



**浙江世寶股份有限公司**

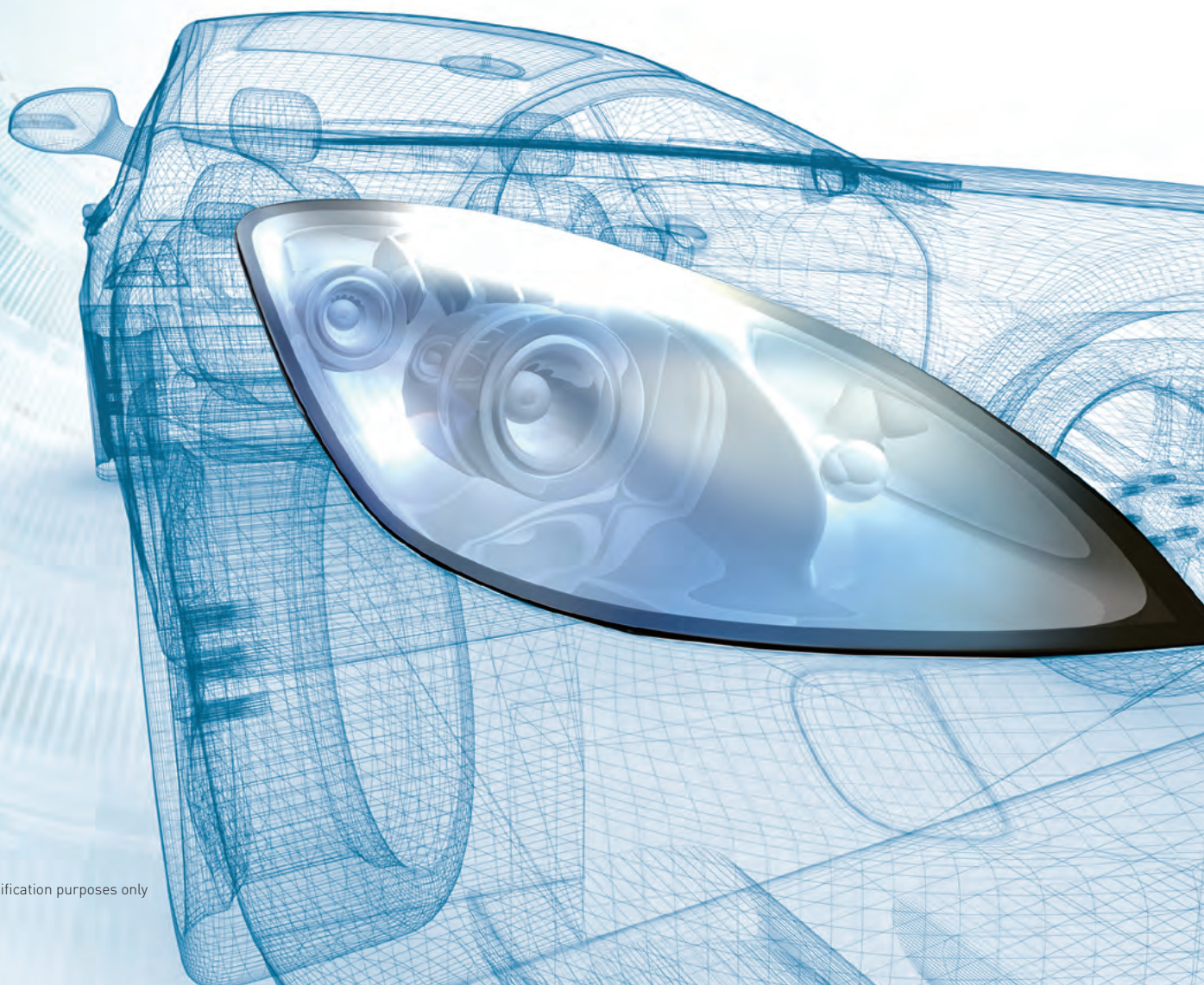
**ZHEJIANG SHIBAO COMPANY LIMITED\***

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1057

# STEERING the FUTURE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019



\* For identification purposes only

# 2019 Environmental, Social and Governance Report

## ABOUT THE REPORT

This is the Environmental, Social and Governance Report (the “Report”) of Zhejiang Shibao Company Limited (the “Company” or “we”) and its subsidiaries (collectively referred to as the “Group”). The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange” or “HKEx”), which describes the Group’s comprehensive implementation of various work on the sustainable development principle and its performance in environmental, social and governance aspects for the year from 1 January 2019 to 31 December 2019 (the “Year”). For more information about the Group’s corporate governance, please refer to the “Corporate Governance Report” on pages 36 to 45 of the Company’s 2019 Annual Report.

