

TONGDA HONG TAI HOLDINGS LIMITED

2017 Environmental, Social and Governance Report

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) Report (“the Report”) is prepared by Tongda Hong Tai Holdings Limited (“the Company”) to review and summarize the ESG work from the Company and its subsidiary (collectively as “the Group” or “We”) in 2017. The Report spans the period from 1 January 2017 to 31 December 2017, and covers information of the Group – Hong Kong headquarters and its production base in Changshu (常熟), China. The information disclosed by this Report is the “general disclosures” and the environmental KPIs set out in the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”), Appendix 27 to the Rules Governing the Listing of Securities released by Hong Kong Exchanges and Clearing Limited.

Unless otherwise stated, this report should be read in conjunction with the Corporate Governance Report on pages 14 to 25 of the 2017 Annual Report of the Company. The data and information as referred to in this report are derived from different files, records, statistics and research of the Company and this report covers the period from 1 January 2017 to 31 December 2017 (the “Reporting Period”), same as the financial year of the 2017 Annual Report of the Company.

Adhering to its vision of sustainability, the Company is committed to generating maximum value for our shareholders as well as balancing interests from the environment, society and other aspects to promote harmony and prosperity for different kinds of stakeholders.

In order to effectively identify the major stakeholders of the Company’s businesses and their key expectations, the Company proactively identifies the stakeholders. We have established a variety of communication channels to increase the participation of the stakeholders to provide valuable and constructive ideas and suggestions for our development. On this basis, we can establish a long-term effective mechanism for ESG development.

A. ENVIRONMENTAL

1. Protecting for Environment

1.1 Emissions

Emphasising both on economic benefit and environmental protection, the Group makes great efforts to develop a long term mechanism and relevant policies of environmental protection and energy saving to build a resource-saving and environment-friendly enterprise.

The Group strictly complies with relevant laws and regulations in relation to environmental protection to identify and manage such substances to ensure safe treatment, transportation, storage and disposal. According to the requirements of relevant laws and regulations as well as the environmental impact assessment approvals, the Group identifies and manages the major emissions during production and operation.

During the Reporting Period, the Group's types of emissions and respective emissions data are shown as below:

Waste gas discharge	Standard requirement	2017
Granule particle	120 mg/m ³	116 mg/m ³
Gaseous sulphuric acid	35 mg/m ³	32 mg/m ³
Benzene	12 mg/m ³	10 mg/m ³
Methyl benzene	40 mg/m ³	35 mg/m ³
Dimethyl benzene	70 mg/m ³	65 mg/m ³

The Group's greenhouse gas emissions in total is 1,798 (in tonnes).

The Group's facilities followed the KPI shown above within the waste gas discharge level in standard local regulation. Manufacturing base has also set postprocessor to deal with exhaust gas/wastes emitted during production process.

Waste water is processed in aerobic tanks. It is assured that no hazardous substances are emitted during the postprocessor. In addition, outsourced Energy Information Administration (EIA) companies are engaged to evaluate if the emitted substances are hazard-free, and local environment protection authorities visit the production bases to review annually.

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A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.1 Emissions *(continued)*

Referring standard on DB44/26-2001 – Discharge limits of water pollutants and GB 8976 – 1996 – Integrated wastewater discharge standard are complied with respectively.

Waste water discharge	Standard requirement	2017
pH value	6 – 9	7 – 8
Chemical Oxygen Demand	≤110mg/L	≤90 – 100mg/L
Biochemical Oxygen Demand	≤30mg/L	≤25 – 28mg/L
Suspended Substance	≤100mg/L	≤85 – 98mg/L
Ammonia	≤15mg/L	≤10 – 13mg/L

The Group's total non-hazardous waste produced is approximately 468 tonnes and total hazardous waste produced is Nil as the Group has post treatment for hazardous waste in-house before discharge.

The Group strictly complies with local regulations to identify and to manage such substances to ensure safe treatment, transportation, storage, use, recycle or reuse and disposal for it. For example, the manufacturing base has a special storage room and method to store different materials in which to keep all the material in good condition for production, such as placing oil paint and other substance at ventilated, thermostatic places and the corresponding secondary containers to prevent the liquid material flow out by unpredicted incident into public area. Moreover, the Group deals with wastes depending on different conditions. Generally, wastes are transported only when accumulated to a certain amount, which aims to reduce transportation cost and carbon emission.

