



Hi-Level Technology Holdings Limited
揚宇科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8113

***Environmental, Social and
Governance Report
2022***

2022 Environmental, Social and Governance Report

REPORTING PERIOD AND SCOPE

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hi-Level Technology Holdings Limited (the “**Company**”), together with its subsidiaries, (the “**Group**” or “**we**” or “**our**” or “**us**”) is pleased to present this report setting out matters relating to the environmental, social and governance (“**ESG**”) of the Group for the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”) with reference to the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Board believes that a sound ESG is vital for continued sustainability and development of the Group’s operation. The Board has taken overall responsibility for the Group’s ESG strategy and reporting and has a strong commitment to environmental protection with the mission to promote the environmental culture among our staff to maintain a sustainable development for the Group.

Unless otherwise specified, the environmental data covers the Group’s operation in Hong Kong and the PRC.

ESG GOVERNANCE STRUCTURE

The Group acknowledges the need to have effective and strong ESG governance in place. Good governance ensures accountability and a balance of authority by clearly defining the roles and responsibilities of different parties within the Group. The Board has the overall responsibility for the Group’s ESG strategy and reporting. An ESG Working Team (the “**Team**”) has been set up in 2021 and is responsible for collecting relevant information on the ESG aspects for the preparation of the Report. A Board Statement has been approved to guide our strategy to achieve a better ESG performance in different areas of works, such as the process used to set targets, evaluate, prioritise and manage material ESG-related risks to our business. The Board will continue to review the progress made against the ESG-related goals and the targets related to our business in the regular board meetings. In addition, the Team is required to provide a follow-up action plan to address any shortfall (if any) in the ESG-related goals and the targets to the Board. If necessary, an interim report on the progress of the follow-up action plan will also be submitted to the Board.

STAKEHOLDER ENGAGEMENT

COMMUNICATION WITH STAKEHOLDER

The Group strives to accommodate views and interests of stakeholders (including but not limited to shareholders, customers, employees, suppliers, regulatory authorities, and the public) through constructive communications with them to determine the direction of the Group’s long-term development and maintain close relationships with stakeholders. The financial performance of the Group is summarised in the Group’s quarterly, interim and annual report and reported to investors through the Group’s official website (www.hi-levelhk.com). We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community continuously.

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Stakeholders	Expectations and concerns	Communication channels
The Board	<ul style="list-style-type: none"> • Corporate governance • Regulatory compliance • Financial performance • Strategic development 	<ul style="list-style-type: none"> • Board meetings • Committee meetings • Annual general meeting
Shareholders and investors	<ul style="list-style-type: none"> • Compliance with laws and regulations • Corporate governance system • Business strategies and performance • Investment returns 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Financial reports • Press releases and circulars • Company website
Customers	<ul style="list-style-type: none"> • Good customer service • High-quality control • Customer's right • Business integrity and ethics 	<ul style="list-style-type: none"> • Customer service team • Quarterly, interim and annual reports, corporate website • Routine communications
Employees	<ul style="list-style-type: none"> • Remuneration and compensation • Career development • Health and safety 	<ul style="list-style-type: none"> • Training, seminars and briefing sessions • Internal meetings • E-mails • Staff appraisals
Suppliers	<ul style="list-style-type: none"> • Payment schedule • Stable demand • Fair and open tendering 	<ul style="list-style-type: none"> • E-mails • Regular assessment of suppliers' performance • Supplier management meetings and events • On-site visits
Government and regulatory bodies	<ul style="list-style-type: none"> • Regulatory compliance • Prevention of tax evasion • Sustainable development • Occupational health and safety 	<ul style="list-style-type: none"> • Ad-hoc enquiries • Interaction and visits • Company website
Community and the public	<ul style="list-style-type: none"> • Environmental protection • Employment and community development • Public welfare 	<ul style="list-style-type: none"> • ESG reports • Company website

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MATERIALITY ASSESSMENT

In order to better manage our sustainability strategy and efforts, we reviewed our business performance, benchmarked against new trends in industry developments and disclosure practices, and analysed capital market assessment priorities to assess our material ESG issues. During the Reporting Year, the 12 ESG-related issues identified by the stakeholder engagement exercise carried out in 2021 were still applicable as there were no significant changes to the Group's business. The results show that "Emissions" is the top priority because this aspect is the primary focus for the environmental protection. Other environmental aspects are also the main concerns for the stakeholders as these are the fundamental elements for sustainable business. The Group aims to continue improving these environmental aspects to satisfy stakeholders' needs.

