



TK NEW ENERGY

Tonking New Energy Group Holdings Limited

同景新能源集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8326)

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT
2016 / 2017**



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SUMMARY AND SCOPE OF REPORT

Tonking New Energy Group Holdings Limited and its subsidiaries (“Tonking New Energy” or the “Group”) strives to enhance the transparency of the Group in respect of environment and social influence. The Board of Directors is pleased to present the Environmental, Social and Governance Report (the “Report”) for the year ended 31 March 2017. The Report is prepared based on the “Environmental, Social and Governance Reporting Guide” set forth in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited.

The existing business of the Group includes food and beverages business and renewable energy business. The Group commenced renewable energy business to seize the opportunities created by the growing demand of renewable energy in China in the fourth quarter of 2015. During the reporting year, the Group continued to actively develop renewable energy business segment into its pillar business. Steady development has been achieved and positive contribution has been made to the revenue of the Group by this business segment since its commencement. In order to be in line with the Group’s global development strategy, the Group will endeavour to devote more resources to expanding its renewable energy business in the future and make it as a major disclosure of the Report.

The Group strives to foster sustainable development and undertake corporate social responsibility. Therefore, while the Group actively develops and seeks opportunities, it also takes into consideration factors including environment, society and ethics so as to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group also places importance on creating positive relationships with its stakeholders (including but not limited to customers, investors, shareholders, suppliers, employees and other organisations) through understanding and addressing their expectations. The Group will therefore continue to maintain close communications with each stakeholder to satisfy expectations and demands from various stakeholders.

In the course of preparing the Report, the Group conducted thorough review and assessment towards its existing environmental and social policies with aims to achieve better performance in aspects of environment, social, corporate governance and operation in the future and make more contributions to the communities where it operates.

In order to achieve sustainable development, the Group has adopted the following strategies:

1. achieving environmental sustainability;
2. respecting human rights and community culture;
3. maintaining communications with stakeholders;
4. supporting employees and providing a friendly working environment;
5. sustaining local community development; and
6. strengthening our commitment to customers.

The Report was approved by the Board of Directors on 29 September 2017.



FEEDBACK AND OPINION

For details of the financial performance and corporate governance of the Group during the reporting year, please visit the Group's website at www.tonkinggroup.com.hk and read its annual report. The Group also values your feedback and opinion about its sustainable performance.

You are welcome to submit any advice or comment on the content and form of the Report by sending emails to info@tonkinggroup.com.hk.

ON STAKEHOLDERS

Stakeholders	Possible incidental issues	Communication and response
Hong Kong Stock Exchange	Compliance with the Listing Rules, publishing of announcements in a timely and accurate manner	Meetings, trainings, seminars, programmes, updating of website and announcements
Governments	Compliance with laws and regulations, social welfare and prevention of tax evasion	Interactions and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, supply stability	On-site research
Investors	Corporate governance system, business strategies and performance, investment return	Holding and participation of conferences, visits and interviews, general meetings, provision of financial reports or business updates for investors, press and analysts
Media	Corporate governance, environmental protection and human rights	Posting of communications on the company website
Customers	Product/service quality, fair and reasonable pricing, value of service, protection for the labour force and work safety	Site visits and after-sale services
Employees	Rights and benefits, employee salaries, training and development, working hours, working environment	Conducting team activities, trainings, interviews, issue of staff manual and internal memorandum
Community	Environmental, employment and community development, social welfare	Organising community activities, employees volunteering activities and community welfare, sponsorship and donations



A. ENVIRONMENTAL

Overview

Currently, the problem of global environmental pollution is getting worse, and the environmental protection has gradually attracted the attention and emphasis from the society. The Group strives to promote the environmental protection and sustainable development with focus on the solar photovoltaic business in terms of the renewable energy business. The use of solar energy as the clean and renewable energy for power generation can effectively reduce the emission of carbon dioxide, and mitigate the greenhouse effect.

