



**ENVIRONMENT, SOCIAL AND  
GOVERNANCE REPORT 2016**

**Tonly Electronics Holdings Limited**  
(Stock Code: 01249)

# CONTENTS

1.	About this Report	1
2.	Chairman's Statement	2
3.	About Tonly	4
	3.1 Our Business	4
	3.2 Our Culture	5
	3.3 Corporate Governance	5
	3.4 Business Highlights 2016	6
4.	Responsibilities and Concepts	8
	4.1 ESG Management	8
	4.2 Advocating Probity and Perfecting Governance	11
	4.3 Significant ESG Issues	12
5.	Environmental Protection (EP)	14
	5.1 Be Devoted to Energy Conservation	14
	5.2 Proper Treatment of Wastes	16
6.	Caring for the Staff	18
	6.1 Staff Profile	18
	6.2 Training and Development	21
	6.3 Solicitude Activities for the Staff	22
7.	Corporate Operations	24
	7.1 Satisfying Customer Needs	24
	7.2 Production Safety and Health	27
	7.3 Stringent Management over Supply Chain	29
8.	Community Involvement	32
	8.1 Tonly Volunteers	32
9.	Appendix – Index to the Environmental, Social and Governance Reporting Guidelines	33

# 1. ABOUT THIS REPORT

## BRIEF INTRODUCTION

This is the first annual Environment, Social and Governance (hereinafter be abbreviated as the "ESG") Report prepared by Tonly Electronics Holdings Limited (hereinafter be abbreviated as "Tonly Electronics", "Tonly" or the "Company") in accordance with the requirements of the Environmental, Social and Governance Reporting Guidelines issued by The Stock Exchange of Hong Kong Limited (hereinafter be abbreviated as the "Stock Exchange"). This Report elucidates in full the performance and management policies in respect of corporate social responsibilities during the period from 1 January to 31 December 2016 and centers its discussion on issues of concern by stakeholders, as well as how Tonly Electronics embodies its sustainable development in aspects of economy, environment and community.

In preparation for this Report, Tonly Electronics has engaged an independent consultant to communicate with our stakeholders to the full with an aim to make sure that the information contained in this Report conforms to the four primary requirements imposed by the Stock Exchange in terms of significance, quantification, balance and consistency. Tonly Electronics will continue intensifying its work on information collection to enhance its performance and disclosure of matters in relation to sustainable development.

## SCOPE

The environmental, social and governance policies and management initiatives contained in this Report are applicable to the Company and its wholly-owned subsidiaries. However, unless otherwise specified, data listed in this Report covers only the Company's operational locations in Huizhou and Dongguan. The operational locations in Huizhou and Dongguan are the Company's principal production bases where most of the staffs work, and therefore the Company believes that data derived from the operational locations in Huizhou and Dongguan are adequate in reflecting the general situation of the Company.

## COMMENT AND RESPONSE

We welcome comments from all stakeholders on the performance and management policies in respect of sustainable development of Tonly Electronics. We can be reached via the following contacts:

Tel: (852) 2437 7460

Email: [ir@tonlyele.com](mailto:ir@tonlyele.com)

## 2. CHAIRMAN'S STATEMENT

With its specialization in the development and application of electro-acoustic and new media technology, Tonly Electronics is committed to becoming a globally leading ODM solutions provider with industrial competitiveness in the field of audio & video products. Notwithstanding that this is the first ESG Report of Tonly Electronics, we have always been devoted to providing customers with quality products and carrying through the concept of sustainable development in our splendid course of development for a decade or so. While aspiring after operational effectiveness, Tonly Electronics is able to minimize impacts on the environment and to create values of sustainable development for the communities where our businesses are situated.

As a listed company, Tonly Electronics has always attached great importance to fighting corruption and advocating probity, adhering at all times to business ethics, persisting on operating with integrity and complying strictly with business behavior standards, such as the explicit prohibition of receiving illicit payments by staff in whatever manner. We believe that practicing a high standard corporate governance and supervisory system is the driving force for our sustainable development. We have all along also stuck to our commitments on corporate sustainable development and corporate social responsibility. The company has prioritized social responsibility affairs, established a documented CSR management system and adopted a dynamic cycle of "planning, implementation, examination and assessment" to improve our CSR management system continuously.

A green enterprise represents the irresistible general trend of long-term corporate sustainable development as well as one of the key operational concepts of Tonly Electronics. We advocate energy conservation, reduction of water and electricity usage and treatment of hazardous and non-hazardous wastes generated in the course of operation scientifically and effectively to minimize adverse impacts that our production and operation may have on the environment. With regard to international environmental protection (EP) regulations and EP requirements of customers' products, Tonly Electronics has established the ISO14001 Environment Management System and passed its certification, under which it has also developed its own "Management Standards for Environment-related Substances to be Controlled" in close association with its own businesses. We have also appropriated a fixed amount of fund for energy conservation with a working group in place to ensure ordered implementation of energy conservation work. In future, we would spare no effort in unfolding EP work and performing our firm commitment to environmental protection.

Apart from environmental protection, Tonly Electronics upholds the principle of Quality First. Acknowledging that "nothing compares to customers' word of mouth", we have thus established a sound quality assurance (QA) mode to cover and effectively monitor the entire business process including product development, trial and massive production, delivery and market feedback. To enhance the quality and satisfaction of our after-sale services, we have also drawn up the "Handling Procedures of Customer", so as to expedite the handling of customer complaints and live up to expectations that every customer may have of Tonly Electronics. In 2016, in addition to continued transformation and upgrade of its audio and video businesses, Tonly Electronics has also accelerated the development of market of its smart products and strengthened its cooperation with strategic partners to develop smart products and build a smart ecology in unison, providing customers with more superior products and creating more sustainable values for shareholders.

## 2. CHAIRMAN'S STATEMENT

Tonly Electronics knows well that corporate sustainable development is inevitably linked to sincere support from and long-term cooperation with business partners, and that only by development in an all-win situation would values created by an enterprise be maximized. In this regard, we strive for forging a multi-win situation involving Tonly Electronics, customers and suppliers. While maintaining a good and long-term cooperative partnership with suppliers, we pay attention also to the continued improvement of the social responsibility that our supply chain should bear. In 2016, Tonly Electronics has, as in the past, continued to augment the supply chain's awareness of social responsibility and relevant capability, and put forward new requirements to suppliers in relation to energy conservation and emission reduction and environmental protection in light of the latest development of the international community and national policies, thereby motivating ourselves as well as the suppliers to formulate proper environment policies.

Meanwhile, adhering to the concept of "taking social responsibility and to be a responsible corporate citizen", we understand that an enterprise has a greater responsibility to provide the community with feedback and support in terms of capital and resources. Tonly Electronics has played an active role in encouraging staff to take part in public welfare activities, such as organizing staff to take part in charitable activities like the voluntary tree-planting, the traffic safety publicity campaign and so forth, so as to create sustainable social values hand in hand. In 2016, we have instituted our educational public welfare project from an angle of social needs, under which donation of money and supplies were given to children with disabilities and special schools to promote the special education for children.

Looking ahead, Tonly Electronics would goad itself into keeping firmly in mind of its corporate missions of "Generating profits for shareholders, Creating values for customers, Providing opportunities for staffs and Bringing about benefits for the community", focus on providing customers with products with higher quality-price ratio and services that are more attentive and generate greater values for cooperation partners, while reinforcing continuously the discharge of corporate social responsibilities to attain the goal of sustainable development.



**LIAO Qian**

*Chairman*

23 June 2017, Hong Kong



## 3. ABOUT TONLY

### 3.1 OUR BUSINESS

Tonly Electronics was established in 2000. In 2002, the Company started its ODM business with the development and production of video products. Now Tonly already has a diversified product portfolio, including video products, audio products, electro-acoustic products and other types of products. The Company's single largest shareholder is TCL Corporation.

Tonly Electronics is committed to becoming a globally leading ODM solutions provider with industrial competitiveness in the field of audio & video products. With its specialization in the development and application of electro-acoustic and new media technology and its rapid mass manufacturing capacity with high quality-price ratios, Tonly proves to be an ideal one-stop shop for cooperation partners that are to launch high quality innovative audio and video products. With its high quality products and its convenient and fast services to ODM/OEM customers, and acting on the concept of win-win and joint growth, Tonly Electronics has built solid partnerships with a number of internationally and domestically renowned brands. The company's first ODM customer has been working with it since 2002. Through customers' sales network, its various products have been sold to Europe, North America, Asia, and Latin America and other parts of the world.

