



Ngai Hing Hong Company Limited
(Incorporated in Bermuda with limited liability)

(Stock Code : 1047)

Environmental, Social and Governance Report

For the Year Ended 30 June 2017

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I. About This Report

Reporting Scope

This is the first environmental, social and governance (hereinafter called “ESG”) report for Ngai Hing Hong Company Limited and its subsidiaries (collectively the “Group” or “We”). This report covers the financial year ended 30 June 2017 and includes our main business in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

Guidelines on the ESG Report of The Stock Exchange of Hong Kong Limited

In order to comply with the disclosure requirements and guidelines of the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (“Listing Rules”) and the “ESG Reporting Guide” as set out in Appendix 27 to the Listing Rules, the Group started to disclose relevant ESG information for the financial year beginning on 1 July 2016. The Group continuously directs efforts towards research and development related to plastic technologies, improves the products and service quality, and pursues excellence. We have developed from a small-scale company to one of the leading enterprises in the industry since our establishment in the 1970s. Our production plants located in Hong Kong, Dongguan, Shanghai, Qingdao and Xiamen. We hope to achieve our business objectives and creates shareholder value, while at the same time protects the ecological environment by fully utilising resources and minimizing the emission of pollutants during operation. We always balance the relationship between operations and environment through optimising operation management, business strategies, environmental protection, talent development and community investment for the sustainable development of the globe, human being and our business; and to fulfill the responsibility as a corporate citizen.

II. Environmental Protection

To comply with the local laws and regulations and to follow the environmental policy of “prevention and control”, we continuously optimise the measures in environmental protection, to promote clean production and to reduce pollutants; and we have obtained the ISO14000 Certification in Environmental Management in certain locations. We always care about the education of our staff and let them understand the significant impact of our behavior on the environment, and to raise their awareness on environmental protection, hoping that they can use and conserve natural resources efficiently. Through this report, we show our determination and effort in protecting the global ecological environment, dedicate in creating economic value, and at the same time, to avoid and reduce pollutions during the manufacturing process. We hope more industrial and commercial enterprises, social welfare organisations and the general public to participate in protecting and improving the environment and to build a better world and to facilitate sustainable development.

Our key measures in environmental protection are as follows:

1. Management of Emissions

We have established environmental protection policies and procedures to control significant environmental factors, to decide, monitor and to coordinate various environmental protection works. Each production division prepares and implements the environmental protection measures within their management scope in order to prevent environmental pollution incidents. In case of abnormal emissions detected in production, immediate measures will be taken to avoid pollution from spreading and timely reporting to the management is required for coordinating emergency actions. We hope that paying attention to environmental protection can, at the same time, result in stable development of the Group.

1.1 Management of Exhaust Air and Greenhouse Gas Emissions

Beside trading business, we mainly engaged in the production of pigments, color masterbatches, functional masterbatches, etc., and obtained emission instruction from the local environmental protection department. We have no exhaust air emission during the manufacturing process. In order to comply with the relevant laws and regulations and to meet the local government’s emission standards of air pollutants, we have established relevant environmental protection measures and procedures. Dust removal system and exhaust device must be switched on during the manufacturing process. Designated staff is assigned to remove dust regularly after precipitation and have them stored in specified location pending for collection by the qualified agents. We periodically clean the pipes of the dust removal system so as not to affect its effectiveness.

II. Environmental Protection (Continued)

1. Management of Emissions (Continued)

1.2 Management of Sewage

We obtained sewage instruction or drainage permit from the local environmental protection department. Since water is mainly used in cooling the melted plastics during production process, no sewage is generated. We also recycle water used in our production process in order to save water resources. We discharge living sewage that meets the concentration requirements in pH value, chemical oxygen demand, biochemical oxygen demand, suspended particulate, ammonia nitrogen, animal and vegetable oil, and petroleum within the effective period of the sewage instruction or drainage permit. The sewage is precipitated and filtered before emission through dedicated pipelines, and discharge of sewage directly into sewers is prohibited.

