

Midas Holdings Limited

2015 Sustainability Report

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Sustainability Report overview

As a leading manufacturer of aluminium alloy extruded products, Midas Holdings Limited (“Midas” or the “Company”) is aware that our operations have an impact on the environment and society. While we continue to minimize the negative impact, Midas is striving to ensure its business operations are conducted in a sustainable and responsible manner. We believe that sustainable development does not mean sacrificing corporate’s profits. Rather it is an opportunity for risk management, efficiency improvement, innovation and growth. In the spirit of transparency, Midas has produced the Sustainability Report to evaluate its environmental and social impact and policy.

We understand that our operating environment is changing. Increasingly severe sustainable development challenges will undoubtedly impact our business – from compliance, operating efficiency, supply chain management and market competitiveness to our long-term growth strategy. Our listing on The Stock Exchange of Hong Kong Limited (“HKEx”) has also prompted us to step up our sustainability efforts as the HKEx had raised the level of obligation to its Environmental, Social and Governance Reporting Guide (“HKEx ESG Guidelines”) to “comply or explain” for financial year commencing on or after 1 January 2016. Similarly, Singapore Exchange Securities Trading Limited (“SGX”) has proposed a “comply or explain” ruling on sustainability reporting and expects the new rules to apply to companies from the financial year ending on or after 31 December 2017, with reports published from 2018. In China where our manufacturing facilities are based, the revised Environmental Protection Law, effective from January 2015, imposes stricter obligations on enterprises regarding pollution prevention, management and disclosure and provides harsher punishments for wrongdoing. Therefore, we are facing increasingly stringent regulations. We are pleased to announce that Midas’ activities have been in compliance with relevant laws and regulations.

In addition to compliance risks, we see strong opportunities for our products as a solution to today’s transition to green and sustainable economies where we serve. Due to their lightweight, durability, recyclability and energy-efficiency, our products are meeting customers’ demand for smarter and sustainable materials in the Transport Industry and Power Industry. According to China’s five-year plan from 2016 to 2020, the budget for infrastructure investment over the period could exceed RMB4 trillion. Our polyethylene pipes are non-toxic in nature and they are cost efficient and possess high resistance to corrosion. We truly believe that our business will grow stronger with sustainable development.

Therefore, it is the Company’s aim to align its sustainability reporting with regional requirements and international best practices. As far as possible, this report discloses key environmental and social indicators in line with HKEx ESG Guidelines and the Global Reporting Initiative (“GRI”) fourth generation (“G4”) guidelines. For our Sustainability Report, we reviewed the impact of the Liaoyuan City site of Jilin Midas Aluminium Industries Co., Ltd on its surroundings. The report helps us create a communication tool that enables us to further engage with our key stakeholders in the future.

Midas conducted a materiality assessment of HKEx ESG Guidelines key performance indicators (“KPIs”) and GRI G4 guidelines to determine which are most relevant for its business. Our assessment took into account stakeholders such as employees, peers and industry sources, sustainability reporting guidelines, environmental impact modelling and valuation, etc. KPIs were ranked and cross-checked against data availability. The sustainability information disclosed in this report is material according to the Company’s corporate strategy and best practice sustainability guidelines.

Sustainability highlights in 2015

Our Sustainability Report has resulted in the following key discoveries at our Liaoyuan City site:

- Whilst we had no workplace safety related fatalities in 2015, we lost 1,493 working days due to injury. This is impacting the well-being of our employees and our efficiency as a company. We will investigate the main causes of such injuries, and put measures in place to improve the injury rate in future.
- We used 131,131 MWh of energy in our operations, resulting in 86,678 tonnes of carbon dioxide equivalent (“CO₂e”). 20% of energy use was coal, which resulted in a high proportion of environmental pollutants - causing global warming, health problems and damage to the natural environment. We will look into improving energy efficiency, and consider increasing the use of cleaner or renewable fuels.
- About 75% of our waste is currently sent to landfill. We will aim to improve our recycling rate and investigate reuse in order to improve our operational efficiency.
- We minimize raw material use by recycling and sending aluminium alloy scrap back to our casting foundry to be re-processed into aluminium billets, which we can then reuse. We will continue to engage with our stakeholders to identify other opportunities to optimize our sourcing.
- We donated RMB320,000 to Jilin University in the form of scholarship and contribution to education fund.

