

Perfectech

# Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 765

## Environment, Social and Governance Report

# 2016



## ABOUT THIS REPORT



The Environmental, Social and Governance (“ESG”) report issued by Perfectech International Holdings Limited (the “Company”) describes various activities in support of the principle of sustainable development of the Company and its subsidiaries (together the “Group” or “we”) and its performance in corporate governance in 2016.

### REPORTING SCOPE

This ESG report covers the Group’s overall environmental and social policies. 中山市志發玩具有限公司 (“中山志發”) is one of the subsidiaries of the Group, which is a wholly foreign-owned enterprise established in the People’s Republic of China whose principal activity is the manufacture and sale of toys. Since 中山志發 operates the largest plant in the business of manufacture of toy products of the Group, we focus on its performance in environmental and social aspects between 1 January 2016 and 31 December 2016 (the “Year”). For the contents of corporate governance, please refer to the Corporate Governance Report on pages 9 to 32 of the Annual Report of the Company for the Year.

### REPORTING FRAMEWORK

The ESG report was prepared in accordance with Appendix 27 the “Environmental, Social and Governance Reporting Guide” under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### STAKEHOLDERS ENGAGEMENT

The ESG report was prepared in collaboration with the cooperative partners and colleagues from various departments, making us better understand our current level of development in environmental and social aspects. The information collected forms a conclusion of the Group’s environmental and social activities carried out in the Year as well as the basis for our formulation of short and long-term sustainable development strategies.

### INFORMATION AND FEEDBACKS

The Company respects your view on this report. Should you have any opinions or suggestions, you are welcome to send them via email to the following address: [info@perfectech.com.hk](mailto:info@perfectech.com.hk).



## CHAIRMAN'S MESSAGE



Dear shareholders, employees and friends from all sectors of the society,

My greetings to you all!

We are pleased to issue the first ESG report of the Group. The Group's principal activities are the manufacture of toy products, novelties and decorations. In our business operation, we attach great importance to the sustainable development of the enterprise as well as the environmental and social responsibilities that should be assumed by enterprise. This report summarises the Group's overall environmental protection concept and policy on social responsibility.

We are committed to conserving resources and reducing emissions. During the Year, 中山志發 enhanced the energy efficiency at the workplace by adopting advanced technologies and equipment, and improving its production process. Meanwhile, the paint spraying process of 中山志發 was automated with the introduction of pad printing machines to reduce the waste of ink and the impact of ink volatility on the employees.

Employees are our most important assets. As such, we endeavour to protect the safety and health of our employees. We provide our employees with appropriate safety guidelines according to the needs of different posts and require them to undergo physical examination or receive preventive injection and vaccination. We also provide pre-employment and on-the-job training to our employees to ensure they are equipped with the knowledge and skills for safety production. We genuinely and sincerely care about our employees and hope to gather more talents to support the sustainable development and growing scale of the Group.

The Group will continue to develop its core business, cater to the needs of customers and increase its market share by strengthening its product offerings and promoting product upgrade. While striving for technological innovation, we focus on environmental protection, pay attention to economic, social and environmental requirements, and actively discharge relevant responsibilities. Looking forward, the Group will continue to adhere to its corporate ethics, pursue steady growth and be committed to the sustainable development of the enterprise and the society.

**Gao Xiaorui**  
*Chairman*  
**Perfectech International Holdings Limited**



# ENVIRONMENTAL PROTECTION



## ENVIRONMENTAL PROTECTION POLICY

The Group is committed to protecting the surrounding environment while operating its business. The Group has been in strict compliance with the laws and regulations related to environmental protection, such as the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution and Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution. Our environmental protection policy lies in energy saving, consumption reduction and lowering the production and emission of pollutants. The Group raises the awareness of environmental protection and promotes the importance of environmental management to its employees in an attempt to reduce as much energy consumption as possible from the source and establishes management procedure and approach to manage the emissions produced by its business operation accordingly, so that the levels of environmental pollution can be reduced. From now on, the Group will continue to abide by the laws and strive for the environmental protection goals of pollution prevention and continuous improvement of environmental protection policy.

