

Wan Cheng Metal Packaging Company Limited
萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8291

2018
ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
REPORT

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

Wan Cheng Metal Packaging Company Limited (the “Company” or “Wan Cheng”) and its subsidiaries (collectively, the “Group”, “we”, “us” or “our”) are pleased to present its Environmental, Social and Governance (“ESG”) Report for the year ended 31 December 2018 (the “Reporting Period”). This report was prepared with reference to and in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 20 of the GEM Board Listing Rules of the Stock Exchange of Hong Kong Limited.

The Group derives its revenue principally from the sale of tinplate packaging semi-finished and finished products in the PRC. The business process involves procurement of raw material such as the raw materials mainly include tinplate coils, tinplate sheets and laminated and printed tinplate sheets. Manufacturing process included cutting and assembling, and with customer mainly comprises paint and coatings suppliers and other manufacturers of packaging products. The Group owns and operates a factory located in Foshan, Guangdong Province. The production lines are equipped with a variety of machinery and equipment to cater for different stages of the production process. The major machinery and equipment for production of tinplate packaging products include cutting machine, extrusion machine, welding machine, flanging machine and seaming machine.

The Group attaches great importance to our relationship with the stakeholders, and expects to strengthen its communication with stakeholders, which not only enable stakeholders to understand the progress achieved and the plans made by the Group in sustainable development but also enable the Group to learn and understand the opinion from different stakeholders. Sustainability aspects of the operation have been given due consideration by the Group.

This report aims at providing a detailed account of the Group’s effort, policy standing and contribution towards the Group’s sustainability performance for the year ended 31 December 2018. This report has been prepared to address two subject areas, each of both addressed aspects that were considered to be relevant and material to the Group.

ENVIRONMENTAL ASPECTS

EMISSIONS

The Group is engaged in manufacturing and sales of various tinplate components and products including tin cans and steel pails, which are generally used for storing paint and coatings. Throughout the manufacturing process, the relevant emissions include noises, certain VOC when plastic was employed, and moderate amount of smoke from welding, all of which the Group endeavor to manage and control.

As a law-abiding corporation, the Group pays close attention to the current and developing laws and regulations that are deemed relevant to the Group. Management believes that, for the current financial year, the Group has complied with applicable environmental laws and regulations, specifically the applicable section of Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》, the Environmental Impact Assessment Law of the People’s Republic of China 《中華人民共和國環境影響評價法》, Prevention and Control of Atmospheric Pollution Law of the People’s Republic of China 《中華人民共和國大氣污染防治法》 and Urban drainage and sewage treatment regulations 《城鎮排水與污水處理條例》 and the Prevention and Control of Environmental Noise Pollution of the People’s Republic of China 《中華人民共和國環境雜訊污染防治法》.

Environmental, Social and Governance Report (Continued)

Carbon dioxide

Majority of the machinery employed in the tinsplate handling process could be considered as small to medium-sized machines, emission therefore isn't substantial. Management of the Group consider that emission from the logistics involved in the delivery of the products as the major source of greenhouse gas emission. Nevertheless, during the manufacturing process, the Group would consume electricity for lighting the manufacturing operation and powering the equipment and machinery. Carbon dioxide or greenhouse gas would be indirectly produced when the Group consumes electricity. For measures to address emission from logistic, please refer to subsequent sections of this report.

The main air pollutant emissions generated by the Group's vehicles are as follows:

Vehicle exhaust emissions	Emissions during the Reporting Period	Unit
Nitrogen oxide (NOx) emissions	91,975	g
Sulfur oxide (SOx) emissions	157	g
Particulate matter (PM) emissions	9,075	g

The main source of the Group's greenhouse gas emissions is derived from direct emission from the mobile combustion sources ("Scope 1"), indirect emission from acquired electricity emissions ("Scope 2") and other indirect emissions from water consumption and paper usage ("Scope 3"). The total greenhouse gases emissions from Scope 1, Scope 2 and Scope 3 for the year ended 31 December 2018 were 25,301 kg, 1,319,750 kg and 17,669 kg respectively.