Methodology

Midas took the following steps in order to compile our Sustainability Report in line with the HKEx ESG Guidelines.

Materiality assessment

The HKEx ESG Guidelines emphasize that companies should only report relevant environmental and social (“E&S”) KPIs. Midas conducted a materiality assessment to identify which quantitative E&S KPIs are relevant for our operations, and hence should be disclosed. We conducted a review of the key topics discussed by stakeholders such as peers, industry sources and sustainability reporting guidelines such as the GRI. We also used environmental impact modelling and valuation to quantify the most material environmental impacts for our industry. KPIs were ranked to determine the most material impacts, and these were cross-checked against data availability. The KPIs disclosed in this report are therefore the most relevant according to the Company’s corporate strategy and best practice sustainability guidelines.

Scope and boundary

Taking a pilot approach, we collected E&S data on our Aluminium Alloy Extruded Products Division’s Liaoyuan City site in Jilin Province as it is most significant in our operations. We are reporting in line with our 2015 financial year (January – December 2015) and we plan to continue to report for the same period on an annual basis.

Data collection and analysis

As the structure of the HKEx ESG Guidelines are closely aligned to the GRI G4 guidelines, Midas has mapped our material KPIs to GRI G4 indicators where possible to inform the methods of collecting and calculating data. We collected E&S KPIs data using a customized spreadsheet, and we were able to collect comprehensive data on the majority of KPIs.

Results

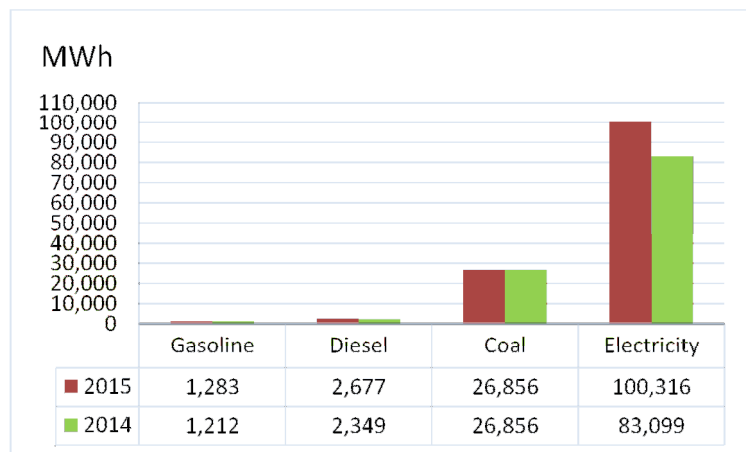
We have compiled the information relating to material E&S KPIs in order to summarize Midas' sustainability performance at our Liaoyuan City site in 2015. Information is reported in accordance with the HKEx ESG Guidelines and GRI G4 guidelines.

Area A: Environmental protection

This section presents information on the environmental impact of our Liaoyuan City site.

Our Liaoyuan City site consumed 131,131 MWh of energy in 2015, as shown in the chart below. The increased in consumption in energy is mainly due to the acquisition of a casting foundry in May 2015.

Figure 1: A2.1 (GRI EN3) Energy consumption by type



We calculated the resulting emissions to air due to our fossil fuel consumption at our Liaoyuan City site.

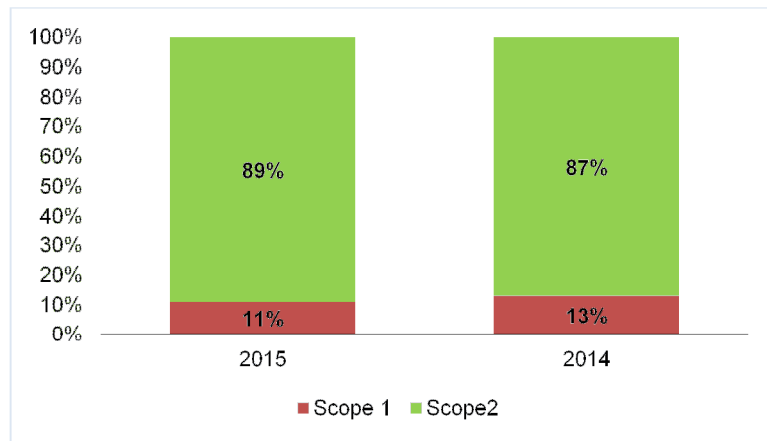
Table 1: A1.1 (GRI EN21) The types of emissions and respective emissions data

