



浦林成山
PRINX CHENGSHAN

Prinx Chengshan (Cayman) Holding Limited

浦林成山（開曼）控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1809



**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT**

2018

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Scope and Reporting Period | 2 |
| Stakeholder Engagement and Materiality | 2 |
| Stakeholders' Feedback | 3 |
| Sustainability Vision | 3 |
| Accreditation and Certification | 3 |
| A. Environmental | 4 |
| A1. Emissions | 4 |
| A1.1. Air Emissions | 4 |
| A1.2. Greenhouse Gas Emissions | 5 |
| A1.3. Hazardous Waste | 6 |
| A1.4. Non-hazardous Waste | 6 |
| A1.5. Measures to Mitigate Emissions | 7 |
| A1.6. Waste Reduction and Initiatives | 8 |
| A2. Use of Resources | 8 |
| A2.1. Energy Consumption | 8 |
| A2.2. Water Consumption | 8 |
| A2.3. Energy Use Efficiency Initiatives | 9 |
| A2.4. Water Use Efficiency Initiatives | 9 |
| A2.5. Packaging Materials | 9 |
| A3. The Environment and Natural Resources | 10 |
| A3.1. Significant Impacts of Activities on the Environment | 10 |
| B. Social | 10 |
| 1. Employment and Labour Practices | 10 |
| B1. Employment | 10 |
| B2. Employee Health and Safety | 14 |
| B3. Development and Training | 15 |
| B4. Labour Standards | 15 |
| 2. Operating Practices | 16 |
| B5. Supply Chain Management | 16 |
| B6. Product Responsibility | 16 |
| B7. Anti-corruption | 18 |
| B8. Community Investment | 18 |

SCOPE AND REPORTING PERIOD

This is the first Environmental, Social and Governance (the “**ESG**”) report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Group is a leading domestic tire manufacturer in Commercial All Steel Radial Tire replacement market of the People's Republic of China (“**the PRC**”). It engaged in tire design, production and manufacturing, adhering to the core strategy of cost leadership, efficiency driven, competitive differentiation and global operation. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the manufacturing plant (the “**Plant**”) and the office in Rongcheng, Shandong Province of the PRC, from 1 January 2018 to 31 December 2018 (the “**Reporting Period**”), unless otherwise stated. Other operations that had no significant environmental and social impacts generated were excluded from the reporting scope.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input and feedback of its stakeholders as they bring potential impacts to the Group's business. Internal and external stakeholders have been involved in regular engagement activities as shown below, to share views regarding the Group's operations and performances.

| Stakeholder Group | Engagement Channels |
|---------------------------------|---|
| Employees | <ul style="list-style-type: none">• Interviews• Annual employee satisfaction survey• Biannual departmental evaluation survey |
| Suppliers and Business Partners | <ul style="list-style-type: none">• Site visits• Annual meetings |
| Customers | <ul style="list-style-type: none">• Networking associations• Annual meetings• Exhibitions such as China Rubber Technology (Qingdao) Fair, China Import and Export Fair, Speciality Equipment Market Association Show, Guangzhou Auto Show |

The Group has specifically engaged the board members, senior management and frontline staff to gain further insights on ESG material aspects and challenges in the Reporting Period. Through meetings and surveys, the Group and its stakeholders identified the following top six material aspects:

- Environmental protection policies;
- Employment;
- Occupational health and safety;

- Training and development;
- Product or service quality; and
- Anti-corruption.

The above aspects were strictly managed through the Group's policies and guidelines. Management of the aspects have been described in separate sections below. The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner. The Group will continue to participate in meetings and gatherings with stakeholders to understand their expectations and concerned material aspects and feedback on its ESG performance.

STAKEHOLDERS' FEEDBACK

The Group is committed to the continuous improvement of its ESG management. The Group also welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us via email at investor@prinxchengshan.com.

SUSTAINABILITY VISION

The Group views "providing tire whole-life cycle services" as its mission and takes "customer first, openness and innovation, hardworking, mutual benefits" as its core values.

