



中發展控股有限公司

CENTRAL DEVELOPMENT HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 00475



ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT  
**2018/19**

# CONTENTS

3 ABOUT  
THE GROUP

4 ABOUT  
THE REPORT

5 MESSAGE FROM  
THE DIRECTORS

6 GOVERNANCE  
STRUCTURE AND RISK  
MANAGEMENT

7 COMMUNICATION  
WITH THE  
STAKEHOLDERS

8 CREATING  
A GREEN  
ENVIRONMENT



CENTRAL DEVELOPMENT HOLDINGS LIMITED  
ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT  
**2018/19**

**12** CREATING  
VALUES  
FOR STAFF

**16** BUSINESS  
INTEGRITY

**18** COMMUNITY  
CREATION

**19** SUMMARY OF  
KEY PERFORMANCE  
INDICATORS

**21** ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE (ESG)  
REPORTING GUIDE







## ABOUT THE GROUP

Central Development Holdings Limited (formerly known as “Zhong Fa Zhan Holdings Limited”) (the “Company”) and its subsidiaries (collectively “Central Development” or the “Group”) are mainly engaged in the solar energy business and jewelry business.



### SOLAR ENERGY BUSINESS

The Group has been actively developing the solar energy business since 2015, and always insists on using intelligent technology to enhance our competitiveness and influence in the market. Our business customers are mainly from Hong Kong and Mainland China, which accounted for 9% and 91% of the overall segment sales during the Reporting Period, respectively. Apart from the patent use right of solar cooling intelligent technology used in CoolStore thermal cooling-stored pipes, the Group further obtained 10 15-year patent use rights during the Year and successfully expanded its market share and customer base. Central Development will continue to leverage on the patent use rights as well as self-developed intelligent technology to develop the solar energy business and expand its market share.

During the Reporting Period, the Group has acquired Yuyao Land and Factory. The new factory, with a gross floor area of 27,250 square meters, enables us to handle orders more flexibly along with sub-contracting arrangement with contractors. Our offices are located in Yuyao, Hangzhou, Beijing, Taizhou, Nanjing, Hong Kong and the US.

The Group resumed the jewelry business in Hong Kong in 2018 and continued to engage in providing products to jewelry distributors and retailing customers in the PRC, which accounted for 41% and 59% of the overall segment sales during the Reporting Period, respectively. The Group has increased the headcount and quality of the sales force enabling the Group to develop more flexible and effective sales strategies. The Group is also considering to explore further business opportunities and open new sales channels for our products.





## ABOUT THE REPORT

This report is the third “Environmental, Social and Governance (ESG) Report” published by the Group, which enables every stakeholder to better understand the Group’s progress and development in terms of sustainable development by covering the policies, measures and performance of the Group in environmental protection, social care and corporate governance aspects. This report is prepared in both Chinese and English and available at the websites of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company (<http://www.475hk.com>).

### SCOPE OF THE REPORT

This report presents the ESG performance of the Group for the financial year from 1 April 2018 to 31 March 2019 (the “Reporting Period” or “2018/19”). Same as the report last year, this report focuses on the operation of the solar energy business in the factory located at Yuyao City, Zhejiang Province (“Yuyao Factory”) <sup>1</sup> and its office (“Yuyao Office”). This report neither covered the Group’s other operation points and operations in other districts nor operations of other businesses other than the solar energy business (i.e. jewelry business). The Group has nevertheless been continuously improving its

internal data collection procedures in a bid to expand the scope of disclosure.

### REPORTING STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance (ESG) Reporting Guide” (the “Guide”) set out in the Appendix 27 to the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, and adopts four reporting principles of Materiality, Quantitative, Balance and Consistency as the basis of preparation. In order to make stakeholders fully understand our ESG performance, this report discloses environmental key performance indicators (KPI) in compliance with the “comply or explain” requirements, and also includes certain social KPIs in the “Recommended Disclosures” section of the Guide. A complete index is appended in the last chapter hereof for easy reference.

### CONFIRMATION AND APPROVAL

The Group has established procedures for internal control and formal review to make sure all information included in this report is accurate and reliable. This report has been reviewed and approved by the board of directors on October 2019.

### FEEDBACK

The Group values the opinions of its stakeholders. If you have any question or recommendation about this report, you are welcome to contact the Group through the following methods:

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<sup>1</sup> Yuyao Factory includes the temporary factory in Yuyao and the factory newly built in Yuyao. The operation of the factory is conducted by Ningbo Shenggu Energy Reservation Technology Co., Ltd.\* (寧波升谷節能科技有限公司) (“Ningbo Shenggu”) and Yuyao Yiheng Solar Technology Company Limited\* (余姚市億恒太陽能科技有限公司), the wholly-owned subsidiaries of the Group.