We possess a R&D team of more than 600 people and have established R&D centers in Shenzhen, Huizhou, Xi'an and other places. The team boasts of extensive experiences and strong capabilities in pre-research, audio & video product development, electro-acoustic product development, and software development. Especially, its more than 10 years' partnership with well-established brands at home and abroad in product development enables it to quickly grasp technology trends and provide total ODM solutions to our customers.

We have established our global manufacturing base in Huizhou city, Guangdong province and have overseas contract manufacturing facilities. We own many state-of-the-art production lines and advanced test equipments. By maintaining an efficient supply chain management system and with the flexible production method, Tonly can effectively fulfill its cooperation partners' quick orders with high quality products. In the light of the vast development potential of smart products, in addition to continued transformation and upgrade of its audio and video businesses, we will accelerate the development of market of smart products (including new audio products and overseas set top box businesses) and in the meantime strengthen collaborations with strategic partners and further our resource input in expanding the smart business, in the R&D of innovative products and in active opening up of the application sphere.

### 3. ABOUT TONLY

#### 3.2 OUR CULTURE

**Vision**

To be a globally leading total solutions provider in the field of innovative smart products

**Missions**

Generating profits for shareholders

Creating values for customers

Providing opportunities for staffs

Bringing about benefits for the community

**Work Theme**

Focus on customers' needs

Help staff enjoy work

Promote staff development

#### 3.3 CORPORATE GOVERNANCE

Tonly Electronics has always been devoted to generating values for shareholders and providing customers with quality products. We aim at achieving a high standard of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the AV industry. On 12 July 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

## 3. ABOUT TONLY

### 3.4 BUSINESS HIGHLIGHTS 2016

During the year, the Group recorded a turnover of approximately HK\$4,265.7 million, down by 12.2% year-on-year. Gross profit decreased by 0.9% year-on-year to approximately HK\$599.1 million, while gross profit margin increased from 12.5% in the same period last year to 14.0%. Operating profit decreased by 0.6% year-on-year to approximately HK\$192.8 million. Profit attributable to owners of the parent for the year declined by 8.8% year-on-year to approximately HK\$151.8 million. Net profit margin was 3.6%.

During the year, the Group strongly committed to developing audio products and smart products businesses, of which soundbars and headphones received considerable amount of orders in overseas markets. Meanwhile, the Group started to work with several well-known internet companies in the second half of 2016 in developing the smart speaker with voice recognition, in an effort to maintain substantial growth in the audio products business in the future. Video products and smart products in the overseas markets also recorded solid growth. The Group continued to develop the smart product business. By paying close attention to the dynamics of IoT industry, and continuously increasing investment in integrating research and development (R&D) and supply chain, the Group would further deepen its cooperation with partners from all aspects of the industry chain to develop the new IoT market with great potential, orienting it to be one of the business directions of the Group. The Group would further develop its "Intelligence + Internet" business and gradually move towards the goal of becoming a high-tech smart products supplier with a competitive edge in the industry.

**Audio Product Business:** In view of the market's strong demand for smartphones, smart TVs and other corresponding new audio peripheral products, the Group has actively strengthened its R&D investments in wireless technology, low energy consumption, new technologies, new materials, structural units of product display and other functions, to develop more new audio products. Meanwhile, the Group continued to strengthen its R&D efforts in electroacoustics' technology to further develop single-speaker and other smart speaker products to optimize its product mix and enhance its overall product competitiveness. With the successful expansion of new clients and business, the turnover from audio product business further increased. The Group has been committed to developing smart audio products. During the year under review, the Group had successfully launched audio products with voice interactive functions to act as a living assistant and central controlling platform, demonstrating the Group's capability in innovative technologies, design and R&D of smart IoT products and its ability to utilize the advantages of smart technologies to improve users' living standard. Regarding the new audio products, soundbars business had achieved a significant progress and the products were being shipped to overseas clients. Meanwhile, the headphones continued to receive large amount of orders from overseas markets and had brought remarkable increase in turnover for the audio product segment. As the headphone business went through its initial stage, there would be an even larger development potential



### 3. ABOUT TONLY

for the business. The improvement in the Group's audio product business was a reflection of the achievements made by the Group in exploring new products and developing new products and enhancing profitability.

**Video Product Business:** The traditional video disc player market has continuously received severe pressure, causing the DVD and Blu-ray players industry to further decline. Consequently, the Group's turnover of video product business dropped by approximately 50.3% year-on-year to approximately HK\$1,159.8 million. In spite of the unfavorable market conditions, the Group leveraged on its economies of scale and technological advantages as a leading manufacturer of video disk players to ensure a reasonable profit margin and continued to increase its cash flow. However, in order to focus resources on business segments with higher potentials, the Group would control resources for video disc product related R&D investments.

**Smart Business:** Smart business is one of the Group's future business highlights. Through applying smart audio as well as efficient networking technologies into smart projects, the Group can provide full range smart products and to become a focus under spotlight. The Group focused on four categories including smart audio and video, smart security, smart health and fitness as well as smart internet management. Apart from various types of smart audio and video products, the Group also launched a diversity of products include smart door locks and smart gateway, smart switches and related products during the year, and extended target markets to overseas countries such as the United States of America. As a leading supplier of high-tech smart products, the Group has successfully expanded its business to the IoT field and conducted cross-border cooperation. The Group strived to join hands with partners from all aspects in the industry chain to explore cooperation opportunities in the IoT market. During the year, the Group has successfully launched several projects with business partners such as "CSRmesh™ Smart Home Solutions" and "Safe Home Smart Community 3.0", setting a solid foundation for the long-term development of smart business. Although smart business is still in the developing stage, we believe the combination of smart products and IoT platform could generate an even greater market potential. With the increasing popularity of smart life, the business will continue to develop and become one of the Group's important sources of turnover and profits.

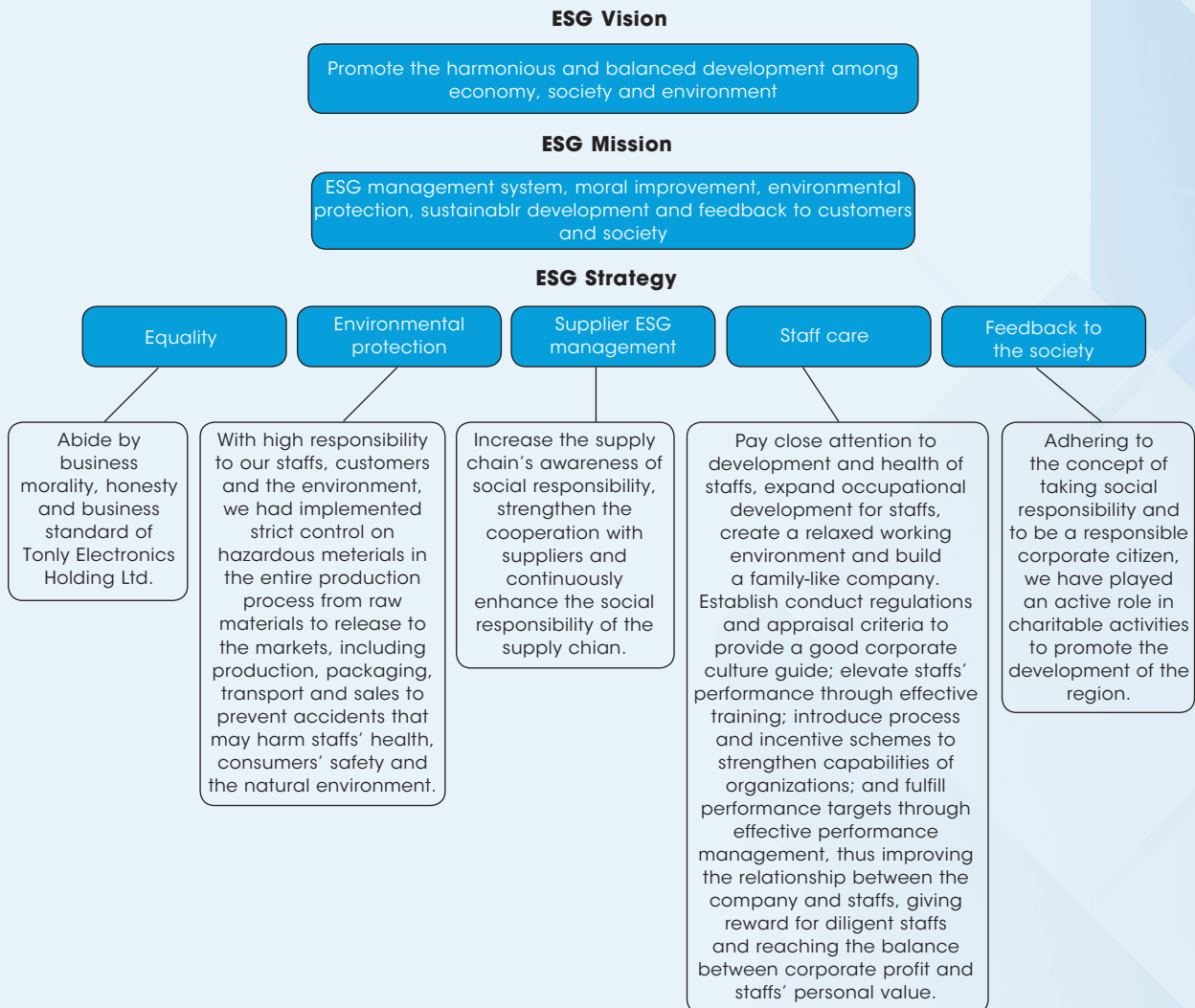
**Other Businesses:** The Group fully leveraged on its competitive advantages in product R&D to provide diversified R&D services to its international leading consumer electronics brand customers. International brand customers have stringent requirements for product quality and specifications, for whom the Group helped develop new products and functions. This allowed the Group to generate additional sources of turnover, while upholding its R&D capabilities and competitiveness to ensure the team remains in pace with industry trends. Additionally, having satisfied the internal demand for production, the Group also sold the surplus of plastic components, loudspeakers, speakers and so on to external parties to generate additional income.

