



嘉利國際控股有限公司
Karrie International Holdings Limited

(Incorporated in Bermuda with limited liability)

stock code : 1050

2019/20

Sustainability Report





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**(I)
ABOUT THE
SUSTAINABILITY
REPORT AND
REPORTING
STANDARDS**



(I) ABOUT THE SUSTAINABILITY REPORT AND REPORTING STANDARDS

The sustainability report is a disclosure document highly regarded by enterprises. It is also an important means of Karrie International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) to enhance the transparency of non-financial disclosure information. Embracing our motto “KARRIE ON PERPETUAL MOTION, BENEFITS SERVED TO THE PUBLIC”, the Group has been active in the implementation of measures and undertakings of giving back to the society and protecting the environment. It is of paramount importance to have effective communication and understanding between the Group and its stakeholders, including shareholders, partners, employees, suppliers, regulators and the public in coming up with benchmarks and related key issues. Hence, we have engaged both internal and external stakeholders, and have commissioned an independent third party to review and verify the accuracy of the content and information set out in the report. This report has been independently verified by the Allied Environmental Consultants Limited (“AEC”), with the scope and basis of the verification set out in the section headed “Verification Statement” of this report.

Since its listing in 1996, the Group started to prepare the content of the sustainability report which has been incorporated into annual reports as a separate section in the 2008/2009 annual report. When preparing the report for the year, we have been in accordance with the Core Option set forth in GRI Sustainability Reporting Standards (“GRI” Standards) issued by the Global Reporting Initiative (“GRI”) and the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The information and data set out in this report have been verified by AEC as a third party in accordance to the requirements in the Core Option of the GRI Sustainability Reporting Standards and the reporting options of GRI. The Group is expected to prepare sustainability report annually. Some information has been incorporated into the Group’s annual report. For more detailed information, please visit our official website at www.karrie.com.

SCOPE OF REPORTING

The Report is the fourth sustainability report of the Group prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report covers the works and performance of sustainability development during the 2019/2020 financial year (i.e. from 1 April 2019 to 31 March 2020). There are no significant changes in the scope of this report as compared with that set out in the sustainability report in the 2018/19 Annual Report. For detailed information related to our governance and financial performance, please refer to the annual report for the year 2019/20 or that of prior years of the Company (www.karrie.com).

ABOUT KARRIE

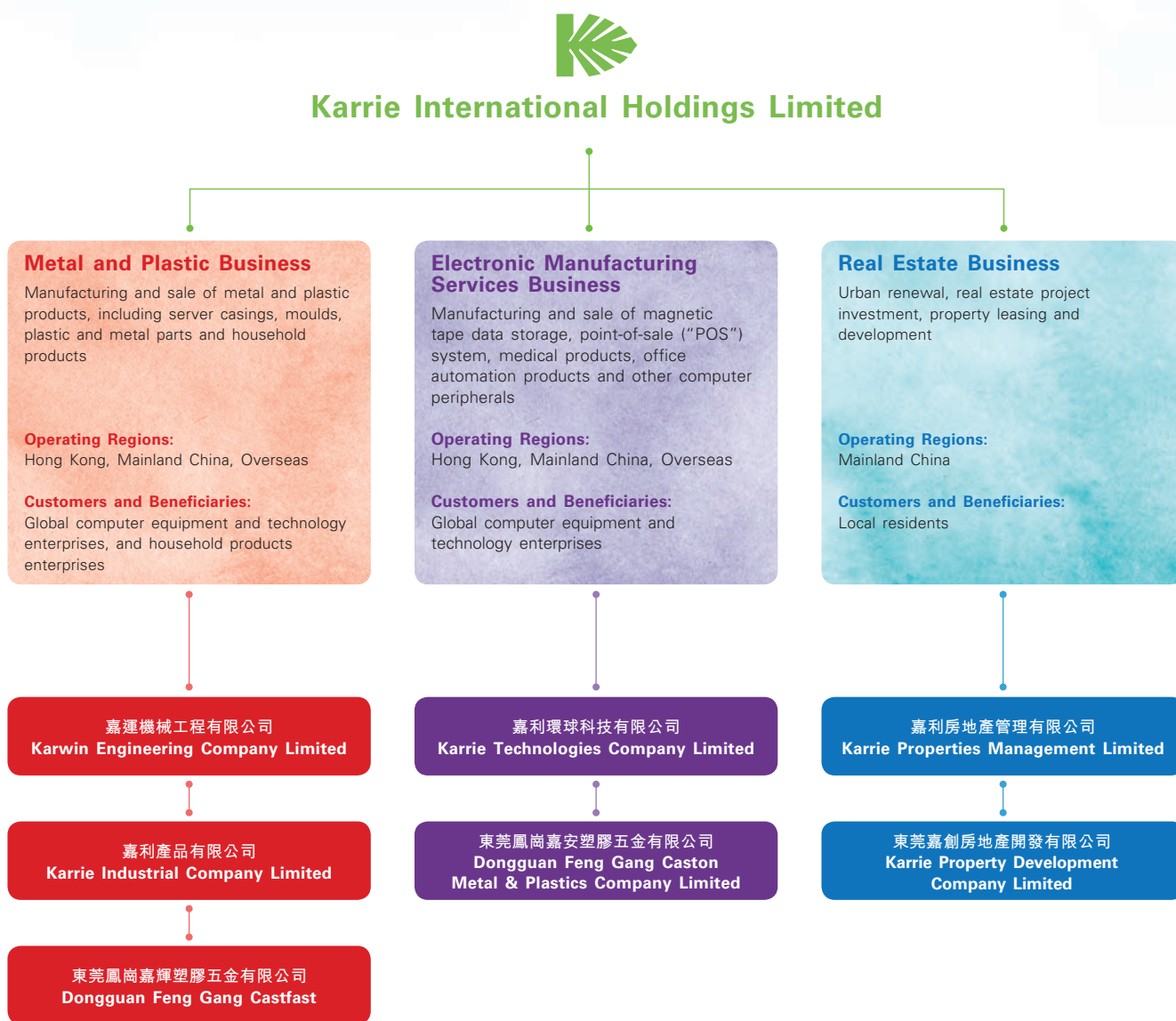
Karrie Group is a limited liability company incorporated in Bermuda, and has been listed on the main board of The Stock Exchange of Hong Kong Limited since 1996. During the year ended 31 March 2020, the Group has employed approximately 3,500¹ employees in average for the Period.

¹ The number of employees during the reporting period includes full-time, temporary and part-time (PRC) employees of Metal and Plastic Business, Electronic Manufacturing Services Business and Real Estate Business.



(I) ABOUT THE SUSTAINABILITY REPORT AND REPORTING STANDARDS (CONTINUED)

The Group is principally engaged in the following business²:



² All the above only show the operating companies and subsidiaries which are important for the operations of the Group. For more details, please refer to the section "Subsidiaries" in the notes to the Financial Statement in Annual Report.



(I) ABOUT THE SUSTAINABILITY REPORT AND REPORTING STANDARDS (CONTINUED)

REPORTING AREA³

This report covers all the operations of the Group, and all information and cases set out in this report are derived from the continuing operations of the Group.

CONTACT US

Should you have any suggestions or opinions on our sustainability development,

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OR VISIT THE WEBSITE OF THE GROUP:

www.karrie.com

³ The scope of this report does not include overseas representative offices, except for the number of Employees. As the relevant corporate social responsibility indicators for the Real Estate Business in 2019/20 are not officially recorded or included.





**(II)
CHAIRMAN'S
MESSAGE**



(II) CHAIRMAN'S MESSAGE

I am delighted to present our 2019/20 Sustainability Report encompassing the Group's sustainability situation for this period. The report should be reviewed alongside the Group's 2019/20 Annual Report, especially the two sections on Management Discussion & Analysis and Corporate Governance. Unless otherwise specified, the period covered in the report coincides with that of our Annual Report and the content areas are similar to last year. This report is not meant to showcase the Group's sustainability performance. Rather, the purpose is to share our determined, concerted efforts in advancing sustainability as a core value of the Group.

This year, the Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") of the Stock Exchange of Hong Kong and by making reference to the GRI Sustainability Reporting Standards ("GRI Standards") issued by the Global Reporting Initiative ("GRI") to demonstrate the sustainability development projects of the Company in an organised manner.



Mr. Ho Cheuk Fai *Chairman & CEO*

In addition, the Group has linked its primary business and development direction to 4 generally related United Nations Sustainable Development Goals ("SDGs"), including:

- Goal 3 Good Health and Well-being;
- Goal 4 Quality Education;
- Goal 9 Industry, Innovation and Infrastructure; and
- Goal 13 Climate Action.

These goals make the sustainable development of the Group more forward-looking and strategic. In accordance with the needs of development, the Group will link its business and development to more UN SDGs. This year, a third-party auditing company has again been engaged to embark on carbon emission audit of our offices and plants in Hong Kong and China, allowing us to have a deeper understanding of energy consumption in our daily operations and to develop various policies of energy saving and emissions reduction.

"KARRIE ON PERPETUAL MOTION" is the core value of the Group. Our sustainable development policies must be permanent, consistent and far-reaching and infused with craftsmanship that focuses on striving for perfection. Therefore, the Group must take into account the needs of all stakeholders and improve constantly every year to keep moving forward with the attitude of ardent pursuit. Let's promote sustainable development with ingenuity.



(II) CHAIRMAN'S MESSAGE (CONTINUED)

As a socially responsible enterprise, the Group has always taken cleaner production as a major project and is committed to environmental protection and cleaner production projects. We have also cooperated with the Hong Kong University of Science and Technology to conduct a study on “Energy Audit and Residue Heat Usage” and developed a set of calculation models for energy applications for factories. In 2019, the Group won the Manufacturing and Industrial Services — Gold Award in the 2019 Hong Kong Awards for Environmental Excellence organised by the Environmental Campaign Committee of the Hong Kong Government. On the other hand, our plants in China were certified as Hong Kong — Guangdong Cleaner Production Excellent Partner. Both of these further recognised the contribution to environmental protection of the Group. From investing in environmental protection, we have been able to achieve a win-win situation where environmental protection and economic benefits co-exist.

The inheritance of education is the keynote of ingenuity. I concern myself with the growth of employees and respect the demonstration of craftsmanship. That is why the Group is committed to providing staff training to improve the comprehensive capabilities and professional standards of our people. We have also been working to gradually popularise science education and strengthen the cooperation between factories and schools. We hire graduates from vocational schools to build an excellent team of craftsmen to reduce the demand for external workers and relieve the pressure on manpower. Meanwhile, the Group is also committed to improving the working environment in our factories, enriching the cultural, entertainment and spiritual life and strengthening the cohesion and sense of belonging of our staff, in order to attract the new generation to join us in production.

To promote automated production capacity, the Group is pleased to establish an “Artificial Intelligence” Education and Experiential Charitable Base and to showcase the history of industrial development and contribution to the industry in the Greater Bay Area of Hong Kong companies. We have been working to strengthen the understanding of “smart production” among the new generation and promote the industrial development in the Greater Bay Area so that the spirit of craftsmanship of Karrie can be inherited and carried forward in automated production.

Last but not least, safe production is also indispensable. The Group puts personal safety of our employees in the first place. Training must be conducted to improve staff awareness of prevention of industrial accidents. We must not let a single industrial accident happen. Preventive measures must be in place to avoid any harm to the health of our staff. Therefore, as evident in our response to the outbreak of the pandemic, the Group has taken positive and effective measures. The sustainable development of the Group must rely on the ingenious execution of all employees. I would like to thank every staff member for their contribution to the sustainable development of the Group.



(III) ECONOMIC EFFECTIVENESS AND MARKET STATUS

For detailed information regarding economic effectiveness, please refer to the annual report for the year 2019/20 or that of prior years of the Company.



(IV) SUPPORTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

PEOPLE



PROSPERITY



PLANET



PEACE



PARTNERSHIP



The United Nations proposed 17 SDGs in 2015 and called for action by all countries — poor, rich and middle-income — to promote sustainable development and to aim to achieve these goals by 2030. These goals recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.

As a responsible manufacturer and real estate developer, Karrie Group actively promotes and implements projects and activities related to these goals to contribute to creating a better and sustainable future.

