

# EXPLORING POTENTIAL

SUSTAINABILITY REPORT 2022

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# ABOUT THE REPORT

This is the fifth Sustainability Report (“SR2022”) 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 Catalist Listing Rule 711(B) and Global Reporting Initiatives (“**GRI**”) 2016 Standards: ‘Core’ option, a globally-recognised framework suited for reporting on sustainability matters relevant to China Kunda. This sustainability report, together with our annual report, 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, the People’s Republic of China, for the financial year 2022 (“**FY2022**”) from 1 April 2021 to 31 March 2022, with FY2021 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 fifth Sustainability Report for FY2022.

As both the Board of Directors (the "**Board**") and the management team continue to dedicate our efforts to creating long term value for our stakeholders, we are extremely mindful of the continuous changes in the market trends. Therefore, whilst formulating the business strategy for the Group, we ensure the sustainability issues will 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.

The Board of Directors (the "**Board**") has reassessed the materiality of identified EESG topics across our business operations. Post reassessment, the Board are in agreement that the existing five material topics continue to be of relevance. The five material topics are Energy and Emission, Regulatory Compliance, Innovation and R&D (research and development), Material Use, and Training and Advancement – these were selected to ensure our resources are focused on identifying risks and opportunities across our value chain and they continued to be relevant in effectively safeguarding the interests of our stakeholders this year.

Finally, we would like to express our appreciation to all our stakeholders who continue to stand alongside us through our sustainability journey. We look forward to your continued support as we continue to create value for our stakeholders as we drive our business in a responsible and sustainable manner.

## 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 solutions to a diversified customer base spread across a wide geographical region since our incorporation in 2007.

China Kunda focuses on 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**”). In FY2022, the Group made a difficult decision to dispose its entire shareholding in a subsidiary, ShenZhen Shi Er Ju Quan Wu Ding Zhi (“**SEJ**”), in view of the continuous impact of the COVID 19 pandemic and lower than expected revenue contribution from the Furniture Business resulting in a depletion of reserves and cash resources of the Group. Following the completion of the disposal in March 2022<sup>1</sup>, the Group’s principal business will focus on the manufacture and sale of in-Mould Decoration (“**IMD**”).

In FY2022, the IMD business has contributed to the revenue of the group, arising mainly from sales of IMD parts to the customers in electrical appliance and electronic consumable industries. China Kunda is committed to develop and use its technology and expertise to explore new product lines and sales channels to provide scalability and sustainability for its core business. China Kunda took steps to expand its IMD product range by leveraging its existing technical expertise, and market opportunities.

China Kunda has considered the impact of IMD business and furniture business when reviewing its EESG factors in FY2022 and concluded that in FY2022, we will continue to report the same EESG topics as in FY2021. For more details on our materiality assessment, please refer to the section: materiality assessment.

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

Figure 1: China Kunda's operation sites



<sup>1</sup> SEJ has been divested from China Kunda in March 2022, our reporting scope for SEJ was from April 2021 to February 2022. All our targets and performances applied to KPE and SEJ in FY2021, except for Innovation and R&D, the performance in FY2021 only includes KPE.

# CORPORATE PROFILE

## Ethics and Integrity

In China Kunda, we reaffirm the importance of promoting strong ethics and integrity to our business success. To maintain high standards of ethics and integrity and expect employees to show consistent adherence to strong moral principles and values, we integrated our ethics and integrity policies into China Kunda’s values and key principles as shown in Figures 2 and 3. Both of these have been reviewed and approved by our Core Operations and Decisions Management Committees (“**Core team**”) this year. In addition, all employees will attend such training annually to acknowledge their understanding of our corporate values and principles.

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

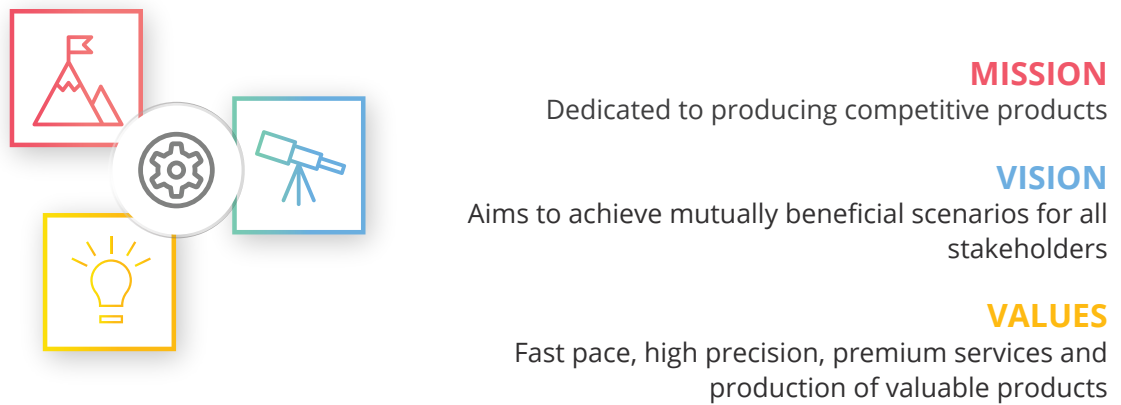


Figure 3: China Kunda’s Key Principles





## SUPPLY CHAIN

At China Kunda, we believe that selecting reliable, high-quality and cost-efficient suppliers can help us form strong partnerships and unlock long-term business value.

With the pandemic still ongoing, preventive control measures continue to be mandated by the Government. With appropriate Covid-19 management measures in place, the Group, our suppliers and buyers have fully resumed business. As a result, in FY2022, the ongoing pandemic has not caused major disruption to our supply chain. One of the primary factors is our sourcing of raw materials from local vendors in China, where the pandemic is largely under control. Our top 10 suppliers are mainly short production cycle manufacturers supplying materials and services ranging from plastic pellets, silk printing processing, plastic sheets, paints and mould processing. The top 10 local suppliers account for 48.4% of our total input, a small decrease from last year. Please refer to the next section “Changes to the organisation and its supply chain” for more details on significant changes in our supply chain.

Please see figure 4 for the total amount spent on our top 10 suppliers in FY2022.

Figure 4: Table on the total amount spent on top 10 suppliers in FY2022

COUNTRY OF TOP 10 SUPPLIERS	AMOUNT SPENT ON TOP 10 SUPPLIERS IN FY2022	FY2022 PROPORTION OF TOP 10 SUPPLIERS	FY2021 PROPORTION OF TOP 10 SUPPLIERS
CHINA	HK\$ 10,104,356.26	48.4%	52.6%

