



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 2019

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## About the Report

This is the fourth Environmental, Social and Governance (“ESG”) Report (the “Report”) published by PanAsialum Holdings Company Limited (the “Company” and its subsidiaries, collectively referred to as “PanAsialum” or the “Group”). Through reporting its latest policies, measures and performance in ESG aspects, the Group demonstrates its efforts and emphasis on these areas. The 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 ESG performance during the financial year between 1 January 2019 and 31 December 2019 (the “Year”). It focuses on the Group’s operations in relation to its electronic parts as well as construction and industrial aluminium products. While maintaining cover on the operations of Nanyang production base same as last year, this year also included the operations of Xinjiang production base, being two production plants in China of the Group (collectively referred to as “all points of operations”) to allow our shareholders, investors, consumers, suppliers and general public to familiarize with the Group’s environmental and social performance more comprehensively.

### REPORTING STANDARD

This Report is prepared in compliance with relevant 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 principles, namely materiality, quantitative, balance and consistency in preparing the Report. During the Year, the Group established the Sustainability Monitoring Team, with a member of the Board of Directors as the group leader managing the four sub-groups, namely the Environmental Working Group, Operations Practice Group, Employment and Labour Working Group and Community Investment Group, to coordinate and manage sustainability-related issues.

The Report is mainly divided into two parts, namely “Environmental” and “Social”. The contents on “Environmental” were prepared by the Carbon Care Asia Limited (“CCA”), the external independent consultant, whereas the part on “Social” has been jointly prepared by the Sustainability Monitoring Team comprising representatives from various departments of the Group. Corporate governance is addressed separately in the Corporate Governance Report as included from page 28 to page 37 of the 2019 Annual Report published earlier.

### OPINION AND FEEDBACK

The Group welcomes stakeholders to raise any opinion or suggestion in relation to the Group’s ESG performance. Please contact the Group through the following channels:

Address: Unit 1705, 17/F, Nanyang Plaza, 57 Hung To Road, Kowloon, Hong Kong

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

## Message from the Chairman

In view of the increasing public concern about environmental and social issues, as well as the enhanced standards of the regulatory authorities on corporate ESG disclosure, the Group places great importance on these aspects. During the Year, the Group established the Sustainability Monitoring Team with a member of the Board of Directors as the team leader and a senior management staff and a factory director as the vice team leaders. The establishment of the Sustainability Monitoring Team symbolises the Group's management on the sustainability issues in a more systematic manner in future.

During the Year, the Group strengthened management in various aspects including environmental protection, product responsibility, supply chain management, employment. In terms of environmental protection, the Group constantly optimised internal green operations management by reduction of potential negative environmental impacts from operations through controlling emissions in production and more efficiency of integrated use ratio of resources. In addition, the Group improved the environmental management capacity in the Nanyang production base to optimise its hazardous waste management. From perspective of product responsibility and supply chain management, the Group maintained constant communication with suppliers and stakeholders along supply chain to use more environmentally-friendly materials with innovative ideas generated by research and development capability. Furthermore, human resource management was also one of our core concerns. The Group has resources in provision of training to our employee in general and promoted employees with outstanding performance to their established career ladders forming a pool of talents for future development.

Looking forward, the Group is committed to employ sustainability principles to respond to the threats of climate change. The Group has adopted measures in energy saving, emissions management and sustainable use of resources, such as installing environmentally-friendly facilities to reduce carbon dioxide emissions. In parallel, the Group will also maintain communication with relevant government departments, ensuring the production process in compliance with relevant laws and regulations in relation to climate change.

The Group will continue to practice the mission of sustainability in its operations in the future and further strengthen the accountability of the Board of Directors. We will also engage different stakeholders on an ongoing basis in order to understand their views and better meet their expectations.

**Cheung Wah Keung**  
*Independent Non-executive Director and Independent Non-executive Chairman*  
**PanAsialum Holdings Company Limited**



## Stakeholder Engagement

The Group values engagement of stakeholders<sup>1</sup>, both internally and externally. The Group organised various activities from time to time to understand stakeholders' opinions and expectations on its ESG aspects. The Group believes that stakeholders' participation can help to better identify the risks and challenges in these domains, facilitating the Group to formulate more sound management policies and measures. The means of stakeholder engagement during the Year are as follows.

