



榮陽實業集團有限公司  
PanAsialum Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2078

Environmental, Social  
and Governance Report  
**2018**





# Contents

About the Group	2
Environmental, Social and Governance	3
Stakeholder Engagement	5
Message from the Chairman	6
Environmental Protection	7
Employee Care	13
Operation Practices	17
Co-creating the Community	21
Key Performance Indicator Summary	22
Environmental, Social and Governance Reporting Guide Report Content Index	27



## About the Report

This is the third Environmental, Social and Governance Report (the “Report”) published by PanAsialum Holdings Company Limited (the “Company” and its subsidiary, collectively referred to as “PanAsialum” or the “Group”). Stakeholders can understand the Group’s policies, measures and performance in environment, social and governance aspects through the Report. This Report is written in both Chinese and English, both of which have been uploaded to the websites of The Stock Exchange of Hong Kong Limited (“SEHK”) and the Group ([www.palum.com](http://www.palum.com)).

### REPORTING BOUNDARY

The Report details the Group’s environmental, social and governance performance during the financial year between 1 January 2018 and 31 December 2018 (the “Year”). Same as the 2017 report, the Report focuses on the Group’s Nanyang production base (the “Plant”) and the operations in relation to its electronic parts segment as well as construction and industrial products. In the future, the Group will gradually upgrade the internal data collection system and plan to include the operations of Guangzhou office to expand the reporting scope.

### REPORTING STANDARD

This Report is prepared based on the ‘comply or explain’ provisions in the ESG Reporting Guide (the “Guide”) under Appendix 27 of the Rules Governing the Listing of Securities of the SEHK. The Group adheres to the four stipulated principles, namely materiality, quantitative, balance and consistency in preparing the Report.

To help stakeholders understand the Group’s environmental, social and governance performance, the Report not only discloses environmental key performance indicators included in the ‘comply and explain’ provisions, but also reports selected social key performance indicators under the ‘recommended disclosure’ of the Guide. To ensure the accuracy of environmental key performance indicators, the Group commissioned a professional consultant, Carbon Care Asia, to conduct a carbon assessment

### CONFIRMATION AND APPROVAL

The Group has established an internal control and a formal review process and endeavours to ensure the accuracy and reliability of the data presented in the Report. The Report received the confirmation and approval of the Board of Directors in June 2019.

#### **OPINION AND FEEDBACK**

The Group values stakeholders’ opinion. If you have any question or suggestion regarding the content or format of the Report, please contact the Group through the following channels:

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Email: [ir@palum.com](mailto:ir@palum.com)



## Environmental, Social and Governance

The Company's Board of Directors is committed to undertaking the responsibilities in leading and supervising the Group's operation in various aspects through effective corporate governance, including:

- Evaluate the Group's corporate governance policies and practices;
- Evaluate training and continuous professional development of directors; and
- Evaluate the Group's regulatory compliance policies and practices.

To continuously improve the sustainability structure, the Group plans to establish a sustainability working group in 2019. The Board of Directors will strengthen the Group's sustainability management by setting out the duties, authority and resources available to the working group. To ensure that the working group's duties cover all aspects of sustainability, the group will comprise core persons in charge of the Group's environmental protection, employee care, operational practices and community investment, to further confirm and implement the related strategies and actions.

### **Risk Management**

As an important part of achieving sound corporate governance, the establishment of a risk management system is also a focus of the Group. The Board of Directors is responsible for the assessment and determination of the different risks faced during the operation process to ensure that the Group has established appropriate and effective risk management and internal control systems. The Group has established the Audit Committee and the Internal Audit Department to assess the implementation.



## Environmental, Social and Governance

Currently, the Board of Directors has taken environmental and social factors into consideration in the process of risk identification. With the risk management and internal control systems, the Group identified the environmental and social risks below.

Potential risks	Response and management measures
The Group faces potential risks of non-compliance of national and industry safety and environmental protection standards in product production management, human resources management and supply chain management.	<p>To reduce the potential risks during the operation, the Group adopted the following measures:</p> <ul style="list-style-type: none"><li>• Focus on monitoring of dust, hazardous chemicals and sewage discharge to ensure that the emission concentration meets the relevant requirements according to the discharge requirements of the pollutant discharge permit;</li><li>• Update the “Employee Handbook” in a timely manner, abide by the relevant employment laws and regulations, and provide regular staff training.</li></ul>



# Stakeholder Engagement

The Group values engagement of stakeholders<sup>1</sup> in the day-to-day operations. Communicative events not only allow stakeholders to understand the Group's plans in and approach to sustainability, but also provide an opportunity for the Group to listen to the views of stakeholders, and evaluate the Group's potential risks and business opportunities in sustainability, so that it can proceed to prioritise different issues and formulate corresponding policies and measures.

