh | 1,662,703.45 |
| Total energy consumed | kWh | 1,921,656.17 |
| Intensity | kWh/square feet | 4.80 |

Remarks:

1. Conversion is in reference to the conversion provided on the US Energy Information Administration's Energy Conversion Calculator, actual diesel consumption is approximately 18,103.00 litres.
2. Conversion is in reference to the conversion provided on the US Energy Information Administration's Energy Conversion Calculator, actual gasoline consumption is approximately 7,127.00 litres.

Water Consumption

Water consumption of the Group is mainly for basic business operation, cleaning and sanitation. We encourage all employees to develop the habit of water conservation. High efficiency equipment and streamlined procedures have been introduced to our operations to reduce water consumption and increase the efficiency in use of resources. We have been strengthening our water-saving promotion, posting water saving notice "Treasure every drop", and guiding employees to use water reasonably.

The total water consumption amount has increased by about 90% from approximately 3,275.00 cubic meters in 2017 to approximately 6,216.00 cubic meters in 2018. This is due to the increase in the water consumed related to the expansion of the cold chain business segment, and the damage of water tower during the Reporting Period due to typhoon. During the Reporting Period, the water consumption of the Group and its intensity were as follows:

| Water consumption | Unit | Consumption amount |
|-------------------|--------------------------|--------------------|
| Water consumed | cubic meters | 6,216.00 |
| Intensity | cubic meters/square feet | 0.02 |

Due to the Group's operational location, there is no material issues in sourcing water that is fit for purpose.

Use of Packaging Materials

Due to the Group's business nature, it is unavoidable to consume packaging materials. The Group realizes the potential adverse environmental impacts brought by the packaging materials consumed and thus striving to make the best use of the packaging materials consumed and minimize the potential impacts brought by its consumption. During the Reporting Period, the Group consumed approximately 643 tonnes of packaging materials.

Environmental, Social and Governance Report

A. Environmental (Continued)

A3. The Environment and Natural Resources

General Disclosure and KPIs

As an ongoing commitment to good corporate social responsibility, we recognize the responsibilities in minimizing the negative environmental impacts of our business operations, in order to achieve sustainable development for generating long-term values to our stakeholders and community as a whole.

The Group works tirelessly to mitigate the adverse environmental impacts of our activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. We regularly assess the environmental risks of our businesses, and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.

Our “Environmental and Natural Resources Policy” incorporates the guidelines and general directions of the Group’s approaches in environmental and natural resources management.

We have also established a “Community Investment Policy” to cooperate with different sectors in mitigating climate change, raising employees’ awareness on the relation on energy consumption and climate change and promoting energy conservation.

Environmental Education

Other than the measures mentioned in the previous sections, we have also implemented the following initiatives to minimize our impacts on the environment and natural resources:

- Regularly publicize environmental protection messages and green tips to our staff on the message board, staff newsletters or emails;
- Encourage our staff to participate in campaign and activities relating to the promotion of green environment; and
- Post up green messages on the message board to show appreciation of our colleagues’ continued support in energy conservation.

Indoor Air Quality

Indoor air quality at our workplace is regularly monitored and measured. By adopting air purifying equipment in the workplace as well as conducting regular cleaning of air conditioning system, these measures resulted in maintaining good indoor air quality and filtering out pollutants and dust particles.

B. Social

B1. Employment

General Disclosure

Employees are the core of our business and our brand. The Group has devoted itself to providing employees with a work environment which enables full capitalization of their talents, creating value, enhancing self-quality and attaining comprehensive development. The "Employee Handbook" enables our staffs to understand their rights and responsibilities, including the working hours, remunerations, allowance, bonus, leaves and other benefits etc. We have also established a "Human Resources Policy", which is in line with our people-oriented management, to communicate values and expectations of the Group and document best practices that are appropriate to us. We review, and if necessary revised, the above documentations 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 including but not limited to the "Employment Ordinance", that would have a significant impact on the Group.

As at 31 December 2018, the Group had 115 employees (i.e. 112 full-time and 3 part-time) in total of which 41 of them are female, while 74 are male. More data on employee compositions are available in the section "ESG Data Summary".