# CORPORATE PROFILE

## CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN

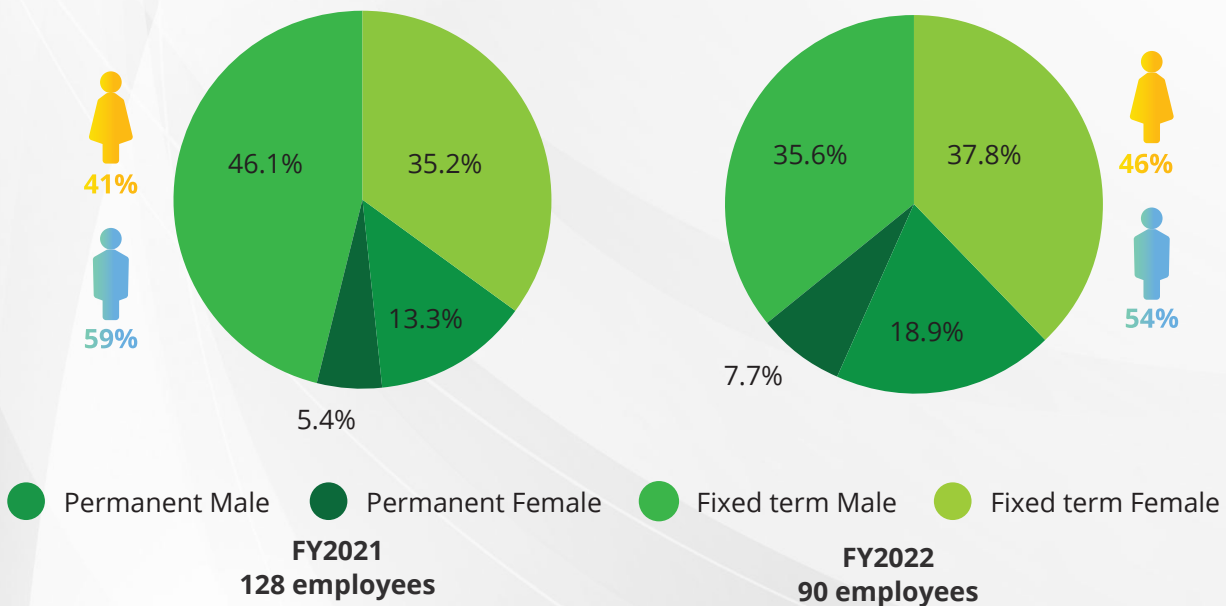
With the changes in China market, China Kunda has divested SEJ, the subsidiary company of manufacture and distribution of furniture and other related activities ("Furniture Business") in March 2022. Following the completion of the Disposal, the Group's principal business is the manufacture and sale of IMD. Due to the outbreak and continuously impact of the pandemic and the global shortage of chips, the Group had been adversely impacted by slow demand in the market and rising costs of raw materials.

Arising from the above, there was a total number of 43 key suppliers<sup>2</sup> engaged by China Kunda in FY2022, a 30.6% decrease compared to 62 suppliers in FY2021.

## OUR PEOPLE

The total number of our employees fell from 128 in FY2021 to 90 in FY2022 as shown in Figure 5 mainly due to the disposal of SEJ in March 2022. All employees under China Kunda work full-time, and in FY2022, there was a slight change in the gender distribution of employees. The proportion of female employees increased by 5% from 41% to 46%, whilst male employees decreased to 54%. There were 24 permanent employees in FY2021 and FY2022, while the rest were under fixed-term contracts. For permanent employees in FY2021 and FY2022, there were 7 females and 17 males.

Figure 5: Breakdown of employees by employment contract and gender



<sup>2</sup> Key suppliers refer to those who offer goods and services valued more than RMB 100,000 or equivalent to HK\$121,316 per annum which was computed based on the average exchange rate RMB1.00:HK\$1.21316 in FY2022 as compared to HK\$114,561 per annum based on the average exchange rate RMB1.00: HK\$1.14561 in FY2021.



Figure 6: Breakdown of employees by employment category

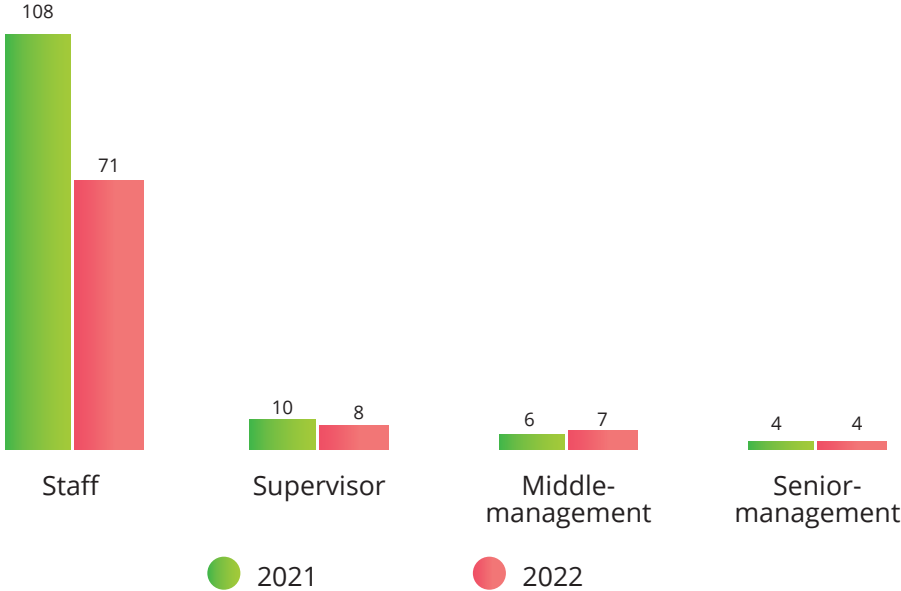
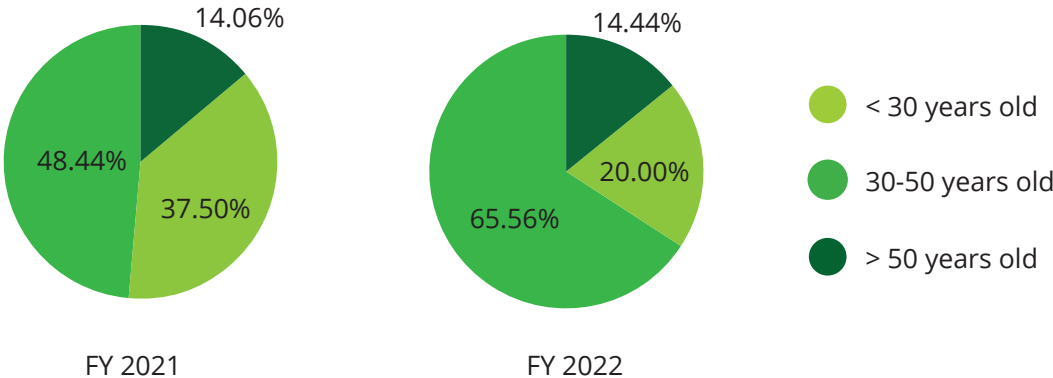


Figure 7: Breakdown of employees by age group



# SUSTAINABILITY STRATEGY AND APPROACH

Overall, our Group adheres to sound corporate governance in order 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 system. This ERM mobilises our ability to manage EESG risks and seize opportunities that help achieve our Company's objectives.

