

# 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

譚木匠控股有限公司\*

CARPENTER TAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 837



## TABLE OF CONTENT

	Page
I. About this Report	2
II. Stakeholders' Engagement	3
III. Materiality Matrix	5
IV. Environmental Protection	
1. Management of Emissions	6
2. Management of Resources Utilization	8
3. The Environment and Natural Resources	9
V. Employment and Labor Practices	
1. Talent Selection	10
2. Labor Standards	10
3. Compensation and Welfare	10
4. Development and Training	11
5. Health and Safety	11
VI. Operating Practices	
1. Supply Chain Management	13
2. Product Responsibility	13
3. Anti-corruption	14
VII. Community Investment	15
VIII. Certifications	16
IX. Vision Outlook	17
X. Environmental Performance Data Summary	18
XI. "Environmental, Social and Governance Reporting Guide" by The Stock Exchange of Hong Kong Limited	20

## I. ABOUT THIS REPORT

The board of directors (the “Board”) of Carpenter Tan Holdings Limited (the “Company”) is pleased to present this Environmental, Social and Governance (hereinafter called “ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group” or “we”). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the Group’s business in the manufacture and sale of combs, mirror and other kinds of wooden/horn handicrafts for the year ended 31 December 2018. The Report discloses the required information under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group’s ESG strategy formulation and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items; and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.



The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Management response
Government/ regulatory organizations	<ul style="list-style-type: none"> <li>➤ Compliance in laws and regulations</li> <li>➤ Fulfill tax obligation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Uphold integrity and compliance in operations</li> <li>➤ Pay tax on time, and in return contributing to the society</li> <li>➤ Establish comprehensive and effective internal control system</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>➤ Return on investment</li> <li>➤ Information transparency</li> <li>➤ Corporate governance system</li> </ul>	<ul style="list-style-type: none"> <li>➤ Management possesses relevant experience and professional knowledge in business sustainability</li> <li>➤ Ensure transparent and effective communications by dispatching websites of HKEX and the Company</li> <li>➤ Continue to improve the internal control system and focus on risk management</li> </ul>
Employees	<ul style="list-style-type: none"> <li>➤ Labor rights</li> <li>➤ Career development</li> <li>➤ Compensation and welfare</li> <li>➤ Health and workplace safety</li> </ul>	<ul style="list-style-type: none"> <li>➤ Set up contractual obligations to protect labor rights</li> <li>➤ Encourage employees to participate in continuous education and professional trainings</li> <li>➤ Establish a fair, reasonable and competitive remuneration scheme</li> <li>➤ Pay attention to occupational health and safety</li> </ul>
Customers	<ul style="list-style-type: none"> <li>➤ High quality products and services</li> <li>➤ Timely delivery</li> <li>➤ Reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve the quality of products and services continuously in order to maintain customer satisfaction</li> <li>➤ Establish an effective, efficient and green supply chain system</li> <li>➤ Formulate comprehensive quality assurance process and recall procedures</li> <li>➤ Ensure proper contractual obligations are in place</li> </ul>



## II. STAKEHOLDERS' ENGAGEMENT

Stakeholders	Expectations and concerns	Management response
Suppliers	<ul style="list-style-type: none"> <li>➢ Stable demand</li> <li>➢ Good relationship with the Company</li> <li>➢ Corporate reputation</li> </ul>	<ul style="list-style-type: none"> <li>➢ Ensure proper contractual obligations are in place</li> <li>➢ Establish policy and procedures in supply chain management</li> <li>➢ Establish and maintain strong and long-term relationship with suppliers</li> <li>➢ Select suppliers with due care</li> </ul>
Community	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>➢ Community contribution</li> <li>➢ Economic development</li> </ul>	<ul style="list-style-type: none"> <li>➢ Pay attention to climate change</li> <li>➢ Encourage employees to actively participate in charitable activities and voluntary services</li> <li>➢ Maintain good and stable financial performance and business growth</li> </ul>



