

Shinelong Automotive Lightweight Application Limited 勳龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

Stock Code : 1930

Environmental, Social & Governance Report **2021**



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About This Report

Shinelong Automotive Lightweight Application Limited (“Shinelong”, the “Company”) and its subsidiaries (the “Group”) is delighted to publish its third Environmental, Social and Governance (“ESG”) Report (this “Report”) to our stakeholders, to disclose the Group’s sustainability strategies, policies and performance in the past year.

REPORTING SCOPE AND PERIOD

The reporting period (“Reporting Period”) of this Report is from 1 January 2021 to 31 December 2021. Unless otherwise stated, the reporting scope of this Report covers the Group’s principal businesses, including the below operating entities:

- Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (“Shinelong Intellectual Manufacture”)
- Qingdao Xunzhan Molding Technology Company Limited
- Xunhou Laser Technology (Suzhou) Company Limited
- Kunshan Longjun Management Consulting Company Limited

Unless otherwise stated, the monetary figures in this Report are denominated in Renminbi (“RMB”).

About This Report

BASIS OF PREPARATION

This Report is compiled with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). During the preparation of this Report, the Group follows the principles of “materiality”, “quantitative”, “balance” and “consistency”.

Principle	Definition	Our Response
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through engagement with stakeholders as well as considering the Group’s business nature and development, material sustainability issues are being identified.
Quantitative	This Report should disclose key performance indicators in a measurable manner.	The Group discloses its key environmental and social performance indicators quantitatively where appropriate.
Balance	This Report should present the positive and negative information of the Group in an objective manner to reflect a comprehensive picture of the sustainability performance of the Group.	The Group has disclosed achievements and challenges of identified material issues to comprehensively reflect its sustainability performance.
Consistency	The Group should confirm that the preparation method of this Report is consistent with the one(s) used in previous year(s), or state the revised reporting methods, or illustrate other relevant factors that will affect meaningful comparison.	The reporting scope and the reporting methods of this Report are substantially consistent with those in last year, and relevant comparative data have also been disclosed in this Report.

CONFIRMATION AND APPROVAL

This Report has been confirmed by the management and approved by the board of directors (the “Board”) of the Company on 23 March 2022. The Board understands they are obliged to take full responsibility for the Group’s ESG strategy and disclosure.

ACCESS OF THIS REPORT

This Report is available in traditional Chinese and English for the readers. In case of any inconsistency between the two versions, the Chinese version prevails. The electronic version of this Report is available on the websites of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Group (<http://www.shinlone.com.cn>).

FEEDBACK

We treasure the valuable opinions of our stakeholders. If you have any opinions on the Group’s sustainability performance or this Report, you are welcomed to contact us through below channel:

Email address: sophia@shinlone.com.cn

About Us

The Company's shares have been listed on the main board of the Hong Kong Stock Exchange on 28 June 2019. The Group is a major developer and supplier of precision moulds in the People's Republic of China ("PRC"), focusing on customised moulds for the production of automotive parts to cater to the growing trend of automotive lightweight application and electrical appliances and other parts. We are dedicated in providing our customers with comprehensive mould service and solutions, covering product analysis, mould design and development; mould manufacturing, assembly, testing and adjustment; trial production; and after-sales services.

Being a professional "intellectual manufacturer" of moulds with over 19 years of history in operation, the Group upholds the principle of innovative development by expanding its business. We have set up factories in Kunshan and Qingdao in the PRC. Equipped with strong technology and knowledge, the subsidiary of the Group, Shinelong Intellectual Manufacture, has been awarded with High and New Technology Expertise and China's Key Enterprise of Injection Die & Mould Manufacturing certificates, indicating our leading position in the industry.

AWARDS AND HONORS

China Die & Mould Industry Association China's Key Enterprise of Injection Die & Mould Manufacturing	Zhangpu Town People's Government Enterprise with Outstanding Contributions to Innovation
Industry and Information Technology Department of Jiangsu Jiangsu Industrial Design Centre	Industry and Information Technology Bureau of Kunshan Kunshan Specialized New Enterprise 2021
Kunshan City Leadership Office of Promoting Transformation, Upgrading and Innovative Development Leading Enterprise of Innovative Transformation and High Quality Development	

Sustainability Management Strategy

SUSTAINABILITY MANAGEMENT AND BOARD OVERSIGHT

The Group fully understands the importance of taking corporate social responsibility. We strive to use our impact to incorporate sustainability principle into corporate governance and daily operations, holding hands with our stakeholders, including employees, customers, suppliers and business partners, shareholders and investors and governmental organisations etc., in the hope of promoting environmental and social sustainability. As the top leadership of the Group, the Board is responsible for overseeing the sustainability management of the Group. We have set up the Environmental, Social and Governance Committee (the “Committee”), assisting the Board to promote sustainability vision, strategy and targets, and provide advice on necessary issues and report to the Board. The Committee also oversees the work of ESG Executive Team to support the Group’s sustainability.

