



中發展控股有限公司

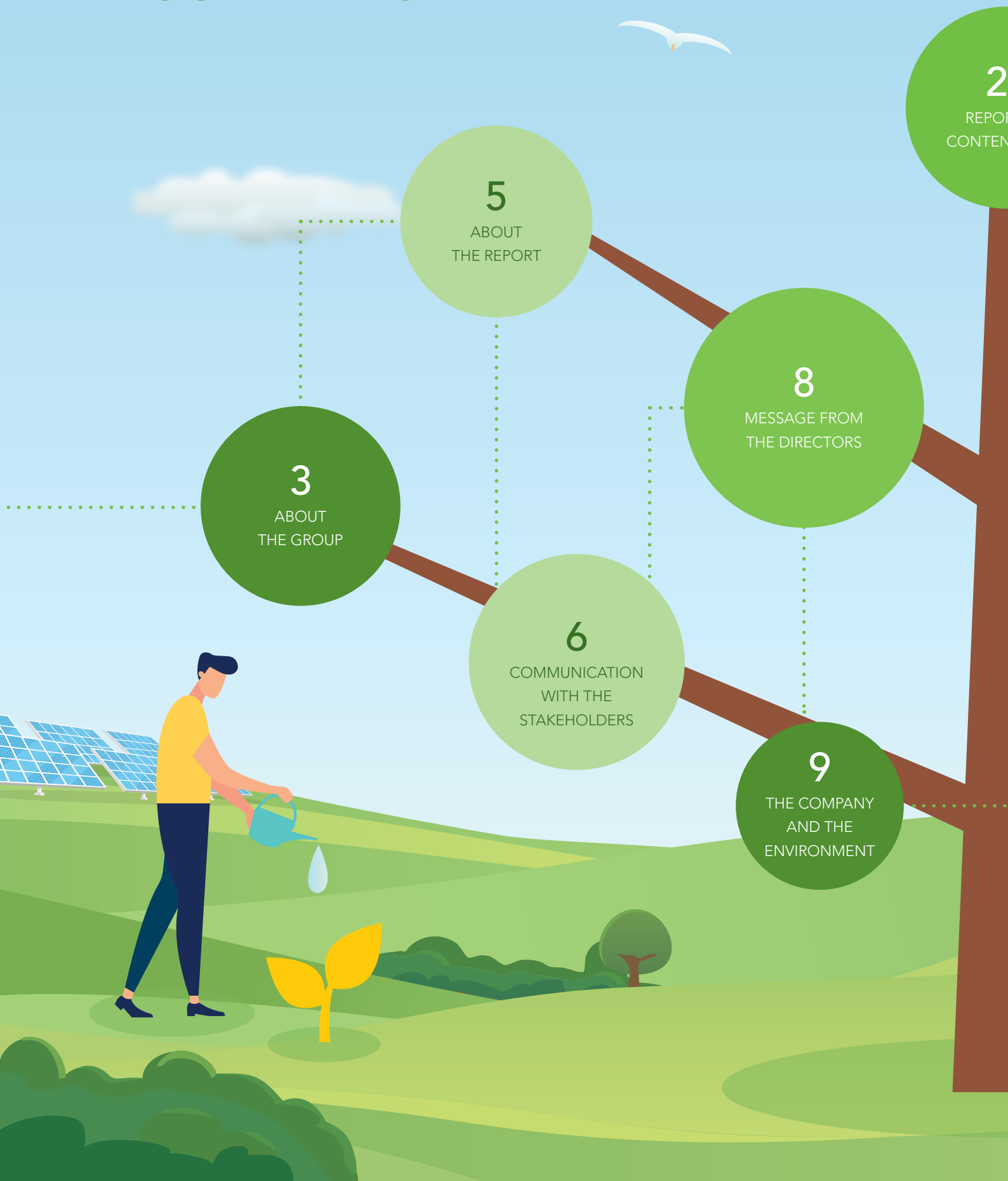
ZHONG FA ZHAN HOLDINGS LIMITED

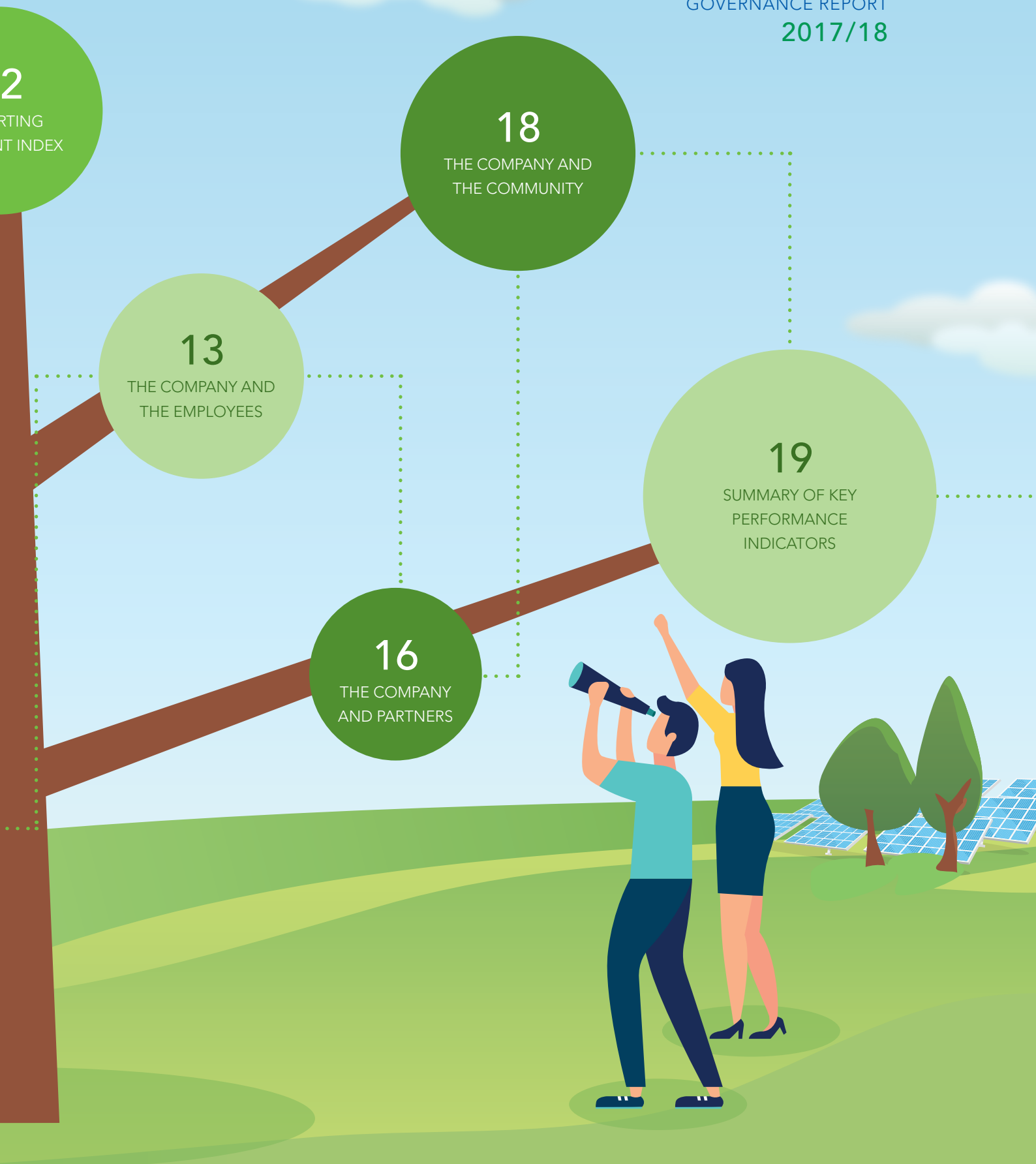
Incorporated in the Cayman Islands with limited liability
Stock Code: 00475

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017/18



CONTENTS





ABOUT THE GROUP

Zhong Fa Zhan Holdings Limited (“Zhong Fa Zhan” or “the Company”) is listed on the Main Board of HKEX. The Company and its subsidiaries (collectively “the Group”) are mainly engaged in the jewelry business and solar energy business in China.