Recruitment and Remuneration

We apply robust and transparent recruitment processes based on merit selection against the job criteria. For instance, we have joined the Recruitment Day of the Labour Department Hong Kong SAR Government and launched a Referral Program. Recruitment of individuals is based on their suitability for the position and potential to fulfil the Group's current and future needs. Applicant have to undergo series of selection procedures and assessment methods at various levels to secure the hiring of the right person.

Our basis for compensation and promotion is 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, medical scheme, maternity leave, paternity leave, group insurance, mandatory provident fund, etc.

Promotion and Career Development

The promotion of the Group's employees is subject to review regularly. All employees are required to participate in the appraisal process. This is not only for salary adjustment, but also to provide support and assistance to employees on areas of unsatisfactory performance. The Group has established objective performance indicators for annual performance evaluation. Based on the evaluation result, we offer rewards to employees to encourage continuous improvement.

Communication Channels

We recognize the importance of open communication and joint consultation between management and staff. We encourage exchange of information, ideas and views about matters of mutual interest and concern through both formal and informal channels. We regularly update notices on our notice boards in all operations to ensure our employees are in touched with the latest information. Employees are welcome to express any comments and feedbacks to the Human Resources and Administration Department ("HRA") or Department Head.

Environmental, Social and Governance Report

B. Social (Continued)

B1. Employment (Continued)

General Disclosure (Continued)

Diversity, Equal Opportunity and Anti-discrimination

The Group has zero tolerance over sexual harassment and discriminatory behaviour. 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.

We strive to ensure that complaints, grievances and concerns, including whistle-blowing, are dealt with promptly and confidentially. The HRA will conduct investigations for the complaints received, and make decisions upon the approval from the Board to make sure the claimants get replies as soon as possible. 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.

B2. Health and Safety

General Disclosure

We place high emphasis on the safety and health of our staff. Setting our target such as “zero-work injury”. We are committed to maintaining a healthy and safe workplace so as to prevent work injuries and occupational diseases. The formulation of guidelines for a clear operational workflow that specify operational risk factors and key notes on safety shows our emphasis on the safety risk preventions for hazardous job positions. The related operational guidelines include the “Operation Safety on Forklifts Guidelines”, “Safe Stack of Cargo Guidelines” and “Operation Safety on Physical Handling Guidelines”. A “Health and Safety Policy” has been established for the prevention and remediation of safety accidents, and detection on potential safety hazards in workplace. We review, and if necessary revise, these policies and our health and safety practices at least annually to ensure continuous improvements of our health and safety standards. Data on health and safety are available in the section “ESG Data Summary”.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to “Occupational Safety and Health Ordinance”, that would have a significant impact on the Group.

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 the office and the warehouse to ensure that the furniture, fixtures and fittings are maintained in good conditions.

Proper lighting and ventilation are also ensured to safeguard employees’ health. Moreover, first aid boxes are available at easily accessible locations in offices, the warehouses and other operation sites. The HRA is responsible to ensure the supplies inside the first aid boxes are not outdated and remain functional.

Occupational Safety and Health Training Programs

The Group follows the occupational health and safety guidelines recommended by the Labour Department and the Occupational Safety and Health Council, and regularly encourages the employees to attend relevant workshops or training courses.

The year-round Safety and Health Training Program covers safety and health trainings for different areas, which can be broken down into “General Knowledge of Safety and Health” and “General Knowledge of Professional Skills”. The HRA also takes responsibilities for offices’ occupational health and safety and relevant promotions and monitoring.

B. Social (Continued)

B2. Health and Safety (Continued)

General Disclosure (Continued)

Safety Measures (Continued)

Occupational Safety and Health Training Programs (Continued)

All employees are required to attend the training on “General Knowledge of Safety and Health” organised by the Group. Training topics included but not limited to workspace stretching exercises, physical processing procedures, prevention on slipping and falling, prevention of heat stroke working in hot environment, safety procedures for using ladder, simple processing procedures for accidents, and instructions on the use of fire extinguisher. Emergency and evacuation procedures were established to respond timely and orderly in any major safety accidents.

“General Knowledge of Professional Skills” training is applicable to designated departments. Training topics included but not limited to forklift application and safety guidelines, safe stacking of goods, and prevention of injury upon tail lift usage.