Emission type	Quantity (tonnes)	
	2015	2014
Nitrogen Oxide	38	36
Sulphur Dioxide	72	72
Carbon Monoxide	131	124
Ammonia	1	1
Particulates	6	6
Volatile Organic Compounds	3	3
Total	251	242

Over 50% of all emissions to air were carbon monoxide, with sulphur dioxide being the second highest emission quantity. Carbon monoxide almost exclusively derived from gasoline, and sulphur dioxide from coal.

Our Liaoyuan City site emitted 9,433 tonnes of CO₂e from fossil fuel use – 90% of these emissions deriving from coal - and 77,245 tonnes CO₂e from electricity consumption, resulting in a total of 86,678 tonnes CO₂e in 2015 (A1.2 - GRI EN 15 and EN 16). The chart below shows the distribution between Scopes 1 (fossil fuels) and 2 (electricity), in accordance with the Greenhouse Gas Protocol (“GHGP”).

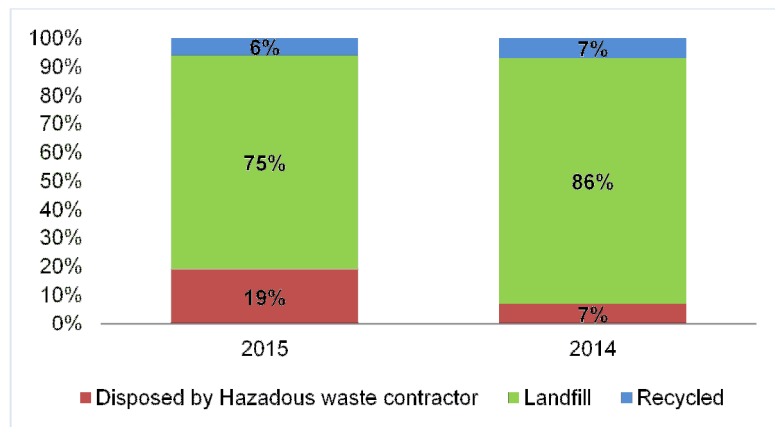
Figure 2: Scopes 1 and 2 distribution



In 2015, 20% of our energy use was coal, contributing almost all of our Greenhouse Gas emissions and a high proportion of sulphur dioxide. Gasoline use also caused the vast majority of our carbon monoxide emissions at our Liaoyuan City site. Such air pollutants can cause global warming, health problems and damage to the natural environment. Midas will therefore look into increasing the use of cleaner or renewable fuels in the future.

We collected information on waste data at our Liaoyuan City site. In 2015, we generated 12 tonnes of hazardous waste and 156 tonnes of non-hazardous waste (A1.3 and A1.4 – GRI EN23). The chart below shows the waste management route of this waste.

Figure 3: Waste management route



75% of our waste was sent to landfill in 2015 as compared with 86% in 2014. We will aim to improve our recycling rate and investigate reuse in order to improve our operational efficiency.

Area B: Social

(B)(i): Employment and Labour Practices

This section presents information on our workforce, health and safety and training provided at our Liaoyuan City site.

Table 2: B1.1 (GRI LA1) Total workforce by age group

Age group	Number of workforce	
	2015	2014
Under 30 years old	648	722
30-50 years old	956	826
Above 50 years of age	110	49

Over half of our workforce is in the 30-50 age group, and the second largest group is under 30. This demonstrates that we have a young and dynamic workforce, which puts us in a strong position for the future.

Table 3: B1.1 Total workforce by type of employment

Contract time	Hours	Number of workforce	
		2015	2014
Permanent	Full time	1,714	1,553
Long term	Part time	0	0
Temporary	Full time	0	44

All of our staff are permanent and full time, hence are likely to show greater loyalty to the Company.

