

稀美資源控股有限公司

XIMEI RESOURCES HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9936

Environmental, Social and Governance Report 2019



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Environmental, Social and Governance Report

INTRODUCTION

The Environmental, Social and Governance Report (the “**Report**”), covering the year from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”), is prepared by the Group (as defined below) in accordance with 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 “**Stock Exchange**”). It aims at reporting to the Group’s investors and other stakeholders about the significant impact of the Group’s business on environment, society and governance and the effectiveness of the risk management and internal control system adopted.

The Report is divided into two subject areas, namely environmental and social. Each subject area involves the Group’s management strategies, objectives and the relevance to the Group’s business. It also discusses about the Group’s achievements in measuring and monitoring its environmental, social and governance performance. The Report will be reported under the principles of materiality, quantification, balance and consistency.

During the Reporting Period, the Group obtained two authorised patents, including elution device for efficient removal of waste gas from decomposition of tantalum and niobium and reaction kettle for environmentally-friendly neutralisation reaction. In addition, five patents applications were accepted, including high moisture material feeding device, method for detecting sulfate, dynamic wave scrubber nozzle, dynamic wave scrubber and method for cleaning fluorine ions in tantalum niobium hydroxide, method for recovering tantalum and niobium from tantalum-niobium alloy and method for preventing agglomeration in sintering process of tantalum and niobium material, and received government at various levels granted of over RMB10.0 million, which were the highest government grants ever received by the Company by far. Such technologies belonged to the new extraction skill which reached the advanced level in the industry. It achieved a significant decrease on consumption of auxiliary materials, whereby reducing the production cost and alleviating the pressure from environmental protection. Their successful application to the washing water recycling projects enabled washing water recycling rate to reach 75%, which signified that the Company became the first manufacturer in the industry to utilise such technologies. In addition, the reformation on production technologies has also made great progress. The production technology of high purity niobium pentoxide for lithium battery materials, the production technology for industrial spherical niobium pentoxide, as well as the organic technology for optimisation of extraction and refinement, the extraction pickling process, and the technology of utilisation of fluoride salt original solution instead of sulphuric acid for the treatment system of integrated recovery workshop exhaust gas have been developed.

The Group has always emphasized on the importance of environmental protection, and research and development. It will continue to consolidate its leading position in the tantalum and niobium hydrometallurgy industry, keeps enhancing corporate social responsibility and commitment, and focuses on issues related to environment, society and governance in order to create long-term shareholders’ value for all shareholders and realize the Group’s mission to “exploiting rare resources and creating a better world”.

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GROUP PROFILE

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 May 2017. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares (the "**Shares**") on the main board of the Stock Exchange, the Company has become the holding company of the Group for the purpose of listing and holds the entire interests of three subsidiaries, namely, Xinjia Group Limited, Xite Group Limited and Guangdong Zhiyuan New Material Co., Ltd. ("**Zhiyuan New Material**") (廣東致遠新材料有限公司) (collectively the "**Group**"). The Shares of the Company were listed on the main board of the Stock Exchange on 12 March 2020. It is a new milestone for the business development of the Group. It helps the Group enhance its corporate image and status, consolidate the Group's capital and shareholding structure, so as to further expand its business.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and sale of non-ferrous metal products and the provision of processing service to customers. The Group is a producer of tantalum and niobium-based metallurgical products in China and one of the earliest non-state-owned market participants in this industry.

The principal products of the Group are tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. The Group processes products into varying purity levels and specifications in order to meet the requirements for different end products. In addition, the Group sells processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. Moreover, we provide services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate.

The history of the Group started on 9 May 2006, when Zhiyuan New Material was established in Yingde, Guangdong Province, the People's Republic of China (the "**PRC**") by Fogang Jiata Metal Co., Ltd.* (佛岡佳特金屬有限公司) (a company which was principally engaged in the production and trading of tantalum and niobium-based metallurgical products) and Jiata International Limited (賽特國際有限公司). Zhiyuan New Material was principally engaged in the production and sale of tantalum and niobium-based metallurgical products. The Group conducted substantially all of its business operations through Zhiyuan New Material, its PRC subsidiary.