Waste Management

The management considers that the tinsplate products feature an environmentally friendly production process due to the lower Emission of VOCs during the production process compared with water-based paint and coatings (generally has low volatile organic compounds). Furthermore, Tinsplate is (i) environmentally-friendly as it is naturally decomposable and therefore brings minimum pollution to the environment; and (ii) easily recyclable as it is attracted to magnet, allowing quick and easy separation from other disposables in the recycling process.

For the year ended 31 December 2018, the Group produced hazardous waste during operation and the hazardous waste were mainly used oil of machine and waste activated carbon. The total weight of used oil of machines was 10 kg and waste activated carbon was 45 kg.

The Group would produce some non-hazardous waste such as waste raw materials, waste products and other wastes during the manufacturing process. The total non-hazardous waste includes 300 tons waste raw materials and products; 0.7 tons of waste barrels, towels and gloves. The above environmental wastes, which would pollute the land, would be disposed of by the Group to an independent qualified waste collection and disposal services provider.

Noise management

The Group considered noise pollution issues when choosing the factory area and the Group chose an operation area which is far away from the residential areas. The Group strictly follows emission standard for industrial enterprises noise at boundary 《工業企業廠界噪聲標準》.

Environmental, Social and Governance Report (Continued)

USE OF RESOURCES

Energy and water consumption

The resources that the Group used consist of water consumption, electricity and raw materials. The main ingredients of the materials used contain tinplate. The management has established the following policies for the efficient use of resources during production to reduce wastes:

- optimize schedule of production for a more efficient energy consumption in the manufacturing;
- reduce the usage of raw materials; and
- reduce consumption of electricity such as limiting the usage for lights and air conditioning.

The following consumption was recorded in the year ended 31 December 2018: electricity consumption of the Group was 1,577,328 kWh and electricity consumption intensity was approximately 0.11 kWh per product. Water consumption of the Group were 34,695 m³ and water consumption intensity was approximately 0.0026 m³ per product.

The Company tries to use the least basic packaging materials to pack the products, mainly to facilitate the transportation and maintain the product quality. The total package used were packaging rope 5,156 kg, packing tape 754 rolls, sealing adhesive tape 5,870 rolls, stretch film 27,536 kg and 2,200 cartons boxes.

Also, total annual output of the Group were over 13.4 million tinplate products in 2018. The Group produced about 5.5 million square tinplate products (方罐), 5.5 million circle tinplate products (圓罐) and 2.4 million fancy tinplate products (花蘭桶) for the year ended 31 December 2018.

THE ENVIRONMENT AND NATURAL RESOURCES

Measures in reducing environmental impact

The factory at No. 3 Huada Road, Bianjiao Juweihui, Ronggui Jiedao Banshichu, Shunde District, Foshan City, Guangdong Province, the PRC (the "Foshan Factory") is strategically located in proximity to the largest customer at Foshan, which is a major transportation hub in Guangdong Province since all the major highways in Guangdong Province have ramps within the 50 km-radius zones of Foshan. As the transportation logistics with the suppliers, the subcontractors and the customers are conducted on the road, the strategic location of the Foshan Factory generally enables us to respond quickly to the customers' requirements and facilitates the expansion of the customer base in Guangdong Province.

The production of tinplate products has less impact to environment compared to water-based paint and coatings products. However, for further reduction on the environmental impact and use of natural resources, the Group would continue to make assessment for better alternatives for the use of raw materials that provide similar or better qualities. Meanwhile, the Group's policy objective is to maintain the balance between operational efficiency and resource consumption. It would allow the Group to have better production without overuse of resources.

