



GROUP SENSE (INTERNATIONAL) LIMITED

權智（國際）有限公司*

(Stock Code: 601)

**Environmental, Social and
Governance Report 2016**

* *For identification purpose only*

Table of Contents

Table of Contents.....	1
Introduction	2
A Environmental	
Aspect A1 Emissions	2
Aspect A2 Use of Resources.....	3
Aspect A3 The Environmental and Natural Resources.....	4
B Social	
Aspect B1 Employment	4
Aspect B2 Health and Safety	5
Aspect B3 Development and Training	5
Aspect B4 Labour Standards	6
Aspect B5 Supply Chain Management.....	6
Aspect B6 Product Responsibility	7
Aspect B7 Anti-Corruption.....	7
Aspect B8 Community Investment	8
Outlook	8

Introduction

Group Sense (International) Limited (“Group Sense” or “the Group”) is principally engaged in the business of investment holding. Certain of its subsidiaries are principally engaged in designing, manufacturing, and sales of original design manufacturing products, electronic dictionary products and personal communication products alongside the provision of electronic manufacturing services, while its magnesium products manufacturer in Xinjiang, Xinjiang Tengxiang Magnesium Products Co., Ltd. (hereinafter referred to as “Xinjiang Tengxiang”), is engaged in the business of producing and distributing magnesium products. In view that the magnesium business is the Group’s focal business in terms of future development, the scope of the report focuses on the business’s principal production base Xinjiang Tengxiang as the extent of disclosures under the “Environmental, Social and Governance Reporting Guide 2016”.

The scales of production of Xinjiang Tengxiang approved by China’s supervisory authorities are annual production capacities of 1,200,000 tonnes of semi-coke, 100,000 tonnes of magnesium alloy, and 100,000 tonnes of iron alloys. The annual production capacities of the current magnesium ingots and semi-coke production lines are 15,000 tonnes and 900,000 tonnes, respectively. Its production base in Xinjiang fully capitalizes on the local area’s rich coal, electricity, and energy resources to produce magnesium products. The Group is committed to the strict implementation of environment protection policies throughout the production process with a view to minimizing the impact on the surrounding environment and society.

Detailed description of each measure is set out in the report below.

This Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as specified in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report identifies and discloses material environmental and social impacts as well as environmental, social and governance (“Environmental, Social and Governance”) matters in relation to the Group’s business for the year ended 31 December 2016 (“the Reporting Period”).

In preparing the report, the Group has discussed with business partners, employees and other stakeholders in various circumstances with a view to consider and reflect their responses and opinions.

The aspects presented below are an elaboration of the operating practices in the main environmental, social, and governance subject areas.

A. Environmental

A1: Emissions

The Group’s factories are located at the Hami Heavy Industrial Park in Xinjiang Uygur Province. No residential community can be found in close proximity to the production base in Hami. The Group also has a series of environment management policies in place in an endeavor to minimize its impact on the surrounding communities’ environment.

The Group's management measures and operation guidelines with respect to an assortment of emissions are set out below:

Exhaust Emissions Management

The Group has taken active measures to reduce exhaust emissions. In October 2016, an additional set of dust removal machine was introduced to the production base in Xinjiang. In addition, by means of technological transformations and the implementation of enclosed conveyance, the application of dust control sprays, and the adoption of a dust removal system with pressure pulse mechanism to improve the efficiency of exhaust emissions filtering in compliance with the relevant requirements as specified in the local government's regulations.

Waste and Hazardous Substances Management

Solid residual waste generated by the production base in Xinjiang in the process of producing magnesium products is handled by local cement plants.

Waste Water Management

Industrial wastewater produced by the production base of the Group is recycled and reused by the production system after treatment, thereby achieving zero discharge of industrial wastewater. Due to the low precipitation in Xinjiang area, the collection and discharge of rainwater is in compliance with relevant local regulations and has no significant impact on the surrounding environment. Domestic wastewater produced by the production base, on the other hand, is collectively delivered to sewage treatment plants for disposal through the Hami Industrial Park's sewage pipe network.

Noise Management

Devices such as shock absorbing pads and acoustic panels are adopted for noise-generating equipment to effectively reduce noise and meet relevant requirements.

During the Reporting Period, no material instances of non-compliance concerning environmental laws and regulations are identified within the Group.

