

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
2020



CONTENTS

Introduction	2
Group Profile	3
A. Environmental Protection	4
A1. Emissions	4
A2. Use of Resources	7
A3. The Environment and Natural Resources	8
B. Social	9
B1. Employment	9
B2. Health and Safety	11
B3. Development and Training	11
B4. Labour Standards	12
B5. Supply Chain Management	12
B6. Product Responsibility	13
B7. Anti-corruption	14
B8. Community Investment	14
Company Performance and Data	15
— Data on Environmental Performance	15
— Data on Social Performance	16
Content Index to HKEX ESG Reporting Guide	18

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Environmental, Social and Governance Report (the “**Report**”), covering the year from 1 January 2020 to 31 December 2020 (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 “**HKEX**”). 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 environment and society. Each subject area involves the Group’s management strategies, objectives and the relevance to the Group’s business. It also discusses the Group’s achievements in measuring and monitoring its environmental, social and governance performance. The Report will be presented in the principles of materiality, quantification, balance and consistency.

As of December 2020, the Company had a total of 29 authorised patents and 22 patents under review. Through technological advancements, the Company developed and put into application industry-leading new extraction processes and a series of process iteration measures, which greatly reduced accessories consumption and production cost. We managed to develop niobium pentoxide for the application in lithium niobate crystal and lithium battery materials as well as tantalum pentoxide for the application in evaporation coating, further elevating our market share. As a result, the Company was rated as a “Professional, Advanced and Specialised New Enterprise of Guangdong Province*” (廣東省專精特新企業) and an “IP Demonstration Enterprise of Guangdong Province*” (廣東省智慧財產權示範企業) and a pilot enterprise under the “Scheme of Supporting Excellence*” (扶優計劃) of Qingyuan City, with subsidies from governments at various levels exceeding RMB10 million.

The Group has always emphasised 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, keep enhancing corporate social responsibility and commitment, and focus on issues related to environment, society and governance in order to create long-term value for all shareholders and deliver on its commitment to “exploiting rare resources and creating a better world”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 HKEX, the Company has become the holding company of the Group for the purpose of the listing and holds the entire interests of three subsidiaries, namely, Xinjia Group Limited, Ximei Resources (Hong Kong) Limited (formerly known as Xite Group Limited) and Ximei Resources (Guangdong) Limited* ("**Ximei Guangdong**") (formerly known as Guangdong Zhiyuan New Material Co., Ltd.*), which has two wholly-owned subsidiaries (Guizhou Company and Hainan Company) and one joint venture company (Hunan Zhonghe Company) (collectively the "**Group**"). The Shares of the Company were listed on the Main Board of HKEX 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 and 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 metallurgical products and the provision of processing service to customers. We also sell such tantalum and niobium-based metal products as tantalum powder, tantalum bars, niobium bars and niobium powder. The Group is a producer of tantalum and niobium-based metallurgical products in China, one of the earliest non-state-owned market participants in this industry, and the largest producer of tantalum and niobium-based hydrometallurgical products in China¹.

The principal products of the Group are pentoxide products (including tantalum pentoxide and 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 Ximei Guangdong was established in Yingde, Guangdong Province, the People's Republic of China (the "**PRC**"). Ximei Guangdong 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 Ximei Guangdong, 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 its 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 was 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.

* For identification purposes only

¹ Reference is made to the data from 2018 Industry Report by China Insights Consultancy Limited (灼識企業管理諮詢(上海)有限公司)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GROUP PROFILE (Continued)

During the year ended 31 December 2020, we were conferred the title of “Professional, Advanced, and Specialised New SME of Guangdong Province in 2020*” (二零二零年廣東省專精特新中小企業) by the Department of Industry and Information Technology of Guangdong Province, “Doctoral Workstation of Guangdong Province*” (廣東省博士工作站) by the Human Resources and Social Security Department of Guangdong Province, the certificate of “Excellent Technological Achievements of Guangdong Province in 2019*” (2019年度廣東省優秀科技成果) by the Department of Science and Technology of Guangdong Province, the title of “IP Demonstration Enterprise of Guangdong Province in 2020*” (2020年度廣東省知識產權示範企業) by Guangdong IP Protection Association and the title of “Advanced Unit for Work on Human Capital of Yingde City in 2019*” (英德市二零一九年度人才工作先進單位) by the Human Capital Working Team of Yingde City* (英德市人才工作小組).

