



協眾國際控股有限公司
Xiezhong International Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code : 3663

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT 2016





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About Us

The core business of Xiezhong International Holdings Limited (“Xiezhong International” or the “Group”) is the development, production and sale of HVAC systems (HVAC – Heating, Ventilation and Air-conditioning) and various types of automotive HVAC components. The Group’s products are mainly applied on SUVs (sport utility vehicles), pickup trucks, limousines and heavy trucks, as well as other types of automobiles like new energy vehicles, construction machinery, light trucks and buses.

The major clients of Xiezhong International include China’s noted automakers and construction machinery manufacturers. Currently, the Group has two production bases in China. One is located at Jiangning District, Nanjing, Jiangsu, and the other production base is located at Fushun Economic Development Zone, Fushun, Liaoning. In September 2016, the Group formally established Morocco Automobile Air Conditioning Co., Ltd., a new production base in Morocco, which is planning to supply HVAC to overseas automotive manufacturers, and actively expand overseas markets.

Combined with China’s incentive policies on new energy automotive industry, Xiezhong International will continue to strengthen the research and development (“R&D”) of HVAC systems for new energy vehicles, and strive for supplying automotive HVAC systems for more domestic and foreign branded automotive manufacturers, expanding the revenue sources while taking into account the needs of sustainable development.

Our Organization



About This Report

This report is the first “Environmental, Social and Governance Report” released by Xiezhong International to disclose the Group’s measures and performance on sustainable development issues in a transparent and open manner, so as to increase the stakeholders’ understanding of the Group.

Reporting year

All the information in this report reflects the performance of Xiezhong International in environmental protection and social care from January 2016 to December 2016. In the future, the Group will regularly release “Environment, Social and Governance Report” for public inspection and continuously improve the transparency of information disclosure.

Scope of this report

This report focuses on the main operation site of Xiezhong International, namely, the production and operation of automotive air-conditioning systems and air-conditioning components at the production base¹ in Nanjing, Jiangsu (the “Plant”). The Group will expand the scope of information disclosure when the Group’s data collection system is better established and our work in the environment, society and governance deepen, at then, the report will fully cover all the operations of the Group. This report does not cover the disclosure of environmental performance indicators. The Group will conduct carbon assessments next year to further detail and standardize the reported indicators.

Reporting standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report provides a brief overview of the environmental, social and governance performance of Xiezhong International. The information in this report is derived from the Group’s official documents and statistical data, and based on the monitoring, management and operational information gathered by the companies under the Group according to related systems. The last chapter of this report has a complete content index for quick inquiry. This report has been compiled in both Chinese and English languages and has been uploaded onto the Group’s website at www.xiezhonginternational.hk. If there are any contradictions or inconsistencies in the Chinese and English versions, the Chinese version shall prevail.



Feedback

Our continued progress depends on your valuable comments on the contents and forms of this report. If you have any questions or suggestions, please send your email to ir@njxiezhong.com to help us continue to improve our environmental, social and governance performance.

¹ Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.(Xiezhong Nanjing), the Group’s wholly-owned subsidiary, operates the base.

Communication with Stakeholders

The Stock Exchange has proposed four reporting principles in the Guide, including: Materiality, Quantity, Balance, and Consistency, which consist of a basis for the preparation of Environment, Social and Governance Report. As the Stock Exchange has stated, the participation of stakeholders is the method used to assess the Materiality. Through communication with stakeholders, companies can understand the views of stakeholders and identify important environmental and social issues.

The stakeholders herein refer to groups or individuals that have significant impact on the Group's business or those that are affected by the Group's business. The Group's stakeholders include not only internal staff, but also external customers, business partners, investors, regulators and various types of community groups. In the past year, we have communicated with our key stakeholders through different channels. During the preparation of this report, we specially entrusted a professional consulting company to conduct a materiality analysis through management interviews and, combined with the advice from expert consultants, clarified the important issues in this report, and used them as a basis for the Group's approach to sustainable development.

Stakeholders' communication modes during the reporting period

| Internal stakeholders | External stakeholders |
|--|--|
| <ul style="list-style-type: none">• Board of directors• Management• Administrative staff• Employees | <ul style="list-style-type: none">• Clients• Suppliers• Governments/Regulatory authorities• Associations• Banks• NGOs• Employee's families |
| Communication modes: Meeting, email, telephone, interview, lecture, plant visit, opinion box, and annual report | |

Xiezhong International's business affects different stakeholders, and the stakeholders have different expectations on the Group. In the future, the Group will continue and deepen the communication with the stakeholders, through various medium to collect views from stakeholders, so as to advance our materiality analysis. At the same time, the Group will also consider the reporting principles of Quantity, Balance, and Consistency to define the content of this report and reveal information in a manner that is more in line with the expectations of the stakeholders.