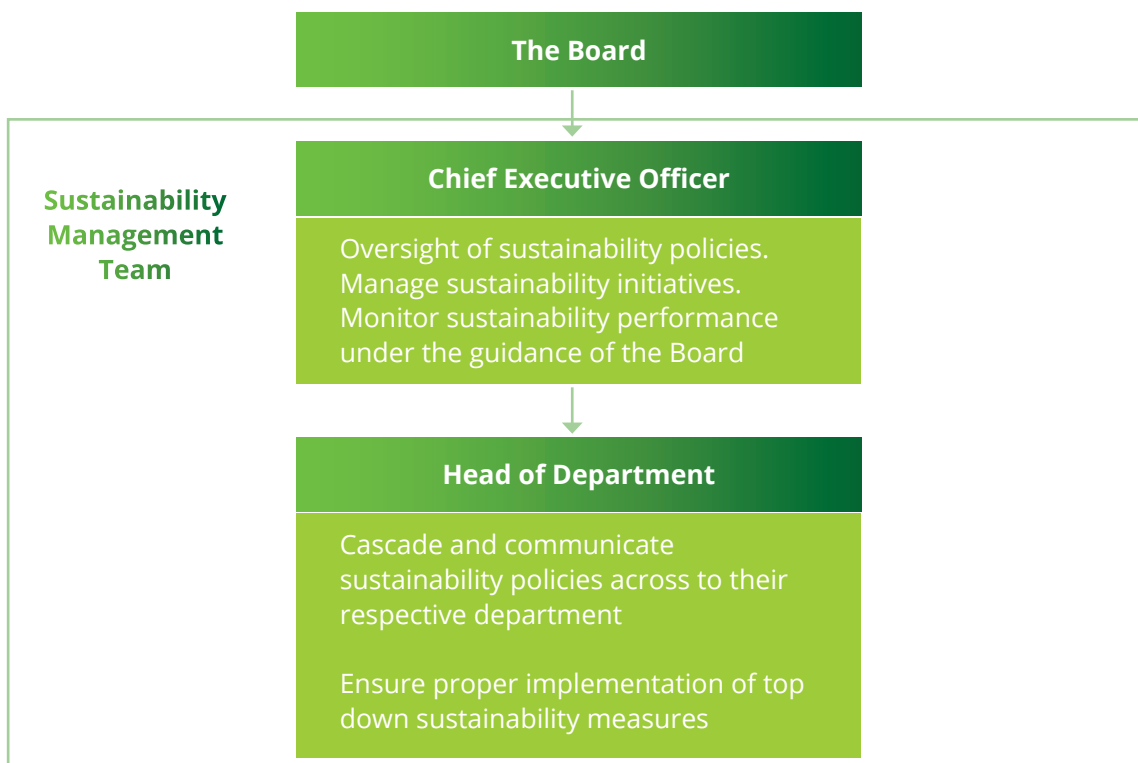
China Kunda currently has a senior management team that oversees our KPE business. The management team governs risk assessment processes under the guidance of external advisors and monitors the Company's daily operations and internal control procedures. Concerns highlighted by management teams are reported to the Board during the half-yearly risk assessment reviews.

## Sustainability Governance

At China Kunda, our sustainability management team is responsible for oversight of sustainability policies, implementing sustainability initiatives and monitoring sustainability performance. Details of the roles and responsibilities of our sustainability management team are detailed in Figure 8 below.

Any feedback brought to the management team's attention will be investigated and may be escalated to the Board of Directors for review during their regular meeting cycle.

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 to 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>	<ul style="list-style-type: none"> <li>Whistle-blowing mechanism</li> <li>Shareholder meetings</li> <li>Mail communication</li> <li>Electronic communication</li> </ul>	Annually or as and when necessary
 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>	<ul style="list-style-type: none"> <li>Whistle-blowing mechanism</li> <li>Face-to-face meetings</li> <li>Conference call</li> <li>Electronic communication</li> <li>Employee welfare chat</li> </ul>	Once or twice a month or as and when necessary
 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>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Conference call</li> <li>Mail communication</li> <li>Electronic communication</li> </ul>	Once to thrice a month or as and when necessary

# 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>	<ul style="list-style-type: none"> <li>Whistle-blowing mechanism</li> <li>Face-to-face meetings</li> <li>Conference call</li> <li>Mail communication</li> <li>Electronic communication</li> </ul>	At least once to thrice a month or as and when necessary
 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> <li>Provide convenient life and transportation</li> <li>Communicates with the community and feedback on the latest needs</li> </ul>	<ul style="list-style-type: none"> <li>Whistle-blowing mechanism</li> <li>Face-to-face meetings</li> <li>Electronic communication</li> </ul>	Once a month or as and when necessary

## 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 FY2022, the Board and management team have reassessed these matters and decided to remain the same material matters with FY2021 as there was no major change in business and geographical segment, please find the details in figure 11 below. We will continue to review the materiality matters in the subsequent reporting period to ensure that the EESG matters remain relevant to China Kunda and are addressed in our sustainability report.

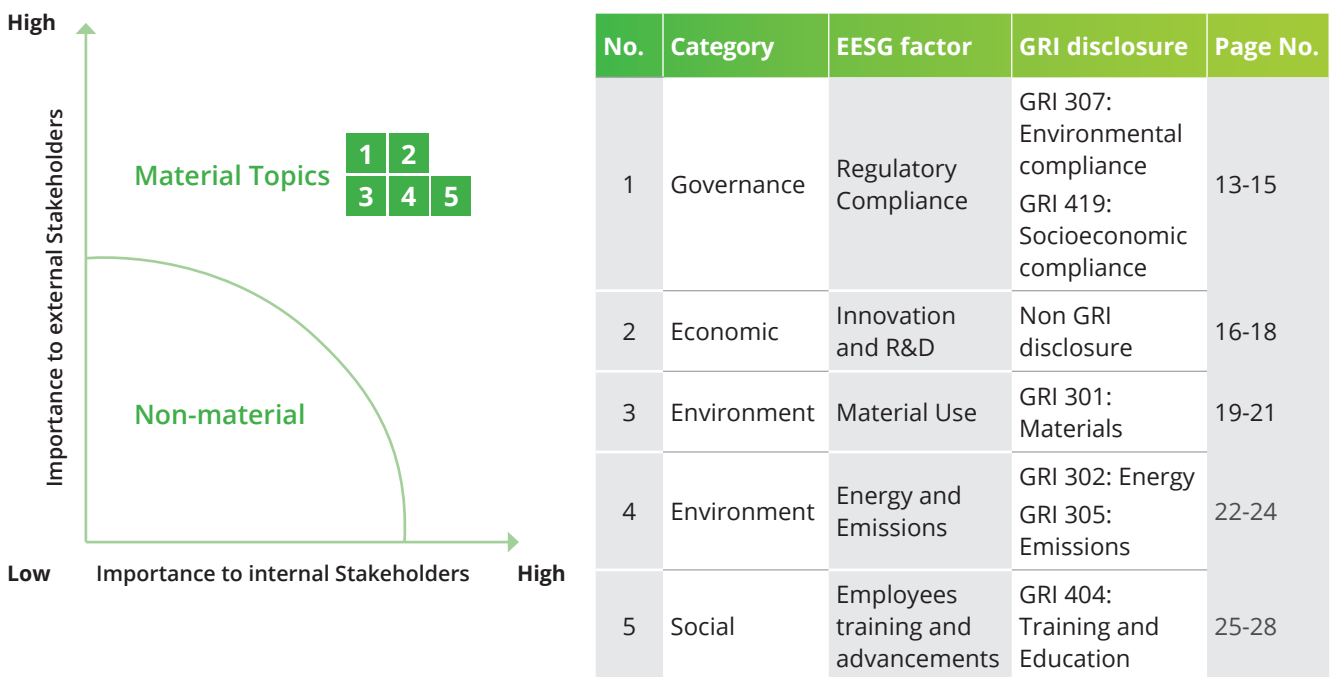
The process of China Kunda's materiality assessment is shown in Figure 10, and the results of the assessment are subsequently highlighted in Figure 11.