Aligning with the mission of providing tire whole-life services, the Group constantly improves governance for sustainable development and incorporates principles of sustainable development into its development strategy and daily operation. It is committed to caring for the society and its employees. It discharges its social responsibilities while developing its business and strives to establish a good corporate image in all aspects.

ACCREDITATION AND CERTIFICATION

- ISO 14001 Environmental Management System
- GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System
- CCC Product Safety Certification
- Certificate for Energy Efficiency Label of SASO 2857:2016
- Product Certification Licence of MS 1394:2008
- GSO Conformity Certificate
- DOT Certification
- ECE Certification
- LATU Certification
- BIS Certification

A. ENVIRONMENTAL

The Group is aware that “environmental protection policies” is one of the top material aspects raised by its stakeholders. The Group views maintaining ecological balance and protecting the environment as its inescapable responsibility and will continue to strengthen its environmental management.

The Group strictly abides by Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. It has developed emission control standards and a comprehensive environmental management system in compliance with the statutory requirements. During the Reporting Period, its emissions have met the statutory emission standards and the total emission limit. The rate of installation of pollution control facilities have reached 100%.

The environmental protection tax replaces the pollution discharge fee of the PRC, the new Environmental Protection Tax Law of the PRC has come into effect during the Reporting Period. The Environmental Protection Tax Law aims to reduce pollution, strengthen pollution control and promote environmental protection. Entities who directly discharge taxable pollutants, including air and water pollutants, solid waste and noise, are subject to the environmental protection tax. The Group has paid the environmental protection tax in accordance with the chargeable emissions and discharges under Environmental Protection Tax Law during the Reporting Period.

To minimise harm to the environment and human health, the Group ensures that the production of tires was in compliance with the Requirements for Prohibited Substances on Automobiles (GB/T30512-2014) and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

There was no major non-compliance relating to air and greenhouse gas (“**GHG**”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact on the Group.

A1. Emissions

A1.1. Air Emissions

During the Reporting Period, petrol was used for Group-owned vehicles and liquefied petroleum gas (“**LPG**”) was used for canteen operation, which contributed to the emission of nitrogen oxides (“**NO_x**”), sulphur oxides (“**SO_x**”) and respiratory suspended particles (“**PM**”).

| Air emissions (non-GHG) from gaseous fuel consumption | | | | |
|---|--------------------------|-------------------------|------------|-------------------------|
| Fuel Source | Use of fuel | NO _x (in kg) | PM (in kg) | SO _x (in kg) |
| Petrol | For Group-owned vehicles | 11.94 | 1.42 | 0.46 |
| LPG | For canteen operation | 5.04 | N/A | 0.03 |
| TOTAL | | 16.98 | 1.42 | 0.49 |

A1.2.Greenhouse Gas Emissions

| Scope of GHG Emissions | Emission Sources | Emission (in tonnes of carbon dioxide equivalent “tCO ₂ e”) | Total Emission Percentage |
|--|---------------------------------|---|------------------------------|
| Scope 1 Direct Emission | | | |
| Combustion of fuel for stationary source | LPG for canteen operation | 86.78 | 1% |
| Combustion of fuel for mobile sources | Petrol for Group-owned vehicles | 84.80 | |
| | LPG for mobile machineries | 1,327.91 | |
| Refrigerants | | 808.72 | |
| Scope 2 Energy Indirect Emission | | | |
| Purchased electricity | | 181,742.86 | 98% |
| Scope 3 Other Indirect Emission | | | |
| Paper waste disposal at landfill | | 8.33 | <1% |
| Electricity used for freshwater processing | | 98.44 | |
| Electricity used for sewage processing | | 53.26 | |
| Business air travel | | 541.16 | |
| TOTAL | | 184,752.26 | 100% |

Note1: Emission factors were made by reference to Appendix 27 of the Listing Rules and their referred documentation, unless stated otherwise.

Note2: Combined margin emission factor of 0.76 tCO₂e/MWh was used for purchased electricity in Shandong Province of the PRC.

