

# Environmental, Social & Governance Report 2018



CHIGO HOLDING LIMITED  
志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 449



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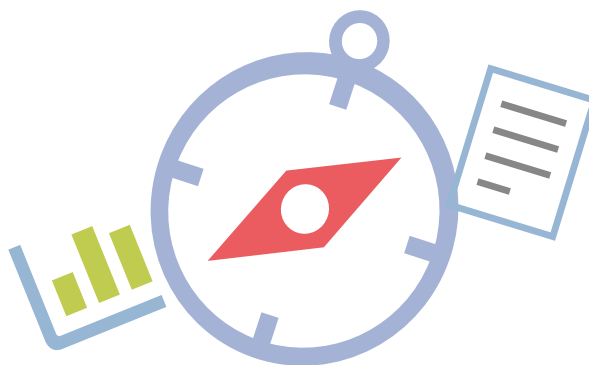
# Report Scope

This environmental, social and governance annual report covers certain environmental, social and governance aspects underlying the operations of Chigo Holding Limited (hereinafter referred to as the “Company”) and its subsidiaries (collectively referred to as the “Group”), with representative information from the manufacturing business of air-conditioning products in Foshan, Guangdong Province, China.



The period covered by this report is the fiscal year 2018 (1 January 2018 to 31 December 2018), which is consistent with that of the 2018 annual report of the Company.

This report is compiled in accordance with the Environmental, Social and Governance Reporting Guidelines (hereinafter referred to as the “Guidelines”), Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report follows the “Comply or Explain” and “Recommended Disclosure” requirements of the Guidelines to provide general disclosures and key performance indicators.



# Communication with Stakeholders

It is the Group's operational principle to commit to strengthening its market position, enhancing the brand image, promoting the Group's business growth and sustainable development. The Group strictly abides by the relevant laws and regulations. At the same time, not only does the Group emphasize corporate social responsibility, but it is also concerned with the interests and opinions of different stakeholders including

its shareholders, clients, suppliers, employees and the communities. Given this, the Group formulated a series of policies and measures, and revised and improved the Group's environmental and corporate social responsibility measures through communication with different stakeholders, so as to enhance the competitiveness of the Group and further contribute to society.



## A.1 Emissions

As a large-scale air-conditioning production enterprise, the Group possesses an integrated production system and a variety of parts production facilities. The Group has attached great importance to environmental protection and pollution prevention over the years. The Group actively abides by the relevant national and local environmental laws and regulations, regulatory requirements and related standards. The treatment of waste gas, wastewater, metals and plastic waste and industrial waste from production complies with environmental protection laws and regulations issued by the Chinese government and municipal government. The Group is committed to improving its environmental awareness and encourages its staff to protect the environment.

The Group has installed treatment facilities in terms of hardware. Our injection molding machines are equipped with waste gas treatment facilities, and waste gas and wastewater treatment facilities are also installed in the workshop for spraying process to ensure waste gas and wastewater meet discharge and emission standards. The “Three Wastes” Control Management Regulations is implemented in terms of software, pursuant to which wastewater and waste gas generated from its production process are treated by treatment facilities in accordance with the regulations. Such measures effectively reduce wastewater discharge and gas emissions and enable the Group to comply with environmental protection laws and regulations issued by the Chinese government and municipal government.

The Group implements the Waste Processing Procedure thoroughly for each of its production facilities, and handles all types of waste generated during the production process in a responsible way. For example, waste is classified at regular intervals and treated as required, with production and household waste treated by municipal administration and recyclable waste treated by procurement centre. Hazardous waste is also collected by the plants and disposed by qualified contractors with whom the Group contracts each year to ensure that they still meet the relevant qualification requirements. During the year, the plant strengthened the sludge treatment and greatly reduced its moisture content by optimizing the sedimentation process and exposing the sludge to strong sunlight, so as to significantly reduce the amount generated. The parts that are transported within the

production plants are covered with reusable materials, which ensures that the parts remain intact and at the same time effectively avoids the generation of waste. The Group implements the Waste Processing Procedure in all production processes in each production facility, to effectively reduce chemical waste, wastewater and other industrial waste generated in the production process. The Group takes measures to ensure that industrial waste and by-products generated by operations are properly disposed of, to minimize adverse impact on the environment.

The Group’s environmental team is responsible for developing and implementing environmental standards of the Group. Most members of the team have years of experience in complying with environmental requirements and assist the Group in establishing an environmental management plan and implementing internal environmental monitoring and verification procedures. The Group’s quality control committee closely monitors the Group’s production procedures, regularly conducts random sampling checks and comprehensively inspects the operations and control of all departments quarterly, in order to timely discover potential pollution problems.