## MAIN MEANS OF STAKEHOLDER ENGAGEMENT DURING THE YEAR

Internal stakeholders	External stakeholders
Board of Directors, senior management, general staff and new hires	Shareholders, investors, banks and financial institutions, customers, supply chain, academic institutions, government and regulators, communities and non-governmental organisations
<b>Mode of engagement</b> Shareholders' meeting, corporate announcements, meetings, daily reporting, employee training, interviews, group website, emails and opinion surveys	

## MATERIALITY ASSESSMENT

To determine the Group's sustainability strategies and directions, the Group continued to commission an external consultant during the Year to conduct a management interview to explore and identify the most important environmental and social issues to stakeholders. Combining the results of the interview and the consultant's views, the Group selected three from the eleven environmental and social aspects in the Guide to be a key in reporting, including: emissions, health and safety and product responsibility.



<sup>1</sup> Stakeholders refer to groups or individuals materially influencing or affected by the Group's business and can be divided to internal and external stakeholders. The Group's internal stakeholders include: Board of Directors, the management, executive staff and general staff; external stakeholders include: shareholders, business partners, customers, customers, government and regulators, banks and investors and community groups.



## Message from the Chairman

Corporates today can no longer ignore the impact of sustainability on business operation. PanAsialum aims at maintaining stable and quality business growth while achieving corporate environmental and social responsibility continuously. The Report not only details to stakeholders the Group's work and achievements, but also serves as a platform for them to raise their opinion to enable the Group to reach a higher standard in sustainability.

The Group's Board of Directors undertakes environmental, social and governance strategies and reporting, in order to create returns for shareholders, investors and all stakeholders. The Group continuously improves its corporate governance and risk management, and will consider incorporating sustainability-related factors to better respond to possible impact of issues such as climate change on the business.

The Group understands the importance of establishing a sustainability working group that reports to the Board of Directors. To achieve sound sustainability governance, the Group will establish a working group to conduct internal and external materiality analysis, monitor and manage the implementation and performance of policies concerned.

To focus resources on the most important aspects, the Group selected three important issues to represent the focus of the Year's effort and reporting, which are emissions, health and safety and product responsibility. This reflects the Group's commitment to the environment, employees and customers through more responsible operation.

The Group is committed to fulfilling its responsibilities towards shareholders, investors, customers, suppliers, employees and the community and creating value for stakeholders. Facing the community, the Group will uphold a low-carbon environmental ideal to strengthen management of the environmental impact of its business; regarding suppliers, the Group also supports them to uphold environmental protection. With the support of all parties, the Group will continuously improve its sustainability performance to help society move towards a low-carbon economy gradually.

**Huang Gang**

*Chairman and Executive Director*

**PanAsialum Holdings Company Limited**



## Environmental Protection

As a company that produces electronic parts, and construction and industrial products, reducing waste and air emissions generated in the production process and increasing the resource use efficiency have always been a focus of the Group. The Group has formulated internal policies such as the "Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution (廢水廢氣噪聲排放控制程序)", Control Procedures for the Disposal of Hazardous Wastes (危險廢棄物控制程序), Control System for Energy Saving and Emission Reduction (節能減排管理制度) and the Code of Conduct for Social and Environmental Responsibility (社會及環境責任行為規範) to strengthen the Group's environmental management.

### EMISSIONS

#### Waste water discharge

Waste water is generated in the production process during the washing of aluminium. All waste water must undergo neutralisation treatment in the waste water tank and filtration with filter press before discharge from the Plant's sewage outlets to municipal pipelines. The waste residue is treated in accordance with the Solid Waste Discharge Control Procedure (固體廢棄物排放控制程序). Apart from production waste water, domestic waste water should be treated with residue separation process and sedimentation biochemical process before discharging to municipal pipelines.