## MESSAGE FROM THE DIRECTORS

The Group is dedicated to striking a balance between society and environment in advancing on the journey of sustainability. For environment, we aim to provide green energy solutions with intelligent technology for the society and create harmonious and livable green cities; for society, we focus on optimizing the Group's condition of employment and improving staff benefit as well as enhancing their work satisfaction.

The members of board of directors and senior management are responsible for providing strategic guideline for the Group's ESG structure, developing policy and objective on sustainability, supervising matters on corporate governance as well as monitoring its progress, in a bid to ensure the effectiveness of such structure. To address the risks and opportunities in relation to sustainability, the board of directors of the Group is also responsible for maintaining and ensuring the effective implementation of the Group's risk management and internal control system. Furthermore, the relevant management personnel of the Group are assigned to supervise the implementation of strategies and activities in environmental and social aspects and the scoring of its KPIs. Opinions from stakeholders provide guidance to formulate policies and development directions, which could actively promote our performance on sustainability. The Group engaged an independent consultant firm to conduct management interviews for the purpose of discussing planning strategies and directions on sustainability, and identified emission,

environment and use of resources and employment are the key aspects concerned during the Reporting Period.

We proactively manage and monitor the emissions generated from our operation in an attempt to minimize the impact on the environment. For environment and use of resources, the efficiency of use of resources throughout our business operation has been enhanced by developing environmental policy. We value our employees and strive to provide them with an excellent employment environment and listen and respond to their needs. We take corporate social responsibility at these levels and maintain communication with internal and external stakeholders so as to improve our performance.

We wish to collect opinions from different sectors through this report in the early stage of our journey of sustainability and thereby adjusting our strategies and maintaining interactive communication with stakeholders. Readers are encouraged to comment on the report to keep us moving forward.

Wu Hao  
*Chairman and Executive Director*  
Hong Kong, October 2019



# GOVERNANCE STRUCTURE AND RISK MANAGEMENT

The board of directors of the Group is committed to upholding a high standard of corporate governance and believes that sound corporate governance practice can effectively lead the Group to build and achieve its long-term strategies and goals. The board of directors bears the corporate social responsibility of the Group, including guiding the Company to seize the opportunities and respond to the risks brought by sustainability.

The Group has established a risk management and internal control system to identify, assess and manage relevant risks from our business and operation. The board of directors is responsible for assessing and determining the nature and extent of business risks; while the audit committee is responsible for the risk management and internal control system and offering advice and support to the board of directors.

## RISK MANAGEMENT FRAMEWORK



During the Reporting Period, the Group has identified the following significant risks:

Significant Risk	Corresponding Chapter in this Report
<b>Technological Risk</b>	
<ul style="list-style-type: none"><li>Leakage of technical expertise</li></ul>	<ul style="list-style-type: none"><li>Product responsibility</li></ul>
<b>Human Resources Risk</b>	
<ul style="list-style-type: none"><li>Loss of talents with appropriate skills and experience</li></ul>	<ul style="list-style-type: none"><li>Employment management system</li><li>Staff training and appraisal</li></ul>

The Group is aware that the existing risk management and internal control system has not fully covered all aspects of sustainability issues. Looking forward, the Group will consider to establish an ESG committee to incorporate

potential environmental and social issues into its risk system in order to timely identify risks and formulate corresponding contingency proposals.



## COMMUNICATION WITH THE STAKEHOLDERS

Opinions from stakeholders are essential to the Group's sustainability. The Group places emphasis on the communication with stakeholders<sup>2</sup> to review potential risks and business opportunities and identify and assess the materiality of sustainability issues and thereby developing corresponding policy and initiative. The key stakeholders of the

Group comprise staffs, shareholders, business partners of supply-chain (i.e. suppliers), customers and NGOs and local communities. During the Reporting Period, the Group kept close communication with the stakeholders through daily operation and various channels.

