

# PROGRESS AHEAD

SUSTAINABILITY REPORT 2020



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This is the third Sustainability Report (“**SR2020**”) from China Kunda Technology Holdings Limited (hereafter referred to as “**China Kunda**” or “**Company**” and together with its subsidiaries “**Group**”) and it is prepared in accordance with Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst Listing Rule 711(B) and Global Reporting Initiatives (“**GRI**”) 2016 Standards: ‘Core’ option. This sustainability report, together with our annual report released on 5 August 2020, strives to provide balance and transparency of China Kunda’s performance for the financial year to all our stakeholders. This report discloses strategy, management approach and sustainability performance with respect to China Kunda’s Economic, Environmental, Social and Governance (“**EESG**”) matters in line with SGX’s requirements.

### Reporting Scope

This report covers data, statistics, initiatives and performance which are in relation to China Kunda’s operations in Shenzhen, People’s Republic of China for the financial year 2020 (“**FY2020**”) from 1 April 2019 to 31 March 2020, with FY2019 data for comparison, where applicable.

We have not sought external assurance for this report but may consider doing so as our reporting matures over time.

### Contact Us

We welcome any feedback and queries on this report and any aspect of our sustainability performance disclosed in this report. Please address all feedback to investor relations at [ir@chinakunda.com](mailto:ir@chinakunda.com).



# BOARD STATEMENT

It is our pleasure to present China Kunda's third Sustainability Report for FY2020.

Sustainability issues continue to be integral in our strategy formulation and we will uphold our commitment towards ensuring that our business practices are sustainable. China Kunda also maintains a clear and transparent manner of disclosing our business practices, ensuring that our stakeholders are not only kept abreast of emerging sustainability issues, but also what we do to adapt as we expand our business operations.

After review, the Board of Directors (the "**Board**") has decided that the four EESG matters across our business operations continue to be of relevance. These four material topics - Regulatory Compliance, Innovation and R&D (research and development), Material Use, Training and Advancement – were chosen to ensure our resources are focused on identifying risks and opportunities across our value chain, and they continue to be relevant in effectively safeguarding the interests of our stakeholders this year.

The unexpected advent of the novel coronavirus 2019 ("**COVID-19**") pandemic resulted in delays in the resumption of our full-scale production after the Lunar New year holidays. China Kunda resumed full operations in March 2020, as well as its major customers and suppliers complying with all necessary precautionary and control measures as directed by relevant authorities. Currently, the COVID-19 pandemic in China is largely under control, resulting in the gradual recovery of the domestic market demand and supply chains.

Moving forward, as China Kunda aims to pioneer new innovations in engineering design and specialised medical equipment, we will simultaneously create long-term value for our stakeholders and drive our business in a responsible and sustainable manner. We would like to take this opportunity to thank our people and stakeholders for their continued support in China Kunda's sustainability journey.

## Overview of China Kunda

China Kunda is headquartered in Shenzhen, China and listed on the Singapore Exchange as a limited liability company. We are a provider of plastic engineering and furniture solutions to a diversified customer base spread across a wide geographical region ever since our incorporation in 2007.

Apart from the manufacture and sale of In-Mould-Decoration and other plastic components (the “IMD Business”) through its subsidiary Kunda Plastic Electronic (Shenzhen) Company Limited (“KPE”), China Kunda is also involved in the manufacture and distribution of furniture and other related activities (“Furniture Business”) through its subsidiary, Shenzhen Shi Er Ju Quan Wu Ding Zhi Company Limited (“SEJ”).

In FY2019, SEJ commenced operations, however as it was still under the developmental phase with limited manufacturing activities conducted in its first year of operation, it only contributed to a small portion of our total revenue. In FY2020, SEJ had initiated its manufacturing activities for its cabinetry products and achieved a total output value of HK\$3.3 million, 7.9% in total revenue.

China Kunda has considered the impact from both KPE and SEJ operations when reviewing our EESG factors in FY2020 and concluded that in FY2020, we will continue to report the same EESG topics as in FY2019. For more details of our materiality assessment, please refer to the section: materiality assessment on pages 11 and 12.

The operation sites covered in this report are listed as below in Figure 1.

Figure 1: China Kunda's operation sites

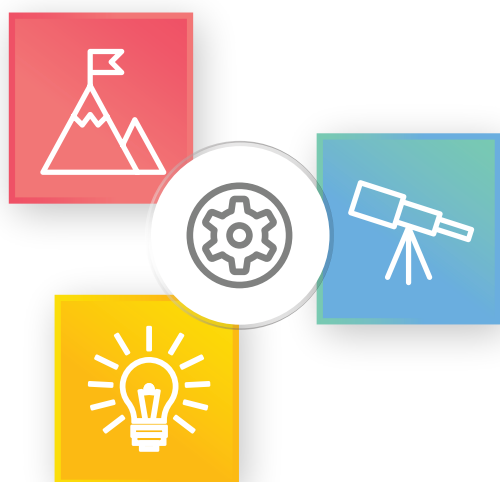


# CORPORATE PROFILE

## Ethics and Integrity

In China Kunda, we reaffirm the importance of promoting strong ethics and integrity to our business success. To maintain a high standard of corporate governance on ethics and integrity, we integrated our ethics and integrity policies into China Kunda's values and key principles as shown in Figure 2 and 3. Both of them have been reviewed and approved by our Core Operations and Decisions Management Committees ("Core team") this year. In addition, our existing and new employees will attend training to acknowledge their understanding of our corporate values and principles annually.

Figure 2: China Kunda's mission, vision and values



### MISSION

Dedicated to produce competitive products

### VISION

Aims to achieve mutually beneficial scenarios for all stakeholders

### VALUES

Fast pace, high precision, premium services and production of valuable products

Figure 3: China Kunda's Key Principles







## Supply Chain

In China Kunda, we believe that selecting reliable, high-quality and cost-efficient suppliers can help us achieve long-term business value.

Our raw materials are mainly sourced from local vendors in China. Our top 10 suppliers are mainly short production cycle manufacturers supplying materials and services ranging from electronic parts, sheets, plastic pellets and mould processing in FY2020. Please refer to section “Changes to the organisation and its supply chain” for the details regarding changes in our supply chain.

Please see figure 4 for the total amount spent on our top 10 suppliers in FY2020.

