

Midas Holdings Limited

(Singapore Registration No: 200009758W)
(Incorporated in Singapore with limited liability)
(Singapore Stock Code: 5EN)
(Hong Kong Stock Code: 1021)

2016 Sustainability Report

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Sustainability Report overview

As a leading manufacturer of aluminium alloy processed 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 impacts and policies.

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.

This report is prepared in compliance with The Stock Exchange of Hong Kong Limited (“HKEx”) Environmental, Social and Governance Reporting Guide (“HKEx ESG Guidelines”) set out in Appendix 27 to the Rules Governing the Listing of Securities on HKEx. In China where our manufacturing facilities are based, the revised Environmental Protection Law of the People’s Republic of China (the “PRC”), 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 RMB4.0 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. This 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 2016

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

- Whilst we had no workplace safety related fatalities in 2016, we lost 1,168 (2015: 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 128,451 (2015: 131,131) MWh of energy in our operations, resulting in 84,990 (2015: 86,678) tonnes of carbon dioxide equivalent (“CO₂e”). 21% (2015: 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 70% (2015: 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.

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 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

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 2016 financial year (January – December 2016) and we plan to continue to report for the same period on an annual basis.

Data collection and analysis

Midas has mapped our material KPIs to GRI G4 guidelines 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 2016. Information is reported in accordance with the HKEx ESG Guidelines and GRI G4 guidelines.

Area A: Environmental

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

Our Liaoyuan City site established a comprehensive environmental management system and is certified to the requirements of ISO 14001 environment management system by DQS GmbH. We are committed to minimize how our operations and processes negatively affect the environment (i.e. cause adverse changes to air, water or land); comply with applicable laws (such as the Environmental Protection Law of the PRC), regulations, and other environmentally oriented requirements; and to continually improve.

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

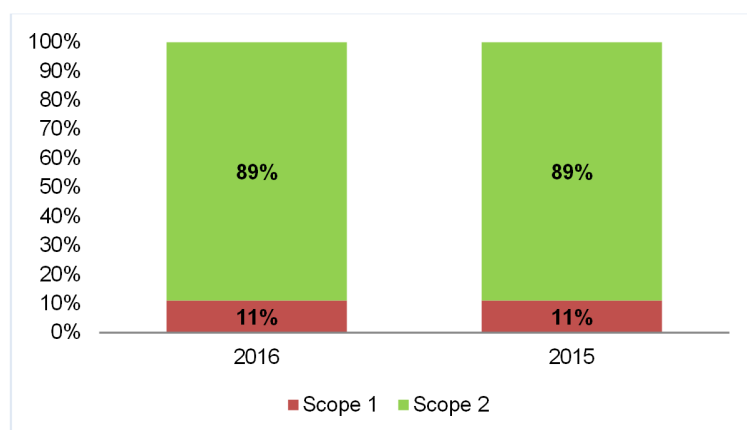
Table 1: A1.1 (GRI EN21) The types of emissions and respective emissions data

Emission type	Quantity (tonnes)	
	2016	2015
Nitrogen Oxide	35	38
Sulphur Dioxide	72	72
Carbon Monoxide	112	131
Ammonia	1	1
Particulates	6	6
Volatile Organic Compounds	2	3
Total	228	251

About 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 9,262 tonnes of CO₂e from fossil fuel use – 90% of these emissions deriving from coal - and 75,728 tonnes CO₂e from electricity consumption, resulting in a total of 84,990 tonnes CO₂e in 2016 (A1.2 - GRI EN15 and EN16). The chart below shows the distribution between Scopes 1 (fossil fuels) and 2 (electricity), in accordance with the Greenhouse Gas Protocol (“GHGP”).

Figure 1: Scopes 1 and 2 distribution



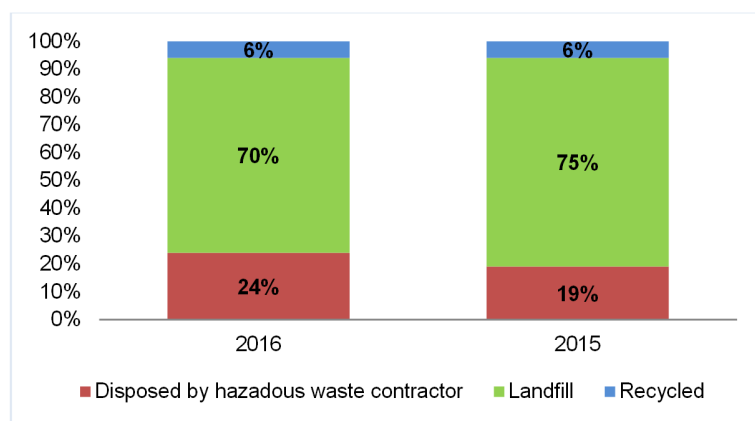
In 2016, 21% of our energy use was coal, contributing almost all of our Greenhouse Gas emissions and a high proportion of sulphur dioxide. Gasoline use also caused the vast majority of our carbon monoxide emissions at our Liaoyuan City site. Such air pollutants can cause global warming, health problems and

damage to the natural environment. Midas will therefore look into increasing the use of cleaner or renewable fuels in the future.