“We will invest more resources to meet the market's demand for low-carbon products”

As a leading supplier of automotive heating, ventilation and cooling systems, R & D strength is one of the main factors of our success. Our excellent R & D team has developed a number of exclusive patented technologies that maintain our cost advantage and profit margins. Our optimization of the production process focused on the corporate profitability, therefore, now we need to change our business thinking, integrate the stakeholders' concerns into the Group's development strategies to explore market opportunities of sustainable development.

With the global trend of energy saving and carbon reduction, the automotive industry is in transition. To maintain our long-term competitiveness, we follow the market demand and rely on our experienced team to develop energy efficient HVAC systems for new energy vehicles. We also enhance the rate of resource utilization of production process and reduce emission of greenhouse gases caused by our operations. At the same time, we upgrade the production facilities of the plant, effectively reduce the energy consumption per unit of products and pollutant emissions, and strict implement environmental protection measures during production process.

In addition to our own operations, we also extend the requirements for environmental protection to suppliers. We require suppliers to provide high-quality products and services in a written form in accordance with the requirements of Xiezhong International, conduct regular inspections on suppliers, strictly manage the entire supply chain, even replace unqualified suppliers.

Excepting environmental protection, we understand that stakeholders have equal attention to the working environment of our employees. We regularly provide our employees with job training to protect the health and safety of employees. Especially for the employees who hold higher risk jobs, like welding, we provide them with appropriate personal protective equipment to avoid work-related injuries. We also provide our employees with comfortable working and resting environment, such as air-conditioned lounges and dorms. The Group is committed to attracting more talents with sincere care, and constantly expanding our professional team.

Looking forward, we will invest more resources to meet the market's demand for low-carbon products, continuously improve production efficiency with innovation and technology, and pay more attention to the suggestions from stakeholders, carrying out sustainable development in an accountable manner.

Chen Cunyou

Chairman

Xiezhong International Holdings Limited

Environmental Protection

USE OF RESOURCES

Climate change has brought unprecedented challenges to the global economic development. The extreme weather brought about by climate change, directly or indirectly, affects the ability of different institutions to access resources and maintain operations. During the climate change conference in Paris in 2015, 195 countries, including China, agreed to implement greenhouse gas emission reduction plan to control the global temperature rise within two degrees Celsius.

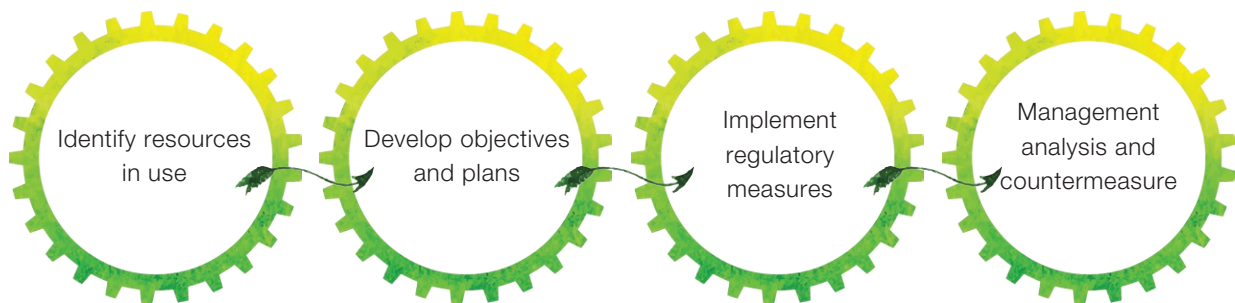
Xiezhong International is committed to starting from the source, saving various types of resources to reduce the impact of our operations on the environment. The Nanjing Plant has formulated the “Administrative Procedures for Energy and Resource Use” (the “Procedures”) to establish governance strategies and work processes for the use of different resources, the Procedures are jointly implemented by the Company Office, the Manufacturing Department, the Technical Department and the department heads, hence, integrating environmental considerations into the daily operation of the Plant.



At the Sustainable Development Summit 2015, all the United Nations member states formally adopted 17 sustainable development goals, and “taking urgent action to address climate change and its impact” is one of them.