Since its establishment in 2006, the Group has been focusing on the production and sales of tantalum and niobium-based metallurgical products, and has gradually expanded our production and operations to become one of the 15 major market players in the tantalum and niobium-based metallurgy industry in China. In terms of total output for external sales during the Reporting Period, the Group is the largest producer of tantalum and niobium-based hydrometallurgical products in China for three consecutive years from 2016 to 2018, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for 2016, 2017 and 2018, respectively.

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A. ENVIRONMENTAL PROTECTION

A1. Emissions

The Group always attaches great importance to compliance with laws and regulations and has been strictly abiding by relevant national environmental laws and regulations, including “DB44_27-2001_Emission Limits of Air Pollutants” (《DB44_27-2001_大氣污染物排放限值》), “Emission Standard of Air Pollutants for Boilers” (《鍋爐大氣污染物排放標準》), “Discharge Limits of Water Pollutants DB44-26-2001” (《水污染物排放限值 DB44-26-2001》) and “National Hazardous Waste List” (《國家危險廢物名錄》). Furthermore, in the hopes of creating a resource-saving and environment-friendly enterprise together, the Group has formulated an “Environment Management System” (《環境管理制度》), which is led by the general manager, to achieve high efficiency in the use of resources, conversion of energy and recycling of waste and encourage employees to proactively participate in environmental protection activities.

During the Reporting Period, emissions of the Group and their respective data are as follows:

Types of Emissions	Name	Quantity
Greenhouse gas	CO ₂	Minimal, no significant impact on the environment.
Exhaust gas	Fluoride	1,585kg
	Ammonia	439kg
	SO ₂	1.44kg
	NO _x	186kg
	Natural gas	104,662 cubic meters
	Diesel	Minimal, no significant impact on the environment.
	Vehicle emission	Minimal, no significant impact on the environment.
	Exhaust gas	Minimal, no significant impact on the environment.
Waste water	Dust	Minimal, no significant impact on the environment.
	Waste water after-treatment	46,365 tonnes
	Tap water	46,365 tonnes
Hazardous solid wastes	Acid slag	35.63 tonnes
	Neutralized slag	11,000 cubic meters
Non-hazardous solid wastes	Domestic waste	No total amount was calculated as the waste is not subject to any specific method of waste management. Domestic waste is collected and cleaned up regularly by municipal authorities.

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The Group's greenhouse gas emissions are as follows:

Indicator	Unit	Emissions
Direct greenhouse gas emissions (Scope 1) (Note 1)	tCO ₂ e	—
Energy indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	10,040
Other indirect greenhouse gas emissions (Scope 3) (Note 2)	tCO ₂ e	—
Total greenhouse gas emissions (Scope 1, 2 and 3)	tCO ₂ e	10,040
Total greenhouse gas emissions intensity (Note 3)	tCO ₂ e	6.86

Notes:

1. The Group's operation involves the use of low amount of diesel (for boilers and motor vehicles in the plant) and natural gas (for drying and calcination). Due to its small scale, it had no significant impact on the environment. Therefore, the Group did not generate significant amount of Scope 1 greenhouse gas emission.
2. In view of the low frequency of business travel of the Group's employees, the Group did not generate significant amount of Scope 3 greenhouse gas emission.
3. Calculating based on 1,464 tonnes, the number of finished products of the Group for the year ended 31 December 2019.

During the Reporting Period, the Group's only greenhouse gas emission was the carbon dioxide generated from the combustion of diesel and natural gas, while the emissions were minimal. The Group's production area was mainly greening, which converted greenhouse gas into biomass through the assimilation of trees, without causing significant pollution and impact on the environment.