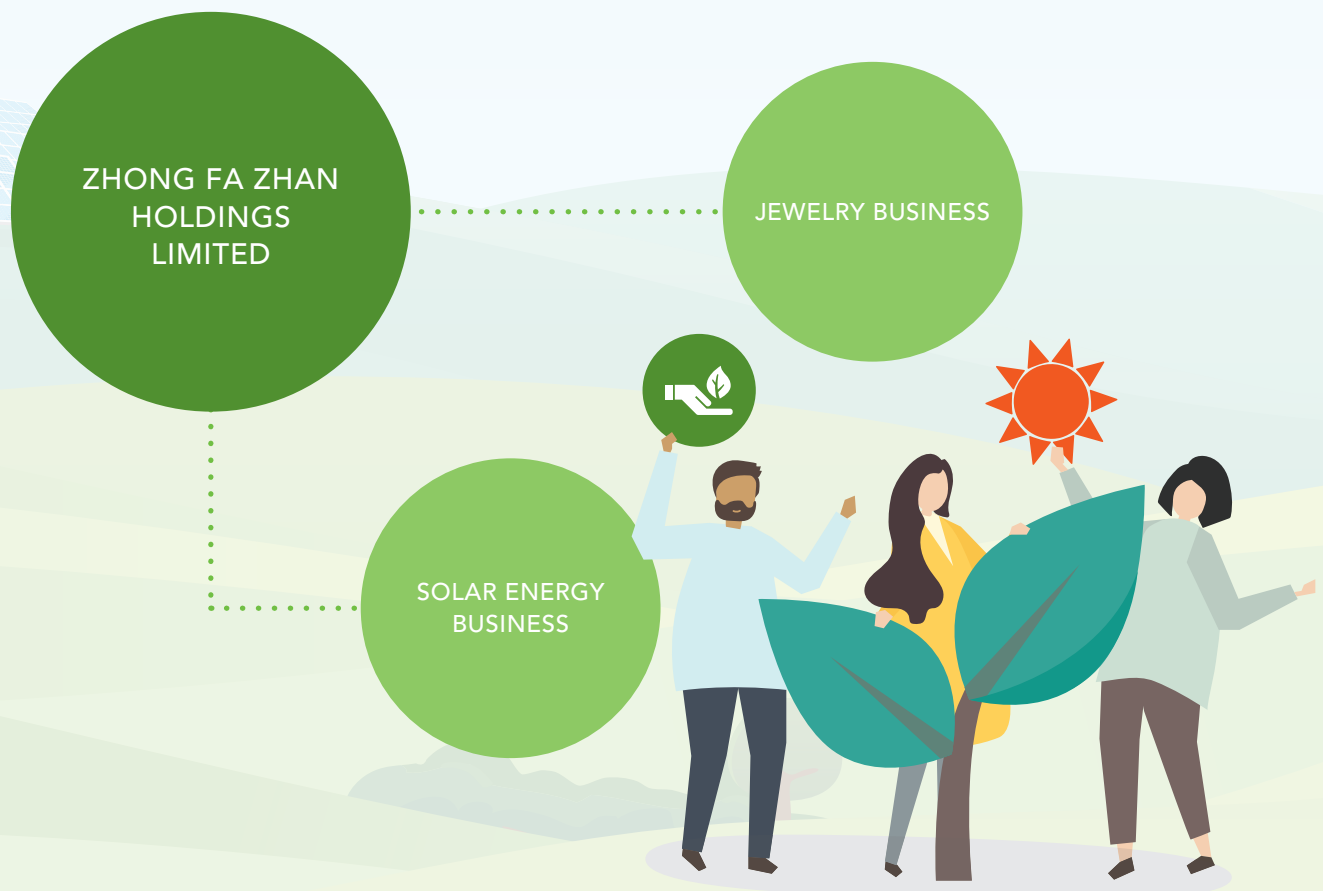
JEWELRY BUSINESS

The Group conducts wholesale of fine jewelry. During the current year, given the increase of the purchasing power of local consumers in Hong Kong and the demands from visiting tourists, the Group is very optimistic about the retail market in Hong Kong. Therefore, The Group has captured the opportunity arising therefrom, resumed the jewelry wholesale business in Hong Kong and continued to engage in the provision of the products to the

jewelry distributors and retailing customers in Mainland China. During the current year, revenue of the overall jewelry business has recorded an increase. In the coming year, the Company will continue to expand its jewelry business.

SOLAR ENERGY BUSINESS

The solar energy business of the Group mainly covers the Greater China region. The Group is engaged in the provision of proprietary thermal solar-powered interior climate solutions and products, which are developed and manufactured through the adoption of licensed CoolStore proprietary thermal solar collector production technologies. The Group also distributes products such as solar photovoltaic components.



ABOUT THE GROUP

The Group has been constructing a solar energy factory in Yuyao City ("Yuyao New Factory") after obtaining the permit for production. However, the factory did not complete as scheduled and therefore, the Group expediently utilized a temporary production line housed inside a short-term leased building in Yuyao ("Yuyao Temporary Factory"). In November 2017, the Group successfully reached an agreement with the owner of Yuyao New Factory, pursuant to which the factory can be used free-of-charge. The Group has also relocated from Yuyao Temporary Factory to Yuyao New Factory¹. In order to meet the increasing demands for new energy in the PRC, the Group continues to put resources in developing the solar energy business. During the current year, the Group acquired an office premise located at the commercial centre of Hangzhou, Zhejiang Province, the PRC, as sales office of the solar energy business.

Looking forward, leveraging on the extensive international sales channel of Suncool AB, our strategic shareholder, the Group will partner with a Swedish technology provider to expand into the global market. In addition to the existing potential customers from the Middle East and India, the next move of the Group is to explore the American market. At the same time, the Group will also continue its effort to develop PRC market with special attention on local government institutions and state-owned enterprises, especially focusing on exploring the projects of energy efficiency, energy performance contracting and Public-Private-Partnership model. The Group will persistently expand both customer and service base, adopt diversified business models and strategies, seize new investment opportunities arising from different countries and regions and commit in developing the society in a low-carbon and livable way.

¹ Yuyao New Factory has commenced operation in October 2017 and Yuyao Temporary Factory has terminated operation in September 2017

ABOUT THE REPORT