Xiezhong Nanjing’s Administrative Procedures for Energy and Resource Use



The Nanjing Plant of Xiezhong International has formulated the “Environmental Factors Identification and Evaluation Procedures” to guide the Departments to identify the environmental factors in operations and assess the environmental impacts like pollutants and resource utilization efficiency. At present, the Plant has three workshops, as well as production R & D building, office building and warehouse. The resources consumed during the Plant’s production process mainly include: electricity, water, raw materials and packaging materials. Each year, the Company Office organizes the various Departments to jointly develop the annual resource conservation goals, and then the Departments would break the overall goals into respective goals and develop appropriate implementation measures. Each Department is responsible for recording the monthly consumption of various types of resources, if goal unachieved or the amount of consumption are abnormal, such information is required to release in the monthly report of the Plant, and within a week, the reasons should be identified, and countermeasures report should be submitted. The Plant will review the implementation status of the goals every year, set forth the goals of the coming year, and continuously improve the resources management.

For different resources, Xiezhong Nanjing implements the targeted administrative measures. To avoid idle running and waste of electricity, all the production equipment, auxiliary equipment, lighting and air conditioning and other power consumption devices within the Plant are controlled by specially-assigned people to turn on or turn off according to the production needs and weather. The powerhouse of the Plant also adopts capacitance compensation technology to reduce the reactive current of the Plant’s facilities and the power consumption. As for water, the cooling water used in the Plant’s injection process is recyclable. When irrigating the Plant’s greening belts, spraying key areas instead of watering the whole plant to avoid wasting water resource.

The materials used in the Nanjing Plant are mainly aluminum, metal sheet, compressed air, liquid nitrogen, soldering flux, packaging materials and others. The logistics Department and manufacturing Department of the Plant ration and distribute all materials according to the bill of materials and the production plan, and enumerate the actual consumption of materials and parts in the production line to control loss. The manufacturing Department is also responsible for controlling the switch and the amount of compressed air and properly managing the inventory. To reduce the use of packaging materials, the Plant adopts reusable turnover boxes to replace cartons as far as possible. The Plant also from time to time holds quality awareness trainings for all staff to reduce the number of rework and the rejection rate, so as to improve the service efficiency of productive resources.

The upgrading of the Plant's equipment and technologies is also the top priority of Xiezhong International's efforts to improve resource efficiency. This year, the Nanjing Plant purchased a new electric heating furnace, which automatically provides additional heating according to the quality of welding products, as a result, reducing energy waste. The Manufacturing Engineering Department of Nanjing Xiezhong Research Institute has also completed an improvement project to reduce the amount of soldering flux required in the welding process. In the future, Xiezhong International will encourage the plants to learn from each other and the Departments to strengthen their cooperation, and set up short-term and long-term resource use objectives on the basis of statistical data to continuously improve the efficiency of resource use in daily operations.

EMISSIONS

Xiezhong Nanjing formulated the "Management Procedures on Waste Water, Waste Gas and Noise Emissions" to define all types of emission treatment processes and emission reduction measures. The sewage generated by the Nanjing Plant is mainly the domestic sewage from the canteen and toilets, only a little of the sewage comes from the industrial waste water generated during the cutting and pickling processes. The former would be disposed of through the discharge port filter and grease trap, the latter would be discharged into a neutralization pond, alkali would be added to neutralize according to its pH value; then, along with septic tank sewage, they are conveyed to the sewage treatment plant of the science park through the municipal pipe network from the sewage pumping station, and, the plant would dispose of them.

The Plant's operation also produces air emissions that mainly comes from the welding process, such as dust and vehicle emissions, or canteen cooking fume. This year, the new electric heating soldering furnace put into operation by the Nanjing Plant has better filtration efficiency comparing with the old equipment, molecular sieve of dust filter device. Xiezhong Nanjing also stipulates that all plants' vehicles shall use unleaded petrol, and under pollution discharge monitoring according to relevant provisions. The canteen has set up fume separators, which absorb and dispose of fume and discharge it into the air. When purchasing new central air conditioners, freezers and refrigerators, the Plant choose fluorine-free refrigerant to reduce the destruction of the ozone layer.

Environmental Protection

In terms of waste, the sludge and domestic waste generated by the sewage treatment equipment of the Nanjing Plant are handled by local environmental health department. Hazardous wastes such as oiled gloves and wipes are collected and processed by qualified processors. The Plant is committed to promoting waste reduction and encouraging recycling. This year, the Plant has sold cartons and polyethylene foam (one of plastics), respectively, 60,849 tons and 4,602 tons to recyclers.