1.3 Management of Disposal of Solid Wastes

To comply with the relevant laws and regulations, we have established relevant policies and procedures in monitoring and managing the disposal of solid wastes during production and operation. We reduce the generation of solid wastes through production techniques and recycle the solid wastes whenever applicable. We collect solid wastes by category and have them processed centrally. Non-recyclable wastes are handled by qualified agents and hazardous wastes are handled according to the regulations' requirements.

Hazardous Wastes

Our hazardous wastes include acidic wastes, mineral oil wastes, waste buckets (for containing chemicals), waste cloths, waste gloves, waste fluorescent tubes, waste toner and ink cartridges, chemical wastes, etc. We follow the requirements of the local laws and regulations to have the hazardous wastes clearly labelled, categorised and processed centrally; stored separately and in specified location. The hazardous wastes are handled by the qualified environmental agents and delivered to the designated locations for processing.

Non-hazardous Wastes

Non-hazardous wastes include recyclable and non-recyclable wastes. We formulate relevant policies and procedures for non-hazardous wastes recycling and external processing. Production wastes (such as plastic wastes, etc.), packaging materials, card board, etc. are placed centrally, further processed or utilised by qualified recycling company when the wastes have reached certain quantity level. Non-recyclable wastes such as dusts and living garbage are centrally stored in garbage station, and delivered and further processed by the local government.

II. Environmental Protection (Continued)

1. Management of Emissions (Continued)

1.4 Management of Noise

In order to comply with the local laws and regulations, we have established relevant policies and procedures. Loud noise is produced in manufacturing. Workers must wear earplugs during operations and follow the procedural manual to operate with the production equipment. Engineering department is responsible for management and maintenance of the equipment to ensure that the noise level is within the local standard.

2. Management of Resources Utilisation

The Group recognises its responsibility to protect the environment in the course of its operation and continually seeks to identify and reduce environmental impacts attributable to its operational activities. We set up various measures to raise the awareness of the employees to understand the importance of resource conservation. They are encouraged to make full use of resources, to maximise their effectiveness and to avoid wastage.

2.1 Management of Use of Electricity

In order to effectively conserve and use electricity, we established policies and procedures to restrict the selection of energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Lights must be turned off if there is enough daylight. Air conditioners must be turned off after work, and the use of them is limited according to seasonal and temperature changes. Doors and windows are not allowed to stay open when air conditioners are on. Employees are required to check and to ensure that their own and their belonging department's electrical appliances, such as lights, air-conditioners and fans, and computers including monitors are switched off before they get off work. Production process generates heat and causes high temperature in the factory. In order to lower the indoor temperature of the factory, we have re-designed the factory layout and set up environmental air-conditioners. We used more smaller-scale production machines which can shorten the start-up time and to reduce the electricity consumption.

2.2 Management of Use of Water

We promote water saving and raise the awareness of our staff in water conservation by posting "save water" sign at noticeable locations. Water from tap is controlled at the lowest flow when washing hands. Water tap should be turned off after use. Water facilities are regularly inspected to keep them in good condition and to avoid running, overflowing, dripping and long flowing water. If there is leakage in conduits and water taps, they are repaired or replaced immediately.

II. Environmental Protection (Continued)

2. Management of Resources Utilisation (Continued)

2.3 Management of Use of Paper

We want to build a digitised office and make good use of our online system. Issue of general notices and data transfer should be done through the computer network. We demand our staff to photocopy and print less and we encourage print jobs in double-sides; reuse single-sided papers; recycle double-sided printed papers through collecting the recycle paper in designated boxes.

2.4 Management of Office and Production Supplies

Office and production supplies (such as stationeries, safety production tools, uniforms, etc.) are procured and distributed centrally; and are properly stored so as to reduce the chance of damages and wastage. Departments set up their own usage plans, and to submit requisition requests according to the stated procedures. All such requisition records should be properly maintained.

