

DA MING INTERNATIONAL HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Environmental, Social and Governance Report



2018

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ABOUT THIS REPORT

Da Ming International Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present this Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance issues. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering the stainless steel and carbon steel processing business of the Group in the People’s Republic of China (“PRC”) and Hong Kong. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2018 to 31 December 2018.

CONTACT INFORMATION

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to info@jsdmss.com.

INTRODUCTION

Throughout years of rapid development, the Group has become a comprehensive steel fabrication enterprise well known in China, specialising in processing, sales and technical service services of stainless steel and carbon steel. The Group has a network of nine processing centres in the PRC and several branch offices in Hong Kong and the PRC.

Since 2010, the Group has been officially listed on the Main Board of Hong Kong Stock Exchange and was the first enterprise listed in Hong Kong among stainless steel processing and manufacturing industry in China. The business of the Group has expanded to a variety of industries, including petrochemical, new energy, bio-pharmaceutical, electronic communications, special ship, rail transit and aerospace industry. The Group believes our processing capability, inventory management and just-in-time delivery has made us an important steel processor to our customers.

The Group acknowledges the significance of effective sustainability practices to achieve business excellence and enhance capabilities for long-term competitiveness. The Group is committed to maintaining its operation in a responsible and value-optimising manner for stakeholders and community by incorporating environmental, social and governance considerations into its operation. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels
Government	<ul style="list-style-type: none"> – Compliance with the law and regulations – Promote regional economic development and employment 	<ul style="list-style-type: none"> – On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual reports – Website
Shareholders and Investors	<ul style="list-style-type: none"> – Low risk – Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> – Annual general meeting and other shareholder meetings – Annual reports and announcements – Newsletter – Meeting with investors and analysts

Stakeholders	Expectations	Engagement channels
Employees	<ul style="list-style-type: none"> – Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety 	<ul style="list-style-type: none"> – Conference – Training, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails
Customers	<ul style="list-style-type: none"> – Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics 	<ul style="list-style-type: none"> – Website, brochures, annual reports – Email and customer service hotline – Feedback forms – Regular meetings
Suppliers	<ul style="list-style-type: none"> – Long-term partnership – Honest cooperation – Fair, open – Information resources sharing – Risk reduction 	<ul style="list-style-type: none"> – Business meetings, supplier conferences, phone calls, interviews – Regular meetings – Review and assessment – Tendering process
Peer and Industry Associations	<ul style="list-style-type: none"> – Experience sharing – Cooperation – Fair competition 	<ul style="list-style-type: none"> – Industry conference – Site visits
Financial Institution	<ul style="list-style-type: none"> – Compliance with the law and regulations – Disclosure information 	<ul style="list-style-type: none"> – Consulting – Information disclosure – Reports
Media	<ul style="list-style-type: none"> – Transparent information – Communication with media 	<ul style="list-style-type: none"> – Website – Interviews – Media conference – Media gathering
Public and Communities	<ul style="list-style-type: none"> – Community involvement – Social responsibilities 	<ul style="list-style-type: none"> – Volunteering – Charity and social investment – Annual reports

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the GRI Guidelines.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the important of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects were covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured that all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2018, those important ESG areas to the Group were discussed in this Report.

Key engagement activities with stakeholders in 2018

1. *Employees*

On 30 November 2018, an Employees' Representatives Conference was convened at the headquarter in Wuxi. A total of 142 employee representatives participated in the conference.

In the conference, issues on working hours, remuneration, health and safety and protection of female workers were raised and discussed. The conference provided a platform for employees to convey their opinions and concerns on the Group's policies. The Group can therefore formulate policies that cater for the needs of employees in order to build a motivated and engaged workforce.

2. *Peers and Industry Associations*

The Group believes that the experience and insights gained from peers and industry association are vital for the Group's long-term success. Hence, the Group has participated in an array of meetings, seminars and expos. Below are some examples during the reporting period:

ITMA ASIA + CITME 2018 (中國國際紡織機械展覽會暨ITMA亞洲展覽會)

On 15 October 2018, the "2018 China International Textile Machinery Exhibition and ITMA Asia Exhibition" was held at the National Convention and Exhibition Center (Shanghai). The exhibition attracted more than 1,700 textile machinery companies from 28 countries and regions around the world. The exhibition provided a great opportunity for the Group to communicate with clients so as to enhance the knowledge and improve the quality of our product and service.

Shanghai Exhibition "bauma CHINA 2018" (上海展覽 "寶馬中國 2018")

On 27 November 2018, the Group participated in the four-day exhibition "bauma CHINA" held in Shanghai. The exhibition brought together more than 3,300 manufacturing companies from 38 countries and regions around the world. The Group was invited to participate in the exhibition. The Group provided construction machinery customers with one-stop processing services from materials to processing. It helped downstream companies to achieve lighter assets, optimizes their manufacturing costs, and ensures efficiency and product quality.