### MAIN MEANS OF STAKEHOLDER ENGAGEMENT DURING THE YEAR

Internal stakeholders		External stakeholders		
Board of Directors, senior management, general staff and new hires		Shareholders	Customers	Suppliers
<ul style="list-style-type: none"> <li>Constantly engage internal stakeholders through corporate announcements, meetings, daily reporting, employee training and opinion surveys, etc.</li> </ul>		<ul style="list-style-type: none"> <li>Communicate with shareholders through shareholders' meetings, Group's website, corporate announcement and so on.</li> </ul>	<ul style="list-style-type: none"> <li>Understand the needs of different customers through phone calls and emails.</li> </ul>	<ul style="list-style-type: none"> <li>The Group engages suppliers on an irregular basis in relation to its environmental measures and product quality through on-site supplier reviews.</li> </ul>
				<ul style="list-style-type: none"> <li>The Group participates in activities organised by the government on an irregular basis and reports various relevant indicators to the government departments.</li> </ul>

### MATERIALITY

In application of materiality and other reporting principles by SEHK in the recommended revisions in the Guide, the Group commissioned CCA to conduct an interview with relevant stakeholders to determine material ESG issues. Accordingly the Group identified three major issues sufficiently important, namely emissions, employment and community investment.

Material issues	Reasons of choosing	Corresponding chapter
Emissions	The Group highly focuses on emissions reduction management and is committed to create an environmental-friendly workspaces.	Green development
Employment	A sound employment system is very important to the protection of employees' legitimate rights and interests.	People-orientedness
Community Investment	The Group's operations are inextricably linked with local community support. Co-developing with the community is the Group's pursuit.	Community Development

<sup>1</sup> Stakeholders, also known as interested parties, refer to groups or individuals 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, government and regulators, banks and investors and community groups, etc.



## Green Development

To fulfil the objective of green development, the Group is committed to reducing negative impacts to the environment in its daily operations and production process. The Group has put forward a series of policies and practices in relation to reducing emissions, minimising use of resources, protecting the environment and natural resources, in its performance of various functions such as production, storage, transportation, equipment. Additionally, the group will review over time its operations and production process in compliance with relevant laws and regulations on these areas.

### EMISSIONS MANAGEMENT

#### Air emissions discharge

The Group revised its policy on the “Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution” as a means to further strengthen the methods to reduce air emissions:

- Reduce dust in workshops through regular water-spraying;
- Establish ventilation and circulation systems to reduce air emissions;
- Implement “Emission Standard of Cooking Fume”(GB18483-2001) in employee canteens and use electrostatic fume purifiers to handle fumes; and
- Conduct monthly checking for exhaust facilities and carry out maintenance in a timely manner if there is any malfunction.

In addition, the Group has adopted the following measures:

- Reasonable use of aluminium melting furnace and holding furnace in the casting workshop, reduced working hours; and Refined the aluminium melting furnace to reduce the leakage of terminal waste.

Direct emissions of air pollutants, including nitrogen oxides, sulphur oxides and respiratory suspended particulates, mainly came from production facilities, vehicles, and the exhaust gas produced by fuel combustion of kitchen appliances in Nanyang and Xinjiang production base. Among these three sources of air pollutants, over 80% of each emissions category came from their respective production facilities.

As compared to 2018, the emission of nitrogen oxides in Nanyang production base decreased by 52%. However, the emissions of sulphur oxides and respiratory suspended particulates increased by 215% and 31% respectively. The high percentage increase of emission of sulphur casts reasonable doubt on the methodology on data collection. This production base started to carry out several tests to improve and verify the accuracy of data on sulphur oxides emissions. In addition, the main reason for the increased emissions of respiratory suspended particulates was partly because of the installation of de-dusting exhaust pipes inside the casting workshop, resulting with increase in the emissions data captured outside the workshop. The Group will endeavour to figure out methods to improve these two aspects.

Air pollutants	Discharge of air emissions (tonnes)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
Nitrogen oxides	86.1	36.1	75.3
Sulphur oxides	0.6	2.6	0.8
Respiratory suspended particulates	4.6	16.0	12.2

## Green Development

### Emissions of greenhouse gases

As greenhouse gases ('GHG') emissions are highly relevant to climate change and global warming, we promote green operation in an environmentally responsible manner. The Group has formulated policy on "Control System for Energy Saving and Emission Reduction to outline the measures on reducing production emissions, such as establishing a leading team for energy conservation and emission reduction, formulating emissions reduction planning, optimising the KPI assessment system and regularly checking the facilities operations. During the Year, PanAsialum commissioned the consultant CCA to conduct a carbon assessment, to quantify greenhouse gas emissions (or "carbon emissions") from its operations. 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.

Scope	Greenhouse gas emissions (tonnes of carbon dioxide equivalent)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
<b>Scope 1 – Direct greenhouse gas emissions<sup>3</sup></b>			
Fossil fuel combustion – stationary sources	82,573.3	16,328.1	16,247.5
Fossil fuel combustion – mobile sources	29.4	787.0	702.3
Facilities and system operations <sup>4</sup>	4.9	42.3	No record
<b>Scope 2 – Energy indirect greenhouse gas emissions<sup>5</sup></b>			
Purchased electricity	1,673.3	21,551.0	15,448.6
Purchased heat <sup>6</sup>	1,641.8	Not Applicable	Not Applicable
<b>Scope 3 – Other indirect greenhouse gas emissions<sup>7</sup></b>			
Air business travel	1.2	5.5	8.2
<b>Total greenhouse gas emissions</b>	<b>85,923.9</b>	<b>38,713.9</b>	<b>32,406.6</b>
<b>Total greenhouse gas intensity (by area<sup>8</sup>)</b>	<b>5.60</b>	<b>0.22</b>	<b>0.23</b>

