



JU TENG INTERNATIONAL HOLDINGS LIMITED

巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

Environmental, Social and Governance Report 2016



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ABOUT THIS REPORT

Overview

This report is the first Environmental, Social, Governance (“ESG”) Report (“ESG Report”) published by Ju Teng International Holdings Limited (hereinafter ‘Ju Teng’, ‘the Group’, or ‘we’), which discloses information on our approach, strategy, priorities, objectives and performance on managing product quality, environment, safety, hygiene, use of hazardous substance, labour and business ethics. The reporting year of this report is the year ended 31 December 2016.

Basis of compiling the report

This report is compiled in accordance with “the Environmental, Social and Governance Reporting Guide” published by The Stock Exchange of Hong Kong Limited (“HKEx”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Reporting Guide”). The content of this report is determined by a set of procedures, including identifying and prioritizing stakeholders, identifying and prioritizing material environmental, social and governance issues, collecting environmental metrics, and verifying the reported metrics.

This report has complied with all the “comply or explain” provisions set out in the Reporting Guide.

Reporting scope and boundary

The content and metrics reported in this document cover the following subsidiaries only:

- Wujiang Dading Precision Mould Co., Ltd.
- Everyday Computer Components (Suzhou) Co., Ltd.
- Suzhou Dazhi Communication Accessory Co., Ltd.
- Ju Teng (Neijiang) Communication Accessory Co., Ltd.
- WIS Precision (Taizhou) Co., Ltd.
- Compal Precision Module (Jiangsu) Co., Ltd.
- Tasun (Chongqing) Electronic Technology Co., Ltd.
- Compal Electronic Technology (Chongqing) Co., Ltd.
- Lian-Yi Precision (Zhongshan) Inc.

During the year ended 31 December 2016, the aforementioned subsidiaries hire approximately 88% of the Group’s employees.

Source of data

The data and case studies reported in this report are prepared based on our internal statistical reports and other relevant internal documents.

Board approval

Upon the review of management team, this report is approved by the Board on 21 March, 2017.

FOREWORD

Since our inauguration in 2000, Ju Teng has been a trusted manufacturer of quality and customized casings of notebook computer, communication and consumer electronic products. For the last 16 years, the Group has enjoyed rapid growth and has become the global leader of its kind. In this period, governments, electronic product brands and consumers are having growing concerns on social and environmental issues associated with the electronic industry, which include labour rights, environment pollution and energy saving. As a member of the electronic industry supply chain, Ju Teng is bearing social and environment responsibility through setting up policies and internal control procedures. We are also committed to work with upstream suppliers in maintaining the labour rights and protecting the environment. Through these actions, Ju Teng anticipates continuous support from our investors and stakeholders.

Ju Teng's environmental, social and governance commitment are as follows:

Operate responsibly: Complying with laws and regulations of jurisdictions that we operate in, and with social responsibility requirements of our customers for suppliers; Appointing dedicated personnel to take responsibility in implementing internationally recognized environmental, health and safety, labour rights management systems; Upholding business ethics, rooting out corruption, protecting confidential information and respecting intellectual property rights.

Be people-oriented: Respecting basic labour rights, creating a fair working condition, eradicating any forms of discrimination in workplace; Providing safe and hygienic condition for working and living to ensure the safety and health of employees; Arranging appropriate working hours and rest days; Providing fair remuneration; Forbidding deployment of child labour and any forms of forced labour.

Protect the environment: Engaging in waste minimization and resource recycling; Minimizing generation and emission of air pollutants, noise and hazardous waste; Consuming energy and resources efficiently.

Work with suppliers: Implementing supplier audit mechanism to ensure protection to labour rights, natural environment and ethical business practices across the supply chain; Forbidding the use of conflict minerals.

Satisfy customers: "Do it right the first time." Being oriented to customers' satisfaction; Achieving management targets on quality, cost, delivery, service and safety; Implementing a sound customer complaint and improvement system and being responsible to customers at all times.

FOREWORD (continued)

Stakeholders engagement

We believe listening to the views of our stakeholders will help us to evaluate our performance on environmental, social and governance aspects objectively and comprehensively. Therefore, we communicate with different stakeholders on these aspects through various channels during our daily operation.