This report is the second Environmental, Social and Governance (“ESG”) Report published by the Group. The report enables every stakeholder to better understand the Group’s progress and development in terms of sustainable development by reporting the policies, measures and performance of the Group in environmental, social and governance aspects. This report is prepared in Chinese and English and available at the websites of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) and the Group (www.475hk.com). In the event of inconsistency, the Chinese version shall prevail.

SCOPE OF THE REPORT

The report focuses on the operation of the solar energy business in the factory located at Yuyao City, Zhejiang Province (“Yuyao Factory”) during 1 April 2017 to 31 March 2018 (the “Year”)². 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. The scope of the report is consistent with that of the first ESG report published last year. For easy comparison by the readers on the year-on-year performance of the Group, the structure of this report has been prepared as similar to that of the first report as possible. The Group has been continuously improving

its internal data collection procedures and will gradually reinforce our work in aspects of the environment, society and governance and will continue to expand the scope of disclosure to cover all of our operations.

REPORTING STANDARDS

This report is in compliance with the “comply or explain” requirements set out in the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the Stock Exchange, and adopts four reporting principles of Materiality, Quantitative, Balance and Consistency contained therein as the basis of preparation. In order to ensure the accuracy of environmental key performance indicators, the Group has also engaged Carbon Care Asia, a professional consulting firm, to carry out carbon assessments. In addition, the Group also includes individual key performance indicators in the “Recommended Disclosures” section of the Guide to provide a more complete picture of the report. A complete index is appended in the last chapter hereof for easy reference of the report in accordance with the Guide.

CONFIRMATION AND APPROVAL

All the information cited in this report is sourced from the Group’s official documents, statistics, and the management and operational information collected under the system of the Group. This report was approved by the board of directors in October 2018.

FEEDBACK

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

Address: Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Email: info@475hk.com

Tel: (852)3695 0000

Fax: (852)3695 0022

² Yuyao Factory includes Yuyao Temporary Factory and Yuyao New Factory. The scope of this report does not cover the Group’s operation in other places and other regions, and neither includes other businesses except for the solar energy business.

* for identification purpose only

COMMUNICATION WITH THE STAKEHOLDERS

MAJOR MEANS OF COMMUNICATION WITH THE STAKEHOLDERS DURING THE YEAR

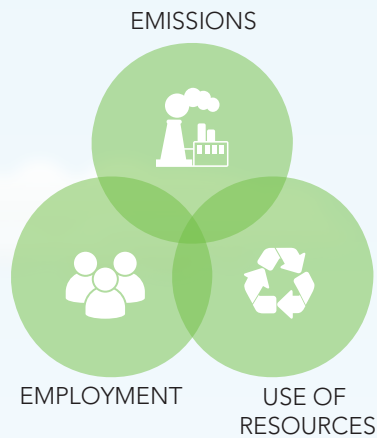
Stakeholders³ engagement is an integral part of the Group's business management as it helps the Group to assess potential risks and business opportunities. Communicating with stakeholders and understanding their views may better align the Group's business practices with stakeholders' needs and expectations and properly address different views.