Upon analysis of the relationship between the business and operation of the Group and the SDGs, the Company has selected four SDGs from which stakeholders can understand the continuous contribution made by the Company in addition to business operation and the long-term value created thereby. For more details, please refer to the section on “Corporate Social Responsibility” in the Report (Page 22–46).



(IV) SUPPORTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)



Goal 3: Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages

Business Activities Related to the Goal:

- The Group has always attached great importance to the development of good health and well-being of our staff. We have continued to launch “Karrie’s Health Month” and “Karrie Cup”, and established friendly workplaces.
- This year to respond to the pandemic in particular, the requirements for improving environmental and personal hygiene have been strengthened. A series of measures including tracking of the spread of the virus were implemented, and the Group has also ensured that all personnel were getting important anti-epidemic supplies and information.
- To take care of the mental health of our staff, assist staff in the purchase of masks at cost during critical situation, support the underprivileged, especially the elderly.

Actions Taken/Achievements:

- Staff rest areas with fitness and entertainment facilities have been set up in both China and Hong Kong; breastfeeding room has been established in the Hong Kong Headquarters of the Group to support working mothers coming back to work after maternity leave; activities, workshops and seminars were organised on different days to instil practical knowledge to staff; yoga and tea art classes were held; ball games, chess games, singing contests and marathons were organised for our staff to maintain good health and well-being.
- An anti-epidemic working group was set up and developed the Management Requirements on Epidemic Prevention Discipline so that our plants were among the first enterprises approved to resume operation early in Feng Gang, Dongguan.
- 10,000 masks and supplies of daily necessities were donated to an elderly centre.



(IV) SUPPORTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)



Goal 4: Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Business Activities Related to the Goal:

- To promote universal education and build schools in China to minimise the loss of basic rights of getting an education of underprivileged and marginalised children dropping out of school.
- To advocate donating funds to help students acquire affordable and quality skills and education, including university education.
- To cultivate a new generation with technical and vocational skills, let young people and graduates absorb experience and develop their strengths.

Actions Taken/Achievements:

- Hope Primary Schools have been built in Fengshan County, Shaoguan City and Longxian Town in China to protect the well-being of children and ensure that they can continue to go to school, and arrange representatives to visit the Schools and provide necessary goods.
- Ho Cheuk Fai Classroom was established in the Hang Seng University of Hong Kong to pass on education; funded scholarships for colleges and universities, organised visits, and cooperated with universities on environmental protection research projects.
- We put efforts in grooming graduates from vocational school, technicians and robot operators, allowing them to learn operational skills at Dongguan Production Plant. At this stage, there are 70 interns engaging in training.
- Continue to organise secondary school visits and career shadow programmes to assist students in career planning.



(IV) SUPPORTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)



Goal 9: Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Business Activities Related to the Goal:

- Sustainable industrialisation, to promote innovation and enhance competitiveness of the Group, while encouraging innovation and technological progress to meet economic and environmental challenges.
- To strengthen scientific research, enhance industrial technological capabilities, and continue to encourage innovation.
- To attach importance to industrial development and cultivate the next generation of scientific research, promote “artificial intelligence” education, accelerate the development of manufacturing industry, and expand investment in scientific research and innovation.

Actions Taken/Achievements:

- The Group has continued to deepen investment and R&D of automated production, optimise production process and lean production, and was awarded the Corporate Achievement Award and the Innovation Excellence Award in the Outstanding Import and Export Enterprise Awards.
- Leaders of the Group visited Japan to participate in the 5-day programme on excellent leadership organised by Toyota. With the practice and sincere devotion of the “leadership team”, the Group grasped the development trend of Industry 4.0 and is striving to transform our factories into intelligent and world-class ones.
- Set up the “Demonstration Centre for the Development Journey and Achievements of Foreign Investors in the Manufacturing Sector of Greater Bay Area” in Dongguan and launched popular science education for second generation “Karriars” for children of our staff to learn programme design for free.
- Starting from 2017, the Group has cooperated with teachers and students at the Hong Kong Polytechnic University who have participated in international robotic competitions. We invited them to cooperate in the research and development of different projects, including the use of artificial intelligence, mechanical learning, visual system and big data analysis and other new technologies; optimised automated production, brought innovation, stability, efficiency and safety, and continuously improved efficiency, quality, and reduced cost and manpower. In addition, they have cooperated with the Cuihui Robotics Promotion Centre of the Group to introduce different creative STEM courses for the next generation of the Group and young people in cities around the Greater Bay Area to cultivate their interest in scientific research and train them to become scientific talents in the future.



(IV) SUPPORTING UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)



Goal 13 : Climate Action Take urgent action to combat climate change and its impacts

Business Activities Related to the Goal:

- To formulate environmental policies and approaches, continue to implement green production, and make environmental production as one of our operation goals.
- To invest in sustainable solutions to save energy and reduce wastes and emissions with actual actions.
- To carry on promotion and systematic improvement in the long run, formulate relevant plans with time and effort and suitable human resources, create a safer working environment and a sustainable future for the whole Group.

Actions Taken/Achievements:

- The “Cleaner Production and Energy-saving Committee” was established already 15 years ago (in 2005). It is committed to comply with ISO14001 requirements related to the environment, enforce Responsible Business Alliance (“RBA”) environmental policies, and respond to the state’s energy-saving planning under the 13th Five Year Plan.
- In the past two to three years, nearly RMB 2 million has been invested in activated carbon treatment technology to reduce exhaust emissions and protect the occupational safety and health of employees.
- Efforts recognised: the Group won the Manufacturing and Industrial Services — Gold Award from the 2019 Hong Kong Awards for Environmental Excellence; received “Hong Kong — Guangdong Cleaner Production Excellent Partner (Manufacturing)” Label under Hong Kong — Guangdong Cleaner Production Partners Recognition Scheme; and recognised as “EcoChallenger” and granted the 5 Years+ EcoPioneer logo from BOCHK Corporate Environmental Leadership Awards.



(V) STAKEHOLDERS ENGAGEMENT

GROUPS OF STAKEHOLDERS AND COMMUNICATION

In addition to management support and sufficient resources, communications with stakeholders (including both general and regional) is also crucial for the implementation of corporate social responsibilities. Annually, the Group holds a tea reception for investors, shareholders meeting and interim results reporting session at least once. Each month, we also line up workshops or participate in CSR-related activities, while teaming up regularly with the government, non-government organisations (“NGOs”) and suppliers to conduct visits. The various channels set out below can be adopted by different stakeholders to communicate with the Group, so that the Group can better understand the demands, opinions and needs (whether positive or constructive) of each stakeholder.

General communication channels



- Factory visits
- Corporate activities



- Corporate visit
- Major events
- Volunteer work
- Charitable projects
- Seminars and workshops



- Factory visits
- Corporate activities
- Major events
- Seminars and workshops



- Factory visits
- Company website, online information
- Media
- Opinion survey



- Corporate activities
- Staff briefing
- Suggestion box
- Workshops
- Staff representative meeting
- Karrie's Monthly
- WeChat Platform



- General meetings
- Tea-break with investors
- Circulars, announcements, annual reports and interim reports
- Company website, online information
- Shareholders' Communication Policy



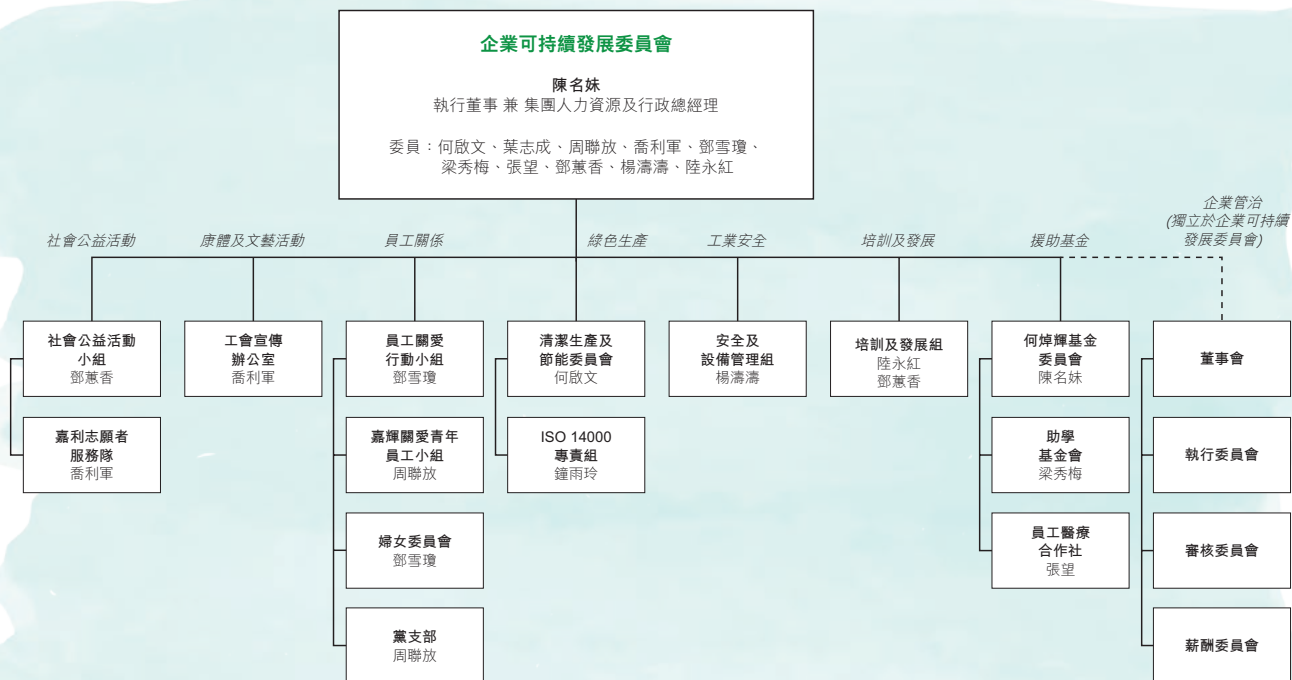
(V) STAKEHOLDERS ENGAGEMENT (CONTINUED)

General communication channels

- Announcements and press releases
- Annual report, Circulars and Sustainability Report
- Presentations, tea-break with investors and conference speech
- Company's website
- Interviews
- Business visits



Corporate Sustainable Development Committee & its subordinate organizational chart



The Group has a Corporate Sustainable Development Committee, and its subordinate organisations and members are responsible for promoting a series of related projects.



(VI) MATERIALITY ASSESSMENT

The assessment of significant issues can facilitate the Group to understand the issues and their significance concerning the internal and external stakeholders. If there are no significant changes in our business or external environmental factors for the Group, we conduct an assessment every two years. We have invited customers, shareholders, investors, suppliers, management and internal staff to conduct a questionnaire survey in 2016/2017, the related survey sets 32 issues covering the economy, environment and society. Stakeholders were invited to rank the importance of significant issues on a score of 1 to 4 and their responses were returned to the Group for analysis. The analysis on the questionnaires has assisted the Group in defining the major focus of this report.

During this year, a total of 115 questionnaires were sent out and 91 returned (response rate of 79%). Internal and external stakeholders hoped the topmost 11 issues to be covered in the Group's future sustainability reports would include, by order of importance, occupational health and safety, effluents and waste, water, communication with staff, economic performance, staff training and development, materials, energy, employment, greenhouse gas emissions, as well as environmental compliance.

THE LIST OF SIGNIFICANT ISSUES⁴

Category	Issue	Relevant regulating document and corresponding action
Social	Occupational health and safety	The Group has adopted the RBA Code of Conduct, the scope of which covers occupational health and safety, and has formulated the "Occupational Health and Safety Management Manual" and "Work Injury Handling Procedures".
Environmental	Effluents and waste	— The Company has received the ISO 14001 Environment Management System Certificate as early as 2001, and has regularly conducted internal and external audit every year to ensure the Group's policy approach and efficiency on environmental protection.
	Water	— The Group continues to strive to promote green manufacturing, enforce RBA environmental policies, respond to the state's energy-saving planning under the 13th Five Year Plan, reduce emissions, explore new environmental protection technologies, and further enhance efficiency and performance of waste processing efforts undertaken to cut emissions of contaminants.

⁴ No evaluation of significant issues was carried out this year and the above significant issues were not exposed to major impact.



