



京城機電股份

JINGCHENG MAC

北京京城機電股份有限公司

Beijing Jingcheng Machinery Electric Company Limited

(在中華人民共和國註冊成立之股份有限公司)

(H股代號: 0187; A股代號: 600860)



Environmental, Social And Governance Report

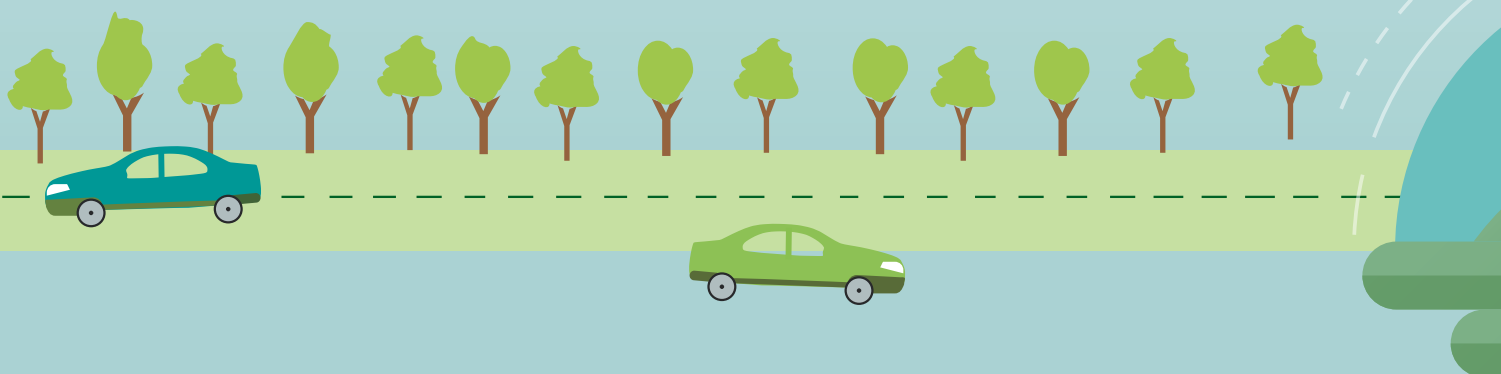


Environmental, Social and Governance Report 2018



CONTENTS

ABOUT THIS REPORT	2
Introduction	2
Reporting Period and Scope	3
Feedback to this Report	4
MESSAGE FROM THE GENERAL MANAGER	5
ABOUT BEIJING JINGCHENG	7
Company Overview	7
Business Philosophy	7
Corporate Governance	8
Promoting Industry Development	9
Honours and Awards	10
ESG MANAGEMENT APPROACH	11
Stakeholder Engagement	11
Fulfilling Green Operational Responsibilities	13
The People-Oriented Principle for Harmonious	
Labour Relations	26
Creating Value and Contributing to Society	35
APPENDIX: INDEX TO ESG REPORTING GUIDE	42



ABOUT THIS REPORT



1. Introduction

Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司) (“Beijing Jingcheng”) is listed on the Shanghai Stock Exchange (A shares) and The Stock Exchange of Hong Kong Limited (H shares) with a registered capital of RMB422,000,000. Its subsidiaries include Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司) (“Beijing Tianhai”) and Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司) (“Jingcheng HK”). The Company is committed to becoming a leading enterprise engaged in the manufacturing of storage and transportation equipment and provision of services for both industrial gas in the world and energy gas in China.

This report has been prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board confirms that it has reviewed and approved this report. Beijing Jingcheng has always regarded sustainable development as its long-term direction. This report aims to present stakeholders with a





description of the key issues and the management approach in respect to environmental, social and governance and the Company's sustainable development, its compliance with the listing rules of both stock exchanges, and the relevant policies, regulations in the environmental, social and governance aspects of its business operations in the context of achieving sustainable development.

2. Reporting Period and Scope

This report covers the 2018 financial year from 1 January 2018 to 31 December 2018.

The scope of this report includes but not limited to the Company and its subsidiaries, being:

- (1) Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司)
- (2) Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司)
- (3) Tianjin Tianhai High Pressure Container Co., Ltd. (天津天海高壓容器有限責任公司) ("Tianjin Tianhai")
- (4) Shanghai Tianhai Composite Cylinders Co., Ltd. (上海天海複合氣瓶有限公司) ("Shanghai Tianhai")
- (5) Beijing Tianhai Cryogenic Equipment Co., Ltd. (北京天海低溫設備有限公司) ("Tianhai Cryogenic")
- (6) Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. (北京明暉天海氣體儲運裝備銷售有限公司) ("Minghui Tianhai")



3. Feedback to this Report

As much as possible, the interests and needs of different stakeholders have been taken into consideration while preparing this report. The Company will continue to improve the content of future reports. To offer your enquiries and opinions, please contact us:

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MESSAGE FROM THE GENERAL MANAGER

Dear stakeholders:

We are pleased to present our 2018 Environmental, Social and Governance Report for the year ended 31 December 2018. We regard this report as one of the most important, direct and effective communication channels between the Company and its investors and stakeholders, and use this channel to deliver our ongoing operational plans and initiatives to our stakeholders every year.

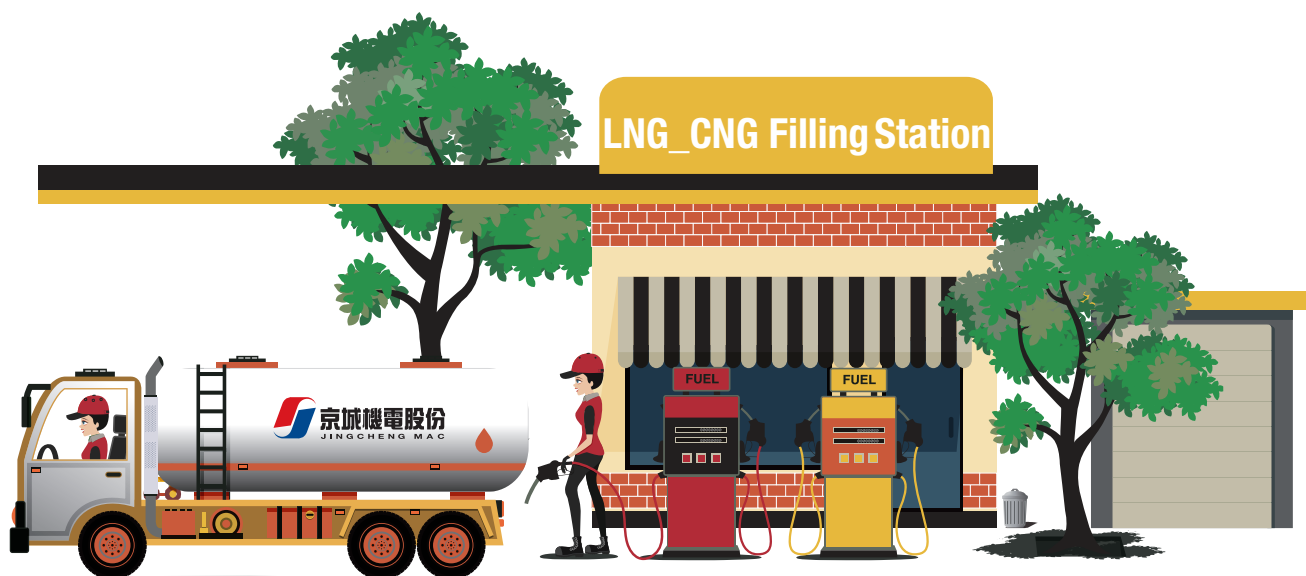
In 2018, the Company continued to actively facilitate the streamlining of non-capital functions, and assisted in the establishment of the cutting-edge industrial structure in the capital as required by the national industrial policy. By centering on the strategic positioning of “building the world’s leading industrial gas and domestic leading energy gas storage and transportation equipment manufacturing and service enterprise”, the Company has engaged in several work in the reform and restructuring, market expansion and new product research and development, and achieved major breakthroughs.