Note3: Emission factors for combustion of LPG for stationary source were made reference to GHG Emissions from Stationary Combustion (Chinese), provided by the Greenhouse Gas Protocol.

The Group's activities contributed to 184,752.26 tCO₂e (emission intensity of 0.54 tCO₂e/tonne of production) (mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission during the Reporting Period.

A1.3.Hazardous Waste

| Type of Hazardous Wastes | Waste Generated (in tonnes) |
|--------------------------------|--------------------------------|
| Waste lubricating oil | 147.35 |
| Waste lead batteries | 25.33 |
| Waste plastic oil drums | 1.71 |
| Waste oil drums | 1.26 |
| Waste chemical reagent bottles | 0.33 |
| TOTAL | 175.98 |

The Group generated a total of 175.98 tonnes of hazardous waste (0.51 kg/tonne of production). The major hazardous wastes generated by the Group were waste lubricating oil, lead batteries and plastic oil drums and we outsource the treatment to a solid waste treatment company.

A1.4.Non-hazardous Waste

| Type of Non-hazardous Wastes | Waste Generated (in tonnes) |
|------------------------------|--------------------------------|
| Waste plastic mat | 2,596.07 |
| Firewood | 2,067.85 |
| Steel cord undercut | 1,256.87 |
| Scrap steel | 744.59 |
| Braided tape | 360.81 |
| Experimental tires | 300.87 |
| Waste capsule | 287.62 |
| Hard plastic sheet | 217.63 |
| Waste plastic bags | 198.82 |
| Inner tube packaging | 191.78 |
| Woven bags | 172.05 |
| Others ¹ | 1,511.27 |
| TOTAL | 9,906.23 |

The Group generated a total of 9,906.23 tonnes (0.03 tonne/tonne of production) of non-hazardous wastes. The wastes generated were mainly manufacturing waste (including waste plastic mat, firewood and steel cord undercut) and small amount of wastes from office operation. Non-hazardous wastes were collected by recycling companies for recycling.

¹ Others include different types of manufacturing wastes that each of their generated amount was below or equals to 1% of the total non-hazardous wastes generated.

A1.5.Measures to Mitigate Emissions

Air Emissions

According to the assessment results conducted by third-party organisation, the emission concentrations of non-methane and ozone emissions were far lower than the national emission concentration limit. Emissions from tire production have complied with the Emission Standards for Odour Pollutants (GB 14554–1993), the Emission Standard of Pollutants for Rubber Products Industry (GB 27632–2011), and Shandong Province Regional Air Pollutant Comprehensive Emission Standard (DB 37/2376–2013). Cooking fume emitted from the canteen operation has fulfilled the Shandong Province Emission Standard of Cooking Fume (DB 37/597–2006).

During the Reporting Period, the Group has invested a total of RMB21.6 million to mitigate emission by:

- Adopting photochemical technology, activated carbon adsorption, plasma and dry neutralization methods;
- Constructing 51 sets of exhaust gas treatment facilities for rubber mixing process;
- Building 8 sets of exhaust gas treatment facilities for rubber vulcanization process; and
- Improving the treatment process and transportation of carbon black dust.

Filter bag dust removal equipment had been installed to lower emission concentration of particulates and recover carbon black dust.

Noise Emission

The Group has adopted low-noise equipment and implemented measures for sound insulation. Fans, water pumps and other equipment have been installed with rubber dampers and vibration damping pads to reduce noise and vibration. Noise emission was in compliance with the Emission Standard for Industrial Enterprises Noise at Boundary (GB/T 12348–2008) during the Reporting Period.

A1.6.Waste Reduction and Initiatives

Hazardous waste generated from the Group was collected by qualified collectors while non-hazardous solid wastes were sold to qualified recycling companies for recycling. The Group also reused lubricating oil when possible to reduce hazardous waste generation.

Reducing Paper Waste

Responding to the government's call of "building a society conserving resources", the Group promotes paperless office. It implements the ECC automatic system for administrative procedures and encourages double-sided printing and initiatives that save paper and toner.