*2018 Materials Application and Processing Technology Exchange Seminar (促進製造業升級
2018材料應用及加工技術交流會)*

On 24 October 2018, Shanxi Taigang Stainless Steel Co., Ltd. and Jiangsu Shagang and the Group held a seminar. More than 600 people from 320 units participated in this conference. The conference focused on steel materials and exchange processing technology, with the goal of “promoting quality improvement and efficiency, service manufacturing upgrade”, realizing the sharing of information, rational docking of resources, and thus achieving mutual benefit and win-win, as well as receiving the upper, middle and lower reaches of the industrial chain.

*Automotive Stainless-Steel Development Trends and Application Technology Seminar (汽車用不
銹鋼發展趨勢與應用技術研討會)*

On 20 April 2018, the Group and the China Automotive Engineering Society Materials Branch jointly held a seminar in Wuxi. More than 200 representatives from 102 companies including mainframes, assemblies and component manufacturers from the industry attended the conference. Through the in-depth exchanges between the upstream, middle and lower reaches of the industrial chain, the materials, processing, technology, demand and development trends of automotive stainless steel have been realized. Besides, the sharing of information resources has been realized, the opportunities of further cooperation have been explored.

*International Forum on Stainless Steel for the Food Industry 2018 (食品工業用不銹鋼國際論壇
2018年年會)*

On 7 July 2018, the “Stainless Steel International Forum” for Food Industry was held by China Food and Packaging Machinery Industry Association, the International Nickel Association and the Group in Wuxi. More than 100 representatives from the China Food and Packaging Machinery Industry Association, industrial chain companies, and research institutes attended the forum. The main purpose of the forum was to find a way to achieve synergy and win-win, and to make in-depth exchanges for the development of the industry.

ENVIRONMENTAL ASPECT

The Group only provides processing services on stainless steel and carbon steel and is not involved in the steel production. Besides, the design of existing facilities does not cause serious environmental problem. Hence, the Group is not categorised by the Ministry of Environmental Protection of the PRC as a polluting enterprise. In spite of this, environmental protection remains one of the key focuses of the Group in fulfilling its social responsibilities. The Group is committed to minimising the environmental impacts while maintaining a high quality of services to our customers. To achieve the commitment, the Group has established relevant environmental policies and implemented various measures in accordance to the requirement of ISO 14001 Environmental Management System.

The Group fully complies with the 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 Water Pollution and all other applicable environmental laws and regulations in the PRC. In order to ensure strict compliance with applicable environmental laws, regulations and standards, the Group has appointed a working group within the quality assurance department to oversee the environmental protection policy. During the reporting period, the Group was not aware of any non-compliance issue in relation to environmental law.

EMISSIONS

Air Pollutant Emission

The air pollutants emitted by the Group mainly come from fuel consumption and vehicles. It is important to implement emission control measures to reduce the environmental impacts and protect the health of employees. In order to ensure strict compliance with relevant laws and regulation and reduce the emission, the Group has established a policy of “Exhaust Gas Management Regulation” to regulate and monitor the emission from welding and solvent storage, vehicles and canteens.

To control the emission sources, the Group procures facilities that meet the emission standard and raw materials with low emission. Relevant personnel who handle machinery are required to strictly follow the Group’s work procedure during operation to avoid exhaust gas emission from inappropriate work procedure. The condition of machinery is checked and recorded regularly. In case there is any abnormal emission, maintenance will be conducted immediately.

To monitor the emission, the Group conducts annual assessment on the air pollutants in the production plants so as to ensure that the emission meets the level III standard as stated in the “integrated Emission Standard of Air Pollutant (GB16297-1996)”. The increase in air pollutant emission in 2018 was mainly attributable to the increase in sales of stainless steel and carbon steel products during the year.

During the reporting period, the air pollutant emission was as follows:

Air Pollutant Emission

Type of air pollutants	Unit	2018	2017
Sulphur dioxide (SO ₂)	kg	333.67	240.35
Nitrogen oxides (NO _x)	kg	8,439.05	4,792.77
Particular matter (PM)	kg	686.93	456.75

Greenhouse Gas (GHG) Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. As a steel processing enterprise, energy consumption accounts for a major part of the Group's GHG emission. The Group has managed the carbon footprint by adopting energy saving strategies and initiatives based on our internal procedure. Policies and procedures adopted on energy saving are mentioned in the section "Use of Resources" of this Report. The increase in GHG emission in 2018 was mainly attributable to the increase in sales of stainless steel and carbon steel products during the year.

During the reporting period, the emission of greenhouse gas was as follows:

GHG Emission

Type of GHG emission	Unit	2018	2017
Scope 1 ¹ Direct emission	tonnes of CO ₂ -e	2,961.11	2,250.89
Scope 2 ² Indirect emission	tonnes of CO ₂ -e	101,450.63	47,822.78
Total	tonnes of CO₂-e	104,411.74	50,073.67
GHG Intensity	tonnes of CO ₂ -e/tonnes of production	0.035	0.012

¹ Scope 1: Direct emission from sources that are owned or controlled by the Group.

² Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

Hazardous and Non-hazardous Wastes

The Group acknowledges the importance to handle the waste properly to minimise the impacts on the environment. The Group has established a policy of “Waste Handling Regulation” to manage waste collection, storage and disposal. There are specific collection processes, storage locations, disposal methods and responsible departments for production waste and domestic waste based on their types and sources of production. Recyclable waste, non-recyclable waste and hazardous waste are marked with different colour labels and symbols to clearly identify the waste for further processing. Recyclable waste such as paper, wood and plastic, are collected and sold to third parties for recycling. Non-recyclable waste such as used-up stationery and discarded tools, are collected by outsourced cleaning companies. For hazardous waste such as oil and batteries, they are handled and stored with due care and in accordance with relevant laws and regulations. The Group engages qualified recycling companies to perform waste treatment in order to ensure they are treated in appropriate ways and do not cause significant impact on the environment. The increase in the amount of hazardous waste produced in 2018 was mainly attributable to the increase in sales of stainless steel and carbon steel products during the year. The amount of non-hazardous waste decreased significantly in 2018 as there was an increase in the effectiveness of implementing non-hazardous waste management strategies during the reporting period.

Apart from recycling, the Group endeavours to reduce the solid waste by implementing various waste reduction measures as follows:

- Communication by electronic means such as emails is promoted.
- Double-sided printing is encouraged.
- Reusable utensils are used instead of disposable ones.
- Employees are encouraged to reuse stationery, such as used envelopes.

During the reporting period, the hazardous and non-hazardous wastes generated by the Group were as follows:

Hazardous Waste and Non-Hazardous Waste

Type of waste	Unit	2018	2017
Hazardous waste	tonnes	156.60	68.67
Hazardous waste intensity	tonnes/tonnes of production	0.000052	0.000017
Non-hazardous waste			
– Domestic waste	tonnes	473.10	473.33
Non-hazardous waste intensity	tonnes/tonnes of production	0.000158	0.000117

Wastewater

The Group strives to effectively regulate the discharge of industrial and domestic sewage with the implementation of “Wastewater Management Regulation”. All discharged sewage meets the national and regional standards, including “Integrated Wastewater Discharge Standard (GB8878-1996)” and “Wastewater Quality Standards for Discharge to Municipal Sewers (CJ343-2010)”. The domestic sewage is discharged into the municipal sewer systems for collective treatment in sewage treatment plant. For other types of wastewater, measures are adopted to avoid mixing the domestic sewage and prevent the pollution to surrounding water bodies as follows:

- Prohibition of using domestic water taps in cleaning of oil tanks and chemical containers.
- Immediate cleaning of any lubricating oil and fuel oil spillage.
- Reduction of the pesticide usage during greening process.
- Prohibition of discharging residual pesticide to the sewer.

In addition, the Group conducts annual assessment on the sewage to ensure that the pollutant levels in the sewage meet the standard of domestic sewage discharge.

USE OF RESOURCES

The major resources used by the Group are energy and water consumed in offices and during steel processing, and packaging materials for processed stainless steel products. The Group attaches great importance to reduce the resource consumption by implementing the “Energy and Resource Management Procedure” to manage the use of resources.

Energy Consumption

The major sources of energy consumption are the fuel consumed by vehicles and machineries, and electricity used in offices and operation lines. The Group manages the use of energy in accordance with the national and local requirements. In order to monitor and reduce the energy consumption, the Group has adopted a variety of measures in production plants and in the office. The increase in energy consumption in 2018 was mainly due to the increase in sales of stainless steel and carbon steel products during the year.

In production plants,

- Frequent starting of production facilities, especially air compressor set, water cooling system and central air-conditioning, is avoided to reduce energy consumed from idling operation.
- Electricity meters are installed to monitor the energy usage and determine the effectiveness of energy saving measures.

In office,

- Lights and air-conditioners are switched off before leaving the office.
- Air-conditioning is maintained at an average temperature between 24 to 26 degrees Celsius.
- Energy saving light bulbs, such as compact fluorescent lamps, T5 fluorescent lamps and LED lightings are used.
- Electrical appliances with “Grade 1” energy labels are procured.

Case 1 5S Workplace Organization Methodology Program

5S Workplace Organization Methodology Program (“5S”) is a system to reduce waste and optimise productivity while maintaining an orderly workplace. During the year, Jiangsu Daming production team 1 has implemented a variety of environmental-friendly measures in accordance with 5S to eliminate unnecessary energy consumption, increase operation efficiency and reduce production cost. Equipment idle is a problem that consumes unnecessary energy and accelerates depreciation of machinery. The team has identified the problem of equipment idle and implemented improvement plans to reduce the energy consumption and machinery maintenance cost.

During the reporting period, the energy consumption was as follows:

Energy Consumption			
Type of energy	Unit	2018	2017
Petrol	MWh	7,754.56	6,154.93
Diesel	MWh	2,224.84	2,285.09
LPG	MWh	876.52	635.08
Purchased electricity	MWh	89,502.89	56,087.44
Total	MWh	100,358.81	65,162.54
Energy intensity	MWh/tonnes of production	0.034	0.016

Water Consumption

Water is another important resource used by the Group in daily operation. It is used mainly in canteens, offices and production lines for cleaning and machinery cooling. During the reporting period, the decrease in water consumption in 2018 was due to the effective water saving strategies implemented by the Group during the year. The Group strives to conserve water effectively by identifying water saving initiatives as follows:

- Water-saving fixtures are installed for lavatories.
- Water-saving labels have been posted on water taps to remind employees.
- Regular maintenance is conducted for water supply equipment to prevent water leakage.