During the ordinary course of the Group's production, the total emission of exhaust gas was approximately 702.3499 million m³, including fluoride, ammonia, SO₂ and NO_x. The disorganized exhaust gas was mainly from the flow and circulation of materials in the tanks, and produced gas escaping from the tank. The organized exhaust gas mainly came from the exhaust gas produced by the reaction in the tank. To reduce emissions, the Group had replaced the exhaust gas treatment system to prevent the system from ageing, which reduced disorganized emissions. The organized exhaust gas emission met the national emission standards.

During the ordinary course of the Group's production, the total discharge amount of wastewater produced was 46,365 tonnes, which met the sewage discharge standards of the environmental protection department. The wastewater was mainly from post-treatment of wastewater and tap water. The Group used the neutralization and precipitation process of acid-base for wastewater treatment. The Group added a fluoride salt recovery system, which could reduce the discharge of harmful waste in the wastewater and increase economic benefits by reconverting and extracting fluoride salt wastewater into fluoride salt products through chemical reaction. On the premise of increasing output, the effect of reducing fluoride emissions from wastewater was very significant. With the current 300% increase in product production, fluoride emissions from wastewater would increase by only 10%. The Group carried out equipment adjustment and technical transformation, so as to improve the reuse rate of water resources and reduce pollution.

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In the ordinary course of the Group's production, a new extraction skill reaching the advanced level in the industry was applied. It effectively reduced the sulfate in the niobium liquid, which facilitated a good separation between tantalum and niobium, such that a level of 20ppm of tantalum in niobium, and of niobium in tantalum, was realised. It also achieved a significant decrease on consumption of auxiliary materials, which favoured the resource treatment of alkaline wastewater, whereby reducing the production cost and alleviating the pressure from environmental protection. With the successful implementation of washing water recycling project, the washing water recycling rate reached 75%. We became the first manufacturer in the industry to utilise such technology, and had attained remarkable results. The Group improved the efficiency of resource recycling through technological improvement, which is of great benefit to environmental protection.

The reformation on production technology also made big progress in terms of environmental protection. The Group developed the production technology of high purity niobium pentoxide for lithium battery materials, the production technology for industrial spherical niobium pentoxide, as well as the organic technology for optimisation of extraction and refinement, the extraction pickling process, and the technology of utilisation of fluoride salt original solution instead of sulphuric acid for the treatment system of integrated recovery workshop exhaust gas. These significantly reduced the pollution to air and the impact to environment. The Group believes that apart from developing technology to make resources reusable and recyclable, waste reduction at source is also an effective environmental protection method.

During the Reporting Period, the Group discharged a total of 35.63 tonnes of hazardous waste of acid soluble residue, which was temporarily stored in the warehouse, meeting the relevant standards and requirements. The Group has implemented a series of emission reduction measures, such as purchasing high-grade ore and recycling other available substances from the waste residue like tin concentrate to reduce emission, which has achieved remarkable results. At present, the Department of Environment of Guangdong Province is planning to set up a unit to deal with this kind of hazardous waste and has signed a letter of intent with the Group.

During the Reporting Period, the Group adopted the principles of collection, storage, in-plant transportation and utilization for the discharge of harmless wastes, which must be treated by preventing scattering, loss and leakage. The non-hazardous waste of the Group were primarily domestic waste and were mainly generated by employees living in the Company. Our staff classified domestic waste into recyclable and non-recyclable, then handed over such wastes to the municipal domestic waste treatment department for disposal. The Group actively promotes the awareness of environmental protection, encourages and educates employees to practice recycling, reducing consumption and making the best use of materials in their daily life, so as to reduce the generation of domestic waste and establish a clean and healthy working environment.

Three types of products produced by recycling our waste materials, namely tin hydroxide, potassium fluorosilicate and tungsten acid, are available for sale, which not only makes good use of resources and reduces waste, but also generates revenue for the Group.

In addition, the Group invites the monitoring department of the Environmental Protection Bureau and third-party inspection agency to our plant for annual monitoring, to continuously improve and strengthen our supervision and management of environmental quality.