## 4. RESPONSIBILITIES AND CONCEPTS

As a responsible corporate citizen, Tonly Electronics has attached much importance to the performance of ESG responsibilities, and has made efforts in promoting corporate sustainable development over a long period of time. In this connection, we have formulated our ESG development strategy that fits in well with our corporate development strategy and expectations of stakeholders through a comprehensive consideration over the enterprise itself, prevailing conditions and trends of the industry, as well as a complete communication between major stakeholders within and outside the enterprise, guiding the enterprise’s performance activities from a macroscopic level.

### 4.1 ESG MANAGEMENT

#### ESG DEVELOPMENT STRATEGY



## 4. RESPONSIBILITIES AND CONCEPTS

### ESG MANAGEMENT SYSTEM

To secure the effective implementation of the ESG development strategy, we have set up an ESG management system that answers to the actual needs and the development direction of the enterprise. Under this structure, a top-down ESG management structure is formed within the company and executive committees overseeing aspects of management system, health and safety, labor, ethics and environment are established to provide support to the sustainable development of Tonly Electronics at organization, system, management and supervision levels.

We make our ESG management system a key part of the overall management system of the company and place social responsibility affairs on the top of our schedule. We also adopt a dynamic circle of “planning, implementation, examination and assessment” to constantly improve the ESG management system.

## 4. RESPONSIBILITIES AND CONCEPTS



## 4. RESPONSIBILITIES AND CONCEPTS

### 4.2 ADVOCATING PROBITY AND PERFECTING GOVERNANCE

Tonly Electronics complies in full with code provisions of corporate governance practices as set out in the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong and takes account of transparency, independence, accountability, responsibility and fair operation.

Tonly Electronics has always given weight to work concerning prevention and punishment of corruption, acted in accordance with the principle of integrity, and persisted in operating with probity, such that staffs are explicitly prohibited to receive illicit payments in whatever manner, including but not limited to payola, rebate, bribe, commission and etc., Tonly Electronics supports anti-corruption unwaveringly and builds a rather complete supervisory system that lay a solid foundation for the company's continued sustainable development.

First, in order to comply with relevant laws and regulations and carry through the operational concept of fighting corruption and advocating probity and operating with integrity, we have, according to law, instituted the "Control Procedures on Operating with Probity and Prohibiting Illicit Payments" to govern the staff's particular behaviors in the course of business activities and direct the staff to abide by occupational ethics and integrity principle. The system is implemented at all level among departments to ensure that all staffs are fully aware of the company's specific requirement for staff behavior and that they would govern their own behavior consciously.

Second, we have augmented the construction of a precaution and control mechanism on internal corruption by defining departmental authorities and duties and the reward and punishment system. The management engineering department is responsible for implementing the "Control Procedures on Operating with Probity and Prohibiting Illicit Payments", and it would track and monitor relevant investigations through a sound supervision mechanism. The company puts into practice an undertaking system aiming at preventing business bribery against staffs in charge of key processes and key posts. Staffs in key posts have to sign the "Written Undertaking to Fight against Bribery/Corruption", in which they have undertaken to consciously abide by relevant stipulations in relation to fighting corruption and advocating probity and promised not to commit behavior violating vocational ethics.



## 4. RESPONSIBILITIES AND CONCEPTS

In the meantime, we have instituted a barrier-free, transparent and safe tip-off channel, coupled with the "Administrative Regulations on the Protection of Informer(s)", to encourage accusation and exposure of corruption by staffs or companies having business dealings with us, with the information of the informer(s) kept confidential. Besides, the company strictly forbids disclosure of tip-offs to the accused person or the department involved. During the course of investigation and verification, it is prohibited to produce origins or copies of accusation materials. As for anonymous accusation letters and materials, it is also banned to identify the handwriting on the same or have them borrowed without proper cause.

In 2016, no lawsuit involving corruption offences was sought against Tonly Electronics or its staffs.

### 4.3 SIGNIFICANT ESG ISSUES

We believe that bilateral, transparent and regular communications are conducive to harmony, mutual-trust and respect among stakeholders, which at the same time represents a fundamental backing for corporate sustainable development. Based on an assessment in terms of decision-making power, influence and closeness of connection, we have identified significant stakeholders like shareholders, staffs, government departments, academics, suppliers, community partners and so forth. We have, over a long period of time, bent our efforts for constructing comprehensive and effective communication channels with the stakeholders, maintaining active communication with the stakeholders and understanding the issues they care about. We have also reviewed effectiveness of such communications regularly and kept improving communication channels and methods.

In preparation for this Report, we have engaged an independent consultancy to conduct a questionnaire survey with the stakeholders to understand further their appraisal and expectation on the efforts made by Tonly Electronics in discharging social responsibilities in the past year, in a sense that we are aided with the results of it to identify significant ESG issues to be disclosed in this Report and be able to step further in setting a content structure for the Report so as to effectively address needs of the stakeholders.

## 4. RESPONSIBILITIES AND CONCEPTS

The following table sets out issues identified through communications with different stakeholder groups:

### Significant Issues

#### Environment Issues

- Water resource
- Materials management
- Waste management
- Energy use and greenhouse gas emission
- Packaging materials
- Loop electronic products

#### Employment Issues

- Occupational safety
- Labor policy
- Staff training
- Employment relationship

#### Operation Issues

- Customer services
- Customer information privacy
- Suppliers
- Internet
- Anti-corruption
- Intellectual property
- Supplier management

#### Community Issues

- Community development
- Public welfare activities

The earth is the homeland in which all mankind live, and a sustainable environment is the foundation on which enterprises survive and develop. Tonly Electronics has so actively taken part in environmental protection actions that it associates such actions with its operating activities to put into effect thoroughly energy conservation, emission reduction and green production at every operation process, with an aim to minimize the adverse impacts on the environment.

Over the past years, Tonly Electronics has established the ISO14001 Environment Management System and passed its certification, laying down a guiding principle for its EP work. Other than vigorous promotion of energy and resources conservation, we have formed dedicated working groups and maintained annual fund input to related work. Besides, with regard to international EP regulations and EP requirements from customers, we have also developed the "Management Standards for Environment-related Substances to be Controlled" to make definite respective duties among department and personnel and ensure continuously reduced use or even non-use of environment-related substances to be controlled.