Environmental, Social and Governance Report (Continued)

SOCIAL ASPECTS

EMPLOYMENT

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, color, sexual orientation, disability or marital status to increase employee satisfaction. To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People’s Republic of China 《中華人民共和國勞動法》, Labour Contract Law of People’s Republic of China 《中華人民共和國勞動合同法》 and other relevant laws and regulations. The Group provides equal opportunity for people and the Group welcomes people to join the Group as long as they are keen to learn and participate.

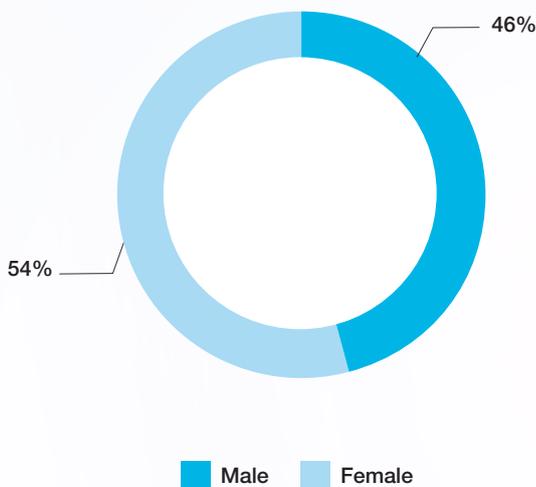
Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

The Group participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for the employees in Hong Kong. In the PRC, The Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC 《中華人民共和國社會保險法》.

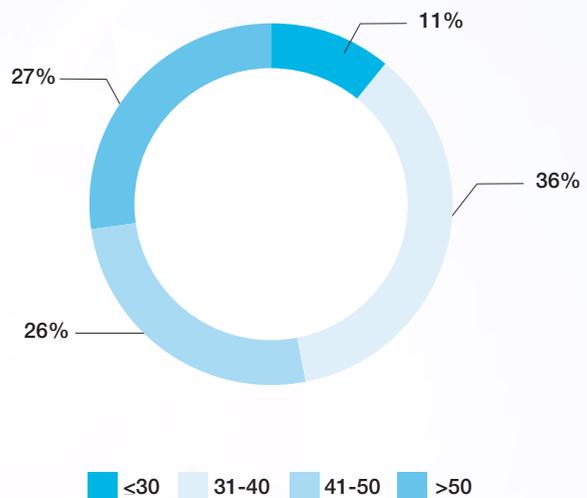
The Group has a staff handbook which sets out the responsibilities of the staff, the code of conduct for them, and safety and hygiene requirements in the production site. Social activities such as annual dinner, team building and other social events are organized for employees to participate to increase their work-life balance and enhance the relationship with employees. Accommodation and meals are also provided for the employees.

Finally, the Group has been providing more employees’ welfare and benefits in a bid to retain an optimal workforce. The following charts below show the turnover of the staffs by age and by gender.

Number of employee by Gender



Number of employee by Age



Environmental, Social and Governance Report (Continued)

HEALTH AND SAFETY

The Group provide safety education and training to employees and have in place safety guidelines and operating manuals for the production process. The Group also provide employees with training programmes on work safety in connection with matters such as the operation of the equipment with a view to enhancing the occupational safety and to minimizing the possibility of work-related accidents and injuries such as occupational illness. The Group has established a policy in recording and handling accidents. Upon occurrence of accidents, the staff will report to the relevant sub-team head to handle the case. The relevant sub-team head will prepare a report detailing the accidents and submit to human resources department and production department to carry out investigation. Human resources department will assess the impact of the accidents and consider appropriate measures to improve occupational safety.

Workplace health and safety

To provide a safe and comfortable working environment, the Group has complied with the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 and the Law of the PRC on the Safety of Special Equipment 《中華人民共和國特種設備安全法》 of occupational safety and health and other applicable regulations. Workplace is equipped with fire and safety equipment to prevent outbreak of fire accident and the validity of the fire facilities have been regularly checked.

During the Reporting Period, there was no record of work-related fatalities. Total lost days due to work injury was 99 days in total and the rate of work injury was 0.18 percent. The Group uses the staff handbook and policy to enhance staff awareness on safety. The staff handbook also included sufficient policies on safety and staffs are asked to follow the safety instruction.