This year is a critical year for the business transformation of the Company. As of the end of the Reporting Period, the Company recorded an operating income of RMB1,013.9 million.

Operating income decreased by RMB189.597 million as compared to the same period of last year, representing a decrease of 15.75%. The main economic indicators of the Company still slightly deviated from the budget of the beginning of the year, but breakthroughs have still been made in many key tasks. Meanwhile, driven by the policies of “Made in China 2025” and energy saving and emissions reduction, the restructuring of China’s high-end equipment manufacturing industry and the development of strategic emerging industries will greatly expand the development opportunities of natural gas and hydrogen energy. Gas storage equipment will witness huge growth in demand, and we firmly believe that our business will continue to grow steadily in an active and healthy direction.

While endeavoring to develop our principal business, we also consider the impacts of the Company’s business activities on the environment, its obligations to the community and its responsibilities to stakeholders:

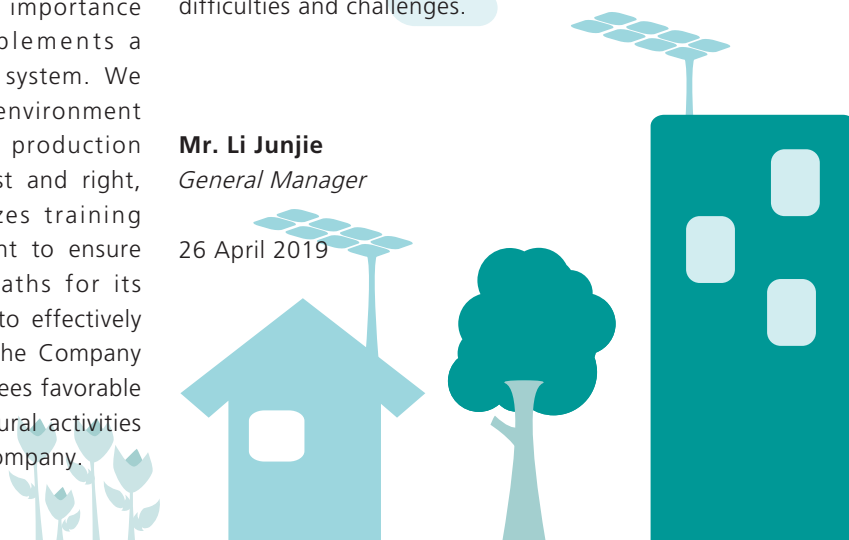
1. We insist on our vision of building Green China by focusing on investment and development of the gas storage and transportation industry, dedicating to promoting environmental-friendly and low-carbon new energy and spreading the concept of advanced new energy to the public,



- and always adhere to the idea of sustainable development. In 2018, the Company invested a large amount of manpower and funds in the R&D project of plastic liner composite cylinder ("Type IV cylinder"), and acquired part of the equity interests of downstream companies in the hydrogen energy industry chain to actively promote the integrated operation model of gas, cylinders, tanks and stations of clean energy and make contributions to the environmental protection in China.
2. We actively promote green manufacturing and energy saving and emissions reduction, design and manufacture in strict compliance with relevant environmental protection and pollutant emissions laws, regulations and industry standards of the PRC, of its places of operation and the gas filling industry, formulate relevant regulatory documents and require our subsidiaries and branches to accelerate efforts to save energy, reduce emissions, build environmental facilities and use green offices.
 3. We will ensure the safety of our employees, protect their interests and rights and implement employees' welfare plans, which have always been our focus of work: in respect of safety, the Company strictly abides by laws and regulations, attaches importance to safety education and implements a safety production responsibility system. We steadily improve the working environment of employees while upgrading production technology. In respect of interest and right, the Company actively organizes training and conducts internal recruitment to ensure smooth career development paths for its employees. In addition, in order to effectively protect employees' labor rights, the Company regularly arranges to offer employees favorable benefits and conduct diverse cultural activities to enhance cohesion within the Company.
 4. We have further enhanced corporate governance. The Company has formed a corporate governance structure that maintains checks and balances between the three committees and the management. The parties involved carry out their work according to their responsibilities. The relevant procedures of meeting and information disclosures are in compliance with relevant laws and regulations, ensuring that the Company operates in a regulated manner and is responsible to social investors. The Company's business status, strategic planning, development concepts and social responsibilities are presented to the investors in a true, accurate and complete manner.
- In 2018, the Company obtained certain achievements in environmental, social and corporate governance while ensuring the development and transformation of its principal businesses. On behalf of management, I hereby express our sincere gratitude to all stakeholders for their support and trust. Looking forward to 2019, with the support of the stakeholders and national policies, the Company will continue to take sustainable development as the guiding ideology, target to enhance cost-efficiency and accelerate transformation, and aim to maintain the harmonious labor relationship, work with all shareholders and stakeholders together to overcome difficulties and challenges.

Mr. Li Junjie
General Manager

26 April 2019



ABOUT BEIJING JINGCHENG

1. Company Overview

Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司) (the "Company" or "Beijing Jingcheng") is listed on the Shanghai Stock Exchange (A shares) and The Stock Exchange of Hong Kong Limited (H shares), and completed restructuring and asset replacement on 31 October 2013, being the only listed company under Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司). Currently, the abbreviation of H shares of the Company is "JINGCHENG MAC" and A shares is "京城股份", under the respective stock codes 0187 and 600860.

Key financial figures for 2018:

Revenue: RMB 1,121,564,249.15
Profit: RMB 93,936,155.30
Net Assets: RMB 466,876,306.94
Total Assets: RMB 1,775,485,766.32

(1) Scope of business:

- A. Licensed business scope: General logistics; and professional contracting.
- B. General scope of operations: development, design, sales, installation, adjustment and maintenance of cryogenic containers for storage and transportation, compressors (piston and membrane compressors, membrane compressors of nuclear grading) and accessories; mechanical equipment, electrical equipment; technical consultancy and technical services; import and export of goods, import and export of technology, agency of import and export.

(2) Main products and applications:

- A. Main products of the Company: the subsidiaries of the Company have the design qualification of A1, A2, C2, C3 class pressure vessels and the manufacturing qualification of A1, A2, B1, B2, B3, C2, C3, D1, D2 class pressure vessels. Now the Company can produce more than 800 high-pressure seamless gas cylinders, welding gas cylinders, winding gas cylinders, accumulators, low-temperature gas cylinders, gas storage special containers, aluminum inner carbon fiber full-winding composite gas cylinders and cryogenic tanks equipment and other products.
- B. Application scope of our products: automotive, chemical industry, fire-fighting, medicine, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

2. Business Philosophy

The Company adheres to the corporate spirit of "integrity, dedication, learning, innovation and aiming at first-class", it has established a reputation for safe, reliable products and quality service. With its increasing core competitiveness and rapidly improving performance, the Company provides high quality products for customers and creates value for society.

The Company is active in emphasising energy savings, reduced consumption and comprehensive utilisation of resources in its promotion of green manufacturing concepts. It has been unstinting in implementing the new strategy of “saving energy, reducing consumption and emissions, and enhancing efficiency”. While a continuous effort is made to increase our intrinsic value and create maximum returns for shareholders, we are also committed to facilitating the sustainable development of society.

3. Corporate Governance

With the continuous enhancement of sustainability being at the core of ESG management, the Company has integrated ESG into routine production and operational practice by reinforcement of corporate governance and innovative implementation. The Company utilizes ESG as a significant element in achieving its strategic objective of “building the world’s leading energy gas storage and transportation equipment manufacturing and service enterprise”.