During the reporting period, the water consumption was as follows:

Water Consumption			
Water consumption	Unit	2018	2017
Total	m ³	316,150.50	343,233.94
Intensity	m ³ /tonnes of production	0.106	0.085

Packaging Material and Other Resources

The major packaging materials used by the Group are wood, metal, paper and plastic. They are used to protect the stainless steel products in order to minimise the risk of damage during transportation. The decrease in packaging material consumption in 2018 was mainly due to the efficient packaging material and resource utilization during the year.

The packaging material consumption was as follows:

Type of packaging material	Packaging Material Consumption		
	Unit	2018	2017
Wood	tonnes	2,295.49	7,649.95
Metal	tonnes	827.38	1,164.55
Paper	tonnes	1,213.12	1,162.50
Plastic	tonnes	83.26	138.40

THE ENVIRONMENT AND NATURAL RESOURCES

According to the Environmental Protection Law of the PRC, where the construction of a project may cause any pollution to the environment, an environmental assessment must be performed. Environmental impact assessment is crucial for construction projects to identify potential environmental impacts and determine the prevention and remedial measures to be adopted. All the Group's construction and extension projects comply with relevant environmental impact assessment procedures, undergo inspection and have been approved by the relevant environmental protection authorities. The discharge of all pollutants complies with the relevant national standards.

The Group has established "Environmental Factors Identification and Evaluation Management Policy" to identify and evaluate any significant impacts on environment in production, delivery, service and operational activities. The environmental impact is assessed based on the scale, severity, probability of occurrence and duration of the environmental impact, and relevant environmental laws and regulations. With the results from environmental impact assessment, the Group can better formulate targets, indicators and improvement plans to minimise the impacts on the environment.

SOCIAL ASPECT

EMPLOYMENT AND LABOUR PRACTICES

The Group believes people are important assets and the keys to maintain its competitiveness. The Group strives to maintain a safe and equal working environment for our employees, provide development opportunities and promote employee health and well-being. The commitment is incorporated into staff handbook and other human resources management policies.

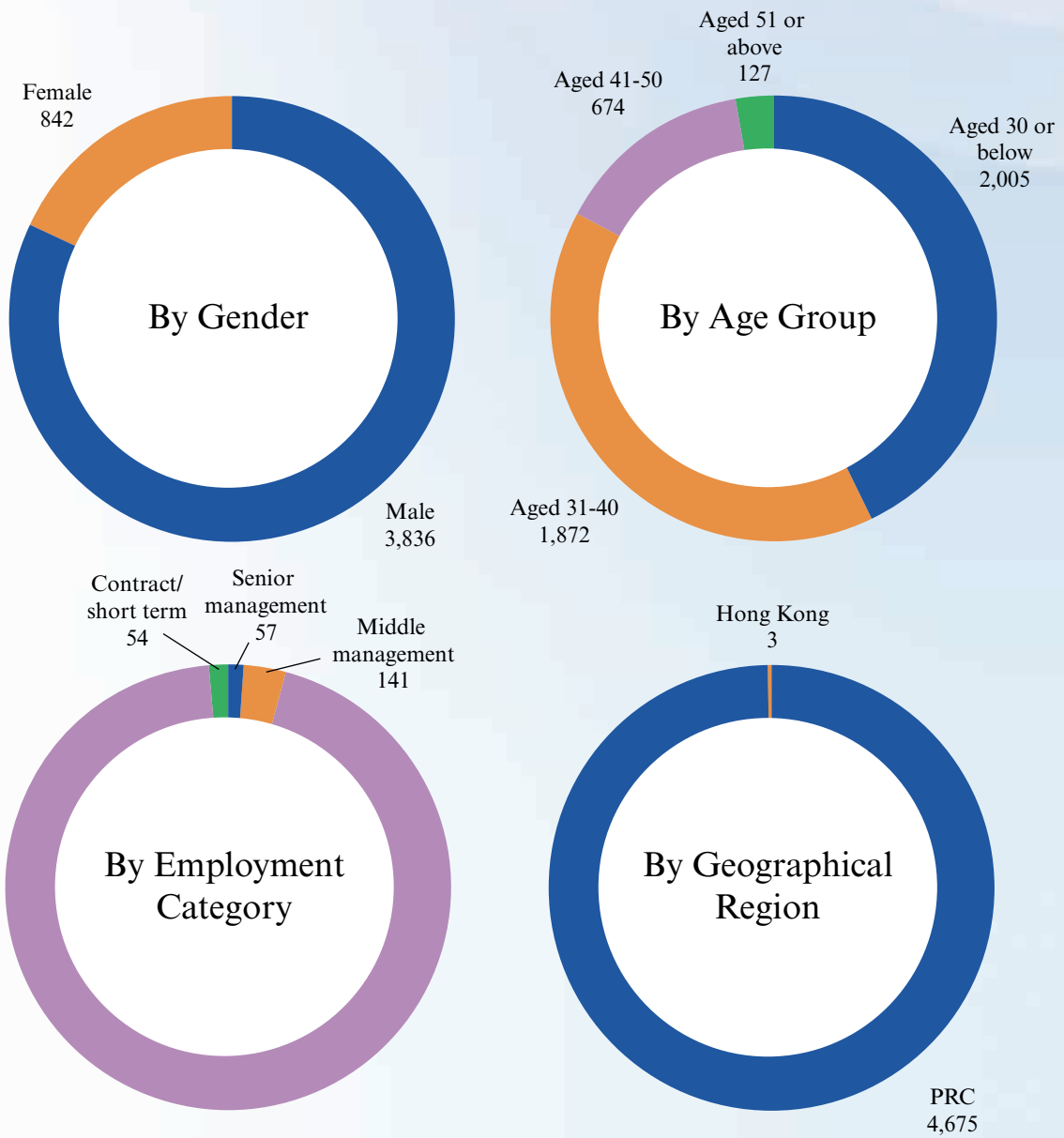
The Group is in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC. During the reporting period, the Group was not aware of any non-compliance with those applicable laws and regulations.