2.5 Others

Other measures to reduce carbon emission include more use of mugs in office and for serving customers; to avoid using disposable paper cups; reduced use of disposable utensils; reduced business trips, and to encourage employees to travel by public transport.

3. Environment and Natural Resources

We are committed to reduce our production and operation impacts on the environment and natural resources; and established the related policies and procedures (please refer to “Management of Emissions” above for details). We focus on the environmental education and advocacy among staff and implemented various resources conservation measures. We hope that our staff can understand making full use of resources, maximising their effectiveness and reducing waste of resources might have significant impact on the environment and the natural resources (please refer to “Management of Resources Utilisation” above for details).

Compliance

During the reporting period, the Group did not have any significant impact or non-compliance incidents relating to environmental protection.

III. Employment and Labor Practices

In order to provide our people a comfortable and harmonious work place and a well-established management system; we formulate our human resources strategies based on the Group's long term development plan and the best interests of our employees in creating an internal harmonious company culture. Our human resources policies vary by locations to comply with the local labor laws and regulations. Employees are valuable resources to us. We always concern the health of our staff and promote work-life balance by organising regular leisure and training activities to enrich their life; enhance their technical skills and to promote team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. We have established comprehensive recruitment, appraisal and promotion procedures to provide our people with career development opportunities; and hope that our employees can cherish and promote the corporate culture development; and to keep on making progress.

1. Talent Selection

We establish formal policies and clear procedures for staff recruitment, employment and dismissal, in a way to comply with relevant laws and regulations, preserve the mutual legal rights and interests of the employer and employees; and to promote sound development of the labor relations. We follow the principles of "fair, open, equal and merit-based competition" to hire outstanding talents. During staff recruitment, knowledge, ability, morality and job requirements are used as the selection standards, and they are not discriminated against because of their disability, age, sex, race, social status, marital status, appearance, language, birth place, religion, or nationality, so as to maintain equal employment opportunities. We provide equal opportunities to employees in providing benefits, promotion, performance appraisal, training and career development. We only consider their morality, knowledge, ability and technical skills, etc. We work with our employees together to create a win-win situation.

2. Labor Standards

We respect human rights and strictly prohibit any unethical hiring practices, including child labor and forced labor in the workplace. Policies and procedures are established to comply with the relevant labor laws and regulations. During the recruitment process, we obtain and review the identity documents of the applicants and never hire any applicant under the legal working age. The work hours of staff are in line with the relevant local labor laws and regulations. Staff consent for working overtime is needed so as to prevent forced overtime work; and they are compensated in accordance with the requirement of the local laws and regulations.

III. Employment and Labor Practices (Continued)

3. Staff Compensation and Welfare

In order to attract and retain quality staff, we establish competitive remuneration scheme. Staff salaries are set according to their knowledge, skills, experiences and educational background against their corresponding work requirements. Staff compensation also varies among factories and offices in different locations. Basic remuneration of employees includes salary, overtime pay, performance bonus and so on. Employees are entitled to retirement benefits subject to the local labor laws and regulations. Staff in Mainland China participate in the social security scheme including the “five insurance and housing provident fund” and Hong Kong staff participate in mandatory provident fund scheme. Employees are entitled to holidays such as compassionate leave, sick leave, marriage leave, maternity leave, work injury leave, etc. We terminate and compensate staff in accordance with local laws and regulations.

We want our people to have a comfortable, pleasant and green environment work place, plants are placed within our office areas and factories. Besides, we also set up badminton and basketball courts, and recreational room, etc. for staff’s leisure use. In order to ensure that our staff are healthy physically and mentally, and to fulfill their growing cultural and entertainment needs, we irregularly organise travels, film show gathering, Lunar New Year and Mid-autumn Festival parties, and quarterly staff birthday parties with gifts for the relevant staff. These activities not only enriched staff’s spare time, strengthened the relationship among them, but can also enhance team cohesion.