Figure 4: Table on total amount spent on top 10 suppliers in FY2020

COUNTRY OF TOP 10 SUPPLIERS	AMOUNT SPENT ON TOP 10 SUPPLIERS IN FY2020
CHINA	HK\$16,463,900

# CORPORATE PROFILE

## Changes to the organisation and its supply chain

In FY2020, the Group engaged a new supply category compared to FY2019, which comprised suppliers of materials and accessories used for the production of thermometers. This was due to the increasing demand of thermometers in the market amidst the COVID-19 pandemic outbreak. Furthermore, as a result of our increase in IMD-related product productions and sales of raw materials to the customers, the procurement cost from the top 10 suppliers increased from HK\$14.3 million in FY2019 to HK\$16.5 million in FY2020.

Arising from the above, there was a total number of 55 key suppliers<sup>1</sup> engaged by China Kunda in FY2020, a 27% increase in numbers compared to 43 key suppliers in FY2019.

## Our People

The total number of our employees fell slightly from 133 in FY2019 to 130 in FY2020 as shown in Figure 5. All employees under China Kunda work full-time, with a lower percentage of female employees at 41% in FY2020 compared to 46% in FY2019. There were 18 and 22 permanent employees in FY2019 and FY2020, respectively, while the rest were under fixed-term contract. In FY2020, there were no significant changes in employee numbers throughout the year.

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<sup>1</sup> Key suppliers refer to those who offer goods and services valued more than RMB 100,000 or equivalent to HK\$112,224 per annum which was computed based on the average exchange rate RMB1.00:HK\$1.12224 in FY2020 as compared to HK\$116,950 per annum based on the average exchange rate RMB1.00:HK\$1.1695 in FY2019.



Figure 5: Breakdown of employees by employment contract and gender

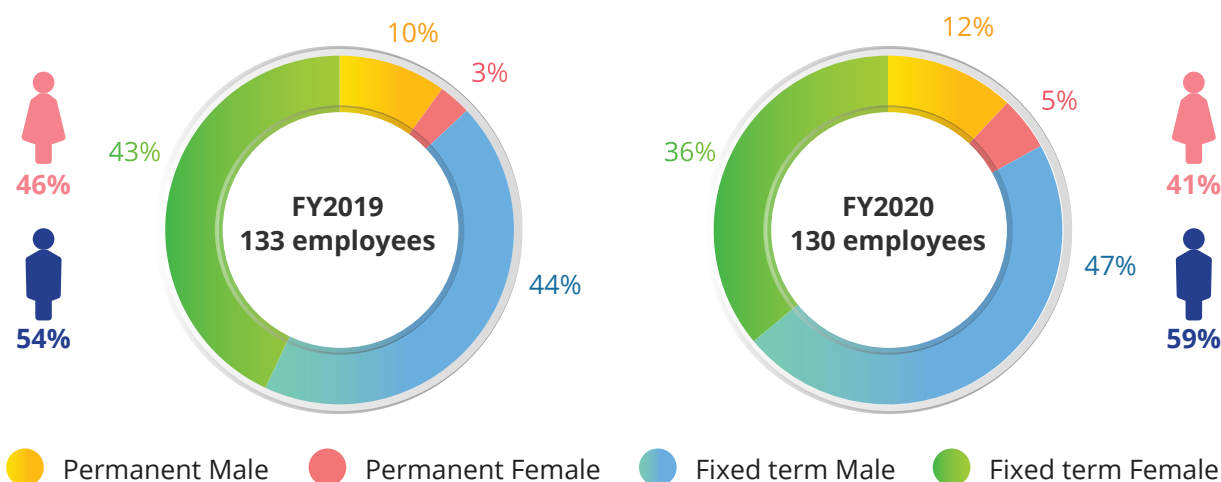


Figure 6: Breakdown of employees by employment category

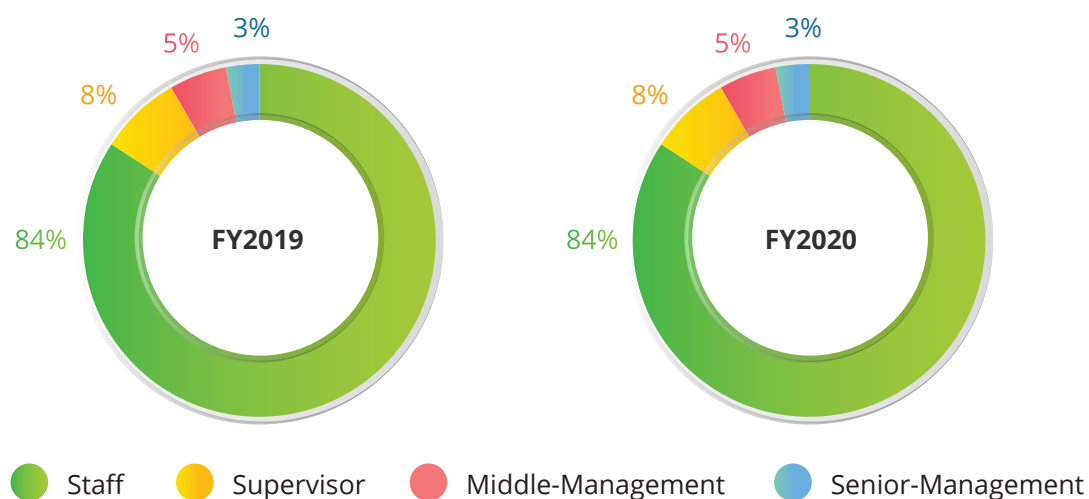
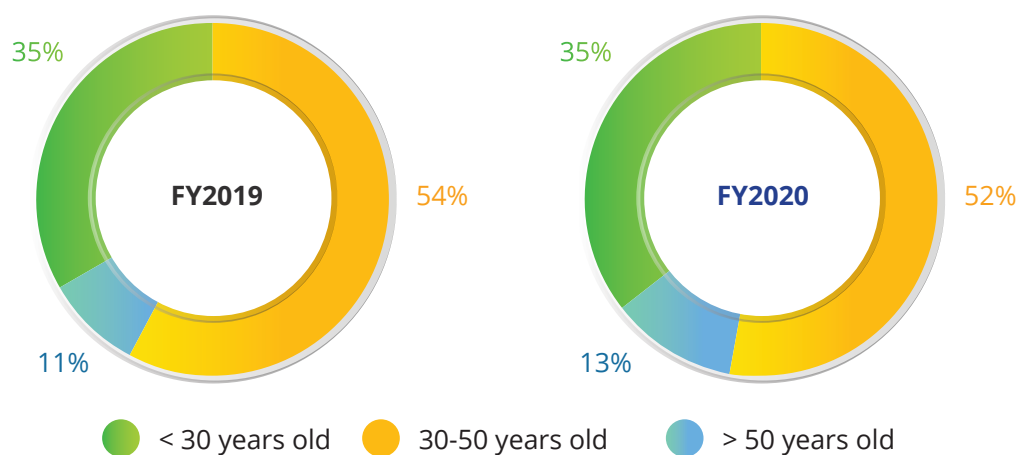