The Group has committed itself to the research and development of automotive steering gear products and mainly engaged in the develop, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. Hangzhou Shibao Auto Steering Gear Co., Ltd. (“Hangzhou Shibao”), Hangzhou New Shibao Electric Power Steering Co., Ltd. (“Hangzhou New Shibao”) and Jilin Shibao Machinery Manufacturing Co., Ltd. (“Jilin Shibao”) are the principal operating subsidiaries of the Company in the People’s Republic of China (“PRC”), and almost 90% of the Group’s income is derived from these three subsidiaries in both 2018 and 2019. As such, the discussion below mainly covers Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao.

During the Year, the Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide.

## COMPANY OVERVIEW

The Company is a joint stock limited company registered in the PRC. The Company’s H Shares were listed on the Growth Enterprise Market of the Hong Kong Stock Exchange on 16 May 2006 and were transfer listed on the Main Board of the Hong Kong Stock Exchange on 9 March 2011, and its stock code is 1057. The Company’s A Shares were listed on Shenzhen Stock Exchange on 2 November 2012, and its stock code is 002703.

The Company is committed to enhancing the safety and comfortability of driving and providing world leading automakers with safe, intelligent, energy-saving, light-weight automotive steering system. The Company strives to raise the research and development (“R&D”) and production capability of steering system and key components for each series of automobile model to international standard. Meanwhile, the Company is tapping into key automotive components in relation to integration modulation of steering system. Its strategic goal is to provide intelligent driving solutions and products to global leading automotive groups.

The Company is one of the early movers in the development of hydraulic power steering gears and electric power steering (“EPS”) system in the PRC, striving to become a pioneer achiever of smart driving technology and system integration to maintain the Company’s competitive advantages for sustainable development. The Company has accumulated over 30 years of experience in OEM supply in automobile industry with diverse customer resources worldwide, enabling the Company to become a Tier-1 OEM supplier among the automakers with good reputation, including FAW Group, Dongfeng Group, JAC, Geely Automobile, BAIC Motor, Chery Auto, Saipa Automotive, Daimler Group, King Long Motor and Changan Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

In our manufacturing activities, the Group consumes water, timber and other natural resources, and discharges waste water, waste gas, waste dregs and other pollutants which affect and damage the surrounding ecological environment. The Group considers the importance of the environmental protection so is endeavouring to protect the ecological environment and reduces the consumption of the natural resources. We pursue a maximum green profit and take up the social responsibility.



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The Company discharged its responsibility in environmental protection through technical and performance upgrade of its products, production process optimisation, and enhancement in management standard. In order to minimise the impact on the environment caused by our operations, we formulated the following principles for each of the department of the Group to follow:

- Due consideration on consumption of water, power, raw materials and other natural resources had been given by the Company during the whole production process in various aspects including process design, equipment procurement, facilities construction and field management etc., so that the consumption of non-recyclable and non-renewable resources could be minimised.
- The Company invested in the construction of environmental protection facilities in order to meet the requirements of the local environmental protection authorities on the treatments in waste water, waste gas and waste materials.
- The Company established Internal Control Department, Quality Management Department, and Internal Audit Department. By virtue of the integrated inter-departmental risk management system, the Company actively conducted risk assessment on business modules of sales, research and development, procurement, etc., and timely raised reasonable suggestions for preventing and coping with risks.

## SUBJECT AREA A ENVIRONMENTAL

### A1. Emissions

In the Year, the Group has strictly complied with the rules and regulations of the national environmental protection, including the “Atmospheric Pollutant Integrated Emission Standard (GB16297-1996)”, “Waste Water Integrated Emission Standard (GB8978-1996)”, “Industry Enterprise Factory Environmental Noise Emission Standard (GB12348-2008)”. In addition, the Group developed an internal emissions management system and relevant policies, such as the “Policy on Waste Water Discharge”, “Policy on Waste Gas Emission”, and “Policy on Hazardous and Non-hazardous Waste Discharge”, in an effort to make the treatment of the quantities of the emissions and waste dregs following the requirements of the national and local environmental protection authorities.

Since 2019, Hangzhou Shibao has been complying the more harsh Hangzhou standard — the “Emission Standard of Volatile Organic Compound of the Key Industrial Enterprise” in respect of the standard of emission of atmosphere. The painting process was followed the “Emission Standard of Atmospheric Pollution of Industrial Painting Process (DB33/2146-2018)”. The position of heat treatment was followed the “Emission Standard of Atmospheric Pollution of Industrial furnace (GB9078-1996)”. The waste water discharge was also followed the “Standard of Indirect Emission Limit of Industrial Enterprise Wastewater Nitrogen and Phosphorus Pollutants (DB33/887-2013)”.