EMPLOYMENT

The staff handbook covers the Group's standard in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. The Group fully complies with relevant laws and regulations to provide basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing provident fund to employees. Employees are also entitled to various holidays and paid leaves such as statutory holidays, paid annual leave, marriage leave, maternity leave and compassionate leave.

The Group strives to create a diverse and inclusive workplace where all its employees are treated with dignity and respect. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, gender, religion, marital status or any status protected by law.

At the end of the reporting period, the employee composition (in numbers of employees) by gender, employee category, age group and geographical region were as follows:



The employee turnover rates by gender and age group during the reporting period were as follows:

Employee Turnover Rate			
Category	Unit	2018	2017
By gender ³			
– Male	%	25	22
– Female	%	13	12
By age group ⁴			
– 30 or below	%	31	26
– 31-40	%	19	17
– 41-50	%	9	12
– 51 or above	%	9	5
Overall ⁵	%	22	21

Recognising the importance of a work-life balance to a motivated and productive workforce, the Group has organised a range of recreational activities to promote a healthy workplace, strengthen employees' sense of belongings and encourage them to explore personal interests.

Case 1 The Seventh Daming Cup 3 on 3 Basketball Competition

The annual three-person basketball game is a favorite event for employees, and it is the seventh competition held by the Group. The basketball game is divided into two parts, the regional competition and the group finals. The champion teams of each of the companies have organized the competition to arrive at the Wuxi headquarters for the finals. Through the basketball game, employees can have more exercise and enhance the team's cohesiveness.

³ Turnover rate refers to total number of employee turnover of the gender group per total number of employees of the corresponding gender group at the end of the year.

⁴ Turnover rate refers to total number of employee turnover of the age group per total number of employees of the corresponding age group at the end of the year.

⁵ Turnover rate refers to total number of employee turnover during the reporting period per total number of employees at the end of the year.

Case 2 Tik Tok Competition

In October 2018, the Group held a Tik Tok competition with the theme of honoring the 30th anniversary of Daming, and invited colleagues to share and demonstrate the development of the Group in the form of Tik Tok video for 30 years. Through the voting competition on the WeChat platform, a number of winning works were selected. Through the competition, employees' sense of identity and belonging to the company is improved, and the opportunity for individuals to relieve work stress is also provided.

Case 3 Wuxi Marathon

As an important part of the Group's corporate culture, the marathon has always had a number of fixed runners. In March 2018, approximately 100 marathon society members from the Group participated this marathon event in Xima. This event helps the employees develop their healthy life style and building up the team spirit for the Group.

The employee welfare and expense during the reporting period was as follows:

Employee Welfare Items and Expenses		
Time	Welfare/Event	Expense per person (RMB)
January	Chinese New Year Gift	500
February	Annual Dinner	200
March	International Women's Day Gift	100
May	Dragon Boat Festival Gift	200
June	Personal Care Products	100
September	Mid-Autumn Festival Gift	300
Every month	Birthday Card	75

HEALTH AND SAFETY

The Group places the highest priority on securing health and safety of all employees and strictly complies with the Law of the PRC on Prevention and Control of Occupational Diseases, the Law of the PRC on Work Safety and other applicable laws and regulations in the PRC. The Group strives to provide and maintain a safe and healthy working environment for employees to protect them from work-related injuries. To achieve this goal, the Group has set up a Safety Production Committee and implemented a range of health and safety related policies to manage occupational health and safety issues.

Safety Education

Safety education, including training, assessment and safety management certification, is essential to ensure employees are well equipped to handle the machinery and fully understand the safety risks associated with relevant equipment. All newly recruited production staff receives the three-tier safety education, which includes knowledge of safe production, relevant regulations and operation procedures with the aims to strengthen employees' safety awareness and ability to handle emergency cases. For special operation, relevant personnel must receive safety training and obtain special operation certificate in accordance with national laws and regulations before working at the sites.