Production safety

The operation of Foshan City Shunde Wancheng Metal Packaging Company Limited ("Wancheng Shunde") shall be in compliance with PRC production safety laws and regulations. The Production Safety Law of the PRC 《中華人民共和國安全生產法》 (the "Production Safety Law") under the State Administration of Work Safety 《國家安全生產監督管理總局》 provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property. During the Reporting Period, the Group strive to comply with the Production Safety Law.

DEVELOPMENT AND TRAINING

Employee development and training

The newly recruited employees are required to attend a safety training course so that they can get familiar with the safety standards which they are required to meet during the production process and the operation of the production facilities. The Group also provide regular in-house safety education and training to the employees or recommend them to attend the trainings held by outside authorities relating to the operation of production facilities, fire safety and work safety. The Group generally recruit the workforce through posting recruitment advertisements outside the Foshan Factory.

Environmental, Social and Governance Report (Continued)

LABOUR STANDARDS

Child labor and forced labor

The management would not recruit minors or forced labor for the Group's operation. Management of the Group believes that the Group comply with Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》 and any individuals under legal working age and individuals without any identification documents are disqualified from employment.

SUPPLY CHAIN MANAGEMENT

One of the over-arching principles for the selection of supplier and sub-contractors is whether these parties take a similar stance in sustainability. The raw materials mainly include tinplate coils, tinplate sheets and laminated and printed tinplate sheets. Besides, there is a standard applicable to the production of raw materials by Wancheng Shunde's suppliers, namely the recommended national standard "Cold-reduced Electrolytic Tinplate GB/T 2520-2008" 《冷軋電鍍錫鋼板及鋼帶GB/T 2520-2008》, and a standard applicable to the printing of tinplate by Wancheng Shunde's suppliers, namely the recommended industrial standard "Tinplate Prints for the Packing and Decoration QB/T1877-1993" 《包裝裝潢鍍錫(鉻)薄鋼板印刷品QB/T 1877-1993》.

Procurement department will check the existing level in stock using the computer system to avoid over purchasing and accumulation of excess inventory. The Group selects raw materials suppliers concerning factors such as quality, delivery time, after-sales service and price. For The tinplate coil suppliers, the Group will conduct site visits to their facilities to inspect their operations and also consider their corporate background, reliability, reputation and proximity to the Foshan Factory. The Group has an approved list of suppliers.

The Group mainly engage subcontractors for the production processes of tinplate printing, tinplate scroll-cutting and tinplate laminating. The Group considers that these production processes require specific skill sets, machinery and equipment. The Group selects subcontractors with reference to factors such as price, proximity to the Foshan Factory, technical and manufacturing capabilities, capacity to complete orders on time, delivery reliability, ability to meet quality requirements, reputation and possession of relevant business license if required. The Group will conduct site visits to their factories to inspect their machinery and equipment.

To monitor the performance of the subcontractors, the Group visit their facilities and communicate with them regularly to supervise their processing quality. The Group conducts various tests on the laminated tinplate sheets and printed tinplate sheets received from the subcontractors.

Environmental, Social and Governance Report (Continued)

PRODUCT RESPONSIBILITY

The major products are tin cans and steel pails. According to the Standardisation Law of the PRC 《中華人民共和國標準化法》 (the “Standardisation Law”), of which the Group is required to and has been in compliance with. General Specifications included:

- “Transport Packages of Dangerous Goods GB 12463-2009” 《危險貨物運輸包裝通用技術條件GB 12463-2009》,
- “Packaging Containers – Tinplate Aerosol Can GB 13042-2008” 《包裝容器–鐵質氣霧罐GB 13042-2008》,
- “Packing Containers – Square Pail GB/T 17343-1998” 《包裝容器–方桶GB/T 17343-1998》,
- “Rules for the Inspection of Packaging for Export Dangerous Goods SN/T 0370.2-2009” 《出口危險貨物包裝檢驗規程SN/T 0370.2-2009》.