(VI) MATERIALITY ASSESSMENT (CONTINUED)

Category	Issue	Relevant regulating document and corresponding action
Social	Communications with employees	<ul style="list-style-type: none">— The Group collects feedbacks and requirements from different departments regarding administration, human resources and training issues annually, and develops annual plan for each year.— Suggestion boxes are placed in the headquarter and in China factories to allow our staff to voice out their opinions anytime.— Staff Care Action Group is established to increase the satisfaction of our staff by providing various channels for effective communication, complaint and feedback as well as actively listening to the voices of our staff and solving the work and life issues which mostly concern our staff.
Economic	Economic performance	<ul style="list-style-type: none">— The Group remained profitable and has been distributing dividends, and apart from the listing and initial public offering in 1996 and the rights issue in 2007, the Company has not raised any funds from public shareholders, whereby it is self-financed and has turned a profit.
Social	Staff training and development	<ul style="list-style-type: none">— The training and development work of the Group puts emphasis on knowledge enrichment and elevation of skills and management calibre as the basis for staff nurturing and the direction of sustainable development for the Group and employees.
Environmental	Materials	<ul style="list-style-type: none">— The supply chain team visits major suppliers regularly for review of their quality and production capacity. A document of “Peers’ Belief” is signed with suppliers in which they undertake to abide by the principles of fairness, justice and openness in the course of transactions.
	Energy	<ul style="list-style-type: none">— The Cleaner Production and Energy-saving Committee is established to be responsible for the overall planning of energy conservation of the Group and its execution, and applies energy saving objectives into all workshops via adopting new technology.



(VI) MATERIALITY ASSESSMENT (CONTINUED)

Category	Issue	Relevant regulating document and corresponding action
Social	Employment	The Group is dedicated to provide fair and competitive remuneration package, which includes basic salaries, incentives (year-end bonuses) and other benefits such as medical benefits (Hong Kong employees are entitled to medical insurance while PRC employees could join cooperative medical plans), and various paid leaves (such as annual leave, maternity leave/paternity leave, sick-leave, bereavement leave, marriage leave), and Hong Kong employees are further entitled to volunteer leave, birthday leave, celebrative gratuities, and training subsidies.
Environmental	Greenhouse gas emissions	— Greenhouse gas emissions are monitored and recorded monthly and data management is continuously improved. Internal and external audit are conducted regularly every year to ensure the Group's policy approach and efficiency on environmental protection.
	Environmental compliance	— A legal department has been set up in China which is responsible for handling all kinds of legal affairs of the Company, including the laws and regulations concerning environmental protection, to avoid related legal issues; and there is a long-term cooperative advisory team of lawyers.





(VII) VISIONS ON CORPORATE SOCIAL RESPONSIBILITY

We believe, “corporate social responsibility” refers to “the continuing commitment by a business to operate ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

The Group has implanted corporate social responsibility into its management models and considered it as one of its long-term corporate missions. Therefore, the Group is able to sustain its development and derive higher values by “giving back to where one takes from”.

In the long run, due performance of social responsibility will definitely improve the Group’s reputation, save cost, enhance the scope of decision making and strengthen the corporate governance ability. Moreover, the Group holds that performance of social responsibility may not necessarily be contrary to the interests of shareholders. For example, the implementation of energy-saving policy for reducing carbon emission is environmentally friendly and conducive to cost-saving, which will be eventually manifested on shareholders’ interests.

MECHANISM FOR DEVELOPING AND REVIEWING CORPORATE SOCIAL RESPONSIBILITY

The Group has adopted the RBA (formerly known as Electronic Industry Citizenship Coalition) Code of Conduct to ensure that it could continuously satisfy the legal requirements and customers’ needs in respect to the protection of employees’ interests, business ethics, environmental protection, occupational health and safety, as well as making continuous improvement to fulfill corporate social responsibilities. At the same time, according to the requirements of the ESG Reporting Guide of the Stock Exchange of Hong Kong and the GRI Sustainability Reporting Standards (GRI Standards), the Group has formulated different scopes of target indicators to demonstrate the situation of corporate social responsibility.

MISSIONS ON CORPORATE SOCIAL RESPONSIBILITY





(VII) VISIONS ON CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

SCOPES OF CORPORATE SOCIAL RESPONSIBILITY

Karrie's values lie with competent use of resources and the strong relationship maintained with stakeholders to form a sustainability framework, while corporate social responsibility is integrated into its management model and upheld as one of the Group's long-term objectives. There are eight areas that reflect the values created:





(VIII) STAFF CARING



The Group collects feedbacks and requirements from different departments regarding administration, human resources and training issues annually, and develops annual plan for each year. In addition, it occasionally establishes focus groups based on the actual and social needs to collect feedbacks, benchmarking good practices of the peers, and puts appropriate items in place. Moreover, suggestion boxes are placed in the headquarter and China factories to allow our staff to voice out their opinions anytime; and to facilitate internal communication between different departments, the Company provides sponsorship and encourages department heads to organise staff gatherings.

The Group strives to provide fair and competitive salaries and remuneration to its staff, including basic salary, awards (year-end bonus) and other additional welfare benefits such as medical benefits (Hong Kong employees enjoy medical insurance while our PRC employees are eligible to join cooperative medical service programmes), various types of paid leave (such as annual leave, maternity leave/paternity leave, sick leave, bereavement leave, marriage leave), Hong Kong employees are further entitled to volunteer leave and birthday leave, wedding gifts and training allowance.

RESPECT FOR STAFF AND PROVIDING EQUAL OPPORTUNITIES

Adhering to the principle of being people-oriented and respecting staff's interests, the Group does not impose any discrimination, involuntary labor, physical punishment and improper treatment towards its staff. The Group respects the freedom of the formation of legal unions permitted under laws, and does not employ any child labor, while employees' working hours as well as wages and benefits are complied with the requirements under the regulation and wages of all employees have met the local minimum wages requirement. With well-established policies, the Group prohibits the occurrence of aforesaid issues which breach labor and human rights, and also has management procedures in place to implement supervision. Meanwhile, promotion is made to staff to allow them to get acknowledgment of their rights, while training is provided to the management, so that respect on human rights and the practical knowledge of equal opportunities are applied in the working environment.

As an equal opportunity employer, the Group welcomes any eligible candidates to apply for positions as indicated in our recruitment advertisements. With the fundamental principles of "employment is based on talents", recruitment, remuneration, training opportunities, promotion, dismissal or retirement would not be affected by race, social status, nationality, religion, disabilities, gender, sexual orientation, membership in labour union, political belongings or age. The Group has also named a staff representative as liaison person for "Gender Focal Point ("GFP") Network among Listed Companies" of the Women's Commission ("WoC") and attended the reception and celebrations of the 2018/2019 International Women's Day hosted by WoC.

OCCUPATIONAL SAFETY AND HEALTH

The human resources and administration department of the Group and the industrial safety team in China are responsible for following up and supervising the occupational safety and health practice of each department. The Group complies with local occupational safety and health law and ordinance. By adopting the OHSAS 18001 occupational health and safety management system in 2010, the Group has established and implemented its occupational health and safety management system and carried out follow-up works like safety education, trainings and drills.



(VIII) STAFF CARING (CONTINUED)



Health and safety focuses on areas such as occupational safety, responses to emergencies, occupational injuries and diseases, industrial hygiene, work with high physical requirements, machinery protection, public hygiene, restaurants and staff quarters. The above issues are all set forth in the RBA manual with the requirements needed in the preparation of written standards, performance based targets, indicators and implementation plans, while the industrial safety team is responsible for the specific assessment on the performance. In addition, safety management organizations are established in China factories and safety personnel are appointed in every department with more

than half of the total number of representatives are employee representatives to carry out regular safety checks and various drills, such as fire-fighting safety drills. Significant achievements have been made in the implementation of relevant measures. For instance, the occurrence rate of serious work injury is kept at a very low level over years.

CONCERNEDLY BUILDING THE “KARRIE” FAMILY

Dedicated to promoting work-life balance, the Group believes its employees should enjoy an enhanced quality of life outside working hours, uplift their positive sentiments and energy and boost their capacity for handling emotional problems. Concurrently, the Group has also formed different groups, such as Karrie Women’s Committee, the Party Branch and Karrie’s volunteers’ team to regularly organise various events to build team spirit and cooperation among employees.

As always, the Group has arranged a variety of activities for employees to participate in during the year. For example, the “National Day Celebrations Gala”, the “Karrie Cup” and different kinds of ball games and swimming competitions were organised for employees to work out and get together and relax after work for the benefit of their physical and mental development.

During the reporting year, the Hong Kong Office of the Group has carried out its first large-scale renovation project in 33 years. A special staff activity was held for colleagues to pick and bring home items, old and new, of their choice carrying memories of the development of the Group. As such, we implemented the spirit of environmental protection that these items were not wasted but recycled and reused.

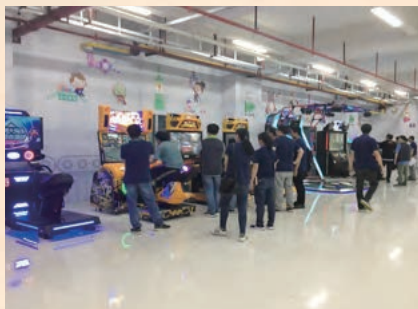
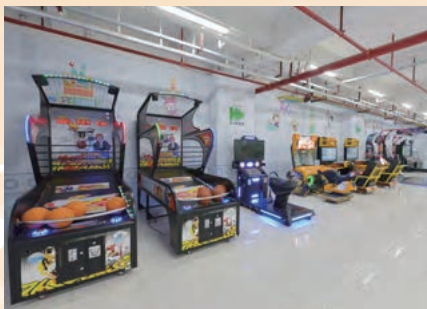
At the outbreak of COVID-19 at the beginning of 2020, the senior management of the Group were keen to plan ahead and take action early in the battle against the epidemic. It took the initiative to seize the key points of epidemic prevention and control so that we were able to win the opportunity for the quick resumption of operation. The Group took advantage of its global shipping resources to fully mobilise resources from around the globe. Until the resumption of operation, the Group has already reserved sufficient anti-epidemic supplies for one month.

Even in such a difficult time, the Group has still helped the staff of the Headquarters to purchase masks as well as taken care of our staff in overseas offices, showing the care of the Group for all employees and “Karrians”. We have also demonstrated love in the world in this extraordinary period of the pandemic. Mr. HO Cheuk Fai, Chairman & CEO of the Group, specially sent birthday cakes to staff at all levels who worked loyally in their posts on their birthdays during the pandemic to thank them for keeping side by side with the Group in this difficult times under this pandemic.

The favourable policies implemented by the Group have benefited not only “Karrians” but also their families. The Group established the recurrent “Education Fund for staff and Their Children” in China. In 2019, 160 employees received funding to relieve financial burden of their children’s education. Concurrently, the fund allowed employees to pursue education during non-working hours and improve themselves to reach the goal of “talent grooming outside work.”



(VIII) STAFF CARING (CONTINUED)



New games have been set up in the staff activity room of the dormitory building, so that employees can have fun, relax and make friends in their leisure time.

The health of employees is the Group's concern. Various activities beneficial to physical and mental development were organised from time to time, such as aerobics, yoga training, hiking and "Karrie's Nothing is Impossible Marathon".





(VIII) STAFF CARING (CONTINUED)



The Group continued to strengthen first-aid training and hold first-aid courses for adults in factory areas to teach employees first-aid knowledge. Priority is given to the physical and mental health and safety of employees.

To promote staff exchanges between China and Hong Kong, outstanding employees from different departments in China were invited to visit the Headquarters of the Group in Hong Kong. They were received and welcomed by the management of the Human Resources and Administration Department of the Group.





(IX) TRAINING AND DEVELOPMENT



The Group’s training and development work has always been oriented towards “fine-tuning professional performance, unleashing employee potential, activating a learning culture and embracing the company’s vision.” Due to this, our training and development work puts emphasis on knowledge enrichment and elevation of skills, job positions and management caliber as the basis for staff nurturing and the direction of sustainable development for the Group and employees. In the year of 2019/20, each employee, on the average, received 21 hours of training.

During this year, the Group provided opportunities for employees from different grades and those with potential to learn management skills and professional knowledge. The areas of training included HR training, occupational safety and health, finance and accounting, engineering technology, laws and regulations and automated manufacturing.