#### Air emissions discharge

During the Year, the majority of the Group's air emissions came from air emissions produced by production facilities in the Plant and use of vehicles. Compared to 2017, the discharge of nitrogen oxides increased by approximately 2.7 times. The main reason is that the calculation of air emissions in 2017 did not include air emissions generated by the use of forklifts and sprinkler trucks. Sulphur oxides reduced by 86.7% in the Year. The emissions of respiratory suspended particulates reduced by 44.7%, because liquefied petroleum gas used in kitchen appliances was replaced with natural gas.

Discharge of air emissions (kg)		
Air pollutants	2018	2017
Nitrogen oxides	75,321	20,504
Sulphur oxides	841	6,313
Respiratory suspended particulates	12,216	22,105





## Environmental Protection

To reduce air emissions, the Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution (廢水廢氣噪聲排放控制程序) stipulates that environmental friendly boilers should be used in the casting workshop. Besides, each workshop should inspect the ventilation system every month, to ensure exhaust gas is discharged and treated in a timely manner.

### Waste discharge

The main hazardous waste produced by the Plant during the operation was waste cutting fluid, waste oil and dust, all of which were collected and recycled by external professional organisations. During the Year, the Plant produced a total of 33.5 tonnes of hazardous waste, representing a decrease of 40.9% compared to 2017, mainly due to a decrease in the use of Computer Numerical Control (CNC). Besides, there were 3,174 tonnes of non-hazardous waste, which were mainly aluminium filings, aluminium ash, waste iron and domestic waste. Production waste was resold to recyclers while domestic waste was collected by qualified contractors.

To enhance management of waste recycling, the Plant has set up different recycling zones for collecting hazardous and non-hazardous waste. Regarding hazardous waste, the Control Procedures for the Disposal of Hazardous Wastes (危險廢棄物控制程序) stipulates that the administrative department of the Plant is responsible for appointing qualified recyclers and requiring them to avoid secondary pollution by setting it out in the contract.

### Emission of greenhouse gases

During the Year, the Group commissioned a consultant, Carbon Care Asia, to conduct a carbon assessment, to quantify the emission of greenhouse gases (or “carbon emissions”) produced in the operation of the Plant. The quantification process was based on the guidelines issued by the National Development and Reform Commission of the People’s Republic of China<sup>2</sup> and international standards such as ISO14064-1. During the Year, the total greenhouse gas emissions increased by 2.8% compared to that of 2017, reaching 32,406.6 tonnes. Among them, direct greenhouse gas emissions reduced by 2.4%, energy indirect greenhouse gas emissions increased by 9.2%. The main reason was that a new calculation method was used during the Year. Greenhouse gases produced by mobile sources in direct greenhouse gas emissions increased by 37.9% compared to 2017. The main reason was the GHG emissions produced by forklifts and sprinkler trucks were newly included in 2018 which produced greenhouse gases.

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<sup>2</sup> Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial)



## Environmental Protection

Greenhouse gas emissions (tonnes of carbon dioxide equivalent)		
Scope	2018	2017
<b>Scope 1 – Direct greenhouse gas emissions</b>		
Fossil fuel combustion - stationary sources	16,247.5	16,861.4
Fossil fuel combustion - mobile sources	702.3	509.2
<b>Scope 2 – Energy indirect greenhouse gas emissions</b>		
Purchased electricity	15,448.6	14,142.0
<b>Scope 3 – Other indirect greenhouse gas emissions</b>		
Air business travel	8.2	N/A <sup>3</sup>
<b>Total greenhouse gas emissions</b>	<b>32,406.6</b>	<b>31,513</b>
<b>Total greenhouse gas intensity (tonnes of carbon dioxide equivalent/square metre) (by square metre of area)<sup>4</sup></b>	<b>0.23</b>	<b>0.12</b>

Regarding the detailed emissions during the Year, please refer to the Key Performance Indicator Summary at p. 22.

The Group abides by the relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, etc.

<sup>3</sup> There was no business travel in 2017.

<sup>4</sup> In 2018, the greenhouse gas emission intensity was calculated with the area of all workshops. In 2017, the greenhouse gas emission intensity was calculated with the total area of the Plant (including: all workshops, pools, outdoor area).



## Environmental Protection

### USE OF RESOURCES

The main resources used by the Group during the Year included direct and indirect energy consumed by production facilities, water consumption in production and timber used for product packaging. With regard to energy, facilities in the Plant mainly consumed natural gas and purchased electricity. Vehicles of the Plant also consumed gasoline and petrol.