## EMISSIONS HANDLING

The Group's products are mainly toys, novelties and decorations. We constantly review the production procedures in order to minimise the generation of hazardous waste and non-hazardous waste. We strictly abide by the relevant laws and regulations to handle emissions, such as solid wastes, wastewater and exhaust gas.

Take 中山志發 as an example, the solid wastes produced can be divided into hazardous and non-hazardous wastes. 中山志發 collects the hazardous and non-hazardous wastes separately for central storage at designated locations. Hazardous wastes, including waste mineral oil, waste light tubes and waste batteries, are sent to qualified units for further handling. As for recyclable non-hazardous wastes, 中山志發 sends them to qualified recycling companies for recycling, whereas non-recyclable non-hazardous wastes, such as general domestic garbage, are collected and processed by the local environmental hygiene department. The wastewater produced by 中山志發 mainly comprises domestic sewage. Domestic sewage is filtered in septic tanks to ensure that it is up to the national discharge standard before discharging into municipal sewage pipes. The exhaust gas, including benzene, methylbenzene, dimethylbenzene and volatile organic compounds (VOCs), produced by 中山志發 during the production process is emitted after being filtered in the pool. 中山志發 engages the national accreditation department to conduct the relevant test on the exhaust gas regularly to ensure that the exhaust gas emission meets the national standard. While committing itself to reducing exhaust gas emission, 中山志發 also endeavours to reduce the emission of greenhouse gases such as carbon dioxide. For instance, through lowering power consumption, 中山志發 purchases less electricity from power companies, which indirectly reduces the emission of greenhouse gases.

# ENVIRONMENTAL PROTECTION



## RESOURCES CONSERVATION

To reduce power consumption, the Group requires the employees of all departments who leave the office the last to switch off the air-conditioning and lighting systems of the area, and encourages the employees to set the temperature of the air-conditioning system at 25 degrees Celsius or above during office hours. We also encourage our employees to use emails and other electronic systems for work wherever possible to reduce the use of paper. When paper is used, we keep environmental protection in mind and use both sides of the paper when possible. Used paper is recycled by recycling companies to reduce the waste of paper. To save water, we encourage our employees to turn off the faucet tightly to prevent the waste of water resources.

To promote resources conservation and emission reduction, the Group has robust procedures in place to ensure that raw materials and packaging materials are used efficiently in the production and packaging process. 中山志發 adopted advanced technologies and equipment and improved its production process during the Year. 中山志發 used energy-saving and environmentally friendly air-conditioning systems and introduced 15 energy-saving injection moulding machines to enhance the energy efficiency of its workplace. Meanwhile, 中山志發 introduced 16 pad printing machines to replace the paint spraying process with pad printing. In addition to a higher degree of automation, the use of pad printing machines can also reduce the waste of ink, and minimise the impact of volatile ink on the employees.



## CARE FOR EMPLOYEES



### STRINGENT RECRUITMENT PROCESS

The Group always recognises talents as our most important assets. We believe the Group's success relies on the joint effort of its employees. As such, we strictly comply with relevant laws and regulations, such as the Labour Law of the People's Republic of China and Labour Contract Law of the People's Republic of China to regulate our employment system.

When recruiting talents, the Group looks for appropriate talents in accordance with the principle of fairness and openness. We set out recruitment requirements according to the actual needs of various departments and do not treat candidates differently on grounds of ethnicity, social hierarchy, nationality, religion, disability, gender and sexual orientation. Applicants have equal opportunities for an interview as long as they possess the skills, education background and work experience required by the relevant posts. We conduct a background check on the applicants and inspect their identifications to verify their actual ages to prevent child labour due to the falsification of age by the applicants. We do not accept deposits or collaterals of any kind from employees and respect their right to freedom in an effort to prevent forced labour.