Sustainability Management Structure



SUSTAINABILITY RISK MANAGEMENT

The Group sees risks management as an inseparable part of daily operations and robust corporate governance. Risk management mechanism assists the Group to evaluate and minimize risks that may prevent or endanger the achieving of its business objectives in a dynamic business environment where economic, industry, regulatory and operating conditions continue to change. During the Reporting Period, we have conducted ESG-related risks assessment, including climate change risks and ESG risks of supply chain. We identify potential ESG risks of the Group based on ESG trends and issues, benchmark analysis, collecting stakeholders’ opinions and business nature, and prioritize the risks based on their impact to the Group and possibility. We set up response strategies and relevant control measures of material ESG risks, regularly assess and monitor the effectiveness of such measures, and assist the Board to regularly review the effectiveness of existing measures and come up with improvement plans where necessary. For the details of our risk management, please refer to the Corporate Governance Report section of 2021 annual report.

Stakeholder Engagement

The Group sees stakeholders' opinions as the key to promoting the Group's sustainable development. We conduct formal and informal mutual communications with internal and external stakeholders through frequent stakeholder engagement, in which we listen to, understand and respond to their expectations towards the Group. The key stakeholder groups, their issues of concerns, methods of communication and frequency are listed below:

Stakeholders	Issues of Concern	Methods of Communication	Frequency
Government and Regulatory Agencies	<ul style="list-style-type: none"> o Policy impact o Compliance operation o Risk control 	<ul style="list-style-type: none"> o Policies and regulations o Interview o Report 	Irregular
Shareholders and investors	<ul style="list-style-type: none"> o Compliance operation o Risk control 	<ul style="list-style-type: none"> o General meeting o Announcement 	Regular
Customers	<ul style="list-style-type: none"> o Customer relationship o Customer privacy o Product and service quality 	<ul style="list-style-type: none"> o Customer feedback o Company website o Visit 	Irregular and regular
Suppliers and Business Partners	<ul style="list-style-type: none"> o Supply chain management o Product quality 	<ul style="list-style-type: none"> o Purchasing information and contracts o Consultations 	Irregular
Employees	<ul style="list-style-type: none"> o Employees' rights and interests o Staff training and development o Health and safety o Remuneration and rights of employees 	<ul style="list-style-type: none"> o Professional training o Employee activities o Internal communication 	Irregular and regular
Community	<ul style="list-style-type: none"> o Charity o Maintenance of community relationships 	<ul style="list-style-type: none"> o Community activities 	Irregular