In conclusion, environmental aspects are of utmost importance for all different stakeholders while the "Community Investment" was generally viewed as a supplement after the Group's economic goal is served. As both the global and the national environmental standards have been rising, various stakeholders put strong emphasis on reducing air emissions and conserving the natural resources.

QUANTITATIVE ASSESSMENT

Our assessment standards, methodologies, calculation tools, source of conversion factors used are mainly based on the document "How to prepare an ESG Report" issued by the Stock Exchange. The environmental KPIs are calculated based on its Appendix 2 "Reporting Guidance on Environmental KPIs", while the social KPIs are calculated based on its Appendix 3 "Reporting Guidance on Social KPIs".

CONSISTENCY ASSESSMENT

In this ESG Report, there is no material change to the methods or key performance indicators used or any other relevant factors affecting a meaningful comparison of this ESG report with previous reports.

BALANCE OF VIEW

We aim to keep our report balanced and make fair disclosures on critical aspects of our performance, both in terms of progress made and continuing challenges that we are dealing with. We endeavour to report both positive and negative ESG issues in order to give a holistic view of the Group's sustainability performance.

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A. ENVIRONMENTAL

A1. Emissions

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit and panels) for consumer electronics products such as mobile internet devices, electronic learning aids, multi-media players (car infotainment system), smartphone panel modules, set-top boxes and video image devices together with the provision of IDH services to original brand manufacturers and original design manufacturers.

Air emissions

The Group's major sources of air emissions were originated from vehicles. With more efficient use of vehicles, the air emissions performance has improved during the Reporting Period.

	Unit	2022	2021
Nitrogen oxides	g	1,913	2,687
Sulphur oxides	g	36.47	75.34
Particulate Matter	g	141	198

Greenhouse gas emissions ("GHG")

GHG Emissions	Unit	2022	2021
Direct GHG emissions (Scope 1)	kg CO ₂ e	6,599	13,632
Energy indirect GHG emissions (Scope 2)	kg CO ₂ e	47,745	43,008
Total GHG emissions	kg CO ₂ e	54,344	56,640
Total GHG emissions intensity	kg CO ₂ e per square meter	15.50	19.31

The Group's scope 1 emissions was mainly from the petrol consumption of vehicles, and Scope 2 energy indirect emissions was mainly from purchased electricity. There is a slight reduction on total GHG emissions of the Group during the Reporting Period, which was partially due to higher environmental awareness of our employees. We do not report Scope 3 emissions because of lacking complete and accurate data.

Non-hazardous solid wastes, mainly the domestic and commercial wastes, generated in our offices and warehouses during our operations in the Reporting Period were amounted to about 4.05 tonnes (2021: 4.09 tonnes), which was stable.

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During the Reporting Period, the Group took necessary steps to monitor and manage the environmental effect of the operations. The Group aims to reduce the energy consumption and carbon emissions and seeks less harmful ways to the environment in the operations. Our internal policies are to comply all the relevant laws and regulations applicable to our operations in different jurisdictions.

As the Group has strived to keep the wastes and the consumption of resources to the minimum, we have set the target to further reduce 5% on the air emissions (intensity), the greenhouse gas emissions (intensity) and the non-hazardous wastes (intensity) over the five-year period from the year 2021. The Group-wide energy saving measures will be implemented in all our offices and warehouse. The measures include increasing the reminders to the staff members to conserve the energy, reduce unnecessary wastes and increase adoption of online meetings/visits instead of physical meetings/visits to lower air emissions and greenhouse gas emission generated from transportation.

A2. Use of Resources

The Group has always placed great emphasis on energy and resources conservation. To achieve this, the Group continually applies efficient consumption strategy to improve energy saving and reduce energy consumption. We continue to request our employees to turn off lights and air conditioners when no staff is at the workplace, to unplug the appliances, computers, printers and equipment which are not in use, to maintain room temperature at 25 Celsius degree when using air conditioners during summer. As for water consumption, our staff are reminded to shut the water taps tightly after use.

