

LINOCRAFT

東駿控股有限公司
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

Environmental, Social and Governance Report

INTRODUCTION

Linocraft Holdings Limited and its subsidiaries (hereafter referred to as “Linocraft” or “Group”) are an international printing services group that principally engaged in providing quality printing services which focus on packaging printing and its products include packaging boxes, rigid boxes, paper-board inserts, instruction manuals and printed labels to direct customers and contract manufacturers of international renowned brands. The Group has production plants principally located in Malaysia and Philippines.

The Group approach to Corporate Responsibility ensures that Environmental, Social and Governance (“ESG”) risks and opportunities are identified, evaluated and controlled in line with industry best practice. This aims to set the direction for a future-orientated business strategy that balances economic success with environmental and social responsibility, in line with the expectations of stakeholders. The Group seek to promote sustainable business practices, increase transparency and ensure that the Group risk management processes help to avoid negative environmental and social impacts arising from its core businesses. As such, the Group has incorporated ESG commitments into its operational business model, through the adoption of a management system approach aligned to ISO 14001, the international standard for environmental management.

The reporting period of this report is from 1 September 2017 to 31 August 2018 (the “Reporting Period” or the “Year 2018”).

REPORTING FRAMEWORK

This ESG Report (the “Report”) follows the ESG Reporting Guideline as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM (the “ESG Guide”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

SCOPE OF THIS REPORT

This Report focuses on the operation of the Group at its principal places of business in Malaysia. The disclosures in this Report are mainly extracted from the Group’s statistical reports and relevant documents. The Group has complied with the “comply or explain” provisions set out in the ESG Guide for the Year 2018.

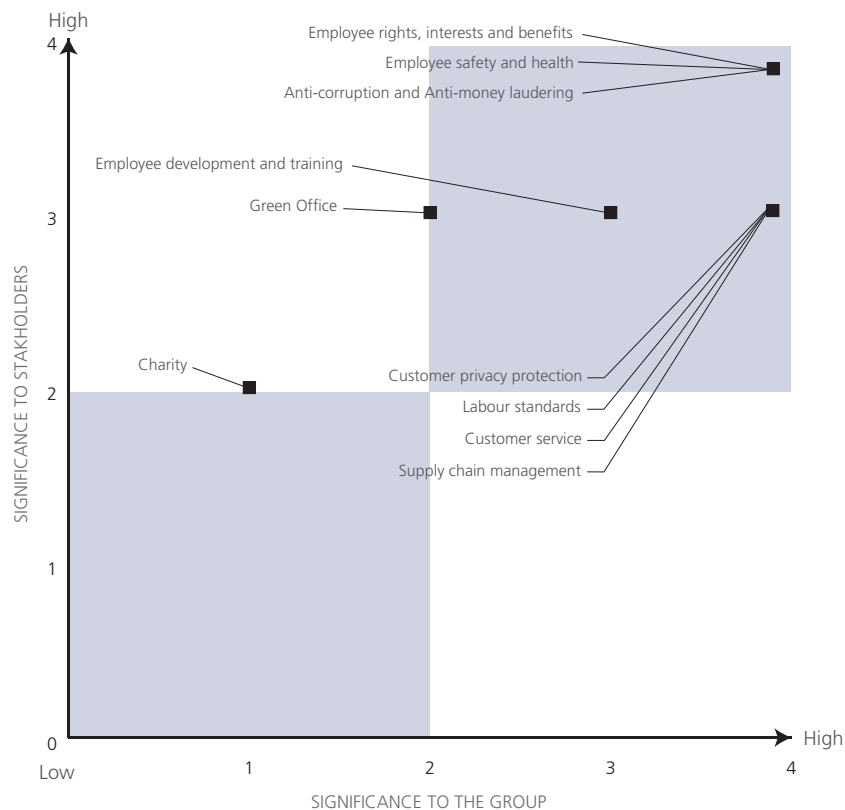
IDENTIFICATION AND COMMUNICATION WITH STAKEHOLDERS

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

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

Environmental, Social and Governance Report

The Group has conducted a survey with the aforesaid stakeholders and obtained replies to help identifying stakeholder's priorities. On the scale from 0 to 4, where 0 is the least concern and 4 is the most concern key issues which are of stakeholder's concern.