Figure 7: Breakdown of employees by age group



# SUSTAINABILITY STRATEGY AND APPROACH

Overall, our Group adheres to sound corporate governance to safeguard shareholders' interests and the Company's assets.

## Risk Management

China Kunda has in place an Enterprise Risk Management Framework ("ERM"), supported by the Audit Committee whose members are all Non-Executive Directors, that covers risk management and our internal control systems. This ERM mobilises our ability to manage EESG risks and seize opportunities that help achieve our Company's objectives.

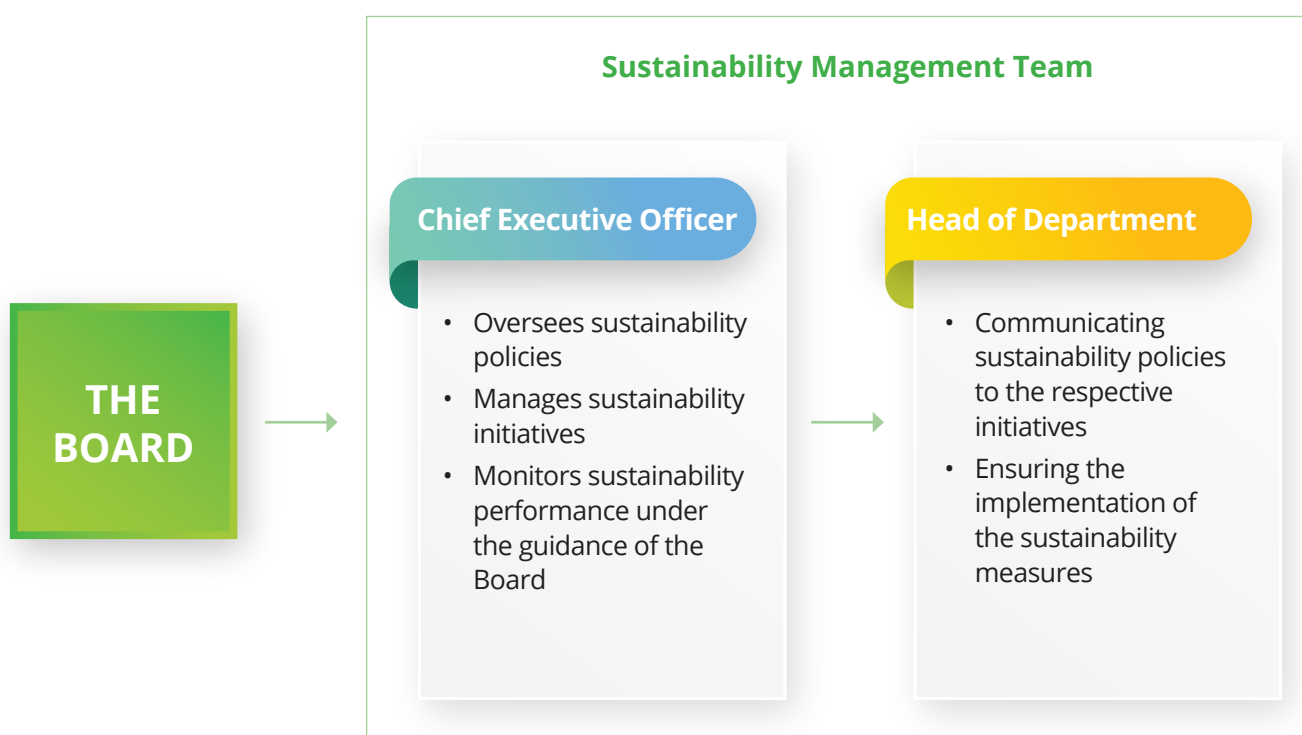
China Kunda currently has two senior management teams that oversee our KPE and SEJ businesses, respectively. Each management team governs the process of risk assessment under the guidance of external advisors and monitors the Company's daily operations and internal control procedures. Concerns highlighted by both management teams are reported to the Board during the quarterly risk assessment reviews.

## Sustainability Governance

In China Kunda, our sustainability management team is responsible for overseeing sustainability policies, implementing sustainability initiatives and monitoring our sustainability performance. Details of roles and responsibility of our sustainability management team can be seen in Figure 8 below.

Subsequently, any feedback brought to the management team's attention may be escalated to the Board of Directors on a regular basis.

Figure 8: China Kunda's sustainability governance structure






# SUSTAINABILITY STRATEGY AND APPROACH

## Stakeholder Engagement



China Kunda believes that fostering active relationships across our stakeholder groups is critical in sustaining our growth as a Company. Understanding our stakeholders' needs and concerns enables us to respond efficiently, prioritise resources, formulate a better sustainability strategy and enhance our overall sustainability performance.

Figure 9 details China Kunda's stakeholder groups, and how we engage to address their needs and concerns to ensure stakeholder satisfaction.