Moreover, the Group fosters employee involvement through the HRA 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.

B3. Development and Training

General Disclosure

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution of our talents for our continued success. We are committed to inspiring our human capital towards delivering excellence. This is achieved through the development of training strategy that focuses on creating values and serving the needs of our customers, talents and society. Data on development and training are available in the section “ESG Data Summary”.

Training and Development Policies

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

To ensure the effectiveness of the training program, the Group developed a development and training policy to control the training related procedures. A training plan is developed by the Quality Assurance Department based on the requirements from various departments and employees. We review, and if necessary, revise these policies and our training and staff development activities at least once a year to continuously improve relevant provision. Training contents are regularly updated to ensure contents are relevant to stakeholders’ changing needs such as laws and regulations, technological changes, market trends, product trends and customer behaviour changes.

Under the “Learning Management” section of the “Human Resources Policy”, we aim to create a learning environment by providing subsidize for staff to enhance skills. With the implementation of “Policy on Study and Training Allowance”, the Group provides subsidies to employees to enrol for job-related training courses based on actual needs. During each financial year, each employee can receive a maximum HK\$20,000 and HK\$5,000 as an allowance for professional qualification training and external training respectively.

Environmental, Social and Governance Report

B. Social (Continued)

B3. Development and Training (Continued)

General Disclosure (Continued)

Training Programmes

The Quality Assurance Department and department managers are responsible for conducting training and development as well as keeping the records. Internal trainings included but not limited to company policies and operational procedures, such as warehouse security, temperature and environmental requirements for storage, health and safety trainings, mitigation of emergencies, waste disposal and loadings.

We also offer professional trainings for staff on technical skills in trainings on “General Knowledge of Professional Skills”. Employees have the chance to polish their professional skills on topics including but not limited to computer usage guidelines and professional phone answering skills.

B4. Labour Standards

General Disclosure

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

Prevention of Child Labour and Forced Labour

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”. We have laid down an “Employment Policy” and a “Prohibition of Child Labour Policy” in preventing child labour and ensuring freedom in occupation selection to prevent forced labour. We have also extended the application to our supply chain management. 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 “Employee Handbook”.

For overtime work, the Group has set out in the “Employee Handbook” relevant regulations for claiming overtime allowance and compensation leave. In response to the need of our customers, the Group offers Sunday delivery services and also plans to provide logistics services on statutory holidays. The Group offers compensation leave for working on Sunday and during statutory holidays as set out in the “Employee Handbook” to protect employees’ rights. The Group has commenced communication with employees in respect of the arrangements of working on Sunday and statutory holidays. Employees have agreed to such arrangements and understood their rights to refuse to work on Sunday and statutory holidays.

B5. Supply Chain Management

General Disclosure

The Group highly values our relationship with suppliers and regards them as important business partners. It is expected that a stable supply chain can be established in the long run through mutual cooperation. During the Reporting Period, the Group had a total of 110 suppliers, which are all located in Hong Kong. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. We have formulated related policies to manage our suppliers and the policies are reviewed at least annually.

B. Social (Continued)

B5. Supply Chain Management (Continued)

General Disclosure (Continued)

Environmental and Social Responsibility of Suppliers

With increasing environmental concerns in society, the Group is aware of the importance in managing environmental and social risks of our 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.

We have sent out letters to suppliers indicating that the Group reserves the rights not to do business with suppliers which employ child workers. Looking forward, the Group will continue to require business partners to attach more importance to sustainable development performances, so as to promote the sustainable development of the industry as a whole.

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 formulated 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. 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 Group always upholds the principles of "Service-driven, Customer-oriented and Quality-first" and endeavors to create the maximum value for our customers. Therefore, we strive to optimize and improve the quality of products and services according to the requests of the customers.

The quality management system of the Group is applicable to all operation related departments and has obtained ISO9001:2015 Quality Management Systems standard. Regular internal audit on the effectiveness and level of compliance of quality management system are carried out on an annual basis. Moreover, a management review meeting is conducted at least once a year to ensure the stability adequacy and effectiveness of the quality management system.

