

Huazhong In-Vehicle Holdings Company Limited 華眾車載控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6830



2020

Environmental,
Social and
Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the 2020 Environmental, Social and Governance (“ESG”) Report (“the Report”) published by Huazhong In-Vehicle Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we” or “us”). The Report expounds the Group’s sustainable development principle and summarises the implementation and concludes the Year’s performance and achievement.

SCOPE OF THE REPORT

This Report covers the period from 1 January 2020 to 31 December 2020 (the “Year”), and the performance data from the previous year is also listed in this Report as reference for comparison. Unless otherwise stated, this Report covers the business of Ningbo Huazhong Plastic Products Co., Ltd. (“Ningbo Huazhong Plastics”), the main subsidiary of the Group, and its revenue accounted for 52.7% of the Group’s total revenue.

REPORTING STANDARD

The Report is prepared based on the reporting principles of materiality, quantitative, balance and consistency in “Environmental, Social and Governance Reporting Guidance” under Appendix 27 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited. The Report contains a content index to facilitate easy reading for various stakeholders. For the Group’s corporate governance, please refer to the chapter “Corporate Governance Report” of the Annual Report.

REPORTING PRINCIPLES

The Group adheres to the following reporting principles in the preparation process: Materiality, quantitative, balance and consistency.

Principle	Meaning	Response of the Group
Materiality	The report should cover areas that reflect the organisation's significant economic, environmental and social impact, or that materially affect stakeholders' assessments and decisions.	Stakeholder questionnaires are used to identify the significant sustainability issues for the Group.
Quantitative	The report should disclose key performance indicators ("KPI") in a measurable manner.	Disclosures should be made in a quantitative manner whenever possible.
Balance	The report should present each issue with an objective and balanced manner, whether positive or negative, to ensure that it reasonably reflects the overall performance of the organisation.	The Group's achievements and challenges should be identified and explained to enhance transparency.
Consistency	The report should adopt a consistent approach to information disclosure to allow stakeholders to analyse and assess the performance of the organisation over time. The organisation should provide an explanation for any changes to the methodology.	KPIs and information for the Year and in the past are provided in various scopes to facilitate comparison.

FEEDBACK

We look forward to using this report to facilitate communication between the Group and our stakeholders and see it as a driving force for our continuous improvement. Should there be any questions or suggestions on the Report or our sustainable development works, please contact us through the following means.

Principal Place of Business in Hong Kong Address:
Unit 19, 36th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong

Headquarters in China: No. 104 Zhenan Road, Xizhou Town, Xiangshan County, Zhejiang Province, China

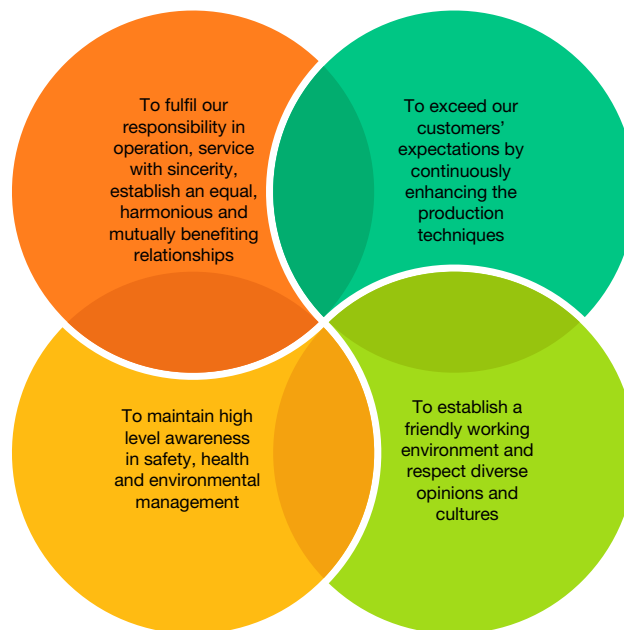
Email: volenhe@cn-huazhong.com

VISION OF SUSTAINABILITY

The Group is committed to becoming a leading global automotive parts company with core competitiveness. The Group has three major corporate missions: 1. To provide customers with high value products and services; 2. To allow employees to work happily, develop healthily, and create value for shareholders; 3. To commit to sustainable development and social responsibility. In order to achieve these goals, we have been operating our business with the four core concepts of “Integrity, Responsibility, Creativity and Sharing”.

The Group believes that sustainability is essential to its long-term development. Thereby, we manage our business in a responsible manner by incorporating environmental and social considerations into our daily operation and management. Through implementing sustainable development strategy, the Group creates values for its stakeholders, minimises its impact on the environment and assumes the social responsibility as a good corporate citizen. We also regularly review the Group’s sustainability policy and constantly address the concerns of stakeholders.

Adhering to the above visions, concepts and missions, we have formulated the following sustainability policies:



SUSTAINABILITY GOVERNANCE

The Board has overall responsibility for overseeing the Group’s sustainable development strategy and performance. The Board is also responsible for maintaining an effective risk management and internal control system to ensure compliance with all relevant laws and regulations in the course of business operations. The Group is fully aware of the importance of internal control to the business. We

prevent unauthorised use or disposal of assets by establishing comprehensive policies, standards and procedures to govern our internal control system. At the same time, to address the risks and opportunities that sustainable development bring to the Group’s operations, we hold management meetings to assess the ESG risks to all aspects of our operations and to formulate relevant countermeasures for the identified risks.