Figure 9: China Kunda's Stakeholder Engagement

Stakeholder Groups	Key Concerns of Each Stakeholder Group	China Kunda's Approach	Modes of Engagement	Frequency of Engagement
 Shareholders	<ul style="list-style-type: none"> <li>Achieve viable returns and receive dividends</li> <li>To be updated on the Company's latest financial status and development plans</li> </ul>	<ul style="list-style-type: none"> <li>Provide reports on financial data, financial analysis, and development plans for shareholders</li> </ul>	Whistle-blowing mechanism	As and when necessary
			Shareholder meetings	Annually
			Mail communication	
			Electronic communication	
 Employees	<ul style="list-style-type: none"> <li>Sustainable growth of the Company</li> <li>Proper work arrangement</li> <li>Employee welfare and benefits</li> <li>Safe working environment</li> <li>Employee training and education</li> </ul>	<ul style="list-style-type: none"> <li>Establish strong communication between employees and the Company</li> <li>Improve working environment and enhance employee's belongingness to improve work efficiency and ensure overall high employee stability</li> </ul>	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	Once or twice a month
			Conference call	
			Electronic communication	
			Employee welfare chat	
 Regulators	<ul style="list-style-type: none"> <li>Comply with latest laws and regulations, including the latest tax regulations in the tax bureau</li> </ul>	<ul style="list-style-type: none"> <li>Healthy communication with relevant authorities such as the tax bureau to remain closely informed about the latest relevant regulations</li> </ul>	Face-to-face meetings	Once or twice a month
			Conference call	
			Mail communication	
			Electronic communication	

# SUSTAINABILITY STRATEGY AND APPROACH

Stakeholder Groups	Key Concerns of Each Stakeholder Group	China Kunda's Approach	Modes of Engagement	Frequency of Engagement
 Suppliers	<ul style="list-style-type: none"> <li>Feedback on the quality of materials, price, delivery time</li> <li>Keep abreast of new product developments and trends</li> </ul>	<ul style="list-style-type: none"> <li>Healthy communication with suppliers to ensure that all purchases remain beneficial to the Company</li> </ul>	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	At least once to thrice a month
			Conference call	
			Mail communication	
			Electronic communication	
 Local Communities	<ul style="list-style-type: none"> <li>Timely feedback to the Company on impacts of the Group's operation</li> <li>Contributions to the local community</li> </ul>	<ul style="list-style-type: none"> <li>Provide a safe and liveable environment for locals</li> <li>Transparent communication and disclosure with local communities</li> </ul>	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	Once a quarter
			Electronic communication	

## Materiality Assessment

China Kunda first conducted a 3-steps materiality assessment in FY2018 and identified four key material matters that aligned with the Company's EESG priorities. Regulatory Compliance, Innovation and R&D Material Use, Employees Training and Advancement were chosen as critical to our business operations and disclosed in our inaugural sustainability report.

In FY2019, the Board and management team re-assessed these matters, especially considering the addition of our new subsidiary SEJ in December 2018. It was determined that the current scale of this new operation contributes minimally to our materiality assessment results.

In FY2020, although SEJ commenced its manufacturing activities during the year, the scale of SEJ's operation remains relatively small as compared to other existing operations. Our new product – thermometer, utilised our existing technology in KPE hence there was no significant impact on our materiality assessment. As such, we concluded that the identified EESG matters continue to be of relevance to our business, including our SEJ operations in FY2020 and we continue to report on the same EESG matters in this report.

We will continue to reassess the materiality matters in the subsequent reporting period to ensure that the relevant EESG matters are addressed in our sustainability report.

The process of China Kunda's materiality assessment is shown in Figure 10, and the results of the assessment are subsequently highlighted in Figure 11.