One of the main source of emissions at our Liaoyuan City site is from the smelting process. We use cyclonic separation method (with 75% efficiency) and baghouse dust collector (with collection efficiency of 95%) to remove particulates (A1.5).

We collected information on waste data at our Liaoyuan City site. In 2016, we generated 48 tonnes of hazardous waste and 150 tonnes of non-hazardous waste (A1.3 and A1.4 – GRI EN23). The chart below shows the waste management route of this waste.

Figure 2: A1.6 Waste management route



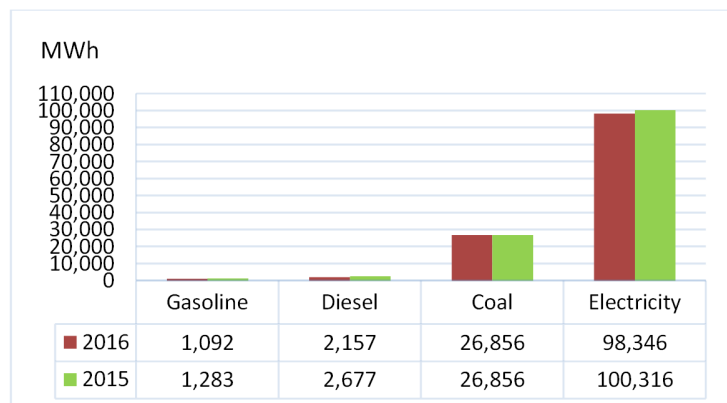
70% of our waste was sent to landfill in 2016 as compared with 75% in 2015. We will aim to improve our recycling rate and investigate reuse in order to improve our operational efficiency.

We recycle and send aluminium alloy scraps resulting from production processes back to 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. An accredited service provider is appointed to collect hazardous waste for proper treatment. During the year of 2016, our Liaoyuan City site had also upgraded a lye recycling facility with capacity of up to 5,000 tonnes per annum, thus reducing the amount of hazardous waste generated in the future (A1.6).

As our production grows, so is the demand for resources, including energy, water and raw materials. To improve resource efficiency and operational efficiency, our Liaoyuan City site applied strict control over its resource use in accordance with economic principles.

Our Liaoyuan City site consumed 128,451 MWh of energy in 2016, as shown in the chart below.

Figure 3: A2.1 (GRI EN3) Energy consumption by type



Our Liaoyuan City site source water from the local water supply network which generates mainly domestic wastewater and from on-site water pump for recirculating water cooling system. Both domestic wastewater and water drained from the recirculating water cooling system are further treated at Liaoyuan City’s sewage treatment plant. The water in the recirculating water cooling system is first used to cool down equipment, the heated water is then flowed through cooling tower, and subsequently re-supplied for cooling process. As a result, the water reuse rate in the system is up to 99%. During the year of 2016, our Aluminium Alloy Extruded Products Division’s Liaoyuan City site consumed about 269 thousand tonnes of water (A2.2 and A2.4).

The gas-fired aluminium melting furnaces at our Liaoyuan City site are equipped with regenerative boxes which greatly increase the heat utilisation rate from 20% to almost 80% and reduce our gas usage by up to three times. The residual heat from the regenerative boxes is further used to power steam boilers which are used to heat up water for various uses (A2.3).

The finished products at our Liaoyuan City site are aluminium alloy extruded and fabricated products which are packed in wooden pallets before shipping to our customers. During the year of 2016, our Liaoyuan City site consumed about 3,600 cubic metres of wooden pallets (A2.5).

We are mindful of our operations’ impact on the environment and natural resources. We are committed and actively seeking opportunities to minimize the use of resources. Such initiatives will be beneficial to the environment and improve our overall efficiency. The major environmental and natural resources impact from our Liaoyuan City site is energy consumption. We have been constantly finding ways to reduce energy consumption, such as our plan to upgrade the boilers which would see a drastic decrease in the consumption of coals in the future (A3.1).