As shown in the figure, the Group communicates with key stakeholders within and outside the Group through various channels on a regular basis. This not only enables the stakeholders to understand the development and operation guidelines of the Group but also allows the Group to listen to their views, thereby prioritizing different issues and formulating policies accordingly.



³ "Stakeholders" are also called "interested parties", representing groups and individuals who have significant impacts or are affected by the business of the Group, including the internal board of the directors, management, executive officers and general staff, as well as external shareholders, investors, customers, business partners in supply-chain, NGOs and local communities, governments/regulatory authorities, banks/financial institutions, trade association and cooperative partners.

COMMUNICATION WITH THE STAKEHOLDERS



MATERIAL SUSTAINABILITY ISSUES DURING THE YEAR

Similar to last years, the Group engaged an independent consultant to conduct management interviews for the purposes of identifying the environmental and social issues that are critical to the Group and stakeholders and discussing the sustainability strategies and directions of the Group. The Group has selected three out of the eleven environmental and social aspects of the Guide as its focuses of the discussion for this report based on the interviews and the opinions of the consultants.

In order to ensure the effectiveness of the stakeholders' communication, the Group strives to establish transparent, honest and accurate communication and provides timely responses. In the future, the Group will enhance the interaction and exchanges with external stakeholders, encourage them to engage more in the communication on sustainable development of the Group and share their recommendations and expectations for the Group. Apart from the on-going and constant communication with stakeholders, the Group plans to explore more diversified channels, thereby expanding the reach to stakeholders and creating a mutually beneficial relationship.

MESSAGE FROM THE DIRECTORS

The impact of climate change on the global species becomes increasingly significant, among which extreme weather and energy crisis are just a few examples to be named. In the course of transition to a sustainable energy, it is especially important to implement environmental protection and energy conservation as well as formulate green energy strategies in cities. We are devoted to realizing green energy solutions for society and striving to create a livable green city.

Backed by the high-performance output instruments, the development of solar energy enables on-site development and utilization, facilitating to achieve zero-emissions of buildings and the development of cities with high energy efficiency and low-carbon emission. As to the solar energy business, we have completed the localization of technology application during the current year, and successfully launched the solar cooling proprietary technology products and solutions through the pilot project in Wuhu, Anhui Province, the PRC, which not only continues to expand the solar energy market for the Group, but also provides the society with efficient, convenient and sustainable energy.

As China and the world have increasingly demands on green energy, we target to promote the growth of domestic solar energy-related industries and create harmonious and livable green cities by developing its core business. The large-scale use of green energy and environmental protection and energy conservation can meet the growing demands for energy in the cities. During our daily operations,

we implement environmental protection policies and maximize the use of resources with an aim to reduce the impacts of our operations to the environment.

Talents are the driving forces for the development of a corporation as only a professional team may lay a solid foundation for the sustainable development of the Group. Zhong Fa Zhan is committed to offering a safe working environment for its staff and creating a corporate culture with safe production awareness. We provide employees with opportunities to participate in various trainings and help them fully capitalize on their strengths, thereby achieving growth together with the Group.

We believe that proactively undertaking the corporate social responsibility can enhance the corporate competitiveness. By incorporating the principles of sustainable development into our daily business operations and development, we will work persistently to continuously improve the Group's performance in aspects of environment, social and governance so as to create greater value for our stakeholders.

The Board of Directors of
Zhong Fa Zhan Holdings Limited

THE COMPANY AND THE ENVIRONMENT

The Group values the environmental protection and has established and implemented an Environmental Policy, pursuant to which we have taken into account factors concerning environmental protection and enhancement in every aspect of our operations, strives to reduce carbon footprint, effectively utilizes resources and advocates environmentally responsible business practices. We not only strive to minimize our impacts on the environment, but also maintain our competitiveness in long-term sustainable development. Furthermore, in order to ensure effective implementation of the Environmental Policy and relevant measures, the Group proactively communicates with stakeholders, including shareholders, staff, clients, government authorities, non-governmental organizations and the general public, so as to assist them with better understand and comprehend the far-reaching influences of environmental issues.

EMISSIONS

GREENHOUSE GAS EMISSIONS

The greenhouse gas emission is closely linked to the climate change and global warming, resulted in enterprises around the world having formulated carbon reduction initiatives and objectives. The Group is also aware of the risks and the importance of effective carbon emission management and supports the economy to transform into a low-carbon economy, aiming to capture the opportunity arising therefrom.

During the current year, Zhong Fa Zhan has entrusted Carbon Care Asia to conduct a carbon assessment of its Yuyao Factory to quantify its greenhouse gas emission (or "carbon emission") arises during its operation. The quantifying process is conducted by reference to the guidelines⁴ of China's National Development and Reform Commission and international standards such as ISO14064-1.

Greenhouse Gas Emission	
Scope/Source	2017-18 annual emission(tonnes of CO ₂ e)
Scope 1 – direct greenhouse gas emission	
Combustion of fossil fuels – fixed source	5.0
Combustion of fossil fuels – mobile source	9.7
Scope 2 – indirect greenhouse gas emission from energy	
Purchased electricity	21.8
Total greenhouse gas emission	36.5
Density of greenhouse gas (calculated by turnover, i.e. tonnes/RMB '000)	0.09

⁴ 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及報告指南(試行)》)

THE COMPANY AND THE ENVIRONMENT

During the current year, carbon emission generated by Yuyao Factory was 37 tonnes carbon dioxide equivalent in total, in which carbon emission from purchased electricity of power grids contributed approximately 60% of the total emission. The Group will implement the measures of conservation of electricity stipulated in the Environmental Policy to reduce the total carbon emission. It will also continue to assess, record and disclose the data of greenhouse gases emission and other environmental factors on a yearly basis. The Group will also set the data for this year as a basis to provide a comparison for that of the subsequent years, thereby setting further goals of emission reduction for the future.