During the Reporting Period, a total of 124.11 tonnes of paper had been recycled, which contributed to a reduction of 595.70 tCO₂e.

A2. Use of Resources

A2.1.Energy Consumption

| Energy Consumption Sources | Direct Consumption | Consumption (in MWh) |
|---------------------------------|--------------------|----------------------|
| LPG for canteen operation | 27,400 kg | 381.92 |
| LPG for mobile machineries | 790,850 L | 5,621.91 |
| Petrol for Group-owned vehicles | 31,459 L | 278.78 |
| Electricity for daily operation | 239,198,292 kWh | 239,198 |

The total energy consumed by the Group was 245,480.61 MWh during the Reporting Period, with an overall intensity of 0.72 MWh/tonne of production. The Group also purchased 362,657 tonnes of steam for its manufacturing operation.

A2.2.Water Consumption

Water consumption of the Group was mainly used for the indirect cooling system. Cool water runs in circulatory pipes for cooling which is free from pollution can be reused. Wastewater generated was discharged into the municipal pipe network.

The Group consumed 244,567 m³ of freshwater supplied by the local water supply companies during the Reporting Period, with a water consumption intensity of 0.72 m³/tonne of production. There was no issue in sourcing water that is fit for purpose.

A2.3. Energy Use Efficiency Initiatives

The management policy on energy and energy conservation standardises the Group's energy management and helps to enhance efficiency of energy use. An Energy and Energy Management Committee had been set up to develop standards and systems regarding energy management and to implement the standards and systems across the Group according to the Energy Management Systems — Requirements of the PRC (GB/T 23331–2012). The Group has delegated different departments to record and report electricity, steam and water consumption to the cost management department. The energy measuring devices and the measuring management are in compliance with the General Principle for Equipping and Managing of the Measuring Instruments of Energy in Organization of Energy Using (GB 17167–2006). The cost management department calculates and evaluates consumption data and provides feedback to the consumption departments. If departments were found to be carrying out energy-wasting practices as listed in the management policy, relevant persons can be accountable for their acts. Apart from energy consumption management, the Group has a management policy on heat insulation. The policy ensures effective insulation of various pipelines and systems including the steam pipelines, hot water pipelines and heating systems, and reduces energy loss due to damaged insulation layer.

During the Reporting Period, the Group has improved its energy management system, which now automatically collects data of electricity, steam, nitrogen, water and compressed air for analysis.

A2.4. Water Use Efficiency Initiatives

The Group has adopted circulatory cooling system which reuses water for cooling and reduces consumption of water whenever possible.

Wastewater Discharge

The tire manufacturing operation generates production wastewater and domestic wastewater. The Group has obtained legal permits for wastewater discharge, a total of 262,748 m³ of wastewater has been discharged during the Reporting Period, with a discharge intensity of 0.77 m³/tonne of production. Discharge pollutants were real-time monitored by the Environmental Protection Bureau and wastewater was discharged to the third-party wastewater treatment plant. The wastewater discharged during the Reporting Period was in compliance with the Emission Standard of Pollutants for Rubber Products Industry (GB 27632–2011).

A2.5. Packaging Materials

| Type of Packaging Materials | Consumption (in tonnes) |
|-----------------------------|----------------------------|
| Paper wrap | 490.37 |
| Tape | 15.04 |
| Zip tie | 12.80 |
| TOTAL | 518.21 |

The Group consumed a total of 518.21 tonnes of packaging materials, mainly paper wrap for product packaging. The consumption intensity was 1.52 kg/tonne of production.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group takes into account the life cycle of tire manufacturing and ensures that the raw materials are in compliance with the Requirements for Prohibited Substances on Automobiles (GB/T 30512–2014), REACH and the ECE R117 requirement for noise and rolling resistance to reduce adverse impact to the environment.