The Company designs and manufactures in strict compliance with relevant environmental protection and pollutant emissions laws, regulations and industry standards of the PRC, of its places of operation and of the gas filling industry, including ISO14001:2015 Environmental Management Systems – Requirements with Guidance for Use and OHSAS18001:2007 Occupational Health and Safety Management System: Standards. Based on these, the Company has established environmental management systems and procedures such as Environmental and Occupational Health and Safety Management System Procedures, Environmental Factors Identification and Evaluation Form and List of Important Environmental Factors, and Solid Waste List. The Company has also established a Safety and Environmental Protection Department to provide staff training on environmental protection knowledge, enhance awareness of environmental protection, supervise and manage environmental protection-related work, with a focus on saving energy and reducing emissions, and manage environmental factors and pollutants emission, so as to ensure smooth production and operations.

4. Promoting Industry Development

Over the years, the Company has been devoted to promote sustainable industrial development by taking an active lead in improving a series of national industry standards and refining product-related laws and regulations. The Company has participated in the following industry organizations:

Organization	Capacity
Beijing Association of Mechanical and Electrical Industries	Vice president
Beijing Association of Automobile Manufacturers	Executive director
China Electrical Equipment Industry Association	Member
China Industrial Gases Industry Association	Member and member of GLF Cooperation Committee
Liquefied Natural Gas Branch of the China Industrial Gases Industry Association	Member
China Machinery Industry Federation	Member
China Machinery Enterprise Management Association	Member
Natural Gas Vehicles and Ships Branch of the China Communications and Transportation Association	Member
Gas Fuel Automobile Branch of the China Association of Automobile Manufacturers	Member

5. Honours and Awards

In 2018, with the competitiveness in the industry and outstanding management results, the Company has been continuously recognized by the Chinese government, the Beijing Municipal Government, various industry associations and authoritative certification bodies. Some honours and awards obtained by the Company and its subsidiaries in recent years are as follows:



High-tech Enterprise



Zhongguancun High-tech Enterprise



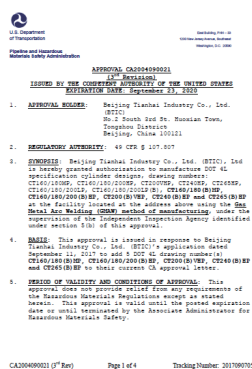
Occupational Health and Safety Management System Certification



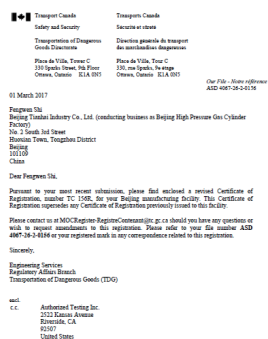
Quality Management System Certification



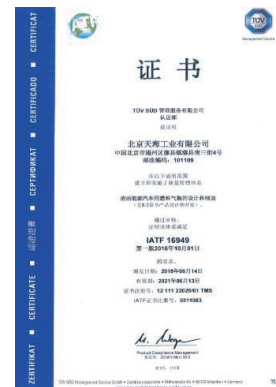
Environmental Management System Certification



Certificate issued by the U.S. Department of Transportation



DOT-4L 3rd Edition Certificate



Certificate of ISO/TS 16949:2009

ESG MANAGEMENT APPROACH

The year 2018 was the third year in China's 13th Five-Year Plan, which promotes focusing on improving environmental quality and addressing key ecological problems, strengthening protection of ecosystem, and enhancing efficient utilization of resources. As we face the global challenge of climate change and resources shortages, energy saving and emissions reduction have become major imperatives of corporate development. Coping with climate change is the responsibility of every corporate citizen.

As a responsible manufacturing enterprise, and in response to national clean energy policies, the Company incorporates the concept of green development into every step of its routine production and operations. Through continuous enhancement of emissions treatment, energy savings and emissions reduction, construction and operation of environmental protection facilities and green offices and other efforts, the Company strives to coordinate the development of production and operations with environmental protection, and to make positive contribution to saving energy, reducing emissions, and developing China's environmental protection industry.



1. Stakeholder Engagement

We highly value our communications with each stakeholder, and strive constantly to improve our stakeholder engagement mechanism, enhance operational transparency, disseminate the concept of corporate social responsibility through multiple channels, understand and respond to stakeholders' needs, and make progress in partnership with stakeholders.

Stakeholders	Expectations and Needs	Communication and Response
Government and regulatory authorities	<ul style="list-style-type: none"> ▶ Compliance with laws and regulations ▶ Payment of taxes ▶ Support for economic development ▶ Creation of job opportunities 	<ul style="list-style-type: none"> ▶ Conducting business in compliance with relevant laws and regulations ▶ Regular communication with regulatory authorities ▶ Pay taxes according to law
Investors	<ul style="list-style-type: none"> ▶ Return on investment ▶ Risk management ▶ Safe production 	<ul style="list-style-type: none"> ▶ Regular disclosure of operating information ▶ Investor meetings ▶ On-site inspection
Customers and business partners	<ul style="list-style-type: none"> ▶ Integrity and fulfilment of agreements ▶ Fair, just and open procurement ▶ High-quality products ▶ High-quality services ▶ Fulfilment of the diverse needs of customers and creation of value for customers 	<ul style="list-style-type: none"> ▶ Business communications and contracts ▶ Open tendering and price comparison ▶ Assurance of service quality ▶ Customer satisfaction surveys
Employees 	<ul style="list-style-type: none"> ▶ Occupational health ▶ Remuneration and benefits ▶ Career development ▶ Employee caring 	<ul style="list-style-type: none"> ▶ Occupational health examination ▶ Provision of satisfying remuneration and benefits ▶ Provision of training ▶ Workers Congress, staff forums, suggestion box and recreational activities
Environment 	<ul style="list-style-type: none"> ▶ Energy saving and emissions reduction ▶ Ecological protection 	<ul style="list-style-type: none"> ▶ Communications with local regulatory authorities and residents ▶ Managing emissions and enhancing efficient use of resources and energy
Industry 	<ul style="list-style-type: none"> ▶ Development of industry standards ▶ Promotion of industry development 	<ul style="list-style-type: none"> ▶ Involvement in development of industry standards ▶ Attending industry forums ▶ Visits and inspections with industry peers
Community and the public 	<ul style="list-style-type: none"> ▶ Engagement in community development ▶ Support for charitable activities 	<ul style="list-style-type: none"> ▶ Public welfare undertakings ▶ Voluntary services

2. Fulfilling Green

Operational Responsibilities



In 2018, the Company continued to implement the policy direction of the 13th Five-Year Plan in China, focusing on improving environmental quality and addressing key ecological problems, strengthening protection of the ecosystem, and enhancing efficient utilization of resources. As we face the global challenge of the climate change and resource shortages, energy saving and emissions reduction have become major imperatives of corporate development and we contribute part of our efforts to combat climate change and fulfil some of our responsibilities.

The Company actively responds to the call of the national clean energy policy, integrates the concept of green development into every aspect of routine production and operation, continues to improve its work in emissions treatment, energy saving and emissions reduction, environmental protection facilities construction and operation, and green office, actively promotes the coordinated development of production operations and environmental protection to make positive contributions to the national energy saving and emissions reduction and development of the environmental protection industry.

The Company has set up circulating water stations and sewage treatment stations. Cooling water accounts for a large proportion of the total volume of water of industrial use. In order to save water resources, the Company has added circulating water pipelines and cooling facilities to satisfy the need in the process of production while saving a significant amount of water resources.