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 hope 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, the Group’s exhaust gas and wastewater emission data are as follows:

Types of Emissions	Name	Quantity
Exhaust gas	Fluoride	763.2KG
	Ammonia	474.3KG
	SO ₂	208.6KG
	NO _x	2,758.3KG
	Natural gas	110,000 m ³
	Diesel	Minimal, with no significant impact on the environment.
	Vehicle emission	Minimal, with no significant impact on the environment.
	Exhaust fumes	Minimal, with no significant impact on the environment.
	Dust	Minimal, with no significant impact on the environment.
Wastewater	Wastewater after-treatment	44,569 tonnes
	Tap water	44,569 tonnes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1. Emissions (Continued)

During the Reporting Period, the Group's only greenhouse gas emission was the carbon dioxide generated from the combustion of diesel and natural gas, with minimal emissions. The Group's production area is mainly greenery, which converts 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 exhaust gas emitted included fluoride, ammonia, SO₂ and NO_x. The disorganised exhaust gas was mainly from the flow and circulation of materials in the tanks, which produced gas escaping from the tank. The organised 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 disorganised emissions. The organised 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 45,690 tonnes, which met the sewage discharge standards of environmental protection authorities. The wastewater was mainly from after-treatment of wastewater and tap water. The Group used the neutralisation and precipitation process of acid-base for wastewater treatment. The Group added a fluoride salt recovery system, which could reduce the discharge of hazardous waste in the wastewater and increase economic benefits by reconvertng 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. The Group carried out equipment adjustment and technical transformation, so as to improve the reuse rate of water resources and reduce pollution.

During the ordinary course of its production, the Group put into application a new industry-leading extraction process that could effectively reduce the sulfate in niobium liquid and properly separate tantalum from niobium. The process significantly reduced accessories consumption and favoured the resource treatment of alkaline wastewater, whereby reducing production cost and alleviating the pressure on environmental protection. With successful implementation of the washing water recycling project, the washing water recycling rate reached 75%. We became the first company in the industry to utilise such technology, and attained remarkable results. The Group has improved the efficiency of resource recycling through technological improvement, which is of great benefit to environmental protection.

In respect of the innovation of production technology, we also made major progress in 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, the organic technology for optimisation of extraction and refinement, the extraction pickling process, and the technology of utilising fluoride salt original solution instead of sulphuric acid for the exhaust gas treatment system of integrated recovery workshops. These initiatives significantly reduced its air pollution and environmental impact. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1. Emissions (Continued)

During the Reporting Period, the Group discharged a total of 74.1 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 such as 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 handle this type 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 recycling for the discharge of non-hazardous wastes, which must be treated by preventing scattering, loss and leakage. The non-hazardous waste of the Group was primarily domestic waste and mainly generated by employees living in the Company. Domestic waste was classified into recyclable and non-recyclable by our staff, and it would then be handed over to the municipal domestic waste processing department for processing. The Group actively promotes the awareness of environmental protection, encourages and educates employees to practice recycling, reduce consumption and make 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 agencies to our plant for annual monitoring, to continuously improve and strengthen our supervision and management of environmental quality.

The Group is committed to supporting environmental sustainability, and our commitment to protecting the environment is well reflected by our continuous efforts in promoting green measures and awareness. The Group encourages environmental protection and promotes the awareness of environmental protection amongst the employees. The Group adheres to the principles of recycling and waste reduction. It implements various green office practices such as posting labels of energy efficiency, adjusting office air conditioners to 26 degree Celsius, double-sided printing and copying, setting up recycling bins, advocating the use 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 to 3Rs — Reduce, Recycle and Reuse and enhance environmental sustainability.