In future, we would spare no effort in unfolding EP work, performing our firm commitment to environmental protection and making contribution to the sustainable development of the environment.

## 5. ENVIRONMENTAL PROTECTION (EP)

### 5.1 BE DEVOTED TO ENERGY AND RESOURCE CONSERVATION

Since the establishment of the environment management system with the ISO14001 certification obtained in 2005, we have continued to advocate resource conservation. We appropriate a fixed fund for energy saving every year with a working group in place to ensure order implementation of energy conservation work, timely campaign and education for energy conservation knowledge and a rather perfect management system, securing order implementation and results of energy conservation work in terms of capital, human and material resources and system.

Energy and resource improvement and control mainly focus on four areas: manufacturing workshop, canteen, dormitory and office area. The control scheme includes three steps. The first step is to analyze previous water saving data at the beginning of the year and set water saving target and management plan for the coming year. The second step is to implement and review the target and management plan. The third step is to collect water saving data, analyze the data and promote water saving knowledge.

#### WATER SAVING

The manufacturing workshop is the place where the most water is consumed in Tonly Electronics and thus water saving is mainly unfolded in this area. Tonly Electronics starts its water use effectiveness improvement with toilet facilities, including daily checks on taps, valves and water pipes. In case of prolonged failure or breakdown of valves, taps, pipes or connectors, the checkers would timely report such cases to their superiors the failure and close the general valve in the water supply area concerned to prevent wastage. They would also check the air-conditioning and water tow facilities on a daily basis and, in case of failure, close the water valve timely and check water consumption of air-conditioners to prevent wastage. In case of failure of an air-conditioner, Tonly would repair it as far as possible or, if it cannot be repaired, replace it with a new energy-saving air-conditioner. Tonly Electronics would collect water use data, analyze the reason if the data exceeds the specified level and make correction. There are propaganda posts promoting water-saving put up in the manufacturing workshop.

The canteen in the plant is also an area of key concern in terms of water saving. By adopting floor washers to replace the traditional way of using water to clean the floor, using re-used water to clean the floor outside the canteen, promoting cyclic use of water and water saving, regulating the cleaning method and the use of cleaner, the canteen succeeds in saving about 6 tons of water monthly. The management personnel of the canteen would conduct water-saving propaganda directed against workers. Water-saving propaganda posters are put up on walls on the external walls, the stairs and the walls of the canteen.

## 5. ENVIRONMENTAL PROTECTION (EP)

### POWER SAVING

At the beginning of a year, we would assess the power-saving quota for each month and set the management plan for power-saving target indicators based on the power consumption data for each region, order data and output and other information in the previous year. Daily checks as to whether there is any wastage or device failure in air-conditioners, meeting rooms and large-power electric appliances are conducted for timely maintenance or replacement of devices in case of failure. There are also daily checks on special devices such as wave crest soldering machines, backflow soldering machines and air compressors, as well as weekly cleaning and maintenance of production devices to improve power efficiency. We would also conduct monthly statistics on power-saving data to identify exceedance and, in such case, analyze the reason and make correction. The target indicators and the management plan would be reassessed quarterly to ensure that the solution remains effective.

Failed lights are replaced with energy-saving lighting tubes. Damaged or old facilities would be replaced with energy-saving devices with equal power. Air conditioners and lights are turned off timely after working hours or after meetings to reduce use of power. There are designated staffs on duty to conduct patrols on power use and, in the case that lights are on in an empty area, turn off the lights timely to avoid wastage.

Power-saving propaganda posters are put up in the office area, the canteen, the dormitory, the corridors and the stairs; power-saving posts or reminders are displayed near the printers. Power-saving tips are disseminated by means of Tonly's FM programs.

<b>Usage of energy resources</b>	<b>2016</b>
Usage of un-leaded petrol (l)	67,954
Usage of diesel (l)	90,072
Usage of pipelined gas in the canteen	53,760
Usage of electricity (GWh) <sup>1</sup>	17,065
Total usage of water (m <sup>3</sup> )	317,893
Usage of carton boxes (ton)	8,650
Usage of packaging plastics (ton)	40

<sup>1</sup> The above data exclude those from Lilin Moulding Center within the operational location in Huizhou and those from the operational location in Dongguan.

## 5. ENVIRONMENTAL PROTECTION (EP)

### 5.2 PROPER TREATMENT OF WASTES

Tonly Electronics believes that a green enterprise represents the irresistible trend of long-term corporate sustainable development. We advocate treatment of hazardous and non-hazardous wastes generated in the course of operation scientifically and effectively to minimize adverse impacts that our production and operation may have on the environment.

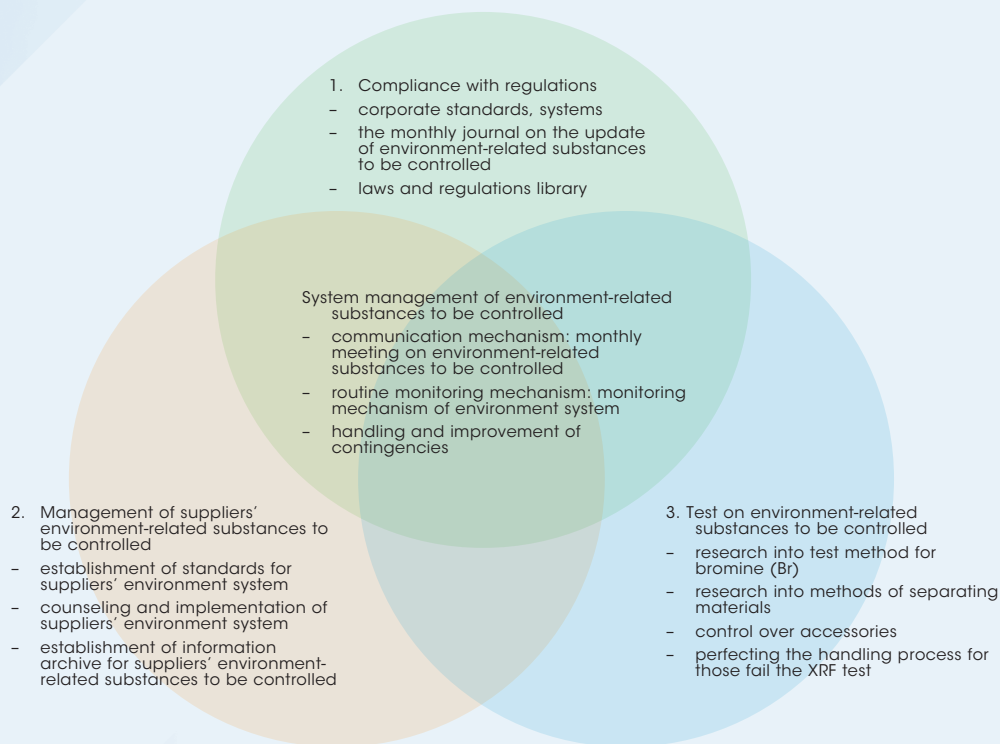
With regard to international EP regulations and EP requirements of customers' products, we have developed the "Management Standards for Environment-related Substances to be Controlled" to ensure continuously reduced use or even non-use of environment-related substances to safeguard earth environment and human health. The Standards sets out detailed regulations and explanations of relevant materials, accessories and packaging materials being used in electronic and electrical products. We will update the Standards regularly according to actual conditions to better guide our production and operation for promotion of compliance.

#### MANAGEMENT OF WASTES

Tonly Electronics acts stringently up to the Directory of National Hazardous Wastes as wastes generated in the course of production would be checked against the Directory while those listed therein would be picked out and collected in designated locations in accordance with relevant laws and regulations of the State, and be properly disposed of by category in stipulated timeframes. We stipulate that all hazardous wastes generated should be handed over to the qualified Huizhou TCL Environment Technology Company Limited for treatment. We try our best to streamline the production process, improve the conversion rate of materials, reduce or replace the use of hazardous or harmful substances, and maximize integrated use of wastes generated in the course of production. Meantime, we continue to study and use more environmental friendly EP new materials and new crafts, use clean energy, advanced technology and equipment, improve monitoring over production and implement clean production assessment.