Key Stakeholders Engagement Activities	
Staff	Shareholder
<ul style="list-style-type: none"> <li>Organizing staff activities regularly</li> <li>Carrying out performance appraisal and making recommendation on work for staffs</li> <li>Establishing whistleblowing procedure and encouraging staffs to report any internal misbehaviour</li> </ul>	<ul style="list-style-type: none"> <li>Reporting the Group's operation to shareholders by general meeting, annual report and financial statement</li> </ul>
Business Partner of Supply-chain (i.e. suppliers)	Customer
<ul style="list-style-type: none"> <li>Setting up "Procurement Policy of Sustainable Development" to encourage suppliers to improve its performance on environmental and social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Formulating procedure for customer communication</li> </ul>
NGO and Local Community	
<ul style="list-style-type: none"> <li>Communicating with stakeholders in community and serving and giving back the community</li> </ul>	

## SUBSTANTIVE ENVIRONMENTAL AND SOCIAL ISSUES

During the Reporting Period, the Group continued to engaged independent consultant in assisting the preparation of the "ESG Report", during which, the consultant assisted the Group's management to review the ESG issues to the Guide of the Stock Exchange, and identify substantive issues based on the materiality to

stakeholders and the Group's impact on the society and environment. According to the review result, the management considers the substantive issues of the Group during the Reporting Period are maintained as follows:



<sup>2</sup> "Stakeholders", also known as "interested parties" or "privileged parties", refer to groups and individuals who have significant impacts or are affected by the business of an enterprise, including the internal board of the directors, management, executives and general staff, as well as external shareholders, business partners, customers, government and regulatory authorities, banks, investors and community organisations, etc..





## CREATING A GREEN ENVIRONMENT

Environmental sustainability is one of the Group's key concerns in its fulfilment of corporate social responsibility. The Group's "Environmental Policy" summarized the requirements on emission management, use of resources and protection of environment and natural resources. The Group intends to minimize the negative impact on environment from its business operation and production process by advocating environmentally responsible business practices.

### EXHAUST GAS EMISSIONS

Exhaust gas generated from our Yuyao Factory and Yuyao Office comprise nitrogen oxides, sulphur oxides and respirable suspended

particulates from emission from fossil fuel combustion by vehicles and kitchen equipment of our canteen. Nitrogen oxides, sulphur oxides and respirable suspended particulates from emission from fossil fuel combustion by our canteen accounted for 85%, 66% and 77% of total air pollutant emissions. Due to the larger size of Yuyao Factory used in 2018/19 as compared to that of the temporary factory used in 2017/18 and the significant increase in production and sales, coupled with the incorporation of consumption of fossil fuel by canteen in the emission calculation in 2018/19, the air pollutant emissions during the Reporting Period increased in a larger extent as compared with 2017/18.

Exhaust Gas Emissions			
Air Pollutant	Emission in 2018/19	Emission in 2017/18 <sup>3</sup>	Unit
Nitrogen oxides	8.6	1.0	Kg
Sulphur oxides	1.2	0.3	Kg
Respirable suspended particulates	0.5	0.1	Kg

### GREENHOUSE GAS EMISSIONS

The Group pays close attention to its own carbon footprint, and dedicated to minimising the impact of its operation on the environment. The Group has commissioned an external professional consultant to assess our greenhouse gas emissions. The quantification process of greenhouse gas was conducted by reference to the guidelines issued by the National Development and Reform Commission of the PRC<sup>4</sup>, as well as international standards such as ISO14064-1 and the Greenhouse Gas Protocol.

During the Reporting Period, carbon emission generated by our Yuyao Factory and Yuyao Office was approximately 39 tonnes CO<sub>2</sub>e in total, representing an increase of 7% as compared to that of 2017/18, in which greenhouse gas emission from use of electricity and fuel used by vehicles contributed 50% and 32% of total emission, respectively. During the Reporting Period, the fossil fuel consumed by kitchen equipment of our canteen was changed from liquefied natural gas to liquefied petroleum gas (LPG) and the consumption of

<sup>3</sup> The emission calculation in 2017/18 only includes emission from fossil fuel used by vehicles.

<sup>4</sup> Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and other Industries Enterprises (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》)



## CREATING A GREEN ENVIRONMENT

LPG grew, together with the slight increase in fuel consumption by vehicles and electricity consumption as compared to that of 2017/18, the greenhouse gas emission was therefore increased. The Group will continue to explore ways for saving energy and reducing greenhouse gas emission.

Although the emission of greenhouse gases of the Group in 2018/19 increased slightly as compared with 2017/18, the Group's turnover was significantly improved as compared to that of 2017/18 since a majority of products produced in 2017/18 were sold in 2018/19, thus the greenhouse gas intensity (calculated by turnover) was dramatically reduced as compared to that of last reporting period.