During the Year, the total greenhouse gas emissions produced by all points of operations of the Group was 124,637.8 tonnes of carbon dioxide equivalent. Xinjiang production base and Nanyang production base made up 69% (85,923.9 tonnes) and 31% (38,713.9 tonnes) of the total carbon emissions respectively. The majority of carbon emissions came from scope 1 – fossil fuel combustion from stationary sources (79%), followed by scope 2 – purchased electricity (19%). Compared to 2018, the carbon emissions of Nanyang production base increased by 19% and the carbon intensity decreased by 4%. Meanwhile, the greenhouse gas emissions from scope 2 – purchased electricity recorded an increase by 40% was mainly due to additional usage of oxidising and spraying casting facilities.

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

<sup>3</sup> Scope 1 includes emissions from production facilities, kitchen appliances, fuel emissions from vehicles, use of acetylene in the welding process and fugitive emissions from refrigerants in production bases.

<sup>4</sup> Includes emissions from the use of acetylene in the welding process and fugitive emissions from refrigerants in production bases. Although the use of refrigerant R-22 in refrigeration facilities is not included in the six greenhouse gases covered by the Kyoto Protocol, emissions produced by leakage is also included in the assessment to explain the information in relation to greenhouse gases in a genuine and just manner. Emissions from the use of acetylene in the welding process is a newly included disclosure in 2019.

<sup>5</sup> Scope 2 includes emissions from purchased electricity and purchased heat. Nanyang production base did not consume purchased heat, there was no relevant carbon emissions.

<sup>6</sup> There is no need to purchase heat in Nanyang area.

<sup>7</sup> Scope 3 includes indirect emissions from air business travel.

<sup>8</sup> Area for calculating intensity figures includes all workshops.

## Green Development

### Waste discharge

The Group's Nanyang production base has formulated the Control Procedures for the Disposal of Hazardous Wastes, categorising the waste produced during its operations into three groups, namely general waste, hazardous waste and recyclable waste. Respective measures were formulated as well to ensure proper management of various waste.

Type of waste	Category	Handling Measures
General waste	Waste equipment, glass instruments, non-hazardous waste fluid and food waste	General waste are collected and gathered for relevant units to handle.
Hazardous waste	Waste light tubes, waste oil and waste fluid from production	The storage of hazardous waste and the other two types of waste should be separated and labelled accordingly. The Administrative Department is responsible for selecting qualified recyclers for the management of hazardous waste.
Recyclable waste	Waste packaging materials, waste paper and plastic bottles	The Group is working on controlling the packaging quantity in stock and strengthening the management of packaging procedures.

During the Year, all points of operations of the Group produced a total of 106.2 tonnes of hazardous waste, which was mainly waste cutting fluid, waste oil and dust, all of which were collected and recycled by external professional organisations. The total amount of hazardous waste produced in Nanyang production base increased by 38% compared to 2018. The main reason was the increase in the number of machines which caused an increase in the amount of waste cutting fluid.

In addition, all points of operations of the Group produced a total of 21,574 tonnes of non-hazardous waste, which was mainly aluminium fillings, aluminium waste, aluminium ash, cartons, waste iron and domestic waste, within which aluminium fillings was recycled and handled in the casting workshop in all points of operations. Other production waste was handed to recyclers for recycling while domestic waste was collected by qualified contractors. The amount of non-hazardous waste produced in Nanyang production base increased by 577% when compared to 2018. The main reason was that all leftovers and waste processed materials produced in extrusion workshop were systematically calculated during the Year. In addition, changes in product structure and packaging materials were reasons for the increase in waste.





## Green Development

Waste	Waste (tonnes)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
<b>Hazardous waste<sup>9</sup></b>			
Total	No record <sup>10</sup>	106.2	33.5
Intensity (by area)	No record	0.6089	0.2379
<b>Non-hazardous waste<sup>11</sup></b>			
Total	90.0 <sup>12</sup>	21,484.1	3,174
Intensity (by area)	0.0059	0.1232	0.0225

### Waste water discharge

The majority of waste water produced during the production process by all points of operations in the Group was industrial waste water and domestic waste water. To reduce the environmental pollution brought by production of waste water, the Group's policy on "Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution" stipulates that waste water produced must first be transmitted to the waste water tank of the casting workshop through specialised pipelines to undergo neutralisation treatment. As its pH value reaches 7-8, the waste water was filtered with filtration press which can then be discharged to municipal pipelines. The waste residue from the waste water is treated in accordance with the Solid Waste Discharge Control Procedure.