Training Activity	Objectives/Content
Laws and Regulations:	
<p>Seminar on the Interpretation of the Employment (Amendment) Ordinance 2007 (“713 Ordinance”)</p>	<p>The seminar explained the Employment (Amendment) Ordinance 2007 (Amendment Ordinance) in simple terms, and shared response and remedial measures that a company could take against the Amendment Ordinance with examples. It helped participants understand that the average wage of 12 months must be used when calculating for an employee’s relevant statutory rights and interests to ensure that all “wages” defined in the Employment Ordinance were included.</p>
<p>How to Solve Tax Disputes Effectively: Trends in China and Hong Kong</p>	<p>In the seminar, the tax experts of PricewaterhouseCoopers shared with our staff the latest developments in tax disputes and dispute resolution in China and Hong Kong. The tax experts shared their views on the approaches adopted by the tax authorities in China and Hong Kong in tax audit and case investigation, and provided suggestions for resolving tax disputes and strategies for mitigating tax risks.</p>
HR Training:	
<p>Introduction to the Revised Code of Practice in times of Typhoons and Rainstorms</p>	<p>A human resources conference was hosted by the Workplace Consultation Promotion Division of the Labour Department to explain the work arrangements under typhoon and rainstorm warnings to the participants, so that the human resources representatives of various industries could understand the work arrangements under the new measures.</p>
<p>Competency Based Behavioural Interview Approach</p>	<p>The course focused on the Competency Based Behavioural Interview Approach authoritative in contemporary United States as the teaching axis to help department heads, managers, human resources professionals or any professionals in need to improve their interview skills comprehensively.</p>



(IX) TRAINING AND DEVELOPMENT (CONTINUED)

Training Activity	Objectives/Content
<p>Customer Service and Management:</p> <p>SME Management Workshop on “Handling Difficult Customers”</p> <p>Super 1 2 3</p> <p>“Think Before And After” — EQ Management Workshop for Frontline in Service Industry</p>	<p>The SME Centre of Hong Kong Trade Development Council invited experts to explain the purposes of difficult customer behaviour, how to establish a positive service attitude and use positive communication skills to ease dissatisfaction and reach a consensus with customers to help increase customer satisfaction, enhance corporate image and win customer loyalty.</p> <p>This course was suitable for supervisors or those who were to be promoted to supervisors to improve their skills of “leading, managing and teaching”. The Company recommended Regional Managers in charge of the Operation Department to participate in the training, hoping to improve operational professionalism of the management and operation team.</p> <p>In the complicated and ever-changing social environment nowadays, frontline personnel in the service industry are facing many unprecedented challenges. In particular, when dealing with different expectations, requirements, even complaints and criticisms from customers, the response and handling methods of frontline personnel must take into account the reaction of the other party and their own feelings of pressure and balance the interests and rights of all parties. SGS Academy arranged this workshop to teach employees different methods to deal with their own emotions and resolve conflicts and difficulties.</p>

SPECIAL TRAINING — CORPORATE MANAGEMENT

Toyota’s overseas DOJO Combat — Training Camp in Japan

Mr. Chan Raymond, Executive Director & Marketing Executive General Manager, Mr. Chan Wah Ying, Operation and Quality General Manager, and Mr. Ho Wai Hon, Brian, Assistant to Chairman & Head of Finance and Accounting Department, visited Toyota in Japan together in 2019 to study lean management. With the practice and sincere devotion of the “leadership team”, they participated in the study programme at the important stage of global movement towards “Industry 4.0” and established the historical mission with “lean management” as the core.

Through the five-day programme, our management representatives witnessed and studied the TPS profit model/thinking logic and methods/outcomes, which are beneficial to grasping the trend of development of Industry 4.0, advancing towards intelligent and world-class factories, strengthening our operation and management system, and our constant endeavour to achieve delivery with the shortest delivery time, the best quality and the lowest cost.



Toyota’s overseas DOJO
Combat — Training Camp in
Japan



(IX) TRAINING AND DEVELOPMENT (CONTINUED)

SPECIAL TRAINING — “6 SIGMA”

“6 Sigma” Training and Consultation Project

On the basis of continuous group-wide knowledge training such as FMEA, KAIZEN and SPC, the Group launched the “6 Sigma” Training and Consultation Project in 2019 in which senior external training consultants were engaged to visit us on-site for the training and consultation by way of theoretical knowledge training as well as project guidance.

After five months of training and concerted efforts, the production management has changed fundamentally. Under the application of 6 Sigma tools such as process control and problem analysis, equipment optimisation, site cleaning, operation guidance optimisation, re-planning of available resources, process improvement and innovation of existing processes were carried out to minimise risk points affecting quality. The first pass yield of products has significantly increased, and the profit of a single improvement item can reach up to RMB400,000 per year.

“6 Sigma” Training and Consultation Project





(IX) TRAINING AND DEVELOPMENT (CONTINUED)

SPECIAL TRAINING — “MIDDLE AND SENIOR MANAGEMENT ABILITY IMPROVEMENT”

In order to improve the ability of corporate management, organisation and coordination of middle and senior managers in various departments, and for them to learn to relieve their own pressure and lead the team in face of a high-intensity and high-pressure working environment, the Group has planned a “Middle and Senior Management Ability Improvement” Training Series taught by Ms. Chan Ming Mui, Silvia, Executive Director & Group HR & Admin. General Manager and senior external trainers.

The content of the course was developed from different perspectives with the multiple dimensions including organisation, team, individual and benchmarking enterprise: Ms. Chan Ming Mui, Silvia shared her experience as a director in the “Magic Language of Management”, while senior external trainers passed down skills and methods in “Organisation Coordination and Conflict Management”. Participants also had the chance to feel and learn through appreciation of the movie “C.E.O.”.

“Middle and Senior
Management Ability
Improvement”
Training Series





(IX) TRAINING AND DEVELOPMENT (CONTINUED)

SPECIAL TRAINING — CAPABILITY IMPROVEMENT TRAINING FOR ENGINEERING R&D TECHNICIANS

In Karrie, we never cease to strive for improvement. Under the management philosophy of “Proactive, Services and Commitment”, the Group is pragmatic and innovative in the field of engineering technology. In 2019, training to improve the capabilities of the Company’s engineering R&D technicians was organised: learning activities were organised for core engineering and technology backbone members to visit the Production Department at the workshops to learn the entire flow from moulding, production to assembly and the key processes. By mastering the production processes and familiarising themselves with production equipment, the “end-to-end” seamless connection of engineering technology would be possible.

The average training time per participant was as high as 57 hours in this systematic training. Participants learned practical operations and received theoretical knowledge training point-to-point from “masters” — senior colleagues of the Production Department. While mastering the production processes, participants could conduct in-depth exchange and communication with the Production Department concerning the problems they met in their work. With the breakdown of all communication barriers, the problems could be solved fundamentally.



Capability Improvement Training for Engineering R&D Technicians



(IX) TRAINING AND DEVELOPMENT (CONTINUED)

SPECIAL TRAINING — “HIGH PERFORMANCE TEAM BUILDING” DEVELOPMENT ACTIVITIES

On 30 November 2019, the heads of five departments, namely, the Material and Logistics Department, Procurement Department, Finance and Accounting Department, Marketing Department and IT Department, led a total of 128 team members to participate in the “High Performance Team Building” Development Activities, a training of wisdom and physical fitness.

Under the guidance of the training coach, cross-departmental teams were assigned tasks with designated persons-in-charge. The teams started from clarifying the division of labour to the overall cooperation to jointly complete tasks from easy to difficult ones. In the process, the teams progressed from disagreement to consideration, integration, and adoption, which could only be deeply understood through experience.

In a whole day of activities and tasks, all colleagues put aside personal prejudices and oriented themselves towards the interests of their teams and the enterprise and learned to cooperate and support each other.

“High Performance Team Building” Development Activities





(X) CARING FOR THE ENVIRONMENT



Group Chairman Mr. Ho Cheuk Fai once stated his vision: “Undertake whatever task at hand with heartfelt dedication, leave a legacy of resources to our next generation.” Since 2001, the Group has already obtained the ISO 14001 environment management system certificate and conducted its annual internal and external audits on a regular basis to ensure the Company’s policy direction and its effectiveness. At the same time, the Group complies with environmental regulations such as RoHS, REACH, PAHs, PFOS, PFOA, PVC, Deca-BDE and packaging directive 94/62/EC, a benchmark prohibiting and limiting the content of substances, as well as the environmental demands of Karrie’s customers. The Group also refrains from using the four substances specified under Dodd-Frank’s

Section 1502, which sets out the support, design, procurement and production for the entire process to comply with the laws and regulations.

The Group has continued to formulate cleaner manufacturing and energy saving policies, while bringing in different environmental equipment, to realise the goals of clean production and environmental protection. As early as 2005, the Group has formed the “Cleaner Production and Energy-saving Committee”, responsible for the coordination of energy saving solutions of the manufacturing business and monitoring their execution. They cover computer resources utilization, cleaner production planning, application of production machinery and equipment, energy savings in office settings, the execution of environmental work, customers as well as ISO environmental protection and energy saving solutions. Efforts were also taken unify the Group’s energy management, adopt new technologies and put into effect energy-saving goals through the various departments. Starting from the same year, the Group has supported and organised its China and Hong Kong employees for tree-planting activities, reflecting Karrie’s spirit of continual self-renewal.

Environmental measures launched during this year include:

1. Several energy saving projects were implemented at our factory areas in 2019, leading to annual energy savings of more than HK\$1,500,000.
2. The original biomass pellets were replaced with natural gas in the baking process in the factory areas to reduce the generation of dust, waste gas and waste water, and to reduce the work of handling required for employees and improve the quality of the working environment at the same time.
3. Automatic monitoring devices were installed at each terminal and distribution cabinet to monitor energy consumption from time to time, reduce unnecessary energy waste and abnormal conditions, and improve energy safety.
4. All departments are obliged to report the status of energy consumption to senior management with reviews conducted on a regular basis. Energy management helped raise the awareness of employees of energy conservation.

Looking ahead to the future, the Group will continue to strive to promote green manufacturing, enforce RBA environmental policies, respond to the state’s energy-saving planning under the 13th Five Year Plan, reduce emissions, explore new environmental protection technologies, further enhance efficiency and performance of waste processing efforts undertaken to cut emissions of contaminants, in order to make green contributions to China and Hong Kong.



(X) CARING FOR THE ENVIRONMENT (CONTINUED)



In response to the “Paper Saving” Campaign organised by the World Green Organisation, the Group called on all departments to cherish paper and promised to implement the paper saving declaration, such as reducing the use of memo paper, reducing the use of gift wrapping paper, and increasing the use of electronic bills to reduce waste at source.

The “ECO Office — Refresh & Go Green” was launched at our Hong Kong Headquarters to recycle glass bottles in exchange for milk tea. The whole activity lasted two months. Colleagues of different departments actively participated in the activity and contributed to the sustainability of the resources of the Earth.





(XI) CORPORATE GOVERNANCE

The Group has established the Executive Committee to improve decision-making efficiency. The day-to-day operations of the Group are now in the hands of a group of professional team. Furthermore, the Group is committed to improving its transparency, hence it discloses in its annual report detailing explanation of corporate strategies and the rationale behind; the Company has adopted the Shareholder's communication policy and met individual investors annually during "tea-break" to facilitate direct dialogue between investors and the management.

Our staff can also keep abreast of our corporate plans and development directions through year-end summary meetings, brainstorming sessions and chairman sharing activities and hence the transparency of the Company is enhanced. Starting from 2008, the "Sustainability Report" has been prepared, which allows the public and investors to have a better understanding of what we have done as well as the progress of sustainable development and the corporate social responsibility.

The Group has adopted a board diversity policy, which sets out the objectives and principles regarding board diversity, including the appointment of female board members, for the purpose of achieving the Company's strategic objectives of balanced elements at the Board composition as far as practicable. On 25 March 2019, the Board adopted a separate Nomination Policy, which provides the key selection criteria and principles of the Board in making decisions in the appointment and reappointment of directors and succession planning of directors, to emphasise our commitment on transparent nomination process.