Energy consumption (including natural gas, water, electricity, etc.) of the Company and its major subsidiaries in 2018:

Energy	Unit	Total consumption for 2018	Energy consumption per RMB10,000 output
General bituminous coal	Ton	0	0.00
Natural gas	0'000 cubic meters	Approximately 726	Approximately 0.1035
Petrol, diesel, etc.	Ton	Approximately 82	Approximately 0.0013
Heat	Million kJ	Approximately 10,175	Approximately 0.0037
Electricity	0'000 kWh	Approximately 4,250	Approximately 0.05595
Water consumption	Cubic meters	Approximately 343,141	Approximately 3.6749

Packaging materials consumption of the Company in 2018:

Packaging box	Approximately 166 tons
Foamed plastics	Approximately 52 tons
Total	Approximately 218 tons

(1) Emissions Management

As a manufacturing enterprise, the Company's business activities will not materially affect the environment and natural resources. The Company designs and manufactures in strict compliance with relevant environmental protection and pollutant emissions laws and regulations and industry standards of the PRC and of its places of operation, including ISO14001:2015, The Requirements of Environmental Management System and User's Guide, OHSAS18001:2007 Occupational Health and Safety Management System: Standards, etc. Based on these, the Company has established environmental management systems and procedures such as the Environmental and Occupational Health and Safety Management System Procedures. The Company has also established a Safety and Environmental Department and formed a leading group of energy saving and emission reduction to supervise and manage environmental protection-related work with a focus on energy savings and emissions reduction. The Company identifies environmental factors annually and develop protection measures accordingly. To this end, the Company established the Environmental Factors Identification and Evaluation Form and List of Important Environmental Factors with reference to the State's Solid Waste List to increase its effective management of environmental factors, solid waste disposal and pollutant emissions, etc.

Waste generated by the Company's production is treated in full compliance with the Environmental Protection Law 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 Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and other relevant environmental protection laws and regulations, as well as local governments' administrative measures for solid waste. The waste is classified for collection and treatment within the Company. Domestic waste is transferred to municipal departments for treatment, while treatment of hazardous waste is entrusted to qualified and permitted units from governmental environmental departments. The Company issued the Notice on Strengthening Environmental Protection Work which requires different sections of the Company including technical, supply, sales, equipment and production to formulate standards, enhance communication and reduce hazardous waste from their respective sources. The Company provides staff training on environmental protection knowledge to raise environmental awareness. Meanwhile, an environmental production management system was formulated and implemented to penalize and educate departments that cause environmental damage. The Company has also established a specialized department to supervise safe production and environmental protection, and ensure the coordinated development of production and operations and environmental protection.

Emissions data for major subsidiaries is as follows:

A. Measures for reduction of exhaust gas emissions:

Implementer	Emissions reduction measures
The Company and its subsidiaries	To regularly maintain the exhaust gas treatment facilities and change dustproof bag
Tianjin Tianhai	To complete the disposal of volatile organic adsorption generated from the completion of painting, dusting, full-winding and gluing process and combustion desorption at operation places and the collection and treatment of smoke and exhaust gas generated from the process of medium frequency, spinning and welding of Tianjin Tianhai
Minghui Tianhai	To replace high-power welded dust purification equipment and improve the dust purification effect
Kuancheng Tianhai	To implement anti-seepage, anti-leakage and anti-corrosion measures for key places such as spray-paint workshop and solid waste storage yard

The emissions data is as follows:

Greenhouse gases	Emissions data
Sulfur dioxide	Approximately 0.355 ton
Nitrous oxide (oxynitride)	Approximately 13.6 tons
Carbon dioxide	Approximately 14,228 tons
Total	Approximately 14,242 tons

Note: Except for the above greenhouse gases, the Company generated no other greenhouse gas. The emissions concentration of various facilities of the Company meets the requirements of relevant departments.

Hazardous waste	Emission data
Benzene	Approximately 0.025 ton
Benzene series	Approximately 0.039 ton
Non-methane hydrocarbon	Approximately 0.396 ton
Particle	Approximately 1 ton
Dust emission of shot blasting process	Approximately 4 tons
Total	Approximately 5 tons

Note: The emissions concentration of various facilities of the Company meets the requirements of relevant departments.

B. Measures for reduction of waste water discharge

Implementer	Discharge reduction measures
Kuancheng Tianhai	<ol style="list-style-type: none"> 1. The plant area of the construction project adopts the rainwater and sewage diversion system. The production waste water flows to the waste water treatment facility through the sewage pipe of the plant, the domestic waste water flows to the septic tank, the canteen waste water first flows to the septic tank after the oil and water separator treatment and finally flows to the Kuancheng county sewage treatment plant through the municipal sewage pipe network 2. To use overhead pipeline to transfer various waste water of projects as far as possible 3. To implement anti-seepage, anti-leakage and anti-corrosion measures for sewage stations in the plant

The emissions data is as follows:

Total amount of industrial waste water produced		271,688.2 tons
of which	Emission	Emission data
1	Chemical oxygen demand (COD)	Approximately 11.30 tons
2	Ammonia nitrogen	Approximately 0.40 ton
3	Suspended solids	Approximately 1.62 tons
4	Total phosphorus	Approximately 0.016 ton
5	Flora and fauna	Approximately 0.019 ton
6	Petroleum	Approximately 0.393 ton
	Total	Approximately 13.748 tons

Note: The emissions concentration of various facilities of the Company meets the requirements of relevant departments.

C. Measures for waste reduction

Implementer	Waste reduction measures
The Company and its subsidiaries	<p>In order to protect the ecology and reduce the pollution of waste to the surrounding ecology, the Company resolves to effectively control all types of wastes discarded, classify domestic wastes and non-metallic wastes generated in the course of production and process them separately</p> <p>of which</p> <ol style="list-style-type: none"> 1. Hazardous waste: viscous oil waste, spray paint waste, etc. are collected by the entities with waste disposal qualifications certified by the environmental protection bureau for recycling 2. Non-hazardous recyclable waste: scrap metal materials and parts, non-hazardous packages are collected by the waste recycling company 3. Other general waste: household waste is disposed by the municipal government
Tianjin Tianhai	Customized procurement and blanking of steel pipes to reduce the production of general solid waste

D. Management of non-hazardous waste

The Company generates non-hazardous recyclable waste in its business operations such as scrap metal materials and parts and non-hazardous packages, which shall be collected by recycling companies, and generated a small amount of other general waste such as domestic waste, which shall be disposed by the municipal government.

(2) Energy Saving Measures

In 2018, the Company regarded energy saving and low carbon as an unremitting work. In this year, the Company further strengthened management, adopted a series of management measures and established a long-term mechanism to further supplement and improve system for managing energy conservation, focus on the source, details and process of energy saving and achieve the goal of energy saving and emissions reduction. Meanwhile, in line with its training scheme, the Company further had efforts to promote the energy saving and emissions reduction work and had the cultural concept of energy saving and emissions reduction deeply rooted in people's hearts, so as to facilitate the energy saving and emissions reduction work.

In 2018, the energy saving leading group in the Company has obtained outstanding results, and significantly enhanced the energy utilization efficiency. The leading group and the dedicated personnel of energy management are responsible for effectively implementing the task of energy saving and emissions reduction assigned by the superior and completing the Company's energy-saving targets based on government assessment. The Company regularly revises the energy management system and energy assessment indicators for decomposition every year. The Company also ensures that when purchasing new equipment, using new technologies, and undertaking technologically innovative projects, priority is given to new energy saving technologies, processes, equipment and materials. In particular, energy-saving products that are recommended by the PRC or internationally recognized bodies shall have first preference. Finally, collection, summarization, analysis and assessment of data on energy consumption are performed every month; such calculation is based on the amount of consumption per RMB10,000 of output value, and regular inspection is performed.

In 2018, the main energy-saving renovation projects of the Company were as follows:

A. Lighting reform projects of Beijing Tianhai

All lighting lamps for 6 smoke and dust centralized recovery rooms and 5 NDT rooms in the plant were replaced with LED energy-saving lamps, which involved a total of 66 energy-saving lamps. The wattage changed from 220w to 100w. Based on 8 hours per night shift and 260 days in the year, a total of 16,473kwh electric cost was saved which is based on the average peak-valley of industrial lighting RMB0.8/kwh. RMB13,200 was saved on electricity cost during the year.



Picture: Photo of workshop after the replacement of energy-saving lamp

B. Electricity saving and expense reduction of Minghui Tianhai

Minghui Tianhai reduced electricity expense by increasing the electric power output factor. In 2018, it saved electricity cost of RMB39,000 in the electricity bill through the power output factor adjustment of electricity charges for withdrawal.