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The Group is committed to supporting the environmental sustainability and our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group adheres to the principles of recycling and waste reduction. It implements various green office practices such as posting up labels of energy conservation benefits, adjusting office air conditioners to 26 degree Celsius, double-sided printing and copying, setting up recycling bins, advocating using of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group will review its environmental practice from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3R's — Reduce, Recycle and Reuse and enhance environmental sustainability.

A2. Use of Resources

The Group commits to complying with the laws and regulations related to use of resources, including "Water Law of the PRC" (《中華人民共和國水法》). The Group has also obtained a "Groundwater Collection Permit" (《地下水取水許可證》), demonstrating that both of the amount of water collection and water discharge met the national standard.

Environment-friendly energy used by the Group includes natural gas, while there is only one stove using natural gas at present and the daily usage is 750 cubic meters. The Group intends to continuously increase the use of natural gas and plans to convert the current diesel boiler into a natural gas boiler and add a new natural gas converter.

The indirect energy used by the Group is the electricity purchased, and the total consumption during the Reporting Period was 12 million kWh. To reflect its commitment to environmental protection, the Group has changed some converters to natural gas furnaces. In 2018, the Group completed the replacement of the converter, the main equipment needed for the new production capacity, with the environmentally-friendly natural gas furnace, in the 2,000-ton technical transformation project in an attempt to reduce the electricity consumption as well as labour costs, which has achieved remarkable results. As time goes by, the total electricity consumption will drop more significantly.

During the Reporting Period, the Group's total water consumption was 46,365 tonnes, with an intensity of water consumption of 31.67 tonnes per ton of finished product, which is based on the quantity of 1,464 tonnes of finished products for the Group in 2019. The Group has built a recycling water tank to recycle water and reduce the discharge of wastewater, yielding a remarkable result. The Group has no problem in sourcing water that is fit for purpose. The Company has obtained a water procurement permit, enabling it to source water from a deep well in compliance with the laws and regulations. The Group also reminded employees of water conservation by posting energy conservation labels, encouraged using resources cherished, and advocated for the protection of the environment, which will bring positive returns to personal health, quality of life and economic benefits.

During the Reporting Period, the packaging materials used by the Group included 2,662 pieces of ton bags, 253,503 pieces of PE bags, 25,480 pieces of woven bags, 37kg of packaging rope, and 101 pieces of wrapping films. In order to reduce the use of packaging materials, we try to recycle the ton bags and the clean inner layer of the PE bags as much as possible. In addition, as the material of the packaging bag is plastic, the Company has set up a special storage place for such packaging bags which will be sold until a certain quantity is reached.

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A3. The Environment and Natural Resources

The Group has been committing to protecting the environment and natural resources in strict compliance with all applicable laws, including the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》) and “Law of the PRC on the Promotion of Cleaning Production” (《中華人民共和國清潔生產促進法》). The Group has also formulated the “Guangdong Zhiyuan Cleaning Production Report” (《廣東致遠清潔生產報告》), which provides a number of programs that can help standardize on-site management, enhance the corporate profile, improve the quality of employees and the enthusiasm for clean production, thus comprehensively improving the Company’s integrated management level and employees’ awareness of clean production.

The Group’s business does not have significant impact on the environment and natural resources. As the wastewater and exhaust gas will pollute the environment if the discharged standard is not met, the Group completed a test conducted by Guangdong Heng Rui Environmental Testing Co., Ltd. (廣東恆睿環境檢測有限公司) appointed by the Group on wastewater, and inspected the organized exhaust gas and noise in March of this year, all the results showed that the test limit was not exceeded.