Firstly, the solar photovoltaic power generation can effectively reduce the consumption of non-renewable energy (such as fossil fuel). With the excessive development of petroleum and coal, there is less and less non-renewable energy reserve, and the country is faced with great pressure of energy exhaustion. According to the Renewable Energy Law of People's Republic of China (《中華人民共和國可再生能源法》), China encourages and supports the power generation with non-fossil energy such as wind energy, solar energy, hydroenergy, biomass energy and ocean energy. The development and use of solar energy resources not only comply with the national policies on the environmental protection and energy conservation, but also contribute to reduce the emission of greenhouse gas (such as carbon dioxide), mitigate the greenhouse effect and global warming and provide a green and eco-friendly living environment, creating sound living conditions for the public.

Secondly, the solar energy is a kind of inexhaustible clean and renewable energy with unique advantages and huge development potential. The full use of solar energy is conducive to the energy conservation, emission reduction, environmental protection and local economy, as well as sustainable development of global energy.



Business

The principal renewable energy business of the Group is the sales, engineering design and installation of solar photovoltaic products. The Group is also equipped with relevant machinery and equipment for the processing of solar mounting brackets in response to customer demands. However, the processing mainly includes mounting bracket punching, which is not complicated, and will not produce any industrial waste water or gas, therefore, the operation of the Group will have slight adverse impacts on the environment. In terms of laws and regulations concerning the environment, the Group abides by relevant laws and regulations such as the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Atmosphere (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》).

The Group is well aware of the significance of the environmental protection to the society, and strives to promote the green industry, and popularize the solar photovoltaic business, in order to make contributions to the environmental protection. It will continue to strictly abide by relevant environmental requirements, and take various environmental protection measures in the ordinary and usual course of business to effectively reduce the adverse impacts on the environment. It also encourages employees to promote the environmental protection to reduce the consumption of resources and adhere to the recycling principle, in order to guarantee the balance between the business development and environmental protection.

Compliance and Penalties

The Group was not aware of any non-compliance or penalties in respect of environmental laws and regulations during the reporting year.



A1. EMISSIONS

Since the current operation of the Group does not have significant adverse impacts on the environment, the Group does not have any related policies on waste air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

The greenhouse gas emission of the Group was mainly attributable to the purchased electricity used in offices and processing plants.

At present, the business of the Group does not involve in direct production, therefore, the Group produces limited industrial waste and waste water during the daily operation. Although the Group has production workshops to process the solar photovoltaic mounting brackets, as mentioned in the business section above, the procedure is not complicated, and only generates a little harmless waste such as steel scrap and metal scrap during the punching process.

The Group has several vehicles, which are mainly used for the transportation of engineering materials. The Group also has a staff canteen to provide meals for more than ten employees. Considering that the size of the fleet is small and the Group does not have many employees, there is not much waste gas emission during the transportation and cooking, thus would not have significant impacts on the environment.

The harmless solid waste produced in offices mainly includes paper and domestic sewage.



In order to reduce the adverse impact on the environment, the Group has formulated a series of environmental protection measures and purchased suitable equipment. Relevant measures are as follows:

1. **Waste gas management:** The Group has installed gas collection device on the cookers in the canteen to collect the oil, smoke and waste gas produced during the cooking; and oil fume purifier is equipped to treat the oil, smoke and waste gas and reduce the emission of waste gas.
2. **Waste water management:** The domestic sewage produced in the canteen is discharged into the sewage pipeline and transported to the designated sewage treatment plant for treatment.
3. **Solid waste management:** The Group properly collects and stores the waste produced in the processing, and resells to proper units for comprehensive treatment. In addition, other waste produced by the Group during daily operation will be uniformly collected and removed by the personnel of the competent environmental health authority.



A2. USE OF RESOURCES

Main resources used by the Group include electricity and water.

Electricity is mainly used to maintain the operation of the production equipment, lighting, air-conditioning system, computer and other office equipment in the production plant and office of the Group. In order to reduce the consumption of electricity, the Group adopts energy-saving electric machinery during the production, and turns off the unnecessary lighting system and electrical equipment, in order to save electricity. It also reduces the waste of resources due to non-conforming products by strengthening the supervision of processing and enhancing the percent of pass of products.