## SAVING RESOURCES

### Energy

The Group has formulated policy on "Control System for Energy Saving and Emission Reduction" to regularly review the targets and measures of energy use with an aim to optimize the Group's energy use ratio. The policy stipulates that all departments (workshops) should establish energy-saving teams for the following items:

- Responsible for collecting statistics on various types of energy consumption of departments (workshops) and submit relevant data to energy-saving carbon reduction offices for record
- Supervise the energy use in departments (workshops) to stop non-compliance with the energy management system and call to account
- In accordance with the actual situation in departments (workshops), formulate technical standards and operations regulations that are in compliance with the energy-saving and carbon reduction standards
- Start promotional and educational work on energy-saving

<sup>9</sup> Area for calculating intensity figures includes all workshops.

<sup>10</sup> There was no statistical data on hazardous waste in Xinjiang production base and it is confirmed that relevant data will be collected and disclosed starting from next year.

<sup>11</sup> Area for calculating intensity figures includes all workshops.

<sup>12</sup> Xinjiang production base only provided data on non-hazardous waste (aluminum ash). It is confirmed that domestic waste will be collected and disclosed starting from next year.

## Green Development

In addition, various departments should strictly control the use of fuels and electricity in their daily operations, for instance, the Purchasing Department should conduct checks on the weight and quality of fuels, as well as to be equipped with necessary measurement tools. The Energy Saving Department should conduct a corporate electricity balance test<sup>13</sup> annually to understand the existing issue of low efficiency when using electricity and adopt appropriate measures to enhance the use ratio.

In terms of energy, all points of operations of the Group consumed 497,294 MWh of energy. Xinjiang production base and Nanyang production base accounted for 76% and 24% of the total energy consumption respectively. The majority of energy used by all points of operations of the Group was liquefied petroleum gas, natural gas and purchased electricity, which accounted for 70%, 20% and 8% of the total energy consumption respectively. The direct energy use of Nanyang production base was similar to that in 2018, while its indirect energy use increased by 40%, which was related to the oxidising and dusting workshops newly put into production as disclosed previously.

Energy use <sup>14</sup>	Energy use (MWh)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
<b>Direct energy</b>			
Natural gas (MWh)	20,229.3	81,664.9	81,163.4
Liquefied natural gas (MWh)	Not Applicable	Not Applicable	124.2
Liquefied petroleum gas (MWh)	349,373.9	Not Applicable	Not Applicable
Gasoline (MWh)	93.7	109.4	94.7
Petrol (MWh)	24.8	2,909.4	2,554.8
Acetylene (MWh)	88.6	587.4	Not Applicable
<b>Indirect energy</b>			
Purchased electricity (MWh)	2,742.6	35,323.7	25,321.3
Purchased heat (MWh)	4,146.0	Not Applicable	Not Applicable
Total energy use (MWh)	376,698.9	120,594.8	109,258.4

### Water Resources

To further promote the Group's work on saving water, the Group has established the role of a person-in-charge of water management and outlined its duties in Water Resources Management System: (i) consistently enforcing the national laws and regulations on the use of water resources; (ii) be responsible for the Group's work on water saving management and coordinating the water saving work of various departments; and (iii) organising water-saving management meetings regularly and formulating water-saving work planning.

<sup>13</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.

<sup>14</sup> Conversion of the different types of energy use to MWh were based on the net calorific values of fuels from the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) issued by the National Development and Reform Commission of the People's Republic of China.

## Green Development

The water consumption of Nanyang production base drastically increased by 225% when compared to 2018, mainly due to the newly established oxidizing and dusting workshops, causing the water use to increase from 2018.

Use of water resources	Water consumption (cubic metre)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
Total water consumption	480	406,467	125,209

### Packaging materials

The use of packaging materials in Nanyang production base at 5,147 tonnes as calculated in accordance with the procurement quantity increased by 741% in comparison to 2018. The surge in the weight of packaging materials was mainly due to the shipments of different product mix from that of 2018. The packaging requirements of different products are very much dependent by customers. Nevertheless, the Group is committed to keep working closer with customers on package design with an attempt to reduce the consumption of packaging materials in the long run.

Use of packaging materials	Consumption (tonnes)		
	Xinjiang production base	Nanyang production base	
	2019	2019	2018
Total consumption	8 <sup>15</sup>	5,147	612

## THE ENVIRONMENT AND NATURAL RESOURCES

The Group has formulated policy on “The Control Procedure on the Identification, Evaluation and Updates on Dangerous Sources and Environmental Factors”, aiming to identify and minimise the Group’s potential important environmental factors during production through an institutionalised process. The Group will continue to promote green and low-carbon operating concepts. We encourage employees to adopt electronic communications, use recycled paper for printing in order to improve resource efficiency and reduce waste.

<sup>15</sup> Xinjiang production base also used 2,680 wooden pallets and 110 rolls of yellow tapes. The weight of relevant usage was not recorded.