Since this is the first time we publish the ESG Report, we have engaged an independent third party to implement specific stakeholder engagement exercise to communicate with our stakeholders on various environmental, social and governance issues during the preparation of this report. Targeted stakeholders are employees, customers and suppliers. Through the communication process, a list of key aspects that are important to stakeholders are summarized as follows:

Environment	Labour
<ul style="list-style-type: none">• Minimizing emission and waste water• Hazardous waste management• Energy saving and minimizing greenhouse gas emission• Hazardous substance control• Use of resources	<ul style="list-style-type: none">• Complying with labour regulations• Protecting workers from health and safety hazards• Safeguarding labour rights and living condition of workers• Employee training
Governance and Community	Product Responsibility
<ul style="list-style-type: none">• Anti-corruption• Managing suppliers' environmental and social performance	<ul style="list-style-type: none">• Protecting customer information and privacy• Assuring product quality• Satisfying customer service and communication• Fair sales of products• Product and technique innovation

OPERATE RESPONSIBLY

Ju Teng is a key member of the global notebook computer, communication and consumer electronics supply chain. Over the years, members of the supply chain, including Ju Teng's major customers and suppliers, have been working together in minimizing impact on environment and labour. To meet the expectation of the supply chain members, Ju Teng has already implemented various ESG management and controls systems for years and always complying with business ethics-related regulations applicable to Ju Teng.

ESG Internal Control System and Governance Structure

Ju Teng is committed to reach the standards and requirements of customers. We continuously improve our performance on quality, environment, safety, hygiene, hazardous substances management, labour rights management and business ethics (hereinafter referred to as 'ESG aspects'). Our ESG control system is established based on the requirements of ISO9001:2008, ISO14001:2004, OHSAS18001:2007, IECQ HSPM QC080000:2012 standards and customer requirements. It is also our objective to sustain and enhance this control system.

The general managers of Ju Teng's subsidiaries take full responsibility in building and maintaining the ESG internal control systems at their own subsidiaries. The general manager is required to allocate necessary resources for the operation and enhancement of the system. Appointed by the general manager, the management representative directs all units of the subsidiary to implement and maintain the system at operational level, reports to the general manager the performance of ESG control system, as evidence of continuous improvement. Operational units execute ESG control procedures, analyze training needs on ESG, write and execute unit-level environmental management, safe production procedures, manage and maintain environment and safety related facilities. Workers representatives are involved in occupational health and safety ("OHS") management. They are involved in the formulation of OHS policies, identification of hazards, evaluation of risks, determination of OHS targets and monitoring the implementation of OHS policies. As such, the worker union exercises the right to monitor implementation of OHS systems.

Compliance with regulations

Ju Teng is conscious in complying with regulations at jurisdictions we are operating in. We have formulated the "Laws and Regulations Management Procedure" and "Information Communication Management Procedure" to compile a list of legal, customer and other requirements on environmental and safety hazards in relation to our activities, products and services, which can reduce the risk of direct financial losses and damage to our reputation.

Anti-corruption

Ju Teng is devoted to sustain customers' respect and trust. We uphold fairness and honesty concept of competition and deliver quality products and services to customers. We are also devoted to strengthen our corporate governance and internal control to minimize risks and safeguard the legitimate interests of our company and shareholders. We have formulated "Business Ethics Management Procedure" and "Anti-conspiracy Management Procedure" to prevent employees from obtaining personal interest from fellow colleagues, clients, suppliers or other parties connected with the Group through bribery, extortion and fraud. The management of the subsidiaries takes overall responsibility in anti-corruption. The management department coordinates and directs anti-corruption work, including conducting training on anti-corruption laws and regulations and business ethics for employees, evaluating corruption risks and setting up corresponding control procedures, receiving, investigating corruption reports, reporting and providing advices. Ju Teng has established a reporting hotline and email address for any parties to report unethical acts involving employees of Ju Teng anonymously or with real name.

Protecting confidential information and respecting intellectual property rights

Ju Teng promises to do our utmost in protecting confidential information, personal information and proprietary information, entrusted by customers, suppliers, employees or other third parties. The "Business Ethics Management Procedure" of Ju Teng sets out the procedure for protecting confidential information, including restricting employees to use any confidential data and proprietary information for personal purposes, and ensure Ju Teng complies with applicable regulations of privacy and information security when storing, processing, transmitting and sharing the personal information

BE PEOPLE-ORIENTED

Ju Teng is a people-oriented business. We emphasize the protection of labour rights, respect the needs of employees, and treat all employees fairly. Ju Teng offers a desirable working environment to our employees, and anticipates in return their proactive attitude at work. Our human resources policy and procedure was formulated in compliance with the Labour Law of the People's Republic of China, and Labour Contract Law of the People's Republic of China.