In terms of the consumption of water resources, the Group does not have any water consumption in the processing or installation projects. In order to lessen the impact on the natural environment, the Group urges its staffs to save water and reduce unnecessary waste, e.g. make sure water taps are properly turned off after use.

Meanwhile, in a bid to avoid unnecessary waste of paper and advocate the efficiency of paper usage, the Group encourages its staffs to use electronic documents in place of copied documents for internal or external communication during daily operations and reduce the consumption of paper accordingly. In case of need for printing, the Group would use double-sided printing or used environment-friendly paper for printing.



A3. ENVIRONMENT AND NATURAL RESOURCES

The Group emphasizes the impact of the business of the Group on the environment and natural resources.

In addition to abiding by relevant laws and regulations concerning environment and properly protecting the natural environment, the Group also integrates the environmental protection concept into the internal management. As mentioned above, the Group has taken various environmental protection and energy-saving measures during the daily operation to conduct effective management of the emission of waste gas, waste water and solid waste. With regard to the noise management, the Group also tries to use the low-noise equipment in the production plant to reduce the emissions of noise. If any high-noise equipment used as necessary, the Group would put the crash pad at the bottom of the equipment to reduce the noise.

The Group has obtained the ISO14001:2004 Environmental Management System Certification Certificate (《環境管理體系認證證書》), which formulates and implements the relevant environment-related policies and objectives.

In order to further enhance the environmental consciousness of the enterprise and cultivate the environmental protection culture, the Group will regularly review and improve its business operation mode and evaluate its environment and natural resource policies to seek for making more contribution to the communities where it operates in more effective modes including implementing more energy-saving measures.



B. SOCIAL

The Group regards talents as the most precious assets. It strives to offer the employees with a safe and comfortable working environment and related trainings, and build a cooperative and friendly working environment with its staffs. In addition, the Group provides a comprehensive and competitive remuneration package and benefits to attract talents and retain employees with outstanding performance.

B1. EMPLOYMENT

The Group strictly abides by relevant Chinese laws and regulations concerning labour, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and etc.

The Group has formulated the Staff Handbook (《員工手冊》) and Human Resource Management System (《人力資源管理制度》) in accordance with relevant labour laws and regulations, covering aspects of human resource policies and working conditions, such as recruitment and promotion procedures, dismissal procedures, training, performance assessment, remuneration and benefit, working hours, vacations and other holidays (including marriage leave, compassionate leave and maternity leave) and etc.

The Group attaches importance to employees and strives to offer equal opportunities for employees with different backgrounds. It recruits and promotes employees based on the performance of employees following the principle of openness, fairness and justice, regardless of the skin colour, descent, race, gender, age, nationality and religion, etc. All the candidates and existing employees of the Group are entitled to equal opportunities and fair treatment. The Group values the diversified backgrounds of employees, and welcomes talents with different characteristics joining the Group to make contributions to the Group. In addition, with emphasis on the rest hours of employees, the Group adopts the working system of five days per week and eight hours per day. If there is any need for overtime work, the Group provides relevant remuneration or arranges the leave in lieu for employees according to national regulations. The Group also entitles its employees to due public holidays (including national statutory holidays) and other holidays, as well as reasonable remuneration, five social insurances and one housing fund, various allowances (such as communication expenses and meal fees) and year-end bonuses in accordance with national regulations. When employees resign, the Human Resource Department of the Group will calculate the salary for employees who will determine the final salary, and handle relevant resignation procedures.



The Group deems that employees are the foundation of the Group, and the enterprise achievements and progress shall be attributed to the concerted efforts of all employees. Therefore, the Group will make unremitting efforts to evaluate the internal mechanism, and share its achievements with employees by means of performance incentive, training and promotion.

During the reporting year, the Group strictly abided by relevant Chinese laws and regulations concerning labour.