During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
Importance to Stakeholders	High	<ul style="list-style-type: none"> <li>◆ Anti-discrimination measures</li> <li>◆ Labor rights protection</li> </ul>	<ul style="list-style-type: none"> <li>◆ Talent management</li> <li>◆ Staff training and promotion opportunity</li> <li>◆ Staff compensation and welfare</li> </ul>	<ul style="list-style-type: none"> <li>➤ Customer's satisfaction</li> <li>➤ Product quality and safety</li> <li>➤ Suppliers management</li> <li>◆ Occupational health and workplace safety</li> <li>◇ Application of clean production and green products</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>➤ Community contribution</li> </ul>	<ul style="list-style-type: none"> <li>➤ Anti-corruption</li> <li>◇ Greenhouse gas emissions</li> <li>◇ Use of resources</li> </ul>	<ul style="list-style-type: none"> <li>➤ Operational compliance</li> <li>➤ Customer's privacy measures and protection</li> <li>◇ Exhaust air emission</li> <li>◇ Sewage discharge</li> </ul>
	Low	<ul style="list-style-type: none"> <li>◆ Preventive measures for child and forced labor</li> </ul>	<ul style="list-style-type: none"> <li>◇ Water resources utilization</li> <li>◇ Generation of non hazardous wastes</li> </ul>	<ul style="list-style-type: none"> <li>◇ Use of raw materials</li> <li>◇ Generation of hazardous wastes</li> </ul>
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation

## IV. ENVIRONMENTAL PROTECTION

### 1. MANAGEMENT OF EMISSIONS

The Group always complied with the national laws and regulations, and the ISO14001 environmental management system standards, and with reference to the Group's operating environment, structure, production capabilities and human resources to develop a unique environmental management system with different internal policies and procedures to regulate waste gas, wastewater, noise and various solid wastes generated during operation and production. We update the internal policies and procedures timely to ensure that the environmental policies and systems are in line with the national and local standards. We set up a Risk Control Centre within our management structure to supervise various actions in environmental protection, and monitor the environmental performance of the plant in a regulated and systematic manner. In order to effectively implement the emission reduction at source policy, to prevent pollution and to continuously improve the environmental management system, we communicate closely with the related stakeholders, demand all employees to participate in and to receive appropriate training, and to regularly review the implementation progress and the appropriateness of the environmental target, and hope to achieve the Environmental policy of "conserving energy and reducing carbon, complying with law and regulations, and greening the society".

#### Management of Air and Greenhouse Gas Emissions

In order to comply with "Atmospheric Pollution Prevention and Control Law of the People's Republic of China" and to meet the emission standards of air pollutants, the Group has established "environmental protection control procedures" to control and monitor the emissions of exhaust air and dust. During the reporting period, Wanzhou plant has obtained the air pollutant emission permit from local government and discharge particulate matter, sulfur dioxide and nitrogen oxides following the requirement. To minimize the generation of exhaust air and dust, we established stringent safety production procedures in the production division. In order to improve the vacuuming effect and improve air quality, we installed pulse central dust collector to replace the existing cyclone and baghouse dust filtration system. A port is set at the bottom of the pulse central dust collector to facilitate the removal of dust. We also installed ventilation and exhaust facilities to ensure that the exhaust and dust are diluted and discharged effectively.

#### Management of Sewage

In order to comply with "Water Pollution Prevention and Control Law of the People's Republic of China" and to meet the emission standards of sewage, the Group has established "environmental protection control procedures" to control and monitor the production of domestic sewage. Sewage discharge directly into water environment and farmland are forbidden; and they should go through the municipal sewerage pipe network. Our operation and production process did not generate any hazardous sewage. During the reporting period, Wanzhou plant has obtained the sewage discharge permit from the local government and discharge sewage that meets the concentration requirements in pH value, suspended particulate, chemical oxygen demand, ammonia nitrogen, animal and vegetable oil within the effective period. The wastes residue and sewage from Wanzhou plant must be precipitated, filtered, and separated before emission and being transported. We reuse the water used in the production process to conserve water and minimize sewage discharge. During the reporting period, the Group discharged 29,685.00 tonnes of non-hazardous sewage, representing a drop of approximately 2,051.00 tonnes or 6.46%.