Protecting labour rights

Our human resources policy meets the requirement of Labour Contract Law of the People's Republic of China, and Electronic Industry Citizenship Coalition's ("EICC") Code of Conduct. We forbid the use of child labour and forced labour, regulate working hours and rest days of workers, provide reasonable salary, benefits and living environment for workers. In addition, we respect persons of different gender, age and religion and do not tolerate any discrimination or insulting act.

Forced labour and juvenile worker policy

Ju Teng's subsidiaries do not deploy forced, bonded or indebted labour, contracted labour or prison labour, slaves or trafficked persons. All labour works voluntarily. Ju Teng does not employ individuals who are under 16 years old. Our human resources departments strictly examine the identification documents of applicants, verifying their age to make sure that the applicants do not present false information. No individuals can be employed without presenting a valid identification document.

Should any individuals aged below 16 are identified working in our factories, the production plant will suspend their work immediately and examine their physical condition. If they are identified with medical needs, the Group will bear their medical expenditure until recovery. It is not our policy to dismiss the child worker immediately to avoid them getting in predicament, and will persuade the child worker to receive education. The Group also provides necessary financial aid and other support to ensure the child worker has completed the statutory education and has reached the legal working age.

The Group may employ individuals who are aged over 16 but below 18 (hereinafter "juvenile workers") to meet cyclical production capacity demand. Ju Teng has set out the following work arrangements for juvenile workers to meet their needs, which include body check, forbidding them from performing tasks with health or safety risk such as spray painting, crushing, screen printing and laser engraving, tasks requiring high physical strength, and repetitive operation.

Ju Teng has entered into agreements with tertiary institutions, vocational and technical schools to hire 16 year old trainees. Our objectives are to provide vocational training opportunity for students studying relevant disciplines, build talent reserves. Ju Teng also recruits trainees from time to time to ease workers demand. At any period of time, the number of trainees on board will not exceed 20% of all workers working in the production plant.

Safety and hygiene training is arranged for trainees before they are on-board so as to prevent industrial accidents. Salary of trainees is determined at an "equal pay for equal work" basis. The salary is paid by Ju Teng directly and not by the institution that the trainee goes to. Trainees will not be arranged to work at night or work over-time. If the trainee is under 18 years old, they are treated as juvenile workers in terms of work arrangements.

BE PEOPLE-ORIENTED (continued)

Respect to female and religious persons

The Group has procedures to safeguard the legitimate rights of female workers, in particular to protect their health at work. We will not reduce the basic salary, terminate labour contract or reconsider promotion of female workers due to pregnancy, maternity and lactation. Considering the physical condition of female workers, we will not arrange tasks requiring high physical strength for female workers in mensuration period. We will not arrange tasks for married or pregnant female workers to work in places that may have exposure to hazardous substances. No overtime work is arranged for pregnant female workers and they are granted an hour of rest time during the working hours.

The Group respects religious belief and traditional customs of employees. We do our bests to accommodate their needs as long as production is not seriously disrupted. For example, we provide meal options that meet religious rules. Should any employees apply leave for worship, we will arrange replacement worker accordingly.

Non-discrimination and penalty arrangement

The administrative staff of all departments must ensure all employees are equally treated in determining the recruitment, remuneration, training, promotion, dismissal and retirement, regardless of race, gender, age, position, religion, culture, physical condition and nationality. Any forms of discrimination, insult and sexual harassment are prohibited and offenders will be penalized.

Ju Teng penalize employees by issuing warning, demerits and even dismissal, for which we aim at facilitating corrective actions. We forbid insulting, physical punishment, illegal body search, economic punishment and detention as forms of penalty. Non-discrimination procedure and penalizing procedure are formulated by human resources department.

Remuneration, benefits and working hours

We offer reasonable remuneration packages to our employees. The package comprises basic salary, allowance, performance bonus and overtime pay. Employees enjoy social insurance, annual leaves, wedding leaves, compassionate leaves, maternity leaves and sick leaves. Our employees normally work 8 hours a day and less than 40 hours a week. Employees can rest at least one day per week. Overtime work is performed at a voluntary basis. Under special conditions, employees can work up to 3 hours overtime a day. Overtime working hours cannot exceed 36 hours in total per month.