The Group is committed to highest standard of corporate governance, and will act accordingly to ensure that it complies with Corporate Governance Code and reviews and improves our corporate governance practices from time to time so as to maintain good corporate governance. The Group has well-established corporate governance structure to enhance the accountability to shareholders and other stakeholders.

In addition, the Group is well aware of the importance of honesty, integrity and fairness. In order to prevent fraudulent, corruption, bribery, extortion, money laundering and other activities conducted by its employees, the Group has issued "Ethical Disciplinary Requirements" to its staff, requiring them to observe the policies in relation to accepting advantages and declaration conflicts of interest, whistleblowing policy and guidance on Prevention of Bribery Ordinance. The Group has assigned dedicated personnel to handle affairs in respect of the relevant declaration and approval, complaints and enquiries, and conduct relevant investigation as well as take follow-up actions; and also provide ethics and integrity management training for new employees and departments. We also have a set of Social Entertainment Regulations in place so that the staff involved may get to know and abide by the standards of treating guests, and maintain clear consumption records and follow correct reimbursement procedures.

In respect of suppliers and processors, the Group has issued a letter named "Peers' Belief" to urge them not to provide any benefits to employees during the normal course of business. All of our staff is prohibited from taking advantages of their powers and authorities for personal interests and incurring unfair business transactions.



(XI) CORPORATE GOVERNANCE (CONTINUED)

The Group prohibits its employees from using their official positions for private gains as this will lead to unfair business transactions. Employees must maintain the highest integrity standards and are strictly forbidden from demanding any personal gains based on the authority of official positions they hold.

The Company has established the internal audit function and adopted the risk management policy and three-year internal risk management audit plan, including the structure and system of risk management of the Group. The Internal Audit Department together with the Audit Committee review the effectiveness of the risk management at least once a year. The internal risk control system of the Group is designed to provide reasonable, but not absolute, assurance of no material mis-statement or loss and to manage instead of eliminating risks of failure in operational systems and achievement of the Group's objectives.

At the same time, the group recognises its obligation to protect the data privacy of everyone who provides personal information and manages and protects all collected customer data in compliance with the Personal Data (Privacy) Ordinance. General provisions of the Ordinance relate to the acquisition and intended use of personal information, restrictions on use, non-disclosure to third parties, and other key matters. Corporate Policy and Declaration on Personal Data Privacy provides guidelines for managing different kinds of personal data that secures personal data of our customers and business partners. Under the system of "Ethical Disciplinary Requirements", we are required to exercise caution and comply with requirement of the regulations when handling with confidential information, including personal data of staff, customers and business partners.

(For more details, please refer to the section titled "Corporate Governance Report" in this year's Annual Report).





(XII) CARING FOR THE COMMUNITY

Since 2005, the Group has annually dedicated 0.3% of its earnings from the prior year for charity or social responsibility purposes. The amount contributed from 2002 until the end of March of 2018 was over HK\$5.4 million⁵. This year alone, donations of close to HK\$1 million have been made.

As a responsible corporate citizen, the Group has a clear understanding of the needs to blend in with the community, create harmony and make full commitment to social services. Back in 2005, the Group established in its Headquarter a volunteer team in Hong Kong for “volunteer group for charitable works”. While in China, different internal organisations including staff association and the Party branch also organise various kinds of charitable activities.

The Group has sponsored “Nothing is impossible” Adventure Education Programme and different activities organised by Hong Kong Sheng Kung Hui St. Christopher’s Home since 2005, which aimed at nurturing children with the spirit of “Nothing is impossible” to strengthen their willpower and endurance against adversity through various activities.

This year, the Karrie “Nothing is Impossible” — “Fly through the Wind” Project, through providing the opportunity for grassroots children to get along with the disabled, further promoted cooperation, experience and sharing with the disabled. Grassroots children were able to learn the will and the ways to face difficulties in life, have a deeper understanding of the spirit of “Nothing is Impossible”, and establish their own positive thinking and values.

Due to the suspension of the Standard Chartered Hong Kong Marathon this year, the Group could not sponsor the clothing and registration fees for mildly mentally handicapped students and teachers of HHCKLA Buddhist Po Kwong School participating in the marathon this year which would have been the thirteenth year of our sponsorship. Nevertheless, the Group has continued to contribute to caring for the community by subsidising the school’s new campus expansion to optimise the learning environment for the students.

From 2008 onwards, as part of the Group’s efforts to encourage greater civic participation, its employees have been offered volunteer leave to support worthy causes. The Group despatched two volunteer teams from China and Hong Kong respectively to H.K.S.K.H. Tai Wo Neighbourhood Elderly Centre during Mid-Autumn Festival and Dragon Boat Festival and visited Fenggang Elderly Home to convey festive greetings to elderly residents and present them with goodwill gifts.

During the Year, charitable and other donations made by the Group amounted to HK\$962,923 (last year: HK\$824,260). The volunteer service hours rendered by our staff were up to 460 hours.



⁵ This year, the data management of charitable donations of the Group was improved and adjustments and revisions were made accordingly.



(XII) CARING FOR THE COMMUNITY (CONTINUED)



The Group sponsored S.K.H. St. Christopher's Home for fourteen consecutive years to hold the Karrie "Nothing is Impossible" Project to promote integration of the disabled and able-bodied. The Group's representatives attended the Prize Presentation Ceremony in person to present the prizes and gave a speech to encourage the children.





(XII) CARING FOR THE COMMUNITY (CONTINUED)

Volunteers of Karrie's Volunteer Team and their families would visit H.K.S.K.H. Tai Wo Neighbourhood Elderly Centre every year to celebrate Dragon Boat Festival and Mid-Autumn Festival with the elderly. Our volunteers would bring the elderly seasonal goodies, fruits and snacks sponsored by the Company and the most important of all, our warmest festival greetings.



Blood donation was arranged in China to give love to the society. Participating staff reflected that they were happy to be able to help those in need and save lives by their action.



On the other hand, our volunteer team in China would also visit elderly homes and send festival greetings to the elderly.



(XIII) PRODUCT RESPONSIBILITY AND SUPPLIERS MANAGEMENT



Different business under the Group have always adhered to the corporate concept and enable customers to benefit from our superb product quality, reasonable costs, comprehensive service and flexible changes. Meanwhile, they never compromise on safety, design innovation and product quality to ensure all products meet the relevant external and internal standards and also consider the actual needs from customers' perspective. Since 1998, the Group has launched and executed international certification standard quality management system, ISO 9001. The Group's quality policy for our manufacturing segment is "to manufacture products that meet customers' requirements with the most effective cost. All our employees uphold the quality-first working spirit, comprehensively enforce the quality system that has been put in place and strive for continual improvements to meet expectations of customers."

The Group strictly complied with the laws and regulations related to quality, safety and environment as well as formulates products quality standards on safety, environmental protection and good quality as required by customers and regulations. According to given quality check process, we set up inspection points in key areas during productions, including hand plate clearance check process control check, and the final inspection to assure the qualified delivery of customers' products and implemented necessary reliability test, so that we can guarantee to deliver qualified and excellent quality products to customers. We adopted scientific quality management and control methods, such as risk assessment, FMEA, SPC, and Six Sigma, to minimize the risks of errors when appropriate. We established a comprehensive after-sale service system so as to gain customers trusts and meet their satisfaction.

With respect to customer satisfaction, the Group bases its policy decisions on customers' expectations. A company's actions and expectations determine the lifeline of its survival. The Group gives foremost consideration to customers' satisfaction and expectations as it deliberates on and resolves issues from the customers' perspective. With respect to industrial business, the Group considers and solves the problems from customers' standpoint and gives top priority to the needs and satisfaction of customers. Apart from measuring the performance of market performance in terms of customers' satisfaction, the Group also addresses and handles the demand from customers (such as product complaints) according to the comprehensive customer complaint and product reclaim mechanism, which will be handled by a special customer service team immediately, and enable customers to contact the responsible persons in the first instance. They will respond actively and handle the problems in the fastest way within the time permitted by customers, carry out quick improvement actions internally, which include product reclaim, thorough checking, replenishment, remedies and preventive measures, and report the analysis and treatment to customers until they are satisfied.



(XIII) PRODUCT RESPONSIBILITY AND SUPPLIERS MANAGEMENT (CONTINUED)

SUPPLIERS MANAGEMENT

The Category and Management Measures for the Major Suppliers

Business	Types of Suppliers	Management Measures
Metal and Plastic Business and Electronic Manufacturing Services Business	Metal Raw Materials, Plastics Raw Materials, Metals Components, Electronic Components, Packaging Materials, Machinery and Equipment	<ul style="list-style-type: none"> <li data-bbox="906 599 1430 756">— After all new suppliers and suppliers for key materials assessed by our supply chain team and in compliance with the requirements of the Group, then they would formally become our supply partners; <li data-bbox="906 771 1430 901">— The supply chain team also visits major suppliers regularly for periodic review of their quality situation and production capacity.
		<ul style="list-style-type: none"> <li data-bbox="906 924 1430 1235">— In order to comply with the regulations of ISO 9001 Quality Management System and ISO 14001 Environment Management System, the Group gives priority to suppliers with quality guarantee and environmental protection undertaking. The Group also entered into agreements with suppliers to ensure suppliers are in compliance with the environmental protection standard of the Group. <li data-bbox="906 1250 1430 1601">— According to the minerals regulations in conflicting regions of the RBA (Article 1520 of Dodd-Frank legislation in the United States), the Group and its suppliers confirmed that they do not use the “Conflicting Minerals” produced by The Democratic Republic of Congo (“DRC”) or its neighboring country, which including tantalum, tin, gold and tungsten. Meanwhile, the provisions under the RBA Code of Conduct should be complied.





(XIII) PRODUCT RESPONSIBILITY AND SUPPLIERS MANAGEMENT (CONTINUED)

Number and ratio (%) of suppliers by region	2019/20	2018/19	2017/18
Hong Kong	55 (12.82)	46 (10.51)	203 (31.62)
China	313 (72.96)	323 (73.74)	353 (54.98)
Overseas	61 (14.22)	69 (15.75)	86 (13.40)

The Group maintains and stringently implements a well-established “Suppliers Management Program” with regard to the suppliers providing various raw materials and supplementary materials required by our finished products. The objective is to carry out evaluation and checks on suppliers to ensure the products and services they provide meet the Group’s needs and ensure trade safety.

With respect to packagings for finished products delivered from our factory area, the Group has conducted a statistical analysis on paper and plastic packagings such as sponge and desiccating agents. It is found that packaging materials used by the Group has declined from 2,424 tonnes in the previous year to 1,860 tonnes this year, with savings of 23.27% (564 tonnes) recorded. For details of statistics and usage volumes, please refer to the figures provided in (XVI) Corporate Social Responsibility Indicators.





(XIV) MISSIONS UNDERTAKINGS



The Group believes that “Sustainable Development” cannot be operated solely by itself. While through various occasions of sharing of experience externally and plant visits, more organizations could join hand in hand the sharing and communication, create values from various occasions and promote the sustainability work together.