Although the emissions of the Group have met the standards, the Group will still take active measures to minimise the impact on the environment and natural resources, increase the processing capacity of environmental protection facilities, and ensure that employees possess considerable environmental knowledge. The Group has formulated the “Environmental Management System” (《環境管理制度》), which is led by the general manager and for which the deputy general manager of the general manager’s office is responsible for safety and environmental protection. The Group has also established an environmental protection committee, which comprised the general manager, deputy general managers, and the heads of other relevant functional departments and various departments, which is responsible for implementation of relevant laws and regulations, planning and evaluation of environmental protection, and decisions-making and arrangements. In addition, the Group will conduct regular and irregular inspections on production facilities and prevention facilities. The Group will also provide environmental protection training to employees with an assessment system in place, carry out education and publicity, and set up a safety and environmental protection reward plan to distribute rewards to employees who comply with the relevant regulations. For any deficiencies and problems identified, they will be dealt with them seriously. The Group will arrange technicians to regularly calibrate the internal environmental protection testing equipment, acidity meter, and low background $\alpha\beta$ measuring instrument to avoid substandard emission caused by analysis problems. The Company has passed the three certification standards under the ISO.

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B. SOCIETY

B1. Employment

The Group firmly believes that employees are valuable assets for an enterprise. In order to ensure employees' rights and interests, the Group has always abided by the "Labour Law of the PRC" (《中華人民共和國勞動法》), the "Special Rules on the Labour Protection of Female Employees" (《女職工勞動保護特別規定》) and the "Regulations of Guangdong Province on Population and Family Planning" (《廣東省人口與計劃生育條例》). The Group has also formulated the "Remuneration and Welfare Management System" (《薪酬福利管理制度》), the "Human Resources Management System" (《人力資源管理制度》), the "Labour Contract" (《勞動合同》) and the "Attendance and Vocation Management System" (《考勤與假期管理制度》) to build a set of comprehensive personnel management system, striking a balance between labour and capital, so as to enabling employees to serve the Group more effectively.

The Group determines employees' basic remuneration in accordance with market levels, confirms each employee's remuneration grade based on the "Schedule of Employees' Remuneration" (《員工薪酬別表》), and determines employees' remuneration by taking into consideration of the business scale, profit contribution values, ease of operation and management of each unit and department, etc., in combination with the duties and competency factors of each position. The Group recognises the concept of equal opportunities with equal pay for equal work regardless of gender. Remuneration is mainly paid monthly, and performance-related wages is paid periodically according to the position assessment stage. Employees' year-end bonus is paid by the Group based on the results of their year-end performance assessment.

The Group deals with employees' resignation in accordance with the "Human Resources Management System" (《人力資源管理制度》). Employees can submit written resignation application, and after obtaining confirmation from the Human Resources Department, fill in the "Approval Form for Employee Resignation Application" (《員工離職申請審批表》), which will be submitted for signatories of General Manager/Chairman. Employee needs to handle the hand-over affairs and other resignation procedures in his/her last working day and completes the "Approval Form for Employee Resignation Application" (《員工離職申請審批表》) so that the Human Resources Department can settle remuneration, issue the "Certification of Employee Resignation" (《員工離職證明》) and establish employee resignation files. If an employee seriously violates the "Labour Contract" (《勞動合同》), the Company shall be entitled to dismiss such employee without any compensation, provided that such employee shall in principle be noticed with 30 days of written notice in advance, and is given a certain amount of compensation in accordance with relevant national regulations.

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The recruitment procedures of the Group remain to be executed in accordance with the “Human Resources Management System” (《人力資源管理制度》). Whenever recruitment is required, the “Approval Form for Recruitment” (《員工需求審批表》) shall be filled in two months in advance, which will, after checking by the Human Resources and Administration Department, submitted to General Manager/Chairman for approval. The Human Resources and Administration Department will issue recruitment information to internal employees and the society within two working days. Recruitment procedures are divided into internal and external applications. Internal employees can fill in the “Approval Form for Internal Recruitment” (《內部應聘審核表》) for job application. For external applicants, the “Registration Form for Employee Recruitment” (《員工應聘登記表》) shall be filled out. After primary selection taking into consideration of equal opportunities, multiculturalism, and anti-discrimination, the Human Resources and Administration Department will arrange for interview schedule. After confirming to recruit, the Human Resources and Administration Department will issue a written employment notice to applicant. In addition, the Group mainly recruits employees through campus recruitment, job fairs, recruitment websites, and internal referrals. Labour union has been established by employees to protect their legal rights, which assists the Group to achieve economic goals and motivate employees to participate in management decisions.