## People-orientedness

The Group believes that a good employment environment is one of the key factors in promoting the Group's sustainability. The Group is committed to providing a safe and comfortable working environment and a sound career development system for its employees, making them feel respected and encouraged.

### EMPLOYMENT

The Group thinks that a standardised employment system is not only a key factor in attracting talents but also an important way of protecting employees' rights and benefits. The Group has formulated the Employee Handbook, while all points of operations have formulated corresponding policies in accordance with their own situation to optimise the Group's employment policy framework, such as the Code of Conduct for Social and Environmental Responsibility in Nanyang production base.

Compensation and Dismissal	Recruitment and Promotion	Working hours
<ul style="list-style-type: none"> <li>The employees' compensation includes basic salary, social insurance, housing provident fund and discretionary bonus.</li> <li>If employees violate the Group's rules and regulations or laws, they will be dismissed immediately.</li> </ul>	<ul style="list-style-type: none"> <li>The Group insists on using the recruitment principle of "Facing the society, open recruitment, comprehensive assessment, preferred selection", hiring employees through written test, interview, assessment and evaluation and medical checks.</li> <li>The promotion of employees is determined by their work performance, work ability, recommendation by management team and job vacancies.</li> </ul>	<p>The Group adopts the 8-hours working system and all points of operations can make reasonable adjustments in accordance with the actual situation.</p>
Rest periods	Equal opportunity and anti-discrimination	Diversity
<p>The Group offers annual leaves, casual leaves, sick leaves, sick leaves due to work injuries, marriage leave, compassionate leave and maternity leave.</p>	<p>The Group is committed to providing equal employment, promotion and other opportunities to all employees. In addition, the Group's Code of Conduct for Social and Environmental Responsibility stipulates that employees will not be discriminated against at work because of their race, skin colour, sexual orientation, ethnicity and religion.</p>	<p>The Group is dedicated to creating a diverse work environment and offering diverse development to the company and employees. Currently, all points of operations in the Group have employed 19 disabled people.</p>
Other benefits and welfare	Child labour	Forced labour
<p>The Group provides welfare for employees at all points of operations. Provides such as staff dormitory and meal allowance in all factory sites, and phone charges to management staff.</p>	<p>The Group prohibits the employment of employees aged less than 18 years old.</p>	<p>If relevant employees think that they are being deprived of their legitimate rights and interests due to forced labour, they can have further communication with relevant department. In addition, the Group's Code of Conduct for Social and Environmental Responsibility commits not to use forced, bonded or involuntary prison labour.</p>

## People-orientedness

### HEALTH AND SAFETY

Employees' health and safety is one of the most concerned aspects of the Group. Through improving policies and measures, the Group expects to reduce employees' occupational health risks at work. The Group has formulated the Employee Handbook to clarify the management measures on employees' health and safety. Nanyang production base has also formulated the Accountability System for Prevention and Treatment of Occupational Disease Hazards and the Safety Production Inspection System.

Aspect		Description	
Policy	Employee Handbook	Accountability System for Prevention and Treatment of Occupational Disease Hazards	Safety Production Inspection System
<b>Measures and monitoring methods</b>	<ul style="list-style-type: none"> <li>Insist on the management principle of 'the one who manages is the one who is accountable.' Leaders should regularly monitor and inspect the safety protection work of the employees.</li> </ul>	Nanyang production base has set up an Occupational Health Management Committee, led by the Vice General Manager to implement national laws and regulations, and based on actual situation, set targets and measures on occupational disease prevention and control.	To reduce occupational safety risks and protect employees' health and safety, Nanyang production base conducts safety inspection on the daily production equipment and production environment. Safety inspection is divided into on-site inspection, frequent inspection, specific inspection and regular inspection. If any safety risks are identified during safety inspection, relevant departments should organise corrective work as soon as possible.
	<ul style="list-style-type: none"> <li>Before using machines and equipment, relevant employees should carry out inspection to ensure equipment can function normally. Also, operating staff should wear and use protective equipment properly.</li> </ul>	According to the actual situation, Nanyang production base has identified five major occupational disease risks, including hazards of dust operations, noise, high-temperature operation hazards, organic solvent hazards and metal fume hazards. The production base has regularly distributed personal protective equipment, such as masks, earmuffs and gas masks. Besides, the Nanyang production base provides regular body checks for employees working at positions with higher occupational disease risks.	
	<ul style="list-style-type: none"> <li>Employees have the right to refuse to follow instructions and stop production that are violating the regulations, and further report to senior managers.</li> </ul>		
	<ul style="list-style-type: none"> <li>Learn necessary first-aid knowledge regularly to strengthen the ability to prevent and handle emergencies.</li> </ul>		

During the Year, the number of employees injured at work at all points of operations of the Group was 16 and all injured employees have recovered and returned to work. The number of employees injured at work increased compared to 2018, which was mainly due to the work-related injuries increase in Nanyang production base (13 cases in 2019 while 5 cases in 2018) and expanded scope of the Report of the Year. In order to further reduce the number of employees injured at work, the Group will continue to enhance employees' safety training and safety inspection to protect employees' safety.