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing office wastage in daily operations. For energy saving and greenhouse emission reduction, LED lamps for offices and warehouse are installed. Air conditioners filters are cleaned and maintained regularly, ecofriendly stationery is used, environmentally friendly paper to print financial reports, recycling bins are provided at our workplace with waste paper and used toner cartridges collected for recycling.

The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

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The electricity and water consumed were mainly from the two workplaces in Hong Kong and the two workplaces from Shanghai and Shenzhen. The Group's petrol consumption was decreased and electricity consumption was slightly increased during the Reporting Period.

Use of resources	Unit	2022	2021
Unleaded petrol	kWh	24,042	49,668
Electricity	kWh	102,129	94,081
Electricity intensity	kWh per square meter	29	32
Total energy consumption	kWh	126,171	143,749
Total energy consumption intensity	kWh per square meter	36	49
Water consumption	Cubic meter	2,280	2,280
Water consumption intensity	Cubic meter per square meter	0.65	0.77

Packaging materials such as plastic trays and paper wraps are mainly used for delivering the finished goods. Metal was occasionally used for the special requests from our customers. We tried all means to minimize the use of the packaging materials. The total packaging materials used during the Reporting Period are shown as below:

Packaging materials	Unit	2022	2021
Plastic	kg	616.00	537.68
Paper	kg	12.60	11.00
Metal	kg	4.50	4.08

A3. The Environment and Natural Resources

Although the core business of our Group has remote impact on the environment and natural resources, we recognize the responsibility in minimizing the negative environmental impact of our business operations and our investment portfolio.

The Group endeavors to comply with the applicable environmental laws and regulations and has adopted effective measures to reduce wastage. Our employees are fully aware that it is important for the operation of the Group to minimize the impact on the environment and natural resources. Our management also closely monitors the utilities consumption in different offices and encourages employees to work together to reduce utilities consumption.

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A4. Climate Change

Climate change may impact our core business when the operations are disrupted due to adverse and extreme weather such as more frequent and intense heavy rainfall, flooding and typhoons. Our policies on identification and mitigation of significant climate related issues which may impact the Group includes, but not limited to, the adoption of more strengthened flooding prevention measures and closely monitoring the weather in advance to execute contingency plans. Adverse and extreme weather brought by climate change may hinder the transportation for warehouses and travelling of our employees commuting to our offices.

In addition, the facilities and equipment at our offices and warehouses may be damaged. To minimise the impact of climate change, more regular checking and maintenance works are being carried to prevent and reduce the damage due to extreme weather. In view of all these measures, based on our judgement, the impact on our revenue due to the risk of climate change is estimated to be less than 5% on average.

B. SOCIAL

B1. Employment

Employees are our valuable assets. The Group strictly follows the requirements of the Labour Law, the Labour Contract Law, the Social Insurance Law and Regulation on Work-Related Injury Insurances of the Mainland of China, as well as the Employment Ordinance of Hong Kong. We have developed a written staff manual to govern the discipline, working hours, leaves and other benefits of our employees, in accordance with the relevant laws and regulations.

To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions. Our full-time employees are entitled to maternity, paternity, compassionate leaves, medical allowance, performance related bonus and mandatory provident fund. Our PRC full-time employees are also entitled to nursing leave. The Group has adopted a share option scheme as an incentive to eligible employees. Social and recreational activities are arranged for the employees in achieving work-life balance. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

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As at 31 December 2022, the Group had a total of 84 employees in the Greater China Region, and the distribution of employees within the Group were as follows:

Distribution of employees	2022
By Employment Type	
Full-time	84
Part-time	0
By Gender	
Male	47
Female	37
By Age Group	
Below 30	16
30 to 50	54
Over 50	14
By Region	
PRC	71
Hong Kong	13

As at 31 December 2022, the overall employee turnover rate was around 26%. The breakdown of turnover rate was as follows:

Distribution of resigned employees	2022
	%
By Gender	
Male	31
Female	20
By Age Group	
Below 30	19
30 to 50	33
Over 50	7
By Region	
PRC	21
Hong Kong	54

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B2. Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees. The Group did not encounter any lost days caused by injury. Air purifiers were placed in work place to improve air circulation. There were no work-related fatalities during the past three years.