A2. Use of Resources

Use of Water Resources

The Group has adopted effective measures for use of water resources within the Group to maintain a sustainable energy use. To begin with, the Group has stepped up its promotion efforts, advocated "water conservation" within the company, strengthened the daily maintenance and management of water supply equipment, repaired damaged water supply network and facilities in a timely matter, performed regular examination and replacement of faucets, pipe valves, flush valves, water supply apparatuses with the aim to prevent the occurrences of wastefulness, prohibit situations of "ongoing running water", and drip and micro-spray irrigation is adopted for landscaping to achieve water conservation.

Besides, the Group has established responsible water conservation and incentive mechanisms to ensure that employees meet the annual water conservation targets; water conservation appliances that meet national standards are preferred whenever possible to enhance the efficiency of water conservation.

Use of Coal Resources

The Hami area, where our production base is located, possesses abundant premium quality coal resources at competitive prices. The Group only procures premium quality coal with low ash content, high volatility, low sulfur content, and high calorific value. Technical updates are applied to enhance coal combustion, reduce carbon content in ash residues as well as enhance the combustion and use rates of coals.

Use of Electrical Resources

The Group promotes the use of LED lights for all lighting in the company and has formulated an electrical energy conservation policy, cut back on the use of induction cookers, refrigerators and other high-power electrical appliances in office buildings and apartment buildings, encouraged the good habits of switching off the light when leaving the premise and setting air conditioning to 26 degrees Celsius. The production system is subject to energy consumption evaluation and assessment, backward equipment with higher electricity consumption are replaced, and electronic appliances with a variable-frequency drive as well as lower energy consumption equipment are preferred whenever possible; production indicators are perfected to reduce energy consumption per unit.

During the Reporting Period, no material instances of non-compliance concerning the use of resources are identified within the Group.

A3. Environment and Natural Resources

The Group places great emphasis on the impact of the production process on the environment and natural resources. As mentioned above, the Group has implemented a collection of emissions management measures such as installing and improving dust elimination facilities for exhaust emissions so as to ensure that the discharges meet certain standards. Solid waste is recycled and reused to minimize the impact on the surrounding natural environment.

B. Social

B1: Employment

In line with the rapid development of the Group's business, human resources management and the recruitment of talent are of particular importance to the Group. The Group regularly analyzes the existing remuneration system and incentive mechanism to optimize the remuneration structure and ensure employees' remuneration packages are on par with reasonable market rates and stay competitive. Meanwhile, the Group has been expanding recruitment channels, continuously enriching the pool of senior management candidates, stepping up systematic training for employees, providing employees with promotion opportunities, broadening their career prospects, and encouraging a good corporate culture.

Corporate human resources policy: the Group determines employees' remuneration packages based on the employees' performance, work experience and labor skills with reference to prevailing market conditions. Laborer's benefits for employees include annual leaves, the payment of workers' compensation, social insurance, provident funds, the distribution of labor protection supplies, refund of social security contributions, training subsidy, compensation for working under high temperature, and pre-employment health checkups. There are neither labor disputes that affect normal business operations nor material change in employee relationships within the Group.

Non-discriminatory and equal opportunities: the Group values employees' entitlement to equal employment opportunities and adheres to gender equality and ethnic equality in employee recruitment.

Trade Union: according to the All-China Federation of Trade Unions and the Xinjiang Uyghur Autonomous Region's regulations, corporates are required to set up trade unions and maintain the independence of trade unions.

During the Reporting Period, no material instances of non-compliance concerning the labor practice are identified within the Group.

B2: Health and Safety

The Group abides by relevant laws and regulations of the PRC government and is committed to formulating and implementing corporate's internal health and safety policies, continuously enhancing and endeavoring to improve employees' working conditions and living environment, and safeguarding employees' life and physical health. Wireless Internet and cable television have been installed at employees' work places and dormitory rooms for the purpose of effectively ensuring employees' work and living conditions are in compliance with the regulations concerning environmental safety and the prevention and control of occupational disorders.

During the Reporting Period, no material instances of non-compliance concerning health and safety laws and regulations are identified within the Group.