Greenhouse Gas Emissions			
Scope	2018/19	2017/18 <sup>5</sup>	Unit
Scope 1: Direct greenhouse gas emissions	19.4	14.7	Tonnes of CO <sub>2</sub> e
Scope 2: Indirect greenhouse gas emission from energy	19.6	21.8	Tonnes of CO <sub>2</sub> e
Greenhouse gas emissions in total	39.0	36.5	Tonnes of CO <sub>2</sub> e
Greenhouse gas intensity (calculated by turnover)	0.004	91.185	Tonnes of CO <sub>2</sub> e/ turnover (RMB million)

Scope 1 Direct greenhouse gas emissions include greenhouse gas emissions from fossil fuel used by kitchen equipment of Yuyao Factory and vehicles.

Scope 2 Indirect greenhouse gas emission from energy include greenhouse gas emissions from electricity consumed in Yuyao Factory and Yuyao Office.

To reduce air pollutant and greenhouse gas emissions, the Group streamlined its workflows and cut down business trip as well as purchased vehicles that meet emission standards. The Group will make ongoing assessment and record, and disclose its data on greenhouse gas emissions on an annual basis. Based on the strategic adjustment of business, the Group will also take the data for this reporting year as a benchmark to provide a comparison for that of the subsequent years. Such comparison will become the basis for developing carbon reduction objectives, initiatives and priority in the future.

### DISCHARGE OF HAZARDOUS AND NON-HAZARDOUS WASTES

During the Reporting Period, the Group did not generate any hazardous wastes. As to non-hazardous wastes, a total of 8.72 tons wastes have been generated, of which 8.2 tons were discarded scraps, which were delivered to the recycling station set up by qualified companies for recycling, and the remaining 0.52 tons were domestic wastes, which were collected and disposed by cleansing companies.

### DISCHARGE OF SEWAGE

Used water and polluted water discharged by the Group are mainly from the production of solar energy products and domestic sewage. All of the production and domestic sewage are processed by the Sewage Treatment Plants via local pipe network.

<sup>5</sup> The intensity unit used in the calculation in the 2017/18 ESG Report was turnover in thousands of Renminbi.



## CREATING A GREEN ENVIRONMENT

### USE OF RESOURCES

The “Environmental Policy” formulated by the Group underlines energy conservation and consumption reduction are the basic policy of the Group. All employees must follow the established measures, including the procurement of energy efficient products and services, and are responsible for the overall energy efficiency of the Group. The Group mainly involves in energy consumption (i.e. LPG, gasoline, electricity etc.) and

resource consumption (i.e. water resources and packaging materials etc.). The packaging materials used by the product from Yuyao Factory (such as solar energy collector, thermal solar cooling and heating collector) are mainly transformed from wooden boxes for packaging raw materials, where a total of 0.51 tons of wooden boxes are consumed. All of the water consumption of the Group in Yuyao Factory and Yuyao Office is from municipal water.

Use of Resources			
Use of Energy	Energy Consumption		Unit
	2018/19	2017/18 <sup>5,6</sup>	
Direct Energy			
LPG	49.1	32.5	MWh equivalent
Gasoline	32.8	38.0	MWh equivalent
Indirect Energy			
Purchased Electricity	32.1	31.0	MWh
Total Energy Consumption	114.0	101.5	MWh equivalent
Energy Intensity (calculated by turnover)	0.011	253.782	MWh equivalent/RMB million
Use of Water	Water Consumption		Unit
	2018/19	2017/18	
Total Water Consumption	210	111	m <sup>3</sup>
Intensity of Water Consumption (calculated by turnover)	0.021	0.278	m <sup>3</sup> /RMB million
Use of Material	Consumption		Unit
	2018/19	2017/18	
Packaging Materials	0.51	No data obtained	Tonnes

The Group adopted the principles of reduction the usage, re-usage and recycle to improve the efficiency of the use of resources in the

operation, and continue to urge employees to follow conservative measures in energy, water and paper.

<sup>6</sup> The data unit was changed from GJ to MWh in 2017/18.