During the Year, purchased electricity of the Plant accounted for 23.2% of the total energy consumption, reaching 25,321.3 MWh, with a drop of 5.9% compared to 2017. Since liquefied petroleum gas was not used during the Year, the relevant data is not counted.

Energy use	2018	2017
Natural gas (MWh equivalent)	81,163.4	84,202.6
Liquefied natural gas (MWh equivalent)	124.2	N/A
Liquefied petroleum gas (MWh equivalent)	N/A	440.2
Gasoline (MWh equivalent)	94.7	122.3
Petrol (MWh equivalent)	2,554.8	1,823.0
Purchased electricity (MWh)	25,321.3	26,901.3

Use of water resources increased by 34.5% compared to 2017, mainly because cast rod and CNC (computer numerical control machine tool) production increased.

	Water consumption (cubic metre)	
Use of water resources	2018	2017
Total water consumption	125,209	93,068

Due to increase in shipments and different packaging is required for different series, the use of packaging materials increased significantly.

	Consumption (tonnes)	
Use of packaging materials	2018	2017
Total consumption	612	1

Regarding the detailed emissions during the Year, please refer to the Key Performance Indicator Summary at p. 23.



## Environmental Protection

To further increase the efficiency of the use of resources, the Group has established a leading group for energy conservation and emission reduction and formulated policies such as the Control System for Energy Saving and Emission Reduction (節能減排管理制度) and Water Resources Management System (水資源管理制度) to regulate management measures for different resources.

Use of resources	Conservation measures
Fuel	<ul style="list-style-type: none"><li>• The Purchasing Department should conduct procurement in strict accordance with the fuel technical standards, and check the weight and quality of the fuel;</li><li>• A measurement system should be implemented during use of fuel with the necessary measurement tools; and</li><li>• The relevant departments should actively adopt new equipment, optimise the fuel combustion technology, and improve fuel combustion efficiency.</li></ul>
Water	<ul style="list-style-type: none"><li>• The Equipment Engineering Department is responsible for improving the water metering system and regularly testing and calibrating the measuring instruments; and</li><li>• Water-saving statistician is responsible for analysing the water consumption of various departments of the Plant and identifying room for improvement.</li></ul>
Electricity	<ul style="list-style-type: none"><li>• The Equipment Department and other departments are responsible for the daily patrol and inspection of power equipment, power consumption equipment and other components; and</li><li>• The Energy Saving Department should conduct a corporate electricity balance test<sup>5</sup> every year to understand issues of electricity use in the operation process and take effective measures to reduce power consumption.</li></ul>

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<sup>5</sup> A corporate electricity balance test refers to an analysis of the relationship between electricity use and loss using the law of conservation of energy.



## Environmental Protection

### THE ENVIRONMENT AND NATURAL RESOURCES

The Group may have an impact on the surrounding environment and natural resources due to chemical leak during the operation. Therefore, the Group has established the Acid and Alkali Leak Emergency Response Plan (酸鹼洩漏應急預案) to regulate various handling methods. In case of chemical leaks, the contaminated zone should be quarantined with restricted access. At the same time, the relevant operators should stop working immediately to identify the leaking point. The leaked substance should be washed with a large amount of water and transferred to the waste water treatment system after dilution.

During the Year, the Group did not find any cases of non-compliance with laws and regulations in relation to emissions, use of resources and the environment and natural resources.



## Employee Care

The Group values the protection of employees' legitimate rights in the workplace. Through understanding the needs of employees, the Group strives to create a working environment that is healthy and safe, fair and filled with opportunities of development.

### HEALTH AND SAFETY

As a manufacturing-oriented company, health and safety risks are inevitable in the work process. To strengthen risk management, the Group has formulated internal systems such as the Accountability System for Prevention and Treatment of Occupational Disease Hazards (職業病危害防治責任制度) and the Safety Production Inspection System (安全生產檢查制度).

The Group categorised occupational diseases into five groups according to the characteristics of its operation:

- Hazards of dust operations: in the manufacturing of aluminium, mineral powder may be produced. Long-term inhalation can cause silicosis;
- Noise: noise produced by production equipment could damage employees' hearing;
- High-temperature operation hazards: high temperature in the production process may cause coma or heat shock in employees;
- Organic solvent hazards: employees may be in touch of hazardous chemicals during the process of oxidation and spraying of aluminium. In serious cases, it could lead to acute poisoning; and
- Metal fume hazards: substances like fluoride, ozone and carbon monoxide may be produced in welding operation. Long-term inhalation could cause damage.