## Management of Disposal of Solid Waste

In order to comply with “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”, “Standard for Pollution Control on Hazardous Waste Storage”, and the applicable laws and regulations, the Group has established “environmental protection control procedures” to manage and monitor the treatment process of disposal of solid wastes. Solid wastes mainly include recyclable wastes, non-recyclable wastes, domestic wastes and hazardous wastes. We review and change our production process with an aim to reduce solid wastes and to recycle the solid wastes whenever applicable. We collect solid wastes by category and have them processed centrally. Non-recyclable wastes are handled by qualified agents and hazardous wastes are handled according to the regulations’ requirement.

Hazardous wastes include oil wastes, waste paints, activated carbon, paint bucket, filter cotton, solvents, thermometers, batteries, fluorescent tubes, toner and ink cartridges, etc. We follow the requirements of the local laws and regulations to label, categorize and process the hazardous wastes centrally; and store them in specified location. Hazardous wastes collection boxes are put inside the production plant, warehouse and office areas. The Administrative and Personnel Department and Wanzhou Plant Office deliver the collected wastes to the designated qualified agents of the government for processing. During the reporting period, the Group generated approximately 2.70 tonnes of hazardous wastes, representing a drop of 6.91 tonnes or 0.26%.

Non-hazardous wastes include recyclable and non-cyclable wastes. We formulate relevant policies and procedures for non-hazardous wastes recycling and external processing. Wastes such as woodchips, tiny wood and wood scraps are placed centrally and delivered to qualified recycling company for further processing or utilization when the wastes have reached certain quantity level. Non-recyclable wastes are centrally stored in waste warehouse/garbage station and delivered using closed circulation method to avoid loss and leakage, and unauthorized disposal in transit is prohibited. Solid wastes from our canteen is collected and stored centrally, and further processed by the local neighborhood committee. During the reporting period, the Group generated approximately 70.93 tonnes of non-hazardous wastes, representing a drop of 1.66 tonnes or 2.29 %.

## Compliance

During the reporting period, the Group’s businesses strictly abide by the national environmental laws and regulations and did not involve in any confirmed violations or suspected violations that are related to emissions that have a significant impact on the Group.



## IV. ENVIRONMENTAL PROTECTION

### 2. MANAGEMENT OF RESOURCES UTILIZATION

In order to comply with “Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise”, the Group has established “environmental protection control procedures”. The use of water, electricity and fuel are controlled as long as the production and office operations are not negatively impacted. All uses outside business are prohibited. Craft Equipment Division set up water, electricity and fuel consumption indicators. The level of energy consumption is reviewed and assessed quarterly, and when excessive consumption and wastage is noted, immediate attention and action is required, so as to control the situation and reduce its impact.

#### Conservation of Energy

Gasoline and diesel are mainly used in automobiles. Drivers must plan their routes in advance. If passengers travel to the same or close destinations, they will be arranged to use the same vehicle to reduce the amount of gasoline and diesel used. We conduct regular repairs and maintenance on vehicles for better energy use efficiency and to reduce fuel consumption and waste gas emissions due to part failures. During the reporting period, the Group consumed 11,444.89 litres of gasoline and diesel, resulting in an increase of 2,671.41 litres or 30.45% as compared to previous year. More fuel was used by forklifts to transport the timber to remote storage locations inside the plant.

Natural gas is mainly used in cooking in canteens. We regularly inspect natural gas pipelines and cooking facilities to avoid unnecessary waste caused by leakage and failure of cooking facilities. Leakage of natural gas also poses safety issues. During the reporting period, the Group consumed 145,529.89 cubic meters (“m3”) of natural gas, representing an increase of 10,640.89 m3 or 7.89%.