# SUSTAINABILITY STRATEGY AND APPROACH

Figure 10: China Kunda's materiality assessment

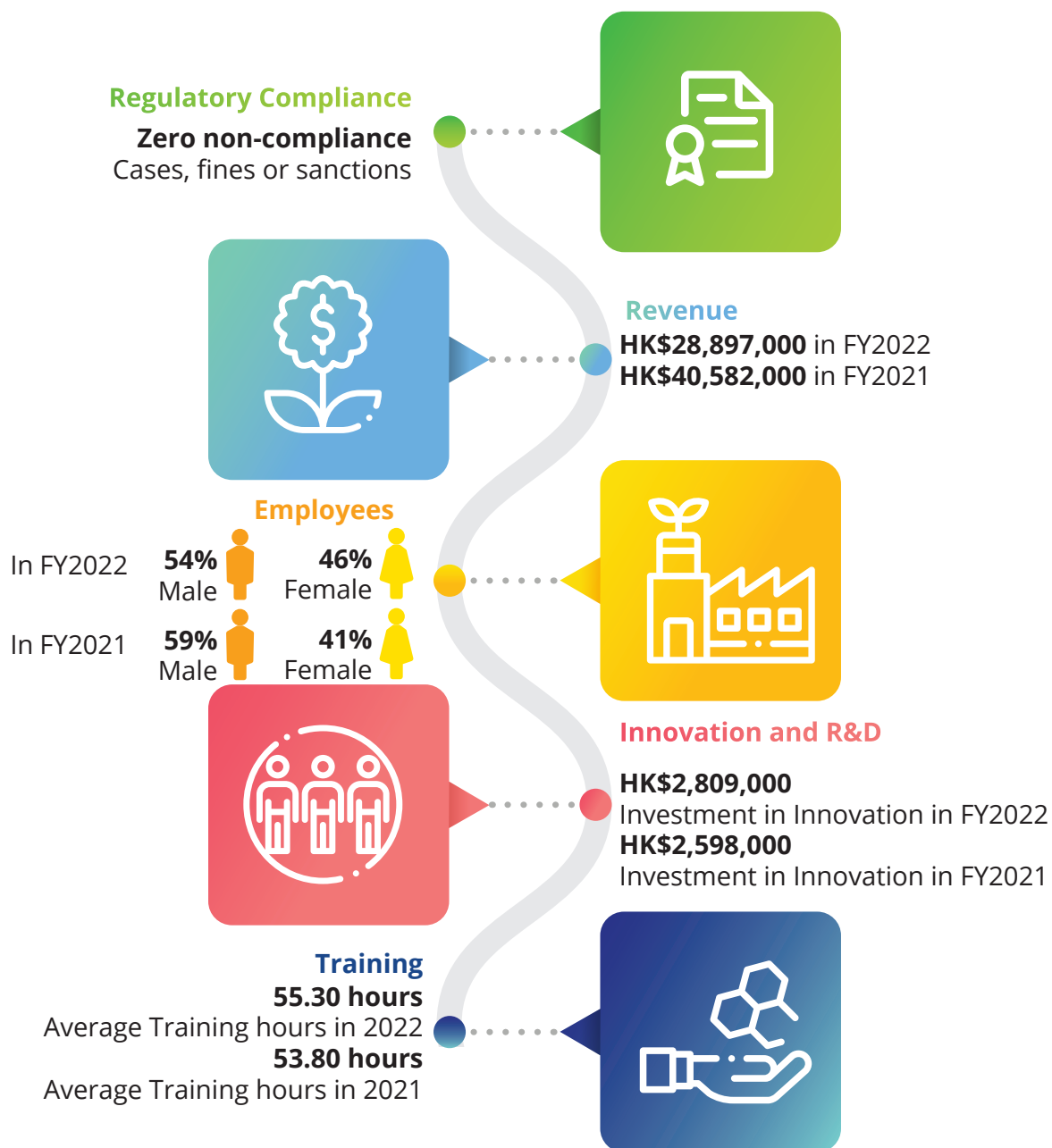


Figure 11: China Kunda's Materiality Assessment result



# SUSTAINABILITY STRATEGY AND APPROACH

## Key Highlights in FY2022<sup>3</sup>



<sup>3</sup> Revenue and Innovation and R&D exclude SEJ's FY2021 performance due to its divestiture in March 2022.

## 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<sup>4</sup>.

### Policies and Practices

In FY2022, 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 a compliance management system to guide our senior management's actions to minimise non-compliance risk.
- Having the core team 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. Our Grievance Mechanism provides our employees and any other persons of interest with a safe and neutral environment 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 is responsible for reviewing any potential conflicts of interest and if any, is committed to ensuring procedures for resolving such conflicts are strictly adhered to.

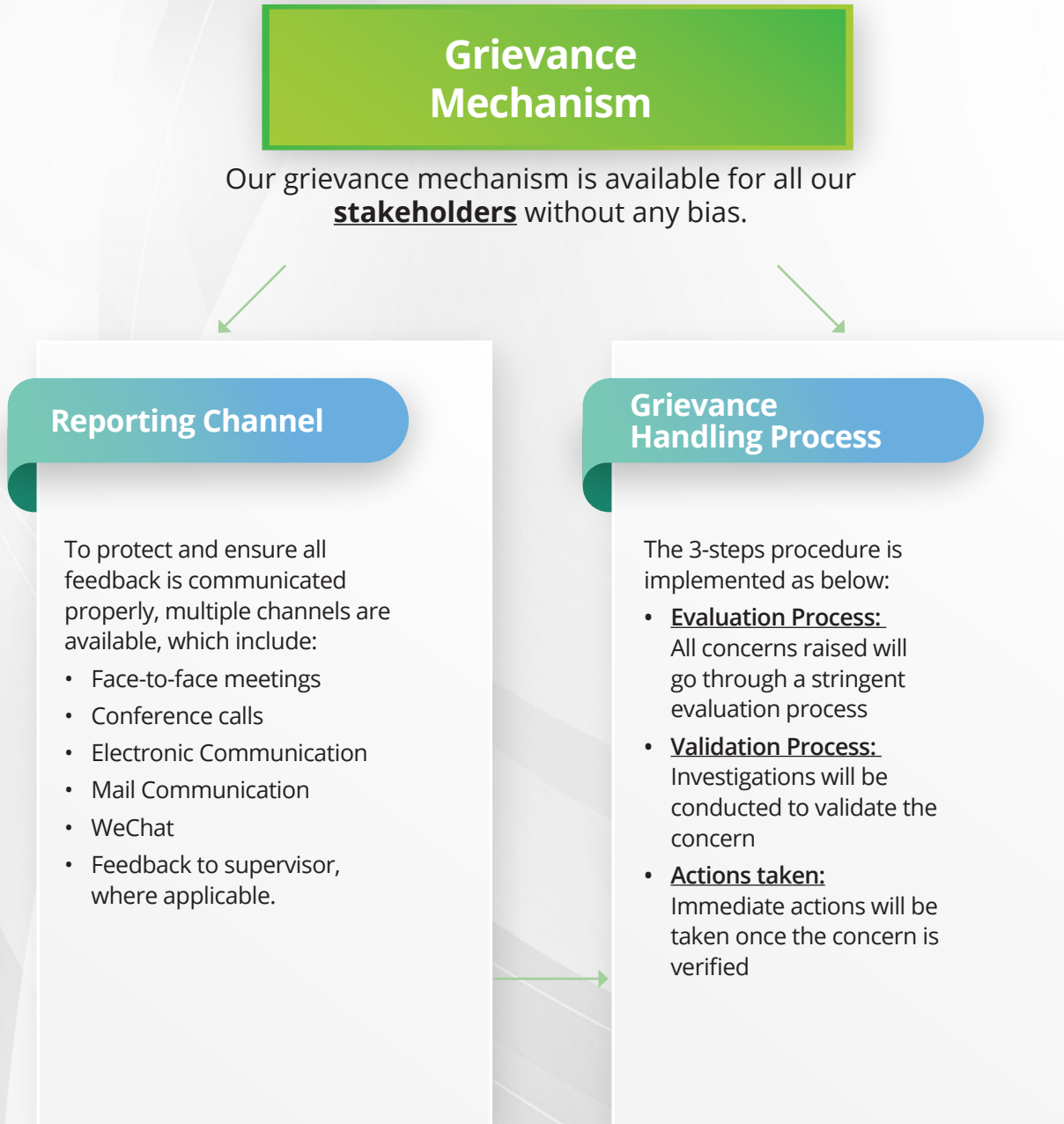
For more details on our Corporate Governance and Whistle-blowing Policy, please refer to our Corporate Governance Report and its section: Audit Committee and Whistle Blowing Policy in our annual report.