## CREATING A GREEN ENVIRONMENT

Category	Measures in relation to use of energy (extract)
Energy	<p><b>Computer</b></p> <ul style="list-style-type: none"> <li>• Adjusting the settings of computers and enabling the Standby or Sleep mode. The monitors will switch off automatically or enter power saving mode when idle for a long period of time</li> <li>• Adjusting monitors to appropriate lightness</li> <li>• Turning off computers during non-working hours</li> </ul> <p><b>Air-conditioning</b></p> <ul style="list-style-type: none"> <li>• Turning off air-conditioners during lunch time and non-working hours</li> <li>• Setting the temperature of air-conditioners between 24°C to 26°C</li> <li>• Repairing timely to ensure efficient operation of air-conditioners</li> </ul> <p><b>Lighting</b></p> <ul style="list-style-type: none"> <li>• Zoning into different areas to control separate lighting systems flexibly</li> <li>• Installing motion detectors or light sensors in office rooms, conference rooms, pantries and washrooms, etc., to control the turning on and off of lighting</li> </ul>
Use of water	<ul style="list-style-type: none"> <li>• Regular inspection of water leakages from water pipes and faucets and repair timely</li> <li>• Using faucets with grade 1 water efficiency label</li> </ul>
Paper	<ul style="list-style-type: none"> <li>• Using recycled paper or paper produced from sustainable resources</li> <li>• Pre-set the printers and photocopiers to two-sided printing mode</li> <li>• Using electronic communication and electronic archival</li> </ul>

## ENVIRONMENT AND NATURAL RESOURCES

In addition to the emission of greenhouse gases, wastes and use of resources as discussed above, the Group has included the consideration of environmental protection in its commercial decisions, so as to further reduce the effects to the environment and natural resources. During the design, development and construction of the Yuyao Factory, the Group has considered to enhance the protection of ecological systems, wild animals and natural habitats, as well as adopting measures in relation to soil and water conservation and vegetation restoration.

With regards to internal staff education, the Group promotes environmental information to employees through producing internal environmental protection guidelines and internal communications, so as to encourage our employees to protect the environment.

The Group adheres to the laws and regulations applicable to the management of emissions and environmental pollution, such as the Environmental Protection Law of the People's Republic of China. During the current reporting period, there are no non-compliance cases in relation to emissions or environment discovered in the Group's Yuyao Factory and Yuyao Office.





## CREATING VALUES FOR STAFF

The employees are the foundations for the Group to provide quality products and services and the key of our business success. The Group is committed to building a good working environment, thus our employees can receive fair treatment and respect. The Group has set up a number of policies and measures at the same time, so as to protect the rights, health and safety of the employees. Also, diversified trainings and promotion opportunities will be provided to support the development of our employees.

### EMPLOYMENT MANAGEMENT SYSTEM

Ningbo Shenggu sets out employment terms such as wage, dismissal, recruitment, promotion, working hours and holidays in the Staff Handbook and Procedures of Leave and Attendance, so as to enable our employees to clearly understand their own rights and responsibilities.

Recruitment Process	Principal employment policies and measures
Recruitment	<ul style="list-style-type: none"> <li>Recruit based on the principles of equality between men and women as well as ethnicity. Discrimination is prohibited during the process</li> <li>Placing job advertisements with identical selection criteria and neutral language</li> <li>The employment of child labour and forced labour is forbidden. To prevent employment by mistake, the human resource department should verify the biographical details and certified documents of candidates, and collect copies for record</li> <li>Build up a diversified employee talent pool to provide fair opportunity for employees of different backgrounds</li> </ul>
Working hours and holidays	<ul style="list-style-type: none"> <li>Specify the requirements and arrangements of working hours and holidays, so as to ensure every employees can have enough rest</li> <li>Negotiate with the employees about overtime issues</li> <li>Compensatory time off will be arranged or overtime pay will be arranged for employees who work overtime on rest days, so as to ensure the labour freedom of our employees</li> <li>Other than statutory holidays stipulated by the national law, employees are entitled to have marriage leave, maternity leave and bereavement leave</li> </ul>



## CREATING VALUES FOR STAFF

Recruitment Process	Principal employment policies and measures
Remuneration and benefits	<ul style="list-style-type: none"> <li>The wages of employees will be adjusted according to the Group's operational status, the individual working performance of employees and the change in social price index</li> <li>Implemented a reward and penalty system to reward employees with good performance by one-off reward, promotion or salary increment</li> </ul>
Termination	<ul style="list-style-type: none"> <li>The Group respects the rights of employees and confirms the employment relationship with employees as well as the employment terms in relation to termination and dismissal by signing labour contracts</li> </ul>

### COMMUNICATION WITH EMPLOYEES

The Group highly values the opinions from employees and devotes to providing effective communication channels for our employees. Ningbo Shenggu has formulated the procedures for employee complaints. Employees can make complaints about any penalty results to the human resources department in writing. The human resources department will investigate the case and organise meetings to discuss the issue, while the senior management will decide the final results.