In the meanwhile, being as an enterprise committed to environmental protection, the Group understands that cooling by air conditioners is the major cause of the aggravated global warming. As such, it manages to reduce the usage of air conditioners by adopting solar cooling techniques, in which the solar heat collectors may output double amounts of energy during its operation and facilitate the constant reduce emissions. Capturing the opportunity to develop low-carbon technology in the industry, Zhong Fa Zhan also participated in the "28th International Exhibition for Refrigeration, Air-Conditioning, Heating and Ventilation, Frozen Food Processing, Packaging and Storage" (「第二十八屆國際製冷、空調、供暖、通風及食品冷凍加工展覽會」) held in Shanghai this year, which was jointly organized by associations of the industry including the China Council for the Promotion of International Trade and the Chinese Association of Refrigeration. The United Nations Environment Programme and the Ministry

of Ecology and Environment of China jointly organized the roadshow of ozone climate technology and the roundtable conference of the industry for this exhibition. The Group participated in a discussion of alternative technologies and roadmap for refrigerants in the industry, aiming to provide an important reference for the future development of the industry.

EXHAUST GAS

Exhaust gas generated by the Group during the operation of Yuyao Factory is mainly from the emissions of vehicle. During the current year, a total of 1.0 kg nitrogen oxide, 0.3 kg sulphur oxides and 0.1 kg inhalable particles were generated. In order to continue to improve the performance in environmental aspect, the Group plans to implement numerous measures for exhaust gas reduction, including reducing the use of business vehicles, which stipulate employees to plan routes in a reasonable way, and encourage employees to switch off the engine upon arriving at the destination.

SEWAGE

Polluted water discharged by the Group is mainly sewage from our production (e.g. sewage produced during processing the solar products) and domestic sewage. To deal with the discharge of sewage, the Group manages and diverts the discharge of sewage according to "GB 8978-1996 Integrated Wastewater Discharge Standards". As for the domestic sewage, all of sewage is processed by the Sewage Treatment Plants via local pipe network. The Group will also strive to use the environmental-friendly cleansing products in a bid to reduce harmful substance in domestic sewage.

THE COMPANY AND THE ENVIRONMENT

WASTE

The Group places high emphasis on proper waste disposal. In accordance with our Environmental Policy, which sets out the principles of reduction the usage, re-usage and recycle, the Group applies such principles into every aspect of its operation and promotes the electronic initiatives of paperless office practices. During the current year, Yuyao Factory did not generate any hazardous wastes. As to the non-hazardous wastes, 0.37 tonnes and 3.7 tonnes of wastes have been generated respectively by the office and the factory, and a third party qualified waste management &

recycling operator is engaged to handle such wastes.

USE OF RESOURCES

The Group is fully aware of the high values of natural resources and committed to reducing the waste of resources in its daily operation. Our Environmental Policy has set out several principles of saving resources in a bid to encourage employees to use the natural resources in an effective way.

The Group also carries out resources saving initiatives in every aspect of its operation:

Resources Saving Initiatives		
ENERGY	WATER	PAPER
<ul style="list-style-type: none">• Switch to the energy-saving mode for all electronic devices• Shut down all lightening devices while they are idle• Promote and adopt energy-saving technology by replacing high energy consumption equipment with low energy consumption ones	<ul style="list-style-type: none">• Reuse of sewage for factory cleansing during the production process in the factory• Conduct checking and maintenance on water pipes to avoid any leakage of faucets and gaskets as well as other issues in the water supply system on a regular basis	<ul style="list-style-type: none">• Promote the e-office practice and reduce the usage of papers• Place "Green boxes" next to the printer to collect one-side used paper and encourage the practices of double-sided printing and reuse of the papers• Collect the used paper with both-side printed for recycle and reuse purposes

The major resources Yuyao Factory uses including liquefied natural gas, gasoline, electricity and water. Its finished products (such as thermal solar collector, thermal solar cooling and heating collector) do not consume a large amount of packaging materials and all

of the packaging materials consumed are for the purpose of product transportation. The water consumption of the Group in the office and production workshop of Yuyao Factory is mainly from municipal water, and there are no difficulties for us in sourcing water.

THE COMPANY AND THE ENVIRONMENT

Use of Resources	
Use of Energy	Energy Consumption
Direct Energy – Liquefied Natural Gas (GJ)	117.0
Direct Energy – Gasoline (GJ)	136.9
Indirect Energy – Purchased Electricity (MWh)	31.0
Total Energy Consumption (GJ)	365.4
Energy Density (calculated by turnover, i.e. GJ/RMB'000)	0.9
Use of Water	Water Consumption
Total Water Consumption (m³)	111
Density of Water Consumption (calculated by turnover, i.e. m³/RMB'000)	0.3

The Group will constantly monitor the implementation of energy saving initiatives during the operation and establish proper objectives for improvement, so as to enhance employees' awareness in energy saving.

ENVIRONMENT AND NATURAL RESOURCES

The Group is fully aware of the importance of the environment and natural resources. As specified in Environmental Policy, the Group is required to consider environmental risks and establish relevant mechanism when formulating relevant policies and decisions, and to evaluate the environmental impacts that might bring by the products and services of the Group, in a bid to execute various emergency measures.