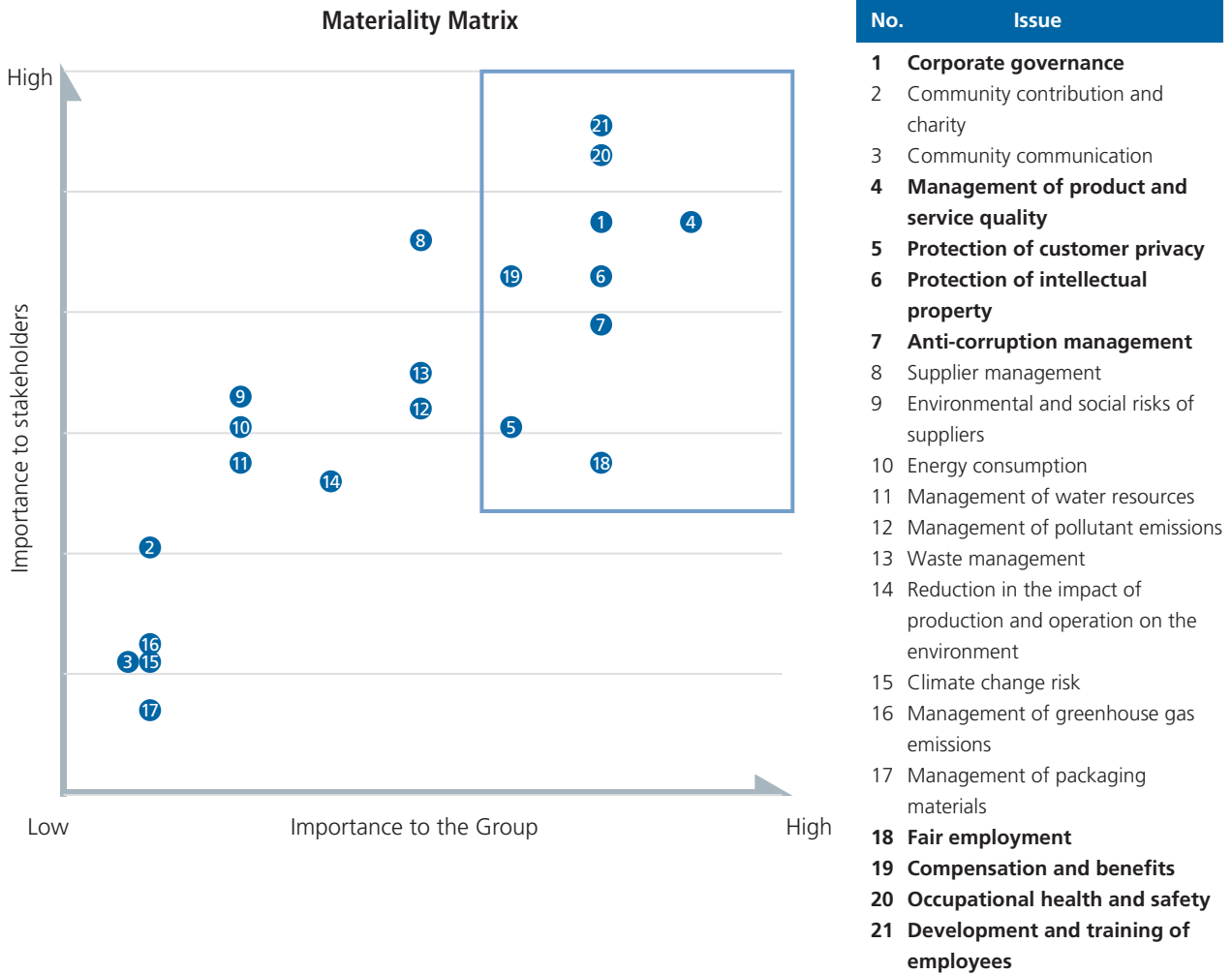
MATERIALITY ASSESSMENT

Apart from the above frequent communications, the Group has also appointed an independent consultant to assist us to conduct an online stakeholder survey during the Reporting Period, inviting stakeholders to rate on various ESG issues based on their importance to the Group and provide opinions, allowing us to conduct materiality assessment to continuously improve the Group's sustainability strategy and performance. The procedures of the materiality assessment are as follow:

1. By referencing to the ESG Reporting Guide of the Hong Kong Stock Exchange, and conducting benchmarking analysis of issues of concerns of the industry, we have identified 21 sustainability issues related to our business.
2. Invite various stakeholders to participate in the online survey by rating the 21 issues.
3. Prioritize the 21 issues according to stakeholders and management's ratings and conduct analysis.

Stakeholder Engagement

During the Reporting Period, the results of the materiality assessment are indicated in the below materiality matrix. The 9 issues at the top right hand corner are the material issues of the Group, namely corporate governance, management of product and service quality, protection of customer privacy, protection of intellectual property, anti-corruption management, fair employment, compensation and benefits, occupational health and safety, and development and training of employees. This Report will cover relevant management strategy and performance of these issues.



Responsible Operation

ANTI-CORRUPTION

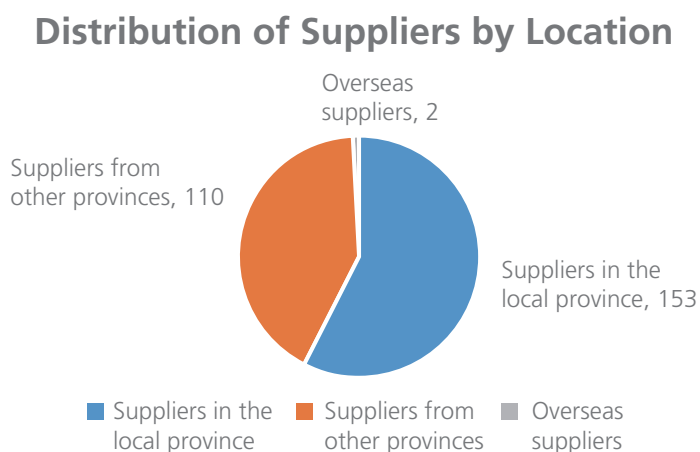
The Group sees business ethics and integrity as our core value, and strives to maintain corporate culture of integrity and compliance through stringent management system and code of conduct. We have set up the Anti-corruption Management Regulations and Whistleblowing Policy, prohibiting any corruption, bribery, extortion, money laundering and other illegal behaviours. The Group's senior, middle-level management and employees contacting with external business partners have already signed the Personal Integrity Commitment, guaranteeing that they will uphold business ethics and integrity in daily operations. We have also set up whistleblowing hotline and mailbox to collect, investigate into and follow up on reports on suspected inappropriate acts. Our company secretary and internal control office will handle these reports in a timely manner and provide appropriate feedback within 5 working days. We promise to protect the confidentiality of whistle-blowers' identities to protect their rights. We also take zero tolerance to all discrimination or retaliation. In addition, the contract signed with our suppliers are enclosed with Anti-bribery Commitment. We require them to guarantee that they will not participate in any acts related to bribery directly or indirectly.

To enhance the awareness of our employees, we arrange relevant training. During the Reporting Period, we have arranged training related to anti-corruption system to our employees to talk about relevant knowledge.

During the Reporting Period, we were not aware of any material violation of laws and regulations related to corruption, extortion, fraud and money laundering, including but not limited to the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC, the Anti-unfair Competition Law of the PRC, and the Company Law of the PRC.

SUPPLY CHAIN MANAGEMENT

During the Reporting Period, the Group worked with a total of 265 key suppliers who provide us with raw materials, accessories and consumable hardware parts etc. The distribution of suppliers is as follows:



Responsible Operation

We understand that the Group has the responsibility to promote sustainability along the supply chain. As such, we consider suppliers' environmental and social risks during procurement process. During the Reporting Period, we conducted risk assessment by reviewing key suppliers' environmental and social risks. The Board and management oversee the environmental and social risks of the entire supply chain and review the effectiveness of management measures to continuously improve risk management system of suppliers. According to the results of the risk assessment, we did not identify any suppliers with high risks.

For key suppliers, we require candidate suppliers to provide environmental impact report, approval and acceptance documents during selection of suppliers, and prioritize suppliers whose products have a lower impact to the environment. Besides, most of our key suppliers are local suppliers. We believe that procuring from local suppliers can greatly reduce the greenhouse gas emissions generated from transportation.