The Group always attaches great importance to employees based on their talents, and provides promotion opportunities to employees who stand out in year-end assessment results and have outstanding performance at work, relatively high comprehensive capabilities and professional standards, and preferable adaptability and development potential at work. The Group determines promoted positions based on its development needs, and delegates the Human Resources and Administration Department to make appointment after conducting a comprehensive evaluation based on the views of various parties and subject to the people-post matching principle.

The Group operates on a standard working hour system with 8 working hours a day, and at least one day-off a week. The Group determines employees' leaves in accordance with the “Attendance and Leaves Management System” (《考勤與假期管理制度》). Employees are entitled to paid and no-paid leaves, such as compensation leave, annual leave, marriage leave, casual leave, work injury leave, sick leave, bereavement leave, and maternity leave, etc. In order to protect the benefits of female employees, the Group also provides maternity protection in accordance with the “Special Rules on the Labour Protection of Female Employees” (《女職工勞動保護特別規定》) and the “Regulations of Guangdong Province on Population and Family Planning” (《廣東省人口與計劃生育條例》), and female employees are entitled to maternity leave and family planning incentive leave for a total of 178 days. In addition, the Group also provides various benefits such as education subsidies, meal allowances, subsidies for living in mountainous areas, high-temperature subsidies, sports and recreational activities, employee medical examinations, festive welfare, uniforms, travelling allowances and communication subsidies for employees. In accordance with relevant national, provincial and municipal regulations, the Group pays pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, and housing provident fund for employees.

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B2. Health and Safety

The health and safety of employees are the Group's primary consideration. The Group has always abided by the "Production Safety Law of the PRC" (《中華人民共和國安全生產法》), the "Regulations on Production Safety of Guangdong Province" (《廣東省安全生產條例》), and the "Prevention and Control of Occupational Diseases Law of the PRC" (《中華人民共和國職業病防治法》). The Group has formulated the "Compilation of the Rules and Regulations on Production Safety" (《安全生產規章制度彙編》) and the "Compilation of Occupational Health Management Systems" (《職業衛生管理制度彙編》), strictly abiding by national safety technical standards, norms and enterprise production safety regulations; establishing a production safety management system; providing necessary labour, physical and financial resources support; providing safety trainings for all employees; encouraging employees to actively participate in production safety; regularly conducting inspection and assessment, continuously improving, and achieving a long-term mechanism for production safety.

The Group has compiled the "Compilation of Occupational Health Management Systems" (《職業衛生管理制度彙編》), which enables employees to enjoy the right of occupational health protection under the law, strengthens the management, prevention and control of occupational diseases in toxic and hazardous workplaces, eliminates occupational hazards, and protects the health of employees. The Group invites the third-party manufacturers to conduct an on-site inspection of the working environment once a year, and the inspection results meet the requirements of occupational health management. The Group distributes labour protective stuff to employees every month, including common consumables such as masks, gloves, earplugs, etc., to ensure the safety of employees. In addition, according to the requirements of occupational health management, employees shall be examined for occupational health medical check-up to ensure occupational health and safety before, during, and after their employment.

During the Reporting Period, the Group had no cases of work-related fatalities in respect of employees or loss of any working days due to work-related injuries.

B3. Development and Training

The Group attaches great importance to the training of its employees and believes that the long-term growth of the Group depends on the professional knowledge and experience of its employees. In addition to hiring employees in accordance with the "Labour Law" (《勞動法》), the Group also formulated the "Employee Training Regulations" (《員工培訓規定》) and "Employee Hierarchical Customised Training Plan Implementation Rules" (《員工分層定制培訓計劃實施細則》), by which employees not only can improve themselves and keep pace with the times, but also improve the quality of service for the Group. The Group provides regular training programs for employees, including introductory training, safety training and technical training, to enhance their professional skills and knowledge.