4. Development and Training

In order to align the staff career development with the long-term corporate business plan, we have established staff training management policies. Human Resources Department is responsible for preparing comprehensive training plan to align with the departmental human resources needs and for creating an excellent, well-trained and responsible corporate team. This not only enhance staff’s knowledge and management skills; improve their ability and performance; increase their work efficiency, but also raise their enthusiasm and to build team spirit. New hires have to participate in pre-employment training and pass the assessment. The training topics include corporate culture, business, work-related rules and regulations, organisational structure, welfare, environmental protection and work safety, etc. (please refer to the "Health and Safety" section below for details of work safety training). During the reporting period, on top of providing our new hires with pre-employment training, we organised various internal training programme such as production staff safety, maintenance staff safety, handling of emergency incident, knowledge on international certifications (like ISO9001 and TS16949), and so on. Besides, we subsidised our staff to participate in external training courses like update of Hong Kong Employment Ordinance, innovative plastic injection technology conference, ESG reporting, carbon audit for listed companies, etc.

III. Employment and Labor Practices (Continued)

5. Health and Safety

We require our products and services provided to be in compliance with the national and local laws, regulations and other requirements. At the same time, we have also established policies and procedures to make sure that we provide a safe, joyful and healthy working environment to our staff.

Training is important in ensuring safe work environment and occupational health. We provide all staff with internal and external production safety training. New staff are required to attend and get pass in examination after a 3-level safety training including department level, team level and job position level, before they are assigned to jobs. We provide all staff with environmental, occupational, health and safety education to help them understand the Group approach and increase their awareness of environmental protection, occupational health and safety and continuous improvements. Staff of special work types, such as electricians, welders, drivers, must possess valid licence from the government authority before they are allowed to operate the machines. During the reporting year, we organised internal training programs, such as analysis of abnormal production incidents, operational safety training for general staff, special work type staff, electricians, etc. Besides, we appointed external experts for conducting staff training such as operational procedures and safety guidelines of forklift, and so on.

In accordance with the requirements of the local laws and regulations, we establish and optimise our occupational health and safety management system to protect our workers and their rights. We provide pre-employment body check for the new hires in order to prevent occupational disease. We also provide workers with safety protection tools (ear plugs, masks, uniform, shoes, etc.) that meet the local government standards and also monitor and educate our staff to use and wear them as required.

We developed safety production management system to monitor and manage hazard factors and take appropriate measures to eliminate or control risks so that employees can work in a safe environment. Production equipment and fire facilities (including fire extinguishers, fire hose, etc.) are inspected regularly to keep them in good condition and to control risk and prevent safety incidents from happening. Abnormalities are reported to relevant department for immediate repair arrangement. Repair and maintenance records are properly kept.

Compliance

During the year, the Group did not have significant non-compliance incidents relating to employment and labor practices.

IV. Operating Practices

1. Supply Chain Management

We have established policies and procedures in supply chain management for employees, suppliers, customers and other business partners to report any violations of laws and regulations when people are performing their duties for the Group. During the reporting period, the Group did not have significant issues relating to violations in this respect.

To strengthen the supply chain management, we have established an assessment system for selection at the preliminary stage or as backup and continued engagement of suppliers. We have also set up a “qualified supplier list”. To accept a new supplier, we will evaluate their qualification, management systems, production facilities, etc. If the new product after trial use is able to pass all tests and fulfill our requirements, we will choose the best supplier. To ensure that suppliers are competitive and that the goods and services provided to us are with high quality, we have strict requirements for division of labor from contract signing to supervision and goods inspection. We require the suppliers of goods and services to possess recognized qualifications and good internal control system, provide stable quality products, deliver goods on-time, comply with laws and regulations and have the required professional skills and quality. We will review the supervision and management process of our existing supply chain system with an aim to keep efficient operation in raw materials sourcing, transportation, logistics, production and waste treatment, control product quality and satisfy the requirements in ESG, including business ethics and product standards for protection of consumer’s health, etc.