The product and service quality of suppliers is vital to our mould quality. As such, we have established the Procurement Control Procedures to conduct well-rounded management against our suppliers. When selecting new major raw material suppliers, we would conduct onsite visit and comprehensive qualification assessment against candidate suppliers through the Supplier Investigation and Evaluation Form in order to assess their quality control ability, management ability, processing capacity, product development capacity, quality management system, staff training etc. We would also conduct sample test. Suppliers who pass the assessment and get the approval from the management will be incorporated into the Qualified Supplier List. To guarantee the product and service quality of qualified suppliers, we will also conduct quarterly and annual assessment with the following assessment criteria:

- Product quality
- Service quality
- Price
- Timeliness of delivery

We would segregate suppliers by A/B/C/D classes according to the assessment results. Class C suppliers will be required to conduct timely rectification. Class D suppliers or suppliers who are classified as Class C for two consecutive times may be eliminated from the Qualified Supplier List with termination of cooperation.

Intellectual Manufacture

The Group is equipped with a strong innovation and manufacturing team, providing moulds with high quality and state-of-the-art automotive lightweight technology to our customers. To ensure our product and service quality, the Group abides by applicable laws and regulations related to the health and safety of product and service, advertising, labelling and privacy, including but not limited to the Product Quality Law of the PRC, the Patent Law of the PRC, the Copyright Law of the PRC and the Advertising Law of the PRC. During the Reporting Period, the Group was not aware of any material violation. We are recognised as “High and New Technology Enterprise”, “Enterprise with Outstanding Contributions to Innovation” and “Jiangsu Industrial Design Centre” in view of our high quality research and development and manufacturing technology of moulds and stringent quality control measures, recognizing our contributions in the industry.

QUALITY MANAGEMENT

The mould production business of the Group has obtained ISO9001: 2015 Quality Management System. We have established the Quality Manual based on the certification standard, to stringently manage order management, design and development, manufacture and processing, customer satisfaction management, unqualified product handling etc. to enhance our manufacturing techniques to develop excellent products surpassing customers’ expectations in line with our quality strategy of “Quality First, Service Priority, Continuous Innovation, Integrity Upmost”. To ensure product quality, we have set up standards in terms of procedures of incoming inspection, manufacturing and delivery to ensure each process is robustly managed.

Incoming Inspection	Establish the “Incoming Materials Inspection Measures” to inspect the quality of raw materials and parts. If any unqualified materials are identified, we will handle according to the “Unqualified Materials Management Procedures”.
Manufacture	Establish the “In-process Inspection Guide” to conduct robust management and inspection of procedures such as processing, manufacturing and assembly to ensure the products meet the standard and customers’ requirements. We will conduct structure and size inspection at key points during processing, and conduct functional inspection and installation testing against moulds.
Delivery	Establish the “Delivery Inspection Standards” to manage the standard of product delivery inspection to ensure the size, label and appearance meet the standards.

During the Reporting Period, the Group did not record any products sold or shipped subject to recalls for safety and health reasons.

Intellectual Manufacture

PRODUCT INNOVATION

We acknowledge the importance of innovation, and hence we invest abundant resources in supporting our technical team to conduct research and innovation to continuously develop product design and manufacturing techniques, in order to meet the ever-changing market trends and customers' needs. During the Reporting Period, we have newly obtained 6 utility model patents, accounting for a total of 19 invention patents, 1 design patent and 59 utility model patents. We fully respect intellectual property and will register for these patents and other intellectual property of the Group, including technologies, craftsmanship and trademarks etc. in a timely manner in line with the "Intellectual Property Management System" to protect the Group's benefits.

INDUSTRY PARTICIPATION

Apart from investing in research and innovation, we are also actively participating in various industrial exhibitions, allowing our employees to join and exchange industry-related knowledge and technologies with our peers to strive for excellence.



CUSTOMER SERVICE

In order to continuously enhance our product quality and techniques, it is vital to listen to and adopt customers' opinions. We have well maintained our after-sales services and provide warranty period of about one year. If customers have identified any quality or design issue, we will conduct investigation and repair. We would also collect customer complaints through email and hotline, and investigate into the case according to standard procedures, followed by response plan to conduct timely response. In addition, we invite automobile mould and electrical appliance mould customers to conduct satisfaction survey every year, in order to collect their ratings in terms of product delivery, product quality, packaging quality, staff attitude, coordination and after-sales services etc. as well as their improvement suggestions. During the Reporting Period, we have recorded around 4 complaints against our products and services. All complaints have been coped with in a timely manner.

Before distributing promotion materials, we would conduct verification on the content to ensure its authenticity to avoid misleading external stakeholders and comply with relevant laws and regulations including the Advertising Law of the PRC. The Group mainly provides customised moulds to our customers, due to our business nature, the Group considers that product labelling is not a material issue.

Intellectual Manufacture

PRIVACY PROTECTION

Protecting customer privacy is our utmost responsibility. We sign confidentiality agreement with our customers, guaranteeing that we will not disclose their privacy data without prior consent. Also, our employees are required to sign confidentiality agreement during on-board to avoid leakage of company confidential documents and data to protect the benefits of the Group and our customers. We also strive to enhance our data storage and management measures to guard customer data.