The Group strictly complies with the relevant environmental laws. The Group has not been prosecuted for violating any relevant laws and regulations on environmental protection during the period.

The table below sets forth the total greenhouse gas emissions and intensity of the Company for the reporting years of 2018 and 2017. In terms of greenhouse gas emissions, greenhouse gas emissions in 2018 were about 30% lower than that in 2017, and greenhouse gas emissions from production of each product also decreased by 2.1 kg CO<sub>2</sub>-e. In the past year, energy use of the Group, such as electricity and gas, relatively dropped in response to the decline in annual output. Therefore, the greenhouse gas emissions of the Group this year were lower than that in 2017. In addition, in 2018, the Group has gradually applied the environment-friendly R-32 refrigerant as the energy consumption of R-32 is 30% less than that of the R410A. Therefore, the average greenhouse gas emissions from production of each product this year have also declined. In the future, we will also focus on the R32 refrigerant to further reduce greenhouse gas emissions.

# A Environment

## Total greenhouse gas emissions and intensity generated by the air-conditioning products production in Foshan

Total greenhouse gas emissions (metric ton CO <sub>2</sub> -e)		Average greenhouse gas emissions from production of each product (kg CO <sub>2</sub> -e / piece)	
Calculation covers electricity consumption <sup>1</sup> , gas combustion <sup>2</sup> , and estimated fugitive emission from initial charge of refrigerant into air-conditioner products <sup>3</sup>			
2017	2018	2017	2018
136,848	88,678	12.8	10.7

The table below sets forth the total amount and intensity of hazardous waste of the Company for the reporting years of 2018 and 2017. The total amount of hazardous waste in 2018 was approximate to that in 2017. However, due to the decline in annual output of the Group in 2018, the average hazardous waste from production of each product was 0.92 g/piece higher than that in 2017.

Given that the Group's business operations do not emit significant amount of harmless waste and gas, the Group did not analyse this data.

## Total amount and intensity of hazardous waste generated by the air-conditioning products production in Foshan

Total amount of hazardous waste (metric ton (waste from surface treatment))		Average hazardous waste from production of each product (g/piece)	
2017	2018	2017	2018
29	30	2.71	3.63

<sup>1</sup> Estimated based on 2016 Emission Factor of Southern China Power Grid from National Development and Reform Commission (NDRC).

<sup>2</sup> Estimated based on GB/T 2589-2008 General Principles of Comprehensive Energy Consumption Calculation for calorific value conversion, and emission factor in 2006 Guidelines by Intergovernmental Panel on Climate Change (IPCC) p 2.18.

<sup>3</sup> Estimated based on 0.6% emission factor of refrigerant charge in 2006 Guidelines by Intergovernmental Panel on Climate Change (IPCC) p 7.52.

## A.2 Use of Resources

The Group attaches great importance to the concept of environmental protection and actively coordinates with national policies to realize its energy-saving vision to develop the Group into a corporation with efficient utilization of resources through the design, production and promotion of high energy-saving air-conditioning products. In addition to adding energy-saving elements to air-conditioning products, the Group also advocates energy conservation to effectively use resources and reduce waste. And as the Group is an integrated corporation that produces integrated systems and a variety of associated parts, it can make effective use of the relevant materials and recycle certain materials throughout its production process, and also significantly reduce the consumption of resources in aspects such as transportation.

The direct and indirect types of energy used by the Group include electricity and gas, of which electricity forms a large proportion.

The Group has established the Energy, Resource Control Program, giving priority to the use of energy efficient products and striving to upgrade its hardware to enhance energy efficiency wherever possible. Through the gradual replacement of fluorescent lamps with energy-saving counterparts, it is estimated that electricity costs of about RMB80,000 can be saved annually. The assembly line motors which use photoelectric switches and limit switch controls also effectively reduce standby time and electricity consumption. In addition, guidelines were drawn up to encourage electricity savings and to optimize energy efficiency using software means.

The Group's production process uses public water sources. Although such production process does not impose direct burden on the natural water sources, the Group still highlights the enhancement of water

efficiency by arranging its staff to inspect for leaks and dripping; through the establishment of guidelines, water consumption reduction projects are continuously implemented, employees are reminded to save water and implement greywater reuse, so as to optimize the use of water resources. Such measures are estimated to have saved the Group nearly RMB20,000 of water cost per year.