Layoff policy

Ju Teng may lay off workers based on the number and frequency of existing and expecting production orders. In case of laying off, we communicate closely with the workers regarding our business improvement plan and the layoff plan and seek their views. We will financially compensate those who are being laid off.

BE PEOPLE-ORIENTED (continued)

Health and safety

The production processes of Ju Teng have certain OHS risks. Each of the production plants has implemented a series of procedures to prevent occupational diseases and prevent accidents from happening in the workplace. Our goal is to improve our performance in OHS management, reduce the rate of OHS incidents, and provide our employees with healthy, appropriate and safe working condition. OHS management systems, OHSAS 18001 certified standard, has been implemented in all of our production plants. General managers of production plants take overall responsibilities for the implementation of OHS management systems. Each department has the following responsibilities to ensure employee safety at work: designing production process with continuous improvement in techniques; planning safety techniques, labour protection, occupational hazards prevention and control measures; providing health and safety training; conducting job hazard analysis and monitoring safety hazards at work.

Enhancing employee safety awareness is a critical part of ensuring OHS. The training department conducts on-board OHS training and regular OHS training during employment. Such training promotes OHS knowledge, urges employees to abide occupational hazards prevention laws, regulations and operation procedure, and guides employees the correct use of personal occupational protective equipment. Given that we store and use inflammable substances at our workplaces, we provide fire safety training to our employees. OHS awareness raising materials are also presented on notice boards, factory newspaper, conferences and posters. Operational units communicate OHS matters at pre-work briefings, on-the-job safety meetings and through use of safety hazard signs.

To prevent accidents from happening, Ju Teng requires job hazard analysis ("JHA") to be conducted at every work zones. The supervisors at work zones, health and safety personnel, and the observed employees who are familiar with the work procedures form JHA group to conduct JHA.

In order to reduce the safety risk and create a safe working environment, mechanical safety cannot be ignored. During the production process, we deploy machines such as power presses, fork lifts, electronic welders, spraying equipment, injection molding machines, hot melt machines, and laser engravers and other mechanical equipment. Addressing the safety hazards of use of machines, we have restrictive machines acceptance procedures. Machines that we use must come with safety certificates, user manuals, and safe protection and control devices. Operators of machines must reach legal working age, be healthy and not be associated with sickness and physical condition that could hinder normal operation of the machines, and have obtained appropriate safe operation licenses. We maintain our machines in accordance with "Machines and Equipment Maintenance Procedure". Operators are required to conduct safety checks before operating the machines.

In response to OHS hazards for various tasks, Ju Teng provides and requires employees to wear suitable personal protective equipment. For instance, employees working in a high noise environment are required to put on earplugs and earmuffs; employees exposed to dust are required to put on dust masks. Safety facilities are installed at workplaces. For example, the painting workshop is well ventilated to keep volatile organic compounds, such as benzene and butanone, at safe levels. Workshops that create dust are installed with dust-removal facilities. If such safety facilities are out of order, production process must be suspended and the case must be reported to the supervisor who will deal with it immediately.

BE PEOPLE-ORIENTED (continued)

We closely manage the health of employees, especially for employees who may expose to health hazards at work. We have an occupational health monitoring and documentation filing system. The occupational health management department based on the existence of occupational health hazard category and contact level selects employees who are exposed to health risk at work for having health checks at statutory occupational health services institutes. Health checks are conducted prior on-boarding, followed by an annual check-up and review the treatment of abnormal personnel. Another check-up will be arranged when the employee is leaving the position. Each employee has a file which record their occupation history, health hazard exposure history, health hazard monitoring reports and health check result report.

Employee training

Employee development is essential for the long-term development of Ju Teng. We impart production skills, maintenance and repair techniques, safety awareness, business ethics and social responsibility concepts to the employees in order to promote the Group's business development and achieve the business goal of Ju Teng. Each production plant has an established employee training system in place which implements, evaluates, reviews and improves employee training in an organized manner. The education and training centers at each production plant leads the implementation of training system. All departments appoint dedicated personnel to formulate their own training plans.

Each production plant of Ju Teng will provide three types of trainings to employees: orientation training for new recruits, on job training for existing employees and external training. All new recruits are required to pass the orientation training program before on board and will be awarded with the new recruit armband. Orientation training covers workplace rules and regulations, quality awareness, health and safety education.