## People-orientedness

### DEVELOPMENT AND TRAINING

The Group understands the importance of training on improving employees' work ability. To this end, the Group has set up the Employee Handbook while Nanyang production base has set up the Human Resources and Payroll Management System and Procedures, and the policies have explained the management system on employee trainings in all points of operations.

As required by the Employee Handbook, all new hires of the Group must receive induction training on occupational health, safety education and job skills. As stated in the Human Resources and Payroll Management System and Procedures of Nanyang production base, the Human Resources Department has set up the Annual Training Plan based on the needs of different departments, and monitored and assessed the outcomes of training. During the Year, trainings across all points of operations were as follows:

The Group	
<b>Training activity</b>	The Group has organised more than 200 trainings for different position within the Year, including safety education training, occupational health training, job skills training, induction training, interpersonal communication and coordination training, negotiation skills training, casting production and quality control training.
<b>Performance evaluation</b>	As stated in the Employee Handbook, the Group conduct annual performance evaluation with employees to allow them to understand the respective supervisors' comments, expectations and targets on their work ability. Furthermore, the evaluation enhances their communication with the Group. Salary adjustment, bonus, promotion and work distribution will be based on the evaluation.



## Community Development

The Group values great importance on social responsibility, especially on community activities with cultural and educational themes. In addition, the Group will formulate Community Awareness Handbook in the coming year to better organise community investment actions in provision of efficient assistance to the communities surrounding its points of operations.

During the Year, the Group sponsored more than RMB one million to relevant community activities, such as sponsored in cultural exhibition, donating teaching equipment for primary school and conducting activities for poverty alleviation in remote areas.



## Responsible Operations

Providing healthy and safe products to customers is the core value of the Group. The Group strives to improve product quality through strict management measures. At the same time, supply chain management and anti-corruption are important steps to maintain the corporate branding and business ethics.

### SUPPLY CHAIN MANAGEMENT

The Group places importance on the environmental and social risks in supply chain management. To improve the supply chain selection process, the Group has formulated the Purchase Control Procedure on Processes, Products and Services Provided by Externals.

Aspect	Management Measure
<b>Environmental</b>	<ul style="list-style-type: none"> <li>The Purchasing Department of the Group should require all suppliers to sign documents in relation to relevant environmental commitment, such as the Letter of Guarantee for ROHS Compliance<sup>16</sup>, the Letter of Guarantee for SVHC<sup>17</sup> Compliance, regulations concerning REACH<sup>18</sup> and the Declaration of Minerals Conflict-Free.</li> <li>For any major changes in the suppliers' environmental management system, suppliers are required to submit application letter and confirmation letter for management change and explain the changes.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Performances on workplace safety and social responsibility is one of the selection standards of the Group during supplier selection.</li> <li>To ensure the quality of the products provided by suppliers, the Purchasing Department should require suppliers to sign the Suppliers Quality Assurance Agreement with official seal by appointed authorised personnel from the suppliers.</li> </ul>

### PRODUCT RESPONSIBILITY

#### Product Safety

To ensure product safety, the Control Procedure of Product Safety of Nanyang production base requires Product Development Department to gather Quality Control, Sales, Purchasing and Production Departments during product development to assess product information provided by customer (such as drawings, standards and regulations) to identify whether product safety has complied with relevant laws and regulations. At the product testing stage, any defective products should be isolated by the Quality Control Department and handled according to the Control Procedure of Defective Output. For any defective products that have been shipped, the Business Department should notify the customer to consider product recall process.

Besides the inspection mechanism for product development and product from the Control Procedure of Product Safety, the Group has formulated the Monitoring and Measuring Control Procedures of Products and Services which states the in-process inspection mechanism where the Production Department is responsible for self-inspection. Random inspection of samples should be carried out to prevent defective accessories from entering the next production procedure.

<sup>16</sup> ROHS (Restriction of Hazardous Substances) refers to the restriction of the use of certain hazardous substances in electrical and electronic equipment.

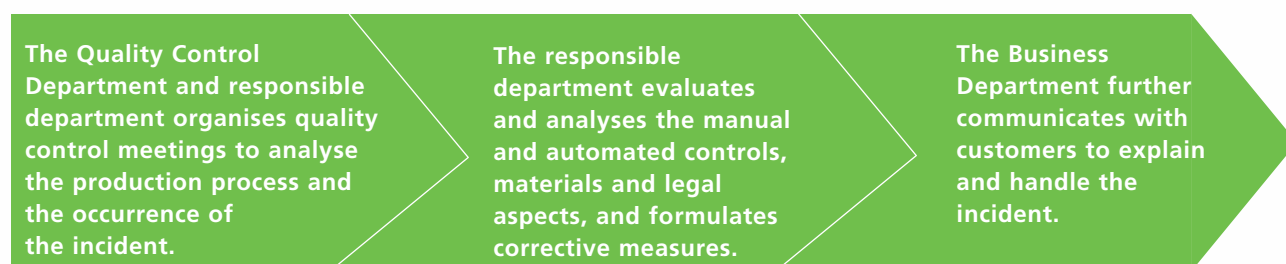
<sup>17</sup> SVHC (Substance of Very High Concern) refers to chemical substances that are more toxic and impose higher risks on the environment and human beings, such as Arsenic trioxide, Tributyltin-oxide and Hexabromocyclododecane.