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During the Reporting Period, the Group conducted a number of internal training courses, including process operation practice and examinations of different products, key equipment programs and PLC malfunction handling for workshop employees; analysed errors, data processing and digital contract repair rules, safety environment management common sense and practice, safety emergency drills, practice of workshop reduction in cost and increase in efficiency; analysis of typical quality problems and improvement measures. The Group also has hired external instructors to provide training courses, including key details operation practices of eight special operations for workshop employees, fire prevention operation practices for all employees, and target management and performance assessment practices for managers. The Group expects its employees to put their knowledge to meet practical needs, commit life long learning, serve the Group and contribute to the society.

B4. Labour Standards

In order to ensure the balance of labour relations, the Group has always strictly complied with the “Labour Law” (《勞動法》) and “Law on the Protection of Minors” (《未成年人保護法》), and formulated the “Human Resources Management System” (《人力資源管理制度》). To comply strictly with the requirements of the “Human Resources Management System” (《人力資源管理制度》), the Group avoids the mis-employment of child labour and forced labour in the recruitment procedure. The Human Resources and Administration Department will conduct identification check for the applicants’ ID cards at the time of recruitment, including authenticity, expiry, whether the applicant is the ID card holder, and whether it meets the actual age. The Group will never hire the applicants if the information of the applicants and the ID card is found unmatched. For forced labour, the Company strictly abides by the relevant provisions of the “Labour Law” (《勞動法》) and the “Human Resources Management System” (《人力資源管理制度》) to eliminate the situation of forced labour.

B5. Supply Chain Management

The Group strictly abides by the “Contract Law of the PRC” (《中華人民共和國合同法》), “Customs Law of the PRC” (《中華人民共和國海關法》), and the “Law of the PRC on Import and Export Commodity Inspection” (《中華人民共和國進出口商品檢驗法》), and formulates the “Import and Export Management System” (《進出口管理制度》), which aims at clarifying the procedures for import and export business, standardising the operation of import and export business, ensuring the fast customs clearance of goods, and promoting the smooth and orderly development of import and export business. The Group has also formulated the “Business Partner Selection and Security Management Procedures” (《商務合作夥伴選擇與安全管理程序》), providing methods for obtaining security information of supply chain from business partners, evaluating the security status of the supply chain and effectively identifying safe and reliable business partners. Any supplier who does not meet the requirements of the Group must take improvement measures within the time limit. It will only become a qualified partner of the Company after meeting the requirements, otherwise the Group will not adopt or terminate the cooperation. For the loss caused to the Group due to suppliers’ non-compliance with the Group’s requirements, the Group will negotiate with the suppliers for an amiable settlement. If the negotiation fails, the Group will file a lawsuit in accordance with applicable laws and regulations.

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B6. Product Responsibility

The Group strictly abides by “Advertisement Law” (《廣告法》), “Trademark Law” (《商標法》), “Patent Law” (《專利法》) and “Contract Law” (《合同法》), and formulates the “Occupational Health Management Systems” (《職業健康管理體系》), “Intellectual Property Management System” (《知識財產權管理體系》), “Sales System” (《銷售制度》) and “Quality Control System” (《品質管制體系》).

The “Occupational Health Management Systems” (《職業健康管理體系》) formulated by the Group provides employees with a comprehensive occupational health management system, which plays a great role in protecting employees from direct or indirect losses caused by occupational health and safety problems and mitigating the risk of occupational health and safety in business operation, thus making the Company’s operation sustainable and enabling the Company to enhance its profile and better adapt to the market.