C. Gas reform of Kuancheng Tianhai

Through replacing the Jinhong pipeline gas with the Kuancheng Tianhai regulator station, it saved approximately RMB1.2 per cubic gas and saved a total amount of over RMB1.1 million in 2018.



Picture: The regulator station of Kuancheng Tianhai with the Jinhong pipeline gas replaced

(3) The Green Office

In 2018, to continue to respond to the national requirement of energy saving and emissions reduction, the Company and its subsidiaries carried out “Green office, low carbon” activity to create a green and energy-saving office environment. The Company has formulated relevant calls to mobilize all employees to practice low-carbon office with practical actions. Meanwhile, the Company continued to implement a number of measures to reduce daily energy consumption and increase the utilization efficiency of resources. In terms of electricity, light-emitting diode (LED) lamps and other energy saving devices are used in offices. Meanwhile, employees are required to shut down office equipment including lighting devices, drinking fountains, computers and printers when leaving during non-office hours; maintain air conditioning temperature at 25 degrees Celsius and implement an office automation system (OA system) to replace the traditional paper-based office as far as possible to reduce unnecessary copying or printing. Printing on both sides, reusing paper, and using ecofriendly paper to print publications and flyers; provide collection bins for recyclable waste paper, printer cartridges, batteries, etc.

(4) Production Safety

A. System and procedure improvements

Based on the people-oriented principle, the Company implements the Safe Production Law of the PRC, the Safe Production Regulations of local governments, and specific requirements for safe production. The Company has established 74 safety-related rules and regulations under the Safe Production Management System and Safe Production Contingency Plan for implementation in practical work.

In keeping with “Single Position, Double Responsibilities, the Party and the Government are Both Responsible” for safe production, the Company has established the safe production responsibility systems for staff members at all levels and positions. The Company signs a Letter of Safe Production Responsibility at the beginning of each year, which serves as a reminder that responsibility for safety falls on every individual. In compliance with safety governance standardization requirements, the Company undertakes to self-examine and rectify as needed matters pertaining to production safety, and has subsequently obtained (along with its subsidiaries) Level 1 to Level 3 certificates of Safe Standardization to further promote safe production. As a preventive measure, the Company annually identifies potential sources of danger and formulates specific countermeasures in accordance with OHSAS18001:2007 Occupational Health and Safety Management System: Standards. In accordance with “One Enterprise One Standard, One Position One List”, the Company also investigates and manages potential safety risks, carries out monthly summary and analysis, and implements any needed rectification work. The Company organizes staff activities such as “Safety Month” and “119” emergency drills and carries out emergency drills for X-rays leakage and confined space to reinforce their ability to cope with emergencies, avoid serious injuries or above level accidents and eliminate the occurrence of minor injuries.



Picture: X rays drill



Picture: Confined space drill



Picture: Fire drills

B. Safety education, operational procedure training

The Company provides new staff members with company-level, factory-level and team-level safety education. Staff members are only regarded as qualified to work after examinations have been passed. Frequent safety education sessions are provided to all staff members for maintaining their awareness, their ability to identify potential sources of danger, and their ability to protect themselves from hazards. To staff at mid-level and above, the Company provides education on safety and environmental protection regulations, ensuring that each knows, understands and respects the laws as they are implemented at work. The team leaders are provided with safety education and are kept informed of government regulations and the Company's systems, so as to lead the staff to improve their protection ability. Employees who are exposed to occupational hazards are provided with occupational injury prevention training to raise their awareness and ensure the compliance with relevant regulations and requirements. The Company's major persons in charge, supervisory persons in charge and persons in charge of the safety department all participate in professional training held by higher-level departments and government organizations and have obtained certificates.



Picture: Fire safety training of Beijing Tianhai in 2018

C. Bases of relevant policies and information of precautionary measures

**Monitoring locations
of hazards**

Frequency	Points
1	286

**Occupational
health checks**

Frequency	Pre-job health check	On-the-job health check	Post-job health check
1	198	627	28

**Local laws,
regulations and
requirements**

1. GBZ/T189.8-2007 Measurement of Physical Agents in Workplace Part 8: Noise;
2. GBZ/T189.8-2007 Measurement of Physical Agents in Workplace Part 7: High Temperature;
3. GBZ/T192.1-2007 Monitoring of Dust in Workplace Part 1: Total Dust Concentration;
4. GBZ159-2004 Sample Specification of Hazardous Substances Monitoring in Workplace;
5. GBZ2.1-2007 Occupational Exposure Limit of Hazards in Workplace Part 1: Chemical Hazards; GBZ2.2-2007 Occupational Exposure Limit of Hazards in Workplace Part 2: Physical Agents, the Law on the Prevention and Control of Occupational Diseases.

D. Data and measures of safe production management

	Number of work-related injuries	Total (%)					Serious injury		Minor injury		Near misses
		Death (%)					(%)		(%)		
		3					0		0		
	Loss days	60									
	Safety investment	RMB1.58 million is invested in Minghui Tianhai; RMB0.313 million in Shanghai Tianhai; RMB2.00 million in Kuancheng Tianhai; RMB2.04 million in Tianhai Cryogenic; RMB3.40 million in Tianjin Tianhai; the total amount is RMB9.333 million									
Production safety	Fire prevention measures	<div><div>1.</div><div>Establish responsibility system of fire prevention post and management system of fire safety;</div></div> <div><div>2.</div><div>Organize fire examination regularly;</div></div> <div><div>3.</div><div>Organize fire drills, strengthen fire prevention training and publicity;</div></div> <div><div>4.</div><div>Equip with fire-fighting apparatus and fire prevention facilities.</div></div>									
	Safety measures	<div><div>1.</div><div>Enhance identification and management of production safety risks and control of production safety risk levels, identification of risk factors and risk control. Strengthen the safety education training and emergency drill;</div></div> <div><div>2.</div><div>Strengthen the implementation of responsibility system of safety production and the prevention, supervision, reward and punishment of responsibility system. Execute safety commitment agreements, establish safety production targets, manage the systems, establish and improve the safety responsibility.</div></div> <div><div>3.</div><div>Strengthen the management of dangerous goods, strengthen operational safety procedures, occupational health checks, relevant parties management, labor protection supplies management and the implementation of responsibility system of inspection and supervision;</div></div> <div><div>4.</div><div>Set out specifications based on the safety measure 3 and install safety facilities. Establish safety management organizations, assign safety management personnel and formulate safety management requirements, provide regular safety education training to personnel and require the special workers to report duty with certificate based on the safety management system of Beijing Tianhai. According to the requirements of No.2 order of Hebei province, establish a double prevention mechanism of risk control and identification of risks.</div></div>									
	Regulatory methods	Clarify responsibilities and implement safety education, safety inspection at each level and safety reward and punishment.									

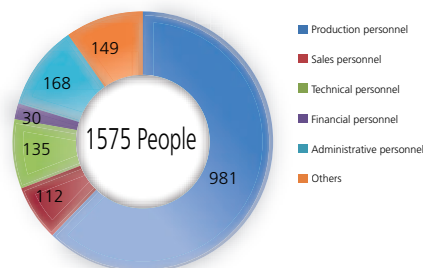
3 - The People-Oriented Principle for Harmonious Labor Relations



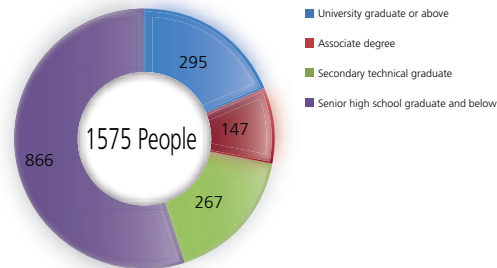
The Company regards employees as the cornerstone of development. We treasure our employees' hard work and view them as valuable assets of the Company. The Company not only provides a safe working environment and career development opportunities to its employees, but also protects their labor rights by providing favorable welfare benefits. The Company also strives to improve its training system, to organize rich cultural activities for staff, and to foster employees' enthusiasm, creativity, diligence and duty by "treating the plant as home".