Date (2019)	Activity	Photo
<p>26 April</p>	<p>Mr. Yip Chi Shing, Nigel, representative of the Group, attended and supported the seminar “The Singapore in Africa — Rwanda” organised by Travel Kind, which aimed to help women in Nyamirambo improve their employment opportunities and vocational skills. The Group also contributed HK\$5,000 to support the event.</p>	
<p>6 May</p>	<p>The Group welcomed the teachers and students of Shun Tak Fraternal Association Leung Kau Kui College on 6 May 2019 once again for the students to have a deeper understanding and experience of different business operations and workplaces.</p> <p>Unlike in the past, the Group and Strategic Public Relations Group (“SPRG”) jointly organised an unprecedented simulated “Karrie International — Interim Results Announcement” this year. Ms. Chan Ming Mui, Silvia, Executive Director & Group HR & Admin. General Manager, Mr. Ho Wai Hon, Brian, Assistant to Chairman and Mr. Choi Wai Hin, Henry, Chief Financial Officer, were invited to give the students a brief elaboration of the performance of the Group’s industrial and real estate businesses. It was a valuable experience for the students.</p>	









(XIV) MISSIONS UNDERTAKINGS (CONTINUED)

Date (2019)	Activity	Photo
<p>30 May</p>	<p>After 9 months, the EVMT Capstone Project in cooperation with the Hong Kong University of Science and Technology ("HKUST") finally reached the stage of final report. 3 representatives of our Company were invited to attend the presentation as Corporate Advisor to listen to students' sharing of their research results in different environmental and environmental protection projects.</p>	 
<p>24 June</p>	<p>In order to encourage colleagues to support to the annual "Used Book Recycling Campaign" organised by World Vision and promote preschool education in rural China, an old book recycling activity was held in the Hong Kong Office of the Group from 24 June to 3 July for colleagues to donate books they no longer read to share with those in need. The books collected from colleagues' donation were handed over to the World Vision for charity sale.</p>	
<p>9-11 July</p>	<p>For the renovation works of the Hong Kong Headquarters of the Group, a special staff activity was held. Quite a number of items, old and new, were donated and four sessions were held for colleagues to pick the items they liked or useful for them so they could bring home souvenirs full of memories from the Company.</p> <p>At the same time, to benefit more people and reduce wastes, the Group has also donated supplies respectively to the following six organisations: World Green Organisation, H.K.S.K.H. Tai Wo Neighbourhood Elderly Centre, Lok Man Centre, S.K.H St. Christopher's Home, The Salvation Army, and St. James Settlement. These organisations issued letters of appreciation to the Group in return to express gratitude.</p>	 



(XIV) MISSIONS UNDERTAKINGS (CONTINUED)

Date (2019)	Activity	Photo
<p>1–30 August</p>	<p>The Group provided a summer internship opportunity for a college student, Mr. Chan from Hang Seng University of Hong Kong, for him to explore and experience the work of industry and procurement. “This is a novel and rare experience that I will never forget in all my life. It will definitely help my future career”, Chan commented.</p>	
<p>9 September</p>	<p>This year we cooperated again with the Fire Services Department (“FSD”) to hold the “Press to shock — Save a life” AED Course. It is not only one of our induction training programmes, but also reflects our corporate responsibility to care for the health of our employees. Through the professional explanation and demonstration of the FSD, colleagues acquired first-aid knowledge and learned how to use an automatic external cardiac defibrillator. A total of 13 colleagues completed the course this time and received certificates of attendance issued by the FSD.</p>	
<p>22 September</p>	<p>The Karrie “Nothing is Impossible” — “Fly through the Wind” Project in this year concluded with a big success on a lovely Sunday this year. The ceremony and the community carnival were held on the podium of a shopping arcade near our sponsored unit “Heart Link”. One of the children winners of the ultimate grand prize shared that he had learned the meaning of integration of able-bodied and disabled persons in the process.</p> <p>This year, in addition to prizes and book coupons for ultimate grand prize winners, the Group also sponsored gifts for some booth games to share joy with the community.</p>	 







(XIV) MISSIONS UNDERTAKINGS (CONTINUED)

Date (2019)	Activity	Photo
25 October	<p>Representative of the Corporate Sustainable Development Committee attended the grand opening of the first branch of “Green Ladies & Green Little” opened in the New Territories. “Green Ladies & Green Little” is a social enterprise under St. James Settlement selling second-hand fashion to encourage the general public to change their consumption habits, actively promote the reuse of fashion for the effective recycle of social resources, and support the employment of middle-aged women.</p>	
21 January	<p>Enjoy a good cup of coffee while giving to charity! After the Hong Kong Headquarters of the Group moved from the 10th floor to the 9th floor in 2020, the Group now has a newly refurbished office with more leisure facilities for employees to enjoy and one of them is the “Coffee of Love”. Colleagues can pay \$2 for a cup of coffee and all coffee money raised will be donated to our long-term partner, S.K.H. St. Christopher’s Home, to mainly help local orphans, children from broken families and low-income families, by providing them with residential care, after school care, material support, homework counselling, emotional counselling and opportunities of potential talents development, and to support the Home’s non-government-funded children’s services.</p>	
3 February	<p>Representatives of the Group donated anti-epidemic funds and supplies of up to RMB500,000 to Feng Gang People’s Government to contribute to the fight against the pandemic.</p>	



(XIV) MISSIONS UNDERTAKINGS (CONTINUED)

Date (2020)	Activity	Photo
<p>4 March</p>	<p>After the cancellation of the Standard Chartered Hong Kong Marathon, the Group received a mail from Po Kwong School informing us that Po Kwong Charity Walk was also cancelled due to concerns over the pandemic and public safety. Nevertheless, the Group made a donation in the spirit of care for the underprivileged.</p>	
<p>28 March</p>	<p>As COVID-19 continued to ravage the city, in addition to caring for the “Karrians”, the Group has not forgotten to do something for the community.</p> <p>The Group took the initiative to contact the unit-in-charge of our long-term partner “S.K.H. Tai Wo Neighbourhood Elderly Centre” to check on the elderly’s situation under this pandemic and learned that they dared not go out in the lack of masks to risk coronavirus infection. In view of this, the Group immediately launched the “Caregiving for the Elderly — Masks Donation Campaign” and arranged to deliver 10,000 surgical masks to them urgently and some other supplies to cater their needs for “food, clothing, housing and transportation”.</p> <p>The campaign started from 28 March and the supplies were delivered to the elderly in batches from 1 to 9 April to minimise gathering and the risk of contraction of the virus.</p>	



(XV) MAJOR AWARDS, RECOGNITION AND CHARTERS

In 2019/20, the Group gained recognitions and the information of the Charters participated were as follows:

Year	Category	Awarding Units	Honors/Recognitions/Charters Granted	Companies with Awards
2019/20	Product Responsibility	LENOVO	"The Smart Way Ahead" — The Outstanding Serviceability Award 2019	Karrie Group
	Product Responsibility	The Hong Kong Chinese Importers' & Exporters' Association	"Outstanding Import and Export Enterprise Awards 2019" Innovation Excellence Award	Karrie Group
	Corporate Social Responsibility	Federation of Hong Kong Industries (FHKI)	Industry Cares — Caring Certificate	Karrie Group
	Caring for the Environment	Federation of Hong Kong Industries (FHKI)	BOCHK Corporate Environmental Leadership Awards — EcoChallenger 5 Years+ EcoPioneer	Karrie Group
	Caring for the Environment	Environmental Campaign Committee	Hong Kong Green Organisation Certification	Karrie Group
	Caring for the Environment	Hong Kong — Guangdong Cleaner Production Partners Recognition Scheme	"Hong Kong — Guangdong Cleaner Production Excellent Partner (Manufacturing)"	Karrie Group
	Corporate Social Responsibility	Hong Kong Council of Social Service	"Caring Company 15+" logo (2005–2020)	Karrie Group
	Corporate Social Responsibility	Feng Gang Health Bureau (鳳崗衛生健康局)	2018 Feng Gang Blood Donation Enterprise (2018年鳳崗鎮無償獻血先進企業)	Dongguan Feng Gang Castfast Metal & Plastics Company Limited
	Caring for the Community	The Salvation Army — Tai Po Integrated Service for Senior Citizens	Supporting Elderly Services Award (耆樂同行義工團體獎)	Karrie Group
	Product Responsibility	Guangdong Provincial Administration for Industry and Commerce and China Import and Export Fair	"Creditable Enterprise" of Guangdong Province	Dongguan Feng Gang Caston Metal & Plastics Company Limited Dongguan Feng Gang Castfast Metal & Plastics Company Limited
	Staff Caring	Department of Health	Mental Health Workplace Charter	Karrie Group
	Staff Caring	Mandatory Provident Fund Schemes Authority	"MPFA Good MPF Employer 5 Years" & "MPF Support Award"	Karrie Group
	Training and Development	Employees Retraining Board	Super MD	Karrie Group
	Training and Development	The Hong Kong General Chamber of Small and Medium Business	"Certificate in the Partner Employer Award Scheme" 2019	Karrie Group

Note:

"Karrie Group"

Karrie International Holdings Limited and its subsidiaries



(XV) MAJOR AWARDS, RECOGNITION AND CHARTERS (CONTINUED)

The Group participated in industry and professional associations, whereby exchanged and shared different opinions as well as the latest markets information through different platforms.

Institution	Company	Class of Membership
Hong Kong General Chamber of Commerce	Karrie Industrial Company Limited	Member
The Chinese Manufacturers' Association of Hong Kong	Karrie Industrial Company Limited	Ordinary Member
Federation of Hong Kong Industries	Karrie Industrial Company Limited	Member
Federation of Hong Kong Industries Group 7 (Hong Kong Mould & Die Council)	Karrie Industrial Company Limited	Member
Occupational Safety and Health Council	Karrie Industrial Company Limited	Green Cross Group Member
The Hong Kong Management Association	Karrie International Holdings Limited	Member
The Hong Kong Polytechnic University	Karrie International Holdings Limited	The Hong Kong Polytechnic University Development Foundation for Educational Member
Hong Kong Institute of Human Resource Management	Karrie International Holdings Limited	Corporate Member
The Hong Kong Chinese Importers' & Exporters' Association	Karrie International Holdings Limited	Member
Association of Chartered Certified Accountants (ACCA)	Karrie International Holdings Limited	Approved Employer — Professional Development



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS

ENVIRONMENT

The Group selected the year 2017/2018 as the base year for the greenhouse gas (GHG) inventory audit, because the year 2017/2018 was the first year of adopting the ISO 14064-1 standard as the guidance of the Group for inventory audit and report preparation, and at the same time it is the year when sufficient data and information of relevant activities can be collected. The following data only included data collected from the Hong Kong office and the plant in Yuquan, Feng Gang, Mainland China.

Data Collection of Energy Consumption	Unit	2019/20	2018/19	2017/18
Electricity consumption	kWh	39,254,600	32,898,330	36,803,390
Intensity of electricity consumption	MWh/m ²	263	220	246
Diesel consumption	Liter ("L")	223,449	208,241	225,108
Energy consumption of diesel	MJ	8,609.86	8,023.89	8,673.78
Gasoline consumption	L	73,484	13,042.00	9,566
Energy consumption of gasoline	MJ	2,563.77	455.02	333.75
Natural gas consumption	Cubic Meter ("m ³ ")	57,679	N/A	N/A
Energy consumption of natural gas	MJ	2,229.91	N/A	N/A
Total energy consumption	MJ	154,719.99	126,911.95	141,498.95
Total energy intensity	MJ/m ²	1.036	0.793	1.128

EMISSIONS

Data Collection	Unit	2019/20	2018/19	2017/18
Scope I of greenhouse gas emission ⁶ — direct emission	tonne CO ₂ e	2,497	2,783	2,659
Scope II of greenhouse gas emission — indirect energy emission	tonne CO ₂ e	32,766	17,830.03	19,395
Scope III of greenhouse gas emission — indirect emission ⁷	tonne CO ₂ e	N/A	N/A	N/A
Total volume of greenhouse gas emission	tonne CO ₂ e	35,263	20,613	22,054
Intensity of greenhouse gas emissions	tonne CO ₂ e/m ³	0.239	0.138	0.148
Emissions of ozone-depleting substances	tonne CFC-11	0	0.006	0.0113
Nitrogen oxides (NO _x)	gram ("g")	761.39	N/A	N/A
Sulphur oxides (SO _x)	g	1,521.77	N/A	N/A
Particulates	g	3,035.51	N/A	N/A

⁶ The types of greenhouse gases include: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Emission factors and global warming potential (GWP) calculations and data sources are derived from <Accounting and Reporting Guidelines for Greenhouse Gas Emissions and Deductions for Hong Kong Buildings (Commercial, Residential or Public Use) by Environmental Protection Department and the Electrical and Mechanical Services Department>, <Sustainability reports of CLP Holdings Limited>, <GHG Protocol Tool for Energy Consumption in China> by World Resources Institute and IPCC Fifth Climate Change Assessment Report (AR5).

⁷ Other indirect emissions (Scope 3), for other indirect greenhouse gas emissions, are shown to be less than 1% of total emissions based on statistics for the past three years and are therefore not quantified.