B3: Development and Training

The Group believes that providing training to personnel is a very important task for long-term corporate development. The Group regularly gives employees on-the-job training, provides training to employees at different positions and different job duties according to their relevant knowledge and skills, constantly enhances the quality of employees, assures that employees' professional skills, techniques, and knowledge keep up-to-date. Relevant training is arranged on a regular basis in compliance with the requirements of the "Safety Education and Training Management System" for corporates engaged in production. The training scheme encompasses:

1. Corporate development strategy planning and relevant corporate management system;
2. Basic knowledge of production techniques and procedures;
3. Procedures of, and professional skills for technical operations at work;

4. Safe production laws and regulations and contingency plans for safety-related accidents;
5. Occupational hazards and prevention;
6. Fire safety knowledge and contingency plan mock exercises;
7. On-the-job training for special operations staff and
8. Training and tests regarding the practical implementation of employees' skills.

The employee training scheme has effectively improved employees' professional skills, which in turn give stronger support to the Group's long-term business development.

B4: Labour Standards

The Group strictly abides by the laws and regulations of the PRC government and the Xinjiang Uyghur Autonomous Region, including the Labour Law and the Employment Contract Law. Employees at the production base in Xinjiang are recruited of their own accord, the staff induction process is carried out in line with corporate systems and procedures, no child labour is employed, and the age of all employees satisfies the requirements of local laws whereas the phenomena of forced labour do not exist.

During the Reporting Period, no material instances of non-compliance concerning the labour standards stipulated by relevant laws and regulations are identified within the Group.

B5: Supply Chain Management

Raw materials for magnesium production at the production base in Xinjiang were mainly procured from external sources. The Group has developed corresponding inspection, assessment and selection procedures for suppliers of raw materials. Upon receipt of bids from suppliers of raw materials, comprehensive analysis is performed by the Group with respect to product brands, quality, payment, schedule of delivery, reputation, and after-sales service, to determine the most appropriate product suppliers and ensure premium quality products at competitive prices are sourced following a thorough comparison of individual suppliers, consolidation of scores allocated to each attribute, and an elimination and selection process.

B6: Product Responsibility

Confronted with competition on the magnesium market, the Group believes that in an effort to sustain a certain level of competitiveness, product quality and after-sales service plays an important role in fortifying client relationships. A certificate of ISO 9001:2008 Quality Management System certification was awarded to the production of magnesium in Xinjiang. Premium products and after-sales service are delivered by the Group's customer service team.



During the Reporting Period, no material instances of non-compliance involving relevant product responsibility or product description regulations are identified within the Group.

B7: Anti-Corruption

The Group has developed internal anti-corruption ordinances and attaches importance to employees' personal integrity, prevents employee misconduct in terms of corruption, strictly abides by the "Interim Provisions on Prohibiting Commercial Bribery" 《關於禁止商業賄賂行為的暫行規定》, and advocates the code of honesty and integrity whereas employees are obligated to follow relevant guidance when performing all job duties within the Company and with external collaborative business partners. The "Responsibility Statement regarding the Establishment of a Clean and Honest Party by Non-State-Owned Economic Party Organizations (2017)" 《2017年非公有制經濟黨組織黨風廉政建設責任書》 was entered into between the party branch at The Group's production base in Xinjiang and the local party committee. Meanwhile, the "Code of Professional Conduct with Honesty and Integrity for Xinjiang Tengxiang Magnesium Products Co. Ltd." 《新疆騰翔鎂製品有限公司廉潔從業行為準則》 was formulated to educate management personnel and employees holding important positions on professional practices with honesty and integrity. An "Honesty, Integrity and Self-discipline Assurance Statement" 《廉潔自律承諾書》 was also signed.

During the Reporting Period, no material instances of non-compliance concerning corruption are identified within the Group.

B8: Community Investment

The Group believes that establishing a good relationship with communities in which it operates is a critical factor for successful corporate operations. The Group is keen to provide necessary support to the locale in which its production base is located, including giving aids to disadvantaged groups, giving priority to hiring local job applicants, participating in volunteer work, giving active support to public welfare undertakings in surrounding communities such as participating in local government and residents' culture exchange, and co-organizing arts and culture performances with the local government in an endeavor to enrich employees' cultural life.

Outlook

Given the growing attention to new eco-friendly materials across the globe, the lightweight alloy materials such as magnesium alloy are expected to achieve rapid growth in the coming years, in view of the national ardent support for new eco-friendly materials. The Group is committed to providing the market with premium quality magnesium products and contributing to the national energy conservation and emissions reduction development.

In the Environmental, Social and Governance Report 2017, the Group will give an in-depth report on key performance indicators and present the Group's results in fulfilling social and environmental obligations to shareholders and investors, along with continuing to make general disclosures in accordance with the "Environmental, Social and Governance Reporting Guide" as specified in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.