中山志發 has also obtained the certification of the International Council of Toy Industries Code of Business Practices management system for its commitment to no child or forced labour and respect for employees.

### EMPLOYEE BENEFITS

The Group conducts annual performance appraisal for its employees and outstanding employees will be given an opportunity for promotion. We consider the competence, conduct, experience and working performance of employees as the criteria of making promotion decisions. We offer competitive remuneration to employees and make adjustment with reference to their performance and our results. We strictly abide by the laws and regulations in relation to working hours and leave to ensure that our employees access to adequate rest and provide them with reasonable overtime payment. In addition to the statutory holidays, employees are entitled to marriage leave, funeral leave and maternity leave. As for terminated employees, we will pay the remaining wages on time without falling into arrears. The terms of termination are in accordance with the applicable laws and set out in employment contracts.

The Group endeavours to create a harmonious working atmosphere. We have established a complaint mechanism for employees, providing them with sufficient opportunities and channels to give comments and feedback. Employees can give comments or make complaints to the Group's management in writing and via telephone. Upon receipt of complaints, we will carry out investigation promptly and take remedial actions.

To balance the physical and mental health of employees, 中山志發 organised an annual dinner during the Year to recognise and encourage its employees so that they could have a relaxing time.

# CARE FOR EMPLOYEES



## HEALTH AND SAFETY

The Group is committed to creating a healthy and safe working environment for its employees. We strictly comply with the laws and regulations in relation to labour safety and hygienic conditions, such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and Production Safety Law of the People's Republic of China, and provide our employees with necessary protective equipment. According to the needs of different posts, employees are required to undergo physical examination or receive preventive injection and vaccination to ensure that they are in good health. Employees are also required to work in accordance with the Group's safety standards, comply with the safety code and participate in safety and hygiene training to minimise work injuries and accidents and attain the goal of safety production.

To ensure the safety of employees, the Group requires its employees to learn fire regulations, gain knowledge about fire safety, participate in fire training and drills, and grasp basic knowledge about fire prevention, extinguishing, escape and first aid. Meanwhile, we require fire routes, fire hydrants, staircase for emergency evacuation and safety exits at the workplace to be always kept clear to prevent blockage by disused objects.

中山志發 has also established an occupational health and safety committee to monitor the implementation of occupational safety and health measures, and organise irregular inspection and evaluation of the safety and hygiene conditions of plants and other aspects in the area to mitigate potential risk factors, prevent accidents from happening and rectify the situation when a problem is discovered.

## TRAINING AND DEVELOPMENT

To help employees adapt to their new posts, the Group provides pre-employment training, such as in-house briefing provided by the head of the relevant department, to its new recruits and they are required to pass the assessment conducted by the head of the relevant department before reporting for duty. The Group also attaches importance to the skill development of its employees. We therefore provide specialised technical training according to the needs of different posts such as technical training for the post to enhance the skills of its employees.

During the Year, 中山志發 organised training sessions in relation to the matters to note at work and social responsibility policies for its employees so that they would have a better understanding of the Group's business and positioning. 中山志發 also organised training sessions in relation to product quality, such as presentation of sample control procedures and description of the internal approach and objective of quality management, in a bid to maintain product quality more effectively.



# ATTENTION TO CUSTOMERS AND COMMUNITY



## SUPPLIERS SELECTION

To ensure the Group's products will not be affected by the supply of raw materials and effectively manage the social risks related to the supply chain, we have stringent criteria in place for the selection of suppliers. We evaluate the product quality, supply stability and service standard of the supplier, in order to select the appropriate suppliers. We also take into account the suppliers' performance in fulfilling the social responsibilities and commitment to environmental protection in the selection of suppliers. We require the suppliers to comply with the laws and regulations in the regions where their operations are located, and operate in good faith by adhering to their business ethics. For comparable suppliers with similar performance, the Group inclines to choose suppliers based on proximity to reduce carbon emission during transportation. We also conduct site visit to assess the production and quality management capabilities of suppliers when necessary. We include qualified suppliers in the supplier directory for our reference and conduct an annual assessment on them to update the supplier directory. We ask unqualified suppliers to take remedial actions or withdraw their qualification to ensure our products are not affected by the quality of suppliers.