<sup>18</sup> Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals.

## Responsible Operations

### Handling of clients' opinions

Nanyang production base has formulated the Procedure for Customer Complaints and Product Return and the Process Control Procedure Concerning Clients to state the procedures for handling customer complaints.



### Customer Privacy

The Employee Handbook has stipulated that customer information is trade secret to the Group. Employees are prohibited from disclosing customer information to any third parties.

### Protection of intellectual property rights

Intellectual property is an intangible property of the company and is valued by the Group. The Employee Handbook of the Group has listed intellectual properties, namely drawings, craftsmanship, technical parameters, and production procedures, as confidential. It prohibits any employee from leaking the information. Nanyang production base has formulated the Management System and Procedure for Intangible Assets 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.

### Product Labelling Management

The Label Practice Specification was formulated in Nanyang production base to standardise the production of product labels. As stated in the Label Practice Specification, the Engineering Department is responsible for the information on the label samples, including the company's trademark, product length, quantity, net weight and information of quality inspection, etc. After inspection from the Quality Control Department, the Purchasing Department will carry out the printing work.

### Advertising

The Code of Conduct for Social and Environmental Responsibility in Nanyang production base has stated the standards of advertising and promised to protect customer information in the advertising content.

## ANTI-CORRUPTION

The Group adopts zero tolerance against any form of corruption. The Employee Handbook specifies that employees must not request gifts or accept rebate from commercial counterparties during business activities. Any gifts could not be declined on the spot should be submitted to and handled by the relevant department.

In addition, the Whistle Blowing Policy and Internal Monitoring and Reporting System enable employees to lodge complaints by email or letter with the Audit Committee on suspicious case of corruption or malpractices. All personal confidential information of employees will be handled under strict confidentiality.

During the Year, the Group did not find any cases of non-compliance in relation to anti-corruption, or legal cases regarding corrupt practices brought against the Group or its employees.

## Key Performance Indicator Summary

### ENVIRONMENTAL PERFORMANCE

Environmental key performance indicators <sup>19, 20</sup>		Quantity		Unit
		2019	2018	
A1.1	Type of emissions and the relevant emission data			
	Nitrogen oxides	122.2	75.3	tonnes
	Sulphur oxides	3.2	0.8	tonnes
	Respiratory suspended particulates	20.6	12.2	tonnes
A1.2	Greenhouse gas emissions			
	Scope 1	99,765.0	16,949.8	tonnes of carbon dioxide equivalent
	Scope 2	24,866.1	15,448.6	tonnes of carbon dioxide equivalent
	Scope 3	6.7	8.2	tonnes of carbon dioxide equivalent
	Greenhouse gas emissions (Scope 1, 2 and 3)	124,637.8	32,406.6	tonnes of carbon dioxide equivalent
	Greenhouse gas intensity (by area)	0.66	0.23	tonnes of carbon dioxide equivalent/ square metre
A1.3	Generation of hazardous waste			
	Total generation of hazardous waste <sup>21</sup>	106.2	33.5	tonnes
	Hazardous waste intensity (by area)	0.5597	0.2379	kg/ square metre
A1.4	Generation of non-hazardous waste			
	Total generation of non-hazardous waste <sup>22</sup>	21,574	3,174	tonnes
	Non-hazardous waste intensity (by area)	0.1137	0.0225	tonnes/ square metre
A1.6	Methods for handling hazardous and non-hazardous waste, reduction initiatives and results achieved			

<sup>19</sup> The Year included Nanyang production base and Xinjiang production base while 2018 report only included Nanyang production base.

<sup>20</sup> Area for calculating intensity figures includes all workshops.

<sup>21</sup> There was no statistical data on hazardous waste in Xinjiang production base and it is confirmed that relevant data will be collected and disclosed starting from next year.

<sup>22</sup> Xinjiang production base only provided data on non-hazardous waste (aluminum ash). It is confirmed that domestic waste will be collected and disclosed starting from next year.