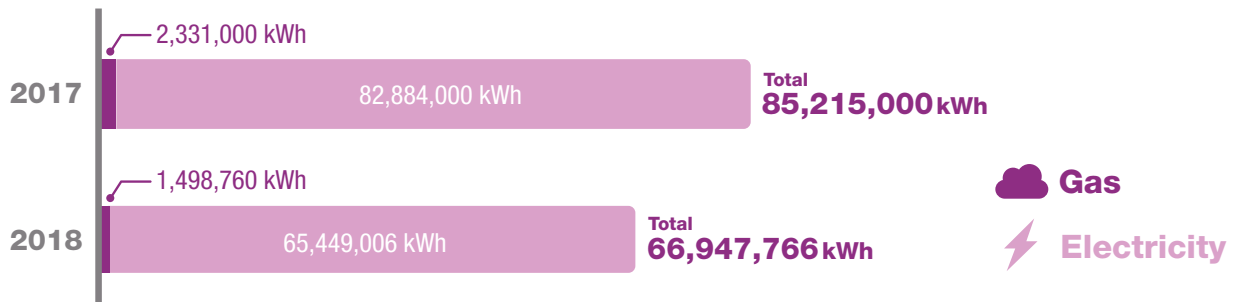
The Group has established guidelines to remind and encourage employees to use resources rationally and reduce the consumption of resources such as water, electricity, paper etc. For example, the Group has established a Record Control Program in which electronic processes and computer archives have been adopted to replace paper approval and archives, and in turn optimize the use of resources. Effective use of energy and other resources can lead to cost reductions and help the Group become a sustainable development partner for its customers.

The table below sets forth the total consumption and intensity of major resources and packaging materials used in the finished product of the Company for the reporting years of 2018 and 2017. Energy use in 2018 was 21% lower than that in 2017. Energy consumption dropped due to the decline in annual output in 2018. Similarly, less packaging materials were used for the same reason. However, the water consumption in 2018 in total was similar to that in 2017. However, due to the decline of the Group's annual output in 2018, the average water consumption per product increased by 0.0178 m<sup>3</sup> / piece compared with that of 2017.



# A Environment

## Total amount and intensity of direct and indirect energy consumption of the air-conditioning products production in Foshan



Energy Type	2017	2018
Electricity (kWh)	82,884,000	65,449,006
Gas (kWh <sup>4</sup> )	2,331,000	1,498,760
<b>Total (kWh)</b>	<b>85,215,000</b>	<b>66,947,766</b>
<b>Average energy consumption of production of each product (kWh/piece)</b>	<b>7.97</b>	<b>6.26</b>

## Water consumption in total and intensity of the air-conditioning products production in Foshan

Total water consumption (cubic meters)		Average amount of water consumption of production of each product (cubic meter/piece)	
2017	2018	2017	2018
776,000	747,300	0.0725	0.0904

<sup>4</sup> According to GB/T 2589-2008 General Principles of Comprehensive Energy Consumption Calculation and the calorific value per cubic meter of gas of 4000 kcal, calorific value per cubic meter of gas is equivalent to 4.65 kilowatt hours. Then multiply the value with the amount of gas consumption (cubic meter).

# A Environment

## Total amount and unit amount of packaging material used for the finished product of the air-conditioning products production in Foshan

Total amount of packaging material used for the finished product (metric ton)		Average packaging material consumption of production of each product (kg/piece)	
2017	2018	2017	2018
34,490	18,000	3.22	2.18

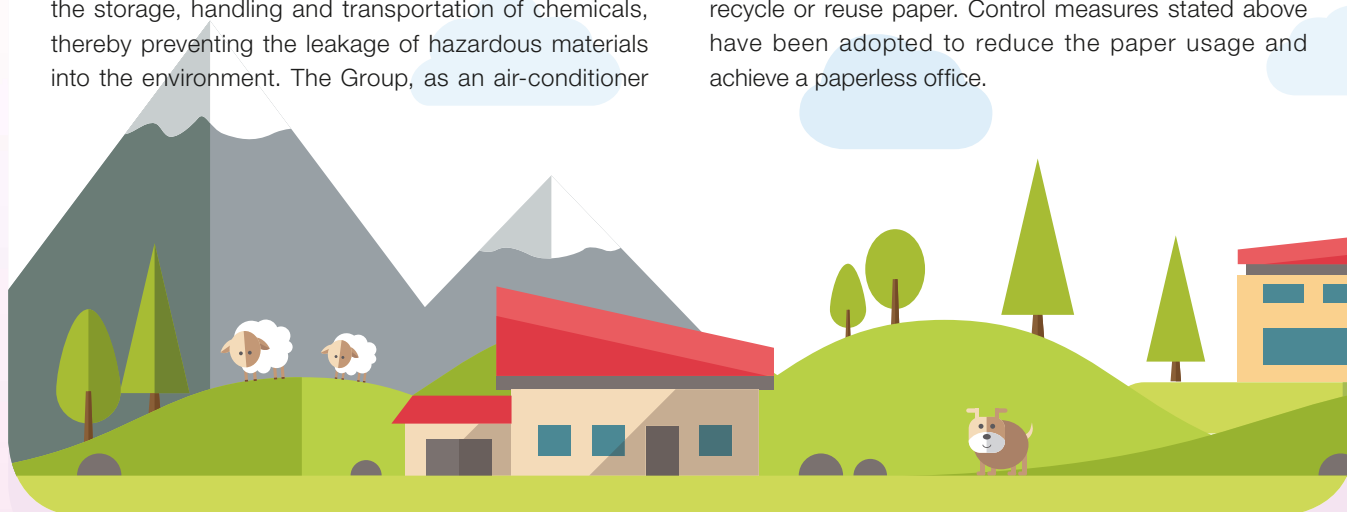
### A.3 Environment and Natural Resources