To reduce occupational hazards in the workplace, the Group has placed warning signs about occupational hazards in the workplace, and adopt effective dust reduction equipment to reduce dust in the workplace. Besides, the Group also provided personal protective equipment for employees in roles exposed to risks of occupational diseases, such as gas mask, respirator and earmuffs, etc.



## Employee Care

Apart from providing personal protective equipment, the Group also reduces the risks of occupational diseases in the workplace by strengthening management. The Group has set up an Occupational Health Management Committee to control and eliminate occupational hazards. The Group's other departments, such as the Safety Management Department, the Human Resources Department and the Administrative Department are also responsible for different aspects of occupational health to improve the Group's occupational health management framework.

Department	Duties
Occupational Health Management Committee	<ul style="list-style-type: none"> <li>• Implement national laws and regulations on occupational disease prevention and control; and</li> <li>• Review and supervise the achievement of the objectives of occupational disease prevention and control, and coordinate the allocation of occupational disease prevention funds according to the actual situation with different departments.</li> </ul>
Safety Management Department	<ul style="list-style-type: none"> <li>• Responsible for organising construction project occupational hazard analysis and occupational hazard control evaluation.</li> </ul>
Human Resources Department	<ul style="list-style-type: none"> <li>• Responsible for the occupational health checkup of new hires and resigning employees;</li> <li>• Work with the Safety Management Department to carry out occupational health education and improve employees' occupational health awareness; and</li> <li>• Formulate employee health profiles.</li> </ul>
Administrative Department	<ul style="list-style-type: none"> <li>• Identify the Group's occupational hazard monitoring points and assist local health monitoring stations to conduct monitoring. The results of the monitoring should be announced publicly.</li> </ul>



## Employee Care

During the Year, the number of employees injured at work increased compared to 2017, which was mainly due to improper operation of equipment. In the future, the Group will enhance employees' operation training to improve their safety awareness and level of operation.

Year	Number of work-related injury
2016	7
2017	0
2018	5

The Group abides by laws and regulations, such as the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China. During the Year, the Group did not find any cases of non-compliance with laws and regulations in relation to health and safety.

### EMPLOYMENT

The Group values the establishment of a sound employment system and respects the rights enjoyed by each employee. Internal guidelines or policies such as the Employee Handbook (員工手冊), Recruitment and Employment Management System (招聘與錄用管理制度) and the Code of Conduct of Social and Environmental Responsibilities (社會及環境責任行為規範) stipulate the Group's management methods in compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group attaches importance to providing promotion opportunities to employees with outstanding performance. Their performance at work, capability and vacancies are the only factors of consideration. The Group promises not to discriminate against any employee in the workplace based on race, skin colour, age, gender, sexual orientation and political affiliation. At the same time, the Group does not force employees to undergo any discriminatory medical examination.

The Group will consider formulating terms related to employment diversity to improve the Group's employment system. The Group abides by the relevant laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Rights and Interests of Women. During the Year, the Group did not find any cases of non-compliance with laws and regulations in relation to employment.





### DEVELOPMENT AND TRAINING

The Group understands that training can help employees improve their work skills and obtain better career prospects. To this end, the Group has set out measures related to employee training in the Employee Handbook (員工手冊) and Human Resources and Payroll Management System and Procedures (人力資源及薪資管理制度及流程).

The Group divides employee training into induction training and on-the-job training to provide different channels of training for employees.

Training type	Training content
Induction training	<ul style="list-style-type: none"><li>• Training of the Group's rules and regulations, safety education and occupational health education; and</li><li>• Training in professional knowledge and job skills.</li></ul> <p>Remarks: only after employees finish the induction training and pass the examination could they work as a full-time employee.</p>
On-the-job training	Training in casting production, packaging requirements, operation process, protection of rights, legal knowledge, etc.

To understand the training needs of employees, every December each department should prepare the Training Requirements Application Form (培訓需求申請表), which will be consolidated into the Group's Annual Training Plan (年度培訓計劃) by the Human Resources Department, which will monitor the implementation of the plan.

### LABOUR STANDARDS

The Group prohibits the use of child labour or forced labour in its operation and sets out its commitment in the Code of Conduct for Social and Environmental Responsibility (社會及環境責任行為規範).