The major emission sources of the Group included purchased electricity, air and noise emissions from manufacturing process and the generation of hazardous and non-hazardous wastes. The Group therefore has delegated an Energy and Environment Management Committee to monitor its energy consumption and evaluate performances, and standardises its energy management through its management policy on energy and energy conservation. It will continuously mitigate air and noise emissions through adoption of advanced technologies, installation of treatment facilities and implementation of mitigation measures.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

As of 31 December 2018, the Group had a total of 4,502 employees.

Employee Benefits and Welfare

Employees are core pillars supporting the Group's sustainable development. The Group is people-oriented, and it makes every effort to provide opportunities for its business and its employees to thrive.

The Group safeguards legitimate rights and interests of employees and continuously improves comprehensiveness of its human resources management. Recruitment plan is developed annually by the Human Resources Department based on the personnel request forms submitted from various departments. Employees are selected and recruited in an impartial, just and open manner in accordance with the management policy on recruitment. To nurture and retain talents, the Group provided supportive promotion channels for employees. The Group provides outstanding employees with appropriate training which prepares them for career advancement when they have met the promotion criteria. It has an assessment system to evaluate employees' performance, capability and recognition of the corporate culture. It selects employees for promotion through recommendations from department, quality assessments, group interviews, and leadership competitions. When selecting candidates for managerial positions, internal performance of employee will also be assessed.

The Group implements different working hour systems for different positions, including the following three types: 1) standard working hour system: employees shall work no more than eight hours a day and no more than 40 hours a week on average; 2) irregular working hours; 3) comprehensive working hour system. The Group also strictly abides by the relevant national regulations on overtime work.

The management policy on remuneration and performance of the Group created appropriate link between work performance and salary, and has laid out formula for remuneration calculation. To reward employees with outstanding performance, employees are entitled to performance salary and performance bonus. Performance salary is dependent on the performance of the employee's department, whereas performance bonus is dependent on the performance of individual employee. Compensation is provided for staff working on afternoon and night shifts.

The Group has formulated the Leave Management Measures to regulate resignation, dismissal and other related matters. The employees shall submit the resignation application form to the department 30 days in advance, and the employees in probation shall submit the application form to the department 3 days in advance. The department involved shall communicate with the resigned employees about the reasons for resignation and then sign and approve the application. Contract workers shall be approved by the labor service company. Logistics staff shall be approved by the general manager of the center/business division, and middle and senior leaders and the above shall be approved by division leader and general manager. The related department shall send the record to the human resources department within 3 working days. During the Reporting Period, the Group revised the resignation procedure and approval authority.

The Group may, on its own initiative, terminate the employment relationship with the employees who is:

- being proved to be unqualified for employment during the probation period;
- seriously violating the Group's rules and regulations and safety operation rules;
- absent from work without reasons for a total of 3 days or more in one year;
- bringing serious damage to the Group due to serious misconduct or malpractice;
- establishing labor relation with other employer at the same time, which seriously affects the completion of the Group's work tasks, or refuses to make corrections upon the request of the Group;
- committed to the circumstances specified in Item 1 of Section 1 in Article 26 of the Labor Contract Law;
- being investigated for criminal liability according to law;
- failing to work for 3 consecutive days and fail to perform the prescribed leave procedures, it is deemed that he/she has submitted his/her resignation to the Group, and the labor relationship between the two parties will be dissolved naturally.

Abiding by the Labour Contract Law of the PRC, the Group has provided statutory social insurance which included endowment insurance, unemployment insurance, work-related injury insurance, medical insurance, maternity insurance and the housing provident fund. Accident insurance, or other insurance were provided to necessary employees, depending on their job nature. Employees are entitled to statutory holidays, sick leave, casual leave, marriage leave, compassion leave, maternity leave, miscarriage leave, work-related injury leave and annual leave. The Group also revised the "Leave Management Regulations", and added the provisions of industrial injury leave. For the employees who apply paid leave period, human resource service department determines his/her paid leave period pursuant to the diagnostic proof of hospital and in accordance with "Classification Catalog of Shutdown Leaves with Salary Period for Injured Workers in Shandong 《山東省工傷職工停工留薪期分類目錄》". Employees were also entitled to health checks, lunch allowance, laundry allowance and year-end performance bonus. During hot weather, employees receive hot weather allowance, iced drinks.