## 5. ENVIRONMENTAL PROTECTION (EP)



### System management of environment-related substances to be controlled

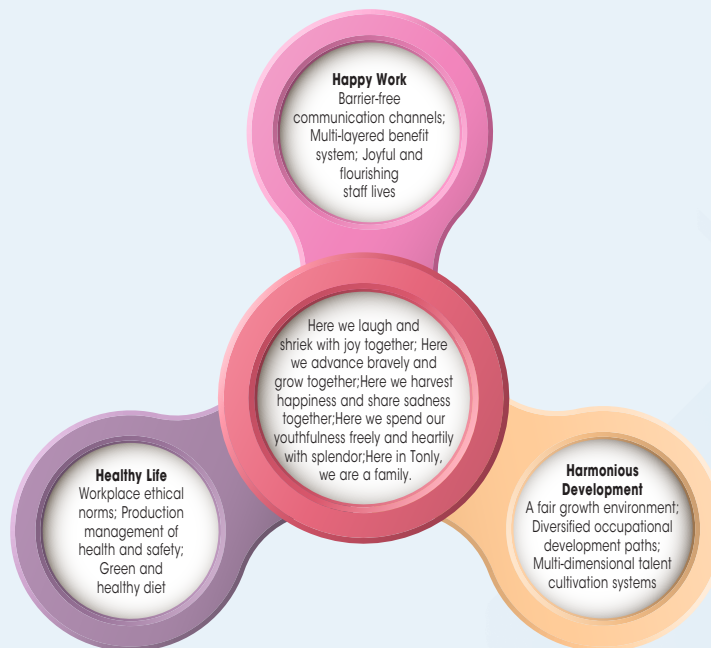
Generation Volume of Hazardous Wastes (kg)	2016
Wasted PCB margin	730
Plastic buckets	2,461
Wasted light tubes	62
Wasted organic solvents	223

Other than the proper treatment of wastes in the course of production, we pay special attention to the effective treatment of wastes in the canteen. Food leftovers from the canteen are collected twice per day by dedicated workers and the volume is estimated to reach 810 buckets. Wasted cooking oils from the canteen are collected by a State-assigned contractor under the title of "stringent controller over wastes" for centralized treatment by the government, and the annual volume is estimated to reach 86.4 buckets.

## 6. CARING FOR THE STAFF

Tonly Electronics considers the staff as its greatest treasure, and we recognize profoundly that they are the cornerstone of corporate sustainable development. We scrupulously abide by the State's "Labor Law" and "Law on Employment Contracts" and relevant laws and regulations with special attention paid to the aspects of child labor and forced labor. Tonly Electronics sternly forbids the employment of juvenile laborers aged under 16 (child labor), or forced laborers to work overtime or being forced to do so in a disguised form, providing that all staffs working overtime are reimbursed with overtime pay in accordance with the "Labor Law". Our employment policies are all stipulated in the "Staff Manual of Tonly Electronics" and disseminated to staffs.

Tonly Electronics shows its care for the staff through its flawless remuneration and benefit packages, various trainings and development opportunities and diversified staff caring activities, creating a warm and fragrant atmosphere for those living and working in the company.



**Our objectives: happy work, healthy life and harmonious development**

### 6.1 STAFF PROFILE

"Happy work and healthy life" represents the aspiration as well as the objective that realize work and life harmony being pursued by the staff, the Tonly people who have been putting into practice such will with delights and passion. We have established a reward scheme that address compensation, benefits, recognition and appreciation to cultivate staff to be customer-oriented while interrelating staff benefits with project performances and team compatibility. We emphasize also raising involvement and creating a sense of belonging of staff while supporting the development of business at the same time.

## 6. CARING FOR THE STAFF

### REMUNERATION, BENEFITS AND DISMISSAL

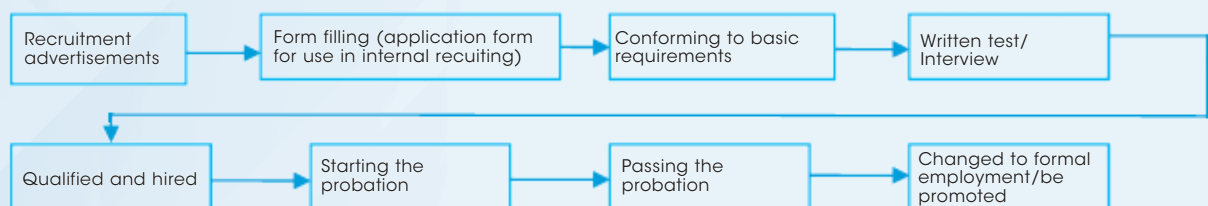
Remuneration and benefit packages can be seen as the significant incarnation of corporate conscience and staff values. Basing on a people - oriented administration guiding principle, Tonly Electronics provides the staff with a competitive remuneration reward mechanism that motivates staffs' potential. Annual salaries of the staff comprise of three parts, namely monthly salaries, year-end double pay and annual performance bonus, adopted with the implementation of a confidential remuneration system. To satisfy in full and cater for staff needs, we offer also series of benefit policies for the staff. All staffs are provided with social insurances (pension insurance, medical insurance, unemployment insurance, work-injury insurance and maternity insurance) and an annual body check. Key management personnel ranking senior manager and vice-superintendent or above are entitled, on their own will, to join an add-on pension insurance scheme sponsored by TCL Group.

The company operates a working system of five working days, totaled 40 hours per week, and stipulates that all departments and plants should make reasonable arrangement of work and production schedule to strike a balance between work and rest and guarantee a reasonable labor for staffs. With regard to staff health, we do not encourage overtime work. However, after tendering written application and obtaining approval, staff engaged in overtime work are reimbursed with a reasonable over-time pay. Besides, other than statutory festivals or holidays and other statutory paid leaves, staffs are entitled by application to sick leaves, wedding leaves, maternity leaves and work-related injury leaves, securing again a balance between work and rest.

In case of situations requiring retrenchment as a result of redundancy, the Company would make adequate redundancy compensation in accordance with relevant laws and regulations.

### RECRUITMENT AND PROMOTION

To ensure a fair, open and just recruitment, we have instituted and implemented a transparent and unified recruiting process. For all internal vacancies, we would start recruiting internally and internal staffs with equivalent qualifications are prioritized for hiring, with an aim to construct a smooth, fair and clear occupational promotion path for internal staffs.



**Internal Recruiting Process**

## 6. CARING FOR THE STAFF

### EQUAL OPPORTUNITY, DIVERSIFICATION AND ANTI-DISCRIMINATION

We endeavor to provide the staff with a working environment that is equal, diversified and without discrimination, such that nobody is separately treated, excluded or given preference in the workplace out of his/her race, color, gender, religion, ethnicity or social origin. As to recruitment, training and promotion processes for all job vacancies, we promise to practice the principle of equal opportunity and impartialness in respect of all candidates, such that nobody would be treated unfairly out of race, color, gender, nationality, or age causes, creating a good working environment that is equal and free of discrimination.

	<b>As at 31 December 2016</b>
<b>Total number of staffs</b>	5,625
a.) Total number of staffs (by gender)	
Female	2,003
Male	3,622
b.) Total number of staffs (by age)	
< 30	3,295
30-50	2,247
> 50	83
c.) Total number of staffs (by ranking of employment)	
Management	6
Controllers, General Managers (Center)	35
Department Heads, Officers	142
Other Staffs	1,719
Workers, Technicians	3,723

## 6. CARING FOR THE STAFF

### 6.2 TRAINING AND DEVELOPMENT

Tonly Electronics always pays special attention to talent development and cultivation. We provide various internal training for staffs to develop and give play to their potentials and capabilities, to accomplish their respective job duties or embrace work challenges. New recruits are required to receive induction training; before taking up a post, a new recruit may also need to receive pre-service training, and assume the post only after passing an assessment. In practice, a staff may also receive on-the-job training in connection with actual needs of work to amass related professional knowledge. A staff may, if necessary, enroll for trainings held by professional training organizations or institutions to improve relevant skills.

In the past year, to coordinate the demand of Tonly Electronics for professionals, we continually sought for the industry’s professionals and carried out an “Elite Eagle Training Programme” to focus on the development of the capabilities of technical professionals and reinforce knowledge training in key business areas. The “Elite Eagle Training Programme” feeds core posts at all levels in the company with high potential talents through a unique customized cultivation system. It also provides staffs with a sound cultivation programme in which their abilities are enhanced to realize strides in their respective occupational development. Tonly Electronics organizes tutorship activities for basic-rank staffs under which the growth of the new “Eyas” is fueled with the help of some experienced and professionally competent predecessors.