STAKEHOLDERS ENGAGEMENT AND COMMUNICATION

The Group has been continuously listening to the views of stakeholders on the ESG aspects of the Group through a variety of communication channels. The Group believes that listening to the views of stakeholders will help the Group to make timely adjustments to its sustainability policies and establish a foundation for improving its sustainability performance. In response to different stakeholders group, the Group understands their topics of concern through the various communication channels as shown below:

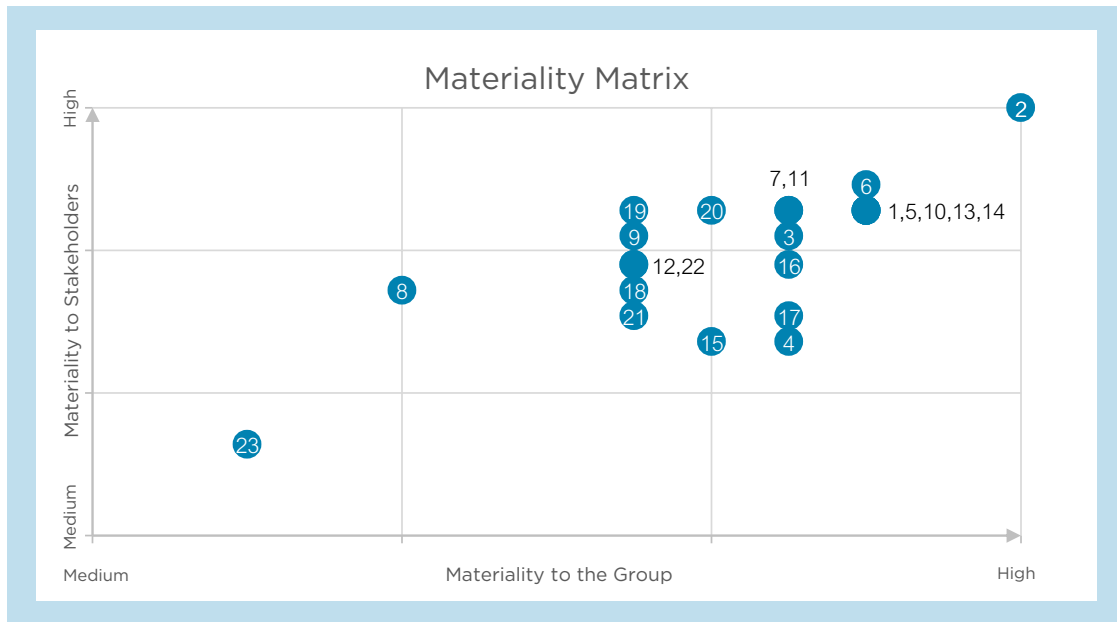
Stakeholders Group	Communication Channels
Employees	<ul style="list-style-type: none"> • Employees performance appraisal • Internal meetings • Diversified trainings • Team building activities • Recreational games
Customers	<ul style="list-style-type: none"> • Meetings • Communication through WeChat/Weibo/Telephone • Factory field inspection • Customer satisfaction survey
Suppliers	<ul style="list-style-type: none"> • Suppliers assessment process • Meetings • Field inspection • Questionnaire survey
Investors and shareholders	<ul style="list-style-type: none"> • Annual general meetings • Other general meetings • Corporate communications • Annual reports and interim reports • Company website
Government and authorities	<ul style="list-style-type: none"> • Communication during daily operations • Visits and inspection • Regular statutory reporting
Community	<ul style="list-style-type: none"> • Social public welfare activities • Face-to-face communications
Other business partners	<ul style="list-style-type: none"> • Communication during daily operations • Meetings



PROCESS OF MATERIALITY ASSESSMENT

The materiality assessment helps the Group identify key areas of concern for sustainable development. Based on the communication with stakeholders and the characteristics of the Group's business development, we have identified and selected the issues that are relatively important to the Group at this stage and used them as important reference factors in the preparation of the report and disclosure of information. The specific steps of our work are set out below:

Steps	Description
Step 1: To identify relevant issues	Based on the results of past and existing stakeholder communications and the Environmental, Social and Governance Reporting Guide of the Stock Exchange, we have identified 23 ESG related issues.
Step 2: To collect feedback from stakeholders	Stakeholders in different fields were invited to rate each issue through an online questionnaire.
Step 3: To identify material issues	The most material issues were identified by analysing and rating them with two parameters, the material rating of the issue by stakeholders and the material rating of the issue by the Group, and expressing them in the following materiality matrix.
Step 4: To verify	Senior management reviews a list of the most material issues to identify those that should be prioritised and highlighted.



Product and Service Responsibility	Operation Practices	Quality of Working Environment	Environmental Protection and Green Operation	Contribution to the Community
1 Product and service quality 2 Product safety 3 Customer communication and satisfaction 4 Complaint handling 5 Customer information and privacy protection 6 Intellectual property rights protection 7 Research and development 8 Advertising and labelling management	9 Supply chain management 10 Anti-bribery and corruption 11 Crisis and contingency response and management	12 Diversity, anti-discrimination and equality in workplace 13 Occupational safety and health 14 Employee training and development 15 Prevention of child and forced labour 16 Employment relations and communication with employees 17 Recruitment of talent and retention of employees 18 Employee benefits	19 Exhaust and greenhouse gas emission and control 20 Sewage and waste management 21 Use of resources 22 Green procurement and packaging	23 Participation in public welfare activities and charity donations



The seven material issues identified are explained in detail in their corresponding sections in the Report, and will be the focus of the future sustainability strategies of the Group.