Product safety and quality

The Group places great emphasis on the quality of the products, and adopts quality control measures covering various aspects of the procurement and production operations. While certain of the tinplate packaging products are generally required under contract or by law to meet the applicable national standards (the PRC Standard GB/T 17343-1998 (in respect of certain tin cans), the PRC Standard GB/T 15170-2007 (in respect of certain steel pails), the PRC Standard GB 13042-2008 (in respect of certain aerosol cans) and the PRC Standard GB 12463-2009 (in respect of certain transport and packaging requirements), the Group also generally require the tinplate coil supplied by the suppliers to meet the applicable national standard (the PRC Standard GB/T 2520-2008), and the printed tinplate sheets and laminated tinplate sheets supplied by the subcontractors to meet applicable industrial standard (the PRC Standard QB/T 1877-1993) and the internal standard.

The production department is mainly responsible for devising production plans based on various factors, including the delivery dates and volumes of the products stipulated in customers’ orders, any monthly purchase plans provided by the customers, historical sales demands, the production capacity and the inventory levels, and ensuring the smooth operation of the production lines.

The Group is deeply aware of the importance of product quality and safety of its products. The Group has established policies to ensure that buyers are satisfied with its products. Procedures and systems are in place to give timely redress towards any dissatisfaction reported or discovered. During the Reporting Period, the Group did not have any record on compensating or refunding of any sales based on the quality of our products.

The Group complies with various PRC regulations to the operation of the business. For the year ended 31 December 2018, the Group did not have any product returned due to safety or health problems or any complaint received from customers. Customers’ data will also be kept in confidential in order to protect consumer data and privacy and be destroyed on a timely basis. Also, the Group has complied with the Product Quality Law of the People’s Republic of China 《中華人民共和國產品質量法》, the Standardisation Law of the People’s Republic of China 《中華人民共和國標準化法》, the Regulations of the PRC on the Administration of Production License for Industrial Products 《中華人民共和國工業產品生產許可證管理條例》, the Regulations on Safety Management of Hazardous Chemicals 《危險化學品安全管理條例》, the Regulations of the PRC on Road Transport 《中華人民共和國道路運輸條例》 and The Production Safety Law of the PRC 《中華人民共和國安全生產法》.

Environmental, Social and Governance Report (Continued)

Tinplate coil is the major raw material. The Group normally requires the suppliers to supply tinplate coil that meets the PRC Standard GB/T 2520-2008. The Group adopts conducts testing practices on tinplate coil in accordance with the Group's quality control manual. Testing procedures include: Vickers hardness tester (鎳氏硬度計); film impact tester machine (漆膜衝擊器) testing; for PVC handles and steel handles, the Group examine the tensile strength of the handles by a tensile tester machine (拉力儀). The tin cans and steel pails are generally subject to air pressure testing under a leakage detection machine (檢漏機). Tinplate packaging products which fail such tests (e.g. cans with pinholes or with cracks) are rejected. During the Reporting Period, unsatisfactory tinplate packaging products were sold to scrap metal recycling companies which are Independent Third Parties.

ANTI-CORRUPTION

Anti-corruption and money laundering

Management of the Group does not tolerate any corruption, fraud, money laundering, bribery and extortion to take place in the course of operation. Management of the Group believe that they had complied with relevant laws and regulations such as Criminal law of the People's Republic of China 《中華人民共和國刑法》 and the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》. For the year ended 31 December 2018, such events never happened in the Group. The Group maintains a code of business integrity and standard. A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group has policies on anti-money laundering and counter-terrorist financing and any suspicious transactions would be notified and reported to the relevant governing body by the responsible officer.

COMMUNITY INVESTMENT

Community involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- Assessment will be taken on how to give business activities to the interests of community; and
- The Group is committed to provide career opportunities to the locals and promote the development of the community's economy.