The Group’s electricity is mainly used in office and electrical equipment in the production plant. We actively promote the energy conservation and consumption reduction policy based on the applicable laws and regulation, and implement a series of energy conservation measures to educate employees on the relationship between energy use and earth sustainability, so that they can build good habit in use of electricity. We strictly select energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Empty running of equipment, unreasonable electric power distribution, etc. are strictly prohibited. Electrical equipment, including lighting, air-conditioners, electric fans, etc. are turned on according to need during office hours, and staff are encouraged to switch off the unused equipment and after work. The temperature and duration of use of air-conditioners are strictly controlled. We pay attention to the maintenance and inspection of electrical equipment to keep them in good condition and to use electricity effectively. During the reporting period, the Group consumed approximately 1,798.30 megawatt hours (“MWh”) of electricity, representing an increase of 28.72 MWh or 1.57%.

### Conservation of Water

The Group uses government-supplied water sources mainly for the production and domestic use. Although we do not encounter any water supply problem during the reporting period, we have taken various measures to raise the water resources use efficiency, to reduce the impact on the environment and to educate our employees to save water in daily life. We use water-saving appliances; turn off water tap after use to prevent running, overflowing, dripping and long flowing water; to reuse and recycle water in production process. When irregularity is found, one should report the case to the Equipment Division to take appropriate action to prevent wastage of water resources. During the reporting period, the Group consumed 29,698.60 tonnes of water, representing a drop of approximately 2,052.70 tonnes or 6.46% compared to previous year.

### Conservation of Paper

The Group promotes green office policy and encourage employees to save paper and avoid wastage. We send files in electronic form whenever possible to reduce physical copies; recycle the one-sided used papers for photocopying and printing. Office Division is responsible for monitoring the paper quantity used; Administrative Department and Office Division are jointly responsible for collecting and recycling used papers. Waste cartons are recyclable; an example of its use include temporarily hold finished goods pending for packaging.

### Management of Use of Timber

The major raw material used in production is timber, which is procured by our purchasing department in the factory. We select timber that meets our production and quality requirements (Please refer to “Supply Chain Management” below for details). We monitor closely the production process, to provide professional training to workers, and to minimize sub-standard semi-finished and finished goods. Sub-standard goods are repaired to avoid timber wastage. We strengthen our warehouse management; each warehouse is equipped with thermometers, hygrometers and fire sprinkler systems, etc., and to cover timber with thin film to ensure that timber is kept dry and safe and to prevent the materials from mechanical and chemical injuries. During the reporting period, the Group used approximately 1,165.71 cubic meters of timber, representing a decrease of approximately 66.49 cubic meters or 5.40% compared to previous year. Although production was dropped by less than 1%, the volume of timber used in production has recorded a bigger drop. This is because the timber volume required for production varies depending on the product type and size.

## 3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has always been focusing on protecting the environment and hope that everyone can contribute and work together to build a livable society. We planted a lot of plants around the factory and hope that greenification can help cooling down the temperature and absorb greenhouse gases. In order to let everyone of the Group have better understanding of the negative impact of our business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (Please refer to “Emission Management” and “Management of Resources Utilization” above for details). We also hope that our employees can convey the message of protecting the environment to their families, friends and business partners; so as to build a stronger cohesive power and work together to ease the climate change.

## V. EMPLOYMENT AND LABOR PRACTICES

Employees are our valuable assets and the key driver for the Group's sustainable and long-term business development. We devote to create a non-discrimination, equal, harmonious and safe workplace; build up a mutual-respect and good relationship with our people; encourage our employees to be innovative, flexible and committed when dealing with our customers and produce high quality products and services as their mission. To accomplish this target, we offer opportunities of advancement to attract, develop, retain and reward our talented staff; provide commensurate remuneration, personal growth and career development training; and other fringe benefits. Besides, we care about our employees' work, life, physical and mental health. We organize regular cultural, free time activities and training courses to enrich their leisure time and to enhance their technical skills and team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges.