Product and Service Responsibility	<ul style="list-style-type: none"> • Product and service quality • Product safety • Customer information and privacy protection • Intellectual property rights protection
Operation Practices	<ul style="list-style-type: none"> • Anti-bribery and corruption
Quality of Working Environment	<ul style="list-style-type: none"> • Occupational safety and health • Employee training and development

QUALITY MANAGEMENT

Product Safety

As a member of the automotive manufacturing industry chain, we value product safety and incorporate relevant safety standards into our design concepts through various management processes. To improve and ensure the quality of our products, the Group has a quality control department that conducts sampling tests in its own laboratory to monitor the passing rate of parts and raw materials. The scopes of the tests include physical and chemical tests such as robust performance, flame resistant, thermal ageing and formaldehyde tests, to ensure that product quality meets international requirements. In addition, we also send our samples to external independent testing institutions to conduct testing to ensure the quality of our products is stable and reliable. At the same time, we implement regular product quality assessment, and the assessment results are associated with the performance of production, and departments and teams with excellent performance will be awarded according to their performance.

PRODUCT AND SERVICE QUALITY

The Group strictly complies with applicable laws and regulations such as the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) and sets a stringent product quality standard. The Group has control on the whole product life cycle in aspects such as project planning, product design and research & development, raw material procurement, manufacturing process and finished product inspection, monitoring the passing rate of products. We have obtained ISO 14001:2015 environmental management system certification and ISO 9001 based IATF 16949:2016 – the automotive quality management system external certification, which is recognised by international automotive industry. The relevant data and documents are audited and saved in accordance to these standards to ensure that products go through the Production Part Approval Process (PPAP) with shortened PPAP cycle.

CUSTOMER COMMUNICATION AND SATISFACTION

We have always maintained good communication with our customers and received feedback from them in various channels. We have formulated the “Customer Service Control Procedures” (《顧客服務控制程序》), and we use questionnaires to collect customers’ opinions on aspects including our product quality, service attitude, price, delivery time and after-sales support, from which we understand our weaknesses and develop improvement measures to continuously meet the current and future needs and expectations of our customers.

In addition, we work directly with our customer’s quality control departments to understand possible defects in our products and examine ways to improve quality. The Group has industry-leading technology and extensive experience in “replacing steels with plastics”, and has gained long-term trust and support from our customers. With the increasing application of this technology in the production of automotive parts, we will combine our strengths to find the best solution to satisfy our customers, and explore and develop the future of automotive manufacturing together.

PRODUCT RECALLS

The Group has established the “Control Procedures for Corrective and Preventive Measures” (《糾正和預防措施控制程序》) in order to assist in the recall and investigation of defective products. We will trace the cause of the defect from the defective product and implement corrective measures as appropriate to prevent the recurrence of similar issues. The Group would also conduct investigations from various aspects, from customer handling and production environment to process and internal audits, to ensure all are properly executed in accordance with control procedures to continuously improve quality and reduce related risks. During the Year, the Group has not recalled products due to safety or health reasons.

OCCUPATIONAL SAFETY

Safe production is the cornerstone of our smooth operation. We have established a comprehensive safety management system and have been granted the OHSAS 18001 certification for occupational health and safety management, as well as the Safe Production Standardization Certificate awarded by The State Administration of Work Safety. We continue to strengthen the safety awareness of our employees, and practice comprehensive safety production through regular safety inspections, different types of job training, continuous improvement of our workflow management system, and enhanced risk control of workplace injury black spots. Meanwhile, the following five major policies have been implemented in our workplace to achieve safe production:



INVOLVEMENT OF ALL EMPLOYEES

- Senior management promises to adhere to our occupational health and safety policies
- All employees participate in the implementation of our occupational health and safety management measures

FOCUS ON PREVENTION

- Prior to the launch of every process, position, workplace, equipment, facilities, and projects are subject to risk identification and assessments, so that corresponding measures can be taken to reduce risk
- Potential safety hazards are regularly inspected, corrective and preventive measures are adopted to prevent any potential accidents

HEALTH AND SAFETY

- Top priorities are given to employees' lives and safety, ensuring the conditions for safe production, and providing training on safe production
- Comprehensive safety and health management systems are formulated
- Employees are provided with trainings with respect to safety, health and hygiene knowledge
- Regular occupational disease checks are arranged for employees

LAW-ABIDING

- We promise to abide to relevant laws and regulations, rules, systems and standards of occupational safety and health

CONTINUOUS IMPROVEMENT

- Our occupational health and safety management is continuously improved in order to comply with constantly updated laws and regulations standards
- The Plan-Do-Check-Action Management Model is implemented

Specifically, we have implemented the following measures to protect the safety of our employees:

- A medical kit is provided at every workplace to ensure any employee who is injured or sick during work can be immediately taken care of;
- At least one employee with first-aid certificate is allocated in every workshop who can provide timely assistance in case of an incident;
- Smoking is forbidden in all enclosed areas in factory premises and offices with no exception, and fire service installations are equipped;
- Annual occupational disease check-ups are arranged for employees to prevent occupational diseases among workers in high-risks operations;
- An emergency response leadership team is established to be responsible for arranging other personnel to respond to incidents, coordinating the use of equipment, and ensuring that emergency response plans are implemented in an effective and timely manner. Trainings for the required members of the emergency response leadership team are provided, especially for firefighters and paramedics, ensuring that they are capable of handling emergencies; and
- Fire drills are conducted to enhance employees' awareness of fire safety and emergency response capabilities in the event of a fire in the factory premises.