In order to assist all employees in understanding the key environmental factors and related departments in controlling the potential impacts on environment and natural resources, the Group identifies key environmental issues and provides employees with training to enhance their environmental awareness. In the future, the Group will constantly communicate with

various stakeholders, respond to their opinions to the greatest extent and take their opinions into consideration when implementing policies and making decisions, thereby minimizing the impacts of our operation on the environment,

Besides, the Group also places high regards on the impacts on the environment by its innovative products' life cycles when they are launched. The Group will take environmental protection into account during whole life cycles of the product from production to the usage. The solar cooling system produced by Ningbo Shenggu uses relatively eco-friendly refrigerant instead of the commonly used HCFCs, in a bid to minimize the damage to the ozone layer.

The Group has complied with the applicable laws and regulation in relation to the waste disposal and environmental pollution management such as PRC Environmental Protection Law. During the current year, no non-compliance of the relevant regulations regarding emissions or environmental issues has been identified in Yuyao Factory by the Group.

THE COMPANY AND THE EMPLOYEES

The Group is committed to providing a good working environment for the employees, in a bid to enhance cohesion and sense of belongings among the employees, thereby achieving a mutual growth and development of both the employees and the Group. According to the PRC Labor Law, the PRC Labor Contract Law and other relevant laws and regulations, the Group has prepared a Staff Handbook by taking into account its specific operation needs, which covers policies and measures in relation to relevant employment system, working safety and health, training and development and labour standards.

EMPLOYMENT

As the employees are of great value to the operation and sustainable development of the Group, it is crucial to attract and retain talents. Ningbo Shenggu stipulates employment terms regarding the salary, dismissal, recruitment, promotion, working hours, holiday in Staff Handbook and Absence and Leave Application Procedure, to ensure employees have a full understanding of their rights and responsibilities.

Total number of employees	Ratio of male and female employees	Employee turnover rate
16	7:1	6%

The Group is committed to eliminating discrimination in working environments and strives to provide employees with equal job opportunities in respect of recruitment, training opportunities, benefits, and job arrangements, regardless of their race and gender. The Group has established a diversified policy for the members of the Board, which shall be reviewed in the current year. In the coming year, this policy will be extended to all of our staff.

In order to regulate staff's behaviors and enhance our operational management, the Group has established an open and fair policy of reward and penalty at Yuyao Factory. The Staff Handbook has set out in details about the principles, conditions, procedures of rewards and penalty, thereby providing definite reference for management by the Group.

The Group values the opinions of employees and encourages staff to propose suggestions and recommendations for operations of the Group, so as to build up a good relationship with employees and foster the development of

the Group. The Staff Handbook has set out in details the complaint procedures of employees, allowing employees to make complaints to the human resource and administration department in writing when they have discontent with any penalties. The human resource and administration department will then conduct investigations and hold meetings and will subsequently report the initial conclusion to the superior management for the final decision.

The Group has complied with applicable laws and regulations including the PRC Labor Law, the PRC Labor Contract Law, the PRC Social Insurance Law, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums. During the current year, no non-compliance of the relevant laws or regulations concerning remuneration and dismissals, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits have been identified at the Yuyao Factory.

THE COMPANY AND THE EMPLOYEES

SAFETY AND HEALTH

Upholding the production principle of "Safety First and Prevention-oriented", the Group highly values the health and safety of each of its employees. Ningbo Shenggu has established and implemented General Rules for Safety Production for the operation of Yuyao Factory to enhance the management of occupational health and safety and safeguard the occupational health and safety of employees during the production and to reduce occupational hazards.

To ensure the sufficient awareness of occupational safety among our employees, the factory requires employees to attend the Three-tier Safety Education⁵ and technical training before performing their duties. In addition, the factory provides employees with adequate safety products and equipment. Employees should wear labor protection articles such as hardhat, overalls and working shoes while accessing to the production areas. Workers working high above the ground should wear safety belt. Workers engaged with the operation of special devices must obtain licenses, while unrelated persons are prohibited from operating any types of machinery and electronic devices without authorization. Fire prevention policy is also established, in which it stipulates that 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 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 year, 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.

DEVELOPMENT AND TRAINING

The Group is committed to creating a sustainable environment for our employees in a bid to develop the professional technical skills of all levels of employees and to assist them in developing personal capabilities. Ningbo Shenggu has formulated and implemented a Training Management Regulation, which plans training courses according to the needs of different department and corporate development strategy.

Percentage of numbers of employees receiving training 69%	Overall average training hours 2.9 hours
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⁵ Three-tier Safety Education represents the plant safety education, workshop safety education and job safety education tailored for newly-recruited staff and workers.

THE COMPANY AND THE EMPLOYEES

Yuyao Factory offers an orientation training for new-recruited employees. The relevant training is categorized into two types, namely general training and professional and technical training. General training covers corporate culture and rules and regulations, while the latter one covers job duty, business operation procedure, aiming to assist them in adapting to the new working environment. Moreover, employees will also be provided with internal and external trainings at a later stage. The internal training includes one-to-one teachings, seminars or exchange sessions by senior employees, aiming to enhance working techniques and management skills and set up an atmosphere in which encouraging employees to help each other; while the external training is at the expense of the Company, aiming to encourage employees to attend external open classes, exchange sessions and take examination and apply for related professional qualification. The Company will also arrange external instructors to teach at the offices of the Company, for the purpose of improving work-related knowledges and skills of the employees.

The Group also conducts annual appraisals on employees' performance regularly. Remuneration and grading adjustment will be made by reference to the appraisals on daily working performance and ethics of the employees by the department managers as well as the records of attendance and rewards and punishments from the administration

department, all the results of the above will be served as the basis for their wage adjustment and future promotion. By means of fair competition and implementation of the promotion system, the Group incents its employees to keep enhancing their work quality and ability so as to achieve the jointly development of employees and the corporate.