The Group adheres to applicable laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic

of China, the Interim Measures Concerning the Administration of the Registration of Social Insurance and the Special Protection Regulations for Juvenile Employees. During the current reporting period, no non-compliance cases in relation to employment, child labour and forced labour were discovered in the Group's Yuyao Factory and Yuyao Office.

### HEALTH AND SAFETY

The Group highly values the physical and mental well-being of our employees and commits to establishing a safe and healthy working environment for all employees. Ningbo Shenggu has established the General Rules for Safety Production to regulate various safety measures. Our employees shall comply with the security responsibility system and regulations, so as to avoid dangerous works.



## CREATING VALUES FOR STAFF

### Major safety measures

- Employees are required to attend the Three-tier Safety Education and technical training before performing their duties
- Provide labour protection articles such as hardhat, overalls and working shoes to our employees
- Employees working high above the ground should wear safety belt. Operating with gloves and approaching mechanical rotating parts in operation are forbidden
- Operators of other positions are forbidden to switch on machineries and electronic devices without authorization. Unrelated persons should not enter working areas
- Workers engaged with the operation of special devices (such as electricians and employees who engage in forklift trucks, lifts or hosts, metal welding, vehicle driving or working in heights) must obtain relevant licenses
- All relevant works involving fires should obtain prior approval before carrying out. A ten meters distance between any inflammable item and fire is also required

The Company has complied with laws and regulations that are applicable to working health and safety including Production Safety Law, Production Safety Regulation of Zhejiang Province, Prevention and Control of Occupational Diseases Law and Work-Related Injury Insurance Regulation. During the current reporting period, no non-compliance of the relevant laws or regulations concerning work-related injury or death, nor cases of safety and health has been identified at the Yuyao Factory and Yuyao Office.

### STAFF TRAINING AND ASSESSMENT

The growth of an enterprise and the development of its employees complements one another. Ningbo Shenggu has formulated and implemented a Training Management Regulation to specify the management of trainings. Ningbo Shenggu formulates training policies and principles based on business development and the improvement of organisational effectiveness and after consideration of prospective and systematic factors. The human resources department is responsible for formulating the annual training programs, assessing the implementation of trainings as well as tracking the results of assessments and trainings.



## CREATING VALUES FOR STAFF

Training systems			
Internal trainings	External trainings		
	Practical trainings	Trainings for senior management	Trainings for self-learning
<ul style="list-style-type: none"> <li>• Various aspects from office skills and management</li> <li>• Other knowledge and information that are of interest to employees</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise and knowledge</li> <li>• Sales techniques</li> <li>• Management methods</li> <li>• Leadership skills</li> <li>• Operating philosophy</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Trainings in relation to MBA and professional certification</li> </ul>

Ningbo Shenggu will analyse the needs for trainings regularly, so as to understand the needs for trainings of employees. By analysing the demands of employees, the requirements of market competition, annual operating targets and the assessment of employees' performances, it is conducive for the Group to have a clear direction for improvement in designing the contents and formats of future trainings.





## BUSINESS INTEGRITY

The Group devotes to operate in a responsible and honest manner. The Group has set policies in relation to product responsibilities and supply chain to improve the performances of the supply chain and value chain while ensuring the compliance and safety of our products and services, so as to fulfil our customers' expectations on the sustainable development of the Group.

## SUPPLY CHAIN MANAGEMENT

The Group pays attention to the environmental and social performances of our suppliers and minimises the effects to society through continuous and close cooperation with suppliers. When choosing suppliers, the Group endeavours to treat environmental and social performance as one of the assessment standards.



The Group has set up sustainable procurement policies in its Environment Policy, so as to ensure each part of the supply chain can achieve sustainable purchases. The Group selects corporation partners, suppliers and subcontractors based on the environmental standards and principles. Relevant standards and principles will be adjusted regularly based on best market practices, thereby providing clear guidelines and introductions for suppliers to provide suitable environmental-friendly products.

## QUALITY MANAGEMENT

The Group highly values the quality of products. If our products fail to meet the requirements of safety, quality and laws, the Group will take corresponding remedial measures, including product returns, recall or recovery. The Group highly values the opinions from our customers, so as to perfect our products and meet the demands of customers, and improve the quality of our products and services continuously.