(1) Management of Employees

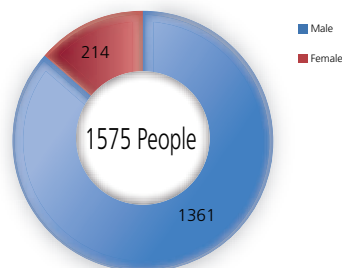
The Company embraces and values the diversity and talent of employees from different cultures and social backgrounds. Following on from strategic requirements of "transforming from manufacturing to service-oriented manufacturing business" and "marching towards high-end brand from mid-to-low end brand", the Company strives to enhance the quality and efficiency of employees' work by establishing production and work procedures which fully utilize their enthusiasm, initiative and creativity. In this way, our employees contribute to achieving the Company's aim of becoming a first-class, internationally competitive enterprise.



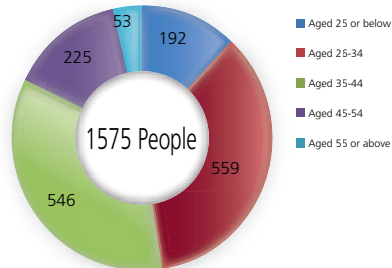
Picture: Employee by profession



Picture: Employee by education level



Picture: Employee by gender



Picture: Employee by age

(2) Employment Policy

The Company values and protects the legal rights of all employees according to law and maintains strict compliance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and relevant local laws and regulations. The Labor Law of the People's Republic of China sets out strict regulations on the prohibition of recruiting minors and working hours, rest and vacations of employees. The Company organizes personnel recruitment annually based on operational plans and the number of employees consequently required for various positions. Recruitment targets fresh graduates and general public in order to encompass people from all walks of life and classes. The Company upholds a "people-oriented" principle, with emphasis on the basic human rights of employees and prevention of any discrimination based on gender, age, nationality, religion, marital status, disability etc., with regards to recruitment, determination of salaries, promotions and training. The Company wishes to ensure that all employees enjoy fair, equal and open job opportunities. It offers suitable positions to disabled employees and implements "equal pay for equal work". At the same time, it strictly protects employees' personal information and prevents the leakage of such information. All these policies show the concern of the Company to every employee, and foster employees' sense of belonging.

	Item	Content
1	Human resources requirements	All departments and branches of the Company put forward employment requirements in strict accordance with rules and regulations;
2	Formulate plans	The Company prepares recruitment information according to the summarized needs, and develops detailed recruitment plans to ensure the maximum utilization of human resources;
3	Implement recruitment	The Company releases recruitment information through various ways including online release, offline campus recruitment and internal competing products to ensure the diversification of talent sources;
4	Organize interviews	After the selection and confirmation of candidates, the Company will regularly or irregularly organize interviews to have a comprehensive understanding of candidates;
5	Complete enrollment procedures	The Company performs the enrollment formalities for selected and determined personnel, signs legal labor contracts, provides induction training and completes the enrollment procedures.

(3) Employment Promotion, Remuneration and Incentive Policies

To provide employees with a broad development platform, the Company has formulated the Middle-level Leading Cadre Selection and Appointment Processes and Operational Procedures. This standardizes the administrative measures and selection and appointment procedures for middle-level leading cadre, and specifies the processes and operational procedures for organizational selection, internal recruitment and open selection (social recruitment). Regarding promotion, we offer fair opportunities to each employee, maintaining an impartial attitude and issuing announcements for staff promotion to ensure the fairness and openness of the process, and that our staff enjoys fair remuneration and benefits.

The Company adopts a diversified remuneration system with job performance as its primary basis for determination of salary. Based on fixed job positions, the job performance salary determines the relative value of the position through evaluation, and determines the salary level with reference to labor market price levels, to ensure both the internal and external fairness of remuneration. On this basis, the Company has developed Administrative Measures for Technical Grading of Professional Technical Staff, which entitles engineering and technical staff at technical grade upon appraisal to the corresponding executive-level remuneration, and offers technology innovation incentives to employees. For marketing staff and basic production workers, the Annual Assessment Approach for the Sales Department and the Annual Assessment Approach for Piece-rate Wage are implemented respectively. An annual salary system applies to senior management in accordance with Administrative Measures for Performance Appraisal of Senior Management. We implement a diversified remuneration policy with hierarchical classification in accordance with differences in work nature.

To enhance the staff's zeal for work and creativity, the Company has established a diversified incentive mechanism. Meanwhile, in order to actively build a platform for realizing employees' own value, the Company organizes and carries out evaluation activities for a number of staff positions and departments:

Activity	Content of activity	Result of activity
Four Tens	The Company rewarded advanced individuals and groups that take practical action to make outstanding contributions to the Company's transformation, development and the realization of the goal of improving quality and increase efficiency	The Company selected and commended "Ten pacesetters", "Ten experts", "Ten advanced group" and "Ten best projects of reducing cost and increasing efficiency"
Promotion and refund, Strive to be the Best	The Company carried out labor competition in sales system and conducted experience exchange and recognition activities in the first quarter	The Company selected and commended a total of 12 "Top sales" "Sales experts" and excellent sales person
"Ankang Cup" & Safe production model team	The Company actively carried out "Ankang Cup" competition and building safe production model team activities, and carried out safety knowledge activities including knowledge questionnaire in safety month, "Safety training to improve quality and labor protection to promote harmony"	The Company established Assessment Indicator System for Safe Production Model Team and selected 7 teams as the 2018 Safe Production Model Teams.
Make a suggestion	Based on the activity of "Set sail in the new era, make new achievements at the post, offering plan for the great task", the Company collected sound suggestions in aspects including deepening reform, management innovation, technology innovation, culture construction for the great tasks of management, technology, production and marketing	A total of 59 sound strategies have been proposed, 39 of which have been adopted and taken effect by now
Select and set model employee	The party committee, after discussion, collectively considered and decided to recommend the new "Model employee of Jingcheng Machinery Electric" with reference to the recommendation list of each branch and the opinions of employees	Two employees, including Zhang Wenfu from Kuancheng Tianhai and Chen Jinghuo from the gas station business department, were selected as "Model employees of Jingcheng Machinery Electric"
Select and set employee innovation office	To guide the innovation office to strongly lead the promotion and transformation of technological breakthroughs by centering on hot and difficult issues of enterprise production, select and set a new model of employee innovation office	The welding office of welding adiabatic gas cylinder was selected as 2017 "Employee innovation office at Beijing municipal level" and the research, development and application of large volume liquefied natural gas cylinder for automobile was awarded third prize of 2017 independent innovation of capital employee.

(4) Labor Standards

All work at the Company is voluntary, with no forced, indebted, contract-bound or involuntary prison labor used. All employees are entitled to resign freely upon providing reasonable notice to the Company. The Company does not allow child labor in any of its workplaces. "Child labor" refers to laborers who are under the age of 16 (or the age prohibited by law). The number of working hours shall not exceed the maximum hours stipulated by local laws, so that our employees can get enough rest. Employees are also entitled to leave for reasons of marriage, maternity, bereavement, paternity, breastfeeding and others, in addition to paid annual leave.

(5) Talent Cultivation

The Company provides systematic training to employees according to its business development strategy. By encouraging their use of spare time for learning, employees' knowledge, skills and quality are improved and their personal development needs are fulfilled, enabling them to better meet the Company's operational needs. To this end, training conducted by the Company focuses on the areas of common sense, job skills, emergency response, production safety, and party building and integrity. Incentives are also provided to employees in accordance with Company policy.

In 2018, according to the 2018 Training Plan, the Company has completed a total of 31,235 hours of training, involving a total of 8,630 person-times, with an average training time per person of 19.8 hours.



