



稀镁科技
REMT

RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Stock Code: 601)

**Environmental, Social and
Governance Report 2017**

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Introduction

Rare Earth Magnesium Technology Group Holdings Limited (“REMT” or “the Group”, formerly known as Group Sense (International) Limited) is principally engaged in the business of producing and selling magnesium products. Another business is the production of electronic dictionary products and personal communication products alongside the provision of electronic products manufacturing and selling services (collectively known as “electronic business”). As at 3 July 2018, the Group announced that the Group has disposed the electronic business.

At the end of 2017, Century Sunshine Group Holdings Limited (“Century Sunshine”), the parent company of the Group, has completed the reorganization of magnesium business by which, the entire interest of Century Sunshine in its magnesium business has been transferred to and held by the Group. 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 as the extent of disclosures under the “Environmental, Social and Governance Reporting Guide 2017”.

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 2017 (“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 production bases are located at the Hami Industrial Park in Xinjiang and the Baishan Industrial Park in Jilin Province. The Group has a series of environment management policies in place in an endeavor to minimize its impact on the surrounding communities’ environment of production bases.

During the Reporting Period, the Group has complied with all of the related local environmental laws in countries in which we operate. The emission of particulates and sulphur dioxide (SO_x) are lower than the national standard of 150 mg/m³ and 400 mg/m³ respectively. During the Reporting Period, no material instances of non-compliance concerning environment are identified within the Group.

The Group has implemented a series of measures to reduce gas emission:

- 1) In an effort to reduce gas emission, rotary kilns are equipped with vertical preheaters to make full use of residual heat, reducing the temperature of emitted smoke and gas to below 200 degrees celsius. Vertical cooler is used to cool down the temperate of calcined dolomite, supplying hot air for the rotary kiln to increase combustion efficiencies and reduce energy consumption.
- 2) Regenerative combustion technology is adopted in refining furnaces and reduction furnaces. Heat accumulators are used for recovering and storing the heat from the exhaust gas of reduction furnaces, which induce explosive combustion of coal gas in furnaces to achieve energy saving and emission reduction.
- 3) Utilizing recirculatory water through reduction furnace for heating in winter and staff showering.
- 4) Reduced-voltage starting and variable frequency operation are adopted for certain motors.
- 5) Promotion, education and training of energy conservation have been strengthened.

Energy consumption of fuels and the emission of waste gases and greenhouse gases are reduced as well as staff's energy-saving awareness is increased as a result of the adoption of the aforementioned energy-saving and emission reduction measures.

Types of pollutants

During the production process, hazardous waste generated by the Group mainly is tar. Non-hazardous waste mainly includes solid waste, recycled dust and domestic waste. The treatment of hazardous and non-hazardous waste in 2017 is as follow:

Types of hazardous waste	Emission: tonnes	Treatment
Tar	700.0	Sales to the enterprises in nearby areas for integrated utilization
Types of non-hazardous waste	Emission: tonnes	Treatment
Solid waste	33,077.4	Sales to the enterprises in nearby areas for integrated utilization
Recycled dust	395.0	Sales to the enterprises in nearby areas for integrated utilization
Domestic waste	183.0	Centralized treatment by the environmental hygiene department on a regular basis

Treatment of hazardous and non-hazardous waste and emission reduction measures and achievements

The Group disposes hazardous and non-hazardous waste in strict accordance with the “Law on the Prevention and Control of Environmental Pollution by Solid Waste” of the PRC. Waste is temporarily stacked in designated places, sold to enterprises in nearby areas, or engaged qualified organizations for appropriate recycling and reuse.

Apart from the above waste treatment measures, the Group is also equipped with advance equipment to reduce the generation of hazardous waste. In addition, we procure quality coal for clean production in order to minimize hazardous and non-hazardous waste.

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

A2: Use of Resources

The operation and production of the Group mainly consume resources such as electricity, diesel oil, coal and water. During the production process, the Group endeavors to enhance the energy use efficiency and achieve comprehensive utilization, while gradually reducing energy consumption.

The energy and the packaging materials consumed by the Group in 2017 are as follow:

			Density (calculated based on the production of 38,073 tonnes magnesium products in 2017)
Resources	Unit	Emission	
Electricity	kWh	52,701,175	1,384.2 kWh/tonne
Diesel oil	liter	589,831	15.5 liters/tonne
Coal	tonne	167,685.6	4.4 tonnes/tonne
Water	m ³	133,101.0	3.5 m ³ /tonne

Packaging material used on finished products	Unit	Emission
Wrap	tonne	18.8

Energy use efficiency initiatives and achievements

1. Coal gastification is used by the Company to eliminate outdated equipment, in a bid to generate clean energy for production. With the application of regenerative high temperature combustion technologies, exhaust gas temperature is significantly reduced and the overall thermal efficiency is increased by over 50%, thereby mitigating air pollution.
2. The water consumption within the plants is mainly due to the water replenishment of the recirculating cooling system for the equipment and the domestic water consumption by our staff. Recirculating cooling water, mainly being equipment cooling water, is pumped into production water supply pipeline for reuse after cooling in a cooling tower. Domestic water consumption (mainly including washing water, flushing water for offices and recirculating cooling water within the plants) is recycled and not discharged. Domestic wastewater is regularly collected by the environmental hygiene department for centralized treatment at sewage treatment plants.

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

A3: The Environment and Natural Resources

The Group places great emphasis on the impact of our business on the environment and natural resources. In addition to the appropriate initiatives taken in protecting the natural environment in conformity with the environment related regulations and standards, the Group also integrates environmental protection into internal management and execution.

Actions taken in relation to environment and natural resources:

1. In respect to energy use, the efficiency is maximized. Vertical preheat system is used in the production process to enhance the utilization of fuels and reduce the electricity consumption by making full use of the pre-heating.
2. In respect to resources, measures for emission reduction and utilization improvement are rolled out to avoid waste of resources.
3. In respect to resources such as solid waste, the waste is recycled and reprocessed as resources or products to reduce emission.

The Group has strictly complied with the laws and regulations of the PRC in energy consumption with no violations of the Company's system. During the Reporting Period, the Group has no material instances of non-compliances in this regard.

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, including the Labour Law and the Employment Contract Law. Employees at production bases 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 production bases 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 ISO9001:2008 Quality Management System certification was awarded to the Group's production bases of magnesium. 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 on 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, as driven by the strong support of the PRC government for new eco-friendly materials. In January 2017, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology and the Ministry of Finance issued "The Guidelines for Developing the New Material Industry"《新材料產業發展指南》, which clearly stated the key tasks of magnesium materials development, including promoting the application of magnesium for the rail transportation, pushing forward the application of magnesium alloy, rare earth magnesium (aluminum) alloy in automobiles and other transportation. Capitalising on the growth opportunity of magnesium alloy development, the Group is committed to providing the market with premium quality magnesium products and contributing to the energy conservation and emissions reduction development in the PRC.