### 1. TALENT SELECTION

The Group is a fair opportunity employer and respects personal privacy, and it has established and implemented fair treatment policy. The appropriate candidates would be selected based on their morality, knowledge, abilities and job requirements, and regardless of their age, gender, sexual orientation, race, disability, marital status, pregnancy, religion, political factions. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination.

### 2. LABOR STANDARDS

The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labor by conducting background checks in its hiring process. Employees' consent for working overtime is required to avoid forced overtime work, and the employees are compensated in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labor.

### 3. COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level are decided based on one's knowledge, skills, experiences and education background relevant to their work requirements. The employee remuneration package includes salary, overtime subsidies, discretionary bonus, and so on. Other benefits include festive gifts (Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, etc.), body checks, work shuttle services, meals subsidy and so on. We conduct periodic performance appraisal and fairly assess the level of awards, salaries increment and/or promotion recommendations based on a number of criteria. To comply with the local labor laws and regulations, we provide social security benefits for all employees and protect their rights of rest days and holidays. We handle dismissal and compensation in accordance with the local laws and regulations.

We pay attention to our employees' health and encourage work-life balance. Employees' work hours are based on the local labor laws. We also care about our employees' physical and mental health, we plant a lot of trees in factory area; build pavilion and lotus pond; set up basketball court, badminton court, table tennis court, reading rooms, etc. so as to provide staff with resting and activity places. During the reporting period, we held the ninth employees' sports competition to enhance staff's health awareness and promote healthy lifestyle. We organized the "primary color" wooden art exhibition and forum activities to communicate with foreign artists and promote art culture. We cooperate with Nanjing University of Arts to organize academic and wooden art exchange activity; more than 300 of our employees with disabilities felt the charm of the Chinese art institution through exhibitions, art knowledge lectures, hand-made wooden comb activities, singing, dancing and music performances, interactive classes, etc.. The purpose of these activities is to promote corporate culture, enhance staff's cohesiveness and team spirit, and enrich their life.

#### 4. DEVELOPMENT AND TRAINING

In order to align the staff career plan with our long-term corporate business plan, the Group sets up staff training policies with reference to the departmental human resources needs. The Administrative Centre established a comprehensive staff training plan with an aim to build an excellent, well-trained and responsible corporate team. This can enhance the staff's knowledge and management capabilities, and improve their work ability, performance and efficiency, and raise their enthusiasm in work and to cultivate team spirit. New hires have to participate in induction training and must pass the assessment. The training topics include corporate culture, business, work-related rules and regulations, organizational structure, staff welfare and work safety, etc. (please refer to "Health and Safety" below for details of occupational safety training). During the reporting period, on top of providing our new hires with induction training, we also organized various training programs to achieve the ultimate goal of nurturing talent. The training topics include risk control management method for economic business contract, how to resolve financial problems at work, internal auditor qualification training for three certification systems.

#### 5. HEALTH AND SAFETY

The Group pays attention to its employees' health and provides a safe work environment so as to prevent occupational hazards. To comply with the requirements of "Law of the People's Republic of China on Work Safety", we establish management policies in production safety and set up safety management system. We follow the requirements of the government's safety production department and signed the safety responsibility statement. We also require the supervisors and employees at all levels to clearly understand their own safety responsibilities and sign the respective safety responsibility statement, and strictly perform the requirements as stated on the safety responsibility statement with reference to the internal safety management system. During the reporting period, we obtained GB/T28001-2011 idt OHSAS 18001:2007 Certification in Occupational Health and Safety Management.