Information storage

- Order information will be encrypted into specific numbers once obtained from customers to ensure the confidentiality of the important information
- Relevant drawings and data of customers are stored in the internal server of the Company, where unauthorised personnel could not read or obtain such information

Information management

- Hierarchical management of permissions is adopted in the storage server to classify the data, unauthorised personnel could not access to such information
- Login history is enforced in our server to monitor who is logged in and what content has been accessed
- All important personnel concerned shall sign a non-competition agreement

Staff Cohesion

Being an enterprise focusing on innovation and manufacturing, we see our employees as the Group's most important asset. As such, we have been upholding the principle of people-focused by treating each employee with equality, diversity and zero-discrimination. We provide them with competitive remuneration and benefits, adequate occupational health and safety protection, and well-developed promotion and training opportunities, allowing them to develop together with the Group. The Group abides by applicable labour-related laws and regulations in terms of remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunity, diversity, anti-discrimination and other benefits and welfare, including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC and the Provisions on the Prohibition of Using Child Labour etc. During the Reporting Period, the Group was not aware of any material violations in labour-related laws and regulations.

EMPLOYMENT OVERVIEW

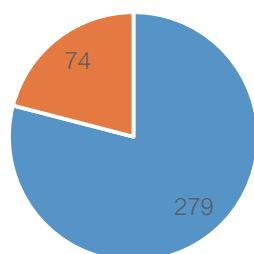
We have established comprehensive "Human Resources Management System" and "Employee Code of Conduct" which list out terms in relation to working hours, remuneration system, benefits, leave and dismissal arrangement to clarify and protect the responsibilities and rights of the Group and employees. Apart from statutory and public holiday, employees can enjoy leave, sick leave, marriage leave, compassionate leave, maternity leave, miscarriage leave, nursing leave, breastfeeding leave and annual leave etc. Also, in order to attract and retain employees, we provide various benefits, including health check, birthday gift, Woman's day gift, long service award and year-end award etc.

The Group recruits suitable talents to join us through new media, human resources market, campus recruitment and internal referral. During the recruitment process, we uphold the principle of talent first, and refrain from any unequal treatment against candidates regarding their race, nationality, religion and gender etc. Furthermore, we adopt a zero tolerance approach in recruitment of child and forced labour. During recruitment, the Human Resources Department will verify the personal identity document of candidates to ensure they have met legal working age. If we identify any child or forced labour in the workplace, we will take him/her away from the workplace for further follow-up actions according to the requirements of the Labour Law of the PRC and other related laws and regulations. We will also review the human resources system to avoid reoccurrence. During the Reporting Period, the Group did not identify any child and forced labour.

Staff Cohesion

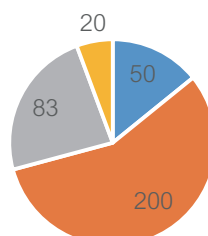
As of 31 December 2021, the Group hired a total of 353 employees in the PRC. All of them were full-time employees. The distribution of employees by gender, function and age group as well as turnover rate are as follows:

Employees by Gender



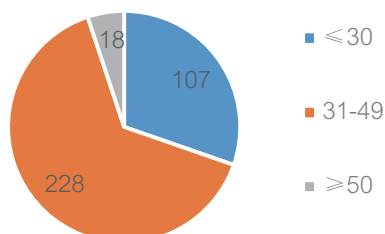
■ Male ■ Female

Employees by Function



■ Management ■ Production ■ R&D ■ Others

Employees by Age Group



■ ≤30
■ 31-49
■ ≥50

Turnover Rate	
By Gender	
Male	36.86%
Female	36.00%
By Function	
Management	36.73%
Production	40.10%
R&D	33.77%
Others	14.29%
By Age Group	
≤30	56.76%
31-49	27.87%
≥50	19.35%

Staff Cohesion

EMPLOYEE COMMUNICATION

To enhance employees' sense of belonging and their cohesion, and to maintain work-life balance, we organised a number of sports and leisure activities from time to time, such as travel, yoga, running, cross-country walk and reading club etc.



Apart from employee activities, we also pay special attention to the mutual communications between employees and the Group. We collect their opinions and suggestions towards the Group through employee interviews. We will adopt appropriate suggestions and see them as the foundation for the Group's continuous improvement. As for resigning staff, we will also conduct interview with them to understand their reason of resignation.

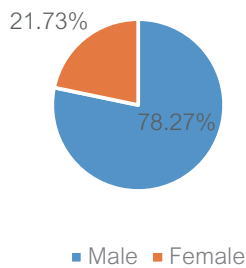


Staff Cohesion

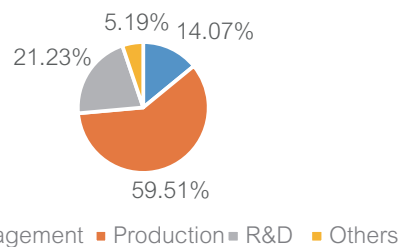
TRAINING AND DEVELOPMENT

We fully understand the importance of promoting research and development. As a result, we provide adequate training opportunities to employees, allowing them to learn and be equipped with the latest technology and knowledge of the industry. We will conduct training needs analysis each year by allowing employees to fill in the “List of Education Need” based on their career development and departmental training needs. We will then arrange appropriate internal and external trainings, including induction training, on-the-job training, transferral training, professional technological training etc. To encourage our employees to have continuous learning, we will also provide subsidies to employees who attend external training. During the Reporting Period, the total training hours of employees exceed 3,000 hours. The average training hours and training ratio by gender and function are as follows:

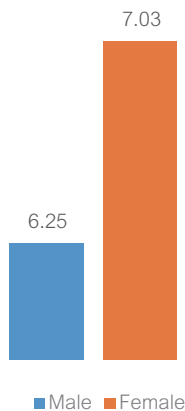
Training Ratio by Gender



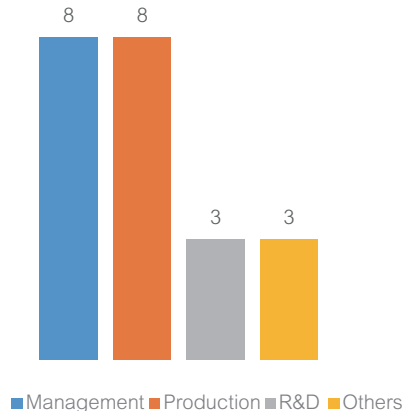
Training Ratio by Function



Average Training Hours by Gender



Average Training Hours by Function



In addition, the Group values employees’ career development. We have set up a comprehensive career development ladder and established the “Employee Promotion Management Measures”, supporting our employees in vertical or horizontal development based on their own career development plan and interest. We will promote suitable employees based on the principles of ethics and performance. We will conduct regular appraisal to appraise employees’ work attitude, work and teamwork, management and monitoring, work ability and other aspects.

Staff Cohesion

HEALTH AND SAFETY

Safeguarding employees' health and safety is our responsibility. The Group has established well-rounded and stringent management system in accordance with laws and regulations in relation to occupational health and safety, including the Prevention of Occupational Diseases of the PRC and the Safety Production Law of the PRC to safeguard the health and safety of employees. The measures we have adopted include but not limited to:

- Establishing the "Safety Operation Specification" with procedures and issues that require special attention during operation for employees of various job position, such as electrician, processing hub staff, forklift driver etc. We also require relevant employees to put on personal protection equipment during work, including work clothes, safety hats, safety shoes, goggles and gloves etc.;
- Placing safety sign in suitable areas in the factory;
- Conducting regular safety risk inspection to identify safety risks. If any risks are identified, we will conduct rectification in a timely manner;
- Setting up the "Production Safety Emergency Plan" to prevent and handle production accident, such as leakage of dangerous chemicals, fire, food poisoning, mechanical injuries, specific equipment issues etc. by setting up an emergency rescue team to perform command, communications and rescue work and arranging regular drills;
- Arranging regular health check for employees exposed to dangerous factors such as noise and dust;
- Conducting safety training regularly, including risk management and dangerous factor analysis, emergency capability, production training, occupational hazard prevention etc., allowing employees to prevent risks.





To prevent the spread of coronavirus, the Group follows the national and local epidemic prevention measures and take up stringent epidemic prevention measures and carry out epidemic prevention knowledge training to let employees enhance their awareness.

During the Reporting Period, the Group has recorded 8 minor work accidents such as bone fracture and crush, accounting to about 36 lost working days (about 289.5 working hours). During the past three years (including the Reporting Period), there was no work-related fatalities.

Green Operation

As a corporate citizen, the Group is committed to taking up the responsibility of protecting the environment by applying the principles of energy saving and emission reduction in daily operations to reduce emissions and optimise the use of natural resources to build a sustainable environment for our next generations. We strictly comply with applicable environmental-related laws and regulations, including the Law of the PRC on Prevention and Control of Air Pollution, the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention of Water Pollution, the Water Law of the PRC, the Directory of National Hazardous Waste, the Measures for the Administration of Transfer of Hazardous Wastes and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste etc. We have set up the “Environmental Protection Management System” to manage the environmental impact caused by production and operation. During the Reporting Period, the Group was not aware of any material violations of environmental-related laws and regulations.

To uphold the strategy of green operation, we have set up a series of environmental targets during the Reporting Period, and are committed to align with these targets to show our dedication in alleviating climate change and environmental protection to our stakeholders in order to build a greener future.

Environmental Targets	
 Air and Greenhouse Gas Emissions	Reduce air and greenhouse gas emissions to gradually lower the Group’s carbon footprint
 Waste	Advocate reduction of waste at source and recycling and reuse to reduce the generation of waste
 Energy	Enhance the Group’s energy efficiency to reduce unnecessary energy consumption
 Water	Improve water efficiency and reduce waste of water

Green Operation

RESOURCE SAVING

The Group consumes certain energy, including petrol, diesel oil and purchased electricity, as well as water supplied by municipal water supply company during daily operations. We did not encounter any problem in water sourcing. Also, due to our business nature, we will consume wooden case, cardboard box, film, bubble film and mirror protective film as finished products packaging materials. We fully understand the importance of saving resources. Thus, we actively promote the concept of energy and water saving and introduce resources saving measures to protect valuable natural resources. The resources saving measures adopted include:

- Review and enhance production technologies, techniques and equipment to reduce energy consumption
- Prioritize equipment that are more environmentally friendly during procurement of production equipment (including CNC machines, discharging machines, grinding machines, milling machines, hot stamping lines etc.)
- Prioritize the use of energy saving lighting to reduce the use of electricity
- Place signs in the workplace to remind our employees to save energy