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)

PAPER AND WATER CONSUMPTION



Paper used

(Only paper used for printing in the office is calculated)
(kilogram) ("kg")

27,818.22	2019/20
22,969.04	2018/19
16,460.02	2017/18



Water Consumption (m³)

334,539	2019/20
362,859	2018/19
362,046	2017/18



Intensity of Water Consumption (m³/m²)

2.24	2019/20
2.43	2018/19
2.42	2017/18



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)

EFFLUENT AND WASTE MANAGEMENT



Total water discharged
(m³)

134,504 2019/20
154,590 2018/19
136,480 2017/18



Total waste disposed to
landfill per day
(m³)

(Only relevant data of plants in
China is collected)⁸

7.74 2019/20
7.74 2018/19
7.74 2017/18



Total chemical waste
disposed

(Only relevant data of plants
in China is collected)⁸
(tonne)

61.88 2019/20
27.93 2018/19
18.65 2017/18



Test liner recycled

(Only relevant data of plants
in China is collected)⁸
(kg)

266,743 2019/20
283,640 2018/19
369,880 2017/18

⁸ Since the Hong Kong Office does not have statistics on the disposal of landfills, disposal of chemical waste and waste paper recycling, the relevant information only calculates the data of the factories in China.



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)



Waste paper recycled
(kg)

333,436	2019/20
353,460	2018/19
461,420	2017/18



Total packaging material
used for finished products —
Plastic (tonne)

151	2019/20
170	2018/19
246	2017/18



Total packaging material
used for finished products —
Paper (tonne)

1,567	2019/20
2,096	2018/19
2,730	2017/18



Total packaging material
used for finished products —
Others (tonne)

142	2019/20
158	2018/19
176	2017/18



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)

SOCIETY⁹

Number of Employees	2019/20	2018/19	2017/18
Average number of employees of the Group during the period	3,500	3,360	3,772
Number of employees by geographical locations			
China	3,379	3,232	3,589
Hong Kong	116	123	178
Overseas	5	5	5
Number of employees and rate (%) by gender			
Gender distribution of the PRC employees (Male : Female)	2,235 : 1,144	N/A	N/A
Gender distribution of the PRC employees (Male : Female)	63.91% : 32.64%	63.98% : 36.02%	64.76% : 35.24%
Gender distribution of Hong Kong and overseas employees (Male : Female)	67 : 54	73 : 57	95 : 88
Gender distribution of Hong Kong and overseas employees (Male : Female)	55.37% : 44.63%	56.20% : 43.80%	51.91% : 48.09%
Number of employees by age group			
Under 30	1,084	1,105	1,250
30-50	2,157	2,027	2,293
Over 50	259	228	229
Number of employees by category			
Management	79	67	67
Manager and department heads	248	224	229
Middle level	284	292	338
Technicians and team leaders	662	639	675
Frontline staff and employees	1,783	1,645	2,424
Part time staff (China)	444	493	N/A

⁹ The number of employees during the reporting period includes full-time, temporary and part-time (PRC) employees of Metal and Plastic Business, Electronic Manufacturing Services Business and Real Estate Business.

**(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)**

Proportion of senior management¹⁰ hired from the local community (%)			
China	85.71	86.44	87.5
Hong Kong	89.23	85.71	86.21
Overseas	100	100	100
Ratios of the China standard entry level wage			
Compared to local minimum wage ¹¹ (Male)	1.19	1.11	1.20
Compared to local minimum wage ¹¹ (Female)	1.19	1.11	1.20

Number and Rate (%) of Full-time Employee Turnover (monthly average)	2019/20	2018/19	2017/18
By geographical locations			
China	178 (6.14)	257 (9.36)	295 (8.21)
Hong Kong	3 (2.63)	4 (3.31)	9 (5.07)
Overseas	0 (0)	0 (0)	0 (0)
By gender			
Male	124 (5.42)	182 (9.97)	220 (9.10)
Female	56 (4.71)	79 (7.58)	84 (6.22)
By age group			
Under 30	83 (7.71)	149 (19.81)	195.08 (15.61)
30–50	85 (3.99)	110 (5.87)	105.82 (4.62)
Over 50	13 (4.60)	3 (1.25)	3.17 (1.39)

¹⁰ Senior Management refers to employees who rank assistant general manager or above.

¹¹ The China standard entry level wage = standard entry level wage/minimum wage in Dongguan. Male and female employees are entitled to the same standard entry level wage and to the right of equal pay for equal work. As the data calculation method has been updated, the standard entry level wage has also been revised in 2018/19 and 2017/18.



(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)

Number and Rate (%) of New Hires (Monthly Average)	2019/20	2018/19	2017/18
By region			
China	225 (6.75)	144 (5.24)	283 (7.88)
Hong Kong	3 (2.59)	4 (3.44)	10 (5.51)
Overseas	0 (0)	0 (0)	0 (0)
By gender			
Male	155 (4.48)	103 (5.64)	206 (5.47)
Female	73 (2.12)	45 (4.32)	87 (2.29)
By age group			
Under 30	115 (10.75)	93 (12.37)	197 (15.73)
30–50	112 (5.24)	54 (2.88)	95 (4.15)
Over 50	2 (0.74)	1 (0.42)	1 (0.51)
Return to Work and Retention after Maternity Leave/ Paternity Leave			
	2019/20	2018/19	2017/18
Number of employees who took maternity leave/paternity leave			
Male	21	32	47
Female	18	24	41
Number and rate (%) of employees who returned to work after maternity leave/paternity leave ended			
Male	21 (100)	30 (100)	47 (100)
Female	10 (100)	11 (100)	20 (57)
Number and rate (%) of employees who remained employed for 12 months after the end of maternity leave/paternity leave			
Male	20 (83.93)	33 (77.51)	22(75.86)
Female	10 (90.91)	19 (95.00)	31 (79.49)

**(XVI) CORPORATE SOCIAL RESPONSIBILITY INDICATORS (CONTINUED)**

Occupational Health and Safety	2019/20	2018/19	2017/18
Number of China occupational injuries	43	64	72
Number of Hong Kong occupational injuries	0	0	1
Number of China and Hong Kong occupational injuries (by gender) — Male : Female	40 : 3	56 : 8	69 : 4
Occupational disease rate (%) of China and Hong Kong	0	0	0
Number of business days lost in China due to occupational injuries	1,621	1,462	1,066
Number of business days lost in Hong Kong due to occupational injuries	0	0	66.5
Fatalities due to occupational injury in China and Hong Kong	0	0	0
Fatalities rate (%) due to occupational injury in China and Hong Kong	0	0	0
Number of absentee days in China	34,519	31,258	17,379
Number of absentee days in Hong Kong	217	176	377
Absentee rate (%) in China ¹²	39.62	61.23	0.16
Absentee rate (%) in Hong Kong ¹³	8.24	6.64	0.07

Staff Training	2019/20	2018/19	2017/18
Total hours of training	55,010.50	48,080.25	58,749
Average training hours completed per employee	21	24	26
Number of employees who attended human rights training course	6,579	5,620	5,528
Number of employees who attended fire-fighting safety training	6,552	5,689	5,528
Gender ratio of employees attending training (Male : Female)	74% : 26%	76% : 24%	66% : 34%

Others	2019/20	2018/19	2017/18
Gender ratio of the Board members (Male : Female)	8 : 1	8 : 1	8 : 1
Volunteer service hours in China and Hong Kong	458.25	550.5	660
Charitable and other donations (HK\$)	\$962,923	\$824,260	\$210,000

¹² Absentee rate in China refers to the rate (percentage) of the number of absentee days for voluntary no-pay leave/total number of business days for China employees.

¹³ Absentee rate in Hong Kong refers to the rate (percentage) of the number of absentee days for voluntary no-pay leave/total number of business days for China employees.



(XVII) ALLIED ENVIRONMENTAL CONSULTANTS LIMITED — VERIFICATION STATEMENT



SCOPE OF VERIFICATION

Allied Environmental Consultants Limited (AEC) was commissioned by Karrie International Holdings Limited (“Karrie” or “The Company”) to undertake an independent verification of its 2019/20 Sustainability Report (the “Report”). The Report stated the Company’s efforts towards sustainable development for the reporting period from 1 April 2019 to 31 March 2020 (the “reporting year”). The scope of verification covers the data and information relating to the Company’s sustainability performance at Metal and Plastic Business and Electronic Manufacturing Services Business at Hong Kong Headquarter Office and Dongguan Feng Gang Plants during the reporting year.

VERIFICATION STANDARDS AND METHODOLOGY

The Report was verified in line with International Standard on Assurance Engagement (ISAE) 3000 (Revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information). The assurance included an evaluation of the Report’s alignment to GRI Sustainability Report Standards (“GRI Standards”) Core Option and Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 of the Stock Exchange of Hong Kong (“HKEx”).

In order to ensure the Report adheres to the reporting principles and standards, the following activities were designed and undertaken to gather evidence before drawing the conclusion:

- Conduct review of material issues and assess the relevance of those to the Company’s businesses;
- Interview staff that are involved in sustainability management, report preparation and provision of report information;
- Provide advice on stakeholder engagement activities with no direct contact with the stakeholders;
- Conduct review of supporting evidence for claims made in the Report;
- Verify all calculated and disclosed data in this Report.

CONCLUSION

Based on the scope of work and assurance procedures performed, all material aspects, data and information in the Report were prepared in accordance with the Core Option of GRI Standards, and comply with the HKEx ESG Reporting Guide. Regarding the work undertaken during this assurance process, we are of the opinion that Karrie adheres to the reporting principles of inclusivity, materiality and responsiveness as discussed below:



(XVII) ALLIED ENVIRONMENTAL CONSULTANTS LIMITED — VERIFICATION STATEMENT (CONTINUED)

INCLUSIVITY

Karrie had stated in the report that its daily operations appears to be inclusive to stakeholders such as investors, employees, customers, suppliers and NGOs. During the reporting year, Karrie engaged with stakeholder groups through various communication channels including questionnaire, site visits and seminars to collect and incorporate their feedback for the material topics identification. This report covers the environmental, social and governance areas of concern to both the Company and its stakeholders with a reasonable level of disclosure. Based on our professional opinions, Karrie adhered to the principle of Inclusivity in preparation of this report.

MATERIALITY

Karrie has conducted a stakeholder survey to identify the material topics to the Company and its stakeholders during the reporting year, and disclose its material topics in form of a materiality list. It is believed the method is appropriate and relevant to Karrie. Our view in area for enhancement to the Report was adopted by Karrie prior to the issuance of this verification statement. As per our professional opinion, the report had adhered to the principle of Materiality.

RESPONSIVENESS

In response to the expectations and opinions of stakeholders, Karrie has set up various feedback channels including questionnaires, tea-break with investors, business visits, Company's website and corporate e-mail for different stakeholder groups. Through the feedback mechanism and stakeholder engagement, Karrie is striving for a strategy for future sustainability efforts. Based on our Company's professional judgement, the report had adhered to the principle of Responsiveness.

COMPETENCY AND INDEPENDENCE

AEC is composed of sustainability and environmental consultants that are experienced in the industrial sector, and are trained and competent in a range of related standards and skills including but not limited to GRI Standards, GRESB, AA1000AS, HKEx ESG Reporting Guide and Carbon Audit.

Besides, AEC conducted the verification and assurance of sustainability data and reporting as an independent consultant. Upholding high ethical standards, it is claimed that there to have been no conflict of interest with the Company while performing the verification. Throughout the process, AEC has verified all disclosed data, content and compliance with the stated reporting standards as per the Company's provision.

Ms. Kwok May Han Grace

Managing Director

Allied Environmental Consultants Limited

Hong Kong

15 September, 2020



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX

This report was prepared with reference to the Core Option of GRI Standards and in accordance to “ESG Reporting Guide” issued by the Stock Exchange of Hong Kong. The table below provides with cross-references to related chapters or direct explanation in respect of each Disclosure Requirement.