## QUALITY CONTROL, ADVERTISING AND LABELLING

To satisfy the demand of customers of different ages, the Group attaches great importance to the quality, safety and health standards of our products. While strictly observing the laws and requirements related to product quality, safety and health standards, such as the Product Quality Law of the People's Republic of China, a set of stringent quality inspection procedures, including random test and confirmation of materials purchased externally as well as verification and confirmation of hazardous substances, is also applied to the entire process from raw materials procurement to product packaging to ensure the quality, safety and health standards of the products.

Raw materials procured are verified and inspected randomly by the quality control department upon arrival at the Group's production facilities before warehousing. We label the qualified raw materials with batch and serial numbers for future product tracking. Sub-standard raw materials are returned to the suppliers. We conduct sampling inspection irregularly on each production process, including injection moulding, paint spraying, assembly and packaging, to ensure our product quality meets the national standard.

The quality management system of 中山志發 has obtained GB/T19001-2008/ISO9001:2008 certification. The scope of certification includes the production and after-sales services of plastic toys, electric toys and projectile toys for export use. 中山志發 strives to provide quality service to customers.

The Group manages the use of labelling and advertising in accordance with the relevant laws to protect customers' rights. The use of labels and packaging conforms to the characteristic of products, the technical specification and the demand of customers.





# ATTENTION TO CUSTOMERS AND COMMUNITY



## CUSTOMER COMPLAINTS

The Group has established complaint handling procedures for a better understanding of customer satisfaction and needs. Comments from customers can effectively help the Group improve its product and service quality continuously. Customers may give their comments or file complaints about our products via telephone and in writing. After receiving a complaint, we will have designated personnel to communicate with the customers and handle the complaint, and conduct an inspection and analysis of the relevant products. If quality or safety issues of products are discovered after inspection and analysis, the Group will recall the batch of products to prevent them from continuing to be sold on the market.

## CONFIDENTIALITY

To safeguard the intellectual property of customers in product development and the information of the Group, we prohibit our employees from disclosing the confidential information of our customers and us to third parties, whether orally or in writing. To protect the information of customers and the Group, employees are not allowed to access the Group's confidential documents without the authorisation of senior officers. In addition, we provide training on information confidentiality to new recruits to ensure all employees understand the message clearly. We have observed the local laws and regulations in relation to confidentiality.

## ANTI-CORRUPTION

The Group strives to combat corruption in its business activities and maintains integrity through stronger internal supervision. We have observed the laws and regulations in relation to anti-corruption, extortion, fraud and money laundering, such as the Criminal Law of the People's Republic of China and Bidding Law of the People's Republic of China and require our employees to follow the policy on professional ethics and business conduct of the Group strictly in operation. Acceptance or conduct of commercial bribery of any kind, such as receiving any gifts, property or entertainment outside work from interested parties, is prohibited.

中山志發 has established a supervision and management department to prevent commercial bribery, which is responsible for monitoring internal compliance with the national laws and regulations in relation to commercial bribery prevention, aiming at stronger preventive measures from the source, and discharging the duties of discipline inspection and supervision. 中山志發 has also set up a report box and published a reporting hotline to prevent commercial bribery and other misconduct. When a report is received, 中山志發 will inspect the case promptly to fight against the relevant misconduct while protecting the identity of the whistle-blower.

## COMMUNITY ENGAGEMENT

The Group actively participates in charitable activities while striving to develop its business. We maintain communications with the local government and non-governmental organisations from time to time so as to understand the needs of the communities where the Group operates and to ensure the communities' interests are taken into consideration. During the Year, 中山志發 took part in the Walkathon of Zhongshan City with its employees to support the development of social welfare undertakings.