The resource consumption data of the Group during the Reporting Period and 2020 are as follows:

Indicators		Unit	2021	2020
Energy consumption	Petrol	MWh	184.51	167.50
	Diesel oil	MWh	135.49	99.50
	Purchased electricity	MWh	5,129.09	4,588.40
	Total consumption	MWh	5,449.10	4,855.40
	Total consumption intensity	kWh/RMB10,000 revenue	245.22	238.66
Water consumption	Total water consumption	m ³	17,460.00	16,446.00
	Total water consumption intensity	m ³ /RMB10,000 revenue	0.79	0.81
Packaging materials	Wooden case	Tonnes	23.28	26.31
	Cardboard box	Tonnes	0.89	2.86
	Film, bubble film and mirror protective film	Tonnes	0.88	1.10
	Total packaging material consumption	Tonnes	25.05	30.27
	Total packaging material consumption intensity	Kg/RMB10,000 revenue	1.13	1.49

Green Operation

EMISSION REDUCTION

The Group's air and greenhouse gas emissions mainly come from the direct emissions from company vehicles, and indirect emissions from purchased electricity used to support production equipment and daily operations. Also, the cutting fluid and discharging oil used during processing generate a small amount of air emissions. Such emissions are treated through oil mist purifiers before discharging. Also, the Group also generates industrial waste, general refuse and hazardous waste, including waste cutting fluid, cutting oil, waste machine oil and grinding mud etc.

To properly collect and handle waste to prevent waste emissions from bringing negative impact on the environment, we will collect industrial waste such as metal waste separately. We also require our employees to store hazardous waste collectively in hazardous waste warehouse with proper record, and engage certified organizations for further treatment. We will inspect and maintain the warehouse regularly to ensure the waste is properly transported and handled to avoid leakage.

Apart from properly handling waste, we are also dedicated to reducing waste at source, including separating the oil and water of cutting fluid, reusing cutting fluid, reducing waste generated from production by optimizing our techniques, as well as promote paperless office to reduce the use of paper.

Green Operation

The air, greenhouse gas and waste emission data of the Group during the Reporting Period and 2020 are as follows:

Indicators		Unit	2021	2020
Air emissions	Nitrogen oxides	Kg	85.97	31.95
	Sulphur oxides	Kg	0.52	0.28
	Particulate Matter	Kg	8.17	2.90
Greenhouse gas emissions	Direct emissions (scope 1)	Tonnes CO ₂ e	89.32	71.18
	Indirect emissions (scope 2)	Tonnes CO ₂ e	3,129.26	3,743.18
	Greenhouse gas removal (scope 1) ¹	Tonnes CO ₂ e	1.47	N/A
	Total greenhouse gas emissions	Tonnes CO ₂ e	3,217.11	3,814.36
	Total greenhouse gas emissions intensity	Tonnes CO ₂ e/ RMB10,000 revenue	0.14	0.19
Non-hazardous waste	Total amount of non-hazardous waste	Tonnes	468.54	311.14
	Total amount of non-hazardous waste intensity	Kg/RMB10,000 revenue	21.09	15.29
Hazardous waste	Total amount of hazardous waste	Tonnes	13.82	18.12
	Total amount of hazardous waste intensity	Kg/RMB10,000 revenue	0.62	0.89

ENVIRONMENTAL PROTECTION

The Group considers that our business does not generate material impact to the environment. However, we acknowledge that we are closely related to the ecosystem, and thus we are actively paying attention to the Group's emissions and use of resources, followed by implementing appropriate emission reduction and energy saving measures to protect the environment. According to the "Environmental Protection Management System" the Group established, we require to obtain approval in terms of environmental impact assessment before production for new industrial project. Also, we arrange environmental-related training to our employees in daily operations to promote the concepts of clean production, energy and water saving to enhance their awareness in environmental protection.

¹ The Group has added data of greenhouse gas removal due to tree planting during the Reporting Period.

Green Operation

CLIMATE CHANGE

In view of the deteriorating climate change problem, to tackle with the risks and opportunities brought by climate change, the Group has incorporated physical risks and transitional risks of climate change related risks into our risk assessment and strategy. We have made reference to the framework built by the Task Force on Climate-related Financial Disclosures (“TCFD”) to identify material climate change related risks and opportunities, and at the same time implement appropriate measures to respond to the challenges against the Group brought by these risks. Below shows the climate change related risks, impacts and response measures the Group has identified:

	Risk	Impact	Response measure
Physical risk	Extreme weather events	The increasing frequency and severity of extreme weather events (such as typhoon) may lead to damage of the Group’s facilities and production equipment, leading to an increase of cost for repair and maintenance and preventive measures	We have already purchased necessary insurance for our factory and equipment to reduce the negative impact brought to the Group due to increase in cost
		Disruption of the supply chain due to extreme weather events makes suppliers unable to provide products and services to the Group on time and leads to increase in operational cost of suppliers. Due to disruption of the production line, there is a drop in the production capacity, affecting the income and increasing operational cost	Suppliers of the Group are mainly located in local provinces and nearby areas, such that they can supply goods on time. We have engaged with a number of raw material suppliers, thus lowering risk
Transitional risk	Transition to low-carbon economy	The increasing concern in environmental protection and climate issue of the public leads to the increase of demand in the use of low carbon equipment and measures in the market, thus leading to increase in price of raw materials	We build long-term and stable relationship with our suppliers to ensure stable supply of raw materials. We also choose more advanced and environmentally friendly equipment to lower energy consumption. We can understand market demand in a timely manner and work with customers of new energy automotive parts to expand customer base
	Change in regulatory requirements	The introduction of more stringent national and industrial climate change related laws and regulations lead to an increase in compliance cost	We pay attention to and understand the changes of relevant regulations and maintain good corporate governance to ensure compliance of our operation