In addition, to prevent our staff from heat strokes under extremely hot weather, we implement the following measures:

- Install air coolers to lower temperature at work sites; and
- Periodically acquire proper supplies for temperature reduction and heat stroke prevention during hot period in summer for employees.

Through our effective implementation of various safety measures, the Group did not record any cases of work-related fatalities during the Year, while there were 8 cases of work-related injuries, all of which were caused by human errors. Based on their severity levels, we classify incidents into four major levels, which are minor injury incidents, serious injury incidents, incidents of major casualties and fatal incidents of extremely major casualties, and each category is provided with corresponding handling measures. After each incident, we would carry out investigations to analyse the root causes and formulate corresponding ratification measures to prevent incidents from happening again.

The Group strictly complies with the occupational safety and health regulations including the "Safety Production Act of People's Republic of China" (《中華人民共和國安全生產法》), the "Prevention and Control of Occupational Diseases of the PRC" (《中華人民共和國職業病防治法》), the "Special Equipment Safety Act of the PRC" (《中華人民共和國特種設備安全法》) and the "Fire Safety Law of the PRC" (《中華人民共和國消防法》) as well as industry standards. During the Year, to the best knowledge of the Directors, the Group received no major administrative sanctions or penalties for violating any laws and regulations related to the provision of safe working environment and the protection of employees against occupational hazards.

Pandemic Prevention and Control

After the outbreak of the novel coronavirus (“COVID-19”), we had been determined to take up our social responsibility of the pandemic prevention and control and set up a pandemic prevention team to ensure the health and safety of our employees when we resume work and production. Meanwhile, we also implemented various prevention measures, including:

- Enhancing staff’s knowledge on pandemic prevention and control, e.g. daily personal cleaning and disinfection and the proper way to wear masks;
- Distributing necessary protective gears such as masks and gloves to employees;
- Strengthening the management of the factory premises, strictly verify identification and conduct body temperature testing; and
- Increasing the frequency and scope of cleaning and disinfection, and increasing the duration and frequency of indoor ventilation.

ENVIRONMENTALLY FRIENDLY PRODUCTION

The Group has always adhered to the principle of environmentally friendly production and has garnered the ISO 14001 environmental management system certification. We use Low Pressure Injection Moulding (“LPIM”) process to produce automotive interior parts. Since there is no glue coating process necessary for the over moulding process, the interior parts are firmly stabilised on plastic without the use of glue or other chemicals, realising green production. In future, we will continue to seek opportunities to reduce emissions and wastes during production, and to minimise the impact of the Group’s business on the environment and natural resources.

In addition, we have reduced the weight of the vehicle by 4 to 6 kg by reducing the weight of the engines and cooling systems as a result of our “replacing steels with plastics” production. Vehicle weight reduction can effectively reduce the amount of fuel used and greenhouse gas emissions when the vehicle is running. In addition, the energy consumption during installation can be reduced because the welding process is eliminated. With continuous innovation and research efforts, we have been elected as the 2019 New Provincial New Hi-tech Enterprise Research and Development Centre. We will continue to recruit and nurture creative talents and promote technological transfer activities so as to enhance the enterprise’s competitiveness.

COMPLIANCE

We are required to comply with various environmental laws and regulations, including but not limited to the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), the “Energy Conservation Law of the People’s Republic of China” (《中華人民共和國節約能源法》), the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” (《中華人民共和國大氣污染防治法》), the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” (《中華人民共和國固體廢物污染環境防治法》), the “Law of the People’s Republic of China on the Prevention and Control of Environmental Noise” (《中華人民共和國環境噪聲污染防治法》) and the “Law of the People’s Republic of China on Prevention and Control of Water Pollution” (《中華人民共和國水污染防治法》). To the best of the Directors’ knowledge, the Group has not been subject to significant administrative penalties for violation of the environmental laws and regulations of China during the Year.

EXHAUST GAS EMISSION AND ENERGY RESERVATION

It is inevitable that greenhouse gases are emitted during the production process of the Group. The vehicles, forklifts and canteen, while in use, consume petrol, diesel and liquefied petroleum gas, which produce emissions to the environment. In order to reduce our negative impact on the environment, the Group strictly monitors and controls the exhaust gas emissions and energy consumption generated in the production process, and uses activated carbon adsorption and water spring to purify the emissions. At the same time, we use newer injection moulding machines to increase injection speed and shorten production time in order to reduce power usage. We also maintain a constant temperature in the spraying workshops to avoid repeated temperature adjustments to reduce power consumption. In addition, we have taken the following measures to reduce energy consumption:

- Air conditioning of the office is controlled at 24°C to 26°C
- Employees are reminded to switch off equipment that is not in use and check that equipment is switched off during downtime and breaks to save power
- Energy saving lightings are installed and natural light is used as much as possible in the factory premises and offices
- An energy saving and emission reduction working group is set up to regularly monitor efficiency and provide improvement advices

To reduce the emissions from traditional energy, we proactively use renewable energy. Due to the impact of the pandemic of the Year, our production was reduced to a total of 1,255 MWh (2019: 1,370 MWh) of solar energy. Although renewable energy only contributed to a small portion of our energy consumption, we will continue to enhance our investment in renewable energy to reduce the use and ratio of traditional energy in order to lower the negative impact on the natural environment.