B2. HEALTH AND SAFETY

The Group attaches importance to employees' health and safety, and strictly abides by relevant laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》).

The Group aims to create and provide a safe, healthy and comfortable working environment for employees, and has formulated the guidance for occupational health and safety entitled Occupational Health and Safety Management Manual (《職業健康安全手冊》) to guarantee the physical and mental health of employees and reduce accidents occurred at workplaces. The Group has obtained the OHSAS18001:2007 Occupational Health and Safety Management System Certification Certificate (《職業健康安全管理体系認證證書》). Safe operation rules are strictly implemented to reduce and prevent the death or losses of property and time due to accidents.

For instance, the Group offers on-the-job training and safety education and guidance for newly recruited employees in order to enable them to effectively perform the job responsibilities and obtain necessary knowledge and skills. Employees are allowed to work at the post only when they pass the appraisal, and those at special posts (such as electricians and welders) are required to obtain corresponding professional qualifications and receive relevant specialized training. The Group will also continuously arrange the occupational health and safety training for employees, in a bid to enhance the technological level of employees, guarantee the production safety, and prevent the industrial accidents.



The installation of most photovoltaic equipment and accessories of the Group can be easily carried out without using complicated or large-scale equipment. The Group will entrust contractors with the engineering using large-scale equipment. Upon commencement of construction, the Group will continuously arrange safety management staff to conduct on-site supervision and offer guidance. Employees are required to wear suitable labour protective articles (such as safety helmet).

In terms of health guarantee, the Group has made contribution to social insurances (including medical insurance, work-related insurance, maternity insurance and etc.) for employees in accordance with local and national laws and regulations. Employees are also entitled to multifaceted physical examinations at the designated hospital or physical examination centres every two years, which can effectively guarantee the occupational safety and health of employees.

During the reporting year, the Group did not record injuries or deaths of employees at work.



B3. DEVELOPMENT AND TRAINING

The Group emphasizes talent training, and deeply believes that the technology and experience of employees are important elements for the long-term development of the Group. Therefore, the Group has formulated the Human Resource Management System (《人力資源管理制度》) and Staff Handbook (《員工手冊》) covering training objectives, plans and management, and tried to enhance the performance of employees through effective training, tutorship and on-the-job development.

The training of the Group is mainly divided into internal training and external training. Necessary internal training is provided for relevant operation posts in response to the development demands of the enterprise. The training contents include orientation training for newly recruited employees, on-the-job training for each department, technical operation, safety knowledge, etc., which can help employees quickly adapt to the operation of the Group. For instance, the Group arranges the training concerning photovoltaic mounting brackets and electric knowledge for the Purchase Department, educates the Project Development Department on basic procedures and links of the power station construction, and offers training courses related to financial management, fund management and tax regulations for the Financial Department.

The Group also engages external training tutors to offer specialized training for technical talents at the technical posts and special types of work.

In addition, the Group encourages manager of each department to recommend employees with development potential to participate external training and advanced study program according to work requirement, so as to further improve working skills and professional knowledge of employees. Necessary funds will be provided by the Group according to the relevance between training contents and knowledge required for relevant posts.

B4. LABOUR STANDARDS

All the employees shall reach the statutory age of local requirements in strict accordance with relevant provisions in the Labour Law. Those who do not reach the statutory age or do not have identity certificate will not be employed by the Group.

The Group has strict requirements on the employee selection and has formulated a set of strict screening and recruitment procedures to avoid employment of child labourers or forced labourers. According to the Human Resource Management System (《人力資源管理制度》), the Group requires that the applicants shall provide the identity certificate and academic diploma, which will be verified by the HR Department to guarantee that employees are qualified to be employed. The Group will immediately terminate the contract with the employee when it finds out that employee provides false information.

Besides, if the Group finds out that any employee employs child labourer or forced labourer in violation against rules, it will dismiss the employee, find out the person in charge, and impose proper punishments.

During the reporting year, the Group did not record any incident of child labour or forced labour.





