



山西長城微光器材股份有限公司
SHANXI CHANGCHENG MICROLIGHT EQUIPMENT CO. LTD.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8286)

Environmental, Social and Governance Report 2016

SCOPE AND REPORTING PERIOD

This is the first ESG report of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “Group”), highlighting its Environmental, Social, and Governance (the “ESG”) performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules.

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations in the PRC including the headquarter office and production facilities from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees of the Group have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS’ FEEDBACK

The Group welcomes stakeholders’ feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ccoegvv@126.com.

** For identification purpose only*

I. ENVIRONMENTAL

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavors to minimise the environmental impact of the business activities.

The Group has established system to ensure environmental compliance. It seeks to optimise its production by adopting low energy consumption and environmental pollution techniques, implementing environmental-friendly waste disposal methods and enhancing the environmental awareness of the employees through regular trainings. The management team has the overall responsibility for environmental protection matters within the Group.

EMISSIONS

The manufacturing process of the Group produces certain amount of waste water, solid waste and to a lesser extent gases. In accordance with relevant environmental laws and regulations and our relevant environmental policies, the Group must ensure that national emissions standards are met. Regular assessments are conducted on the air and greenhouse gas emissions of the production facilities, as well as the generation and disposal of hazardous and non-hazardous waste. The Group does not generate significant air emissions or hazardous waste.

USE OF RESOURCES

The resources used by the Group are principally attributed to electricity and water consumed at its production facilities and office. Under our relevant environmental policies, the Group proactively seeks opportunities for increasing operating efficiency to reduce the use of resources, such as energy savings on lights and air-conditioning systems. The Group also closely monitors the utilisation of resources and reports to senior management on this aspect of performance.

THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the business, in addition to the above-mentioned emissions and resource usage, the Group does not have any direct and significant impacts on the environment and natural resources in the course of its operation.

The Group has established system to ensure environmental compliance by adopting low energy consumption and environmental pollution techniques. The Group has also appointed dedicated staff to monitor the Group's compliance with relevant laws and regulations as well as review and update the internal environmental protection policies.

II. SOCIAL

The Group believes that one of the key aspects of its success is the good relationship it maintains with employees. The Group provides a friendly and harmonious working environment.

EMPLOYMENT AND LABOR PRACTICES

Employment

The Group had a total number of 542 employees as of 31 December 2016. The Group rewards and recognises performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

The Group strictly complies with relevant laws and regulations in the PRC, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labor relations, employees' remuneration and welfare to protect the rights of employees.

Health and Safety

The Group has been committed to protect employees' health and safety. It maintains the occupational health and workplace safety management system and policies in conformity to the internationally applied occupational health and safety management systems requirements and in strict compliance with the relevant regulations in the PRC. During the Year, the Group did not encounter any major accidents during the operation.

Development and Training

Training is an important way to improve the overall quality and provide comprehensive development of the employees. The Group has continuously perfected and modified the employee training management system, established a multilevel training system, created various learning opportunities for the employees, in order to enhance their competence, job skills, knowledge and performance.

In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs. The Group arranges the trainings designated according to the roles and responsibilities of the employees, mainly includes human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, occupational health and safety etc. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Labor Standards

The Group provides its staff with a safe, health, comfortable working environment with labor protection, reasonable remuneration and various welfares. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in the PRC and also prohibits forced labor.

OPERATING PRACTICES

Supply Chain Management

To provide top quality services to customers, the Group carefully sourced its raw materials, packaging materials and equipment with standardised procurement procedure and policies. The Group's procurement policy and its comprehensive procurement management systems help screening out undesirable products in the aspects of raw materials, packaging materials and equipment selection, product formulation, product packaging, quality management system in factories, transportation, etc.

Suppliers for raw materials, packaging materials and equipment are selected based upon rational and clear criteria, such as reputation, technical skills and consistent production quality, compliance with industrial standards, so as to procure superior goods and services from the most competitive sources. The Group's research and development department set out product specification for the suppliers to follow, while the quality control department performs sample test to ensure that goods and materials received by the Group are in compliance with the quality and specifications before they are accepted and transferred to the warehouse.

Product Responsibility

The Group aims to achieve the highest possible standard with all the products sold. The Group has established relevant policies which cover product quality guarantee and safety and set up a dedicated quality control department. They work in collaboration with the Group's research and development department, procurement department and production and warehousing department to ensure that the products are of high quality and safe and comply with all applicable laws and regulations.

Anti-corruption

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behavior to an end as stipulated in the employment contracts and the relevant policies of the Group. In the cases of conflict of interest, it must be reported to the Group's management.

COMMUNITY

Community Investment

The Group always seeks to be a positive force in the communities in which it operates and maintain close communications and interactions with the communities in order to contribute to local development.

The Group believes that the creation of a peaceful community relies on the cooperation of people, corporations and the government. By working together with various community partners, the Group believes can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage staff to volunteer their time and skills to benefit local communities. It gives employees the opportunities to find out more about the issues of the society and environment and reinforce the Group's corporate values.