Information on emissions is set out in "Company Performance and Data" on Page 15 of this report.

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 the amount of water collection and that of water discharge met the national standard.

Environment-friendly energy used by the Group includes natural gas. 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 13.14 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 converters, the main equipment needed for new production capacity, with more environmentally-friendly natural gas furnaces, in the technical transformation project in an attempt to reduce electricity consumption and 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 45,690 tonnes, with an intensity of water consumption of 27.25 tonnes per tonne of finished products, which was based on the quantity of 1,677 tonnes of finished products for the Group in 2020. 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 laws and regulations. The Group also reminded its employees of water conservation by posting energy conservation labels, encouraging the cherishing of resources and advocating environmental protection, 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 approximately 200,000 bags, approximately 35,000 pail packs, totalling approximately 59 tonnes. 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 bags is plastic, the Company has set up a special storage place for such bags which will be sold when a certain quantity is reached.

Information on use of resources is set out in “Company Performance and Data” on Page 15 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. The Environment and Natural Resources

The Group has been committed 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 Clean Production” (《中華人民共和國清潔生產促進法》). The Group has also formulated “Ximei Guangdong Clean Production Report” (《稀美廣東清潔生產報告》), which provides a number of programmes that can help standardise 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 the employees’ awareness of clean production.

The Group’s business does not have a significant impact on the environment and natural resources. As wastewater and exhaust gas will pollute the environment if the discharge standard is not met. The Group has appointed Guangdong Heng Rui Environmental Testing Co., Ltd. (廣東恆睿環境檢測有限公司) to test the wastewater, organised exhaust gas and noise in June of this year, all the results of which showed that the test limits were 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 comprises 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 decision-making and arrangement. 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 seriously dealt with. The Group will arrange technicians to regularly calibrate the internal environmental protection testing equipment, acidity meters, and low background $\alpha\beta$ measuring instruments to avoid substandard emission caused by analysis problems. The Company has passed the three certification standards under the ISO.

B. SOCIAL

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 Vacation Management System" (《考勤與假期管理制度》) to build a set of comprehensive personnel management systems, 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, level of difficulty 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 wage 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. Employees need to handle the hand-over affairs and other resignation procedures on their last working day and complete 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 Law" (《勞動合同法》) and regulations of the Company, the Company shall dismiss such employee in accordance with the "Labour Contract Law" (《勞動合同法》), provided that such employee shall in principle be notified with 30 days of written notice in advance, and is given a certain amount of economic compensation in accordance with relevant national regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1. Employment (Continued)

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 two months in advance, which will, after checking by the Human Resources and Administration Department, be submitted to General Manager/Chairman for approval. The Human Resources and Administration Department will issue recruitment information to internal employees and society within two working days. Recruitment procedures are divided into internal and external application. For 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 an interview schedule. After confirming recruitment, the Human Resources and Administration Department will issue a written employment notice to the applicant. In addition, the Group mainly recruits employees through campus recruitment, job fairs, recruitment websites, and internal referrals. A 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 values employees based on their merits, 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 has on a standard working hour system in place 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-pay leaves, such as compensation leave, annual leave, marriage leave, casual leave, work injury leave, sick leave, bereavement leave, 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 and travelling allowances for employees. In accordance with relevant national, provincial and municipal regulations, the Group makes contributions to pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, and housing provident fund for employees.

Information on employment is set out in “Data on Social Performance” on Page 16 of this report.