## Key Performance Indicator Summary

Environmental key performance indicators <sup>19, 20</sup>		Quantity		Unit
		2019	2018	
A2.1	Total consumption of energy <sup>23</sup>			
	Direct energy	455,081.4	83,937.1	MWh
	Indirect energy	42,212.3	25,321.3	MWh
	Energy intensity (by area)	2.62	0.78	MWh/ square metre
A2.2	Total water consumption			
	Total water consumption	406,947	125,209	cubic metre
	Water intensity (by area)	2.14	0.89	cubic metre/ square metre
A2.4	Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved			
A2.5	Packaging materials used in finished products			
	Total consumption of packaging materials	5154.7 <sup>24</sup>	612	tonnes
	Packaging materials intensity (by area)	27.166	4.348	kg/ square metre
A3.1	Significant impacts of activities on the environment and natural resources and the actions taken to manage them			

## SOCIAL PERFORMANCE

Employee distribution		Total workforce		Employee turnover rate		Rate of new hires	
		Nanyang production base	Xinjiang production base	Nanyang production base	Xinjiang production base	Nanyang production base	Xinjiang production base
Gender	Male	675	529	109.9%	7.6%	115.7%	12.5%
	Female	354	139	119.2%	0.7%	118.6%	5.0%
Position	Senior management	3	0	300%	0%	0%	0%
	Middle management	30	83	46.7%	1.2%	46.7%	1.2%
	General staff	996	585	114.6%	6.8%	119.2%	12.3%
Age	Under 30	241	166	180.5%	1.8%	186.3%	4.8%
	30-40	495	222	81.8%	14.9%	97.0%	17.1%
	41-50	255	186	108.6%	2.7%	100.4%	12.9%
	Above 50	38	94	123.7%	0%	42.1%	3.2%
Employment type	Full-time	1,029	668	113.1%	6.1%	116.7%	10.9%
	Part-time	0	0	0%	0%	0%	0%
Total workforce/rate		1,029	668	113.1%	6.1%	116.7%	10.9%

<sup>23</sup> Conversion of the different types of energy use to MWh were based on the net calorific values of fuels from the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) issued by the National Development and Reform Commission of the People's Republic of China.

<sup>24</sup> Xinjiang production base also used 2,680 wooden pallets and 110 rolls of yellow tapes. The weight of relevant use was not recorded.

## Key Performance Indicator Summary

Occupational safety and health performance	Total
Number of rate of work-related fatalities	0, 0%
Number of employees injured at work	16
Lost days due to work-related injury	332
Incidence rate of work-related injury per 1,000 employees	9.4

Distribution of employees		Distribution of employees received training and ratio of training		Average number of training hours	
		Nanyang production base	Xinjiang production base	Nanyang production base	Xinjiang production base
Gender	Male	675 (100.0%)	529 (100.0%)	113	48
	Female	354 (100.0%)	139 (100.0%)	113	48
Position	Senior management	3 (100.0%)	0	113	48
	Middle management	30 (100.0%)	83 (100.0%)	113	48
	General staff	996 (100.0%)	585 (100.0%)	113	48

Location of suppliers	Number of suppliers
Mainland China	44
Suppliers implementing the relevant practices <sup>25</sup>	100%

<sup>25</sup> The relevant practices refer to the Group's Purchase Control Procedure on Processes, Products and Services Provided by Externals.

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

Material Aspect	Content	Page Index/ Remark
<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.	5-8
A1.1	The types of emissions and respective emissions data.	5-6, 17
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5-6, 17
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7-8, 17
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7-8, 17
A1.5	Description of measures to mitigate emissions and results achieved.	5-6, 17
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7-8, 17
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	9-10
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).	9, 18
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10, 18
A2.3	Description of energy use efficiency initiatives and results achieved.	9-10, 18
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 10, 18
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	10, 18
<b>A3 Environmental and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	10
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	10

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

Material Aspect	Content	Page Index/ Remark
<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.	11
B1.1	Total workforce by gender, employment type, age group and geographical region.	18
B1.2	Employee turnover rate by gender, age group and geographical region.	18
GRI 401-1	Total number of new employee hires.	18
	Rate of new employee hires.	18
	Total number and rate of new employee hires during the reporting period, by age group, gender and region.	18
<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.	12
B2.1	Number and rate of work-related fatalities.	19
B2.2	Lost days due to work injury.	19
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	12-13
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	13
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	19
B3.2	The average training hours completed per employee by gender and employee category.	19
<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.	11
B4.1	Description of measures to review employment practices to avoid child and forced labour.	11
<b>B5 Supply Chain Management</b>		

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

Material Aspect	Content	Page Index/ Remark
General Disclosure	Policies on managing environmental and social risks of the supply chain.	15
B5.1	Number of suppliers by geographical region.	19
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	15
<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.	15-16
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	15
B6.2	Number of products and service related complaints received and how they are dealt with.	16
B6.3	Description of practices relating to observing and protecting intellectual property rights.	16
B6.4	Description of quality assurance process and recall procedures.	15-16
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	16
<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.	16
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.	16
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	16
<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.	14
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	14
B8.2	Resources contributed (e.g. money or time) to the focus area.	14