During the Reporting Period, there was no non-compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare that have significant impact on the Group.

Equal Opportunity

The Group is committed to providing equal opportunities for all employees. No employee shall be discriminated against or deprived of opportunities for recruitment, promotion, assessment, training, development or other aspects on the basis of gender, racial background, religious belief, color, sexual orientation, age, marital status or family status. The Group also has a diversity strategy for its board members, and the increasing diversity strategy at the board level is a key element to support its strategic objectives and sustainable development.

During the Reporting Period, there was no non-compliance relating to equal opportunity, diversity and anti-discrimination that have significant impact on the Group.

Employee Communication

Creating a vibrant workplace allows employees to work with a higher productivity and a positive attitude. The Group values feedback from employees and encourages employee participation in recreational activities. A Labour Union has been set up, providing a platform for employees to voice their opinions and recommendations.

To facilitate adaptation of new employees, the Group helps to solve problems encountered by new employees through interviews. During the Reporting Period, 36 interview sessions had been organized. A total of 772 employees participated in the interviews and 91% of the feedback or problems raised by the new employees had been resolved.

The Group's head office has a library covering more than 150 m² of its total area, which was rated as a National Staff Library Showcase by the All-China Federation of Trade Unions during the Reporting Period. The library has more than 7,500 books, 20 kinds of newspapers and magazines, and 32 sets of digital reading computers which provides employees a comfortable venue for learning and relaxing.

The Group has continued to organize the 11th Cultural Festival during the Reporting Period. Outreach training, employee talent show, singing contest, football, basketball and tug-of-war competition had been organized during celebrative festivals (e.g. the New Year's Day, the Chinese New Year, the International Women's Festival, etc.). Employees are encouraged to participate in the above cultural and sports activities to maintain work-life balance, relieve stress, and strengthen team cooperation and cohesion.

B2. Employee Health and Safety

Occupational Health and Safety

The Group was certified to the GB/T 28001–2011/OHSAS 18001:2007 Occupational Health and Safety (“**OH&S**”) Management System. It has a policy on personal protective equipment (“**PPE**”) which ensures that appropriate PPE is provided to staff. Staff exposing to hazard factors are provided with body checkups annually. If a staff is identified to be infected with occupational disease, he/she will undergo corresponding treatment and be arranged to another job position avoiding exposure to the hazard factors. During the Reporting Period, the Group has monitored its occupational hazard factors against the occupational exposure limits. The results were in compliance with the Occupational Exposure Limits for Hazardous Agents in the Workplace — Chemical Hazardous Agents (GBZ 2.1–2007) and Physical Agents (GBZ2.2–2007). Some inspection points have recorded noise level exceedances due to the noise generated by equipment and the prolonged exposure hours of workers. The Group has implemented the following measures thereafter:

- Placing priority for low-noise equipment during procurement;
- Installing silencer and soundproof cover to existing equipment;
- Providing earplugs to employees who are exposed to noise hazards;
- Displaying warning signs and cards in the Plant;
- Providing regular training regarding occupational hazards;
- Assessing occupational hazards in the Plant regularly; and
- Organising occupational health checkups regularly.

The Group has regularly provided OH&S-related training to frontline staff and assessed understanding of trained staff based on the training content. Fire drills are also regularly arranged to enhance staff responsiveness during emergencies.

Occupational Health and Safety Data in 2018

| | |
|------------------------------|------------|
| Work injury cases >3 days | 14 |
| Work injury cases ≤3 days | 0 |
| Lost days due to work injury | 1,877 days |

During the Reporting Period, there was no non-compliance relating to providing a safe working environment and protecting employees from occupational hazards that have significant impact on the Group.