Protective Equipment

To secure the health and safety of employees during operation, the Group has implemented a policy of "Labour Protective Supplies Management Regulation". Operational staff is required to wear safety gear such as helmets, gloves and safety shoes to minimise the risk of work-related injuries. In procuring the protective equipment, a qualified supplier is chosen and the equipment is required to meet the relevant national laws and regulations, for example, the safety label and pass certificate. Suppliers are required to present the production and sell certificates.

In addition to protective gear, the Group adopted a policy of "Employee Body Checking Management Regulation" to protect the health of employees. The Group provides pre-placement body checks for newly joined employees, annual body checks for existing employees and specialised body checks for employees who are working in special types of work.

Extreme Hot Weather Precaution

The Group acknowledges the health and safety risk in working under extreme hot weather. Hence, the Group has adopted a policy of "Heatstroke Prevention Management" to implement plans and measures for sunstroke prevention. Under hot weather, the Group provides salted soda water and ice for employees to avoid dehydration and lower body temperature. Employees should avoid working outdoor whenever the temperature of the day reaches 37 degrees Celsius. Employees who are pregnant or whose physical conditions are not suitable to work under high temperature should be avoided from working under hot weather.

During the reporting period, the Group was not aware of any non-compliance with relevant laws and regulations. There were 2,967 lost days due to work-related injuries and zero case of fatality.

DEVELOPMENT AND TRAINING

The Group considers the skills and knowledge of our employees as the key elements for sustainable development of the Group. The Group offers training programs and job rotation based on the needs of respective positions and the talents and interests of the employee. The trainings offered can be divided into two main categories, orientation training and on-the job training. The orientation training is provided for newly joined employees. It covers corporate culture, regulation and product knowledge. The on-the-job training is provided for existing employees. The content is based on the needs of each department to enhance employees' skills in discharging their duties. In addition, employees are encouraged to attain relevant examination and obtain relevant certificates to enhance their personal performance.

During the reporting period, the percentage of employees trained by gender and employee categories were as follows:

Percentage of training participants to the number of employees

By gender ⁶	Unit	2018	2017
– Male	%	100	92
– Female	%	100	97
By employment category⁷			
– Senior management	%	91	60
– Middle management	%	99	80
– General	%	100	94
– Contract or short term	%	100	82

⁶ Percentage of employee trained refers to total number of trained employees of the gender group per the total number of employees of the corresponding gender group at the end of the year.

⁷ Percentage of employee trained refers to total number of trained employees of the corresponding employee category per the total number of employees of the corresponding employee category at the end of the year.

During the reporting period, the average training hours for employee by gender and employment categories were as follows:

Average training hours for employees			
By gender	Unit	2018	2017
– Male	hours/employee	22.45	19.41
– Female	hours/employee	22.00	18.71
By employment category			
– Senior management	hours/employee	19.95	11.89
– Middle management	hours/employee	21.35	11.62
– General	hours/employee	22.57	20.07
– Contract or short term	hours/employee	10.72	11.29

Case 1 Internal training from the Group to its subsidiaries

The Group's teaching group continued to share skills and experience with its subsidiaries, develop and improve training courses, hold specific training, and begin assessments and testing. The Group's teaching group actively provided support to subsidiaries, conducted demonstration training and guided the development of training courses. After receiving training and assistance from the teaching group, the subsidiaries can effectively design more relevant operational procedures and training courses according to its own production characteristics.

Case 2 Training for university graduates

The Group has always assisted teenagers to become a part of us to promote the growth and success of the Group. Subsidiaries such as “江蘇大明金屬製品有限公司” and “大明重工有限公司” provided a comprehensive two-month on-the-job training to train talented and recognised university graduates. On-the-job training covered corporate culture, safety training, rules and regulations, product knowledge, information systems, work rotation, military training and training reporting, etc., aiming to enable university graduates to be more familiar with the corporate environment and related business knowledge.

LABOUR STANDARDS

The Group strictly emphasises on the prohibition of engaging child labour and forced labour and fully complies with the Labour Law of the PRC, Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations in the PRC. The Group has formulated policy of “Recruitment Procedure” on managing the prohibition of child labour. As prevention for child labour, candidates are required to present their identity cards for age verification during recruitment process. Individuals under the age of 16 or without any identification documents are disqualified from employment. In case of any child labour, the Group will terminate his/her employment and offer medical checks for him/her. The Group will also review the problem to prevent recurrence.

The Group is committed to respecting the freedom of employee and prohibiting all form of forced labour. The working hours are regulated in the staff handbook and overtime working is compensated in accordance to relevant laws and regulations.

With regard to third party suppliers, they are required to comply with relevant laws and regulations to uphold the elimination of child labour and forced labour. Once they are discovered of being intentionally complicit in child or forced labour, cooperation will be terminated immediately.