During the production process of the Group, the main emissions are waste water, waste gas and waste materials. Production sewage is mainly produced from fine processing and heat treatment. During the Year, part of the fine processing were subcontracted and part of the energy consumed and pollutant produced equipment were eliminated, so the emission of the waste water was substantially reduced. In addition, The Group’s greenhouse gas emissions mainly come from the consumption of purchased electricity and steam by production equipment in our production process. Vehicle emission is not the main source of air pollution for the Group. The waste gas emissions during the Group’s operation cause no material impact on the environment. However, the Group will closely control and monitor any air pollutants which may be produced in our production and transportation processes.

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In our daily operations, each department and related workplace of the Group sets the various waste collection points or divides the waste collection points by different areas according to the type of waste produced by each department and related workplace. The different bins are labelled with the names of respective wastes for convenience, appropriateness and efficiency handling. Harmless and non-recyclable domestic waste and office waste are gathered by the city management department in a trash car for unified treatment on a daily basis. Waste paperboard and waste wooden board are collected by relevant companies engaged for recycling.

In the area of handling the hazardous wastes, the Group focused on them by enhancing the standard of clean production and the delivery rate so as to reduce and eliminate the use and produce of hazardous wastes. The hazardous wastes will be recycled and reused or buried reasonably. The Group will build the waste points and reinforce the supervision, carry out the random checking and self-evaluation. Hazardous wastes mainly include waste tubes, waste batteries, waste ink cartridges, waste toner cartridges, waste emulsions, waste oil rags, waste chemical containers, waste paint residue, paint buckets, precipitated sludge, etc., which will be treated by qualified hazardous waste treatment units as designated by the environmental protection authority. Leakage and other emergencies arising from the treatment of hazardous wastes will be properly handled according to the "Procedures for Emergency Preparation and Response". Each subsidiary has organised the drill for the emergency of the relevant dangerous chemical leakage so as to ensure to keep calm to handle the emergency situation and to minimise the possible harm. All the measures have been implemented during the Year and the result achieved was satisfactory.

In recent year, the Group has introduced the Ding Talk System so the use of the paper for approval is reduced and the effect is remarkable. The lightings of the plants and offices have been changing to LED energy saved lightings so they can reduce the energy consumption effectively. The temperature of the internal air-conditioning is set at 26 degree Celsius in order to reduce the emission of greenhouse gas. In respect of the treatment of daily waste water, it reaches the Group's requirement and achieved the passing standard in the environmental protection tests.

The data of the relevant emissions are set out on page 11 of the "Company Performance and Data" of this report.

The Group has invested in the environmental protection construction projects and endeavours to meet the local government authorities' environmental protection requirement relating to the treatment of waste water, waste gas and waste material. In the Year, Hangzhou Shibao invested in the supportive equipment installation of a mechanical processing equipment with filtration so as to achieve the target of the circulation of the mechanical equipment usage, about 20 sets of which were installed in the Year and the investment amount was about RMB100,000. Jilin Shibao has invested about RMB1,300,000 in purchasing the dust pipelines casting equipment, dust bags, waste water cleaner and for the expenses in handling the hazardous waste, domestic waste water and environmental protection monitoring.

In the Year, the reduction of the emission of the Group has recorded significantly effect. Hangzhou Shibao reached the emission standard in various environmental protection checking and testing. Hangzhou New Shibao also passed the electric steering system 'Clean Production' review. The emission of the waste material is reached the standard. The Group also passed all the checking under the supervision of the environmental protection bureau of Hangzhou Economic Technological Development Zone.

Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao, subsidiaries of the Company, has obtained ISO14001 environmental management system certification.

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## A2. Use of Resources

Since the launch of the “Regulations on Use of Energies and Resources Management”, all the departments has actively responded to it, which regulars the procurement and consumption of all energies and resources, with an aim to make reasonable and effective use of energies and resources, reduce costs, and improve its environmental efficiency.

In our manufacturing activities, the Group consumes water, electricity, raw material for production (such as steel and blanks), auxiliary material (such as cardboard, timber and other packaging material), and other energies and resources. As such, the Group has duly considered the consumption of water, electricity, raw material and other natural resources during the production processes in various aspects including process design, equipment procurement, facilities construction and field management etc., so that the consumption of non-recyclable and non-renewable resources could be minimised. In respect of the energy saving measures, the Group has placed all kinds of the energy saved labels in the plants and offices, used production equipment with low energy consumption and sensor-switched lights to reduce energy consumption; adopted recyclable and degradable packaging materials for product packaging in order to avoid the serious environmental pollution. In addition, the Group promotes the concept of paperless office and introduced Ding Talk System in the Year, a multi-channel platform for enhancing communication and coordination within the offices, aiming to accelerate and informatizationalize the procedures in offices. It can increase the efficiency of staff and save the administrative cost for the Group.

In respect of resource recycling, recyclable components and parts in waste raw materials and inferior products will be reused on a collective basis; water will be in cyclic use; and food waste will be recycled and delivered to fattening farms for feeding purposes.