Picture: the training mechanism of the Company

According to the Company's annual training plan, it organized trainings in respect of product and process knowledge, continuing education of financial and statistical personnel, internal control, incorruptibility construction, job qualification, team leaders training, safe production, emergency plan and fire safety.



Left: Seminar of interpreting the Main Contract Terms and Reminding the Legal Risks of Contracts
Right: Training on Implementing the Spirits of the 17th CPC on Chinese Companies and Legally Promoting the Key Work of the Company

(6) Caring for Employees

A. Employee benefits

During the year, the Company organized a number of activities such as home visits, subsidy granting, mutual assistance and convenience services. The Company organized a "Chinese New Year Caring Activity" to carry out a comprehensive survey on employees who were suffering from hardship or long-term diseases and injuries, collected first-hand information on such employees and visited them together with key personnel of the Party Committee Organization Department and Human Resources Department. During the Spring Festival this year, visits were made to 2 retired model workers, 3 retired employees in difficulties, 2 employees with long-term sickness, 11 retired old cadres, and regards were extended to 5 model workers, 27 key production and technical staff, 17 employees in difficulties, 209 migrant workers and 21 security guards; and subsidies were granted to 6 employees who had long-term illness, in difficulties due to injuries and in difficulties due to accidents. On weekdays, we timely understood and conveyed our condolences to employees when their families have special situations, such as sickness and death. For employees in difficulty, we conducted home visit in a timely manner to gain a deeper understanding of the actual situation. For individual circumstance, we adopted several approaches to provide assistance, such as applying for grants for our employees with financial difficulties and applying for consolation money for employees died of an illness.

During the period of hot summer, the Company actively conducted activities of “Care on Your Side, Bring Coolness in the Summer”, and deeply investigated Wufangqiao and Huoxian Plant to experience the hardships of frontline employees and distributed 5,000 bottles of refreshing beverages to them. The Company actively conducted the activities of the “Golden Autumn Student Aid” program, granted student subsidies of RMB10,000 to the children of 11 employees, and distributed learning materials to children of the employees, who were in first grade of primary school. During the Spring Festival, on Lei Feng’s Day on 5 March and the birthday of the CPC on 1 July, we organized several activities of mobile phone screen filming, key making, clothes sewing, blood pressure and blood glucose measurement, serving more than 500 employees. We applied for park annual ticket for the entire staff. In order to better meet the different needs of the staff, we enriched the birthday gift category this year, in addition to the original cake coupons, the boutique lists (include 20 items, such as small household appliances, home textiles and food, employees can select one of them) have been added, and the Company’s labor union employees can choose from two categories of products. At the end of 2018, we purchased and distributed holiday gifts for all employees on behalf of the Company, extending our warm regards to all employees.

The Company always keeps in mind the problems of employees’ living by visiting the employees to listen to the voices of employees, understanding the living of employees and coordinating administrative department to solve their actual problems. At the beginning of this year, the Company actively coordinated with Minghui Tianhai and repaired the staff’s bathroom facilities by refitting the shower facilities, repairing damaged ground, installing door curtains and adding bathroom mirrors, ventilating fans and storage benches. The renovated bathroom was well praised by the staff. In addition, we actively coordinated administrative department to address the issues of regular cleaning of tea stoves, repaired bus seats and stairwell lighting and installed delivery lockers.

On the eve of March 8 Festival, we cared for the physical and mental health of the female employees of the Company and mobilized the enthusiasm and creativity of the female employees. The Company engaged experts of the medical examination center to conduct free medical examinations for 114 female employees to eliminate the hidden risks of health. In the first half of this year, the Company completed the renewal of major illness medical insurance for employees to strengthen mutual assistance and relieve employees’ worries. As of 31 December 2018, employees had applied for 28 compensation for mutual assistance in the amount of RMB32,770.

B. Organize Cultural and Sports Activities to Boost Employees' Vitality

During the year, the Company has continued to make great efforts in building employee culture, and based on the characteristics of the Company, actively organized and conducted the cultural and sports activities that employees prefer to participate in, to further meet the employees' spiritual and cultural needs. During the Spring Festival, we organized the Spring Festival fun and cultural activities to create a warm and joyful cultural atmosphere. In order to celebrate the March 8 International Women's Day, we held the cake DIY event of "Sharing Yummy Food through Solidarity and Cooperation". While the female employees were able to show their talents, they also brought the sweet results after their efforts to their respective departments, and shared the joy of deliciousness and happiness with male employees. In the "Most Beautiful Smile" photography activity of Jingcheng Machinery Electric, the collection of photography works have been awarded the best organization by the Holding Company, and the two works "I Love My Family" and "Joy" won the first prize. In the staff photo contest of "Labor Glory" organized by Beijing Federation of Trade Unions in the capital, Liu Chuan's "The Day and Night" was awarded the third prize. On the eve of the 17th National Congress, the Company organized a short video shooting by mobile phone to send our employees' blessings to the Congress.

During the year, the Company organized the 3rd walkathon themed "Forge Ahead in the New Era, Walk for Health"; in October, 97 employees participated in the 4th walk-a-thon activity organized by the Holding Company; football games, billiards games table tennis game were organized. In their spare time, each branch also organized small and diverse cultural and sports activities such as the badminton fun sports game, which reflected the features of abundant games, diverse forms and wide participation. In September, the Company and its youth league committee also actively organized a basketball team to participate in the "Jingcheng Cup" basketball game organized by the Holding Company and won the championship, achieving a historic breakthrough.

Through a variety of employee cultural and sports activities and events, all kinds of talents of the Company were gathered. While the employees are working hard, they also enjoy the applause and cheers from the team, which better meets the growing spiritual and cultural needs of the employees and creates a prosperous and harmonious atmosphere. Facing difficulties and challenges, it has played a positive role in boosting morale, gathering strength and uplifting spirit.

4. Creating Value

and Contributing to Society



(1) Customer Services

To enhance its connection with customers and understanding of their needs, the Company has established an extensive after-sales system and an after-sales department to provide services in the areas of packaging guidance, repair, information consultation, complaints, and others. On receiving calls from customers, the after-sales department records the customer's information and then determines a preliminary approach to the issue based on the content of the complaint. Simple guidance on repair can be provided over the phone. Cases which cannot be dealt with over the phone are handled with the corresponding procedures in accordance with the Company's regulations. After completion of each after-sales case, the problem situation, results, responsible department and person, preventive and corrective measures, etc. are all recorded in the format of a flow chart. In 2018, the Company received a total of 1,374 calls, including 903 calls for consultations and inquiries, 471 requests for after-sale services.

The Company makes an earnest effort to correct all product defects in a timely manner. In the unlikely event of a product recall, all affected products are to be handled in accordance with the Procedures for Handling and Control of Returned Products. The quality of the Company's products, which are related to vehicle parts and components, is of crucial importance to consumer safety. Therefore, we are committed to maintaining high standards of quality and assume full responsibility for any accident arising from the failure of our products. In response to customer complaints, the Company will set up a task force in accordance with the global 8D problem solving methodology to provide prompt response, investigate the causes for the issue, and develop an improvement plan to avoid similar incidents.