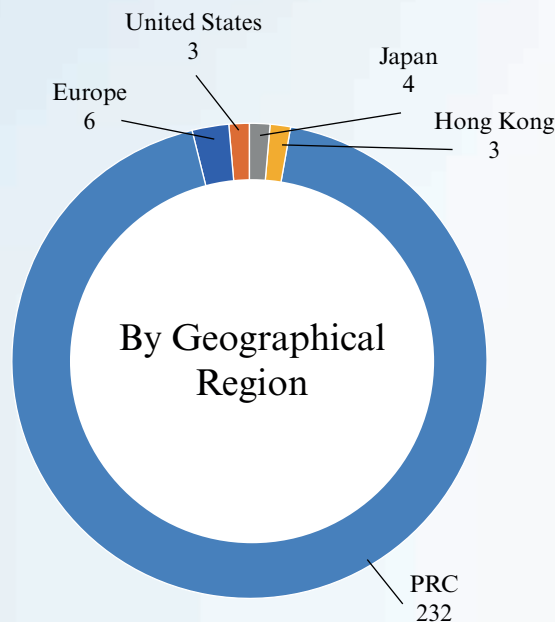
During the reporting period, the Group did not discover any significant risk exposure in relation to the employment of child labour for works of hazardous nature, forced or compulsory labour in any operation.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

In order to manage and mitigate the environmental and social risks in the supply chain, the Group selected suppliers and products carefully and maintained long-term and stable relationship with qualified suppliers. According to the Group's policy "Supplier, Distributor and Subcontractor Management Procedure", the Group considers the social responsibilities of suppliers in selecting suppliers and encourages all suppliers to enhance social responsibility performance. The Group has established social responsibility profiles for suppliers and distributors to keep record of their evaluation results and improvement plans. Suppliers and distributors are required to sign a Social Responsibility Agreement and fully abide by the local labour laws and regulations and the SA8000 Social Compliance Standard. In addition, the Group conducts site inspection at least once a year to assess the social responsibility performance of suppliers and distributors and keep tracks of the improvements.

During the reporting period, the supplier composition (in numbers of suppliers) by geographical region was as follows:



PRODUCT RESPONSIBILITY

The Group regards product and service qualities as key competitive advantages of its business and makes every effort to improve the product and service qualities while strengthening communications with our customers. The Group strictly complies with the Trademark Law of the PRC, Law of the PRC on Product Quality, Law of the PRC on the Protection of Consumer Rights and Interests and other applicable laws and regulations in the PRC.

Quality Control

The Group has established various quality control policies and procedures to ensure our products comply with the product specifications requested by customers and meet the requirement of ISO9001:2008 Quality Management System.

The quality control system can be divided into two main categories, including quality control for raw materials and quality control on processing procedures. To ensure the quality of raw materials meet their respective specifications, samples are taken and sent to laboratories for testing on chemical contents. In order to control the quality of processing process, regular inspections are carried out by quality control personnel at various stages of the processing procedures to ensure consistency of the processing procedures.

During the reporting period, the Group did not identify any product sold or shipped subject to recall for safety and health reasons.

Complaints and Opinions Handling

The Group believes the opinions from customers can drive its continuous improvement program and are essential to its pursuit for excellence. The Group welcomes the opinions from customers by establishing customer service hotlines, conducting site visits and convening customer meetings. In case of receipt of complaints, the Group will take prompt actions and carry out remediation plans. During the reporting period, the Group received 2,548 cases of complaints.

Intellectual Property Protection

The Group is dedicated to protecting and enforcing its intellectual property rights which are crucial to sustainable business growth. Management systems are in place to specify requirements on submission, application, indexing and rewarding of patents. In addition, the Group signs confidentiality agreements with technical specialists.

Customer Data Protection and Privacy

The Group is aware of the importance in handling customer information and takes high precaution in ensuring their confidentiality to avoid misuse of personal data. The Group has implemented policy “Business Ethics Control Procedure” and required employees to fully abide by the guidance on prohibiting any unauthorised disclosure of confidential information.

ANTI-CORRUPTION

The Group is committed to upholding high standards of business ethics. With the implementation of “Anti-Corruption Control Procedure”, the Group conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. The Group requests employees and third parties to sign an anti-bribery/anti-corruption commitment and fully comply with the requirements as defined. Management department is responsible to monitor the business operation and oversee any cases related to corruption or fraud.

The Group’s whistle-blowing procedure encourages and enables stakeholders to report on observed and suspected non-compliance and questionable practice by setting up report box and report phone. Once misconduct case is found and confirmed, the relevant personnel will be subject to disciplinary actions and reported to legal authorities when necessary.

During the reporting period, no legal case concerned with corrupt practices was brought against the Group.

COMMUNITY

COMMUNITY INVESTMENT

As a socially responsible corporate citizen, the Group is constantly aware of the community needs and has actively participated in local community’s activities. The Group also encourages employees to devote their effort to community care.

Contribution to environmental field

The Group strives to contribute to the environment by processing products that bring a positive impact on the environment. The Group has strengthened the processing ability and other supporting services to provide one-stop service for environmental field, including exhaust gas management and sewage treatment and management.