MATERIALITY ASSESSMENT

Linocraft has maintained close communication with its stakeholders since listing. Through multiple discussions and direct communications, the Group understands the core issues that matter most to its stakeholders. By understanding the critical issues from both internal and external perspectives through vital stakeholders and, to develop corporate strategy, goals, targets, programs, initiatives, to advance business sustainability across Asia Region.

ENVIRONMENTAL RESPONSIBILITY

Linocraft control agenda is a key priority, and the Group devote significant resources to adhering and adapting to the substantial number of heightened regulatory expectations and reporting requirements that guide aforesaid industry. And the Group is committed to provide quality printing services to its client in a manner that minimizes potential adverse impact on the environment and energy sources.

Aspect A1: Emissions

The Group's business does not produce material amounts, however greenhouse gas and dust is inevitable in the printing operation. The printing process will also generate ink contaminated water and waste. Linocraft aims to minimize emission and environmental hazard.

Air Emission

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

The following table shows the energy consumption by types, volume and intensity for 240,719,883 in total output in pieces for the Reporting Period.

Energy	Unit	Total Energy consumed	Intensity output % per piece of consumed for (per paper production)
Electricity	kWh	5,800,678	2.41%
Diesel	Liter	29,200	0.01%
Liquefied Petroleum Gas ("LPG")	Kg	36,600	0.02%

Direct Air Emission	Nitrogen Oxides (NOx) kg	Sulphur Oxides (SOx) kg	Particulate Matter (PM) kg
Gaseous fuel consumption (LPG)	*	*	*
Vehicles	163	*	16

* Air emission is not disclosed as the amount is insignificant.

Greenhouse Gas Emission ("GHG emission")	CO ₂ and CO ₂ equivalents (kg)
Direct GHG emissions from stationary and mobile combustion	187,643
Indirect GHG emission from purchased electricity	4,350,508

Environmental, Social and Governance Report

Waste Management

Due to the nature of the Group business, isopropyl alcohol (IPA) in varying doses has been used in sheetfed offset printing. As required by Department of Environment Malaysia, any water that is adulterated with chemicals (IPA, ink and etc.) is to be channeled to a water treatment plant and processed. Processed water (all contaminants removed) is then channeled into rain water discharge/drain. The water treatment plant is strictly governed by local legislation. The Group is committed and obtained ISO14001:2015 environment management system certification to maintain best practice in preserving the environment.

Types of waste:

Code	Description	Originated Process	Total Disposed (Metric Tonnes)
SW 303	Waste of adhesive glue	Laminate	1.236
SW 307	Waste of coolant	Printing	18.120
SW 409	Waste of contaminated containers	Printing	16.801
SW 410	Waste of contaminated rags/plastic	Printing	17.877
SW 416	Sludge of inks	Water treatment plant	14.895

Remarks : Waste code categorized as per Environmental Quality (Scheduled Waste) Regulations 2005

For hazardous wastes, which mostly are chemical water, rags, ink residue and other photographic wastes, the Group works with licensed waste disposal contractors to handle these wastes responsibly as the statutory requirements. Amount of waste disposed are recorded and matched with contractors report to ensure they are entirely disposed in the most appropriate manner.

Appointed contractor for waste collection

Scheduled waste collection with licensed contractor approved by Department of Environment

Contractor	License No.	License Validation
Modern Energy Sdn Bhd ("Modern Energy")	002310 & 002282	April 2018 – April 2019
Estalco Sdn Bhd ("Estalco")	002359 & 002360	April 2018 – April 2019
5E Resources Sdn Bhd ("5E Resources")	004650 & 004651	April 2018 – April 2019
Southern Strength Sdn Bhd ("Southern Strength")	004768 & 004769	April 2018 – April 2019

Appointed contractor for handling specific type of wastes

Waste Code	Waste Description	Contractor			
		Estalco	5E Resources	Modern Energy	Southern Strength
SW 410	Contaminated Rags	✓	✓	✓	✓
SW 409	Contaminated Container	✓	✓	✓	✓
SW 307	Waste of coolant (Waterbase)	—	✓	✓	✓
SW 303	Waste of Glue	—	✓	—	—