# SUSTAINABILITY STRATEGY AND APPROACH

Figure 10: China Kunda's materiality assessment

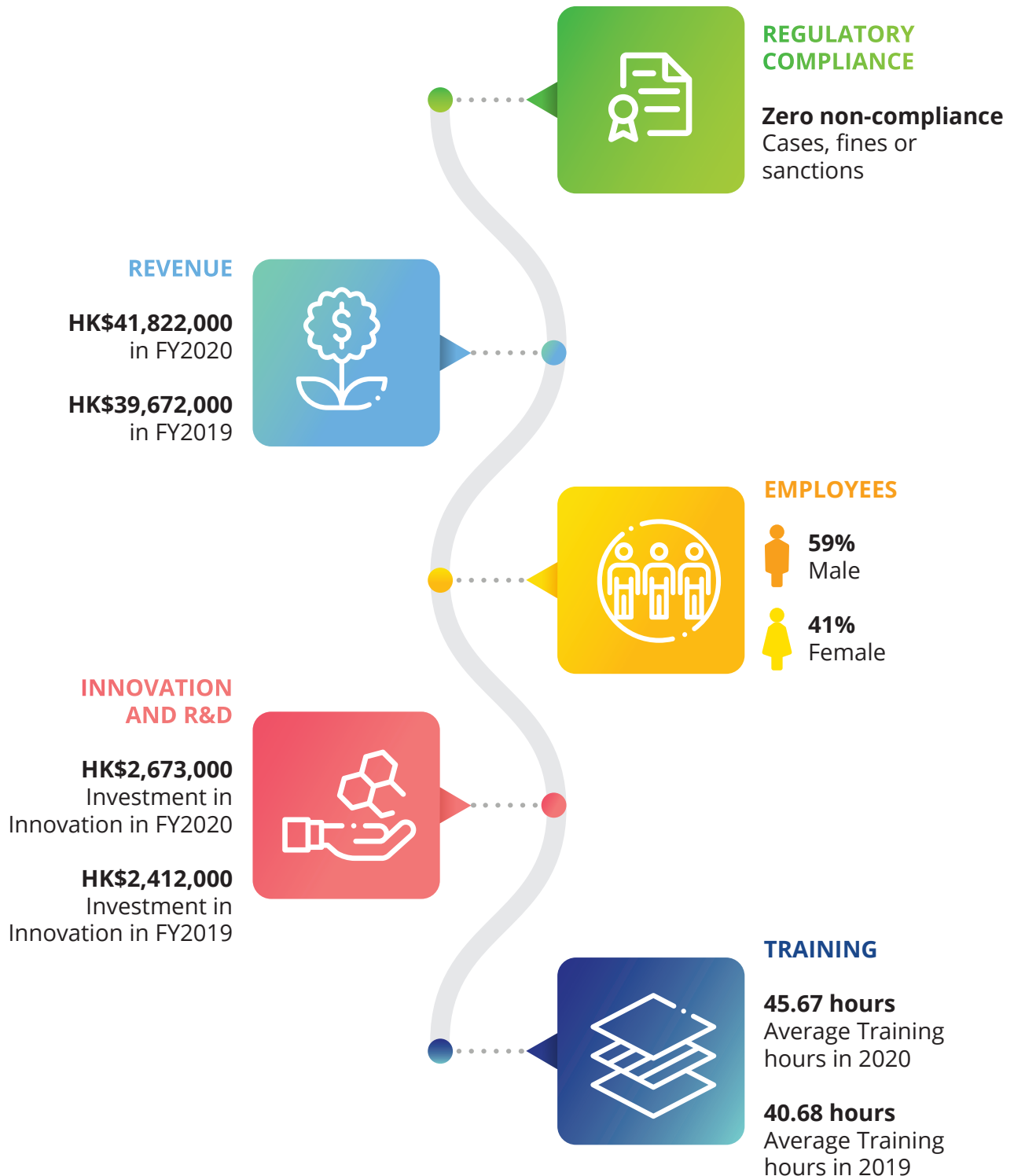


Figure 11: China Kunda's Materiality Assessment result



# SUSTAINABILITY STRATEGY AND APPROACH

## Key Highlights in FY2020





## Regulatory Compliance

China Kunda is committed to maintaining good corporate governance and recognises the importance of its internal controls put in place to ensure operational efficiency and continued compliance with laws, regulations and policies. We strive to apply the highest regulatory standards across our business operations and take all compliance issues and concerns reported seriously.

Reporting scope for this topic includes operations in both KPE and SEJ.

### Policies and Practices

In FY2020, China Kunda continued our efforts in our compliance responsibilities by:

- Setting up compliance cultures and sound compliance management systems to avoid risks on non-compliance behaviours.
- Communicating compliance regulations/standards to all employees and including compliance rules in our Employee handbook.
- Utilising compliance management system to guide our senior management's actions to minimise non-compliance risk.
- Having the core team to review, monitor, and respond in real-time to any non-compliance issues.

### Whistle-blowing Policy

Our Regulatory Compliance is facilitated by our Whistle-blowing policy which provides a formal grievance handling procedure as described in figure 12 that allows the Company to manage all our stakeholders to raise any issues they encounter. This Grievance Mechanism provides our employees with a safe environment and any other persons to raise their concerns, and we continue to encourage all our stakeholders to raise any issues they encounter in their relationship with the Company. Our Audit Committee will be responsible to review any potential conflicts of interests and if any, they will ensure procedures for resolving such conflicts are strictly adhered to.

For more details of our Corporate Governance and Whistle-blowing Policy, please refer to our Corporate Governance Report and its section: Audit Committee and Whistle Blowing Policy in our annual report.

# GOVERNANCE

Figure 12: China Kunda's Grievance Handling Process



In addition, China Kunda has also provided our people with the employee handbook which details all our regulatory compliance requirements. We request the management and the employees in marketing and procurement departments to submit their declaration of conflict of interest.

## Targets and Performance

In FY2020, KPE remained certified with Management System Standards ISO 9001, ISO 16949 and ISO 14001<sup>2</sup>. Both KPE and SEJ have zero reported cases of non-compliance, demonstrating China Kunda's full compliance with the laws, regulations and standards with regards to economic, environmental and social areas.

In FY2021, China Kunda aims to maintain full compliance through strict adherence to our internal corporate governance system and hope to continue providing confidence in our regulatory compliance to our stakeholders.

Figure 13: FY2020 China Kunda regulatory compliance performance

PERPETUAL TARGET	FY2020 PERFORMANCE	FUTURE PLANS
<ul style="list-style-type: none"> <li>• Comply with applicable laws and regulations</li> <li>• Conform to industry standards</li> <li>• No fines or sanctions</li> </ul>	 <ul style="list-style-type: none"> <li>• Zero non-compliance cases, fines or sanctions</li> <li>• Target achieved</li> </ul>	<ul style="list-style-type: none"> <li>• China Kunda aims to maintain its performance</li> </ul>

<sup>2</sup> As our business in SEJ is focused more on trading rather than manufacturing, and the manufacturing activities of SEJ is relatively small, we believe these standards are not relevant to our SEJ operations as of now. However, we would like to consider obtaining such standards in the future when appropriate.

# ECONOMIC

## Innovation and R&D

China Kunda is a strong advocate for continued innovation and improvements in technology to meet our long-term objectives of raising productivity and reducing capital costs. Furthermore, enhancing our capability in technology can place us in a good position to gain a competitive advantage and further our sustainable development goals, considering the relatively short product replacement cycles in our industry.

Reporting scope for this topic includes operations in both KPE and SEJ.

### Management Team

The Technology Development Department is responsible for reviewing innovation policy, overseeing the innovation practices and evaluating the results of our innovative projects in KPE.

Our Executive Director and the core management team oversee our business in SEJ ranging from material sourcing, sales, manufacturing, finance, human resources as well as innovation and R&D matters. Currently, the main function of research and development projects were outsourced to the external technology company in order to avoid high capital commitment. Our Executive Director and the core management team is working closely with the external technology company for the progress and results of research and development projects.

### Policies

In FY2020, we continued the Innovation Incentive Policy in Technology Development to reward innovative projects. Any project proposed is reviewed and approved by our core management team and Technical Director.

With key decisive factors such as market influence, projected production level, final output and production location in mind, the policy has been reviewed in FY2020 and is summarised as follows (Figure 14):

Figure 14: China Kunda Innovation Incentive Policy

RESPONSIBILITIES	REWARDS	POLICY REVIEW DATE
Technical Director (Technology Development Department)	<ul style="list-style-type: none"><li>• RMB1000 or HK\$1122 (FY2019:HK\$1,170) per new client<sup>3</sup></li><li>• RMB500 or HK\$561 (FY2019:HK\$585) per project (old client, 2<sup>nd</sup> onwards service)</li><li>• RMB2000 or HK\$2244 (FY2019:HK\$2,340) per patent</li></ul>	The policy has been reviewed for this reporting period (FY2020). No material variances made to the policy.

<sup>3</sup> The reward per new client is only applicable in KPE and is not applicable in SEJ which commenced its manufacturing activities of customised cabinetry products in FY2020, and its current manufacturing activities do not involve any innovation and improvement in technology. The rewards in HK\$ was computed based on the average exchange rate RMB1.00:HK\$1.12224 in FY2020 as compared to RMB1.00:HK\$1.1695 in FY2019.


## Practices

Our clients strictly evaluate and assess our new projects. We will only deliver the products to our customers when the products achieve certain testing requirements from clients. Our new patents will also be reviewed and certified by the authorised departments of the local government. Only when we have received the certificates from the government, will we then proceed to reward our employees for their contribution to the projects based on our Innovation Incentive Policy. China Kunda will proactively and continuously improve our quality accordingly to any feedback received from our clients.