(2) Quality Assurance

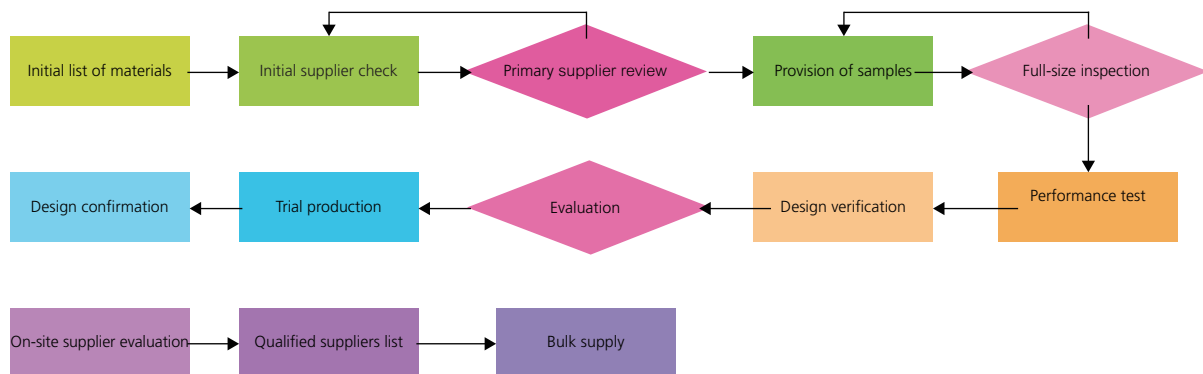
The Group has established stringent processes and systems to ensure that all products and services comply with all the relevant laws and regulations, as well as internal rules including (but not limited to) the Product Quality Law. The Group's quality policies are: To implement a zero-defect quality management strategy; maintain continuous innovation and improvement; observe laws and regulations, enhance customer satisfaction; provide environmental-friendly, safe, high-quality products and services. The manufacturing facilities of the Group have formulated a quality management system and obtained ISO9001 and IATF16949 certifications.

The Company makes all practical efforts to correct product defects in a timely manner. In the unlikely event of a product recall, affected products will be handled in accordance with the Procedures for Handling and Control of Returned Products. The quality of the Company's products, which are related to vehicle parts and components, is of crucial importance to the consumer safety. Therefore, we are committed to product quality and we assume full responsibility for accidents arising from the failure of our products.

Upon receiving a customer complaint, we will set up a task force in accordance with the global 8D problem-solving methodology to provide prompt response, investigate the causes for the issue, and develop an improvement plan to avoid similar incidents.

(3) Supply Chain Management

The Company conducts on-site evaluation of type A suppliers every two years to assure the quality of suppliers. For those unqualified suppliers, the Company will reduce the procurement volume from them, or even remove them from the qualified suppliers list.



(4) Intellectual Property Protection

The establishment of intellectual property management and protection systems with the formulation of the intellectual property development and operation strategy provide a powerful instrument for the Company to build competitive advantages and gain a dominating position in the domestic and overseas markets. Through a series of intellectual property management systems established by the Company., the Company provides specific instructions to deal with patent application and trademark maintenance and avoid infringement of intellectual property and patented technology, with a view to protecting the Company's brand. The Company complies with intellectual property laws and regulations, and enhances its intellectual property protection in research, development, production, operation and internal management in line with international practice and generally accepted standards on technology and economic exchanges and cooperation. To protect its own innovative technologies and brand, the Company has applied for a number of patented technology and trademark registrations in China and overseas. In China, we have obtained 37 technology patents and one patent pending for registration. Meanwhile, the Company has registered the trademarks of JP, BTIC, etc. in 19 countries, including the European Union, Canada, the United States and Singapore; and 15 trademarks for self-owned brand names of JP, BTIC, BTCE, etc. at the Trademark Office of the State Administration for Industry & Commerce of the PRC. The Company has been recognized as a "Trustworthy Enterprise" by the Beijing Municipal Administration of Industry and Commerce.

(5) Information Security and Privacy Protection

Information security serves as an important element in protecting internal privacy and customer information. In order to regulate the use and management of computers and internet resources, the Company has formulated the Network Information Security Management System, Hardware System Management Regulations, and Project System Work Management System, imposing strict controls on mobile devices and acts such as divulgence of confidential documents. The Information Centre organizes frequent training on information security, use of systems and security protection to enhance employees' skills and awareness. The Company has also developed rules and systems regarding data backup, anti-virus systems, server room management, prevention of illegal data tampering and system intrusion, and system recovery strategy in abnormal situations, with an aim of ensuring smooth operation of the server room and proper storage of key data. In addition to improving its information security systems, the Group also takes measures such as supervising the procurement process and conducting confidentiality education to ensure that employees keep technical and commercial secrets confidential and to safeguard the privacy rights and interests of the Company and its customers.

(6) Corruption-free Operation

The Company and its subsidiaries have always attached great importance to fight against corruption and advocate corruption-free operation. The discipline inspection and supervision work is carried out and coordinated with anti-corruption work in compliance with the regulations of the Party, such as the Constitution of the CPC, Code of Integrity and Self-discipline of Communist Party of China, Regulations on Accountability of the CPC, Regulations on the Supervision of the CPC, Regulations on Disciplinary Actions of the CPC, and rules and regulation of the Company, such as 2018 Main Task Division of Party's Corruption-free Work Style Construction and Anti-corruption Work, 2018 Work Focus of Party's Corruption-free Work Style Construction, and Regulations on the Implementation of Responsibility System of Party's Corruption-free Work Style Construction.

In 2018, the party committee held the 2018 Tianhai Company's work conference on corruption-free work style construction and signed a total of 140 four-tiered responsibility statement of integrity; we conducted special trainings on the Constitution of the People's Republic of China and the Supervision Law of the PRC for the Company's four groups of top management members, middle-level leaders, personnel with business disposition rights and all party members, and a total of 119 persons participated in the training. We organized party members and personnel with business disposition rights to watch the educational film "Warning Bells", organized 257 middle-level leading cadres and party members to take a test on the knowledge of the Constitution and the Supervision Law, we conducted integrity interview with the seven new middle-level cadres prior to their assumption of duty.

In 2018, Beijing Tianhai, a subsidiary of the Company, formed an inspection team in accordance with the “Measures for the Inspection Work of Tianhai Company” and engaged an external professional auditor to conduct inspections on the seven party branches of the Company. In addition, the Commission for Discipline Inspection of the Company continued to carry out supervision and inspection work to examine whether there was any sign of “formalism, bureaucratism, hedonism, and extravagance” in the critical time and festivals.

In order to ensure the whistleblowing work is conducted in an orderly and confidential manner, the Company’s Commission for Discipline Inspection set up a special hotline and E-mail address for whistleblowing.

(7) Contribution to the Society

The Company actively fulfils and assumes social responsibility, and highly values and rewards the society. In 2018, the Company extensively organized employees, party members and youth league members to provide volunteer services and conducted public welfare undertakings including donation of books and other stuffs.

- A. Participate in community voluntary service work and make contributions to social governance and public service



Picture: Voluntary activity of league members from Lvyin West District

- B. A total of 3,219 books were donated in the activity initiated by the Company's Youth League Committee for donating books to primary and secondary school students in Hotan District, Xinjiang, which spread love to Hotan and made contribution to the education of local students.



Picture: Donating books to primary and secondary school students in Hotan District, Xinjiang

- C. The Company called for all employees to donate winter clothes and send warmth to the poor areas.



Picture: "Send warmth in winter" donation activity

D. A series of activities participated by the volunteers from Beijing Tianhai, a subsidiary of the Company



Picture: "Youth volunteers returning home with love" activity

APPENDIX: INDEX TO ESG REPORTING GUIDE

A. Environmental

A1 Emissions	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste	Fulfilling Green Operational Responsibilities
A2 Use of resources	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials	
A3 The environment and natural resources	General disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources	

B. Social

B1 Employment	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare 	<p>The People-Oriented Principle for Creating Harmonious Labor Relations</p>
B2 Health and safety	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards 	<p>Fulfilling Green Operational Responsibilities</p>
B3 Development and training	<p>General disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities</p>	<p>The People-Oriented Principle for Creating Harmonious Labor Relations</p>
B4 Labor standards	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor 	<p>The People-Oriented Principle for Creating Harmonious Labor Relations</p>

B. Social

B5 Supply chain management	<p>General disclosure</p> <p>Policies on managing environmental and social risks of the supply chain</p>	Creating Value and Contributing to Society
B6 Product responsibility	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress 	Creating Value and Contributing to Society
B7 Anti-corruption	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering 	Creating Value and Contributing to Society
B8 Community investment	<p>General disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests</p>	Creating Value and Contributing to Society