1.2 Use of Resources

The Group mainly focuses on the following aspects so as to improve the efficiency of resources utilization and reduce unnecessary energy consumption.

The Group designated a committee for specialising in resources saving strategy, the strategy is considered to implement low carbon emission in our operation, to monitor the whole process of energy flow efficiently, to check use of energy efficient performance by regularly assessments. At the same time, we also consider incorporating environmental-friendly policy and utilisation of natural resources into our operation.

A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.2 Use of Resources *(continued)*

During the Reporting Period, through the continuous implementation of technical enhancement, the Group's electricity consumption in domestic production in below KPI.

Electricity consumption in total (million kWh)	2017
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Total consumption	101.8
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The committee has enforced in our operation to manage, to implement regulations for the reduction of electricity consumption. We also encourage our departments for the reduction of electricity consumption for using a higher energy efficiency air conditioners and the operation of compressors. The monthly statistics report is published to record, to alert our electricity consumption status by each department. In order to eliminate the abuses of electricity, we reinforce the management for electricity conservation by regularly inspecting and supervising the electricity consumption by different departments. On the other hand, the Group actively supports the energy saving transformation projects – upgrading the existing equipment (such as adopting advanced energy saving technologies and equipment, including the purchase of completely electric- driven injection molding machines and the switch to energy efficient lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and introducing brand new technologies (such as air conditioning water systems based on nano dirt removal new technologies).

During the Reporting Period, through the continuous implementation of technical enhancement, the Group's water consumption in domestic production in below KPI.

Water consumption in total (million tonnes)	2017
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Total consumption	1.1
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On water consumption management, through the conduction of water balance tests and the installation of water meters at each of the water consumption points (whose summary of comparative analyses will be made on a monthly basis), the Group endeavors to avoid wastage of water and does not have any issues in water sourcing. Considering fully utilised the recourses, the total packaging material used for finished products is approximately 110 (in tonnes).

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A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.3 *The Environment and Natural Resources*

The material impact of the Group on the environment and natural resources is the emissions and resources use as stated before. In addition to the management measures mentioned above, we also actively popularize the concept of environmental protection and energy saving in the Group and among employees, and promote green production and green operation, in order to control and reduce the impact of business activities on environment and natural resources.

In the horizons of waste management and recycling, the Group recorded approximately 1,102 tonnes of recyclable industrial waste, 178 tonnes of domestic waste, 186 tonnes of kitchen waste and 176 tonnes of carbon emission in 2017. The Group reuses the reusable resources and properly handles hazardous and non-hazardous materials with best efforts. We require our employees to keep contaminated items in separation and treat wastes in classification. In 2017, the Group recycled and reused over 205 tonnes of waste from its production process, including scrap steel, copper and packaging waste. In 2017, paint residues and wastes with oil content produced by the Group amounted to approximately 28 tonnes in aggregate. Such hazardous wastes and paint residues will be packed into bags after they are artificially filtered out and will be subsequently stored in specialised storing places after they are drained and dried by an appropriate treatment. Oily wastes will also be collected and packed into bags, and stored in specialised storing places. In compliance with the “Standards on Storage and Pollution Control of Hazardous Wastes”, the Group entrusts qualified units to handle hazardous wastes for us in the form of transfer processing. We follow the transfer processing system as well as reporting and registration system in accordance with the regulations.

Staff support and participation is the key for implementing environmental protection policies and measures of the Group. Through announcement, internal email and training provided by external experts, we promote the knowledge on energy-saving and emission reduction and environmental protection of our staff. To achieve the annual energy-saving target, we further review the job done by each department and include environmental protection concepts to all of our business decision-making process in respect of manufacturing and sales. We keep encouraging and leading our staff to take part in our persisting environment improvement initiative as well as providing training in anticipation that every staff will understand the importance of energy-saving and emission reduction. The Environmental regulatory non-compliance resulting in fines or prosecutions is zero in 2017.