## Targets and Performance

China Kunda increased its investments for research and development projects in FY2020. However, we failed to meet our target of 50 projects completed in FY2020. This is mainly due to the complexity of the current projects and the long development cycle time. The Company also spent more time on considering and evaluating the quality of new projects which thus resulted in greater time costs incurred.

Figure 15: FY2020 China Kunda Innovation and R&D Performance

PERPETUAL TARGET	ACTIONS TAKEN IN THIS REPORTING YEAR (FY2020)	FY2020 PERFORMANCE	FUTURE PLANS
50 ~ 80 new projects yearly	<ul style="list-style-type: none"> <li>HK\$2.7 million spent on research and development in FY2020, compared to HK\$2.4 million in FY2019</li> <li>Review of Innovation Incentive Policy. There were no material variances made to the policy</li> </ul>	 <ul style="list-style-type: none"> <li>46 new projects in FY2020 increased from 32 projects in FY2019, including 40 new projects in KPE and 6 new projects in SEJ.</li> <li>Target not achieved</li> </ul>	<ul style="list-style-type: none"> <li>Seek and co-operate with new customers to develop new projects using existing resources and technology</li> <li>To achieve 50 new projects in FY2021 while China Kunda continues to consider project quality and economic benefits transformed</li> </ul>

## Case Studies

### Case Study #1: Non-contact Infrared Forehead Thermometers ("Thermometers")

China Kunda has always been on the lookout for the new application of existing technologies in other fields. In FY2020, the spread of COVID-19 globally largely changed people's lifestyle and impacted the market worldwide. In China Kunda, we noticed an increasing demand for Thermometers under this situation. As such, we proposed a new project to produce Thermometers by applying our technologies of IMD and plastic injection in manufacturing of the thermometers.

The success of this project helps our business expand into a new field of medical devices and will become an example for our continued innovation in other business area in the future.

We have recorded Thermometers sales revenue in the subsequent quarter after FY2020.





### Case Study #2: Garbage Processor



Consumers looking into purchasing a garbage disposal unit are often wary of the power it operates at and the noise it produces. China Kunda provided our customers with a powerful garbage disposal unit that operates with minimal noise and has a lifespan of approximately 10 years. The product features include our seven stages of grinding for the disposal of even hard or fibrous food waste without fearing clogs or jams and our self-powered wireless touch switch giving more convenience to the final customers. The garbage processor is also equipped with the function of overload protection, waterproof and discharge protection and a high-speed copper permanent magnet DC motor with 4200 r/min. Our user-friendly design utilises a three-point snap design, allowing our customers direct installation under the original water basin.

# ENVIRONMENT

## Material Use

In light of the rising prices of industrial raw materials in recent years, careful operational management of the resources that we purchase and use in our production lines will go a long way in not only cost savings but also reducing the amount of waste we generate. China Kunda believes that our consistent monitoring of the raw materials we use will improve economic efficiency and contribute to the Company's sustainable development goals.

In FY2020, the scale of SEJ's manufacturing activities was relatively small. Therefore, disclosure of material use mainly pertained to KPE's manufacturing activities.

## Management Team

There are two separate core management teams led by the respective general managers responsible for all business activities in KPE and SEJ respectively. The production managers and procurement managers within the core management teams are responsible for material utilization and procurement of raw materials respectively.

## Policy

China Kunda has in place an incentive system to reward employees for their performance in managing the Company's resources based on their ability to reduce overall material cost ratio.

China Kunda's annual KPI is set for each department which is linked to China Kunda's bonus plan. Through the optimization of engineering accounting standard and the lower product defect rate, the material loss will be reduced. The reduction of material used will be reviewed at the end of the year to assess the distribution of department bonus.

## Practices

With the overarching goal of optimizing its manufacturing processes, China Kunda consistently monitors its usage of both renewable and non-renewable materials. We adhere to international standards in our production lines, and in KPE, our management system is ISO14001 and ISO9001 certified. Not only does this translate to cost savings in waste, recycling and consumption in the long run, but it also builds a system that allows the Company to better manage its environmental risks while meeting customer and regulatory requirements simultaneously.

## Target

Our efforts in optimizing the efficiency of production have paid off by achieving KPE's FY2020 target to maintain raw material cost ratio of 41% in FY2020, same as in FY2019 (Figure 16).

Figure 16: FY2020 China Kunda Material Use target

PERPETUAL TARGET	FY2020 PERFORMANCE	FUTURE PLANS
Maintain raw material cost ratio of 41% in FY2020 <sup>4</sup>	 <p>Target achieved</p>	Maintain current performance and keep improving

## Performance

Despite the decrease in the usage of plastic sheets, paint and protective film from KPE, the total consumption of KPE's non-renewable materials rose from 430,051kg in FY2019<sup>5</sup> to 539,937kg in FY2020 mainly due to the increase in the production volume of IMD related products which include our new homecare electronic products, Thermometers.

Total renewable material consumption in KPE, mainly cardboard in our operations, increased significantly from 14,492 pieces in FY2019 to 19,374 pieces in FY2020, mainly due to the increasing number of existing clients' orders and the non-recycling practice by our new clients who keep the cardboards for their own packing purposes. As such, our resources recycling practice achieved 16% (3,100 pieces) of cardboard recycled in FY2020, a decrease from 33.9% (4,910 pieces) in FY2019.

Two renewable materials – multi-layer plywood and quartz were used solely in our SEJ operations since its initial manufacturing in FY2020, amounting to 8,340kg and 2,400kg respectively.

<sup>4</sup> Raw material cost ratio refers to the percentage of raw material cost over the total cost within the reporting year.

<sup>5</sup> Restatement of total non-renewable material use in FY2019 due to the exclusion of plastic pellets purchased for trading purpose. The restated numbers in FY2019 and FY2020 were the total non-renewable material used for the Group's own production purpose.