The Company has installed the water meters to each of the departments for monitoring the consumption of water situation. Basing on the monitoring information, we can work out the reasonable quantity of water consumption of each department. We will carry out the investigation and prevention for the unreasonable water consumption situation. Furthermore, we have installed the electromagnetic valves to the offices and the washrooms of the plants for water consumption control. The Company actively advocates the water conservation, such as prevention of leakage, timely maintenance, water pipes and tapes repairment. In the Year, the municipal regulates the annual planned water consumption to the Company is 63,500 m<sup>3</sup> and to decrease to 54,600 m<sup>3</sup>. It reflects that the Group achieved remarkable results on the water conservation.

The table below sets out the consumption of various energies and water by Hangzhou Shibao, Hangzhou New Shibao and Jinlin Shibao during the Year:

Type	Total Consumption	
	2019	2018
Electricity	<b>46,480,000 kWh</b>	47,058,200 kWh
Steam	<b>5,890 kj</b>	7,680 kj
Fuel oil	<b>365,081 litres</b>	375,948 litres
Water <i>(Note)</i>	<b>62,800 m<sup>3</sup></b>	72,680 m <sup>3</sup>

*Note:* In the Year, the water consumption arising from production was 62,800 m<sup>3</sup> (2018: 72,680 m<sup>3</sup>), recycled water consumption was 9,740 m<sup>3</sup> (2018: 18,140 m<sup>3</sup>), and waste water discharge was 53,060 m<sup>3</sup> (2018: 54,540 m<sup>3</sup>), respectively. During the Year, due to the decrease in the number of staff and production of Hangzhou Shibao, the water consumption was significantly declined comparing with last year. The water consumed was mainly from the municipal water supply.

The data of the relevant use of resources are set out on page 11 of the “Company Performance and Data” of this report.

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## A3. The Environment and Natural Resources

In order to minimise the exhausted gas emissions of the automobiles and air pollution, the Chinese government has introduced the “Working Opinion for the Further Improvement on the Energy Saved and Emission Reduction of the Transportation Industry by the Transportation Department (Jiao Ti Fa Fa [2007]242 Hao)”, the profit tax of the enterprises relating to the investment amount for the purchasing of the equipment for environmental protection, energy saved and water conservation, safety production and the professional equipment for tax reduction according to a proportion. Besides, for the eleventh five-year plan, the “Decision of the State Council relating to the Task of Improvement of Energy Saved (Guo Fa [2006]28 Hao)”, and the “Notice of the State Council relating to Printing the Energy Saved Integrated Working Programme (Guo Fa [2007]15 Hao)”, it adopted the reward system to provide support and encouragement to the top 10 energy saved engineering projects for the purposes of reducing energy consumption of automobiles and developing new energy automobiles.

As a listed company in China's automotive component industry, the Company performs our environment responsibility by product and technological innovation and we have launched the EPS system products. The EPS system is powered by rechargeable batteries and, with dynamo as its power generating unit, is capable of operating separately from the automobile engine, and its fuel consumption drawn from the engine can be close to none. With its electronic mode of control, the EPS system almost does not cause any pollution problem to the environment and achieves further decrease in fuel consumption. It can also provide solutions to power steering for various new energy automobiles given its capability of operating separately from the automobile engine.

During the Year, the Company has invested in the waste gas equipment reformation of the heat treatment for the waste gas by adopting the plasma burning technology for handling the waste gas produced in the process of heat treatment. It reached the national specified value or lower than the national specified value in several testing and checking processes.

The Company insists on the principle of unification of economic benefits and environmental benefits, and actively uses low-toxic, low-harmful, non-toxic and harmless raw material in process design, and adopts energy-saving and low-noise equipment and new technologies that are less polluting and pollution-free to minimise the production of pollutants in the production processes.

During the Year, the Group invested more than RMB1 million in the environmental protection project, particularly in the re-construction of emission treatment equipment of oil, gas, water. The result achieved was satisfactory.

The selected locations of the Group's plants are within the planned general industrial zones, and all the major construction projects have received the environmental impact assessment approval as required.

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## SUBJECT AREA B SOCIAL

### Employment and Labour Practices

#### B1. Employment

We were in strict compliance with the “Labour Law of the PRC”, the “Labour Contract Law of the PRC” and other laws and regulations relating to employees. We also purchased social insurance, including basic endowment insurance, unemployment insurance, maternity insurance, occupational injury insurance and basic medical insurance, for our employees in accordance with the “Regulations of the PRC on Occupational Injury Insurance”, the “Regulations of the PRC on Unemployment Insurance”, and the “Provisional Measures for Maternity Insurance for Enterprise’s Employees”. During the Year, we did not receive any complaints about the employment and the violation of the laws and regulations of employment.