A. ENVIRONMENTAL *(continued)*

1. Protecting for Environment *(continued)*

1.3 *The Environment and Natural Resources (continued)*

The Group advocates the importance of environmental protection and sustainability development to the employees. We adopted a number of environmental friendly practices as listed below:

- Using air conditioners with sensors to maintain constant and reasonable room temperature;
- Encouraging double-side printing and photocopying;
- Reducing the use of petroleum related products, such as plastics and foam cups products;
- Decreasing the number of overseas business travelling by using video-conference or telephone-conference meetings instead; and
- Reminding the employees to turn off unnecessary electrical appliances.

B. SOCIAL

2. Employment and Labour Practices

2.1 *Employment*

The Group is committed to complying with relevant labour standards and employment laws and regulations which are applicable to our business. During the year, the Group has no issue of non-compliance or violation in respect of labour affairs. As employees are our paramount assets and foundation of success, the Group spares no effort in caring their needs and always strives for their benefits. Under our sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, pregnancy, social orientation and other factors. The Group values the contribution of our employees and actively shares the achievements with them, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances, are offered to our employees.

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B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.1 Employment *(continued)*

Our employees are recruited from China and Hong Kong. All employees are entitled to the number of leaves, including maternity leaves, in accordance with the applicable laws of different jurisdictions. We advocate a worklife balance among our employees by introducing reasonable working hours and number of paid leaves, which is not only beneficial to their health, but also to their morale and foster a sense of belonging to the Group. The Group believes every contribution deserves its reward, we adopt a performance-based remuneration packages. Under such policy, performance evaluation is conducted on a yearly basis to appraise the performance of all employees, offering them recognitions and rewards according to their respective individual performance. On top of this, we also developed comprehensive human resources policies and guidelines to govern compensation, dismissal, recruitment and promotion processes, in which no case of inequality has been reported during the year. Besides, all employees are welcomed to express their opinions through various well-established channels, including the monthly regular meetings, emails, anonymous opinion box, at any time, in which the opinions of the employees could be expressed and fostered to the management, and the Group can always undertake improvement measures for the benefits of the employees.

As of 31 December 2017, the Group has in total approximately 946 employees.

	Approximate proportion of technical management staff	Approximate proportion of production base workers	Total
Aged 18-30	19.6%	50.8%	70.4%
Aged 31-45	3.5%	23.9%	27.4%
Aged 46-60	0.6%	1.6%	2.2%
Sub-total	23.7%	76.3%	100%

Staff restaurant and sport playground are available within the Group's production plant. The Group also set aside reserved funds for activities, which helped our employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.2 Health and Safety

As a manufacturing enterprise, the occupational health and safety (“OHS”) of our staff have always been the key focus of the Group.

The human resources department of the Group is responsible for formulating and promoting the safety and health procedures and systems. It regularly reviews the safety and hygiene condition of the Group and provides trainings in this regard so as to ensure the Group’s compliance with local safety and health regulations and to protect the health and safety of our staff. The Group concerns the working safety environment issue for provides employee protection materials: gloves, masks, ear plugs, safety helmets, eye protectors and work uniforms, but not limited to these protection materials so as to ensure the safety and health of our employees. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees.

The Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. No severe industrial accidents were recorded by the Group during 2017. The number in days lost due to work injury was zero in 2017.

2.3 Development and Training

One of the most important assets of the Group is human capital. A well-developed training system not only can help the staff improve their overall ability but also enhance their professional skills.

- Induction Training: Induction trainings will be provided to all new staff when they join the Group to enable them to understand our culture, principles, disciplines and rules and regulations etc., and to more quickly adapt to their new positions.
- On-the-job Training: With regard to our business needs, the Group organizes internal and external training programs from time to time for our staff to gain a better understanding of the Group’s business and to keep them abreast of the latest knowledge and skills thereby increasing their job performance. The training courses content cover the operation of a wide variety of instrument, the application of chemicals and other relevant skill training (where applicable), such as the training knowledge of ISO 9000 quality management system, the basic concept of RoHS, and REACH management, and handling a chemical material.

The Group also encourages employee to participate in various external qualification examinations or research seminars according to the needs of their job duties. The Hong Kong office will arrange training for directors and professional staffs every year.