The Group undertakes to prohibit the employment of child labour in any stage of the production. Regarding underage workers that fulfil the local legal requirements, the Group also sets out that they should not be employed in roles of high occupational risks.

Besides, the Group does not use forced labour, including indentured labour and prison labour. Work should not be arranged against the will of employees. Employees should not be forced to work by ways such as seizure of documents. Employees are free to resign in any circumstances.

The Group abides by the relevant laws and regulations, such as the Labour Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Minors. The Group did not find any cases of non-compliance with laws and regulations in relation to child labour and forced labour.



## Operation Practices

The Group attaches great importance to strengthening its operation management on the basis of abiding by ethics and the law, and is committed to providing high-quality products to its clients.

### PRODUCT RESPONSIBILITY

#### Product safety and quality management

To ensure products produced by the Plant comply with national and industry standards, the Group has formulated the Control Procedure of Product Safety (產品安全性控制程序). The policy has set out the responsibilities of different departments in terms of product quality.

- Product Development Department: identify product safety risks and formulate relevant preventive measures;
- Quality Control Department: conduct product safety tests and record test data;
- Purchasing Department: responsible for product management and traceability label of raw materials;
- Business Department: responsible for emergency recall; and
- Human Resources Department: responsible for conducting training for personnel in roles related to product safety, such as product safety identification and control methods.

Besides, the Monitoring and Measuring Control Procedures of Products and Services (產品和服務的監視和測量控制程序) has set out a four-tier inspection mechanism, including order inspection, in-process inspection, product inspection and shipment inspection, to enhance management of product quality.



## Operation Practices

Inspection procedures	Content
Order inspection	<ul style="list-style-type: none"><li>The Quality Control Department is responsible for order inspection. Only qualified materials will be used in production. Unqualified materials are handled according to the Control Procedure of Unqualified Output (不合格輸出的控制程序).</li></ul>
In-process inspection	<ul style="list-style-type: none"><li>In-process inspection is divided into self-inspection, first-inspection, sample inspection and final inspection. The on-site person-in-charge should conduct double check where necessary.</li></ul>
Product inspection	<ul style="list-style-type: none"><li>After product testing, different labels are added to reflect the actual situation, such as qualified, unqualified, defected and rejected.</li></ul>
Shipment inspection	<ul style="list-style-type: none"><li>Upon receiving the shipment notice, random inspection of the quantity and characteristics of products should be conducted according to the OQC (Output Quality Control) system. Qualified products should be recorded in the Qualified Product Certificate (產品質量合格證明書).</li></ul>

### Handling of clients' opinions and the procedures of product return

To handle customer opinions or requests in a timely manner, the Group has formulated documents such as the Procedure for Customer Complaints and Product Return (客戶抱怨與退貨處理程序) and the Process Control Procedure Concerning Clients (與顧客有關過程控制程序).

When the Business Department or customer service staff receives customer complaints, they should analyse if the matter is part of the responsibility of the Group. If it is, the Quality Control Department and the relevant departments will be notified. The Quality Control Department is mainly responsible for solving customer complaints. A working group can be established where necessary to organise a quality meeting to identify improvement measures and reply the customer. During the Year, the Plant received three complaints which mainly involved product quality issues. The Plant had arranged exchange and improved the inspection to ensure that the product quality can satisfy the demand of customers.



### Protection of customer information

During the day-to-day operation, the Group prohibits the disclosure of confidential information of customers. The Employee Handbook (員工手冊) stipulates that customer information is an important business secret of the Group. Employees are prohibited from disclosing customer information to third parties. In case of such situations, the Group reserves the right to seek economic and legal remedies.

### Protection of intellectual property rights

The Group values protection of intellectual property rights, and has formulated the Management System and Procedure for Intangible Assets (無形資產管理制度及流程) to protect intellectual property rights such as patents and non-patented technologies. Apart from protecting its own intellectual property rights, the Group also pledges to respect others' intellectual property rights from infringement.

### Labelling management

To ensure that product information is truthfully reflected in labels to protect customers' right to know, the Label Practice Specification (標籤作業規範) specifies that product labels must list the relevant information of products, such as product standards, quality testing, weight, length and date of manufacture.

Currently, the Group's operation does not involve advertising. The Group abides by the relevant laws and regulations, such as the Product Quality Law of the People's Republic of China. During the Year, the Group did not find any cases of non-compliance with laws and regulations in relation to product responsibility.