## V. EMPLOYMENT AND LABOR PRACTICES

Training topics are mainly related to workplace safety and occupational health. The Group provides appropriate occupational health and safety training to introduce the corporate development plan, enhance their awareness on safety and continuously strengthen their consciousness, improve their professional skills, especially for those job positions under significant potential safety hazards, and enable them to perform their duties in a safe environment. Employees have to report to the management immediately when incident occurs or aware of any potential hazards. New staff are required to attend and get pass in examination after a 3-level safety training, including company level, department level and team level, before they are assigned to jobs. Production team provides daily training to remind staff about production safety issues. During the reporting period, we also organized various training programmes, including knowledge on CPR first aid, occupational health and fire prevention, and use of fire equipment, etc.. Besides, we organize fire and emergency incident drill with government's emergency department. This is to ensure our employees can take sensible and immediate action in case of fire outbreak in offices.

We give a lot of attention to fire safety in our factory and established guidelines in this area. Warehouse, production plants and offices are equipped with fire facilities and equipment (including fire sprinkler system, fire extinguishers, fire hose, etc.), and maintained and replaced fire facilities and equipment regularly. The maintenance work is conducted by external professional company. "No smoking and fire" signs are posted at the easily noticeable places at the entrance and inside the production plants; set up more escape routes and emergency indicators; motorcycles and vehicles are required to park in specified location; key areas like transformer and power supply room, and flammable and explosive materials warehouse are closely monitored to reduce the risk of fire. We have established volunteer fire brigade and medical team which are equipped with fire extinguishers, fire hose, helmet, medical equipment, etc.

Staff of special work types, such as electricians, welders, drivers, etc., must possess valid licence from the government authority before they are allowed to operate the machines. Besides, we educate our employees to correctly use production equipment and installed facilities, fire prevention facilities, protective and first aids tools, etc. Machine operators are required to inspect the equipment and facilities daily; and to report abnormalities to the relevant department for immediate repair arrangement. We also set up annual maintenance and repair plan for critical equipment to ensure that they are kept in good condition and to control risk and prevent safety incidents from happening.

We care so much about our people's health and set up working hours and holiday systems in compliance with the national requirements. In principle, staff working overtime must be voluntary and do no harm to their health. According to needs by job positions, workers are provided with safety production tools like earplugs, masks, goggles, gloves, etc. and such supplies should be used correctly as instructed. We prepared rescue drugs and equipment according to need where poisoning, injury and other incidents may occur. We do not allow and will not assign our minor staff (above legal working age) to handle tasks relating to toxic, hazardous, excessive physical labor or dangerous type of works. We also provide pre-employment body check for the new hires, and periodic body checkup every two years thereafter in order to prevent occupational disease.

### Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

## 1. SUPPLY CHAIN MANAGEMENT

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develops with them on the basis of equality and win-win situation. To strengthen the supply chain management, we have established policies and procedures in assessment of suppliers, including initial and final selection, and renewal; and set up an “approved vendor list”. Samples are required for purchases from new suppliers and a small quantity is ordered and tried before a normal quantity order is placed. Samples are retained for reference and record. We have stringent procurement and control procedures over procurement contracts processing from preparation, amendment and approval, and execution of the contracts. This is to ensure that suppliers’ and our interests are appropriately protected, and also procurements are executed as scheduled; and to prevent unnecessary disputes or to resolve all disputes timely. To ensure that suppliers are competitive and that the goods and services provided to us are with high quality, we have strict requirements for division of labor from contract signing to goods received quality check, inspection and acceptance. We require the suppliers of goods and services to possess recognized qualifications and good internal control system, provide stable quality, on-time delivery, compliance with laws and regulations and have the required professional skills and quality. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations and suspected abuse of one’s authority for own interest. During the reporting period, the Group did not have significant issues relating to violations in this respect.

## 2. PRODUCT RESPONSIBILITY

We have formulated policies and procedures to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements. During the reporting period, we obtained the ISO9001:2015 Certification in Quality Management and standardized the product quality assurance process. We set up Quality Management Division and established guidelines for inspection work in each production process and provide professional training to our quality assurance personnel to inspect and accept raw materials and monitor the production process; so as to ensure that the quality of finished goods and raw materials are up to standard; and the production procedures are properly controlled. If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints through various channels like by phone, email, facsimile, interview, etc. via our after-sales service. Our customer service personnel will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled.