GRI standard	Disclosed item	Cross-references/explanation	“ESG Reporting Guide” reference	Page
General Disclosures				
GRI 102: General Disclosures 2016				
Organizational profile				
102-1	Name of the organization	About The Sustainability Report And Reporting Standards		4
102-2	Activities, brands, products, and services	About Karrie		4
102-3	Location of headquarters	About The Sustainability Report And Reporting Standards		4
102-4	Location of operations	About The Sustainability Report And Reporting Standards		4
102-5	Ownership and legal form	About Karrie		4
102-6	Markets served	Annual Report 2019/20 — Financial Highlights (Page 8–10)		/
		About Karrie		4
102-7	Scale of the organization	Annual Report 2019/20 — Chairman’s Statement (Page 11–37)		/
102-8	Information on employees and other workers	About Karrie	B1.1	4
		Corporate Social Responsibility Indicators		53–56
102-9	Supply chain	Product Responsibility and Suppliers Management	B5, B5.1, B5.2, B6, B6.1, B6.2, B6.4	39–41
102-10	Significant changes to the organization and its supply chain	There was no significant change in relation to the Group’s supply chain.		/
102-11	Precautionary principle or approach	Caring for the Environment		32–33
		Visions on Corporate Social Responsibility		20
102-12	External initiatives	Caring for the Environment		32
		Product Responsibility and Suppliers Management		39
102-13	Membership of associations	Major Awards, Recognition, Charters and Membership		47–48

**(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)**

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
Strategy				
102-14	Statement from senior decision-makers	Chairman's Message		7
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behaviour	Visions on Corporate Social Responsibility		20
		Product Responsibility and Suppliers Management		39
Governance				
102-18	Governance structure	Corporate Governance		34-35
		Annual Report 2019/20 — Corporate Governance Report (Page 38-64)		/
102-21	Consulting stakeholders on economic, environmental, and social topics	Materiality Assessment		17-19
		Visions on Corporate Social Responsibility		20
102-22	Composition of the highest governance body and its committees	Corporate Governance		34-35
		Corporate Social Responsibility Indicators		53-54
102-23	Chair of the highest governance body	Corporate Governance		34-35
102-24	Nominating and selecting the highest governance body	Corporate Governance		34-35
102-25	Conflicts of interest	Visions on Corporate Social Responsibility		20
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance		34-35
		Visions on Corporate Social Responsibility		20
102-27	Collective knowledge of highest governance body	Corporate Governance		34-35
102-29	Identifying and managing economic, environmental and social impacts	Visions on Corporate Social Responsibility		20
102-33	Communicating critical concerns	Stakeholders Engagement		15-16
		Materiality Assessment		17-18



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
102-35	Remuneration policies	Staff Caring		22-23
102-37	Stakeholders' Involvement in remuneration	Materiality Assessment		19
		Stakeholders Engagement		15-16
Communication with Stakeholders				
102-40	List of Stakeholders groups	Stakeholders Engagement		15-16
102-41	Collective bargaining agreements	No collective bargaining agreement was signed by the Company with the trade union		/
102-42	Identifying and selecting stakeholders	Stakeholders Engagement		15-16
		Staff Caring		22-23
		Corporate Governance		34-35
		Product Responsibility and Suppliers Management		39-41
102-43	Approach to stakeholder engagement	Stakeholders Engagement		15-16
		Staff Caring		22-23
		Corporate Governance	B6.2	34-35
		Product Responsibility and Suppliers Management		39-41
102-44	Key topics and concerns raised	Materiality Assessment	B6.2	17-18
102-45	Entities included in the consolidated financial statements	Annual Report 2019/20 — Financial Highlights (Page 8-10)		/
102-46	Defining report content and topic boundaries	About The Sustainability Report And Reporting Standards		3-5
		Materiality Assessment		17-18
102-47	List of material topics	Materiality Assessment		17-18
102-48	Restatements of information	No information given in previous report was restated this year.		/
102-49	Changes in reporting	About The Sustainability Report And Reporting Standards		3



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	“ESG Reporting Guide” reference	Page
102-50	Reporting period	About The Sustainability Report And Reporting Standards		3
102-51	Date of most recent report	The previous report was published in 2019 with the information of the year 2018/19 disclosed.		/
102-52	Reporting cycle	About The Sustainability Report And Reporting Standards		3
102-53	Contact point for questions regarding the report	About The Sustainability Report And Reporting Standards		3-5
102-54	Claims of reporting in accordance with the GRI Standards	About The Sustainability Report And Reporting Standards		3-5
102-55	GRI content index	Global Reporting Initiative (GRI) Content Index		59-68
102-56	External assurance	Allied Environmental Consultants Limited — Verification Statement		57-58
Important Issue				
GRI 201: Economic Performance				
GRI 103: Management Approach		Materiality Assessment		17-19
201-1	Direct economic value generated and distributed	Economic efficiencies and market status Annual Report 2019/20 — Financial Highlights (Page 8-10)		9
201-2	Financial implications and other risks and opportunities due to climate change	No significant risks and opportunities posed by the regulatory requirements in relation to the climate change was found.		/
201-3	Defined benefit plan obligations and other retirement plans	Annual Report 2019/20 — Consolidated Financial Statements (Pages 116-117, 259-263)		/
201-4	Financial assistance received from government	No financial assistance was received from the government this year.		/



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
GRI 202: Market Presence				
GRI 103: Management Approach		Economic efficiencies and market status Annual Report 2019/20 – Financial Highlights (Page 8–10)		9 22–23
		Staff Caring		
202–1	Ratios of standard entry level wage by gender compared to local minimum wage	Corporate Social Responsibility Indicators The statistics of Hong Kong was temporarily not included in this part. The Group will continue to improve the relevant statistical system.		54
202–2	Proportion of senior management hired from the local community	Corporate Social Responsibility Indicators		54
GRI 205: Anti-corruption				
GRI 103: Management Approach		Corporate Governance	B7, B7.2	34–35
205–3	Confirmed incidents of corruption and actions taken	There were not any confirmed incidents of corruption.	B7.1	/
GRI 301: Materials				
GRI 103: Management Approach		Caring for the Environment	A2, A3, A3.1	32–33
301–1	Materials used by weight or volume	Corporate Social Responsibility Indicators (Only the weight of the packaging materials was counted this year.)	A2.5	41, 52
GRI 302: Energy				
GRI 103: Management Approach		Caring for the Environment	A2, A2.3	32–33
302–1	Energy consumption within the organization	Corporate Social Responsibility Indicators	A2.1	49–51
302–3	Energy intensity	Corporate Social Responsibility Indicators	A2.1	49–51
302–4	Reduction of energy consumption	Corporate Social Responsibility Indicators	A2.3	49–51
GRI 303: Water and Effluents				
303–5	Water consumption	Corporate Social Responsibility	A2.2	50–51
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not Applicable (Sourcing water is fit for the purpose is not considered to be a material issue for our organization.)	A2.4	/



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	“ESG Reporting Guide” reference	Page
GRI 305: Emissions				
		Materiality Assessment		17–19
GRI 103: Management Approach			A1, A1.5	
		Caring for the Environment		32–33
305–1	Direct (Scope 1) GHG emissions	Corporate Social Responsibility Indicators	A1.1, A1.2	49
305–2	Energy indirect (Scope 2) GHG emissions	Corporate Social Responsibility Indicators	A1.1, A1.2	49
305–3	Other indirect (Scope 3) GHG emissions	Corporate Social Responsibility Indicators	A1.1, A1.2	49
305–4	GHG emissions intensity	Corporate Social Responsibility Indicators	A1.2	49
305–5	Reduction of GHG emissions	Corporate Social Responsibility Indicators	A1.5	/
305–6	Emissions of ozone-depleting substances	Corporate Social Responsibility Indicators	A1.1	49
305–7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	Corporate Social Responsibility Indicators	A1.1	49
GRI 306: Effluents and Waste				
GRI 103: Management Approach			A1.6	32–33
		Caring for the Environment		
306–2	Waste by type and disposal method	Corporate Social Responsibility Indicators	A1.3, A1.4, A1.6	49–51
306–4	Transport of hazardous waste	Corporate Social Responsibility Indicators	A1.3	
GRI 307: Environmental Compliance				
		Materiality Assessment		17–19
GRI 103: Management Approach			A1.6	
		Caring for the Environment		32–33
307–1	Non-compliance with environmental laws and regulations	Materiality Assessment		17–19
		Caring for the Environment	A1	32



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
GRI 401: Employment				
		Materiality Assessment		18–19
GRI 103: Management Approach		Staff Caring	B1	22–23
401–1	New employee hires and employee turnover	Corporate Social Responsibility Indicators	B1.2	54–55
401–2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Staff Caring	B1	22
401–3	Parental leave	Staff Caring	B1	22
		Corporate Social Responsibility Indicators		55
GRI 403: Occupational Health and Safety				
		Materiality Assessment		17
GRI 103: Management Approach		Staff Caring	B2, B2.3	22–23
403–1	Occupational health and safety management system	Staff Caring	B2	22–23
403–2	Hazard identification, risk assessment, and incident investigation	Corporate Social Responsibility Indicators	B2.1, B2.2	56
403–3	Occupational health services	There was no worker in the Group with high risk of occupational diseases.		/
403–4	Worker participation, consultation, and communication on occupational health and safety	No health and safety topic is covered in the agreement entered into by the Group with the trade union.		/



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	“ESG Reporting Guide” reference	Page
GRI 404: Training and Education				
GRI 103: Management Approach		Training and Development	B3	26
404-1	Average hours of training per year per employee	Corporate Social Responsibility Indicators	B3.2	56
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development	B3	26-31
404-3	Percentage of employees receiving regular performance and career development reviews	All employees in Hong Kong and employees who rank Level 5 or above in China will received the performance appraisal every year.		/
	The percentage of employees trained by gender and employee category	Corporate Social Responsibility Indicators (The statistics of employees trained by employee category was not included in this part. The report has only disclosed the ratio of employees trained by gender (male: female). The Group will continue to improve the relevant statistical system.)	B3.1	56
GRI 405: Diversity and Equal Opportunity				
GRI 103: Management Approach		Materiality Assessment	B3	17-19
		Training and Development		26-31
		Corporate Governance		34-35
405-1	Diversity of governance bodies and employees	Staff Caring	B1.2	22-25
		Corporate Social Responsibility Indicators		53-55
405-2	Ratio of basic salary and remuneration of women to men	Staff Caring		22
		Corporate Social Responsibility Indicators	B1	54



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
GRI 406: Non-discrimination				
		Materiality Assessment		17–19
GRI 103: Management Approach		Staff Caring	B1	22
GRI 408: Child Labor				
		Materiality Assessment		17–19
GRI 103: Management Approach		Staff Caring	B4, B4.1, B4.2	22–23
408–1	Operations and suppliers at significant risk for incidents of child labor	Materiality Assessment		17–19
		Staff Caring		22–23
GRI 409: Forced or Compulsory Labor				
		Materiality Assessment		17–19
GRI 103: Management Approach		Staff Caring	B1	22–23
GRI 413: Local Communities				
GRI 103: Management Approach		Caring for the Community	B8	36
413.1	Operations with local community engagement, impact assessments and development programs	Caring for the Community		36–38
	Focus areas of contribution	Caring for the Community	B8.1	36–38
	Resources contributed to the focus area	Corporate Social Responsibility Indicators	B8.2	56
GRI 416: Customer Health and Safety				
GRI 103: Management Approach		Materiality Assessment	B1	17–19
416–1	Assessment of the health and safety impacts of product and service categories	Visions on Corporate Social Responsibility		20
		Product Responsibility and Suppliers Management	B6, B6.2, B6.3, B6.4	39–41



(XVIII) GLOBAL REPORTING INITIATIVE STANDARDS CONTENT INDEX (CONTINUED)

GRI standard	Disclosed item	Cross-references/explanation	"ESG Reporting Guide" reference	Page
GRI 417: Marketing and Labeling				
GRI 103: Management Approach		Materiality Assessment	B6	17-19
417-1	Requirements for product and service information and labeling	Product Responsibility and Suppliers Management — The percentage of significant product or service categories covered by and assessed for compliance with such procedures cannot be provided temporarily		39-41
417-2	Incidents of non-compliance concerning product and service information and labeling	There was no incident of non-compliance concerning product and service information and labelling this year.		/
417-3	Incidents of non-compliance concerning marketing communications	There was no incident of non-compliance concerning marketing communications this year.		/
GRI 418: Customer Privacy				
GRI 103: Management Approach		Materiality Assessment	B6.3, B6.5	17-19
		Corporate Governance		34-35
418-1	Substantiated complaints concerning breaches of customer privacy or losses of customer data	There was no substantiated complaint concerning breaches of customer privacy or losses of customer data this year.		/
GRI 419: Socioeconomic Compliance				
GRI 103: Management Approach		Materiality Assessment		17-19
419-1	Non-compliance with laws and regulations in the social and economic area	There was no incident of non-compliance with laws and regulations in the social and economic area this year.		/