In addition, the company has formulated the occupational development path of the “five level dual passage” to assist staffs in establishing a clear development objective and in pursuing excellence. To encourage the development and rapid transformation of newly-appointed junior management cadres, a new “Sino-European Online Learning and Offline Sharing” training event led by the Company’s human resources center was successfully held for three sessions and over 40 junior cadres were trained. Staffs and the Company have therefore synchronized their growth when supporting rapid operation development.



The “Elite Eagle Training Programme”



## 6. CARING FOR THE STAFF

<b>Average no. of training hrs. of employees (hr)</b>	<b>2016</b>
<b>Average no. of training hrs. of Tonly Electronics employees</b>	20
<b>(by ranking of employment)</b>	
Management	70
Controllers, General Managers(Center)	28
Department Heads, Officers	19
Other Staffs	7
Workers, Technicians	24

### 6.3 SOLICITUDE ACTIVITIES FOR THE STAFF

Tonly Electronics implements its administration and management with the primary concept of "people-oriented and staff first". The devotion and loyalty of the staff determine the scope of corporate development. We raise staffs' sense of well-being in unceasing bits of care, by providing them with perfect benefits, communication systems and diversified staff activities, so that they can enjoy working without worries and lead a blissful and happy life.

#### COMMUNICATION CHANNELS

In order to listen better to the staff and ensure a smooth exchange of information, Tonly Electronics has established manifold communication channels and a complete communication mechanism to collect opinions from the staff, identify corporate deficiencies and grow with them.

#### GROWTH OF THE STAFF

Tonly Electronics organizes hosts of unscheduled contests and activities to provide staffs with a platform for exchange, study and growth after busy and onerous working hours. This platform functions not only to activate a cultural aura within the enterprise, but also heighten staffs' working skills and enrichment. Meanwhile, we host creative trainings and solicit improvement ideas to promote technological innovation.

#### LEISURE OF THE STAFF

The company regularly organizes activities for the staff to alleviate work pressure and enrich their leisure lives. We care about the leisure lives of staffs by offering books to enrich their lives and sponsoring various hobby clubs and outdoor activities. An outdoor activity is held annually to strengthen teamwork and effective communication. There are 10 major cultural or sports hobby clubs formed under the Labor Union, and they organize activities every week.

## 6. CARING FOR THE STAFF

### **PUBLICIZING CORPORATE ACTIVITIES AND CULTURE**

Timely promotion and coverage of the spirit and thinking of work, news events and activities concerning the Labor Union by means of "Passionate Home", our internal periodical, publicity boards/frames/posters, mails and the like, so as to create a good organizational atmosphere and harmonious labor relations.

### **FESTIVE CARE**

We would like our employees to feel the warmth and care of the "family" during festive seasons. In times of Chinese traditional major festivals such as Spring Festival, Tuen Ng Festival and Mid-Autumn Festival, we will send gifts to our employees. We organise quarterly birthday afternoon tea party for the birthday employees of the quarter at which we share the cake together and employees can make a wish. There will be a lucky draw and small gifts are given away. In every November, we will organise the annual matching event for singles to provide a platform for single young people to make friends with others. Employee communication activities are held every two months by the administrative office of the plants for teambuilding and effective communication.

### **TONLY ELECTRONICS' "MOMMY CORNER"**

To care and cater for the breastfeeding needs of mommy workers, we have created a private, hygienic, safe and comfortable environment for mommy workers with breastfeeding needs. Currently, our labour union has built a "Mommy Corner" for the use by female workers who are pregnant or breastfeeding. Despite the size of the "Mommy Corner", it is equipped with the necessities of a breastfeeding mother such as a sofa, a table, a refrigerator and a mother's pack including wet tissues, tissues, breast pads, feeding bottle/pacifier sterilisers, bottle cleaners and other daily necessities. These devices or supplies are regularly replenished and replaced.

## 7. CORPORATE OPERATIONS

Taking a highly responsible attitude toward our employees, customers and the environment, Tonly Electronics unswervingly adheres to the strategies of quality of excellence, safe and healthy production management and highly responsible supply chain management and endeavours to create sustainable value, achieve win-win development and build glory together for customers and business partners.

In the course of operations, we strictly monitor the product quality and has established a quality control system. At the same time, we have formulated the Procedures for Handling Customer Complaints (《客戶投訴處理流程》) to enhance the quality of after-sale service and customer satisfaction so as to safeguard consumers' interest. As to supplier management, we have formulated relevant policies including the Supplier Selection and Control Procedures (《供方的選擇和控制程序》), the Purchasing Control Procedures (《採購控制程序》), the Supplier Development and Management Procedures (《供應商開發與管理流程》) and the Supplier Quality Extension Management Practice 《供應商品質延伸管理規範》 to ensure the quality, delivery and service of purchased products are in compliance with relevant requirements.

### 7.1 SATISFACTION OF CUSTOMER SERVICE REQUIREMENTS

#### QUALITY CONTROL

Tonly Electronics sees product quality as our top-priority and undertakes and fulfills the product quality liability and operations as a manufacturer in accordance with the Product Quality Law of the People's Republic of China. To achieve this, we have internally established a comprehensive quality assurance model. Our quality control system covers all business segments from product development, trial production, batch production, shipment to market feedback so that these segments are effectively monitored. A comprehensive quality assurance system ensures high quality of products.

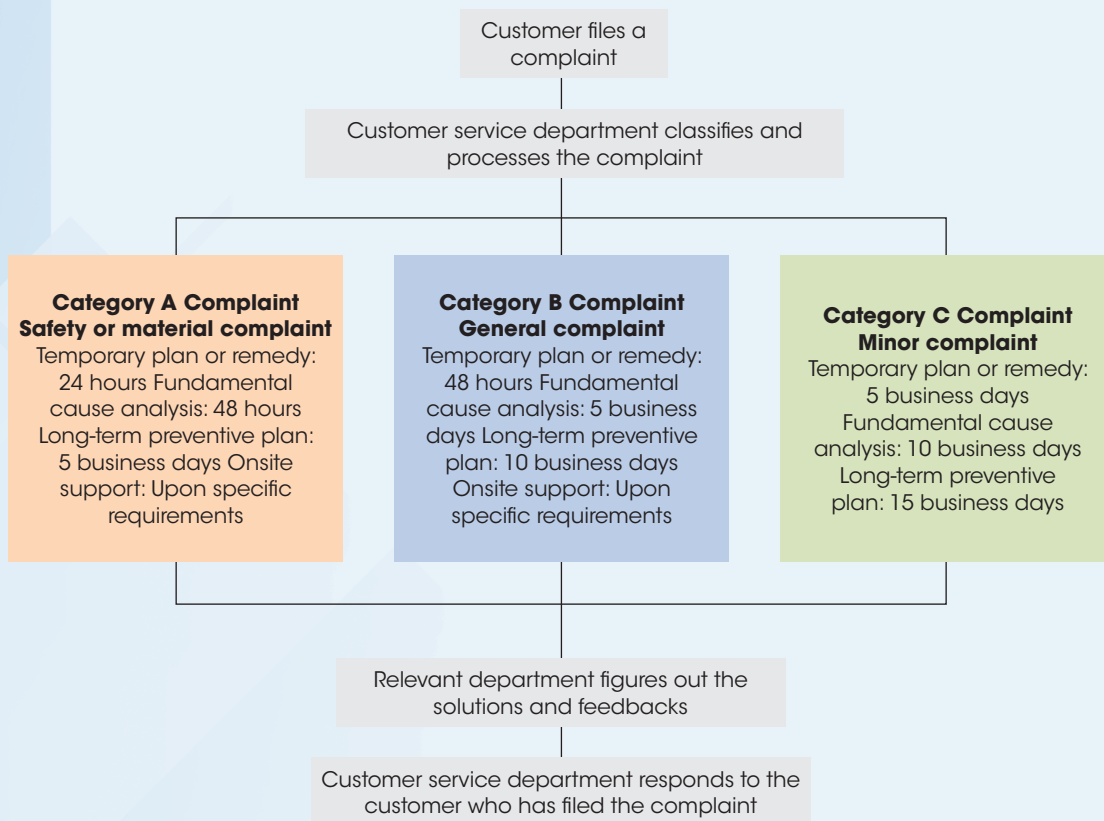
We attach great importance to the establishment of various management systems. Through cooperation with key international customers, the introduction of some advanced concepts has provided ideas for ongoing improvement of our internal management. Presently, we have obtained the following major system certifications:

- ISO9001:2008 quality management system certification obtained in 2002
- ISO14001:2004 environmental management system certification obtained in 2004
- IECQ QC080000 electronics components and hazardous substances process management system certification obtained in 2006
- OHSAS18001:2007 occupational health and safety management system certification obtained in 2007
- TS16949:2009 automotive industry quality system certification obtained in 2012

## 7. CORPORATE OPERATIONS

### CUSTOMER SATISFACTION

During the reporting period in 2016, we received 27 complaints relating to products subject to recall and case opening due to quality, safety and health reasons. To accelerate the handling of customer complaints and enhance after-sale quality and customer satisfaction, we have formulated the Procedures for Handling Customer Complaints (《客戶投訴處理流程》). Our customer service department, after receiving the complaint, will verify the details and classify the cases of complaints according to the actual conditions and record on the Customer Complaints Handling List (《客戶投訴處理表》). At the same time, the cases will be directed to the relevant responsible departments where, after receiving the relevant complaints, they will generally respond to the customer service department within one business day on the cause of complaint, analysis of the investigation results, handling status and preventive measures.



**Customer Complaint Handling Process**

## 7. CORPORATE OPERATIONS

Technology of electronic products is key business information. Upon receiving customer orders, Tonly Electronics will also receive confidential information from customers. We strictly require employees to protect the customer information and the intellectual property rights of its products so as to maintain a long-term relationship with customers and comply with regulations in relation to protecting business confidentiality. As to protecting intellectual property rights, Tonly Electronics has put in place the Intellectual Property Rights Protection Procedures and formulated a feasible intellectual property rights protection system to raise awareness of employees on protecting the intellectual property rights of the Company and its business partners. In addition, the Intellectual Property Rights Protection Procedures can also prevent the intellectual property rights of the Company and its business partners from infringement by third parties and from economic losses.

### **PRODUCT RESEARCH AND DEVELOPMENT (“R&D”)**

Tonly Electronics has been committed to the R&D of new products. During the reporting period, R&D expenses incurred amounted to HK\$198.0 million and accounted for 4.6% of the total revenue. We have established R&D bases in Huizhou, Shenzhen and Xian with an R&D team exceeding 600 people. While developing and introducing new products according to individual customer demands, we also carry out product related fundamental technology forward-looking R&D. In addition, Tonly Electronics has formed a professional electroacoustics design team comprising a number of overseas experienced experts for ongoing R&D of new products so as to capture potential market opportunities.

### **LOGISTICS SYSTEM**

Tonly Electronics has a comprehensive logistics and operational management system so that we can ensure products are speedily and accurately delivered to customers. Tonly Electronics has formulated a set of Regulations on Shipping Operational Management which direct the personnel at the sales centre to manage the operations of shipping arrangements. The Regulations on Shipping Operational Management also set out the complete safety procedures for shipping emergencies and assist relevant personnel to handle possible emergencies arising in the course of shipping.



## 7. CORPORATE OPERATIONS

### Co-build smart eco-environment

Given the tremendous potential of smart product development, in addition to ongoing upgrade of audio and visual business, Tonly Electronics will also accelerate the development of the smart product market, including new audio product and overseas set top box ("STB") business. In addition to strengthening cooperation with strategic partners, the Company will continue to allocate resources to expand smart business, promote the R&D of various innovative products and actively expand the area of applications.

In October 2016, Tonly Electronics announced to enter into an agreement with Axalent Solutions regarding the development of smart home business pursuant to which we have become a partner of CSRmesh smart home solutions. The solution enables connection to cloud network, mobile device applications and joint R&D of various sensor devices where users are able to control the home environment.

In addition, the contract signing ceremony for strategic cooperation between Tonly Electronics and Guangdong TengAn Electromechanical Installation Engineering Co., Ltd., a subsidiary of Country Garden Group was held. Pursuant to which, both parties will engage in strategic cooperation in areas of smart hardware and quality standards setting, and invest in the establishment of third-party centralised control equipment and quality standards in an effort to create a smart home ecosystem.

### 7.2 PRODUCTION SAFETY AND HEALTH

#### Occupational health and safety figures<sup>2</sup>

	<b>2016</b>
Lost days due to work injury <sup>2</sup>	45
No. of work injury cases	2
No. of fatalities due to work	0

<sup>2</sup> "Work injury" refers to the work injury incident as defined by the Ministry of Human Resources and Social Security of China

Taking a highly responsible attitude toward our employees, customers and the environment, we exercise strict production safety supervision and management throughout the production process from raw materials to product launch in strict accordance with the relevant provisions in the Production Safety Law of the People's Republic of China. In addition to avoiding and minimising safety incidents and risks, we have strict control over toxic and hazardous substances. No toxic or hazardous substances are allowed in our business segments from production, packaging, distribution and sales. Any malignant events that are detrimental to our employees' health, consumers' safety and the natural environment are strictly prohibited.

## 7. CORPORATE OPERATIONS

### PRODUCTION SAFETY MANAGEMENT

"Safety first, prevention and comprehensive management" are the directions of production safety that we insist on. We strictly follow the PRC laws and regulations relating to production safety. We have established a safety management accountability system of "person-in-charge held responsible" and optimised the production safety criteria and management procedures. We have clear powers and responsibilities for each safety department. Each department is independent but cooperative. The safety committee is primarily in charge of the production safety matters of the Company and is responsible for the production safety of the Company. The safety committee office, which is responsible to the safety committee, is in charge of handling daily production safety matters of the Company. It is our policy that the person-in-charge of each department is the first person held responsible for safety management of his/her department. These persons will enter into the Letter of Production Safety Liability (《安全管理責任書》) with the safety committee each year pursuant to which they will strengthen the internal safety management matters of the department according to the terms of letter of liability.

To ensure production and operational safety and prevent accidents, we have established four safety systems in areas of fire safety, safety on using electricity, safety on hazardous chemicals and construction safety to improve our safety facilities:

- As to fire safety, we carry out monthly checks on firefighting devices and, for key areas (hazardous item warehouse, power room, canteen, air compressor room, server room, UPS room, pump room and fire control room), weekly inspections on firefighting facilities.
- To strengthen safety on the use of electricity, the safety committee and the administrative office of the plant will carry out a daily patrol regarding safety on the use of electricity and timely report or punish any irregularities.
- To avoid safety hazards due to improper use of hazardous chemicals, we have formulated the "Provisions on Management of Hazardous Chemicals" (《危險化學品管理規定》) to regulate the use of hazardous chemicals and the method of storage and transportation so as to ensure safety of operators and operational process.
- As to construction safety management, our infrastructure department strictly adheres to the principle of "three simultaneous" (三同時) (i.e. firefighting facilities must be designed, constructed and put into use simultaneously with the main project) upon new construction, renovation and expansion of projects. Meanwhile, we require our construction units to enter into the Construction Safety Agreement (《施工安全協議書》) prior to commencement of construction and commence construction only after obtaining the Job Sheet issued by the administrative department. To safeguard the safety and health of workers, we require operators who are involved with dangerous tasks or may easily cause danger to themselves or others to take safety precautions and wear labour protective articles and tools before the operation.

## 7. CORPORATE OPERATIONS

### EMPLOYEE HEALTH AND SAFETY

Tonly Electronics puts great emphasis on the health and safety of employees. Through establishing and optimising the occupational health and safety management systems, we strive to build a safety culture that is conducive to the long-term development of the Company. We regularly organised a variety of safety drills and safety training each year and require each department to participate so as to raise employees' alertness awareness on safety incidents and their ability to tackle such incidents.

As to new employees, we have established a three-level safety training system for new joiners where company-level safety training is led by the safety committee office, workshop-level safety training is led by the administrative office of the plant and the team-level job safety training is led by workshop leader in order to facilitate the safety awareness of employees on "I need to be safe" ("我要安全").