B5. SUPPLY CHAIN MANAGEMENT

The Group has strict requirements on the selection of suppliers, and has formulated the written policy and guidance entitled Supplier Management System (《供應商管理制度》), in a bid to enhance the management of supply chain and social risks, and standardize the supplier management procedures.

During the selection of potential suppliers, the Purchase Department firstly conducts preliminary assessment of candidate suppliers to understand their enterprise data, product quality, supply capability, quality management, environmental protection and aftersales service; and then asks suppliers to provide material samples, which will undergo the quality testing by the Quality Department or Technology R&D Department. Under normal circumstances, suppliers will be recognized after their samples pass the inspection. The Quality Department, Technology R&D Department and Purchase Department will form a supplier investigation team when necessary to conduct on-site investigation of suppliers and submit supplier investigation reports. Newly increased suppliers will be included into the list of recognized suppliers upon joint review by the Purchase Department, Quality Department and Technology R&D Department.

In addition, the Group strictly monitors the performance of suppliers, and appraises the recognized suppliers on an annual basis, in order to guarantee the quality of goods supplied by suppliers. The appraisal standards include the quality, date of delivery, price, service quality, etc. The Group will ask the suppliers that fail to reach the standards of the Group to make rectification, and continue to make purchase from the suppliers upon completion of corresponding corrective measures.

B6. PRODUCT RESPONSIBILITY



It is deeply believed that good product quality is of vital importance to the sustainable development of the Group, and is key to the success of the Group. Therefore, the Group has always been strictly monitoring the product quality, in order to guarantee that the product quality can satisfy customers' requirements.

The Group has formulated the Product Quality Inspection Process (《產品質量檢測過程》) in accordance with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) to standardize the product quality inspection procedures. For example, the Quality Department will carry out quality test before warehousing the purchased raw materials. Raw materials that pass the inspection will be warehoused; and those fail to pass the inspection will be handled according to the appraisal results. As for the processing entrusted with suppliers, the Company will appoint the Quality Inspector to carry out quality monitoring during the processing by suppliers, so as to guarantee the product safety and prevent the adverse impacts on the health of customers.



Besides, the Group strictly abides by the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the Construction Law of the People's Republic of China (《中華人民共和國建築法》) and other relevant laws and regulations in the process of installation project. To ensure project quality, the Group continuously monitors the quality of its projects, appoints designated inspectors to carry out detection in each phase of our works, formulates rectification plans and makes relevant rectification in case of any problems, in order to guarantee the project quality can satisfy relevant requirements. The Group will appoint technicians to carry out system debugging before the project is handed over to our customer, and issue an Inspection Report (《驗收報告單》) to the customer for confirmation with signatures.

Till the present, the Group has not published any advertisements for its products. Upon receipt of complaints on product quality, date of delivery and service from customers, the Marketing Department firstly analyzes the complaint, and then pass on the complaint to relevant department for investigation and follow-up. When handling customer complaints, the Marketing Department will keep close communication and contact with customers, and follow up the implementation and result of the rectification plan with relevant department on a regular basis, in order to guarantee the customer complaints can be effectively handled.

During the reporting year, the Group did not recall any products for safety and health reasons.

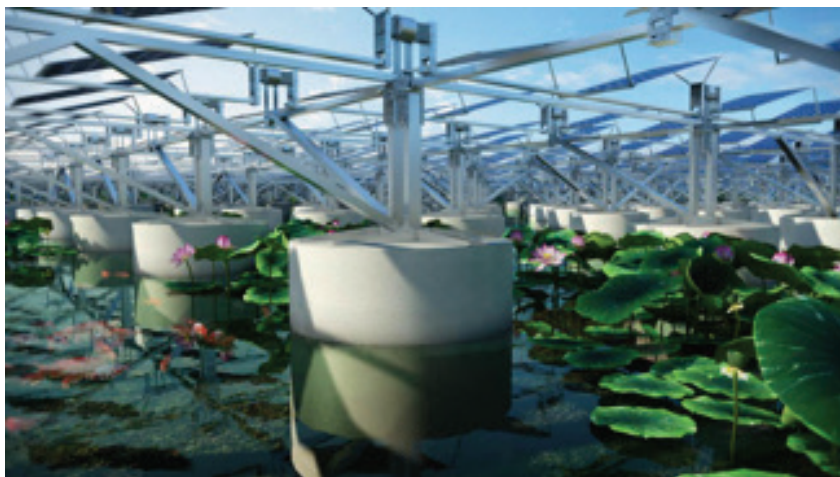
Protection of Intellectual Property Rights