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<sup>4</sup> SEJ divested from China Kunda in March 2022, the operation was still under China Kunda from April 2021 to March 2022, and the governance indicators reporting covered KPE and SEJ during this period.

# 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 all our employees to submit their declaration of conflict of interest.



## Targets and Performance

In FY2022, KPE remained certified with Management System Standards ISO 9001, ISO 16949 and ISO 14001. 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. 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: FY2022 China Kunda regulatory compliance performance

PERPETUAL TARGET	FY2022 PERFORMANCE	FY2023 TARGET
<ul style="list-style-type: none"> <li>• Comply with applicable laws and regulations</li> <li>• Conform to industry standards with no fines or sanctions.</li> </ul>	<div style="text-align: center;">  </div> <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>

# 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 only includes operations in KPE.

### 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.

### Policies

In FY2022, 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 FY2022 and is summarised as follows (Figure 14):

Figure 14: China Kunda Innovation Incentive Policy

RESPONSIBILITIES	REWARDS	POLICY REVIEW DATE
<ul style="list-style-type: none"><li>Technical Director (Technology Development Department)</li></ul>	<ul style="list-style-type: none"><li>RMB 1000 or HK\$ 1,213 per new client</li><li>RMB 500 or HK\$ 607 per project ( for old client, 2<sup>nd</sup> onwards service)</li><li>RMB 2000 or HK\$ 2,426 per patent</li></ul>	<ul style="list-style-type: none"><li>The policy has been reviewed for this reporting period.</li><li>No material variances made to the policy.</li></ul>

## 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 R&D and product quality accordingly to any feedback received from our clients.

### Case Study #1: Enhanced application of CNC

The in-film decoration (IMD) process is widely used in home appliances, mobile phones, automobiles, sweeping robots, beauty equipment, door locks and product packaging, etc. IMD process has great advantages, but there are also technical limitations. The traditional IMD process cannot completely cover the edge of products, which leads to 0.1 - 0.3 mm white edge, shown in the figure below.



The conventional solution is to avoid the dew white from the product assembly structure: increase the size of the assembly and block the exposed part of the diaphragm. China Kunda innovation team introduced the CNC process to solve the problem. After the CNC process, the white edge of the products is completely covered. Whilst meeting the product requirements, it also increases the value of the parts and realizes a win-win between suppliers and partners.




# ECONOMIC

## Targets and Performance

China Kunda decreased its investments in research and development projects in FY2022, mainly due to the disposal of SEJ.

Figure 15: FY2022 China Kunda Innovation and R&D Performance

FY2022 TARGET	ACTIONS TAKEN IN THIS REPORTING YEAR (FY2022)	FY2022 PERFORMANCE	FY2023 TARGET
50 ~ 80 new projects yearly	<ul style="list-style-type: none"> <li>• HK\$2.81 million spent on research and development in FY2022, compared to HK\$2.60 million in FY2021</li> <li>• Review of Innovation Incentive Policy. No material variances were made to the policy.</li> </ul>	 <ul style="list-style-type: none"> <li>• 44 new projects in FY2022 increased from 42 projects<sup>5</sup> in FY2021.</li> <li>• Targets not achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Seek and corporate with new customers to develop new projects using existing resources and technology</li> <li>• To achieve 30 – 50 new projects in FY2023 while China Kunda continues to consider project quality and economic benefits transformed.</li> </ul>

<sup>5</sup> KPE has increased its new projects in FY2022, however, SEJ's new projects were not included in FY2022 due to it was divested in March 2022.

## 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.

Reporting scope for this topic includes operations in both KPE and SEJ<sup>6</sup>.

## 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 are based on their ability to reduce the 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 standards and a lower product defect rate, 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 bonuses.

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<sup>6</sup>As SEJ divested from China Kunda in March 2022, its operations were still under China Kunda from April 2021 to March 2022, therefore environmental indicators reporting covered KPE and SEJ during this reporting period.

# ENVIRONMENT


## 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 raw material cost ratio in FY2022 was 54.03%, higher than the FY2022 target of 41% mainly due to the increase in the price of raw materials. (Figure 16).

Figure 16: FY2022 China Kunda Material Use target

FY2022 TARGET	FY2022 PERFORMANCE	FY2023 TARGET
<ul style="list-style-type: none"> <li>Maintain raw material cost ratio of 41% and keep improving for KPE in FY2022<sup>7</sup></li> </ul>	 <ul style="list-style-type: none"> <li>KPE's raw material cost ratio was 54.03% in FY2022</li> <li>Target not achieved</li> </ul>	<ul style="list-style-type: none"> <li>To set up a new automated production line to reduce material waste</li> <li>Raw material cost ratio of 55%<sup>8</sup> and keep improving for KPE in FY2023</li> </ul>

## Performance

IMD sales declined resulting in a decrease in plastic sheets, paint and protective film usage from KPE, the total consumption of KPE's non-renewable materials decrease from 235,544<sup>9</sup> kg in FY2021<sup>10</sup> to 156,511 kg in FY2022.

Total renewable material consumption in KPE, mainly cardboard in our operations, decreased from 19,623 pieces in FY2021 to 11,814 in FY2022, mainly due to the decline of our IMD sales. As part of our management efforts, our resources recycling practices achieved 28% (3,271 pieces) of cardboard recycled in FY2022, an 2% increase from 26% (5,128 pieces) of cardboard recycled in FY2021.

Two renewable materials – multi-layer plywood and quartz were used solely in our SEJ operations in FY2022, amounting to 44,166 kg and 13,166 kg respectively.

<sup>7</sup> Raw material cost ratio refers to the percentage of raw material cost over the total cost within the reporting year.

<sup>8</sup> Raw material cost ratio target has been revised due to the increasing price of raw materials.

<sup>9</sup> We have changed our material data analysis and calculation methods in FY2022, to do an accurate year-on-year analysis, we revised FY2021 data for material use.

<sup>10</sup> Total non-renewable material excludes plastic pellets purchased for trading purposes.