Chemical Consumption for Water Treatment Plant September 2017 – December 2018 (Metric Tonnes)

Chemical	Chemical Consumption 2018 (Mt) Total (Mt)
Sodium Hydroxide (Caustic Soda)	0.68
Pac Chemical	3.298
Polymer	0.028
Bal Nutrient (Powder)	0.003
Bal Nutrient (Liquid)	0.324
	4.333

Wastes are classified by recyclable, hazardous and non-hazardous, and with different contractors appointed for each specific type of wastes. The Group has assigned different recyclers in different sites to collect recyclable wastes such as scrap paper and used printing plates regularly.

Aspect A2: Use of Energy

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

Energy

The Group's main energy consumption comes from electricity, water, diesel and LPG Gas in its operation.

The following table shows the energy consumption by types, volume and intensity for 240,719,883 in total output in pieces for the Reporting Period.

Energy	Unit	Total Energy consumed	Intensity output % per piece of consumed for (per paper production)
Electricity	kWh	5,800,678	2.41%
Water	Cubic Meter	32,659	0.01%
Diesel	Liter	29,200	0.01%
LPG	Kg	36,600	0.02%

Environmental, Social and Governance Report

Efficient Energy Use

The Group has adopted series of internal control policies and procedures to enhance its efficiency in consumption of resources including energy, water and other raw materials. All employees are committed to continually enhancing the environment awareness to ensure that these measures work in line with the growth of the Group's business strategies and integrated day to day operation of the business. The Group has adopted the following measures:

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

Aspect A3: The Environment and Natural

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

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

During the Year 2018, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Water Utilization

Waste water is the next pollution the Group try hard to reduce. Plate-making and other printing process requires a lot of water for rinsing zinc plates and generates waste water contaminated with ink.

In addition, the Group has adopted a number of measures to save water as following:

- Always turn taps off tightly;
- Check the hoses and pipes for leaks, cracks, and other damage regularly and repair it in a timely manner;
- Give priority to effective water-saving products in purchase decision.

During the Reporting Period, the Group has consumed 32,659 cubic meter of water.

SOCIAL RESPONSIBILITY

Aspect B1: Employment and Remuneration Policies

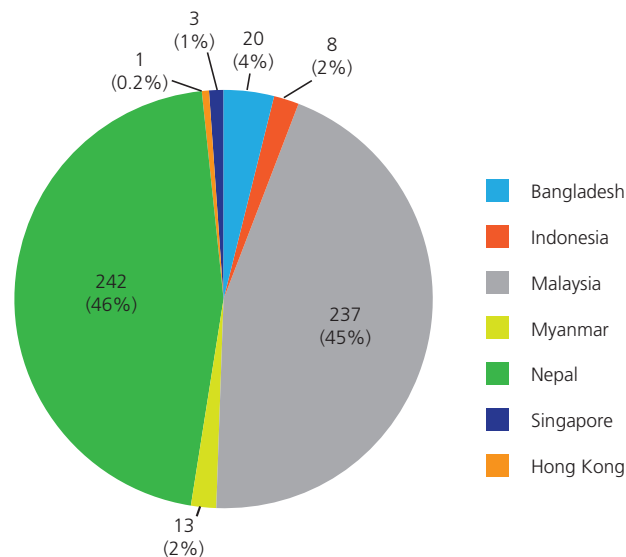
Employment

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

Linocraft pays attention to employees' job satisfaction and views it to be of equal importance. The Group view human capital as its greatest asset and believe that happiness of employees inspires productivity. The Group periodically review staff welfare to ensure job satisfactory and comfortable working environment for all employees. The Group also rewards or promotes staff according to performance assessment management believe that good workers should be amply rewarded, and such reward motivates employees to strive for strong performance each year to aid in Group's overall growth. The Group believes that, the management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. During the Year 2018, the Group organised bonding activities, such as badminton and annual staff dinner, to allow employees to build up teamwork and to strengthen their bonding.