On job training program for existing employees is designed by each department based on their business nature and training needs. The department head will approve the course content, duration, lecturer and assessment approach. These trainings may cover EICC ethical requirements, hazardous substance-free ("HSF") requirements, quarterly environmental, health and safety and hygiene training, mechanical operation guidelines. Ju Teng has also formulated procedure and specified the requirements on selection of internal lecturer.

Prior to mass production of new products, the manufacturing departments will provide training to their employees regarding the new products' specification, quality and production requirements. After the mass production, department heads will re-educate the employees regarding quality issues identified during the production, so as to minimize the production rate of faulty products.

Regarding the external trainings, Ju Teng will sponsor the employees who operate the special equipment to receive training from outside institutions to obtain the relevant operation certificates. All training materials will be filed for verification.

BE PEOPLE-ORIENTED (continued)

Labour relations and communications

Ju Teng highly values open and frank internal communication, and emphasizes the building of trust, understanding and confidence between the management and employees. Good labour relationship also helps Ju Teng understand the needs of our employees and provide references for improving working environment, remuneration and labour rights, so that hidden problems can be dealt with in a timely manner. We are committed to providing a variety of communication channels, promoting the establishment of workers union and ensuring that they are aware of their enjoyment of rights to collective bargaining. We are also committed to preventing employees from retaliation after reporting the issues.

To protect the freedom of establishment and participation of workers union, and collective bargaining, we have formulated the methods of setting up the union and selecting workers' representatives. The workers' representatives and management representatives will regularly meet and exchange views on workers' concerns. Management will report in the workers' representative meeting the progress of improving working environment, such as plans and achievements in occupational hazards prevention and control. Ju Teng respects employees' rights to assemble peacefully for expressing their views. We ensure those who participate in unions and union activities will not be discriminated, harassed, threatened or revenged. All employees are equally treated in terms of remuneration, production, training, promotion, dismissal and retirement, regardless to their participation or non-participation in the union.

If employees discover that the senior make any unfair and dishonest acts, or finds any employees make actions that may harm the company's interests or insult others, employees can report such matter to the department heads, management department or the general manager according to the "Employee Complaint Management Procedure". Once the department heads receive the employees' complaints, they will revert within a week. The complainant's identity is protected upon request.

PROTECT THE NATURAL ENVIRONMENT

Ju Teng is a professional casing manufacturer for notebook computer, communication and consumer electronics products. Our main environmental impacts include waste emission, energy use and water consumption. While we strive to provide better and faster services to our customers, we are also committed to protecting the earth by enhancing our environmental protection performance and deliver cleaner products to the community at the same time. We observe and strictly comply with the Environmental Protection Law of the People's Republic of China.

Environmental policy and management system

We are committed to implementing the following environmental policies:

- To utilize energy and resources efficiently;
- To continuously improve our environmental management performance, to prevent pollution and reduce the environmental incident rate;
- To control use of hazardous substance and not to provide products that do not achieve hazardous substance free standard;
- To engage in waste minimization and resources recycling, to reduce the generation and emission of air pollutants, noise and waste, and to take measures to minimize the risk to the environment;
- To comply with environmental and hazardous substance control related regulations and other relevant requirements, and to inform such requirements to all employees.

All production plants have obtained the ISO14001:2004 environmental management systems certification, and IECQ HSPM 080000:2012 hazardous substance process management systems certification. These systems will run in parallel to with other management systems such as quality management system and health and safety management system. The general managers of production plants will take overall responsibility for the implementation of these systems. All departments will execute the environmental management policies in accordance with "Quality Environment Manual", "Environment, Health, Safety and Hazardous Substance-free Policy Management Procedure", "Environmental Factors and Hazards Management Procedure", and "Environment, Health and Safety Target, Indicator and Program Management Procedure".

As outlined in the Group's "Environmental Factors and Hazards Management Procedure", the department of production plant will analyse environmental factors associated with manufacturing activities, maintenance activities and servicing process, including emission to atmosphere, water and land, emission of energy such as heat and noise, and consumption of raw materials, natural resources and energy. After the environmental factors are identified, the department will determine the management target and devise programs and timeline for achieving the specified target and to achieve the pollution prevention, management and risk control. The management representative is responsible for approving the environmental management programs.