## SUPPLY CHAIN MANAGEMENT

The Group understands the importance of supply chain management to its operation and product quality. The Group specifies the supply chain selection criteria through the Purchase Management Control Procedure (採購管理控制程序) to select suppliers that comply with the Group's requirements to control the environmental and social risks of the supply chain.

- Product quality: the Group requires the Purchasing Department and the Quality Control Department to conduct on-site inspection of key suppliers of raw materials. Assessment areas include suppliers' capability to deliver goods, and capability of production and quality control. Assessment results will be recorded in the Supplier Assessment Survey.



## Operation Practices

- **Environment:** in selecting new suppliers, the Equipment Engineering Department inspects their data in environmental protection. Besides, the Group requires all suppliers to sign documents such as the Letter of Guarantee for ROHS Compliance (環境管理物質 (ROHS<sup>6</sup>)保證書) and the Letter of Guarantee for SVHC Compliance (不含高關注物質 (SVHC<sup>7</sup>)保證書), to promise that the products supplied do not contain the relevant hazardous substances.
- **Social:** in selecting suppliers, the Group will consider their performance in employee health and safety and social responsibility.

### ANTI-CORRUPTION

The Group adopts zero tolerance against any form of corruption. The Employee Handbook (員工手冊) specifies that employees must not request gifts from commercial partners. Acceptance of rebate or gifts during business activities is also prohibited. Any gifts received should be submitted to and handled by the relevant department.

To ensure that employees can raise reports of corrupt practices within the Group anytime, the Group has formulated the Internal Monitoring and Reporting System (內部監督舉報制度). The System specifies that, employees can lodge complaints with the Audit Committee through email or letters. All personal confidential information of employees will be held under strict confidentiality.

The Group abides by the relevant laws and regulations, such as the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other applicable laws and regulations. During the Year, the Group did not find any cases of non-compliance in relation to anti-corruption, nor legal cases regarding corrupt practices brought against the Group or its employees.

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<sup>6</sup> RoHS stands for Restriction of Hazardous Substances.

<sup>7</sup> SVHC stands for Substance of Very High Concern, referring to chemicals with high toxicity to the environment and the human body with significant risks, including: arsenic trioxide, tributyltin oxide, hexabromocyclododecane, etc.



## Co-creating the Community

The Group values the interests of the community where it operates. Through combining the characteristics of its operation, it improves the standard of living of local disadvantaged households. During the Year, the Group invested nearly RMB20,000 to help disabled households in the regions of operation. Besides, according to its 2018 Scheme of Assistance and Poverty Alleviation (2018年幫扶計劃), the Group also provided a certain number of public welfare job positions for poor households with capability to work.

The Group is now speeding up the formulation of a community investment policy to determine the area of contribution for the Group to focus on.



# Key Performance Indicator Summary

## ENVIRONMENTAL PERFORMANCE<sup>8</sup>

Environmental key performance indicators	Quantity		Unit
	2018	2017	
Type of emissions and the relevant emission data			
Nitrogen oxides	75.3	20.5	tonnes
Sulphur oxides	0.8	6.3	tonnes
Respiratory suspended particulates	12.2	22.1	tonnes
Greenhouse gas emissions			
Scope 1	16,949.8	17,370.6	tonnes of carbon dioxide equivalent
Scope 2	15,448.6	14,142.0	tonnes of carbon dioxide equivalent
Scope 3	8.2	N/A <sup>9</sup>	tonnes of carbon dioxide equivalent
Greenhouse gas emissions (Scope 1, 2 and 3)	32,406.6	31,512.6	tonnes of carbon dioxide equivalent
Greenhouse gas intensity (by area)	0.23	0.12	tonnes of carbon dioxide equivalent/ square metre

<sup>8</sup> In 2018, the greenhouse gas emission intensity was calculated with the area of all workshops. In 2017, the greenhouse gas emission intensity was calculated with the total area of the Plant (including: all workshops, pools, outdoor area).

<sup>9</sup> There was no business travel in 2017.