During the Reporting Period, the Group has 524 full-time employees. The following chart sets out a breakdown in percentage of the Group's employees by geographic region. In Year 2018, most of the employees in the Group are from Malaysia and Nepal, which consists of 479 employees (91% of the total workforce).

NATIONALITY OF EMPLOYEE LINO CRAFT

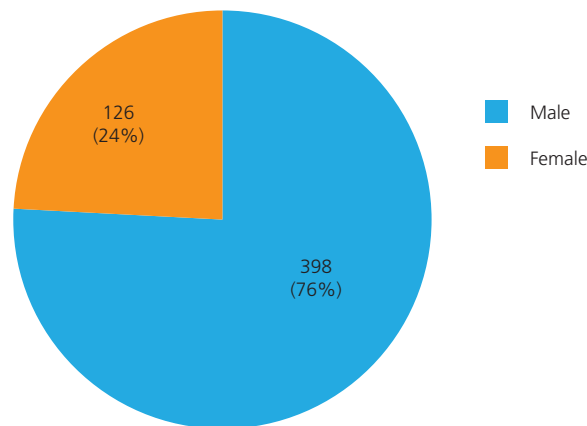


Environmental, Social and Governance Report

In addition, Human Resources Department conducts a comprehensive recruitment review process to ensure that the data provided by the candidates are accurate. The Group's recruitment and promotion process are carried out in a fair and open manner for all employees; employees are recognized and rewarded by their contribution, work performance and skills, and outcomes will not be affected by any discrimination on the grounds of age, gender, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and other factors.

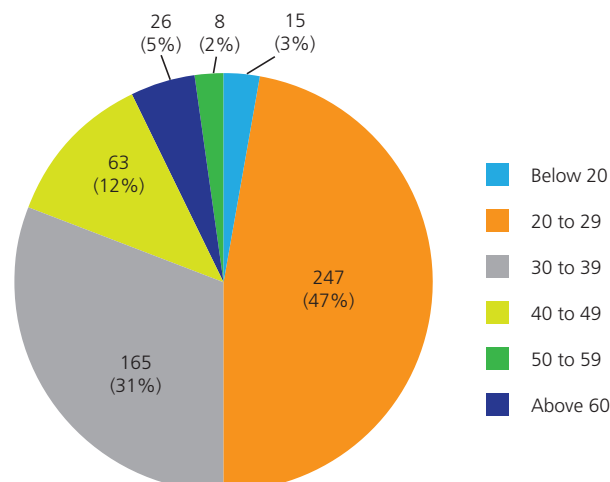
Gender	Male	Female	Total
Number of staff	398	126	524
Percentage	76%	24%	100%

GENDER OF EMPLOYEE LINOGRAPH



Age Group	Below 20	20 to 29	30 to 39	40 to 49	50 to 59	Above 60	Total
Number of staff	15	247	165	63	26	8	524
Percentage (%)	3%	47%	31%	12%	5%	2%	100%

AGE GROUP OF EMPLOYEE LINOGRAPH



The Group strictly prohibits the employment of children or forced labour and sets out the policies in our labour code to eradicate child labor, juvenile workers and forced labour.

Aspect B2: Health and Safety

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

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

The following table shows the Group work-related fatalities and injury statistic for the Reporting Period:

Total man hour	Occupational accident Lost time in hour	Occupational poisoning & disease cases in hour
996,480	192	0.00

The Group is not aware of any material non-compliance with the above-mentioned relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period.

In addition, the Group has assigned responsible person to identify any actual and potential hazards and risks to each individual and work towards safe and hygienic work environment, and to ensure that office and work environment is in line with or higher than requirements of relevant laws. Human Resource Department have also arranged rescue, fire and evacuation drills to improve staff safety awareness; and employees are expected to comply with the policies and procedures, and cooperate in all safety trainings.