The Group has established the New Management Provisions on Product Declarations and Green Environmental Materials, which gives priority to the use of green environmental materials in accordance with the Group's requirements, and to the use of environmentally friendly refrigerants that do not deplete the ozone layer, in order to reduce impact on the environment.

The Group adopts advanced technology to reduce or avoid the production of hazardous chemical wastes, and adopts a program that meets the requirements under laws and regulations to manage the processes of the storage, handling and transportation of chemicals, thereby preventing the leakage of hazardous materials into the environment. The Group, as an air-conditioner

manufacturer, uses different types of refrigerant and mineral oil in its operations. The Group pays particular attention to the recycling of those wastes. By contracting with qualified contractors every year, such wastes are sent to such qualified contractors for treatment and disposal so as to avoid negative impact on the environment.

The Group has been striving to reduce the use of paper in the office. We encourage employees to communicate electronically and set up recycling bins for recyclable paper in the office to facilitate employees to recycle or reuse paper. Control measures stated above have been adopted to reduce the paper usage and achieve a paperless office.



## B.1 Employment

The Group understands that a successful operation strategy and long-lasting business rely heavily on the Group's experienced, motivated and well-trained management team and employees at different levels. As an equal opportunities employer, the Group's recruitment process complies with the core principle of open, fair and impartial competition. The Group is open to all talents and the appointment is based on merit. The Group also strives to create a diversified working environment, regardless of age, gender, marital status, religion, race and other factors.

The Group determines the remuneration in accordance with his or her performance, experience and current industry benchmarks, and reviews remuneration policies and the treatment of management staff and departmental supervisors every year, so as to boost employees' morale and productivity. The Group also assesses the performance of its employees to determine their performance-based salary in addition to the basic salary.

The Group has set up a labour union in accordance with the relevant Chinese laws and regulations to protect the rights and benefits of employees, help mediate disputes between the Group and individual employees, and encourage employees to participate in management decision-making. The organization and operation of the labour union comply with the relevant laws and regulations in China.

The Group will sign labour contracts with employees according to legal requirements upon entry and explain in detail the procedures in respect of entry and termination in accordance with the Group's internal "Control Procedures of Human Resources". If the Company proposes to cancel the labour contract, the departmental supervisor shall submit an application and execute it upon approval pursuant to "Application for Termination the Labour Relationship". When it comes to financial compensation, the compensation plan shall be executed according to mutual agreement by parties to the contract and national laws and regulations.


The Group also provides employees with a wide range of benefits including medical benefit, meal allowance,

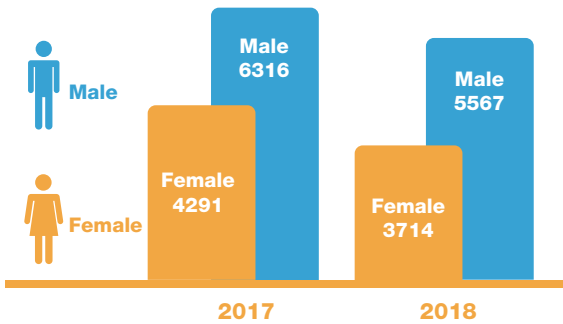
training allowance, housing, transportation and retirement benefits, in accordance with applicable regulations and internal policies. The benefit system of the Group includes three parts: statutory benefits, general benefits and special benefits. Statutory benefits are benefits that are provided to employees in accordance with national laws, regulations and policies, including statutory social insurance, legal working time, statutory leave, special subsidies (such as high temperature subsidies), etc. General benefits are the indemnificatory benefit program offered by the Group to all employees in order to meet their basic needs, including free working meals, free accommodation, free use of the Group's recreational facilities (such as the employee activity centre, badminton hall, basketball court, etc.), free supper for night-shifts, holiday gifts, birthday gifts, education subsidies and various types of cultural and recreational activities organized by the Group. Special benefits are additional benefits that the Group provides to some employees based on their positions, the nature of their job, performance and workplace, and include telephone bills subsidies, housing subsidies, meal subsidies, and transportation subsidies, etc.