## BUSINESS INTEGRITY

### RESPONSIBLE MARKETING

The Group understands the responsibilities in relation to advertisements and product labels. No false statements related to product labels and descriptions are allowed. The Group will make sure that fair, accurate, honest, justified and appropriate information is provided to customers on various marketing channels. During the current reporting period, the Group did not have any non-compliance cases regarding advertisements and labels, and no complaints in connection with advertisements and product labels were received.




### CUSTOMERS' INFORMATION

The Group is committed to protecting the safety of customers' information. The Group requires that the personal information collected by the Group at any format or via any platforms will only be used for purposes acknowledged

and agreed by customers. The Company has taken precautionary measures to prevent any unauthorised or accidental access, handling, deletion, loss or usage.

### ANTI-CORRUPTION

The Group is committed to promoting a corporate culture with honesty and integrity and specifies in detail the anti-corruption policies and procedures in the Staff Handbook. The Anti-corruption Policies are also implemented to maintain and promote compliance culture and professional ethics. Employees shall not exploit his/her position and powers to conduct misbehaviours like corruption, bribe extortion and bribe acceptance. In order to encourage our employees to monitor the integrity works of the Group, the Group has implemented the Employee Complaints and Whistleblowing Management System.

Step	Actions
Receiving Cases 	<ul style="list-style-type: none"> <li>• Employees may report an offence to his/her direct supervisor in the department or the chief executive</li> <li>• Customers and suppliers may report an offence to the chief executive or the chairman of the audit committee</li> <li>• The personal information of whistleblowers will be kept confidential</li> </ul>
Investigation 	<ul style="list-style-type: none"> <li>• Engage investigators according to the nature of complaints and severity</li> <li>• The committee comprising senior executives such as the Company Secretary, Chief Internal Auditor or Human Resources Director is responsible for reviewing the investigation report</li> </ul>
Final Report 	<ul style="list-style-type: none"> <li>• After the completion of investigation, the employees raising the cases will receive a written report on the outcome of the investigation</li> <li>• Appropriate action against the wrongdoer will be implemented</li> <li>• Remedial measures will be taken to avoid reoccurrence of problems</li> </ul>

The Group has complied with applicable laws and regulations such as PRC Regulation Punishment the Corruption. During the current reporting period, no case of complaints has

been received and no non-compliance in relation to the bribery, extortion, frauds, money laundering has been identified by the Group at Yuyao Factory and Yuyao office.



## COMMUNITY CREATION

Being a responsible enterprise, the Group deeply understands the close connection between its operations and community development and commits to contributing to the community where our business locates actively, which includes making investments, engaging with local people and promoting community development.

The Group has implemented the Community Investment, Sponsorship and Donation Policies, so as to establish the structures and standards of community investments. The management is responsible for reviewing the targets and directions of policies and investments, as well as looking closely at the social performances of the Group. The Group treats "climate change and environment", "youth education and development", "community health" and "cultural arts" as the core sectors of our community investments. The Group has set up guiding principles and support projects and plans that meet community needs and expectations, and those which are consistent with local culture, traditions and values.



# SUMMARY OF KEY PERFORMANCE INDICATORS

## ENVIRONMENTAL PERFORMANCE

Environmental Key Performance Indicator	Year 2018/19	Year 2017/18 <sup>7,8</sup>	Unit
<b>Types of Emissions and Relevant Emission Data</b>			
Nitrogen Oxides	8.6	1.0	Kg
Sulphur Oxides	1.2	0.3	Kg
Respirable Suspended Particulates	0.5	0.1	Kg
<b>Greenhouse Gas Emissions in Total and Intensity</b>			
Scope 1	19.4	14.7	tCO <sub>2</sub> -e
Scope 2	19.6	21.8	tCO <sub>2</sub> -e
Total greenhouse gas emissions	39.0	36.5	tCO <sub>2</sub> -e
Intensity of greenhouse gas (calculated by turnover)	0.004	91.185	tCO <sub>2</sub> -e/RMB Million
<b>Total Hazardous Wastes Produced</b>			
Total generation of hazardous waste produced	Not applicable	Not applicable	
<b>Total Non-hazardous Wastes Produced and Intensity (if Applicable)</b>			
Total non-hazardous wastes produced	8.72	4.07	Tonnes
Intensity of non-hazardous wastes (calculated by turnover)	0.001	0.010	Tonnes/RMB Million
<b>Total Energy Consumption</b>			
Direct energy	81.9	70.5	MWh-e
Indirect energy	32.1	31.0	MWh
Total consumption of energy	114.0	101.5	MWh-e
Energy density (calculated by turnover)	0.011	253.782	MWh-e/RMB Million
<b>Total Water Consumption</b>			
Total water consumption	210	111	Cubic metres
Water consumption intensity (calculated by turnover)	0.021	0.278	Cubic metres/RMB Million
<b>Total Packaging Material Used for Finished Products and Intensity</b>			
Total packaging material used	0.51	No data available	Tonnes
Intensity of packaging material used (calculated by turnover)	0.0001	Not applicable	Tonnes/RMB Million