PROTECT THE NATURAL ENVIRONMENT (continued)

Hazardous substance free management

To minimize the environmental impact of electronic products at the disposal stage, safeguard the health and safety of consumers and electronic recyclers, and satisfy local regulations and customer requirements, we have implemented the hazardous substance process management system. We promise to control the raw materials and production process so that our products do not contain any materials as restricted by Waste Electrical and Electronic Equipment (WEEE) Directive or Restriction of Hazardous Substances (RoHS) Directive, and by any customers. Specific works include:

- To select appropriate materials and devise hazardous substance control plan based on regulatory or customers' requirements when developing new products;
- To formulate green procurement list in accordance with customers' requirements for hazardous waste management;
- To verify if incoming materials, production process and finished products meet hazardous substances free requirements;
- To identify hazardous substance that may be used in our production plants;
- To arrange testing for hazardous substances by third parties.

To control the quality of incoming materials, we have provided our suppliers the HSF Standard, required our suppliers to sign the HSF declaration, and regularly assessed suppliers' hazardous substance process management system.

Minimizing pollution

Air, water and solid pollutants are generated as we operate. To minimize the environmental impact of our operation, we have implemented a series of measures to control the emission of various pollutants.

Waste management

Ju Teng classifies waste generated into general waste, recyclable waste and hazardous waste. We will label and distinguish each type of waste, especially hazardous and recyclable waste and they will be treated differently. Products in the production process will generate hazardous wastes such as painting sludge, paint residue, paint containers, grease cloths, and gloves. Hazardous waste is stored separately at designated sites, and is collected by qualified hazardous waste disposal operator for recycling. Recyclable wastes such as carton, detached paper, thin film, plastic bottle, beverage bottle, expandable polyethylene, foam and iron are collected by operator for recycling.

Sewage management

Ju Teng is committed to preventing the water pollution, ensuring cleanliness of water resources, sustaining the health of eco-system, living environment and human, and complying with the national water pollution prevention regulations. We take proactive approaches to manage industrial and domestic sewage discharged. Pollutants discharged by our production lines include volatile organic compound, suspended solid, phosphate and ammonia. Some of our production plants have built sewage treatment stations. The general affairs department of production plants will regularly inspect the sewage discharged out of our operational sites to ensure it reaches the national standard. The treated sewage can be recycled for use of toilet flushing, spray painting and grinding.

PROTECT THE NATURAL ENVIRONMENT (continued)

Air emission management

Ju Teng is committed to preventing air pollution through controlling the emission of hazardous substances. We will monitor and control the whole process of emission of air pollutant from generation to discharge in order to ensure that our air emission meets the regulatory requirements. Our production activities, such as use of boilers, spray painting and grinding generate air pollutant such as volatile organic compound, non-methane hydrocarbon, particulate matter, sulphur dioxide, nitrogen oxides and metallic dust. At present, our air emission treatment and discharge equipment mainly adopts activated carbon adsorption or sponge filtering method. Used activated carbon is recycled by qualified institutions and can be reused by us.

Minimizing emission

Ju Teng has taken key steps to reduce generation and emission of hazardous substances in recent years. For example, improving or changing production process, reducing the use of cutting fluid, increasing the utilization rate of paint so as to reduce the paint residue. In choosing the raw or auxiliary materials, Ju Teng will select paints and auxiliary materials that do not contain hazardous substances such as chromium, manganese, zirconium, fluorine, phosphorus, and benzene. The powder coating for magnesium alloy coating uses non-reactive dust. All coating and thinner do not contain benzene and the degreasing agent for the forming process do not contain phosphorus.

The ultraviolet curing paint used by Ju Teng for spray painting is one of the most environmental friendly types of paint. It has a few advantages, such as high solid content, good hardness and transparency, resistant to yellowing, long activation period, high efficiency and low cost. Comparing to the traditional paints, this type of paint is low in toluene, acetone and therefore helps to minimize the emission of hazardous substances and waste gas. We have also switched to water-based coating for some of the product lines, which also helps reducing the generation of paint residue, used activated carbon and emission of xylene and ethyl acetate.

In 2016, some of our production plants transformed the air emission treatment systems and increased the adsorption capacity of activated carbon. Our production plants in Chongqing have installed alkaline scrubbers to reduce the emission of nitrogen oxide.