Food Health and Safety

Quality and safety of food has a direct impact on health and safety employees and guests. The Group has developed a food safety management plan and abides by the Food Safety Law, Regulations on the Implementation of the Food Safety Law and the Measures for the Supervision and Administration of Food Safety in Catering Services of the PRC. It has also established a contingency plan and dedicated task force for food safety incidents. Employees working in the catering operation are required to undergo health checkup at least once a year. The Group maintains traceable records of the food purchase orders including food source, food supplier quality and inspection results. Relevant certificates and receipts should be provided with the incoming food materials. The Group conducts regular and random food safety assessment to ensure implementation of the food safety management plan. Kitchen utensils and tableware are cleaned and sanitised according to its management system of cleaning and disinfection of kitchen utensils.

B3. Development and Training

The Group attaches great importance to employee development and training. It believes that training does not only strengthen employee vocational skills, professional knowledge and management skills, but also improves employee perception, attitude and learning skills. This helps employee to stand out from the others in terms of overall quality and capabilities.

The Group's management policy on training encourages employees to improve their management skills and professional knowledge, thus enhancing their competitiveness. To understand training needs of employees, the Group invites various departments to report their identified training needs annually. Surveys regarding training needs and training quality are distributed to participants after training in order to evaluate and improve training quality provided to employees.

During the Reporting Period, the Group has organised training for excellent trainer (3 phases), excellent team work (2 phases), zero-accident safety management (2 phases), human resources management for non-human resources staff, frontline staff management (2 phases) and other training specifically for the middle and senior management. 400 on-the-job training sessions had been organised with a total training hour of 129,597 hours and an accumulative participants of 20,971 employees.

B4. Labour Standards

In pursuance of the Labour Law of the PRC, the Provision on Prohibition of Using Child Labour and other related laws of the PRC, there was no child labour nor forced labour working in the Group during the Reporting Period. To ensure that job applicants meet the age requirement (18 years old), identities of job applicants are verified against their valid identity documents. During the Reporting Period, there was no non-compliance relating to preventing child and forced labour that have significant impact on the Group.

2. Operating Practices

B5. Supply Chain Management

To provide products of the highest quality to its customers, the Group has developed a policy on supplier management. New suppliers, raw materials or substitute materials must be assessed by documents, site visits and sample test before being approved by the Group. The criteria for assessing suppliers include the suppliers' registered capital, brand value, management systems and safety certifications, production capacity and technical capacity, etc. The Raw Material Procurement Department monitors suppliers' performance and identifies infringement activities.

Since the Group was certified to ISO 14001 Environmental Management System, it requires its suppliers to comply with the applicable environmental protection laws of the PRC and to meet certain environmental standards by signing the Environmental Protection Agreement. The Environmental Protection Agreement has laid out terms requiring suppliers to minimise adverse impact to the environment. Suppliers are assessed against their environmental management performance every 5 years or whenever their environmental management policies have been amended. The Group also places importance on avoiding corruption in its supply chain. Its procurement contract requires suppliers to abide by all applicable laws on prohibiting corruption and bribery which included but not limited to Foreign Corrupt Practices Act of the United States, the United Kingdom Bribery Act 2010 and the applicable laws and regulations in the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any offer or receipt of undue advantage among the Group, suppliers and dealers are strictly prohibited.

During the Reporting Period, the Group has engaged over 200 domestic and over 60 overseas raw material suppliers.

B6. Product Responsibility

When designing products, the Group customises design content for customers from various geographical regions and cultural backgrounds. It strives to incorporate evolving designs into its products to create the most advanced products that align with customer needs, as well as the Group's mission and core values. During the Reporting Period, there was no non-compliance relating to health and safety, advertising, labelling and privacy matters of products and services provided that have significant impact on the Group.

Product Assurance and Recall

The Group provides comprehensive after-sales service which product repair, replace and return are guaranteed if the product damage is not caused by improper use or storage by customers. Customers or dealers who wish to lodge an enquiry or complaint can reach the Group through its customer service hotline. Enquiry or complaint will be diverted to the responsible department, and the responsible department will provide customers or dealers with the solution. Customers or dealers will be invited to take the satisfaction survey on phone after the enquiry or complaint has been resolved.