As to employees engaging in special type of work, we provide relevant labour protection and safety training to avoid work injury accidents. Special operators (electricians, welders, tin smelting workers, motor vehicle drivers, refrigeration technicians, forklift truck operators, boiler workers, lift mechanics, pressure vessel operators, personnel who are frequently involved with hazardous chemicals and etc.) must attend professional training in accordance with the relevant PRC requirements and get on board after obtaining the qualifications or passing the exam for special type of work operations.

### 7.3 STRICT MANAGEMENT ON SUPPLY CHAIN

Tonly Electronics has put in place an established system and strict standards for procurement from suppliers, to safeguard the interests of Tonly Electronics and its customers, and monitor the behaviours of suppliers. While maintaining good and long-standing partnership with suppliers, we expect them to continuously refine the quality of products and services. By reference to the developments of international social and national policies, we request our suppliers to pursue energy saving, emissions reduction and environmental protection, and motivate ourselves and our suppliers to establish appropriate environmental policy. We endeavour to act in a social responsible manner, in an effort to drive ourselves and suppliers in achieving sustainable development and make contribution to the beautiful world.

#### Number of suppliers

As at 31 December 2016

Mainland China, Hong Kong and Taiwan	811
Japan	4
Korea	5
Asia-Pacific region (excluding Mainland China, Hong Kong, Taiwan, Korea and Japan)	3
Europe	2
North America	3

## 7. CORPORATE OPERATIONS

To assess and evaluate suppliers and meet our production requirements, based on the PRC laws and regulations in relation to, among others, labour, environment and quality, as well as combined with the high standards and stringent requirements of Tonly Electronics, we have set out written policies of the "Procedures for selecting and monitoring suppliers" (《供方的選擇和控制程序》), "Procedures for procurement control" (《採購控制程序》), "Supplier development and management processes" (《供應商開發與管理流程》), "Extended administrative practices for suppliers' product quality" (《供應商品質延伸管理規範》) and others. This ensures the products we purchase are up to our required standards in all respects including quality, delivery and services.

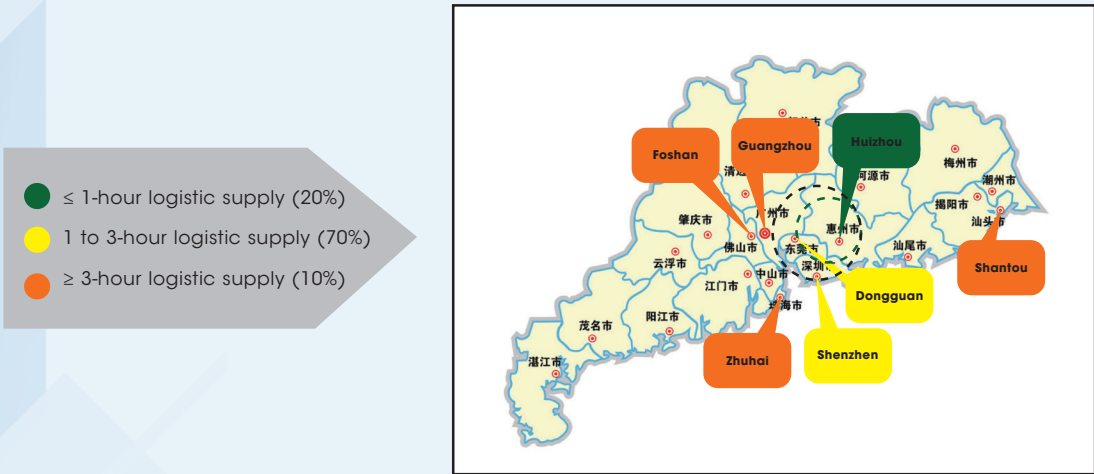
We endeavour to embody our philosophy of social responsibility in supplier management. We develop a scientific and reasonable system for supply chain management, in order to promote sustainable development of the industry. All qualified suppliers shall be ISO9001-certified (and all vehicle component suppliers shall be TS16949 or QS9000-certified). They are also requested to keep upgrade themselves by developing management systems that meet ISO14001、QC080000 standards.

In identifying new suppliers, our Procurement Department first shortlists some existing qualified suppliers from our "Qualified Supplier List" (《合格供方名單》), then selects the best-suited based on their merits. Under our "Supplier Development Program" (《新供應商開發計劃》), the pre-selected material suppliers are assessed on quality, environmental substances, social responsibility system, etc, by our Source/Supplier Quality Assurance (SQA) Department according to the "Administrative practices for supplier assessment" (《供應商審查管理規範》). The SQA Department also monitors suppliers' performance of annual review and evaluation of their sub-suppliers.

We persist in implementing our system of assessing existing qualified suppliers on a regular basis. We have devised the "Annual Qualified Supplier Assessment Program" (《年度合格供應商例行審查計劃》) to check, among others, suppliers' corporate social responsibility (CSR), quality system audit (QSA) and quality process audit (QPA) under the circumstances. Based on the outcome, we update the information of suppliers in a timely manner and eliminate unqualified suppliers to increase the standard of our suppliers' quality for accomplishing industrial development and social benefits.

## 7. CORPORATE OPERATIONS

We aim to create a win-win-win situation among Tonly, our customers and suppliers. We set our foothold in Huizhou. It is a traditional hub for electronic industry situated at the core of Pearl River Delta region and in the proximity to Shenzhen, Hong Kong and Dongguan, which makes it easily and quickly accessible. Leveraging on the strategic location, we are able to perform speedy resource allocation at relatively low costs, and develop an efficient and versatile supply chain. When considering a supplier, we take transportation distance into account, as we can save transportation costs and significantly reduce emissions and environmental impacts for shorter distance.



**Geographical distribution of suppliers**

Looking forward, we will make the best use of our experience and competitive edges in audio and visual technology, production and supply chain, to create greater value for our partners and establish a more mature and comprehensive supply chain system that enables us to grow together and achieve mutual prosperity.



## 8. SOCIAL ENGAGEMENT

While maintaining a good shape for further development, Tonly keeps in mind of rewarding the society and serving the community. Over the years, we have been taking active part in welfare and charity events. We address the social needs by supporting the underprivileged. To this effect, we have made tremendous financial and other contributions to creating value for the society in achieving sustainable development.

### 8.1 TONLY VOLUNTEERS

Tonly Electronics is committed to “shouldering social responsibility and becoming an outstanding corporate citizen”. Thus, it actively participates in the social and charity activities in its locality for promoting the local development. We also engage our staff in the community activities, in order to jointly create sustainable social values. A team of Tonly Electronics Youth Volunteers has been set up with a mission of “helping others for self-achievement” by our party workers’ organisation. At present, the team has more than 200 volunteers.

#### VOLUNTARY TREE PLANTING AT HONGHUA LAKE

In March every year between 2012 and 2016, more than one hundred of youth volunteers from Tonly party workers have attended four years in a row the voluntary tree planting and environmental protection event at Honghua Lake in Huizhou, to plant trees together in the hope of going green. We wish to keep organising this green public event, so as to bring positive impact to the environment.





## APPENDIX – INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspect	Descriptions	Section	Page
A. Environmental			
Aspect A1: Emissions			
General disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	5. Environmental Protection (EP)	14-17
Aspect A2: Use of Resources			
General disclosures	Policies on the efficient use of resources	5. Environmental Protection (EP)	14-17
Aspect A3: The environmental and natural resources:			
General disclosures	Policies on minimising the issuer's significant impact on the environment and natural resources	5. Environmental Protection (EP)	14-17
B. Social			
Aspect B1: Employment			
General disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	6. Caring for the Staff	18-20
Aspect B2: Health and Safety			
General disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	7.2 Production Safety and Health	27-29

## APPENDIX – INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspect	Descriptions	Section	Page
Aspect B3: Development and Training			
General disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	6.2. Training and Development	21
Aspect B4: Labour Standards			
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	6. Caring for the Staff	18
Aspect B5: Supply Chain Management			
General Disclosures	Policies on managing environmental and social risks of the supply chain	7.3 Strict management on supply chain	29-31
Aspect B6: Product Responsibility			
General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	7.1 Customer Satisfaction	24
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	4.2 Advocating Probity and Perfecting Governance	11
Aspect B8: Community Investment			
General Disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	8. Social engagement	32