# ENVIRONMENT

Figure 17: Total weight of non-renewable materials used<sup>6</sup> (Kg)

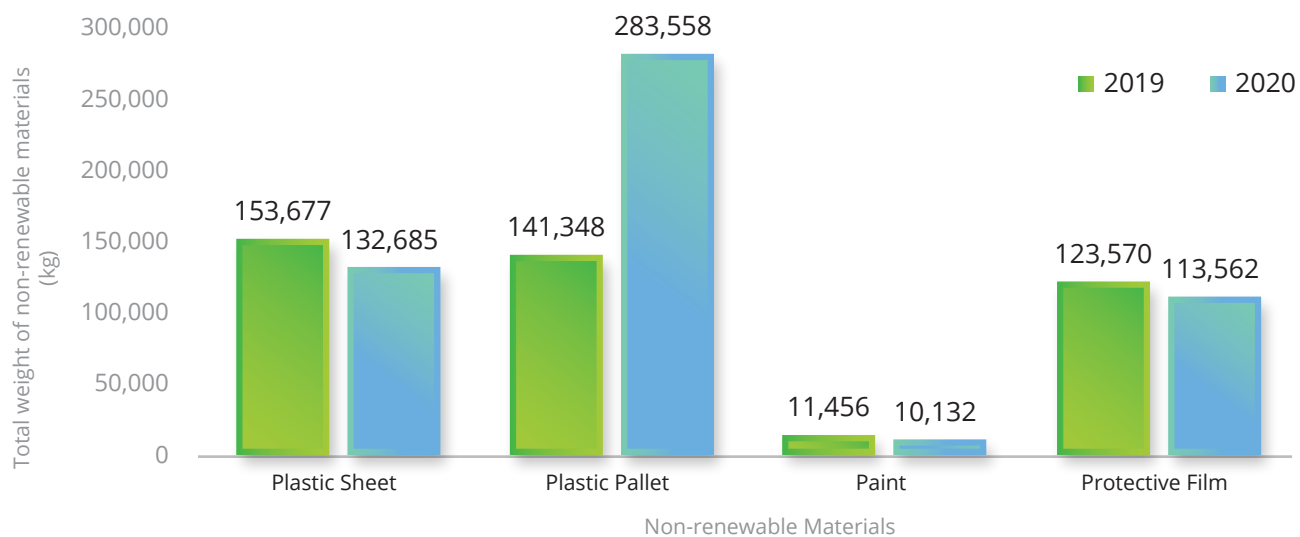


Figure 18: Total pieces of renewable materials used in KPE (Pieces)

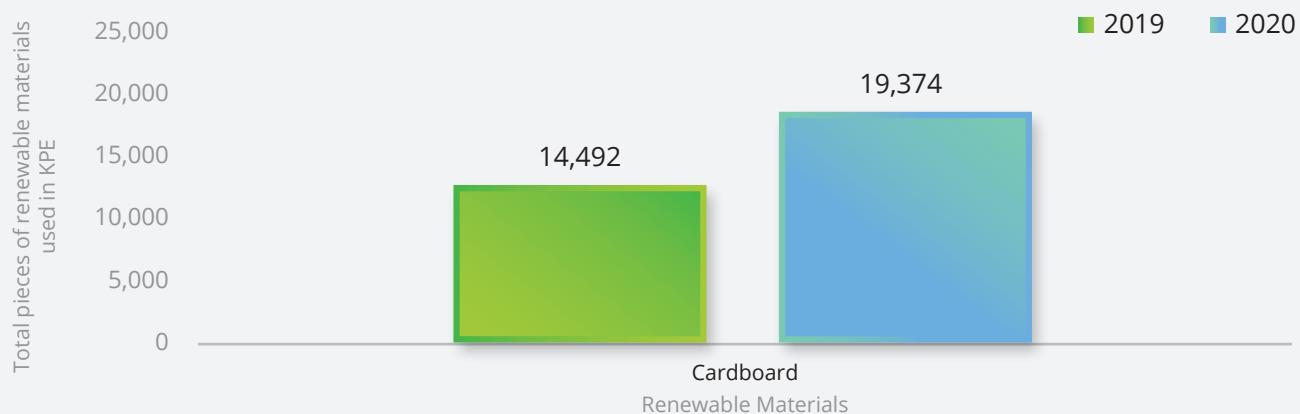
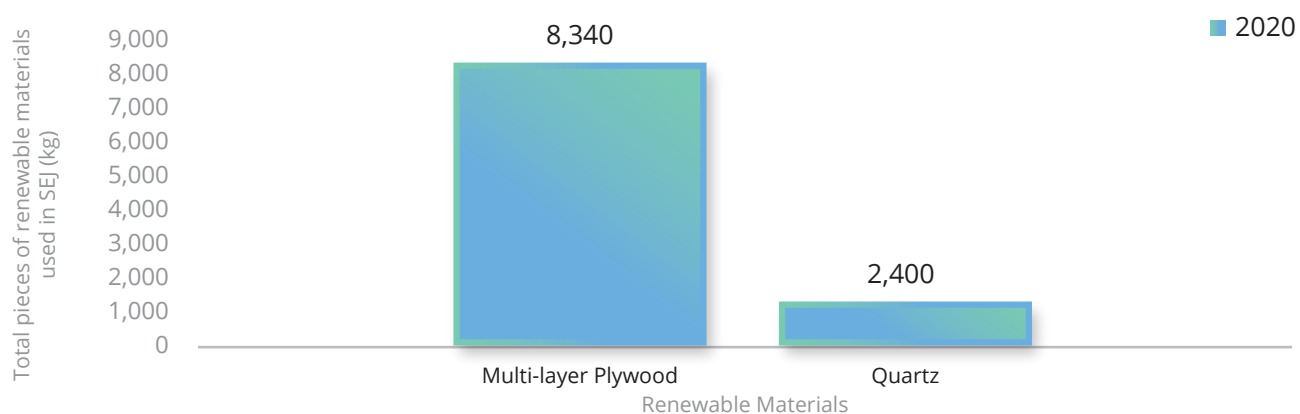


Figure 19: Total weight of renewable materials used in SEJ (Kg)



<sup>6</sup> Restatement of total plastic pellet use in FY2019 due to the exclusion of plastic pellets purchased for trading purpose.

## Training and Advancement

China Kunda's employees play a crucial role in the sustainable development of the Company, and we invest resources in providing them with necessary training and development. For each employee, such training opportunities allow them to acquire new skills, sharpen existing ones, and help them further their career growth; for the Company, investing in our employees will increase productivity and efficiency, allowing us to gain a competitive advantage.

