

LINOCRAFT

東駿控股有限公司
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

Environmental, Social and Governance Report

OVERVIEW

This is the first Environmental, Social and Governance (the “**ESG**”) Report (the “**Report**”) issued by Linocraft Holdings Limited (the “**Company**”) for the year ended 31 August 2017 (the “**Year**”). This Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The policy document, declaration and data set out in this Report cover the Company and its major subsidiaries (collectively the “**Group**”). The information presented in this Report provides a material, balanced and reliable disclosure of the Group’s environmental and social performances.

THE GROUP’S PRINCIPAL ACTIVITIES

Our Group is a well-established integrated offset printing and packaging solutions provider based in Malaysia. We focus on packaging printing and our products include packaging boxes, rigid boxes, paper-board inserts, instruction manuals and printed labels to direct customers and contract manufacturers of international renowned brands.

SCOPE OF THIS REPORT

This Report focuses on the operation of the Group at its principal places of business in Malaysia. The disclosures in this Report are mainly extracted from the Group’s statistical reports and relevant documents. The Company has complied with the “comply or explain” provisions set out in the ESG Guide for the Year. This Report does not include the disclosure of environmental key performance indicators. Our Group will conduct a carbon assessment at the forthcoming year.

STAKEHOLDERS’ FEEDBACK TO THIS REPORT

The Group welcomes stakeholders’ feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company’s website.

IDENTIFICATION OF AND COMMUNICATION WITH STAKEHOLDERS

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Report. As recommended, through stakeholder engagements, the Company can understand wide-ranging views and identify material environmental and social issues.

Our Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders whom are communicated through meetings, enquiries, interviews and discussions, including: shareholders, employees, customers, suppliers and subcontractors, regulatory authorities and the local communities in which the Group operates.

Environmental, Social and Governance Report

A. Environmental

We understand the importance of environmental sustainability and protection. We are mindful of the environment and are committed to preserve it. The Group has obtained ISO 14001:2015 environmental management system certification (the “EMS”) and takes an active role in being environmentally friendly. EMS help us to improve our environmental performance through more efficient use of resources and reduction of waste. We also invested in resources to build a water treatment plant within our production plant in Malaysia to treat water that has been contaminated by printing chemicals. Our Group has a certified environmental professional who has attended relevant environmental, health, safety and ISO training courses.

Emissions

The Group is committed to operating in compliance with applicable environmental laws and regulations in all material respects and protecting environment by minimizing the negative impact of the Group’s operation on the environment. The major air and greenhouse emissions, discharges into the water of the Group are from the printing devices which consume a significant amount of energy and produce a substantial volume of waste during its processes. The Group has implemented a number of internal environmental policies, with appropriate equipment installed to help reduce the adverse impact brought to the environment. We have adopted the following measures in achieving our goal in reducing of emissions:

- Investing in resources to build a water treatment plant to treat water that has been contaminated by printing chemicals;
- Implement new and efficient technologies to reduce the electricity and water consumption; and
- Promoting environmental-friendly programmes, e.g. energy saving, waste reduction and recycling of materials.

Use of Resources

The Group has adopted a series of internal control policies and procedures to enhance the efficiency in consumption of resources including energy, water and other raw materials. We practices scheduled wastes management with accordance to the regulations under ministry of environment while reducing harm to our environmental. All employees are committed to continually enhancing the environmental awareness to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. We have adopted the following measures in achieving our goal in using of resources:

- Controlling of temperature of the air-conditioner in the office;
- Turning off idle plant and equipment;
- Practicing 5R’s in our Group which is reuse, reduce, recycle, refuse and repair to help reducing wastage; and
- Eliminating excessive materials, packaging and wastages.

Hazardous Wastes and Non-Hazardous Wastes

Due to the nature of our business, isopropyl alcohol (**IPA**) in varying doses has been used in sheetfed offset printing. As required by the Department of Environment Malaysia, any water that is adulterated with chemicals (IPA, ink, etc.) is to be channelled to a water treatment plant and processed. Processed water (all harmful contaminants removed) is then channelled into the rain water discharge/drains. The water treatment plant is strictly governed by local legislation. To demonstrate that our Group is committed to be environmentally friendly, we have obtained ISO 14001:2015 environment management system certification to maintain best practices in preserving the environment.