In accordance with the applicable laws and regulations in China and the mandatory requirements imposed by local authorities at the location of the branch Group, the Group participates in the Pension Contribution Scheme, Work Injury Insurance Scheme, Unemployment Protection Scheme, Medical Insurance Plan and Accident Insurance Scheme for employees. The Group strictly complies with the relevant employment laws. The Group has not been prosecuted for violating any relevant laws and regulations on employment during the period.


The table below sets forth the main human resource data of the Company for the reporting year of 2018 and 2017. As the table shows, there is no major difference in each category as compared to that of 2017. However, we added categories of apprentice and intern in 2018 to show more clearly the Group's employment type distribution.

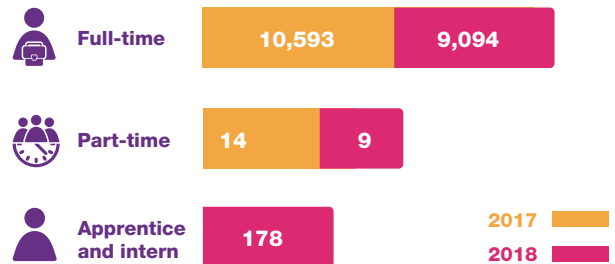


 Total number of employees by gender at the end of the period for the air-conditioning products production in Foshan




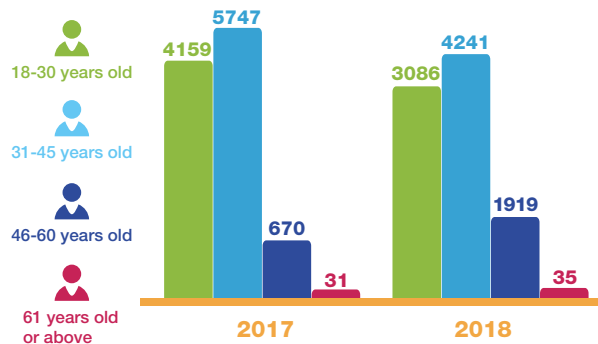
	2017	2018
Male	6,316	5,567
Female	4,291	3,714

 Total number of employees by type of employment at the end of the period for the air-conditioning products production in Foshan




	2017	2018
Full-time	10,593	9,094
Part-time	14	9
Apprentice and intern	N/A	178

 Total number of employees by age group at the end of the period for the air-conditioning products production in Foshan



	2017	2018
18-30 years old	4,159	3,086
31-45 years old	5,747	4,241
46-60 years old	670	1,919
61 years old or above	31	35

 Annual average turnover rate of employee for the air-conditioning products production in Foshan (annual average monthly employee turnover rates)

All employees	
2017	2018
7%	5%



## B.2 Health and Safety

The Group gives priority to employees' health and safety, and is committed to creating an appropriate, safe and convenient working environment to ensure that the health and safety of its employees is fully guaranteed.

The Group has developed a series of work safety codes, covering environmental hygiene, machine operation, smoking prohibition and fire prevention, dangerous goods handling, preparation for typhoon and storms, emergency handling codes, etc. Accordingly, the Group provides employees with safety training to ensure that employees fully understand and strictly comply with the requirements of work safety. Government departments also conduct regular work environment monitoring at the Group, and the Group will make adjustments based on the results of such monitoring exercise.

The Group has set up the Safe Production Management System to develop plant safety management. The Group has also established the EHS (Environment, Health and Safety) Monitoring and Measurement Control Program to monitor the level of occupational health and safety standards of employees, and organized trainings on the knowledge of the

occupational health and safety management system standards for employees. The Group has been certified by a third party for OHSAS (Occupational Health and Safety Assessment Series) 18001 Occupational Health and Safety Management System, which fully reflects the quality of occupational safety management of the Group.

The Group strictly complies with the relevant safety laws. The Group has not been prosecuted for violating the relevant laws and regulations on occupational safety during the period.

The table below sets forth the death ratio of employees and the days of lost work due to occupational injury in the reporting years of 2018 and 2017. Both two key performance indicators (KPIs) are zero, signifying the results arising from the Company's active promotion of occupational health and safety. Unfortunately, in 2018, the lost days due to work injury increased as compared with 2017. The Group has conducted investigations after each work-related incident to understand the cause of that incident, thereby making remedial and relative preventive measures to prevent the same incident from happening again.