Area B: Social

(B)(i): Employment and Labour Practices

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

Our Liaoyuan City site compensates employees based on merits. We had established fair and open channels to reward employees' performance, motivating them to make progress and continuously enhance their abilities and work qualities, which we believe will ultimately enhance corporate performance. We comply with the relevant laws and regulations, including Labour Law of the PRC and the Labour Contract Law of the PRC, which provide guidance for working hours, rest periods and welfare measures such as medical and social insurances. We had also established a comprehensive human resources system on recruitment practices which is based on equal opportunities. Our Employee Handbook, among other things, provided clear rules on dismissal, working hours, rest periods, welfare and anti-discrimination.

Most of our employees at our Liaoyuan City site are from Jilin Province, of which 92% are male and 8% are female. Less than 5% of the total workforce hold managerial position.

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

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

Age group	Number of workforce	
	2016	2015
Under 30 years old	516	648
30-50 years old	1,016	956
Above 50 years of age	90	110
Total	1,622	1,714

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

Our Liaoyuan City site is committed to our employees' health and safety and had established an occupation health and safety management system which is certified to the requirements of OHSAS 18001 by DQS GmbH. To minimize occupational hazards, our frontline workers are fitted with personal protective equipment; part of the manufacturing process is automated, minimising workers' direct contact. We also conduct regular evaluation and daily inspection on equipment.

Our Liaoyuan City site had no workplace safety related fatalities in 2016 (B2.1) although we lost 1,168 working days due to injury as compared with 1,493 days in 2015 (B2.2 - GRI LA6). 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.

We focus on talent development, improving employees' knowledge and skills to ensure the production of goods with the highest quality. The internal and external trainings conducted are tailored to the needs of employees.

All employees at our Liaoyuan City site, regardless of position and gender, undergo training during the year of 2016 (B3.1).

We provided an average of 40.0 hours of training to our employees in 2016. Our training period is fairly consistent across all age groups, helping to promote mobility within the Company (B3.2).

Table 3: B3.2 (GRI LA9) The average training hours completed per employee by age group

Age Group	Average training hours	
	2016	2015
Under 30 years old	34.3	44.5
30-50 years old	44.2	45.8
Above 50 years of age	22.9	42.9

Besides the structured hours of training provided above, our employees also receive on-the-job training and ad-hoc training courses wherever possible.

Our Liaoyuan City site complies strictly with laws and regulations including the Labour Law of the PRC and the Labour Contract Law of the PRC. Under the recruitment management system, a person under the age of 18 is not allowed to be hired as employee. All potential employees, after passing training, are required to sign formal employment contracts with the Company, which among other things, state clearly their rights and entitlements. During the year of 2016, there is no incident of child or forced labour.

(B)(ii): Operating practices

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

Table 4: B5.1 Suppliers by percentage of purchases

Supplier group	% of purchases	
	2016	2015
The largest supplier	22%	21%
Five largest suppliers in aggregate	51%	57%

All our large suppliers are based in China and we strive to minimize the carbon footprints in bringing the raw materials to our factories. We will continue to work with our suppliers to identify other opportunities to optimize our sourcing (B5.1).

Our Liaoyuan City site's main product is used in the rail transport industry. Therefore, product safety is of utmost important to us. We perform vigorous quality checks before the products are shipped out to our customers. On-site service staff are stationed at our major customers' factories to deal with any potential issues timely.

In 2016, our Liaoyuan City site had no product recalls for safety and health reasons (B6.1 – GRI PR1) and did not receive any complaints (B6.2 – GRI PR5).

Our Liaoyuan City site attaches great importance to anti-corruption and has been in strict compliance with laws and regulations including the Company Law of the PRC, the Bidding Law of the PRC and the internal anti-corruption management system which covers the processes of prevention, monitoring and discipline. In 2016, our Liaoyuan City site had no legal cases regarding corrupt practices (B7.1 – GRI SO5).

As a further enhancement to internal risk control processes, we have introduced and implemented the “Policy on Reporting Wrongdoing”. Under this “Whistleblowing” policy, all forms of “wrong-doings” can be reported to an investigation unit, with the “whistle-blower” being provided confidentiality protections. “Wrong-doings” can include fraud, theft, abuse of authority, breach of regulations or non-compliance with corporate policy such as improper banking or financial transactions (B7.2).

(B)(iii): Community involvement

This section presents information on our involvement with the local community.

As part of the community, we work towards minimizing any negative impacts of our operations on the surroundings, and also involve ourselves in the development of the communities.

In the past, Jilin Midas Aluminium Industries Co., Ltd. had contributed to the Hosiery Liaoyuan International Fair as part of our support to the local economies. We had also supported Jilin University in 2015 in the form of scholarship and contribution to education fund.

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.