During the Reporting Period, we were not aware of any incidents of non-compliance with laws and regulations, including but not limited to the "Personal Data (Privacy) Ordinance", "Supply of Services (Implied Terms) Ordinance" and "Trade Descriptions Ordinance", that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Environmental, Social and Governance Report

B. Social (Continued)

B6. Product Responsibility (Continued)

General Disclosure (Continued)

Standard Procedures for Warehouse Operation

The Group adopts an Enterprise Resource Planning (“ERP”) system to assist its warehousing management and has also established a detailed standard procedure for warehouse operation to regulate all procedures of every stage of the operation. The Group will measure and exercise control on temperature and humidity of the warehouse. It will conduct daily inspections and records with the Standard Procedures and take remedial actions when the parameters deviate from the prescribed ranges to prevent the stock from damage because of the humidity. It will also take regular warehouse cleaning and pest control. Weekly cleaning is conducted in various areas of the warehouses. Besides, inspection on the general pest control facilities is taken on daily basis and pest control is conducted monthly by professional parties to prevent pest in the warehouse.

The Group also values the security of the warehouse. It has set up a 24-hour CCTV and burglar alarm system and arrange regular security patrols. Unauthorized person is strictly prohibited to enter the material and packaging areas. Staff must accompany customers who wish to check related records at the authorized areas. Risk assessment and emergency response are also prepared by the Group to prevent the stock from unexpected incident. The Group will conduct risk assessment on our operation and quality related aspects and formulate respective corrective and preventive action (“CAPA”), control measures or remedial measures within designated time in case of emergency and unexpected circumstances. Records are kept in our system and inform customers with our CAPA.

Our stock is handled in a well-planned procedure to ensure that the stock would be transferred in an organized manner. We will collect the goods with sealed trucks and transport to our warehouses. We will confirm the receipts, carry out inspections and records the goods into our system. Standard shipment arrangements and requirement of placement of goods and delivery process are set up and make sure our staff will follow to protect the stocks which are transferring to the customers. After the shipment, we will inform our customers as soon as possible and made written records within 24 hours. We would block related goods or raw materials in our system and place labels to prevent misuse.

Once the stock are being found to be unsatisfactory, we will arrange immediate transportation for returning goods to the warehouses and label the returned goods clearly to prevent misuse. Then, we will modify condition of returned goods or materials after reaching consensus with customers.

If there is any complaint, we will notify our customers as soon as possible and keep records of the complaint. The Customer Service Department will then handle the complaint and review the complaint to make improvement. We will make sure that we will not repeat the mistake .

B. Social (Continued)

B6. Product Responsibility (Continued)

General Disclosure (Continued)

Customer Privacy Protection

The Group respects the values and rights of customers' information assets which are important assets. In the processes of providing products and services, we strictly comply with the customers' information security management systems and standards. We are determined to strengthen the protection of customers' privacy while providing high quality services. 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 "Code of Conduct". The Group has stipulated in the "Employee Handbook" the requirements in respect of the handling of confidential information by staff as well as their responsibility of keeping confidentiality thereof. Employees are also required to sign an agreement for confidentiality and intellectual property rights upon entering the Group.

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.

Since product labelling is not involved in the operation of the Group related to logistics service business at present, we do not regard it is a material issue to the Group.

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 notice any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the "Prevention of Bribery Ordinance".

Internal Control

The Group has in place a "Code of Conduct" which contains relevant regulations as set out under the "Prevention of Bribery Ordinance". The "Code of Conduct" defines 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. The definition of "advantage" is also clarified in the "Code of Conduct". Employees must report on any incidence that may have conflict of interest with the Company. Employees will be subjected to disciplinary actions if they are found violating the "Code of Conduct" 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. We have taken measures to ensure that the employees understand the requirements of the "Code of Conduct" through signage and daily communication.

To further mitigate risks of business frauds, the Audit Committee of the Company has conducted continuous evaluation of the Group's internal control effectiveness, detecting potential deficiency, and identifying areas of improvement. An audit report is then distributed to the responsible department for the timely remediation. The Board of Directors and the Audit Committee will supervise and review the implementation and effectiveness of the on related whistleblowing policy and "Code of Conduct" on a regular basis.