Confidentiality is one of the Group’s core values. We handle customers’ information diligently and confidentially. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any such information to third parties without proper authority unless there is a legal or professional right or duty to do so.

During the reporting period, there was no violation or non-compliance incident relating to product and service responsibility that had significant impact on the Group.

## VI. OPERATING PRACTICES

### 3. ANTI-CORRUPTION

The Group firmly believes fairness, honesty and integrity are the important commercial assets. We have adopted a zero-tolerance approach for all kinds of malpractice. Therefore, we set up internal control system to regulate the employees' conduct and offenders are heavily penalized. We demand all employees to build a habit of strict compliance with policies and procedures, and to prevent all bribery. The employees who violate our Code will be severely penalized or even terminated. We bring discipline monitoring work in the production and business process, ensure that there are channels for reporting directly by phone to Human Resources Department and the Chief Executive Officer for suspected cases of obtaining personal interests in carrying out one's job duties, bribes, extortion, frauds, money laundering in breach of policies, regulations and laws in strict confidence. We are determinant in combating corruption and contribute to building a clean society. We establish Code of Ethics and Business Conduct (the "Code") and require our business partners to sign commitment letter to confirm their compliance with the Code, and also demand their employees to observe and follow the requirements and maintain a simple, transparent, clean and fair co-operation relationship. During the reporting period, the Group or our employees did not involve in any litigation cases of corruptions.



Contributing to the society is the Group's mission. We grow a lot of plants and trees in our factory area, to go green in the city, and open part of our park to the public. We have been supporting the rehabilitation plan for people with disabilities. We employed more than 300 employees with physical disabilities, and assign them with appropriate job duties based on their ability and skills. We also provide extra training to ensure that they have sufficient ability and technical skills to discharge their duties.

Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people. We establish retirement plan for staff in different area. We maintained good production operation, actively promoted environmental protection and achieved good development order, and to some certain extent, we have contributed to social stability and building a harmonious community.





## VIII. CERTIFICATIONS

During the reporting period, the Group's Wanzhou plant was accredited the following key certifications:

- ISO14001:2015 Certification in Environmental Management
- GB/T28001-2011 idt OHSAS 18001:2007 Certification in Occupational Health and Safety Management
- ISO9001:2015 Certification in Quality Management



As a good corporate citizen, the Group strives to strike a balance between achieving the corporate economic goals and business objectives, and to fulfill their social responsibility. We will continue to evaluate our performance in environmental protection, employee care, product and service quality, and community investment and to build edge for the sustainable development of the Group.

The Group will endeavor to comply with the stringent laws and regulations of environmental protection, allocate resources and undertake various environmental improvement projects, including improving exhaust air, sewage and waste treatment facilities. We will also put employee satisfaction and production safety as our top priority. We aim at attracting more talents through providing a safe workplace and competitive remuneration scheme. As for product and service quality, the Group will continue to invest resources for further improvement to our products so as to fulfill the environmental standards. At the same time, we committed to fulfilling our social responsibility by actively participating in charitable activities and promoting the community's sustainable development.

The Group aspires to become a respectable enterprise. Going forward, the Group serves to enhance its business performance through implementation of sustainable development strategies and to generate more meaningful long-term value for the enterprise and its stakeholders.