 **Number and rate of work-related fatalities and lost days due to work injury for the air-conditioning products production in Foshan**

Number of work-related fatalities		Rate of work-related fatalities		Lost days due to work injury (man-days)	
2017	2018	2017	2018	2017	2018
Nil	Nil	0%	0%	358	1342

## B.3 Development and Training

The Group is committed to enhancing employees' skills and knowledge and actively investing in continuous education and training of management staff and other employees.

New recruits receive mandatory pre-profession training as required by the Human Resources Department and are then certified before taking up their respective posts. Employees responsible for special types of state-specified work and technical types of work (including welders, electricians, forklift operators and trolley operators, etc.) must hold operating certificates and qualification certificates for special operations personnel issued by the relevant state administrative departments, and participate in technical skills training organized by different departments no less than once per year. As for middle and senior management, educational training, promotion training and talent reserve training are planned and managed by the Human Resources Department based on the operation situation.

Training includes internal training courses organized by the Group's management staff, as well as external training courses provided by professional trainers, including technical training for production staff, financial and administrative training for managers, etc.

The Group's career development path combines the needs of organization with the personal career development goals, interests and expertise of employees, so that the Group and employees can grow together; and it indicates employees' career path development direction, guides employees to realize their potential and life goals through accumulation of knowledge and skill improvement within the job system.

The table below sets forth the percentage of employees receiving training in the relevant categories within the Company in the reporting years of 2018 and 2017. As the table shows, The monthly average percentage of employees trained reduced as compared with 2017, and the monthly average number of training hours were substantially the same. This is due to the changes in the arrangement of the Group in 2018 to improve training quality. We have offered courses such as job skills training, general management ability training, primary management ability training, middle and senior manager training, and have maintained appropriate training hours. We have focused on providing appropriate training to employees to improve the efficiency of training. Therefore, the average percentage of employees trained in 2018 decreased.

### Annual monthly average percentage of employees in training and annual monthly average number of training hours of each employee in the air-conditioning products production in Foshan

All employees	Annual Monthly Average Percentage of Employees Trained		Annual Monthly Average Number of Training Hours of Each Employee (hour(s))	
	2017	2018	2017	2018
	58%	14%	0.77	0.63

## B.4 Labour Standards

The Group respects natural right of people and adopts a zero-tolerance approach towards forced labour and child labour. The Group attaches great importance to preventing the employment of child labour and ensuring that all employees work on a voluntary basis.

Under the principle of impartiality and voluntariness, the Group strictly prohibits any means of coercion or deception to recruit staff or any form of forced labour or servitude during recruitment to ensure that all employees work on a voluntary basis. The production plant implements the job responsibility system, and advocates daily settlement of work tasks. Except for piecework positions, positions directly related to production and special audited and evaluated positions, the departments are not allowed to arrange staff to work over the Group's standard working hours except in exceptional circumstances.

Before employing any applicants, the Group will thoroughly check various documents relating to the age of the applicant and take measures to verify their

age to ensure that they are at least sixteen years old, otherwise they will not be employed. If it is discovered that a child under the age of sixteen years old has been inappropriately recruited, the Human Resources Department must conduct an investigation. The Human Resources Department, together with the officials from local social security authority, will send the child back to the social security authority of his registered residence and then the child will be returned to his/her parents or guardian by the collaborative effort by three parties. Transportation, meals and accommodation costs will be borne by the Group.

If any violation of child labour or forced labour regulations is confirmed, relevant departments and the management must review the entire recruitment and management process and identify deficiencies, to improve the process accordingly and prevent similar situations from reoccurring.

The Group strictly complies with all applicable laws and regulations relating to child labour and forced labour. The Group did not employ any child labour or forced labour during the period.

## B.5 Supply Chain Management

The Group deeply understands that the implementation of the Group's philosophy requires us to grow with suppliers. Accordingly, The Group has set quality control standards for the air-conditioning products manufactured. When purchasing raw materials, the Group requires the raw material suppliers to implement and comply with the Group's "Supplier Quality Management System" to ensure that the Group's requirements and standards are met. The Group will normally inspect external suppliers' facilities and require them to provide sample raw materials and parts to check whether they meet the recognized environmental standards and the relevant laws and regulations. Only when the

Group's requirements and standards are met will the Group select and purchase raw materials and parts from external suppliers to ensure the Group's sustainable development philosophy and product quality are maintained.