The Company adopted the “people-oriented” philosophy in all the production and operation management systems. We created a harmonious working environment for the employees, respect multi-culture, refused any discrimination against race, religion, disability, gender or education background.

The Company developed the “Human Resources Management System” covering recruitment, employment, assessment, promotion and dismissal, and providing equal opportunities to the employees. It is responsible for regularly reviewing the employment benefit and welfare in order to ensure fully compliance with relevant regulations. In lines with the Group’s development, the Group aims at attracting talents, setting up a high-quality workforce, and establishing the employee remuneration and assessment system. It provided substantial salary and benefits for employees according to market practices, and offered retirement benefits according to the relevant regulations of China.

The Group has formulated the “New Employee Recruitment Process”. The relevant department conducts interview to the appropriate job applicants. After passing the interviews, the job applicants are required to have medical check-up in the specified hospitals. Then, they can report duty and receive the induction programme. The staff can apply for resignation according to the “Staff Resignation Process”. With the department-in-charge’s approval, the staff carry out the job hand-over procedures and the labour contract will be released. All the staff retired according to the statutory retiring age. The Group may re-recruit the retired staff depending on the development needs.

In addition, the Group encourages the staff to be more aggressive, enhancing the personal quality and ability continuously, improving the working efficiency, and providing good opportunity of promotion and self-development platform and spaces to the staff according to the “Company Staff Promotion Management System”. It is a fair and open competitive system for building up a learning enterprise. Generally, all the staff are promoted step-by step. For the outstanding staff, the Company will make an exceptional promotion. All the department-in-charges are responsible for the providing of promotion programmes, the integrated management department is responsible for the ultimate promotion result and seek the approval from the general manager. According to the enterprise strategy and the human resources’ planning, the integrated management department is responsible for the unified regular and irregular promotion programmes for once a year principally. Some of the special job positions, such as fault investigators, forklift drivers, internal quality system auditors, are required to obtain the qualified certifications issued by the third party organisations before taking the job positions.

The average weekly working hours of the staff of the Group are 48. The staff can enjoy the casual leave, sick leave, marriage leave, funeral leave, maternity leave and work-related sick leave, etc and the meal allowances, travel allowances, labour insurance and the retirement protection. The Company’s other employee benefits included distributing birthday benefits to employees whose birthday is in the current month; sending greeting to female employees on Women’s Day on 8 March and distributing festival benefits on traditional Chinese festivals. We also held regular activities for employees, such as basketball match, sports day and organising them to participate in community activities.

For the understanding of staff’s actual thought on the corporate culture, management and remuneration and benefit system, the Group has launched a questionnaire of satisfactory survey to the staff in March of the Year, which was used for management improvement, staff satisfaction enhancement, good corporate culture and working atmosphere building. The average score of the questionnaire survey was 87.2.

The data of the employment are set out on page 12 of the “Company Performance and Data” of this report.



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## B2. Health and Safety

Production management philosophy:

Anti-violation, potential hazards removal, safety assurance, and production improvement

The Group is in strict compliance with the “Production Safety Law of the PRC”, the “Law of PRC on Prevention and Control of Occupational Disease”, the “Regulations on Production Safety of Zhejiang Province”, the “Fire Regulations of Zhejiang Province” and other laws and regulations relating to production and safety. During the Year, there was no material accident or production safety accident or disaster within the Company.

On the basis of the working policy of “Safety First, Precaution Crucial”, the Company endeavoured to improve its occupational health and safety management level by means of systematic management and hardware facilities.

The Company continued to improve its occupational health and safety through the following management systems:

- Guidelines and specifications on production safety — The Company implemented the procedures for operation safety of all posts according to the “System for the Company’s Employees at All Posts”, and mainly organised external safety training for key posts and arranged all first-line operators to learn operation safety manual. The guidelines and specifications were well implemented in the production and operation.
- Raising safety awareness — The Company conducted safety management training and education, and three-tier safety education for new employees, put various safety warning signs at the sites, organised regular team meetings to investigate potential site risks, and its management department conducted an overall check on a monthly basis so as to enhance the staff awareness on the occupational safety.
- A delegated supervisory department for production safety — The Company set up an integrated management department as the supervisory department for production safety, to supervise employees in executing various procedures for operation safety according to the Company’s regulations. Under the leadership of the deputy general manager, the leader of the management department and safety managers took charge of specific implementation of site supervision and management mainly in the form of daily check and monthly general check and notices. The integrated management department was also responsible for organising routine trainings on safety awareness and behaviours, such as arranging employees to learn the “Production Safety Law of the PRC” and to learn how to use fire extinguishers, as well as organising fire drills.
- Emergency plans — The Group formulated emergency plans, such as the “Emergency Plan for Fire” and “Emergency Plan for Chemicals”, to cope with fire, chemicals accidents, emergent environment issues, power and water failure, etc.