Environmental, Social and Governance Report

B. Social (Continued)

B8. Community Investment

General Disclosure

The Group is committed to inspiring and supporting the public by the means of social participation and contribution, and to nurturing the corporate culture and practices of corporate citizen in the daily work life throughout the Group. Under our "Community Investment Policy", we emphasis on social health. We aim to promote sustainability, and support the underprivileged on rehabilitation to improve quality of life. We also focus to inspire our employees towards social welfare concerns. We will embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the Group's strategic development.

Community Participation

We participated in various community activities, for example, donations and sponsorships, etc. With the active participation in community events to help the needy, we also regularly communicate with local charities to understand community's needs. We believe it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole. We have also encouraged our employees to participate in community activities and suggest areas of contribution based on their personal experiences in the community.

ESG Data Summary

| Environmental | Unit | 2018 | 2017 |
|--|--------------------------------|--------------|--------------|
| Air emissions | | | |
| SOx | kg | 0.40 | 0.46 |
| NOx | kg | 289.26 | 376.97 |
| PM | kg | 28.53 | 20.98 |
| GHG emissions | | | |
| Direct GHG emissions (Scope 1) | tCO ₂ e | 66.62 | 76.00 |
| Indirect GHG emissions (Scope 2) | tCO ₂ e | 847.98 | 647.00 |
| Other indirect GHG emissions (Scope 3) | tCO ₂ e | 2.41 | 17.00 |
| Total GHG emissions | tCO ₂ e | 917.01 | 740.00 |
| Intensity | tCO ₂ e/square feet | 0.002 | 0.002 |
| Hazardous waste | | | |
| Total hazardous waste | tonnes | 1,629.00 | 520.00 |
| Intensity | tonnes/square feet | 0.004 | 0.001 |
| Non-hazardous waste | | | |
| Total non-hazardous waste | tonnes | 4.94 | 7.88 |
| Intensity | tonnes/square feet | 0.00001 | 0.00002 |
| Energy consumption | | | |
| Total energy consumption | kWh | 1,921,656.17 | 1,488,000.00 |
| Intensity | kWh/square feet | 4.80 | 3.72 |
| Water consumption | | | |
| Total water consumption | cubic meters | 6,216.00 | 3,275.00 |
| Intensity | cubic meters/square feet | 0.02 | 0.01 |
| Use of packaging materials | | | |
| Packaging materials | tonnes | 643.00 | 888.00 |

ESG Data Summary (Continued)

| Social | Unit | 2018 | 2017 |
|--|------------|-------|-------|
| Employee data (as at 31 December 2018) | | | |
| Female | person | 41 | 16 |
| Male | person | 74 | 66 |
| Full time | person | 112 | – |
| Part time | person | 3 | – |
| Under 30 years old | person | 17 | 14 |
| 30-50 years old | person | 70 | 43 |
| Over 50 years old | person | 28 | 25 |
| Number of new employees | | | |
| Female | person | 19 | 5 |
| Male | person | 40 | 19 |
| Under 30 years old | person | 13 | 7 |
| 30-50 years old | person | 34 | 12 |
| Over 50 years old | person | 12 | 5 |
| Percentage of number of new employees over the total number of employees in the respective year | percentage | 51.30 | 29.27 |
| Number of resigned employees | | | |
| Female | person | 19 | 15 |
| Male | person | 44 | 42 |
| Under 30 years old | person | 13 | 11 |
| 30-50 years old | person | 32 | 30 |
| Over 50 years old | person | 18 | 16 |
| Percentage of number of lost employees over the total number of employees in the respective year | percentage | 5.33 | 6.38 |
| Health and Safety | | | |
| No. of work-related fatalities | person | – | – |
| No. of work injury cases | cases | 3 | 3 |
| No. of working days lost due to work injury | days | 26.50 | 52.50 |
| Development and Training | | | |
| Average training hours for female employees | hours | 21 | 14 |
| Average training hours for male employees | hours | 22 | 11 |
| Average training hours for Management | hours | 40 | 34 |
| Average training hours for Managerial Officers | hours | 24 | 16 |
| Average training hours for General Staff | hours | 16 | 8 |
| Average total training hours | hours | 21 | 12 |
| Percentage of male employees trained | percentage | 100 | 100 |
| Percentage of female employees trained | percentage | 100 | 100 |
| Percentage of Management trained | percentage | 100 | 100 |
| Percentage of Managerial Officers trained | percentage | 100 | 100 |
| Percentage of General Staff trained | percentage | 100 | 100 |