Aspect B3: Development and Training

The Group values employees as human capital and invests resources to educate and improve their standards so that they can make a greater contribution to the Group's success. A training plan is developed on a yearly basis by human resources department to schedule its employees to attend training/courses that to enhance their capabilities. The Group provides both internal and external training regarding the basic knowledge of machinery operation, relevant regulations, internal quality audit and other useful topics. The table below shows the training subject of employees trained by department:

Environmental, Social and Governance Report

Training Record Sep 17 – Aug 18

No	Subject	Department	Training Date
1	Transformation of Scheduled Waste Disposition to Wealth	QA	23/10/17 & 24/10/17
2	Operation & Maintenance of Wastewater Treatment System	All Department	4/10/17
3	Basic Awareness And Understanding of ISO 14001:2015 (EMS)	All Department	12/10/17
4	Microsoft excel intermediate	Purchasing	23/10/17 & 24/10/17
5	Being Defensive Driving Training	General Affairs	11/10/17
6	Business Communication Preview	Human Resource	8/11/17
7	Restriction Of Hazardous Substance (RoHS) Awareness	All Department	27/10/17
8	Microsoft excel intermediate	Purchasing	14/11/17
9	Krusus Undang-Undang Perburuhan	Human Resource	23/11/17
10	BLESS	Health & Safety	12/12/17
11	PERKESO	Human Resource	20/12/17
12	HRMS	Human Resource	11/12/17–15/12/17
13	Incoterms 2010 Import & Export	Purchasing	29/6/18
14	5 Why, 8D & Fish Bone	All Department	17/1/18
15	EA & BLK Seminar	Human Resource	12/1/18
16	HRMS system (E-leaves)	Human Resource	4/6/18
17	Advanced Employment Act 1955	Human Resource	7/2/18 & 8/2/18
18	Behaviour Based Forklift Safety Operations	All Department	10/03/18 & 11/03/18
19	Pest Forum	HR/Sefaty	15/03/18
20	Empowering Safety & Health Committee	Health & Safety	28/06/18
21	HR System Training	All Department	19/04/18 & 20/04/18
22	Basic Occupational First Aid	All Department	07/05/18 & 08/05/18
23	Jobstreet workshop	Health & Safety	16/05/18
24	Log Out Tag Out Training	Several Dept	28/08/18
25	Internal Audit/Auditors Skills (QMS/EMS)	All Department	16/08/18
26	Negotiation Strategies For Import/Export Business	Purchasing	29/06/18
27	Practical Managerial Leadership Style	Purchasing	27/06/18 & 28/06/18
28	Basic First Aid & CPR Training (Batch 2)	All Department	01/08/18
29	Ergonomic & Manual Handling	All Department	15/08/18
30	Forklift Competence Safety Training (Batch 2)	All Department	4/08/18 & 05/08/18
31	High Performance Scheduled Waste Management Towards Cost Saving	Quality Assurance	08/08/18 & 09/08/18

Aspect B4: Labour Standard

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

During the Year 2018, the Group strictly complied with the employment ordinance and did not employ any child labour nor forced labour in accordance with the relevant laws and regulations of the local governments.

Aspect B5: Supply Chain Management

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

The Group believes that effective communication is the key to maintain a long-term relationship with suppliers. The Group reviews the qualifications and performance of suppliers including background, quality, price, delivery lead time, complaint history and financial stability on a regular basis and to take all reasonable efforts to conduct appropriate inspections and checks to current and potential suppliers.

The Group strives to focus on ethical supply chain management while producing a global supply chains. During the Reporting Period, the Group has 291 suppliers all over the world, which mostly consists of 259 suppliers from Malaysia. Others include 12 suppliers from Singapore and 9 suppliers from Hong Kong and etc. And the Group was not aware of any key suppliers that has any significant negative impact on the business ethics, environmental protection and labour practices.

Aspect B6: Product Responsibility

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

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

Environmental, Social and Governance Report

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

During the Year 2018, the Group was not aware of any incidents of non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

Aspect B7: Anti-corruption

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

During the Reporting Period, the Group did not experience any incident of non-compliance with the applicable laws and regulation relating to bribery, extortion, fraud and money laundering..

Aspect B8: Community Investment

The Group recognizes its responsibility towards its stakeholders, community and the environment and considers corporate social responsibility as an important direction for development. The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of its business. The Group sustainability guidelines lay out our principles and actions for managing and performing ethically and sustainably, throughout the Group's operational flow.