2. Product Responsibility

Our business objective is “customer first”. Good quality products and services are provided to satisfy the customers’ requirement. With continuous improvement of technology and living standards, customers’ expectation of product quality become more stringent, therefore, we implement quality management system to improve the product quality continuously. Employees are experts in their jobs. Their wisdom, valuable experiences, and comments provides great insight in improving the product quality. We organize regular training programs to the quality control inspectors so as to make that they possess the latest techniques and knowledge. During the reporting period, training topics included job duties by roles, basic knowledge on ISO9001 and TS16949, operational manual and guidelines, product features and inspection method, analysis of color discrepancy and resolution. We hope that our staff felt satisfied and have a sense of achievement in their work. Being a member of our Group, our staff work with us together and make use of every opportunity to improve the quality of our products.

IV. **Operating Practices (Continued)**

2. **Product Responsibility (Continued)**

We obtained the ISO9001 and TS16949 Certification in Quality Management and standardised the product quality assurance process. We have formulated comprehensive quality inspection procedures covering raw materials used in pre-production and in the manufacturing process; and the finished goods. The inspections are performed by experienced and well-trained inspectors with the aid of meticulous devices. If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints through various channels like by phone, e-mail, etc. via our after-sales service. Our customer service personnel will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled. We also hope to grasp the information on customers' needs and provide timely and comprehensive services to them; and to raise our corporate reputation.

We pay attention to the instructions update on hazardous substances and follow the international environmental requirements in selecting environmental raw materials and to use environmental technology. This is to ensure that our products are in compliance with the global environmental requirements. Our products are verified by qualified inspection organization, fulfilling the requirements of RoHS (Restriction of Hazardous Substance). RoHS is directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment adopted by the European Union. It restricts the concentrations of four hazardous substances including lead, cadmium, mercury and hexavalent chromium, and two flame retardants including polybrominated biphenyls and polybrominated diphenyl ethers in the electrical and electronic products.

During the reporting period, we are not aware of any material violations nor litigation regarding our products.

3. **Anti-corruption**

We firmly believe fairness, honesty and integrity are the important commercial assets of the Group. We formulate policies and procedures, and rewards and punishment mechanism to provide rules for employees' conduct, to bring the discipline inspection and supervision work in the production and operation process, to ensure reporting directly to Audit Committee in strict confidentiality of cases of obtaining personal interests in carrying out one's job duties, briberies, extortion, frauds, money laundering in breach of policies, regulations and laws. We are determinant in combating corruption and contribute to building a clean society. We require our employees and business partners to sign commitment letter/declaration statement to confirm their compliance so as to maintain a simple, transparent, clean and fair co-operation relationship.

During the reporting period, there was no legal action against the Group and our employees for corruptions.

V. **Community Investment and Certification**

We actively contribute with a will to build a sustainable and harmonious society. We help those people in need such as donation of books to schools in Mainland China. Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people to release the pressure from unemployment. We have our staff in different territories participating in retirement plan, helping them to prepare and plan for their retirement. We have maintained good manufacturing operation, actively promoting environmental protection and to achieve good development order; and to some certain extent, we have contributed to social stability and building a harmonious community.

In 2016/17, we have obtained the following important certifications:

- ISO14000 Certification in Environmental Management
- ISO9001 and TS16949 Certification in Quality Management

VI. Sustainable Development and Target Actions for 2017/18

In 2017/18, the Group has the following targets and action plans to strengthen the ESG performance: -

Plan/Target	Focus
To optimise existing ESG system and procedures	<ul style="list-style-type: none"><li data-bbox="775 506 1300 607">■ To examine the completeness and accuracy of the existing ESG data collection procedures<li data-bbox="775 640 1300 808">■ To establish key performance indicators (KPIs) in environmental protection; and to prioritise and set up time table for establishing the KPIs for other ESG aspects<li data-bbox="775 842 1300 999">■ To continue engaging the stakeholders (including investors, suppliers, customer and community); and to collect their concerns through daily operations