Environmental, Social and Governance Report

The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited

| Aspects, General Disclosures and KPIs | Description | Section/Declaration | Page number |
|---------------------------------------|--|--|-------------|
| Aspect A1: Emissions | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management | p. 4 – 7 |
| KPI A1.1 ("comply or explain") | The types of emissions and respective emissions data. | Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management | p. 4 – 7 |
| KPI A1.2 ("comply or explain") | GHG emissions in total (in tonnes) and intensity. | Emissions – GHG Emissions | p. 5 |
| KPI A1.3 ("comply or explain") | Total hazardous waste produced (in tonnes) and intensity. | Emissions – Waste Management | p. 6 |
| KPI A1.4 ("comply or explain") | Total non-hazardous waste produced (in tonnes) and intensity. | Emissions – Waste Management | p. 7 |
| KPI A1.5 ("comply or explain") | Description of measures to mitigate emissions and results achieved. | Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management | p. 4 – 7 |
| KPI A1.6 ("comply or explain") | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Emissions – Waste Management | p. 6 – 7 |
| Aspect A2: Use of Resources | | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources – Energy Efficiency, Water Consumption | p. 8 – 9 |
| KPI A2.1 ("comply or explain") | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources – Energy Efficiency | p. 9 |
| KPI A2.2 ("comply or explain") | Water consumption in total and intensity. | Use of Resources – Water Consumption | p. 9 |
| KPI A2.3 ("comply or explain") | Description of energy use efficiency initiatives and results achieved. | Use of Resources – Energy Efficiency | p. 8 – 9 |
| KPI A2.4 ("comply or explain") | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Use of Resources – Water Consumption | p. 9 |
| KPI A2.5 ("comply or explain") | Total packaging materials used for finished products (in tonnes). | Use of Resources – Use of Packaging Materials | p. 9 |

Environmental, Social and Governance Report

The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited (Continued)

| Aspects, General Disclosures and KPIs | Description | Section/Declaration | Page number |
|---|--|---|-------------|
| Aspect A3: The Environment and Natural Resources | | | |
| General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources | p. 10 |
| KPI A3.1 ("comply or explain") | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources – Environmental Education, Indoor Air Quality | p. 10 |
| Aspect B1: Employment | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | Employment | p. 11 – 12 |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | ESG Data Summary | p. 19 |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | ESG Data Summary | p. 19 |
| Aspect B2: Health and Safety | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety | p. 12 – 13 |
| KPI B2.1 | Number and rate of work-related fatalities. | ESG Data Summary | p. 19 |
| KPI B2.2 | Lost days due to work injury. | ESG Data Summary | p. 19 |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety | p. 12 – 13 |
| Aspect B3: Development and Training | | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training | p. 13 – 14 |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | ESG Data Summary | p. 19 |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | ESG Data Summary | p. 19 |

Environmental, Social and Governance Report

The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited (Continued)

| Aspects, General Disclosures and KPIs | Description | Section/Declaration | Page number |
|---|---|-------------------------|-------------|
| Aspect B4: Labour Standards | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labour Standards | p. 14 |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards | p. 14 |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Labour Standards | p. 14 |
| Aspect B5: Supply Chain Management | | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management | p. 14 – 15 |
| KPI B5.1 | Number of suppliers by geographical region. | Supply Chain Management | p. 14 |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | Supply Chain Management | p.15 |
| Aspect B6: Product Responsibility | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility | p. 15 |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Product Responsibility | p. 17 |

Environmental, Social and Governance Report

The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited (Continued)

| Aspects, General Disclosures and KPIs | Description | Section/Declaration | Page number |
|--|--|----------------------|-------------|
| Aspect B7: Anti-corruption | | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption | p. 17 |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption | p. 17 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption | p. 17 |
| Aspect B8: Community Investment | | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment | p. 18 |