Figure 17: Total weight of non-renewable materials used (Kg)<sup>11</sup>

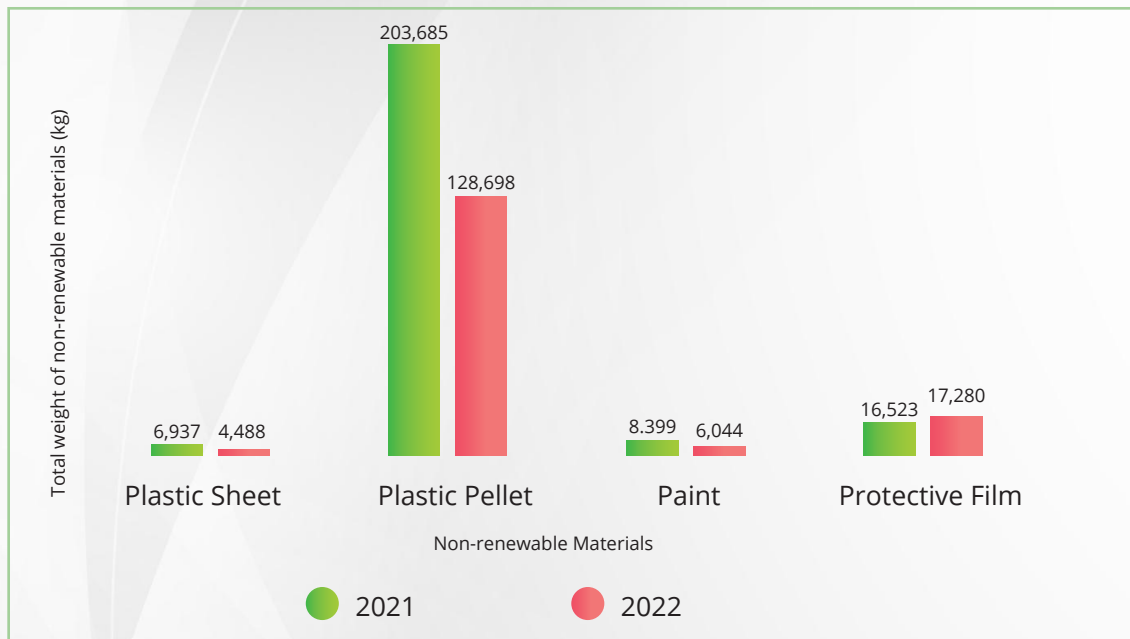


Figure 18: Total pieces of renewable materials used in KPE (Pieces)

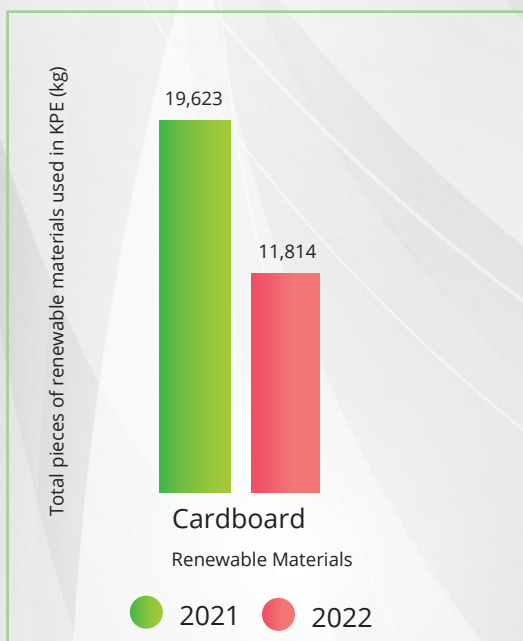
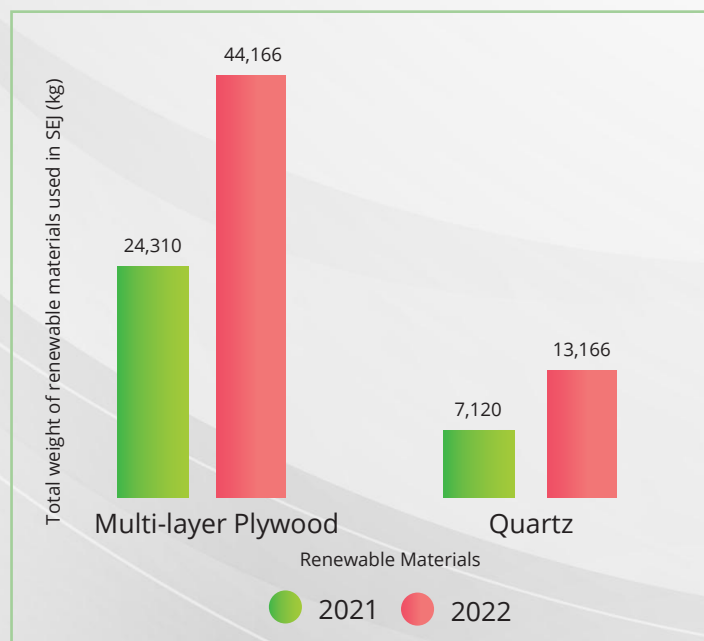


Figure 19: Total weight of renewable materials used in SEJ (Kg)



<sup>11</sup> We have changed our material data analysis and calculation methods in FY2022, to do an accurate year-on-year analysis, we revised FY2021 data for material use.

# ENERGY AND EMISSION

As a manufacturing operator, it is extremely essential that China Kunda is conscious of our environmental footprint. The Group decided to remain this topic in the reporting as a material ESG factor to manage our energy consumption in a suitable manner. Various policies and procedures have been put in place to guide our efforts in enhancing our internal capabilities in order to increase the energy efficiency in all aspects of the Group's operations.

## 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.

## Policies

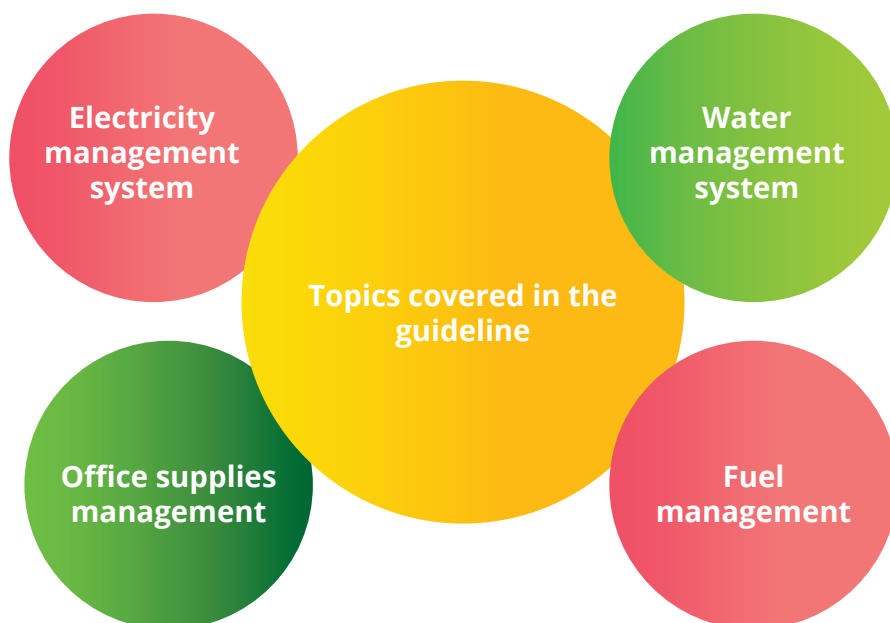
At China Kunda, energy-saving management is an important part of the company's operation and management. Therefore, we ensure that

- All employees have a role to participate in and perform energy-saving work.
- All departments will help to strengthen energy conservation publicity and actively promote new energy conservation technologies and facilities.
- Our management system is following the national energy management guidelines which will be integrated into our daily routines at the company's production.
- Our energy management efforts adhere to the principles of relevant national laws and policies.