The Group has applied for several patents for its the photovoltaic tracking system technology to protect the technology researched and developed by the Group. The R&D Department of the Group is responsible for patent application. It has formulated a set of procedures for patent application. The Group has also formulated a Patent Summary Sheet (《專利匯總表》) to record the patents obtained, current status and annual fees of the relevant patents of the Company. The Group's cooperating law firm will also assist it to monitor issues in relation to patent renewal and payment of fees, etc.

Furthermore, for the purpose of preventing the technologies researched and developed by the Group from being used without authorization or improperly used, the Group has entered into confidentiality agreement with its employees, and formulated the Staff Handbook (《員工手冊》), stipulating that employees shall fulfil confidentiality responsibilities and may not divulge any confidential information (such as technology researched and developed) of the Group to any third party without permission. In addition, the Group strictly forbids R&D staffs to take away any technologies researched and developed when they leave office by such means as deleting the computer accounts of relevant R&D staffs, so as to prevent the data of the Group from being divulged.

During the reporting year, the Group did not identify any infringements or unauthorized use of our patents.





Privacy

The Group highly recognizes the importance of personal data to business and personal privacy. Therefore, designated personnel of the Marketing Department have been appointed to be responsible for the updating and maintenance of customer information of the Group, in order to protect the privacy of consumers. Other persons are strictly forbidden to copy or back up customer data without permission. Prior consent and acknowledgement from customers shall be required when it is necessary for relevant staffs of the Group to provide such customer data in the external exchange and cooperation.



B7. ANTI-CORRUPTION

The Group highly values the specialty and integrity of employees. It strives to adopt good business moral standards, and follow the concept of good faith, fairness and justice.

The Group strictly abides by the Criminal Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國刑法》) and prohibits any corruption, defraud, money laundering, bribery or blackmail (《中華人民共和國反不正當競爭法》).

To cultivate a clean and efficient working atmosphere, the Group has formulated the Anti-Corruption and Self-Discipline Management System (《公司廉潔自律管理制度》) and Staff Handbook (《員工手冊》), which standardizes the employees' behaviour and specifies the procedures for handling gifts received by employees. For example, if an employee receives a gift at work from an external unit, he shall hand over the gift to the Administration Department for treatment within three working days. In addition, employees shall sign the Letter of Commitment of Anti-Corruption and Self-Discipline (《員工廉潔自律承諾書》), covenanting that they will respect justice and abide by relevant laws, and will not seek for improper interests by taking advantage of the duty or power.

The Group has established good communication channels with employees. If employees find out or suspect corruption or immoral behaviour, they may report via the complaint box established by the Group. The Group will carry out investigation and verification according to report contents, and handle according to actual situations.

During the reporting year, the Group was not involved in any lawsuits related to bribery, blackmail, defraud or money laundering.

B8. COMMUNITY INVESTMENT

At present, the Group has not formulated any policies on community investment. However, the Group is deeply aware of the significance of contributions to the society. Therefore, it makes great endeavour to provide occupational development opportunities for local people, enhance the social and economic development, and recruits employees with the remuneration package consistent with the market, so as to share the operation achievements with local residents.

Adhering to the corporate concept of "create and share together with Tonking", the Group will greatly develop the photovoltaic industry based on its technological innovation advantages, and integrate the environmental and social factors into the investment decision-making and operation management with reference to the best practice of the industry and the environmental, social and governance standards recognized in Hong Kong.