Our exhaust gas emission requirements are in accordance with the “Emission Standard of Air Pollutants for Industrial Coating Process” (《工業塗裝工序大氣污染物排放標準》) (DB33/2146-2018), and we have engaged a third-party independent inspection agency to conduct monthly assessments of our exhaust gas emissions to ensure that our emissions meet the requirements of the standards. The inspection report shows that the densities and emission rates of our organised air emissions including toluene, xylene, non-methane total hydrocarbons and ethyl acetate are all in compliance with the emission requirements. The unorganised air emission, such as methane density, is also in compliance with the emission requirements.

WATER RESOURCES MANAGEMENT

The Group's production water is mainly used for cooling process, and we recycle the cooling water to save water and reduce the overall water consumption. Secondly, the domestic water is mainly used for cooking in the canteen and for toilet facilities. When treating wastewater, we firstly filter the wastewater by a screen filter to remove larger solid wastes, then it is discharged into a sedimentation compartment for sedimentation to separate fine-grained sediments such as sand and soil, then oil floating on water is removed by using the grease trap, and finally, water is discharged after water purification in the separation compartment. We have engaged a qualified third-party agency to inspect our wastewater discharge. The results show that we are in compliance with the “Integrated Wastewater Discharge Standard” (《污水綜合排放標準》) (GB 8978-1996). The Group's water is sourced from the municipal water system, and thus the Group does not have any difficulty in sourcing water.

WASTE DISCHARGE

Hazardous and non-hazardous wastes are produced during our production process, where hazardous waste is mainly paint residues, whereas for non-hazardous wastes, we mainly produce plastic scraps, metal scraps and paper boxes. Although we cannot avoid the generation of the relevant waste, we strictly dispose of all waste in accordance with relevant laws, regulations and standards to prevent impacts on nearby communities. We have arranged a qualified third-party solid waste treatment company to periodically collect and treat our hazardous wastes, while non-hazardous wastes will be treated with the appropriate recycling processes. To reduce the generation of non-hazardous waste, we have taken the following measures:

- Used packaging materials are recycled and reused to enhance the use of packaging materials
- Plastic scraps are crushed and reused in the production lines
- Metal scraps collected are handed over to recycling companies for further treatment

Apart from waste, we also request our employees to reduce the generation of office waste paper and encourage employees to reduce waste, measures include:

- Replace paper with emails and electronic workflow system to achieve paperless and systematic office
- Place memos with environmentally friendly messages and tips on office equipment
- Set up paper recycle box in office and recycle printer cartridges
- Replace reusable ceramic cups and spoons instead of disposable plastic and paper cups and wooden stirrers

NOISE

The Group's production lines are mainly mechanical, so noise is generated in the production workshops. We locate the production workshops separately and provide earplugs to the employees working in the production workshops to reduce the noise impact on the employees. In addition, we have also engaged a qualified agency to measure the noise generation of the Group during the day and night, respectively, according to the "Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》) (GB 12348-2008). The inspection result shows that our environmental noise generation during the day and night are both in compliance with the requirements.

ENVIRONMENTAL KPIs

	2020	2019 ¹	Unit
Air emissions			
Nitrogen oxides (NO _x)	378.3	296.4	Tonnes
Sulphur oxides (SO _x)	6.2	4.9	Tonnes
Particulate matter (PM)	14.1	11.1	Tonnes
Greenhouse gases emissions			
Total greenhouse gas emissions ²	155,053.6	123,499.4	Tonnes of CO ₂ e
Direct emission (scope 1)	146,102.7	114,581.4	Tonnes of CO ₂ e
Indirect emission (scope 2)	8,950.9	8,918.0	Tonnes of CO ₂ e
Greenhouse gas emissions intensity	3.3	2.1	Tonnes of CO ₂ e/'000 product unit
Hazardous waste			
Amount of hazardous waste produced and disposed	26.8	19.5	Tonnes
Intensity	0.6	0.3	Kg/'000 product unit
Non-hazardous waste			
Total amount of non-hazardous waste produced and disposed ³	582.4	465.9	Tonnes
Recycled - metal	117.4	150.4	Tonnes
Recycled - paper	125.7	232.3	Tonnes
Recycled - plastic	336.0	79.5	Tonnes
Discarded - paper	3.3	3.7	Tonnes
Intensity	12.3	7.9	Kg/'000 product unit
Packaging materials			
Amount of packaging materials used	2,001.2	2,016.2	Tonnes
Intensity	42.3	34.1	Kg/'000 product unit
Energy consumption			
Total energy consumption	668,909.5	527,282.8	MWh
Purchased electricity	11,124.7	11,083.8	MWh
Liquefied natural gas	656,134.6	514,279.4	MWh
Liquefied petroleum gas	-	42.0	MWh
Unleaded petrol	277.1	384.3	MWh
Diesel	118.2	123.0	MWh
Renewable energy - solar photovoltaic power generation	1,254.9	1,370.3	MWh
Energy consumption intensity	14.1	8.9	MWh/'000 product unit
Water consumption			
Total water consumption	107,108.0	118,161.0	m ³
Water consumption intensity	2.3	2.0	m ³ '000 product unit

¹ With reference to the emission factors for purchased electricity in Mainland China newly supplemented in "How to prepare an ESG report" published by the Stock Exchange, the data of scope 2 (indirect emissions) in 2019 has been recalculated.

² Our disclosures on air and greenhouse gases (GHG) emissions have been prepared based on the requirements stipulated in "How to prepare an ESG report" published by the Stock Exchange and "GHG Protocol: Corporate Accounting and Reporting Standard (Revised Edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

³ Domestic waste generated in offices and dormitories was not included as it was collected by local environmental sanitation team.