The “Intellectual Property Management System” (《知識財產權管理體系》) formulated by the Group is beneficial to the enhancement of the awareness towards intellectual property rights of leaders and all employees of a company, stimulating the enthusiasm for invention and creation. In addition, it promotes our companies to produce new products and technologies with high value-added independent intellectual property rights which will bring rich economic benefits to a company through self-marketing or transfer by technology trade license to others. At the same time, it avoids the risk in relation to intellectual property rights in its operating activities and thus losses in this regard.

The “Sales System” (《銷售制度》) formulates the internal system of regulating sales activities, which provides guides for and restrictions on the sales process, business process, order execution and other specific matters related to sales. The “Sales System” (《銷售制度》) helps to improve product quality, ensure orders and customers’ development needs and enhance customers’ loyalty. Meanwhile, it standardises the market entry qualification and customer recognition, and integrates the process to improve the efficiency of production and operation activities.

The “Quality Control System” (《品質管制體系》) combines the activities management, resource supply, product realisation and measurement, analysis and improvement activities related processes, covering requirements for planning, implementation, supervision, correction and improvement activities during the whole process ranging from customer demand determination, design and research and manufacture, production, inspection, sales and pre-delivery. It standardises the sales process, making the sales activities controlled and efficient. Moreover, the quality control department conducts comprehensive analysis and inspection on the products, and only those which meet the standards would be stocked. Products are packaged and are arranged for inspection before delivery to ensure that their quality has reached the standard.

Sales of the Group’s products are targeted at clients of the Company. To ensure the safety and privacy of clients’ data, the Group has been complying with relevant applicable laws, and strictly perform the obligation according to the confidential provisions in the contract. Unless agreed by the contracting parties, clients’ data, technical information and commercial terms may not be disclosed to external parties.

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B7. Anti-corruption

The Group strictly complies with “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》), “Anti-money Laundering Law of the PRC” (《中華人民共和國反洗錢法》) and the “Rules for Anti-money Laundering by Financial Institutions” (《金融機構反洗錢規定》), and formulated the “Anti-commercial Bribery Agreement” (《反商業賄賂協議》), which clearly specifies the provisions for prevention of bribery, blackmailing, and money laundering. Where legal responsibility, discredit or loss of economic benefit or disorder on production and operation arise on the part of the Company due to staff’s violation of the laws or other regulations of the Company during operation and management, they will be held responsible for.

To prevent corruption from happening, apart from formulation of systems, the Group also conducts education and training for employees to raise their awareness of anti-corruption. The Group also improves education and monitors mutual supervision among its staff. Once any suspicious person is found, the case shall be reported immediately. In addition, the audit department regularly audits various economic activities. The Group has a set of procedures for whistleblowing, encouraging employees to report suspicious corruption case they discovered to the top management of the Company and members of the audit department directly as soon as possible. Employees can report face to face or report by phone directly, or send a report in written to the specific mailbox of the audit department. The Group shall then launch an investigation on the prime suspect, and all the relevant information shall be treated in strict confidence.

In addition, the Group enters into the “Anti-commercial Bribery Agreement” (《反商業賄賂協議》) with partners, including suppliers and customers, and enters into the “Honesty, Integrity and Self-discipline Assurance Statement” (《廉潔自律承諾書》) with employees, adhering to the spirit of agreement and building a clean and honest enterprise together.

During the Reporting Period, no lawsuit related to corruption against the Group or its members were filed or concluded.

B8. Community Investment

To strengthen connection with the communities, the Group expects to understand and deliver its care and make contribution to the communities through community engagement. During the Reporting Period, the Group made a charitable donation of approximately RMB560,000 in total to the communities, and organisations including Red Cross Society of Qingyuan, Red Cross Society of Fengqing County and villagers of Yuanqian Village, the People’s Government of Qiaotou Town in Yingde City. The donations are earmarked for scholarship and faculty fellowship, payment of premium for the rural cooperative medical insurance, elimination of poverty, support for orphans to study at university, celebration of festivals and events, and road and bridge repairment.