The Group requires all air-conditioning raw materials suppliers to provide air-conditioning raw materials that meet the Group's requirements and comply with relevant laws and regulations, including environmental protection regulations. The Group conducts a comprehensive and quarterly evaluation of all air-conditioning raw material suppliers in terms of on-time delivery rate, quality, commercial condition, and service compliance and ensure their compliance levels.



## B.6 Product Responsibility

The Group attaches great importance to product design and quality. The Group's air-conditioning products are sold all over the world and gained long-term trust and support of local corporations and people. The Group generally provides its air-conditioning products with a free six-year after-sales maintenance service and free replacement of parts for life.

The Group's quality control committee is led by the senior management of the Group and conducts annual reviews and evaluations of quality control procedures of the Group's production processes and takes action to correct deficiencies when necessary. The Group has experienced staff who are responsible for quality control procedures, from raw materials and parts acceptance to finished product inspection and other routine production processes, and who then report to the quality control committee.

The Group implements strict quality control standards for the air-conditioning products manufactured, implements a quality control system that is comprehensive and effective and covers all major production stages, and creates a set of quality control manuals. The Group has been certified in quality management and environmental management systems for many years. To ensure consistent compliance with the requirements of the management system, all the Group's production lines monitor product quality at different stages. As for quality control procedures (including production monitoring procurement procedures, defect control, product line quality control and safety testing), the manuals give guidance and instructions to various departments.

The Group's customer service department is solely responsible for setting the Group's customer service standards. The Group has set up a number of customer service centres throughout China to monitor customer service points managed by the Group, regional franchises or distributors and to collect market information. In addition to customer service, the Group also operates 24-hour telephone hotlines to respond to end-user's inquiries and listen to customers' comments. Because of the increasing popularity of the Internet and mobile communication tools in recent years, the Group has also invested in the development of multi-type electronic platforms, including Internet, cloud and mobile applications, to be combined with the Group's smart air-conditioning products, to broaden the reach of communication channels with customers and the public. The Group carefully handles customers' and

other companies' confidential data, and supervises each employee who handles confidential information to ensure such information is handled properly and only used for authorized purposes.

After receiving a customer's call or email signalling a possible problem with a product, the local Product Management Centre, Customer Service Centre, Product Inspection Department and other departments will identify whether is necessary to recall the product. If it is to be recalled, the Group will notify the customer and deploy personnel to the product location to collect the product. All recalled products are recorded by the Warehouse Management Department, and then returned to the Product Inspection Department. The Product Inspection Department will follow up the record and find the cause of the problem, and then discuss the solution with the Technical Department, Production Department and other departments. During the year, the Group won the title of Advanced Enterprises for Quality Commercial Service issued by China Consumer Journal, evidencing the high standard of the Group's customer service.

Upon being evaluated and recommended by the Inspection and Quarantine Bureau, and reviewed and announced online by the General Administration of Quality Supervision, Inspection and Quarantine, the list of "China Export Quality Safety Demonstration Enterprise" was officially published, on which the Chigo air-conditioner brand was listed. The Group has undergone rigorous assessment, evaluation and screening, and has a considerable size. It is in the leading position amongst peers in China, and its products possessed high technological content. The Group owns famous trademarks and proprietary brands, and is renowned for its production quality both at home and abroad. Being outstanding among Chinese export enterprises, the Group plays an exemplary and leading role in the industry. During the year, the Group also won the title of "National Market Quality Credit A Customer Satisfaction Product" awarded by China Association for Quality and National Consumer Committee, and the title of "Top Ten Air-conditioner Export Enterprises in China in 2018" awarded by the China Chamber of Commerce for Import and Export of Machinery and Electronic Products.

The Group focuses on innovation to reach new heights. In a highly competitive business environment, the Group protects its expertise and technology through patents,



registered trademarks, other intellectual property rights and strict production processes. During the year, the Group won the China Patent Excellence Award by virtue of a kind of air outlet structure for air conditioning cabinets. At the same time, through patent search and verification, the Group also respects the knowledge assets belonging to other manufacturers, and prohibits the use of unauthorized patents and other intellectual assets.

The Group focuses on innovation to reach new heights. During the year, the Group was awarded the title of “Top 50 of Guangdong’s Top 100 Innovator 2018” by Guangzhou Daily Newspaper Group, GDI Think Tank (GDI智庫) and Clarivate Analytics. Chigo Smart King 206 of the Group was awarded the “Home Appliances Product Innovation Award 2018 (2018年度家電創新產品獎)” by Data Magazine of Beijing Business Today. The Group strictly complies with the relevant product responsibility laws. The Group has not been prosecuted for violating the relevant laws and regulations on product responsibility or product description during the period.