PEOPLE-ORIENTED

The Group has followed the “people-oriented” human resources management principle and provided a fair, friendly, and safe working environment, safeguarded employees’ rights and health, cultivated young officers and facilitated promotion and development of talents in order to attract and retain talents, fostering the common growth of employees and the Group.

We have always valued our employees’ opinions, and we have gathered the suggestions from our employees through different channels. Same with previous year, we continued to conduct employee survey to understand employees’ level of satisfaction towards the Company and identified the most urgent problems of the frontline workers for formulation of improvement measures. We have also set up an employee feedback channels and organised staff seminars on a regular basis, which provide our employees a channel to express their opinions, and the management can directly communicate with general employees in a two-way manner, giving each other the opportunity to give feedback and increasing the sense of equality and participation.

LABOUR STANDARDS

We strictly comply with the relevant employment laws and regulations, including the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and the Regulations on Prohibition the Use of Child Labor (《禁止使用童工規定》), and employ workers according to laws and regulations. We undertake not to use child labour and forced labour. During the Year, the Group did not find any violation of the use of child labour or forced labour. During our recruitment process, we conduct identity

checks and verify their age to avoid hiring any child labour. In addition, we require our employees to comply with the overtime management policy by completing the Overtime Application Form and submitting the form to their department heads for approval before working overtime. We encourage our employees to maintain a balance between work and rest and ensure that none of our employees shall work overtime against their will. In the event that child labour or forced labour is found, we will take the matter seriously and discipline the staff involved.

EQUAL OPPORTUNITY

As an employer that offers equal opportunity, the Group has always adhered to the principles of diversity, openness and inclusion in recruitment. Our hiring, training, career development, remuneration, promotion, termination and other employment-related policies do not discriminate on the basis of gender, age, marital status, religion, race, national origin or disability. We openly recruit staff through various channels including HR agencies, campus recruitment and job advertisements, employing candidates on merit and fair basis. The Group’s remuneration and benefit standards are based on market and industry standards and are adjusted periodically according to the qualifications and positions of employees. We conduct regular employee performance appraisals based on the actual needs of each department, taking into account a comprehensive set of factors, including work attitude, sense of responsibility, skills, experience and leadership, and reward or promote employees based on the evaluation of their performance. When we receive a resignation from an employee, our Human Resources Department conducts an exit interview with the employee to understand the reason for the employee’s departure and his/her suggestions for the Group, which serves as a reference for continuous improvement of the Group.

EMPLOYEE BENEFITS

In addition to basic salary and social security, the Group also provides additional benefits to its employees, such as transportation tickets to other regions on weekends, birthday coupons on employees' birthdays, medical checkups for employees, and gifts on traditional festivals. Some employees in overseas were unable to return to their hometown for the Spring Festival of the Year

due to the pandemic, so we distributed red packets to the employees who had to stay behind, so that they could celebrate the Spring Festival with other employees. In order to enhance the cohesiveness of our employees and their sense of belonging to the Company, the Group also organised a variety of group activities such as ball games, hiking and birthday parties from time to time to help our employees achieve a work life balance.

EMPLOYEE DEMOGRAPHICS

	2020	2019
By gender		
Male	387	382
Female	399	413
By employment type		
Full-time	778	791
Part-time	8	4
By employment category		
Senior management	3	3
Middle management	30	27
General employees and technicians	753	765
By age		
Below 20	17	11
21-30	110	141
31-40	251	234
41-50	279	291
51-60	120	109
Above 60	9	9

EMPLOYEE TURNOVER ANALYSIS

	2020	2019
By gender		
Male	113	143
Female	92	85
By age		
Below 20	23	9
21-30	62	77
31-40	46	64
41-50	50	55
51-60	23	22
Above 60	1	1

EMPLOYEE DEVELOPMENT

The Group believes that through training employees, it can enhance their skills and facilitate team communication and cooperation, which increase working efficiency and cultivate employees' sense of belonging to the Company, allowing each employee to freely explore their own potential and creativity to achieve the common growth of employees and the Company. We provide appropriate training on a regular basis in accordance with the Group's development strategy and business needs, and taking into account the career plans of employees in different positions. We have an entire set of training system to provide specific training for different positions to ensure that our employees keep up with the latest production technology in the industry and master the relevant skills in both professional knowledge and daily work. We have implemented

the "Huazhong Craftsmen" (《華眾工匠》) scheme for the selection and development of exceptional talents in order to strengthen the training of young officers and talents in key business areas. During the Year, we arranged more than 300 different trainings for employees, including occupational skills, administrative management, production safety and product quality. The Group also encourages its employees to participate in external trainings for work-related professional qualifications or licences. In addition, we have established "Huaxiang University" (華翔大學) through our long-term cooperation with Shanghai Jiaotong University, and organised corporate management courses for senior management in training management talents and expanding their promotion opportunities.