Our Liaoyuan City site had no workplace safety related fatalities in 2015 although we lost 1,493 working days due to injury as compared with 1,103 days in 2014 (B2.2, GRI LA6). The lost working days increased due to two employees having suffered more severe injuries and required longer periods for recovery. As this is impacting the well-being of our employees and our efficiency as a company, we will investigate the main causes of such injuries, and keep a close monitor of this metric in future.

Table 4: B3.2 (GRI LA9) The average training hours completed per employee by age group

Age Group	Average training hours	
	2015	2014
Under 30 years old	44.5	62.7
30-50 years old	45.8	61.5
Above 50 years of age	42.9	62.3

We provided an average of 45.1 hours to our employees in 2015. Our training period is fairly consistent across all age groups, helping to promote mobility within the Company.

Besides the structured hours of training provided above, our employees also receive on-the-job training and ad-hoc training courses wherever possible. The average training hours reduced from 62.1 hours in 2014 to 45.1 hours to 2015 due to the completion of a major training exercise in 2014.

(B)(ii): Operating practices

This section presents information on the supply chain and product management practices at our Liaoyuan City site.

Table 5: B5.1 Suppliers by percentage of purchases

Supplier group	% of purchases	
	2015	2014
The largest supplier	21%	25%
Five largest suppliers in aggregate	57%	67%

We recycle and send aluminium alloy scraps resulting from production processes back to our our casting foundry to be re-processed into aluminium alloy billets, which we can then reuse. As we are minimizing the need for raw materials, we are reducing our dependence on natural resources and improving the efficiency of our operations. We will continue to work with our suppliers to identify other opportunities to optimize our sourcing.

In 2015, our Liaoyuan City site had no product recalls for safety and health reasons (B6.1 – GRI PR1), did not receive any complaints (B6.2 – GRI PR5), and had no legal cases regarding corrupt practices (B7.1 – GRI SO5).

(B)(iii): Community involvement

This section presents information on our involvement with the local community. Jilin Midas Aluminium Industries Co., Ltd provided a total of RMB320,000 (B8.2 – GRI EC1) to Jilin University (B8.1 – GRI SO1) in 2015 in the form of scholarship and contribution to education fund. Jilin University, located in Changchun, the capital city of Jilin Province, is one of the most prestigious universities in China.

Sustainability policy

Midas' policy summarizes our commitment to continuously working to integrate the management of material issues into business as usual, ensuring sustainable long-term growth. The policy focuses on subjects from the HKEx ESG guidelines, determined to be most material to Midas.

Environmental quality

Midas complies with relevant regulations governing the protection of environmental standards of the jurisdictions in which we conduct business.

Midas is committed to:

- Identifying opportunities to reduce the environmental impact and improve environmental efficiencies of Midas' activities, with particular focus on energy consumption and waste generation
- Developing and disclosing a responsible purchasing policy

Employment and Labour Practices

- Midas complies with relevant regulations governing the protection of human rights, occupational health and safety standards and labour of the jurisdictions in which we conduct business
- Midas is committed to:
 - Encouraging a work environment which values and respects all employees
 - Encouraging and maintaining a positive safety culture and behaviour
 - Providing appropriate safety training at every level
 - Encouraging and promoting a diverse workforce
 - Supporting career progression and providing appropriate training

Operating practices

Midas is committed to:

- Ensuring company-wide awareness of E&S issues and compliance with the Company's sustainability policy
- Developing and maintaining an active and constructive dialogue with suppliers
- Developing and disclosing policies on quality assurance process and re-call procedures
- Ensuring company-wide awareness and implementation of preventative measures

Community involvement

Midas will continuously promote and expand its commitment to society including:

- Working towards minimizing any negative impacts of our operations on local communities
- Connecting with local charities working in areas of our operations to support local economies. Midas has been, for example, supporting the Hosiery Liaoyuan International Fair in 2014, which is part of a local government initiative.
- Facilitating a transparent and productive dialogue with communities and other stakeholders
- Maximizing local resources (such as suppliers and employees) as much as possible and appropriate

This sustainability policy statement summarizes Midas' Environmental, Social and Governance Standards (March 2015). This Summary should not be viewed as a comprehensive expression of Midas' detailed commitments.