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 enabled employees to enjoy the right of occupational health protection under the law, strengthened the management, prevention and control of occupational diseases in toxic and hazardous workplaces, eliminated occupational hazards, and protected the health of employees. The Group invited the third-party manufacturers to conduct an on-site inspection of the working environment once a year, and the inspection results met the requirements of occupational health management. The Group distributes labour protective supplies to employees every month, including common consumables such as masks, gloves and earplugs, to ensure the safety of employees. In addition, according to the requirements of occupational health management, employees shall undergo occupational health medical check-ups before, during, and after their employment to ensure occupational health and safety.

Information on health and safety is set out in "Data on Social Performance" on Page 17 of this report.

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 the "Implementation Rules for Hierarchical Customised Employee Training Plans" (《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 their 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training (Continued)

During the Reporting Period, the Group provided a number of internal training courses, including process operation practice and examinations of different products for workshop staff, practical operation and examinations of operating procedures, training on the physical properties and production control overview of niobium pentoxide, workshop, quality and safety and environmental systems, common sense and practice on safety and environment management, safety emergency drills, training on workshop 5s management, analysis of typical quality issues and improvement measures. The Group has also hired external instructors to provide training courses and engaged third-party training and management institutions to coach employees, with an emphasis on the tutoring of on-site 5s, quality improvement and strategic decoding, and providing target management and performance assessment practice to management staff. The Group expects its employees to use their knowledge to meet practical needs, commit lifelong learning, serve the Group and contribute to society.

Information on development and training is set out in “Data on Social Performance” on Page 17 of this report.

B4. Labour Standards

In order to ensure the balance of labour relations, the Group has always strictly complied with the “Labour Contract Law” (《勞動合同法》) 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 employing child labour and forced labour by mistake in the recruitment procedure. The Human Resources and Administration Department will perform the procedure of verifying the applicants’ ID cards at the time of recruitment, including authenticity, expiry, whether the applicant is the ID card holder, whether it matches with the actual age, as well as background investigation for certain key positions. The Group will never hire the applicants if their information do not correspond to the information on their ID cards. For forced labour, the Company strictly abides by the relevant provisions of the “Labour Contract Law” (《勞動合同法》) and the “Human Resources Management System” (《人力資源管理制度》) to eliminate 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 conducting 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 chains from business partners, evaluating the security status of supply chains 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 accept 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 amiable settlement. If negotiation fails, the Group will file a lawsuit in accordance with applicable laws and regulations.

Information on supply chain management is set out in “Data on Social Performance” on Page 17 of this report.

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 has formulated the “Occupational Health Management System” (《職業健康管理體系》), “Intellectual Property Management System” (《知識產權管理體系》), “Sales System” (《銷售制度》) and “Quality Control System” (《品質管制體系》).

The “Occupational Health Management System” (《職業健康管理體系》) formulated by the Group provides employees with consummate occupational health management, 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 of technology trade license to others. At the same time, it avoids the risk in relation to intellectual property rights in its operating activities and the resulting losses in this regard.

The “Sales System” (《銷售制度》) sets out the internal system for 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 market entry qualification and customer recognition, and integrates the process to improve the efficiency of production and operation activities.

Under the “Quality Control System” (《品質管制體系》), the Group combines the processes relating to management activities, resource supply, product realisation and measurement, analysis and improvement activities, 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 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 arranged for inspection before delivery to ensure that their quality has reached the standards.

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 performing 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.

Information on product responsibility is set out in “Data on Social Performance” on Page 17 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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, extortion 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 an employee’s violation of laws or other regulations of the Company during operation and management, such employee will be held responsible.

To prevent corruption, 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 cases 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 writing to the special mailbox of the audit department. The Group shall then launch an investigation into 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 corporate culture of integrity and honesty together.

Information on anti-corruption is set out in “Data on Social Performance” on Page 17 of this report.