During the Year, our trainings focused on the following areas:



- NEW ENTRANTS TRAINING**
 - Training on rules and regulations
 - Training on knowledge of quality
 - Training on production safety
- COMPANY-LEVEL TRAINING**
 - Stress and emotion management
 - Production management training
 - Training on new products
- DEPARTMENT-LEVEL TRAINING**
 - Financial statement preparation training
 - Customer assessment training
 - Project management training
- WORK SITE TRAINING**
 - Quality training
 - 6S management training
 - Standardised operation training

EMPLOYEE TRAINING HOURS

	2020	Unit
Employee Training Analysis		
Total number of training hours	8,391.75	hours
Average number of training hours	8.47	hours/person
Percentage of employees trained by gender		
Male	50.77	%
Female	49.23	%
Percentage of employees trained by employee category		
Senior management	0.24	%
Middle management	3.32	%
General employees and technicians	96.44	%

	2020	Unit
Average number of training hours of employees trained by gender		
Male	10.93	hours/person
Female	5.96	hours/person
Average number of training hours of employees trained by employee category		
Senior management	5.17	hours/person
Middle management	13.06	hours/person
General employees and technicians	8.32	hours/person

SUPPLIER MANAGEMENT

The performance of our suppliers has a significant impact on the sustainability of the Company. The Group believes good supply chain management will help maintain the quality of our products and the reputation of the Group, which can facilitate the entire supply chain to achieve green development.

The raw materials we procure mainly include various types of resin, such as polycarbonate/acrylonitrile butadiene styrene (“PC/ABS”) and polypropylene (“PP”), accessories (such as metal clamps and screws) and fabrics. We source most of the fabrics required for production through our jointly controlled company, Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd. (“Ningbo Hualete”). For other raw materials such as resins and accessories, we will follow common standards for procurement and avoid relying on a specific supplier. Most of our material suppliers are from Mainland China, while only certain raw materials, including higher grade plastics, and accessories are sourced from overseas.

The Group has prepared a stringent procurement system and supplier management procedures to conduct the supplier selection process. We require all suppliers to obtain the internationally recognised standard ISO/TS 16949 Quality System, which includes ISO 9001 and additional requirements for specific categories of automotive industry certification, to ensure that our suppliers can provide raw materials or products that meet quality requirements. We also regularly conduct supplier

evaluation, thoroughly check the background and qualification of the suppliers, and make selections based on their prices, technologies, production capacities, delivery time, product and service quality, as well as performance in environmental protection, ethical behaviours and social responsibilities. Only qualified suppliers will be included in our list of approved suppliers. Our quality control department also evaluates the suppliers’ compliance with our standards every month based on product return rates and feedback from the production lines.

In order to enhance the sustainability of our suppliers and ensure the healthy development of our supply chain, we need suppliers who share the same philosophy. We hope to maintain the suppliers’ product qualities and price stabilities through long-term cooperation. We also require the suppliers to shoulder social responsibility and monitor together in the areas of responsible production, labour rights, environmental protection and anti-corruption, in order to develop a stable and sustainable supply chain. If a supplier’s business model is found to be contrary to the Group’s philosophy of sustainable development, we may terminate our cooperation with such supplier. During the Year, the Group was not aware of any material adverse impact from our major suppliers on areas such as business ethics, environmental protection or labour practices.

INFORMATION MANAGEMENT

The Group places a high value on the protection of data and privacy of all parties and therefore strictly requires its employees to observe confidentiality. Employees shall not disclose in any form any trade secrets or confidential information of the Group, including customer information and drawings. To effectively protect the Group's confidential information and customer information, all employees are required to sign a confidentiality agreement and undertake not to disclose any of the Group's confidential information to third parties. At the same time, the employee's system access rights will be set according to their positions to avoid unnecessary access rights. If our employees need to access information or data outside their granted access rights, they must submit a written request and go through the relevant approval process to prevent privacy leakage arising from unauthorised use. To the best of the Directors' knowledge, the Group has not received any complaint of violation of customer privacy, discovery of leakage, theft or loss of customer information during the Year.

INTEGRITY BUILDING

We strictly abide by laws and regulations in relation to anti-corruption and fraud, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). To the best of the Directors' knowledge, during the Year, the Group did not find any violations in relation to bribery, fraud, extortion and money laundering that had material impact on the Group.

We adopt a zero-tolerance attitude towards any form of corruption, malpractice, bribery, money laundering and other illegal and undisciplined acts, and insist on operating with integrity and leading by example. We have set up a confidential complaint

reporting channel that allows whistleblowers to disclose violations anonymously, thereby protecting the identity and rights of whistleblowers. If the violation is verified to be true, the parties involved will be subject to disciplinary actions, or even dismissal and submission to judiciary authorities for investigation and punishments.

Newly hired employees must be trained in ethics to increase awareness of anti-corruption. It is clearly stipulated in the "Employee Handbook" (《員工手冊》) that any employee shall not give or receive any kind of illegal benefits, nor attempt to influence business decisions. We also enter into "Anti-corruption Agreements" (《廉潔合同》) with major customers and suppliers, putting into writing the responsibilities of both parties in safeguarding anti-corruption with agreements, preventing improper conduct and fostering a fair and corruption-free business environment.

CARE FOR THE SOCIETY

We are committed to fulfilling our social responsibility and taking care of our neighbouring communities. During the Year, we have set up a million dollar education fund for Xizhou Primary School, which will be disbursed over ten academic years, and the Year is our first year to disburse RMB100,000. The education fund will be used to reward outstanding educators in the hope of inspiring and promoting local education development.

In addition, we donated RMB500,000 to the Xiangshan Charity Federation to set up a title fund and RMB100,000 to Xiangshan County Bureau of Economic and Information Technology for poverty alleviation charity. We also actively involved in community building and the Group continued to provide employment opportunities for people with disabilities to help them take part in the society. Looking ahead, we will continue to participate in charity, care for the community and give back to the people.