Our production plants located in Wujiang District, Suzhou will carry out carbon audit every year and propose greenhouse gas reduction strategy. The carbon audit reports will be verified by external parties.

PROTECT THE NATURAL ENVIRONMENT (continued)

Minimizing use of resource

Each of our production plants has formulated its own “Energy and Resources Management Procedure” which outlines procedures in conserving energy and water resources, and responsibilities of each department in conserving energy.

Ju Teng mainly consumes energy in form of natural gas, diesel and purchased electricity. In order to save energy, our production plants will arrange the workshops and production facilities according to the production process to shorten the distance travelled by products, materials, logistics and workers, so as to reduce the unnecessary energy consumption. The computer numerical control equipment we use are of energy efficient models. The waste heat recovery facilities of the three production plants in Chongqing and Neijiang are able to recover excessive heat from the air compressor for the use of staff dormitories, resulting in an annual saving of approximately 9,500 MWh of electricity. The waste heat recovery facilities at Taizhou production plant can even recover the excessive heat for heating up the boiler.

As 90% of lighting fixtures of Chongqing production plants are LED lights, approximately 1,000 MWh of electricity can be saved every year. In addition, air compressors are started by variable-frequency drive, saving approximately 100 MWh of electricity annually for the Chongqing production plants.

Municipal water is used by Ju Teng for production, cleaning and dormitories. Most of our production plants have water reuse system installed to reduce their reliance on municipal water or adjacent natural water sources. In addition, the condensate recovery system of our Taizhou production plant saves approximately 8,800 m³ freshwater annually for cooling the boiler. The production plant located in Nanjing also achieves a monthly saving of approximately 70% water consumed for toilet flushing after installing flushing sensors. Water used for cleaning empty buckets in our Neijiang production plant is diverted to the fire water pool, and therefore approximately 900 m³ freshwater per year is recovered.

Ju Teng uses packaging materials such as carton boxes and blister packaging. Most customers will return the packaging material for Ju Teng’s reuse through external service providers. Packaging materials will also be reused within Ju Teng production plants. Around 30-40% packaging material can be reused.

WORK WITH SUPPLIERS

To ensure the quality of incoming materials and encourage the protection to labour right and natural environment across the supply chain, Ju Teng formulates the “Supplier Management Procedure”, which sets out the admission criteria and audit procedure for new and existing suppliers. The Vendor Quality Assurance (“VQA”) Department at each production plant leads the supplier audit program. Our supplier assessment criteria includes its performance on managing worker, environmental protection, occupational safety, hazardous substance, and business ethics, alongside with product quality, price, speed of delivery and technical competency. When a department applies for registration of new suppliers, VQA, procurement department and the application department will form an assessment team to conduct on-site audit. The supplier will be registered upon passing the audit. If on-site audit is not feasible due to geographical constraints, the supplier is required to conduct a self-evaluation on its quality management system, environmental management system and social responsibility management system. Suppliers that fail the audit are required to complete corrective actions within two months and cannot supply to Ju Teng until they have passed the audit. If a supplier is designated by customer but does not pass the audit, Ju Teng will send the evaluation results to customer for their determination. All suppliers, except for suppliers with low volume delivery and difficulty of on-site audit and designated suppliers, are subject to on-site audit for at least once every two years, and need to respond to any required corrective actions.

All suppliers are required to sign an “Integrity and Confidentiality Agreement”, so as to promise to uphold the principles of honesty, integrity and confidentiality. A supplier is subjected to financial penalty for breaching the agreement. Ju Teng reserves the right to terminate the procurement contract. Suppliers are also required to sign the “Environmental Protection Agreement” to ensure not to use prohibited or restricted materials or chemicals in the production and provision of Ju Teng’s products, parts and packaging materials, and strictly abide by the relevant environmental protection laws and policies.

In addition, Ju Teng is doing its utmost to eradicate the use of conflict minerals. Conflict minerals refer to cassiterite (tin ore), columbite-tantalite (tantalum ore), wolframite (tungsten ore) and gold mined in the Democratic Republic of the Congo or its adjoining countries. Armed groups engaged in mining operations in these regions are believed to subject workers and indigenous people to serious human rights abuses. Ju Teng will conduct due diligence on the source of minerals procured, and require suppliers to complete the “Metal and Mineral Origin Questionnaire”.