B. SOCIAL *(continued)*

2. Employment and Labour Practices *(continued)*

2.4 Labour Standard

The Group established and implemented Staff Manual which contains policies relating to relevant labor laws, regulations and industry practices, covering areas such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversity and other benefits and welfare. In addition, the Group strives to ensure an equal and fair working environment. The Group has strictly complied with the Labor Ordinance and does not tolerate any form of sexual harassment, harassment and abuse in the workplace, which is a violation of the employment law in Hong Kong and the PRC. The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that applied in the Group. Before hiring any job applicant, our Human Resources Department will verify their age by checking their documents that prove the age of applicant and ensure that the applicant's look is consistent with the photograph on the ID card. For the Year 2017, no violation regarding the age of employment and labor dispute has occurred between the Group and employees.

3. Operating Practices

We have defined, assigned, and delegated the management and supervision to take the responsibilities in our operating practices by compliance all of operating practices in the following aspect.

3.1 Supply Chain Management

A few hundred of suppliers on the Group's qualified supply list both in domestic and overseas, in our production operation include plastic, ink, sheeting, metallic raw materials and packaging materials. Associating supply chain management with environmental responsibility management, requesting our qualified suppliers to provide the certificate of compliance letter to ensure the raw materials or semi-product in environmental protection, requiring our suppliers to comply with the laws and regulations in the countries and regions where their operations are located, operating in good faith by adhering to their business ethics by our operating practices. In addition, the factor to select the qualified suppliers are considering on pricing, quality, reliability in supply, fulfilling our social responsibilities goals, commitment to our environmental protection concepts. We will take the full set of supplier audit assessment before to recognize into our qualified supplier list. A designated team has been set up to conduct on-site appraisal of high-risk suppliers, and assist suppliers in improving substandard performance. The Group prohibits discrimination arising from regional, ethnic, cultural and political factors in the course of certification, evaluation and optimization of suppliers.

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.1 Supply Chain Management *(continued)*

The Group has been implementing the “Management Approach on Social Responsibility” for suppliers, and suppliers are required to enter into the “Social Responsibilities Commitment” since 2012. The Group also joins hands with suppliers to combat commercial bribery and other illegal activities. We transacted based on fair, justice and open principles by entering into “engagement letters of transaction integrity” with suppliers. As prohibited by the Company, “conflict minerals” may not be included into suppliers’ procurement system. We entered into the “Letter of Undertaking of Prohibited Use of Conflict Minerals” with suppliers, so as to ensure that none of the raw materials used in the Company’s production are derived from four kinds of conflict minerals including tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions.

Green management concepts embed in our supply chain, the “Guarantee of Environmental Management of Substances” guides our suppliers to establish effective green management into our whole process from raw materials procurement to internal production until delivery finished goods to customer side. We encourage suppliers to detect harmful substances autonomously, to enhance capability management in green products, to implement emission reduction management – low carbon contents by regular notification of plans or results to the Group. In addition, our designated team carry out on-site audit to ensure our supplier to implement the green concept with the same way of the Group, our suppliers also bear their responsibility for the society the duly implementing for environmental protection.

3.2 Product Responsibility

With unwavering commitment to premium product quality, we have established a set of comprehensive quality control system. We qualified the international quality management system – ISO9001 and the international environmental management system – ISO14001 respectively. Basically, the Group implements 5S workplace management in our whole operation process to carry out in a well-disciplined and efficient manner. In addition, the quality control (QC) department implements product quality standards with international standards to reach customers’ requirements. The QC department adheres to strict rule in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. The KPI is shown in below – between percentage of total products sold or shipped and recalls for safety and health reasons.

Total products shipped in

Recalls for safety and health

2017

0%

B. SOCIAL *(continued)*

3. Operating Practices *(continued)*

3.3 Anti-corruption

The Group is committed to upholding high standards of business ethics and conveys its firm stance against corruption and fraud to its customers, suppliers, contractors and employees. Management department is responsible to monitor the business operation and oversee any cases related to corruption or fraud. The Group's whistle-blowing procedure encourages and enables stakeholders to report on observed and suspected non-compliance and questionable practice.

The Group pledges "zero tolerance" approach to any fraudulent business activity in our operating practices. During the Reporting Period, no legal case concerned with corrupt practices was brought against the Company.

4. Community Involvements

Community is the base of our development, and we are concerned about the trends and voices of our community. Therefore, we have maintained good communication with the community, and have been heavily involved in community development and related activities, such as ancillary facilities development in nearby districts of our production bases in the PRC.

The Group will continue to take part in community development in the future will make use of our expertise and resources to support the communities in which we operate and collaborate with local charities.