HKEX ESG REPORTING GUIDE INDEX

Subject areas, aspects, general disclosures and KPIs		Section/remarks
A. Environmental		
Aspect A1: Emissions		
A1 General disclosure	Regarding the waste emissions and greenhouse gas emissions, sewage to water and land, hazardous and non-hazardous waste generation, etc.: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.	Environmentally friendly production
A1.1	Types of emissions and related emissions data.	Environmental KPIs
A1.2	Total greenhouse gas emissions and intensity.	Environmental KPIs
A1.3	The total amount of hazardous waste produced and intensity.	Environmental KPIs
A1.4	The total amount of non-hazardous waste produced and intensity.	Environmental KPIs
A1.5	Describe the measures to reduce emissions and the results obtained.	Exhaust gas emission and energy reservation
A1.6	Describe ways to deal with hazardous and non-hazardous waste, measures to reduce production, and the results obtained.	Waste discharge

Subject areas, aspects, general disclosures and KPIs		Section/remarks
A. Environmental		
Aspect A2: Use of Resources		
A2 General disclosure	Policies for the effective use of resources.	Environmentally friendly production
A2.1	The total consumption and intensity of direct and/or indirect energy by type.	Exhaust gas emission and energy reservation
A2.2	Total water consumption and intensity.	Water resources management
A2.3	Describe energy use efficiency plans and the results obtained.	Environmentally friendly production
A2.4	Describe any problems that can be found in sourcing water that is fit for purpose, as well as plans to improve water use efficiency and the results obtained.	Water resources management
A2.5	The total amount of packaging materials used in finished products and per unit of production.	Environmental KPIs
Aspect A3: Environment and Natural Resources		
A3 General disclosure	Policies to reduce the issuer's significant impact on the environment and natural resources.	Environmentally friendly production
A3.1	Describe the significant impact of business activities on the environment and natural resources and the actions that have been taken to manage the impact.	Environmentally friendly production

Subject areas, aspects, general disclosures and KPIs	Section/remarks
B. Social Employment and Labour Practices Aspect B1: Employment	
B1 General disclosure	Regarding pay and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other benefits and welfare: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.
B1.1	The total number of employees by employment type, age group and region.
B1.2	The rate of employee turnover by age group and region.
Aspect B2: Health and Safety	
B2 General disclosure	To provide a safe working environment and to protect employees from occupational hazards: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.
B2.1	The number and rate of work-related deaths.
B2.2	Lost work days due to work-related injuries.
B2.3	Describe the occupational health and safety measures adopted, as well as the relevant implementation and monitoring methods.

Subject areas, aspects, general disclosures and KPIs	Section/remarks	
B. Society		
Employment and Labour Practices		
Aspect B3: Development and Training		
B3 General disclosure	Policies on improving employees' knowledge and skills in performing job duties. Describe training activities.	Employee development
B3.1	Percentage of employees trained by gender and employee category.	Employee training hours
B3.2	The average number of training hours completed per employee by gender and employee category.	Relevant information is not disclosed for the Year
Aspect B4: Labour Standards		
B4 General disclosure	Regarding the prevention of child labour or forced labour: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.	Labour standards
B4.1	Describe measures to review recruitment practices to avoid child labour and forced labour.	Labour standards
B4.2	Describe the steps taken to eliminate the situation when a violation is found.	Relevant information is not disclosed for the Year

Subject areas, aspects, general disclosures and KPIs		Section/remarks
B. Society		
Operating Practices		
Aspect B5: Supply Chain Management		
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier management
B5.1	Number of suppliers by region.	Relevant data is not disclosed for the Year
B5.2	Describe the practice of appointing suppliers, the number of suppliers subject to relevant practices, and the implementation and monitoring methods of relevant practices.	Relevant information is not disclosed for the Year
Aspect B6: Product Responsibility		
B6 General disclosure	About the health and safety, advertising, labelling and privacy issues and remedies of the products and services provided: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.	Product safety
B6.1	Percentage of products to be recalled of the total products sold or shipped for safety and health reasons.	Product recalls
B6.2	Number of complaints about products and services received and how to deal with them.	Relevant information is not disclosed for the Year
B6.3	Describe the practices related to the observation and protection of intellectual property rights.	Relevant information is not disclosed for the Year
B6.4	Describe the quality verification process and product recall procedures.	Relevant information is not disclosed for the Year
B6.5	Describe consumer data protection and privacy policies, and related implementation and monitoring methods.	Information management

Subject areas, aspects, general disclosures and KPIs		Section/remarks
B. Society		
Operating Practices		
Aspect B7: Anti-corruption		
B7 General disclosure	About preventing bribery, extortion, fraud and money laundering: (a) Policy; and (b) Details on compliance with relevant laws and regulations with material impacts on the issuer.	Integrity building
B7.1	The number of concluded corruption lawsuits filed against the issuer or its employees during the reporting period and the outcomes of the lawsuits.	To the best of the Directors' knowledge, during the reporting period, the Group did not receive any complaint from anyone in respect of bribery, extortion, fraud and money laundering, and was not aware of any corruption lawsuits.
B7.2	Describe preventive measures and whistleblowing procedures, as well as related implementation and monitoring methods.	Integrity building
Community		
Aspect B8: Community Investment		
B8 General disclosure	The policy on community participation to understand the needs of the communities in which they operate and to ensure that their business activities take into account the interests of the community.	Care for the society
B8.1	Focus on the areas of contribution.	Relevant information is not disclosed for the Year
B8.2	Use resources in the focus areas.	Relevant data is not disclosed for the Year