LABOUR STANDARDS

The Group attaches importance to protect the rights of employees. Child labour or forced labour in any form are forbidden by the Group. Ningbo Shenggu has established clear guidelines for human resources department to strictly review of the actual ages of the job applicants, and request the applicants to present identity cards and other certifications for verification, and the relevant copies will be collected so that no child labor could be accidentally hired. In addition, compensatory time-off or overtime allowance will be offered to employees who work overtime on rest days. In case of an extended overtime on weekdays or overtime on statutory holidays, an overtime schedule will be arranged by the factory according to requirements of PRC Labour Law.

The Group has complied with the applicable laws and regulations including Provisions on Special Labor Protection of Underage Laborers. During the current year, no child labor or forced labor has been identified at the Yuyao Factory.

THE COMPANY AND PARTNERS

Upholding the belief of creating extra values for other stakeholders, including customers, environment and the society, the Group is committed to building up a long-term and friendly relationship with our suppliers and customers and firmly believes that such relationship is based on our responsible and honest operational philosophy.

SUPPLY CHAIN MANAGEMENT

The Group highly values its corporation with suppliers, and understands that establishing corporative relationship with suppliers is beneficial to constantly enhance the Group's operation procedure and improve its product quality. Hence, aiming at strengthening the supply chain environment and social risks management, the Group has formulated and implemented the Policy for Product Responsibility and Supply Chain to enhance its related performance. In selecting suppliers, the Group has endeavored to include its environmental and social performances as one of the evaluation criteria, including performance of environmental protection, responsible procurement, labor welfare, interests and equal opportunities, protection of intellectual property for third parties, anti-corruption and anti-bribery, and safety of product components

The Group has also set up procurement policies of sustainable development in its Environment Policy for suppliers in aspect of environmental protection and committed to selecting corporation partners, suppliers and subcontractors that meet certain environmental standards and rules and will adjust the selection criteria constantly. The Group will take factors of environmental protection into consideration when purchasing products and services. In the future, the Group will progressively formulate

green purchase standards to provide clear guidance and encourage supplier to provide us with appropriate environmental protection products.

PRODUCT RESPONSIBILITY

The Group places high emphasis on the products quality and safety. Strict control is placed on the entire production process at the factories including step of raw material supply, production to delivery. The Group has formulated and implemented Policy for Product Responsibility and Supply Chain, in a bid to enhance the performance of each aspect of the entire process and ensure it is complied with regulations or even achieve out-performance beyond related requirements.

The Group highly values the health and safety issues of the products. Compared to traditional lithium-bromide absorptive chillers, the solar heating and cooling collector produced by the Group can avoid issues such as solution crystallization and metal corrosion, thus enhancing safety in product operation. In addition, once an unqualified product is detected, the Group will take remedial measures accordingly, including product returns, recall or recovery. The contract between the Group with clients stipulates that the Group undertakes to repair and exchange free of charge during the quality guarantee period for its clients if the quality issue identified. If the provided product is breakdown, it is guaranteed that our technical staff will arrive within 24 hours upon the notice of issue and it is promised to repair within 48 hours. Otherwise, clients are entitled to engage others for the repair with costs and losses at the expense of the Group. The Group will take serious review on each opinion or complaint from clients and constantly improve its products and services quality.

THE COMPANY AND PARTNERS

The Group paid attention to product tags and the advertisement information and will provide clients with accurate and fair information regarding its products and services via all marketing channels such as products tags and any advertisements. In addition, safeguarding the safety of client information is the key to maintaining good corporate governance. Personal information collected by the Group at any format or via any platforms is used solely under clients' acknowledgement and agreement as stipulated in the policy. The Group also takes appropriate precautionary measures to prevent any unauthorized or accidental access, handling, deletion, loss or usage of the clients' information, aiming to protect clients' privacy.

The Group has complied with laws and regulations in relation to product responsibility under PRC Product Quality Law, PRC Patent Law, Detailed Rules for the Implementation of PRC Patent Law, PRC Trademark Law. During the current year, no case of consumers complaint nor product recall was received and no non-compliance in relation to the product responsibility, including clients' health and safety, advertisements, tags and clients' privacy has been identified by the Group at Yuyao Factory.

ANTI-CORRUPTION

The Group is committed to promoting a cooperation culture with honesty and integrity and maintains a Management System of Interest Conflicts and Integrity, which specifies in detail the anti-corruption policies and procedures. All staff members and business-related individuals such as contractors, suppliers, advisors, partners

of joint venture companies, etc. shall act in compliance with such system and all applicable laws and regulations in relation to anti-corruption. No bribery, extortion, frauds, money laundering and misappropriation of funds is allowed in any forms. In order to strengthen the honesty and integrity of employees, the Group also includes such training into its orientation training for new-recruited employees for them to enhance anti-corruption awareness and understand relevant systems and procedures.

Furthermore, for the purpose of implementing an open and integrity accountability system, the Group has formulated a Whistleblowing Policy, which sets out its whistleblowing systems and procedures and specifies that employees have the responsibility to report to its direct supervisor in the department or chief executives in either oral form or by filling in whistleblowing report. Clients and suppliers should also report to chief executives or directly to the chairman of Audit Committee of the Board. The general responsibility and continued review of this policy is undertaken by Audit Committee, and the chief executive will undertake the daily responsibilities of the policy monitor and implementation.

The Group has complied with applicable laws and regulations such as PRC Regulation Punishment the Corruption. During the current year, no case of complaints has been received and non-compliance in relation to the bribery, extortion, frauds, money laundering has been identified by the Group at Yuyao Factory.