## Practices

Through the years, China Kunda has identified several common findings at different sites and has set up a guideline for Energy Management System. This guideline provides the desired practices at offices and worksites of China Kunda. The relevant topics in the guideline are as follows:

Figure 20: Topics covered in the guideline





# ENERGY AND EMISSION

## Electricity Management

To ensure that we manage our electricity usage at offices, the Electrical Technology Department will have to make sure that there is a normal supply of power for the entire company, supervise and inspect the power consumption of each workshop and its various departments. From there, they would then put forward new suggestions for saving electricity and actively cooperate with the various departments on saving electricity.

As for the company production, the production department has come up with reasonable scheduling for the time of use of the equipment. For some major power-consuming equipment, the production team would try to focus on production timing, and by strictly controlling the starting shifts so as to try to increase the load rate and reduce its unit power consumption.

## Fuel Management

At China Kunda, we will ensure that there is an efficient use of vehicles. We are transparent on the fuel consumption of the vehicles to the public and using the statistics posted, we will reasonably determine the service life of vehicles, and promptly scrap and eliminate vehicles with high fuel consumption and environmental non-compliance. We have been conducting training on driving behaviour, providing regular maintenance on their vehicle that is in operation and maximizing the load for each trip. We also continuously monitor the management system of office vehicles and provide daily maintenance to the vehicles to improve the efficiency of vehicle use. To minimize unnecessary trips of the office vehicles, before each trip, a to-do list is to be made and drivers will strive to complete the tasks within one trip. By doing this, we aim to maximize each trip and reduce the waste of energy and environmental pollution caused by the trip.

## Target

Figure 21: FY2022 China Kunda Energy and Emissions target

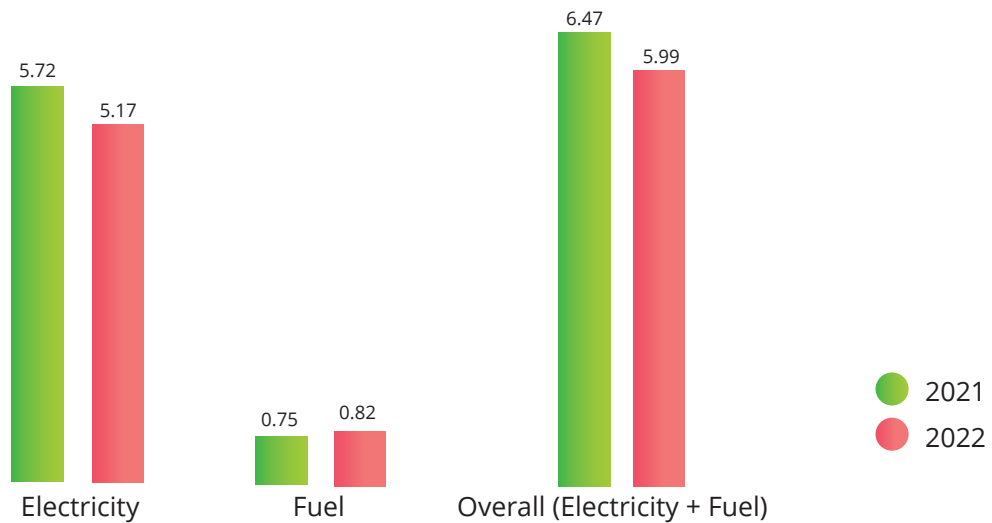
FY2022 TARGET	FY2022 PERFORMANCE	FY2023 PLANS
<ul style="list-style-type: none"> <li>To ensure that the total energy cost and expense is less than 5% of the total cost and expenses</li> </ul>	 <ul style="list-style-type: none"> <li>Energy cost and expense is 3.8% of the total cost and expenses</li> <li>Target achieved</li> </ul>	<ul style="list-style-type: none"> <li>To ensure that the total energy cost and expense is less than 5% of the total cost and expenses</li> </ul>

# ENERGY AND EMISSION

## Performance

At China Kunda, we continuously improve our energy consumption at our offices and worksites. We are pleased to announce that through the combined efforts of all the employees at China Kunda, our overall energy consumption has decreased from 6.47 TJ in FY2021 to 5.99 TJ in FY2022, a 7.4% decrease. This is mainly due to the decrease in the use of electricity in the offices and worksites where the energy consumption of electricity decreased from 5.72 TJ in FY2021 to 5.17 TJ in FY2022. As for the fuel consumption, there is a slight increase of 0.75 TJ in FY2021 to 0.82 TJ in FY 2022 in the usage of gasoline for the company vehicles due to the number of cars increased to facilitate business activities.

Figure 22: FY2022 China Kunda Overall and Breakdown of Energy Consumption (in TJ)



As shown in Figure 23, in FY2022, our scope 1 emissions have a 8.8% increase from 52.16 tCO<sub>2</sub>e in FY2021 to 56.74 tCO<sub>2</sub>e in FY2022 and this is mainly because of the increased usage of gasoline for the company vehicles. Although consumption of electricity decreased, there was a 19.2% increase in our scope 2 emissions in FY2022 where it increased from 968.71 tCO<sub>2</sub>e to 1155.03 tCO<sub>2</sub>e due to the purchased electricity emission factor increased in the operation area. Overall, our total GHG emissions increased by 190.90 tCO<sub>2</sub>e or 18.7% from FY2021.

Figure 23: FY2022 China Kunda Total greenhouse gas emissions (Scope 1)

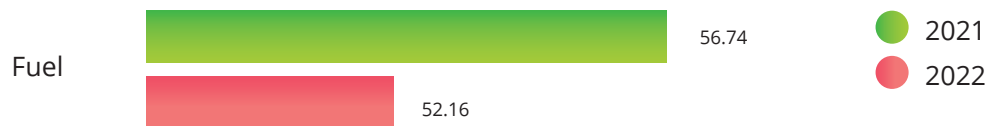
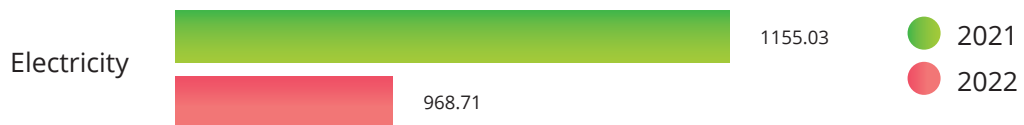


Figure 24: FY2022 China Kunda Total greenhouse gas emissions (Scope 2)



## 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 the 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<sup>12</sup>.

### Management Team

The Human Resources department who is responsible for arranging the trainings and overseeing the employees' performance reviews is set in both KPE and SEJ in FY2022.

### Practices

New hires are required to attend mandatory orientation workshops conducted by the Human Resources Department, which provides 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.

In addition to our commitment to 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 understand each employee's career goals and enables 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 lecturers who have excellent performance in training sections.

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<sup>12</sup>SEJ divested from China Kunda in March 2022, the operation was still under China Kunda from April 2021 to March 2022, and the social indicators reporting covered KPE and SEJ during this period.