Xiezhong International strictly abide by the relevant pollution prevention and resource conservation laws, including the “Environmental Protection Law of PRC”, “Energy Conservation Law of PRC” and other relevant legislations, as well as “Management Regulations on Water-saving of Non-residents of Nanjing City” and other regional or industry regulations. During the reporting period, the Group has not found any cases violating the laws and regulations concerning emissions or environmental impact.

Overview of environmental performance indicators

| | | | |
|----------------|-------------------------------|--------|--|
| Waste | Hazardous Waste (ton) | 0.572 | Oiled gloves and wipes |
| | Waste Recycled (ton) | 65,451 | Cartons and Polyethylene Foam |
| Water resource | Total water consumption (ton) | 72,559 | Production and domestic water |
| | Water density (ton/piece) | 0.897 | Water consumption per product |
| | Total displacement (ton) | 7,012 | Wastewater comes from floor cleaning and cutting process, as well as domestic sewage |

THE ENVIRONMENT AND NATURAL RESOURCES

In addition to the above resources use and emissions, the operation of the Nanjing Plant will generate noise and cause potential impact on the surrounding area of the Plant. When purchasing new equipment, such as soldering furnace, exhaust fan, the Plant would compare different models and give priority to the ones who generate lower noise. If there is no lower noise choice, the Plant would set up sound insulation devices near the equipment, such as shock pad, to reduce noise.

Reducing greenhouse gas emissions is the most important mitigation measure for tackling climate change, and carbon footprint assessment provides the basis for reducing greenhouse gas emissions. Although Xiezhong International’s current business has not yet conducted a carbon footprint assessment, the Group has incorporated this into the 2017 work plan. The Group reviews the greenhouse gas emissions annually, as the first step towards carbon reduction and we have developed carbon reduction targets and priorities to make carbon reduction more efficient.

Supply Chain Management

Supply chain management process of Xiezhong Nanjing



Xiezhong Nanjing has formulated the “Procurement Control Procedures” and the “Suppliers’ Product Development Procedures” to standardize the procurement process, set the cooperation standard of suppliers, and specify the job distribution and responsibilities of the Quality Control Department, the Supply Department, the Technical Department, the Project Department, the Production Department and other relevant departments. Each year, the Plant would prepare procurement plans according to the production plan and inventory, and refer to the Plant’s “Qualified Suppliers List” to identify the potential suitable suppliers. If the existing qualified suppliers cannot meet the requirements, the Plant would follow the relevant process to find a new supplier, and conduct a series of reviews and tests on its product design, production safety, quality assurance capability, and the actual quality of samples. All suppliers must also possess ISO 9000 audit certificate. Only the suppliers pass the reviews and tests will be able to join the “Qualified Suppliers List” and have the opportunity to become a partner of the Group.

According to the classification of procurement materials, Xiezhong Nanjing would sign a contract and a quality guarantee agreement with suppliers, clarify the technical quality, after-sales service, product safety and other terms of liability, and examine and receive products according to the Plant’s “Verification Procedures for Procurement Products”. In addition, the Plant has formulated the “Administrative Procedures for Suppliers’ Performance” to conduct a comprehensive evaluation on the cooperative suppliers every six months. With reference to customer complaints report, the number of unqualified products per million parts, the number of defected products per thousand vehicles and other product quality and safety indicators, the Quality Management Department, the Supply Department and the Technology Department will rate suppliers through on-site assessment or written assessment and other forms of assessments. The Plant will give feedback of the results to suppliers and communicate with them to improve their performance. If suppliers are still perform poorly after rectification, they will be disqualified.

Xiezhong International also attaches importance to suppliers’ environmental and social management, giving priority to outstanding performers. Xiezhong Nanjing’s suppliers of major raw materials, such as flat tube, manifold, aluminum foil and aluminum foil tube, are certified by ISO14001 Environmental Management System and/or OHSAS 18001 Occupational Health and Safety Management System, certifying that the suppliers have established relevant internal systems to manage its production environment and security risks. Xiezhong Nanjing will encourage other materials suppliers to adopt relevant international standards to further improve the supply chain risk management.