THE COMPANY AND THE COMMUNITY

The Group strives to perform corporate responsibility and work with various communities, aiming to care for and make contribution to the society. The Group has developed a Community Investment, Sponsorship and Donation Policy, which formulates its community investment guideline, and has been dedicated to exerting positive impacts in the following four areas by means of cooperation, capacity enhancement initiatives, employee volunteer services and strategic donations:

Areas	Positive Impacts
Climate Change and the Environment	Undertake to work with the general public in a bid to alleviate climate change together and strive to increase the general public's understanding in the inter-relationship between energy and climate change.
Youth Education and Development	Provide support for energy projects that may enhance awareness of the community, enabling the community to have a comprehensive understanding of the energy industry and make informative choices.
Community Health	Improve the quality of life in the community through community services and care for the health and safety of people who are affected by the Group's business, including staff and partners.
Culture and Art	Provide support for the development of art and the projects that enhance the appreciation of art, in a bid to increase quality of life and encourage creative thinking.

Looking forward, the Group will continue to take action, support various projects or initiatives that fulfil expectation of the community and meet different needs of the locals by leveraging its own expertise and knowledge, and also encourage staff to participate in creating a harmonious and livable green city together.

SUMMARY OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Exhaust Gas Emissions	Types	Emissions (kg) ⁶
	Nitrogen Oxides	1.0
	Sulphur Oxides	0.3
	Suspended Particles	0.1

Greenhouse Gas Emissions	Types	Emissions
	Greenhouse gas (GHG) emissions in total (tonnes CO ₂ e)	
	Scope 1: Direct greenhouse gas emissions	14.7
	Scope 2: Energy indirect greenhouse gas emissions	21.8
	Greenhouse gas emissions in total	36.5
	Greenhouse gas intensity (calculated by turnover, i.e. tonnes/RMB '000)	0.09

Wastes	Types	Volumes
	Total hazardous waste produced	N/A
	Hazardous waste intensity	N/A
	Total non-hazardous waste produced (tonnes)	4.1
	Non-hazardous waste intensity (calculated by turnover, i.e. tonnes/RMB '000)	0.01

Usage of Energy	Types	Consumption
	Total energy consumption – Direct energy (GJ)	253.9
	Total energy consumption – Indirect energy (MWh)	31.0
	Energy intensity (calculated by turnover, i.e. GJ/RMB '000)	0.9

Water Consumption	Types	Consumption
	Total water consumption (m ³)	111
	Water consumption intensity (calculated by turnover, i.e. m ³ /RMB'000)	0.3

⁶ Only includes the data of emission concerning the usage of vehicles.

SUMMARY OF KEY PERFORMANCE INDICATORS

SOCIAL PERFORMANCE

Number of employees	Employee composition			Total	Male to female ratio
	Gender	Male	14	16	7:1
		Female	2		
	Grading	Senior management staff	3		
		Middle management staff	2		
		General staff	11		
	Age	Under 30	3		
		30 to 40	7		
		41 to 50	4		
		Above 50	2		

Number of new employees	Gender	Under 30	30 to 40	41 to 50	Above 50	Total number and ratio of new-recruited employee
	Male	0	3	0	2	6 (38%)
	Female	1	0	0	0	

Turnover rate	Gender	Under 30	30 to 40	41 to 50	Above 50	Total turnover rate
	Male	0 %	0 %	0 %	0 %	6 %
	Female	0 %	100%	0 %	0 %	

SUMMARY OF KEY PERFORMANCE INDICATORS

SOCIAL PERFORMANCE

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 staff	0 %	0 %	69%
	Middle management staff	0 %	0 %	
	General staff	100 %	100 %	

Average training hours	Grading	Male (hour)	Female (hour)	Overall average training hours (hour)
	Senior management staff	0	0	2.9
	Middle management staff	0	0	
	General staff	2.4	12.5	

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SUBJECT AREAS	CONTENT	PAGE INDEX
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	9-12
A1.1	The types of emissions and respective emissions data	10,19
A1.2	Greenhouse gas emissions in total and intensity	9-10,19
A1.3	Total hazardous waste produced and intensity	11,19
A1.4	Total non-hazardous waste produced and intensity	11,19
A1.5	Description of measures to mitigate emissions and results achieved	9-10,19
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	11,19
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources.	11
A2.1	Direct and/or indirect energy consumption by type in total and intensity	12,19
A2.2	Water consumption in total and intensity	12,19
A2.3	Description of energy use efficiency initiatives and results achieved	11-12,19
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	11-12,19; no issue in sourcing appropriate water in the course of the operation of Yuyao Factory

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SUBJECT AREAS	CONTENT	PAGE INDEX
A2.5	Total packaging material used for finished products and, with reference to per unit produced	11; no significant use of packaging materials in the course of the operation of Yuyao Factory
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	12
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	13
B1.1	Total workforce by gender, employment type, age group and geographical region	13,21
B1.2	Employee turnover rate by gender, age group and geographical region	13,21

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SUBJECT AREAS	CONTENT	PAGE INDEX
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	14
B2.1	Number and rate of work-related fatalities	21
B2.2	Lost days due to work injury	21
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	14
B3 Development and Training		
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	14,21
B3.2	The average training hours completed per employee by gender and employee category	14,21
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	15
B4.1	Description of measures to review employment practices to avoid child and forced labour	
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	16
B5.2 (partial)	Description of practices relating to engaging suppliers, how they are implemented and monitored	

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SUBJECT AREAS	CONTENT	PAGE INDEX
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.	16-17
B6.2 (partial)	Number of products and service related complaints received and how they are dealt with.	16
B6.4	Description of quality assurance process and recall procedures	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	17
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	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	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	18
B8.1	Focus areas of contribution	