B8. Community Investment

To strengthen its connection with communities, the Group expects to understand, deliver its care and make contribution to communities through community engagement. During the Reporting Period, the Group made charitable donations of approximately RMB381,000 in total to communities, with the beneficiaries including the Red Cross Society of Qingyuan City, the Red Cross Society of Fengqing County and the villagers of Yuanqian Village, the People’s Government of Qiaotou Town in Yingde City. The donations were earmarked for scholarship and faculty fellowship, payment of premium for rural cooperative medical insurance, poverty relief, support for orphans to study at universities, celebration of festivals and events, and road and bridge repairment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMPANY PERFORMANCE AND DATA

The Group's data on environmental performance and social indicators are as follows:

Data on Environmental Performance

Item	HKEX KPI	Unit	2020
Greenhouse gas	A1.2		
Direct emissions (Scope 1) (Note 1)		tCO ₂ e	—
Greenhouse gas reduction (Scope 1)		tCO ₂ e	—
Indirect emissions (Scope 2)		tCO ₂ e	10,994
Other indirect greenhouse gas emissions (Scope 3) (Note 2)		tCO ₂ e	—
Direct and indirect emissions (Scopes 1, 2 and 3)			
— in total (Scopes 1, 2 and 3)		tCO ₂ e	10,994
— in density (Scopes 1, 2 and 3)		tCO ₂ e/tonne of finished product	6.56
Hazardous waste	A1.3		
— in total		tonnes	74.1
— in density		tonnes/tonne of finished product	0.04
Non-hazardous waste (Note 3)	A1.4		
— in total		tonnes	—
— in density		tonnes/tonne of finished product	—
Energy consumption	A2.1		
Purchase of electricity		kWh	13,140,000
Fuel combustion		kWh	1,144,725
— in total		kWh	14,284,725
— in density		kWh/tonne of finished product	8,518
Water consumption	A2.2		
— in total		m ³	45,690
— in density		m ³ /tonne of finished product	27.25
Packaging material	A2.5		
— in total		tonnes	59
— in density		tonnes/tonne of finished product	0.04

Notes:

- Given that the Group's operation involved little fuel consumption, the Group did not generate significant amounts of greenhouse gas emission under Scope 1.
- Given the small amount of business travel by the Group's employees, the Group did not generate significant amounts of greenhouse gas emission under Scope 3.
- Non-hazardous waste was primarily domestic waste. There was no total volume for statistical purpose as it was not subject to any specific form of waste management. Domestic waste was classified into recyclable and non-recyclable by our staff, and it would then be handed over to the municipal domestic waste processing department for processing.
- Calculated based on 1,677 tonnes of finished products of the Group for the year ended 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data on Social Performance

Item	HKEX KPI	2020
Employees	B1.1	
Total number of employees		261
By gender		
Male		209
Female		52
By type of employment		
Full-time		209
Part-time		52
By category of employees		
Senior management		16
Middle management		21
General and technical staff		224
By age group		
30 and below		60
31–40		113
41–50		76
51 and above		12
By geographical region		
Mainland China		261
Other regions		0
Turnover and Turnover Rate (%)	B1.2	
By gender		
Male		13 (6.22%)
Female		7 (13.46%)
By age group		
30 and below		8 (13.33%)
31–40		10 (8.85%)
41–50		2 (2.63%)
51 and above		0 (0%)
By geographical region		
Mainland China		20 (7.66%)
Other regions		0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data on Social Performance (Continued)

Item	HKEX KPI	2020
Health and Safety		
Number and rate of work-related fatalities	B2.1	0 (0%)
Lost days due to work injury	B2.2	80
Development and Training		
Total number and percentage of staff received training	B3.1	
By gender		
Male		209 (80.1%)
Female		52 (19.9%)
By category of employees		
Senior management		16 (6.1%)
Middle management		21 (8.0%)
General and technical staff		224 (85.8%)
Average training hours completed per employee	B3.2	
By gender		
Male		6.0
Female		4.0
By category of employees		
Senior management		5.8
Middle management		4.7
General and technical staff		5.7
Number of suppliers by geographical region		
	B5.1	
Mainland China		59
Other regions		0
Number of suppliers subject to employment practices		
	B5.2	12
Product Responsibility		
Of the total number of products sold or shipped		
— Percentage subject to recalls for safety and health reasons	B6.1	0%
— Number of complaints received in relation to products and services	B6.2	14
Anti-corruption		
Legal cases filed/concluded regarding corruption	B7.1	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE

HKEX KPIs

Aspect	Disclosure	Reference and explanation to disclosure	
A. Environment			
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 exhaust gas and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. Note: Exhaust gas 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 under national regulations.	Page 4
	KPI A1.1	The types of emissions and respective emissions data.	Pages 4, 5 and 6, and Page 15 of Data on Environmental Performance
	KPI A1.2	Total volume of greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 15 of Data on Environmental Performance
	KPI A1.3	Total volume of hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 15 of Data on Environmental Performance
	KPI A1.4	Total volume of non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 15 of Data on Environmental Performance
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Page 5 and 6
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives, and results achieved.	Page 5 and 6

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE (Continued)

HKEX KPIs (Continued)

Aspect	Disclosure	Reference and explanation to disclosure
A2: Use of Resources	General Disclosure	Policies on effective use of resources, including energy, water and other raw materials. Note: Resources may be used in production, storage, transportation, buildings, and electronic equipment, etc.
	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).
	KPI A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility).
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, initiatives to enhance water efficiency, and results achieved.
	KPI A2.5	Total volume of packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources, and the actions taken to manage them.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE (Continued)

HKEX KPIs (Continued)

Aspect	Disclosure	Reference and explanation to disclosure
B. Society		
Employment and Labour Practices		
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, leave entitlement, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Pages 9 and 10
	KPI B1.1	Total number of employees by gender, type of employment, age group, and geographical region. Page 16 of Data on Social Performance
	KPI B1.2	Employee turnover rate by gender, age group, and geographical region. Page 16 of Data on Social Performance
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 provision of a safe working environment, and protecting employees from occupational hazards. Page 11
	KPI B2.1	Number and rate of work-related fatalities. Page 17 of Data on Social Performance
	KPI B2.2	Lost of working days due to work injury. Page 17 of Data on Social Performance
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored. Page 11

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE (Continued)

HKEX KPIs (Continued)

Aspect	Disclosure	Reference and explanation to disclosure	
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training, which may include internal and external courses paid by employer.	Pages 11 and 12
	KPI B3.1	The percentage of employees received training by gender and category of employees (e.g. senior management, and middle management).	Page 17 of Data on Social Performance
	KPI B3.2	The average training hours completed per employee by gender and category of employees.	Page 17 of Data on Social Performance
	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 prevention of child and forced labour.
	KPI B4.1	Description of measures to review recruitment practices to avoid child and forced labour.	Page 12
	KPI B4.2	Description of steps taken to eliminate violations once identified.	Page 12
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 12
	KPI B5.1	Number of suppliers by geographical region.	Page 17 of Data on Social Performance
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers by whom the practices are implemented, and how they are implemented and monitored.	Page 17 of Data on Social Performance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX TO HKEX ESG REPORTING GUIDE (Continued)

HKEX KPIs (Continued)

Aspect	Disclosure	Reference and explanation to disclosure	
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.	Page 13
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 17 of Data on Social Performance
	KPI B6.2	Number of complaints received relating to products and services and how they are dealt with.	Page 17 of Data on Social Performance
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 13
	KPI B6.4	Description of quality assurance process and recall procedures.	Page 13
	KPI B6.5	Description of consumers' data protection and privacy policies, and how they are implemented and monitored.	Page 13
B7: Anti-corruption	General Disclosure	Information on: (c) the policies; and (d) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 14
	KPI B7.1	Number of concluded legal cases on corruption brought against the issuer or its employees during the Year and the outcomes of the cases.	Page 17 of Data on Social Performance
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 14
Community 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 taking into consideration the communities' interests.	Page 14
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, and sports).	Page 14
	KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	Page 14