Environmental key performance indicators	Quantity		Unit
	2018	2017	
Generation of hazardous waste			
Total generation of hazardous waste <sup>10</sup>	33.5	56.7	tonnes
Hazardous waste intensity (by area) <sup>10</sup>	0.2379	0.2237	kg/square metre
Generation of non-hazardous waste			
Total generation of non-hazardous waste	3,174	51	tonnes
Non-hazardous waste intensity (by area)	0.0225	0.0002	tonnes/square metre
Total consumption of energy			
Direct energy	83,937.1	86,247.2	MWh equivalent
Indirect energy	25,321.3	26,901.3	MWh equivalent
Energy intensity (by area)	0.78	0.45	MWh equivalent/ square metre
Total water consumption			
Total water consumption	125,209	93,068	cubic metre
Water intensity (by area)	0.89	0.37	cubic metre/square metre
Packaging materials used in finished products			
Total consumption of packaging materials <sup>10</sup>	612	815	tonnes
Packaging materials intensity (by area) <sup>10</sup>	4.348	3.216	kg/square metre

<sup>10</sup> The relevant data in 2017 report has been revised.





## SOCIAL PERFORMANCE

Employee distribution			Total workforce	Male to female ratio
Gender	Male	635	993	1.8:1
	Female	358		
Age	Under 30	251		
	30-40	463		
	41-50	230		
	Above 50	49		
Position	Senior management	17		
	Middle management	43		
	General staff	933		

Distribution of new hires			Total workforce	Rate of new hires
Gender	Male	154	276	27.8%
	Female	122		
Age	Under 30	86		
	30-40	105		
	41-50	63		
	Above 50	22		
Position	Senior management	12		
	Middle management	4		
	General staff	260		



Employee turnover distribution			Total workforce	Employee turnover rate
Gender	Male	573	950	95.7%
	Female	377		
Age	Under 30	435		
	30-40	367		
	41-50	133		
	Above 50	15		
Position	Senior management	3		
	Middle management	3		
	General staff	944		

Occupational safety and health performance	Total
Number of rate of work-related fatalities	0, 0%
Number of employees injured at work	5
Lost days due to work-related injury	134
Incidence rate of work-related injury per 1,000 employees	5%



Distribution of employees receiving training			Ratio of training	Total number of training hours	Average number of training hours
Gender	Male	629	99.1%	111,418	112.2
	Female	357	99.7%		
Position	Senior management	16	94.1%		
	Middle management	37	86.0%		
	General staff	933	100%		

Location of suppliers	Number of suppliers
Mainland China	128
Suppliers implementing the relevant practices	100%

Product quality	Total
Rate of product recall due to safety and health reasons	0%
Number of complaints about products and services	3



## Environmental, Social and Governance Reporting Guide Report Content Index

Material Aspect	Content	Page Index/ Remark
<b>A.Environmental</b>		
<b>A1 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.	7-9
A1.1	The types of emissions and respective emissions data.	7, 22
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9, 22
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8, 23
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8, 23
A1.5	Description of measures to mitigate emissions and results achieved.	8
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	11
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	10, 23
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10, 23
A2.3	Description of energy use efficiency initiatives and results achieved.	10-11
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	No issue in sourcing water
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	10, 23



Material Aspect	Content	Page Index/ Remark
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	12
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	12
<b>B.Social</b>		
<b>B1 Employment</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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	15
B1.1	Total workforce by gender, employment type, age group and geographical region.	24
B1.2	Employee turnover rate by gender, age group and geographical region.	25
GRI 401-1	Total number of new employee hires	24
	Rate of new employee hires	24
	Total number and rate of new employee hires during the reporting period, by age group, gender and region.	24
<b>B2 Health and Safety</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 providing a safe working environment and protecting employees from occupational hazards.	13-15
B2.1	Number and rate of work-related fatalities.	25
B2.2	Lost days due to work injury.	25
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	13-15



Material Aspect	Content	Page Index/ Remark
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	16
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	26
B3.2	The average training hours completed per employee by gender and employee category.	26
<b>B4 Labour 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 labour.	16
B4.1	Description of measures to review employment practices to avoid child and forced labour.	16
B4.2	Description of steps taken to eliminate such practices when discovered.	
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	19
B5.1	Number of suppliers by geographical region.	26
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	19-20
<b>B6 Product Responsibility</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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	17-19
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	26
B6.2	Number of products and service related complaints received and how they are dealt with.	18



Material Aspect	Content	Page Index/ Remark
B6.3	Description of practices relating to observing and protecting intellectual property rights.	19
B6.4	Description of quality assurance process and recall procedures.	17-18
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	19
<b>B7 Anticorruption</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.	20
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 cases.	20
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	20
<b>B8 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.	21
B8.2	Resources contributed (e.g. money or time) to the focus area.	21