<sup>7</sup> The unit of intensity used for calculation in the 2017/18 Environmental, Social and Governance Report was per thousand RMB turnover.

<sup>8</sup> The calculation of emission data for 2017/18 only included the emission of fossil fuel from vehicles.





## SUMMARY OF KEY PERFORMANCE INDICATORS

### SOCIAL PERFORMANCE

Number of staff	Employee composition			Total number of staff	Proportion of male and female staff
	Gender	Male	11	13	6:1
		Female	2		
	Function	Senior management	1		
		Middle management	4		
		General staff	8		
	Age	Below 30	3		
		30 to 40	5		
		41 to 50	4		
		Over 50	1		

Percentage of number of new hires	Gender	Below 30	30 to 40	41 to 50	Over 50	Total rate of new hires
	Male	0%	0%	25%	0%	8%
	Female	0%	0%	Not applicable	Not applicable	

Percentage of number of employee turnover	Gender	Below 30	30 to 40	41 to 50	Over 50	Total turnover rate
	Male	0%	0%	50%	100%	23%
	Female	0%	0%	Not applicable	Not applicable	

Health and safety of employees	Gender	Number of work-related fatalities	Number of work-related injuries	Lost working days due to work-related injuries	Rate of work-related injuries (per thousand employees)
	Male	0	0	0	0%
	Female	0	0	0	

Percentage of staff attending trainings	Grading	Male	Female	Percentage of total staff attending trainings
	Senior management	0%	Not applicable	92%
	Middle management	100%	Not applicable	
	General staff	100%	100%	

Average training hours	Grading	Male (hour)	Female (hour)	Overall average training hours (hour)
	Senior management	0	Not applicable	3.7
	Middle management	4	Not applicable	
	General staff	4	4	



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE

Material Aspect	Content	Page number
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8-9, 11
A1.1	The types of emissions and respective emissions data.	8, 19
A1.2	Greenhouse gas emissions in total (in tonnes) and (if applicable) intensity (e.g. per unit of production volume, per facility).	9, 19
A1.3	Total hazardous waste produced (in tonnes) and (if applicable) intensity (e.g. per unit of production volume, per facility).	9, 19
A1.4	Total non-hazardous waste produced (in tonnes) and (if applicable) intensity (e.g. per unit of production volume, per facility).	9, 19
A1.5	Description of measures to mitigate emissions and results achieved.	8-9
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	9, 11
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources (including energy, water and other raw materials).	8-11
A2.1	Total consumption (in kWh in '000s) of direct and/or indirect energy (e.g. electricity, air or oil) consumption by type and intensity (e.g. per unit of production volume, per facility).	10, 19
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10, 19
A2.3	Description of energy use efficiency initiatives and results Achieved.	10, 11
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	11; no issue in sourcing appropriate water in the course of the operation of Yuyao Factory and Yuyao Office
A2.5	Total packaging material used for finished products (in tonnes) and (if applicable), with reference to per unit produced	10, 19



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE

Material Aspect	Content	Page number
<b>A3 Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	11
A3.1	Descriptions of activities which have significant impacts on the environment and natural resources and the actions taken to manage them.	11
<b>B. Social</b>		
<b>B1 Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	12-13
B1.1	Total workforce by gender, employment type, age group and geographical region.	20
B1.2	Employee turnover rate by gender, age group and geographical region.	20
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	13-14
B2.1	Number and rate of work-related fatalities.	20
B2.2	Lost days due to work injury.	20
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	13-14
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	14-15
B3.1	The percentage of employees trained by gender and employee category	20
B3.2	The average training hours completed per employee by gender and employee category	20



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE

Material Aspect	Content	Page number
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	12-13
B4.1	Description of measures to review employment practices to avoid child and forced labour.	12-13
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	16
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	16-17
B6.2	Number of products and service related complaints received and how they are dealt with.	17
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to anti-bribery, extortion, fraud and money laundering.	17
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	17
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	17
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	18