The Company reduced the employees’ contact with occupational hazard factors and enhanced the employee’s protection by using hardware facilities for ventilation, dust removal and noise reduction for workshops, regularly distributing labour protection products (such as goggles and earplugs) to employees, and providing them with occupational disease check each year.

In December 2014, the Company passed the certification of the “Level Three Enterprise for Standardisation of Production Safety”. In addition, Hangzhou New Shibao, a subsidiary of the Company, has obtained the certification of OHSAS 18001 occupational health safety management system. During the Year, Jinlin Shibao also obtained the certification of ISO45001 management system.

The data of the health and safety are set out on page 12 of the “Company Performance and Data” of this report.



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## B3. Development and Training

The Company has formulated the “Talent Reserve and Training Programme” and is responsible by the Human Resources Department for making the employee training plans, providing job skills training (such as on working principle of steering gears) for general employees, and comprehensive training for new employees, and management training (such as on leadership and strategy) for senior management members. The in-house trainings mainly focus on the need of each department to provide the professional training programmes. The Group provides the first, in-process and final inspection, measuring knowledge, supplier management courses for the quality control department. Also, the Group provides safety production, quality and quantity control and on-site management courses to the staff of the production department. The in-house trainings account for approximately 85% of the total training hours. Meanwhile, we invite external experts and professors at the expenses of the Company to give trainings according to needs, and provide expatriate training opportunities for employees. The external trainings are mainly in the aspects of human resource management, finance, sales and market exploration, logistics, design, etc. The Company also carries out team building and quality development training activities every year to build up team spirit and intensify the employee cohesion.

The Company insists on the principle of “with internal cultivation as the core and supplemented by external introduction” for talent reserve and echelon cultivation, established and improved our talent cultivation mechanism, sought and cultivated talent reserves through developing an effective plan for selection of candidates for key posts and talent reserves to set up a talent team, thereby providing human resource support to the sustainable development of the Company.

The data of the development and training are set out on page 12 of the “Company Performance and Data” of this report.

## B4. Labour Standards

The Group strictly complies with the order of the State Council No. 364 of the “Regulations on Prohibiting the Child Labour” and formulates the “Employment Standards and Retirement System” specifying the minimum age of employees so as to avoid the employment of child labour.

In addition, the Group also strictly follows the “Criminal Law of the PRC” to ensure no forced labour. In order to protect the personal freedom of employees and ensure all employees are employed on a voluntary basis, the Group has formulated the “Procedures on Prohibiting Forced Labour”, pursuant to which if an employee feels forced to work, he/she can report such matter to the head of the department or employee representative or put it in the “Opinion Box” in written form, and the integrated management department will investigate and handle it. Upon verification of the matter, an employee representatives’ meeting may be convened, and solutions and notifications may be made at the meeting.

## B5. Supply Chain Management

Adhering to the policy of “Developing the Market with Quality”, the Company has carried out the certification of IATF:16949 quality system, and developed an overall quality assurance system in respect of quality design at preliminary product research and development stage, review of potential suppliers, quality evaluation and management of suppliers, quality review of production preparation engineering, quality control in production process, quality management of all employees, field quality management, quick response mechanism for after-sale services, after-sale product quality analysis engineering, etc.

Product quality is the lifeline of the Company, for which the quality of suppliers plays a critical role. Through continuous innovation and practice, the Company has established a unique supplier management system, achieved the three-level supplier access certification mechanism and the whole procurement process management, implemented the on-site review of suppliers, and checked the plants of new and existing suppliers at least four and two times a year, respectively, to jointly accomplish the conformance control over product quality.

We required our suppliers to obtain IATF:16949 certification. Furthermore, we also required them to enhance the response speed continuously during the design and R&D phase, and continually improve the quality of their products.

The Company requests the suppliers to provide the certification according to the “Procedures of Prohibition of Forced Labour.

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## B6. Product Responsibility

Product quality commitments:

Technological innovation, continuous improvement, customer satisfaction, and pursuit of zero defects

The Company provided the quality warranty commitments and after-sale service parts for the products according to the requirements of customers and relevant national laws, regulations and standards. In respect of quality, the Group was mainly required to follow the “Labour Law of the PRC”, the “Production Safety Law of the PRC”, the “Environmental Protection Law of the PRC”, the “Contract Law of the PRC”, etc.