## Case Study #2: Internal development programs

China Kunda believes in providing our employees with various opportunities to grow. In FY2022, multiple meetings, trainings and tea sessions were arranged. For example, our strategic meeting in KPE reviewed our overall work performances in FY2022 which included our achievements and weaknesses and how we can benefit from these experiences to do better in FY2022. The purpose of these meetings, trainings or tea sessions is to ensure that our employees are growing in the same direction with the Company as well as interacting with the employees. The company conducts training for different positions, including,

1. New hire trainings, mainly about corporate culture and company regulations and policy
2. Marketing management, communication skills training for the salesman
3. Fire drill for all employees
4. Career planning training and management training for managerial employees

The internal development program and meetings will increase the employees' understanding of the company and enhance their sense of belonging and ownership of the company, to facilitate future work. After the training, our employees can follow the standard to operate and strengthen their emergency handling capabilities, therefore, the likelihood of operation incidents can be reduced. We provide opportunities for self-improvement through learning new knowledge. It helps us to gather talents, increase productivity and performance and improve organizational structure.



KPE 2022 Strategic Meeting



KPE 2022 Fire Drill

### Case Study #3: External field trips and learning

In FY2022, 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 professional expertise and determine their career paths.

In KPE, we also arranged a field trip to Nankun Mountain in Huizhou for FY2022 annual meeting and FY2021 summarize meeting. We would like to take this as an opportunity to let our people share their experiences, exchange their views as well as to motivate the employees.





KPE's employees on their field trip in Nankun Mountain

# SOCIAL

## Target

In FY2022, we achieved 100% performance evaluation. In order to reflect a more meaningful reality, we have revised one of the targets to at least 1% of average training hours per employee instead of total cumulative training hours. Details of our training hours can be found in the performance section below.

Figure 25: FY2022 China Kunda Training and Advancement Performance

PERPETUAL TARGET	FY2022 PERFORMANCE
<ul style="list-style-type: none"> <li>100% of employees undergo a performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Target achieved </li> </ul>
<ul style="list-style-type: none"> <li>At least 1% increase in average training hours compared to previous year per employee</li> </ul>	<ul style="list-style-type: none"> <li>Target achieved </li> </ul>

## Performance

In FY2022, we have arranged several trainings for our employees to enhance their skills and help them to develop their career paths. 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. However, due to the number of employees reduction, the total training hours for our employees decreased by 5.1% from 6,886 hours in FY2021 to 6,531 hours in FY2022. However, average training hours increased by 3.0% from 53.8 hours in FY2021 to 55.3 hours in FY2022.

Figure 26: Average training hours by gender in KPE and SEJ

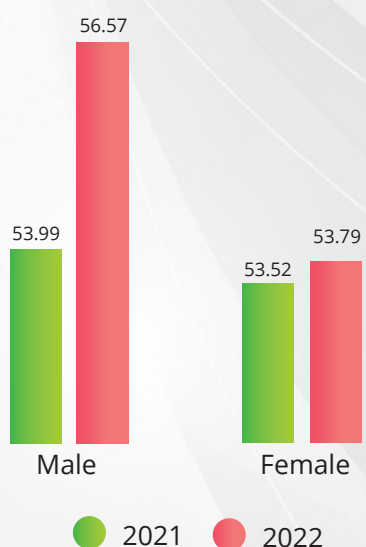
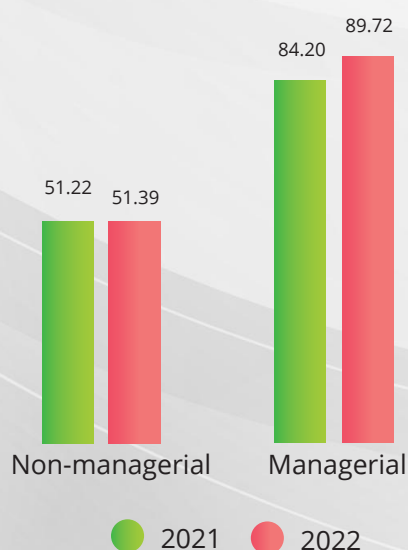


Figure 27: Average training hours by employee category in KPE and SEJ



# GRI CONTENT INDEX

Reporting practice	Description	Section of Report	Page Reference
<b>GRI 102: General Disclosures</b>			
<b>Organizational profile</b>			
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102-2	Activities, brands, products, and services	Corporate Profile – Overview of China Kunda	3
102-3	Location of headquarters	Corporate Profile – Overview of China Kunda	3
102-4	Location of operations	Corporate Profile – Overview of China Kunda	3
102-5	Ownership and legal form	Corporate Profile – Overview of China Kunda	3
102-6	Markets served	Corporate Profile – Overview of China Kunda	3
102-7	Scale of the organization	Corporate Profile – Overview of China Kunda	3
102-8	Information on employees and other workers	Corporate Profile – Our People	6-7
102-9	Supply chain	Corporate Profile – Supply Chain	5
102-10	Significant changes to the organization and its supply chain	Corporate Profile - Supply Chain	5
102-11	Precautionary Principle or approach	Strategy and Approach – Sustainability Governance	8
102-12	External initiatives	N/A	
102-13	Membership of associations	N/A	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	Board Statement	2
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	Ethics and Integrity	4

# GRI CONTENT INDEX

Reporting practice	Description	Section of Report	Page Reference
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<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Stakeholder Engagement	9-10
102-41	Collective bargaining agreements	0%	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	9-10
102-43	Approach to stakeholder engagement	Stakeholder Engagement	9-10
102-44	Key topics and concerns raised	Stakeholder Engagement	9-10
<b>Reporting practice</b>			
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102-46	Defining report content and topic Boundaries	Stakeholder Engagement-Materiality Assessment	10-11
102-47	List of material topics	Stakeholder Engagement-Materiality Assessment	10-11
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102-50	Reporting period	About the Report – Reporting Scope	1
102-51	Date of most recent report	China Kunda Sustainability report FY2021	
102-52	Reporting cycle	About the Report – Reporting Scope	1



# GRI CONTENT INDEX

Reporting practice	Description	Section of Report	Page Reference
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102-54	Claims of reporting in accordance with the GRI Standards	About the Report – Reporting Scope	1
102-55	GRI content index	GRI Content index	29-32
102-56	External assurance	About the Report – Reporting Scope	1
<b>Topic-specific GRI Standard Disclosures</b>			
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<b>GRI 301: Materials</b>			
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103-3	Evaluation of the management approach	Environmental – Material Use	19-21
301-1	Materials used by weight or volume	Environmental – Material Use	19-21
302-2	Recycled input materials used	Environmental – Material Use	19-21
<b>GRI 307: Environmental compliance</b>			
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103-2	The management approach and its components	Governance – Regulatory Compliance	13-15
103-3	Evaluation of the management approach	Governance – Regulatory Compliance	13-15
307-1	Non-compliance with environmental laws and regulations	Governance – Regulatory Compliance	13-15
<b>GRI 302: Energy</b>			
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# GRI CONTENT INDEX

Reporting practice	Description	Section of Report	Page Reference
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305-2	Energy indirect (Scope 2) GHG emissions	Environmental – Energy and Emission	22-24
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<b>GRI 404: Training and Education</b>			
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103-3	Evaluation of the management approach	Social – Training and Advancement	25-28
404-1	Average hours of training per year per employee	Social – Training and Advancement	25-28
404-3	Percentage of employees receiving regular performance and career development programs	Social – Training and Advancement	25-28
<b>GRI 419: Socioeconomic compliance</b>			
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103-3	Evaluation of the management approach	Governance – Regulatory Compliance	13-15
419-1	Average hours of training per year per employee	Governance – Regulatory Compliance	13-15
<b>Non-GRI Disclosure: Innovation and R &amp; D</b>			
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103-3	Evaluation of the management approach	Economic – Innovation and R&D	16-18



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