SATISFY CUSTOMERS

For product quality management, our principle is to 'do it right at first time'. We are committed to continuous innovation, enhancement of product quality, pursuit of customers' satisfaction, achieving customers' requirements on quality, cost, delivery time, service and safety, so as to maintain our reputation in the industry. We have established and fully implemented the quality management system certified to ISO9001 international standard, which allows us to improve our quality management performance continuously.

We monitor the product quality along the production process based on 'Incoming Material Control Procedure', 'Production Process Inspection and Testing Procedure', and 'Product Inspection and Testing Procedure'. There are systematic quality inspection procedures at each control point of production process, including acceptance of incoming materials, production procedures, and storage and delivery of finished products. Thus we are able to identify any problems related to product quality and use of restricted substances and improve accordingly. Personnel of Quality Management ("QM") Department is responsible for executing the quality inspection works at each control point. The Production Department ensures production processes are performed according to our quality requirements of the standard production procedures. We have control procedures in place to avoid unqualified raw materials, semi-finished products and finished products entering into the next production procedure or being stored in warehouse. No products will be shipped without confirmation from the QM Department for passing the quality inspection.

The Quality Assurance ("QA") Department of Ju Teng's production plants is responsible for handling complaints received directly from customers or referred by other departments. After receiving the complaint, the QA Department will visit customers' site to confirm the defective products, the condition of defective products and the defective rate. If we confirm the complaint is justified, we will follow up the case. The sample of defective products will then be brought back and passed to the relevant departments to analyze the reasons for causing the defective products, and inform the production department and QA personnel to improve and take corrective measures. When the relevant improvement is completed and its effect is confirmed, we will report back to the customer to close the case. We also have product recall and replacement mechanism.

Ju Teng will invite customers to fill in the customer satisfaction survey every half year through email or fax. When the total rating or rating for individual item does not meet our internal targets, the relevant departments are required to submit the improvement plan to the Company within three days. Ju Teng will inform customers the results of the improvement plan.

COMMUNITY INVESTMENT

During the year ended 31 December 2016, Ju Teng does not have a formal community investment policy. Each subsidiary donates to local non-profit organisations on an ad hoc basis. Ju Teng considers this approach is suitable for the needs of the Group at the time being and will review such approach from time to time in light of the needs of the communities where the Group operates.

HKEX ESG REPORTING GUIDE INDEX

Aspects, General Disclosures and KPIs	Description	Disclosed in	Remarks
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Aspect A1: Emissions

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protect the natural environment: Minimizing pollution	
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Aspect A2: Use of Resources

General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Protect the natural environment: Minimizing use of resource	
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Aspect A3: Environment and Natural Resources

General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.		Ju Teng's environmental impact includes external discharges and consumption of energy and natural resources. Our operation does not have significant impact on the supply of natural resources and surrounding ecological environment.
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HKEX ESG REPORTING GUIDE INDEX (continued)

Aspects, General Disclosures and KPIs	Description	Disclosed in	Remarks
Aspect B1: Employment			
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<p>Being people-oriented:</p> <p>Protecting labour rights</p>	
Aspect B2: Health and Safety			
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>Being people-oriented:</p> <p>Health and safety</p>	
Aspect B3: Development and Training			
General disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	<p>Employee training</p>	

HKEX ESG REPORTING GUIDE INDEX (continued)

Aspects, General Disclosures and KPIs	Description	Disclosed in	Remarks
Aspect B4: Labour Standards			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Being people-oriented: Protecting labour rights	
Aspect B5: Supply Chain Management			
General disclosure	Policies on managing environmental and social risks of the supply chain.	Protect the natural environment: Hazardous substance free management Work with suppliers	
Aspect B6: Product Responsibility			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Protect the natural environment: Hazardous substance free management (Product health and safety) Operate responsibly: Protecting confidential information and respecting intellectual property rights (Privacy and intellectual property rights)	For disclosure on product quality assurance, customer complaint and satisfaction management, please refer to the chapter "Satisfy customers".

HKEX ESG REPORTING GUIDE INDEX (continued)

Aspects, General Disclosures and KPIs	Description	Disclosed in	Remarks
Aspect B7: Anti-corruption			
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p>	Operate responsibly: Anti-corruption	
Aspect B8: Community Investment			
General disclosure	<p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>		<p>Ju Teng does not have a formal community investment policy. Each subsidiary donates to local non-profit organisations on an ad hoc basis.</p>