During the reporting period, the Group continues to support clients in environmental field, some examples are as below:

Date	Description
January 2018	<p>Client: An environmental equipment company</p> <p>Service: Processing products for supporting sewage treatment equipment (cellular co-management)</p>
May 2018	<p>Client: A drainage system company</p> <p>Service: Processing products (cage) for supporting river sewage treatment systems</p>
November 2018	<p>Client: A leading global provider of industrial engineered products and solutions</p> <p>Service: Processing products used to optimize water quality</p>

Cooperation with education institutions

The Group believes that youths are the future leaders of our society and continues to cultivate young people by cooperating with education institutions.

Case 1 School of Mechanical Engineering, Rail Transit, Changzhou University

On 25 October 2018, the leaders of the School of Mechanical Engineering and the Urban Rail Transit School of Changzhou University came to the the Group's Jingjiang base to participate in the school-enterprise cooperation signing ceremony. Through school-enterprise cooperation, it becomes the beginning of deepening collaboration between the Group and the society. Students can learn professional knowledge and enhance their skills application abilities. Besides, it can forester the development in terms of learning, research, employment and business.

Case 2 Established an off-campus practice base with China University of Mining and Technology

On 24 July 2018, the leaders of the School of Materials Science and Engineering of China University of Mining and Technology led more than 100 teachers and students to visit our Group's Da Ming site. This activity deepened our cooperation and we formally signed the "Integration Base of China University of Mining and Technology". Agreement. Our leaders expressed that cooperating to build off-campus practice bases will help deepen the cooperation between institutions and enterprises, create a new mechanism for joint training of talents among universities, research institutes and industry enterprises. Moreover, this can improve students' engineering application abilities and adaptabilities. The Group will focus on the center of talent cultivation and school-enterprise win-win goal. Besides, we will carry out multi-levels and all-round cooperation in production, education and research to adhere fruitful result in trading people.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Sections	Pages
A. Environmental			
A1: Emissions			
General Disclosure		“Environmental Aspects”	9
KPI A1.1	The types of emissions and respective emissions data	“Emissions – Air Pollutant Emission”	9-10
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	“Emissions – Greenhouse Gas Emission”	10
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	“Emissions – Hazardous and Non-hazardous Wastes”	11-12
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	“Emissions – Hazardous and Non-hazardous Wastes”	11-12
KPI A1.5	Description of measures to mitigate emissions and results achieved	“Emissions – Air Pollutant Emission”, “Emissions – Greenhouse Gas Emission”	9-10
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	“Emissions – Hazardous and Non-hazardous Wastes”	11-12

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)	Sections	Pages
A2: Use of Resources		
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KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity	“Use of Resources – Energy Consumption”	13-14
KPI A2.2 Water consumption in total and intensity	“Use of Resources – Water Consumption”	14
KPI A2.3 Description of energy use efficiency initiatives and results achieved	“Use of Resources – Energy Consumption”	13-14
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	“Use of Resources – Water Consumption”	14
KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced	“Use of Resources – Packaging Material and Other Resources”	15
A3: The Environment and Natural Resources		
General Disclosure	“The Environment and Natural Resources”	15
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	“The Environment and Natural Resources”	15

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)	Sections	Pages
B. Social		
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B1: Employment		
General Disclosure	“Employment”	16
KPI B1.1 Total workforce by gender, employment type, age group and geographical region	“Employment”	17
KPI B1.2 Employee turnover rate by gender, age group and geographical region	“Employment”	18
B2: Health and safety		
General Disclosure	“Health and Safety”	19
KPI B2.1 Number and rate of work-related fatalities	No case of work-related fatality was noted.	–
KPI B2.2 Lost days due to work injury	“Health and Safety”	20
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	“Health and Safety”	20
B3: Development and Training		
General Disclosure	“Development and Training”	21
KPI B3.1 The percentage of employee trained by gender and employee category	“Development and Training”	22
KPI B3.2 The average training hours completed per employee by gender and employee category	“Development and Training”	22
B4: Labour Standards		
General Disclosure	“Labour Standards”	23
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour	“Labour Standards”	23
KPI B4.2 Description of steps taken to eliminate such practices when discovered	“Labour Standards”	23

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Sections	Pages
Operating Practices			
B5: Supply Chain Management			
General Disclosure		“Supply Chain Management”	24
KPI B5.1	Number of suppliers by geographical region	“Supply Chain Management”	24
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	“Supply Chain Management”	24
B6: Product Responsibility			
General Disclosure		“Product Responsibility”	24
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No product sold or shipped subject to recalls for safety and health reasons was noted.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with	“Product Responsibility – Complaints and Opinions Handling”	25
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	“Product Responsibility – Intellectual Property Protection”	25
KPI B6.4	Description of quality assurance process and recall procedures	“Product Responsibility – Quality Control”	25

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Sections	Pages
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	“Product Responsibility – Customers Data Protection and Privacy”	25
B7: Anti-corruption			
General Disclosure		“Anti-corruption”	26
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	No concluded legal case regarding corrupt practices was noted.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	“Anti-corruption”	26
Community			
B8: Community Investment			
General Disclosure		“Community Investment”	26
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	“Community Investment”	26
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	“Community Investment”	26