We have invested in resources to build a water treatment plant within our production plant in Malaysia to treat water that has been contaminated by printing chemicals of printing activities prior to its release into the environments or its re-use. This to avoid any risk that will bring to human.

The Environment and Natural Resources

We practice scheduled wastes management with accordance to the regulations under ministry of environment while reducing harm to our environmental. At the same time, we practice 5R's in our Group which is reuse, reduce, recycle, refuse and repair to help reducing wastage. With certified ISO 14001:2015, Environmental Management System, our Group is committed to preserve the environment by:

- Complying with applicable legal and regulatory requirements;
- Continuous improving environment system;
- Preventing water, air noise and land pollution through environmental programs related to our significant environmental aspects; and
- Promoting environmental-friendly programmes, e.g. energy saving, waste reduction and recycling of water materials.

During the Year, our Group did not have any material non-compliance issues in respect of any applicable laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

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B. SOCIAL

Employment and Labour Practices

Employment

The Group aims to create positive experiences that enable our valued employees to thrive. Equal to protecting the health and safety of our employees, we consider environmental stewardship among our most important business responsibilities. We recognise that our success in the printing and packaging industry is dependent on our employees. We have maintained the staff handbook which stipulates the policies of recruitment, dismissal, promotion, remuneration and benefits of employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills. Our Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives.

We also pay attention to employees' job satisfaction and views it to be of equal importance. Our Group view human capital as our greatest asset and believe that happiness of employees inspires productivity. We periodically review staff welfare to ensure we provide satisfactory working environment for all our employees. Our Group also rewards or promotes staff according to performance assessment as our Directors believe that good workers should be amply rewarded, and such reward motivates our employees to strive for strong performance each year to aid in our Group's overall growth. We believe that, the management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. During the Year, the Group organised bonding activities, such as badminton and annual staff dinner, to allow employees to build up teamwork and to strengthen their bonding.

During the Year, our Group did not have any material non-compliance issues in respect of any applicable laws and regulations relating to employment. Besides, our Group did not experience any strike or labour dispute with our staff which had caused significant disruption to our Group's business operations.

Health and Safety

Human capital is one of the key pillars of our Group's success. Our Group follows the Malaysian health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1994. To ensure that our employees work in a safe and healthy environment, our Group has a safety and health officer under the human resource team headed by human resources and general affairs manager. Our safety and health officer has attended safety and health officer course organised by National Institute of Occupation Safety and Health of Malaysia. Our Group also established a safety and health policy for our employees to follow. In addition, Our Group provides occupational safety education and trainings, conducted by external trainers, to raise employees' awareness of safety issues.

The Group is also required, under the Occupational Safety and Health Act, to formulate and revise (as often as may be appropriate) a written statement of its general policy with respect to the safety and health at the work place of the employees, as well as the current arrangements for carrying out such policy. The Group has prepared its written statement entitled safety and health policy whereby all employees are required to report any injury or work related illness to their immediate superior regardless of the seriousness of the injuries, the supervisor will then investigate and report it back to the management for further corrective and preventive actions to be taken.

During the Year, save as disclosed in the Prospectus of the Company dated 31 August 2017, our Group did not experience any significant incidents or accidents in relation to employees' safety or any non-compliance with the applicable laws and regulations relevant to the health and work safety issues.

Development and Training

Our Group values our employees as human capital and invests resources to educate and improve their standards so that they can make a greater contribution to our Group's success. A training plan is developed on a yearly basis by human resources department to schedule our employees to attend training/courses that to enhance their capabilities. Our Group provides both internal and external training regarding the basic knowledge of machinery operation, relevant regulations, internal quality audit and other useful topics. For new hires, our Group provides an induction training programme followed by on-the-job training during their probation period. Staffs' probation period ranges from three to six months, depending on their seniority. Department managers are responsible for identifying and evaluating the training needs of their subordinates.

Labour Standards

The Group fully agreed that employing child and forced labour are a violation of basic human rights and international labour conventions, and poses threats to the sustainable development of the society and economy. We have put in place human resources policies and guidelines in compliance with the relevant employment laws and regulations of the local governments.

During the Year, the Group strictly complied with the employment ordinance and did not employ any child labour nor forced labour in accordance with the relevant laws and regulations of the local governments.