## B.7 Anti-corruption

As a responsible company, the Group must ensure the integrity of management and staff. Given this, the Group expressly prohibits employees to ask for or accept benefits from any business-related unit in any name or form. The Group also adopts clear guidelines on the transfer of benefits to ensure that its employees comply with the relevant laws and regulations and perform their duties honestly. The Group has strict requirements on staff’s integrity, and prohibits employees from engaging in malpractice and offering or accepting cash or other valuables. The Group will, in accordance with the terms of the Labour Contract, terminate the labour contract with the employee for malpractice, accepting a rebate, offering or accepting bribes or extortion, fraud and money laundering or other improper behaviour.

The Group’s Employee Handbook clearly stipulates the “Code of Conduct for Staff Responsibilities”, which requires employees to fill out a declaration form and follow the corresponding process, and wait for the review and arrangements of the relevant departments and the Human Resources Department, in the event of a potential conflict between their personal interests and the interests of the Group. The Group has set up a collection

The Group encourages to adopt sound promotion and marketing practices, and any advertisement and product label shall not make a description, claim or explanation that is inconsistent with the facts. We will also formulate our product labels, sales and promotional documents in accordance with the relevant laws and codes of practice to ensure that our product promotional materials and advertising content are true, fair and reasonable and not misleading, so as to protect the interests of consumers.

### Percentage of sold or delivered products recalled due to safety and health reasons in the air-conditioning products production in Foshan

#### Percentage of products recalled due to safety and health reasons

2017	2018
Nil	Nil

box for receiving advice to the Chief Executive Officer, and the Human Resources Department has also set up a dedicated staff hotline and e-mail address for receiving staff’s direct feedback and reports on issues concerning the Group.

The Group strictly complies with the relevant anti-corruption laws and regulations, and the Group has not been prosecuted for violating relevant laws during the period.

### Number and results of corruption litigation cases filed and concluded against the issuer or its employees during the reporting period in the air-conditioning products production in Foshan

#### Number of concluded corruption litigation cases

2017	2018
Nil	Nil

## B.8 Community Investment

The Group actively looks for opportunities to support charitable activities. Community resources and activities complement business operations and become an important part of the Group's corporate culture. The Group uses skills and resources strategically in different projects, programs and initiatives, bringing short-term and long-term positive influence to the development of the community. Like other successful companies, the Group also expects to contribute to the community, where feasible, and actively considers working with community groups that share a common corporate philosophy and contribute to society.

In terms of education, we donated and installed air conditioners worth about RMB40,000 to Jiapaicun Primary School, located in Longchuan County, Heyuan City, Guangdong Province, as a response to the initiative of the poverty alleviation working group of the Economic & Information Commission of Guangdong Province (廣東省經信委扶貧工作組). In July, a visiting group of about 50 primary and middle school teachers from Lishui Town were invited to attend mutual learning and exchange activities by visiting famous enterprises.

To service the community, in July and October, we motivated employees to participate in the volunteer blood donation launched by the Nanhai District Blood Station in the community, and organized our own voluntary blood donation activities. A total of about 200 employees participated. In addition, 30 employees hiked around the island as part of a charity activity organized by Lishui Town Government, and provided household appliances worth

about RMB5,000 for on-site public auctions. We visited more than 200 elderly widows in two nursing homes located in the south and north of Lishui, and offered gifts to them.

In addition to devoting to charity at a corporate level, the Group also established a private "Chigo Kapok Volunteer Team". In the form of personal volunteers and starting from the surrounding communities, we will continue to fulfil our responsibility as a "corporate citizen" in building a harmonious society. At present, the Kapok volunteer team has over 100 members. Since its establishment, the team has planned, organized and personally participated in 27 large and small charitable activities. It has been praised by organizations at all levels and the society in general, and has fulfilled corporate social responsibility through charity programs. For example, we organized voluntary services in dormitories and communities, including free repair, free clinic, free hair-cut. In April 2018, a total of 13,476 employees from 59 departments paid the membership fee for the mutual aid foundation. In addition, the Group raised donations three times in 2018 for employees who faced difficulties from throughout in the Company and the department which the employee serves. A total of more than RMB100,000 was raised. As of 31 December 2018, the Chigo Mutual Aid Foundation has subsidized 60 members with difficulty throughout the year, with an expenditure of approximately RMB322,500.



# OUTLOOK

In the future, the Group will continue to carry out more favourable environmental, social and governance measures in its operations, including responding to relevant government policies and participating in activities organized by relevant parties.

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CHIGO HOLDING LIMITED  
志高控股有限公司