The Company fulfilled its product quality commitments mainly through the following systems and procedures:

- The Company’s product quality was mainly monitored by the “Management Procedures for Product Inspection”, the “System for First, In-process and Final Inspection”, the “Control Procedures for Unqualified Products”, the “Management System for Appraisal/Disposal of Unqualified Products”, the “Services Control Procedures”, the “Control Procedures for Monitoring and Measuring Equipment”, the “Product Monitoring and Measurement”, the “Control Procedures for Product and Process Safety”, the processing and operation guidelines for each procedure of each product as well as relevant inspection regulations, to ensure production process of products and quality monitoring and measurement process were guaranteed, and to prevent the manufacture and outflow of unqualified products.
- In the Year, the Company sorted out quality issues each month based on the monthly quality report, and convened quality meetings to cope with major issues, and reduced the loss of industrial wastes by process optimisation, improvement in equipment capacity and in site management.
- The Company developed the “Control Procedures for Continuous Improvement”, for the improvement in product design and manufacture, process, service and quality; developed the “Management Measures for Old Parts in the Market”, for the disassembling analysis of old parts; and also developed the “Control Procedures for Labelling and Traceability”, for the tracing management of products.
- The Company developed the “Control Procedures for Customer Satisfaction”, for the collection of and statistics on customer’s satisfaction to our products and services, as well as timely monitoring of market dynamics; and developed the “Services Control Procedures”, for coping with and handling customer complaints and relevant matters. As our products and services are well received by our customers, the Company has been accredited as “Excellent Supplier” by many automakers for consecutive years, as well as one of the 19 “Core Suppliers” of Faw Car Co., Ltd.

In the case of the unqualification of the delivered products in the procedures of the management, the Quality Management Department will find out the batch number immediately. If such products are in storage, they will not be processed or repaired and prohibited from delivery. If such products are delivered, the Group will carry out the risk analysis and recalled the delivered products, if necessary. The Technical Department will look into the reasons, failure situation and quantity of the unqualification products used by the clients promptly. In addition, the Quality Management Department will strengthen the quality control, avoid the occurrence of the same problems. The Production Department will inform the relevant departments to stop production urgently or request to work overtime for repairment the storage and instruct the responsible departments to reinforce the control based on the requirement. The Sales Department will negotiate with the client to solve the problem and reached the agreement.

To maintain and protect customer privacy and intellectual property rights, the Company has developed the “Control Procedures for Project Development” and the “Control Procedures for Contracts, Agreements and Requirements”, to keep confidential of the customer information (including technical information) and other related information, as well as their products and technologies; and also developed the “Control Procedures for File Record”, to regulate the management requirements on internal information and external information, as well as customer data.

As the Group does not sell products directly to end customers, we need not promote our products and services by advertisement and labelling, which shall be conducted by our customers.

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## B7. Anti-corruption

In order to promote our sustainable and healthy development, the Company has revised the “Regulations on Employee’s Code of Conduct and Punishment”, to stipulate employees who violate the regulations rectify their behaviours, encourage and stimulate them to consciously follow the rules and regulations, and advise them to rectify their shortcomings and mistakes and to regulate their behaviours.

In respect of anti-corruption, we absolutely adopt a zero tolerance approach to any bribery, extortion, fraud, money laundering and other improper behaviours made by our employees, suppliers, customers, and all business partners. The Group sets up a Chairman’s post box to collect our employees’ feedback and reveal improper behaviours.

In the Year, there was no legal case regarding corrupt practices brought against the Group or its employees during the Year.

## B8. Community Investment

The Company encouraged staff to participate in the community activities initiatively. The relevant community activities in 2019 were attended and organised by the staff and did not use the Company resources and working time. Accordingly, the Company did not have any information in this aspect.



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## COMPANY PERFORMANCE AND DATA

The table below presents the Company's environmental performance data and social indicators during the Year:

### Environmental Performance Data

Item	HKEx Key performance indicator	Unit	2019	2018
<b>Greenhouse gas</b>	A1.2			
Direct emissions (Scope 1)		tCO <sub>2</sub> e	<b>114</b>	119
Greenhouse gas reduction (Scope 1)		tCO <sub>2</sub> e	<b>3</b>	3
Indirect emissions (Scope 2)		tCO <sub>2</sub> e	<b>37,584</b>	38,051
Direct and indirect emissions (Scope 1&2)				
— in total (Scope 1&2)		tCO <sub>2</sub> e	<b>37,695</b>	38,167
— in intensity (Scope 1&2)		tCO <sub>2</sub> e/RMB10,000 revenue	<b>0.3837</b>	0.3368
<b>Hazardous wastes</b>	A1.3			
— in total		tonnes	<b>44</b>	46
— in density		tonnes/RMB10,000 revenue	<b>0.0005</b>	0.0004
<b>Non-hazardous wastes</b>	A1.4			
— in total		tonnes	<b>1,967</b>	1,806
— in intensity		tonnes/RMB10,000 revenue	<b>0.020</b>	0.016
<b>Energy consumption</b>	A2.1			
Purchased electricity		kWh	<b>46,480,000</b>	47,058,200
Fuel consumption		kWh	<b>1,201,300</b>	1,237,401
— in total		kWh	<b>47,681,300</b>	48,295,601
— in intensity		kWh/RMB10,000 revenue	<b>485.370</b>	426.225
<b>Water consumption</b>	A2.2			
— in total		m <sup>3</sup>	<b>62,800</b>	72,680
— in intensity		m <sup>3</sup> /RMB10,000 revenue	<b>0.639</b>	0.641
<b>Packing material</b>	A2.5			
— in total <sup>#</sup>		tonnes	<b>441</b>	761
— in intensity		tonnes/RMB10,000 revenue	<b>0.004</b>	0.007