Social Contributions

In light of the spirit of doing charity for joy, the Group has always been actively listening and responding to social needs by contributing to groups in need. We believe that the Group can use our impact to lead our employees and other stakeholders to participate in charity activities to spread our love. During the Reporting Period, we have put our resources in organising various voluntary activities, leading our employees to go to villages to be volunteers to promote voluntary service.

VILLAGE VOLUNTARY ACTIVITY

During the Reporting Period, the Group joined 4 voluntary activities by taking our employees to village for environmental remediation work, including tree planting and cleaning to promote good hygiene and civilized and health lifestyle to build a clean and hygienic living environment. There was a total of 30 man-time with a total of 45 hours of participation in these 4 activities.



Reference for Calculation of KPIs and Emission Factors

- Unless otherwise stated, the calculation of KPIs and emission factors in the ESG Report refers to How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange.
- The intensities of emissions and of use of resources are measured in RMB10,000 revenue of the year.
- Employee turnover rate is calculated by dividing the number of departed employees in the category by the average number of employees in the category (average of the number at the beginning and the number at the end of the year) during the Reporting Period.
- Employee training ratio is calculated based on the number of employees trained by the specific group divided by the total number of employees trained during the Reporting Period, for a more accurate reflection of the ratio of employees trained by gender and function.
- The average training hour is calculated based on total trained hours of the specific group divided by the number of employees and dismissed employees in that specific group, for a more accurate reflection of the training resources invested by the Group.

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
A. Environmental			
Aspect A1: Emissions			
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. 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.	Green Operation — Emission Reduction	P. 18, 20
KPI A1.1	The types of emissions and respective emission data.	Green Operation — Emission Reduction	P. 21
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation — Emission Reduction	P. 21
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation — Emission Reduction	P. 21
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation — Emission Reduction	P. 21
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green Operation	P. 18, 20
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Operation	P. 18, 20

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
Aspect A2: Use of Resources			
General Disclosure	Policies on the 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.	Green Operation — Resource Saving	P. 19
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).	Green Operation — Resource Saving	P. 19
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Operation — Resource Saving	P. 19
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Operation	P. 18–19
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Operation	P. 18–19
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green Operation — Resource Saving	P. 19
Aspect A3: Environmental and Natural Resources			
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	Green Operation — Environmental Protection	P. 21
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operation — Environmental Protection	P. 21
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Operation — Climate Change	P. 22
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Operation — Climate Change	P. 22

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
B. Social			
Employment and Labour Standards			
Aspect B1: Employment			
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.	Staff Cohesion — Employment Overview	P. 13
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Staff Cohesion — Employment Overview	P. 14
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Staff Cohesion — Employment Overview	P. 14
Aspect B2: Health and Safety			
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.	Staff Cohesion — Health and Safety	P. 17
KPI B2.1	Number and rate of work-related fatalities.	Staff Cohesion — Health and Safety	P. 17
KPI B2.2	Lost days due to work injury.	Staff Cohesion — Health and Safety	P. 17
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Staff Cohesion — Health and Safety	P. 17

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Staff Cohesion — Training and Development	P. 16
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Cohesion — Training and Development	P. 16
KPI B3.2	The average training hours completed per employee by gender and employee category.	Staff Cohesion — Training and Development	P. 16
Aspect B4: Labour Standards			
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.	Staff Cohesion — Employment Overview	P. 13
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Staff Cohesion — Employment Overview	P. 13
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Staff Cohesion — Employment Overview	P. 13

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operation — Supply Chain Management	P. 09
KPI B5.1	Number of suppliers by geographical region.	Responsible Operation — Supply Chain Management	P. 08
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management	P. 08–09
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management	P. 09
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operation — Supply Chain Management	P. 09

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
Aspect B6: Product Responsibility			
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.	Intellectual Manufacture	P. 10
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group did not have any product recall for safety and health reasons.	P. 10
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Intellectual manufacture — Customer Service	P. 11
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual manufacture — Product Innovation	P. 11
KPI B6.4	Description of quality assurance process and recall procedures.	Intellectual manufacture — Quality Management	P. 10
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Intellectual manufacture — Privacy Protection	P. 12

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Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)		Section/ Declaration	Page Number
Aspect B7: Anti-Corruption			
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.	Responsible Operation — Anti-corruption	P. 08
KPI 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.	Responsible Operation — Anti-corruption	P. 08
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsible Operation — Anti-corruption	P. 08
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operation — Anti-corruption	P. 08
Community			
Aspect B8: Community Investment			
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.	Social Contributions	P. 23
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Contributions — Village Voluntary Activity	P. 23
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Contributions — Village Voluntary Activity	P. 23