We have taken good care of our employees' health and well-being during the COVID-19 outbreak, by maintaining high standard of hygiene in the offices and other workplaces.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period.

B3. Development and Training

We acknowledge the importance of training for the development of our employees as well as our Group. We encourage and support our employees in personal and professional training, through sponsoring training programmes, seminars, workshops and conferences, peer learning and on-the-job coaching, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. Total training hours offered in 2022 was 528 hours, average 6.3 hours per trained employee (2021: 579 hours in total, average 7.9 hours per trained employee), which remained stable and reflected our continuous commitment. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

As at 31 December 2022, the percentage of employees trained by the Group's employees in the Greater China Region were as follows:

	2022
Number of employees trained	64
Percentage of employee trained	
By Gender	
Male	53%
Female	47%
By Employee Category	
Senior management	9%
Middle management	28%
General employees	63%

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As at 31 December 2022, the total training hours received by employees within the Group were as follows:

	2022
Total no. of hours of training received by employees	528
Average hours of training per employee	
By Gender	
Male	8.1
Female	3.9
By Employee Category	
Senior management	14.0
Middle management	8.4
General employees	4.9

B4. Labour Standards

The Group considers child and forced labour unacceptable and ought to be prevented. The Group has instituted a comprehensive screening and recruitment process to prohibit the use of child labour.

Employee work schedules are set up fairly to keep within standard working hours. All employees are provided with appropriate leave entitlements including annual leave, sick leave, marriage leave, maternity leave, paternity leave and compassionate leave etc.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period.

B5. Supply Chain Management

Relationship is the fundamental of business. Sound supply chain management ensures the Group to sustain its business operations and development. We have maintained strong relationship with our suppliers to meet our customer's needs in an effective and efficient manner. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

Currently we procured 8 (2021: 9) renowned brands as our suppliers. 8.3% goods (2021: 21%) were supplied domestically in Hong Kong, the remaining was supplied from the PRC, Taiwan and Singapore.

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B6. Product Responsibility

The Group recognizes good customer service is the key to the success and sustainability of a corporation. Suppliers provide warranty on the products they supply to the Group for distribution of electronic components. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end customers.

The Group also adopts the following quality control policies on the products to be sold:

- a series of inspections upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

During the Reporting Period, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2022.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

B7. Anti-Corruption

The Group is committed to ethical conduct in doing business. All forms of bribery, extortion, fraud and money laundering are prohibited. The Group abides by the Anti-Unfair Competition Law, the Interim Provisions on Prohibiting Commercial Bribery and the Anti-Money Laundering Law of the Mainland of China and other laws and regulations that call for integrity and ethical conduct in operating a business. The Group makes clear its expectations on employees to ensure professional and ethical conduct of all staff. Employees are informed of the Group's expectations and guidelines in the normal course of business, as well as the applicable laws and regulations related to improper payment, frauds and money-laundering.

The Group is committed to strengthening compliance training, reading materials in relation to business ethics and anti-corruption conducted by the Independent Commission Against Corruption were circulated to the Directors and staff of the Group, so as to enhance employees' understanding on anti-bribery and anti-corruption. During the Reporting Period, the Group provided anti-corruption training to both directors and employees, with a total of 39 training hours.

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The Group has adopted a whistle-blowing policy, which was formulated and approved by the Board. The Company Secretary of the Company has been designated to handle any complaint received under the policy during 2022, and the Audit Committee of the Board (the “**Audit Committee**”) is responsible for monitoring the implementation of the policy. The whistle-blowing policy details the protocols of reporting and handling improper or illegal behaviours within the Group that could be detrimental to the interests of shareholders, investors, customers and general public. It emphasizes protection of whistleblower’s identity and confidentiality of reported cases and the information involved, and sets out the available channels and methods for reporting concerns and the procedure of handling reported cases by the Group’s designated personnel.

The Audit Committee meets regularly to review the effectiveness of internal controls and risk management of the Company. As far as the Company is aware, no corruption or bribery incidents and fraudulent practices, which have had or may result in a material adverse impact on the Group’s financial performance or condition, have been brought to the Company’s attention during the Reporting Period.

B8. Community Investment

We encourage our employees to participate in social and community events and to volunteer for good causes. We will continue to shoulder the social responsibility by caring the community, employees and the environment in order to build a cohesive society.