*Note:* In 2019, the Group's sales revenue was RMB982,370,000 (2018: 1,133,100,000). The packaging material includes the corrugated boxes for one-off use and the recycling boxes for repeating use.

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## Social Performance Data

Item	HKEx Key performance indicator	2019	2018
<b>Employees</b>	B1.1		
Total workforce		<b>1,097</b>	1,060
By gender			
Male		<b>935</b>	896
Female		<b>162</b>	164
By employment type			
Full-time workers		<b>1,095</b>	1,060
Part-time workers/contracted		<b>2</b>	0
By employee category			
Senior management		<b>18</b>	12
Middle management		<b>63</b>	115
General and technical staff		<b>1,016</b>	933
By age group			
30 and below		<b>336</b>	333
31-40		<b>353</b>	317
41-50		<b>278</b>	285
51 and above		<b>130</b>	125
By geographical region			
Mainland China		<b>1,097</b>	1,060
<b>Health and Safety</b>			
Number and rate of work-related fatalities	B2.1	<b>0</b>	0
Lost days due to work injury	B2.2	<b>65</b>	37
<b>Development and Training</b>			
The percentage of employees trained	B3.1		
By gender			
Male		<b>86.9%</b>	Do not disclose
Female		<b>13.1%</b>	Do not disclose
By employee category			
Senior management		<b>1.0%</b>	Do not disclose
Middle management		<b>8.4%</b>	Do not disclose
General and technical staff		<b>90.6%</b>	Do not disclose
The average training hours completed per employee	B3.2		
By gender			
Male		<b>4.6</b>	Do not disclose
Female		<b>3.3</b>	Do not disclose
By employee category			
Senior management		<b>7.8</b>	Do not disclose
Middle management		<b>8.3</b>	Do not disclose
General and technical staff		<b>4.0</b>	Do not disclose

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## INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HKEX

### Key Performance Indicators (“KPI”) of HKEx

Aspect	Disclosure	Reference and explanation
<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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.  Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.  Page 2
	KPI A1.1	The types of emissions and respective emissions data.  Pages 2 and 3, Page 11 of Environmental Performance Data
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  Page 11 of Environmental Performance Data
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  Page 11 of Environmental Performance Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  Page 11 of Environmental Performance Data
	KPI A1.5	Description of measures to mitigate emissions and results achieved.  Pages 2 and 3
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.  Page 3
<b>A2: Use of Resources</b>	General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.  Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.  Page 4
	KPI 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).  Page 4 and Page 11 of Environmental Performance Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).  Page 4 and Page 11 of Environmental Performance Data
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.  Page 4
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.  Page 4
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.  Page 11 of Environmental Performance Data



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Aspect	Disclosure		Reference and explanation
<b>A3: The Environment and Natural Resources</b>	General Disclosure	Policies on minimising the issuer's significant impact of the on the environment and natural resources.	Page 5
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 5
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
<b>B1: Employment</b>	General Disclosure	Information on:	Page 6
		(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.	
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 12 of Social Performance Data
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed for the Year
<b>B2: Health and Safety</b>	General Disclosure	Information on:	Page 7
		(a) the policies; and	
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protecting of employees from occupational hazards.	
	KPI B2.1	Number and rate of work-related fatalities.	Page 12 of Social Performance Data
	KPI B2.2	Lost days due to work injury.	Page 12 of Social Performance Data
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 7
<b>B3: Development and Training</b>	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 8
		Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 12 of Social Performance Data
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 12 of Social Performance Data
<b>B4: Labour Standards</b>	General Disclosure	Information on:	Page 8
		(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.	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 8
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 8

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Aspect	Disclosure		Reference and explanation
<b>Operating Practices</b>			
<b>B5: Supply Chain Management</b>	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 8
	KPI B5.1	Number of suppliers by geographical region.	Not disclosed for the Year
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 8
<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.	Page 9
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed for the Year
	KPI B6.2	Number of products and services related complaints received and how they are dealt with.	Not disclosed for the Year
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 9
	KPI B6.4	Description of quality assurance process and recall procedures.	Page 9
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 9
<b>B7: 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.	Page 10
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.	Page 10
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 10
<b>Community</b>			
<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.	Page 10
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 10
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Not disclosed for the Year