Supply Chain Management

Our Group's suppliers are mainly suppliers of raw materials such as paper, facer, glue, chemical and printing plate, as well as foreign worker providers and logistics companies. We believe that suppliers are one of the key components of our Group's business and they play an important role in the manufacturing process. We also believe that fostering close working relationships with our suppliers is imperative so as to maintain reliable sources of raw material supplies for us to produce high quality products. The raw materials are procured from several countries such as Malaysia, Hong Kong, Indonesia, and Thailand. In general, the raw materials are ordered based on the yearly projections provided by our customers. The forecasts are reviewed by both our marketing and purchasing department on a monthly basis to ensure that sufficient raw materials are procured in time for production. Based on the forecast, our Group places orders for raw materials for production to meet our customers' orders. Our operations team plans for resources based on production schedule to ensure that adequate manpower is allocated to our production lines. The same team also plans logistics support and obtains additional resources from our logistics partners when necessary.

We believe that effective communication is the key to maintain a long-term relationship with our suppliers. We will review the qualifications and performance of suppliers including background, quality, price, delivery lead time, complaint history and financial stability on a regular basis and we will take all reasonable efforts to conduct appropriate inspections and checks to our suppliers. Our suppliers are expected to follow the high social, ethical and environmental standards that we do.

During the Year, the Group was not aware of any key suppliers that has any significant negative impact on the business ethics, environmental protection and labour practices.

Product Responsibility

We have been awarded the ISO 9001:2008 quality management system certification in provision of printing and packaging products. This certification is a testament to our commitment to delivering products and services of the highest quality to our customers. Our Directors believe that this certification can boost our customers' confidence on the products and services provided by our Group.

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We place strong emphasis on consistently upholding the quality of our products. The Group has in place a quality assurance team which performs checks on different departments' processes on an annual basis, to ensure the implementation of the quality management system requirements of ISO 9001:2008 and our own established requirements. The primary duties of the quality assurance team are formulating and implementing systematic quality management policies and standard operating procedures for our Group's operational processes in order to maximise the overall quality consistency of our products; overseeing compliance of the quality management policies and procedures by different departments of our Group; carrying out internal audits to identify areas for improvements; and preparing the results of external quality accreditation audits for discussion in the management review meetings.

We have a sales support team that responds to customer enquiries, feedback and complaints. All complaints will be recorded essentially on our internal system which records the details of complaint, monitors the handling and progress of the complaint and records the results of the resolution. We are also committed to protecting customer's personal data. All the personal information collected by the Group is strictly used in accordance with the relevant laws and regulations. All of our employees and third party service providers who have access to customer's data are required to respect its confidentiality.

During the Year, the Group was not aware of any incidents of non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

Anti-corruption

The Group strictly complies with the local laws and regulations by establishing strict anti-corruption and integrity codes and developing corresponding internal codes and management systems, which require all directors, management and staff of the Company to maintain a high level of business ethics. Employees discovering any corruption, bribery, blackmail, fraud and money laundering incidents must report to the Board. All complaints filed are confidential and the Company is responsible for protecting the legitimate rights and interests of the whistle blower. All reported cases would be investigated in a fair and proper manner and the Group will take necessary actions to protect the rights and interests of the Group and their stakeholders.

During the Year, the Group did not experience any incidents of non-compliance with the applicable laws and regulations relating to bribery, extortion, fraud and money laundering.

Community Involvement

The Group recognises its responsibility towards its stakeholders, the community and the environment and considers corporate social responsibility as an important direction for development. During the Year, the Company has made donations to a non-profit making organization in Hong Kong to support social welfare service in the community. Our Group also encourages its employees to participate in the charitable donations and community services. In addition, the Group maintains an open channel of communication with its stakeholders and communities to understand their motivations, goals and needs through continuous conversation in order to achieve the Group's contributions in corporate social responsibility activities.

“Environmental, Social and Governance (ESG) Reporting Guide” Content Index

Aspects	Description	Page index
A1: Emissions General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	02 and 03
A2: Use of Resources General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	02
A3: The Environment and Natural Resources General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	03
B1: Employment General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	04
B2: Health and Safety General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	04

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Aspects	Description	Page index
B3: Development and Training General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	05
B4: Labour Standards General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	05
B5: Supply Chain Management General Disclosure	Policies on managing environmental and social risks of the supply chain.	05
B6: Product Responsibility General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	05 and 06
B7: Anti-corruption General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	06
B8: Community Investment General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	06