During the Reporting Period, a total of 80 complaints were lodged by customers or dealers. The responsible departments had resolved the complaints with satisfaction surveys collected from the complainers. There was no product sold or shipped subject to recall due to safety and health reasons.

Intellectual Property Rights

The policy on knowledge management identifies the Group's best practices on research, design, manufacturing, quality control, etc. The Group reviews its knowledge on best practices regularly and improves its performances continuously. The Group has registered patents for its utility models, industrial designs and inventions. The policy on trademarks management regulates domestic and foreign registration of the Group's trademarks and safeguards legitimate rights and interests of the Group. If any infringement is found, relevant department shall report to the legal department and the research and development management department.

Information Security

To safeguard confidential information and trade secrets of the Group, the Group has formulated the management regulation on confidential work. Whenever confidential information or trade secrets are involved in any cooperation between the Group and third parties, the external parties are required to sign the site visit agreement and the confidentiality agreement. Visits conducted by external parties are regulated under the management regulation on plant visits. Violation of the Group's management policies on confidential information and trade secrets can lead to economic loss and damage to the reputation of the Group. The loss and damage shall be borne by the external parties in breach of the policy or relevant agreement. Employees violating the policy can be dismissed.

Advertising and Labelling

The Group raises brand awareness through advertising and ensures that unified branding message is delivered to its audiences. Requirements had been set out for using copyrighted content (including trademarks, fonts, pictures and videos) for advertising. The Group promotes its brand through online network, traditional media advertisement and printing materials. During the Reporting Period, all promotional contents were reviewed by its responsible person for communication monitoring to ensure compliance with the Advertising Law of the PRC.

B7. Anti-corruption

The Group strives to build a good corporate image by establishing an effective anti-corruption system. The Group strictly complies with the laws and regulations, such as Law of the PRC on Anti-money Laundering, and refuses any acts of corruption, money laundering, extortion, blackmail, bribe-taking and bribery. Its policy on anti-corruption standardises conduct and discipline of the board of directors, middle and senior management and other general staff. All members of the Group are responsible for preventing corruption. Any alleged violation can be reported through email, hotline or the online administration panel to the general manager and Internal Control Legal Department of the Group. If the report involves senior management of the Group, a special investigation team may be set up for investigation. Serious misconduct will be referred to the appropriate governmental authorities and regulatory agencies. The Group protects all employees that have lodged complaints legally or have involved in the corruption-related investigations. Any retaliation or discrimination against the employees who lodged complaints or involved in the corruption-related investigations are prohibited. Employees engaging in encroachment, embezzlement, corruption, fraud and other malpractices listed on the management policies regarding anti-corruption and employee discipline can be dismissed.

The Group was in compliance with all applicable laws on prohibiting corruption, bribery, extortion and money laundering of the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

B8. Community Investment

The Group understands the importance of increasing income and promoting economic growth of its community. The Group has not yet formulated formal policy on community engagement, but the Group's contribution to the society also increases with its expansion, such as more tax contribution. The Group has paid a total of RMB275.61 million of tax, which has provided significant support the local economic development. With the Group's devotion to helping its employees and its local communities, the Group has also donated to charities and around RMB1.2 million had been donated during the Reporting Period.

In the Chinese New Year in 2018, the Labour Union of the Group partnered with the General Labour Union of Rongcheng to identify employees facing financial difficulties. A total of 26 employees facing financial difficulties (including 16 in general condition and 10 in critical condition) had been identified. The General Labour Union of Rongcheng has contributed a total of RMB61,000 to the identified employees by means of cash, supermarket vouchers and transportation cards. The Labour Union of the Group has also contributed RMB3,000 to the families of its two deceased former employees.

To provide care and support to its community, the Group has organised voluntary activities such as elderly care and snow clearing activities. A total of 2,745 employee had participated in the activities with an accumulated service hour of 13,725 hours. It has also invested in creating a green environment for the Yatou streets of Rongcheng in Shandong Province of the PRC.