## X. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

			( Restated ) <sup>3</sup>
	Unit	2018	2017
<b>Greenhouse Gas (“GHG”) Emissions:</b>			
<b>Scope 1 <sup>1</sup>:</b>			
Total	Tonnes	270.04	268.53
Intensity <sup>3</sup>	Tonnes	0.07	0.06
<b>Scope 2 <sup>2</sup>:</b>			
Total	Tonnes	1,651.49	1,679.29
Intensity <sup>3</sup>	Tonnes	0.38	0.38
<b>Air Emissions:</b>			
Nitrogen Oxides	Tonnes	1.46	1.36
Sulfur Oxides	Tonnes	0.17	0.15
Particles	Tonnes	0.31	0.29
<b>Hazardous Wastes:</b>			
<b>Solid Wastes Generated <sup>4</sup>:</b>			
Total	Kilogram	2,701.10	2,708.01
Intensity <sup>3</sup>	Kilogram	0.61	0.61
<b>Non-hazardous Wastes:</b>			
<b>Solid Wastes Generated:</b>			
Total	Tonnes	70.93	72.59
Intensity <sup>3</sup>	Tonnes	0.02	0.02
<b>Sewage Discharged:</b>			
Total	Tonnes	29,685.00	31,736.00
Intensity <sup>3</sup>	Tonnes	6.74	7.19
<b>Packaging Materials Used for Finished Goods:</b>			
Total	Tonnes	521.65	518.22
Intensity <sup>3</sup>	Tonnes	0.12	0.12

		( Restated ) <sup>3</sup>	
	Unit	2018	2017
Energy and water consumptions:			
Electricity:			
Total	MWh	1,798.30	1,827.02
Intensity <sup>3</sup>	MWh	0.41	0.41
Natural Gas:			
Total	m <sup>3</sup>	139,529.89	134,889.00
Intensity <sup>3</sup>	m <sup>3</sup>	33.06	30.56
Diesel:			
Total	Litre	3,856.00	3,630.48
Intensity <sup>3</sup>	Litre	1.35	0.82
Gasoline:			
Total	Litre	5,288.89	5,143.00
Intensity <sup>3</sup>	Litre	1.25	1.17
Water:			
Total	Tonnes	29,698.60	31,751.30
Intensity <sup>3</sup>	Tonnes	6.75	7.19
Timber (Raw Material):			
Total	m <sup>3</sup>	1,165.71	1,232.20
Intensity <sup>3</sup>	m <sup>3</sup>	0.26	0.28

Notes :

- 1 Scope 1 refers to the Group's business direct GHG emission, including combustion of gasoline, diesel and natural gas.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 The intensity is calculated in every 1,000 production unit.
- 4 The Group did not keep statistical data relating to generation of hazardous solid wastes, so we use the ratio of the previous year's and the current year's production units to estimate last year's generation of hazardous solid wastes.



## XI. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
	<b>A. Environmental</b>	
<b>Aspect A1</b>	<b>Emissions</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4 – 6
KPI A1.1	The types of emissions and respective emissions data.	17
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	17
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	17
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	17
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4 – 6
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4 – 6

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
	A. Environmental	
<b>Aspect A2</b>	<b>Use of Resources</b>	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6 – 8
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	18
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	18
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	6 – 8
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	17
<b>Aspect A3</b>	<b>The Environment and Natural Resources</b>	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	8
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8

## XI. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure	Reporting Guideline	Page
	<b>B. Social 1</b>	
<b>Aspect B1</b>	<b>Employment and Labor Practices</b>	
General Disclosure	Information on:	9 – 10
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
<b>Aspect B2</b>	<b>Health and Safety</b>	
General Disclosure	Information on:	11 – 12
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
<b>Aspect B3</b>	<b>Development and Training</b>	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	10
<b>Aspect B4</b>	<b>Labor Standards</b>	
General Disclosure	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	9
<b>Aspect B5</b>	<b>Supply Chain Management</b>	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	13
<b>Aspect B6</b>	<b>Product Responsibility</b>	
General Disclosure	Information on:	12
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	

General Disclosure	Reporting Guideline	Page
	<b>B. Social 1</b>	
<b>Aspect B7</b>	<b>Anti-corruption</b>	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	14
<b>Aspect B8</b>	<b>Community Investment</b>	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	15

Note:

- Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group chooses not to disclose those KPIs in this report.