Reporting scope for this topic includes operations in both KPE and SEJ.

### Management Team

Human Resources departments who are responsible for arranging the trainings and overseeing the employees' performance review are set in both KPE and SEJ.

### Practices

New hires are required to attend mandatory orientation workshops conducted by the Human Resources Department, which provide important information regarding production safety, mechanical operation, craftsmanship and product quality requirements. These orientation programs are also an avenue for employees to integrate into our Company culture seamlessly.

China Kunda has also arranged external off-site trainings for our employees. These training courses will enable our people to upgrade their skills. For example, in FY2020, a one-week training to Zhangjiajie in Hunan China was arranged for around 20 employees from KPE. Details can be found in case study 2 below.

In addition to our commitment towards providing all employees with training, China Kunda also provides employees with tailored career planning sessions based on results from the regular employee performance assessments. This helps the Company better understands each employee's career goals and enable us to align them with long-term Company objectives.



Lastly, China Kunda provides subsidies to our employees who seek to further upgrade their education and skills. A training institution has been set up to regulate the management of training subsidies. An incentive system is also put in place to reward employees that have excellent performance in training sections.

# SOCIAL

## Target

In FY2020, we achieved 100% performance evaluation and increased our total training hours for our employees. Details of our training hours can be found in performance section below.

Figure 20: FY2020 China Kunda Training and Advancement Performance

PERPETUAL TARGET	FY2020 PERFORMANCE
100% of employees undergo a performance evaluation	 Target achieved
Increase total training hour	 Target achieved

## Performance

To achieve our target of increasing total training hours in FY2020, more trainings are arranged for our employees. Examples of our trainings include trainings on communication skills for sales staff, trainings on Enterprise Resource Planning (“ERP”) system standard operations, front-line employees pre-job trainings, corporate culture trainings and specialised trainings arranged for managerial employees only, such as career planning and management skills trainings. As a result, the total training hours for our employees increased by 9.7% from 5,410 hours in FY2019<sup>7</sup> to 5,937 hours in FY2020. Average training hours also increased by 12.3% from 40.68 hours in FY2019 to 45.67 hours in FY2020.

Figure 21: Average training hours by gender in KPE and SEJ

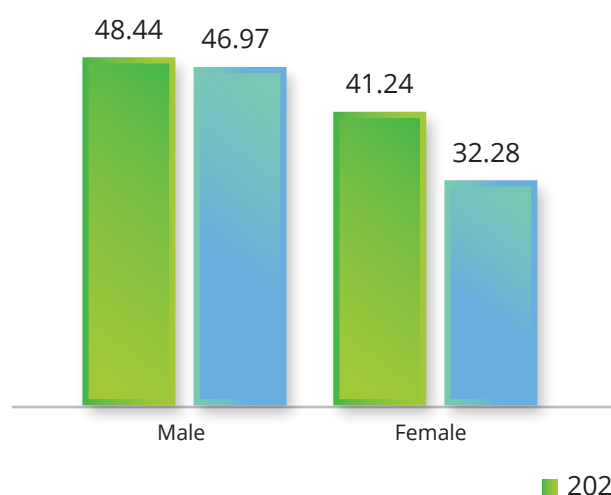
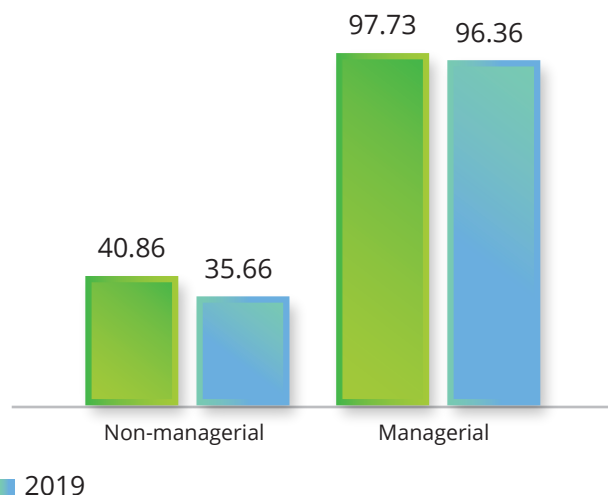


Figure 22: Average training hours<sup>8</sup> by employee category in KPE and SEJ



<sup>7</sup> Restatement of total training hours in FY2019 due to refinement on computation method for accuracy. Restated total training hours in FY2020, FY2019 and FY2018 was 5937, 5410 and 4140 hours, respectively.

<sup>8</sup> Restatement of average training hours in FY2018 and FY2019 due to the refinement on computation for accuracy. Restated average training hours in FY2020, FY2019 and FY2018 was 45.67, 40.68 and 32.86 hours respectively.



### Case Study #3: Internal development programs

China Kunda believes in providing our employees with various opportunities to grow.

In FY2020, multiple meetings, trainings and tea sessions were arranged. For example, our strategic meeting in KPE reviewed our overall work performances in FY2019 which included our achievements and weaknesses and how we can benefit from these experiences to do better in FY2020.

The purpose of these meetings, trainings or tea session is to ensure that our employees are growing in the same direction with the Company as well as interacting with the employees.



*KPE's strategic meetings*



*SEJ Staff Training and Tea Session*

## Case Study #4: External field trips and learning journeys

In FY2020, we also organised several out-of-office development programmes for our employees to participate in, which not only included field trips and learning components but also provided opportunities for the unity of the employees. These activities also provided an avenue for employees to form connections with people outside their own professional expertise and determine their individual career paths.

For example, we arranged a birthday trip for our people to enhance communications across different departments, enrich people life and create a better working environment. This is in line with our corporate culture, showing care to our people and helping the whole group grow in a healthy way.

In KPE, we have also arranged a trip to a well-known attraction in China, Zhangjiajie. We would like to take this as an opportunity to let our people share their experience, exchange their views as well as motivating the employees.



*SEJ birthday trip*



*KPE's employees on a trip to Zhangjiajie*

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102-3	Location of headquarters	Corporate Profile – Overview of China Kunda	4
102-4	Location of operations	Corporate Profile – Overview of China Kunda	4
102-5	Ownership and legal form	Corporate Profile – Overview of China Kunda	4
102-6	Markets served	Corporate Profile – Overview of China Kunda	4
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# GRI CONTENT INDEX

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## GRI CONTENT INDEX

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