Operation Management

Main raw materials suppliers of Xiezhong Nanjing

| Raw material | Actual consumption in this year (kg) | Supplier's operating region | Third-party certification obtained by the supplier | Percentage of third party certification |
|--------------------|--------------------------------------|---|--|---|
| Flat tube | 1,863,302 | Jiangsu Province | ISO14001, OHSAS18001 | 100% |
| Manifold | 276,954 | Jiangsu Province | | 100% |
| Aluminum foil | 1,096,540 | Jiangsu Province, Guangdong Province, Shanghai | | 100% (ISO 14001) 66.7% (OHSAS 18001) |
| Aluminum foil tube | 339,680 | Jiangsu Province | | 100% |

Product Responsibility

Xiezhong International's products comply strictly with relevant requirements of the National Standard of PRC and the Automobile Industry Standard of PRC, including the safety requirements on automotive interior materials, projections, as well as the environmental requirements on recyclable logo of auto parts, air quality within the vehicle. During the production process, as part of our quality control, the Plant will inspect all kinds of purchased materials according to the Inspection Guide for Purchasing Materials, and distinguish the qualified and unqualified products in order to trace the source of the quality defects. The Group also attaches importance to the protection of customers' privacy and intellectual property rights. The relevant Privacy Code is set out in the Staff Manual of the Plant to ensure that employees are aware of the requirements of the Group and that employees whose work is involved with customer information are required to sign confidentiality agreement. During the reporting period, the Group has not found any cases violating the laws and regulations concerning product responsibility.

Anti-corruption

Xiezhong International is committed to the prevention of corruption, and those employees who use their positions to receive kickback, bribe, or embezzle public funds, steal from the Plant or private property and other acts, will be fired by Xiezhong Nanjing as a serious violation of discipline. Once the violation is confirmed, the employee will be expelled from the Plant, and depending on severity of the violation, local authority may be invited to investigate the case. Senior management, and staff in technology, craft and quality management department are required to enter into an integrity pact and non-competition agreement which undertakes to comply with the Group's requirements on anti-corruption, avoid potential conflicts of interest, and maintain fair competition in the market. Xiezhong Nanjing has set out the anti-corruption requirements in its Employee Handbook and in the labor contracts signed with employees. In the future, the Group will study and formulate independent policies on the prevention of bribery, extortion, fraud and money laundering, so as to further enhance their awareness of anti-corruption. The Group complies with the Criminal Law of PRC and other laws against corruption, during the reporting period, the Group has not found the Group and our employee violating the laws and regulations concerning corruption.

Health and Safety

As a production company, Xiezhong International has always placed employees' safety and health first and is committed to maintaining a healthy and safe working environment. The Group believes that safety management requires the Plant's staff to work together. Xiezhong Nanjing has developed the "Safety Manual" and the "Safety Production Management System", setting up a safety management structure composed of the management, heads of the Department and the production line, which also clarify the relevant employees' safety management responsibilities and systematically put into effect the management measures.

Starting from the source, Xiezhong International eliminates the hidden dangers of accidents through renovation of equipment. Xiezhong Nanjing implements the "Safety Production Technology Reform Plan", which provides that, when expanding the Plant, the safety and technical measures must be included in the project funding. Outsourcing and self-developed machines must be equipped with protective devices. If the equipment is incomplete, the Plant shall notify relevant suppliers and complete such equipment, or arrange the equipment Department to modify it according to operational characteristics. The Plant will also record all machinery manufacturers, production date and other information, regularly measure the equipment wastage and timely repair.

Xiezhong International's safety management focuses on prevention and provides training and support for employees engaged in different types of work. According to the actual situation of the Nanjing Plant, the higher safety risk jobs include: various mechanical operators, and welding, equipment maintenance and other electrician jobs and special operators. The Plant has developed the corresponding safety regulations for employees to understand the operational requirements and prevent accidents caused by human error; it also provides gloves, earmuffs, goggles, masks and other personal protective equipment according to the needs of jobs. The Plant also implements the "3-Level Safety Education" to offer trainings at three levels (company, workshop and post) to new employees and those who changed jobs to ensure that the staff master the knowledge such as production process, protective facilities, potential hazards, and operating procedures.

As for site management, in addition to the daily inspection on various posts, each year, the Nanjing Plant's leader and the Safety Management Committee organize not less than four large-scale security checks, accompanied by the inspections of leadership, production safety manager and the production Department, respectively, at least 6 times every year, twice a month and once a month, the inspections are designed to comprehensively check equipment maintenance, safe operation and other implementation. The Plant also hold security meetings from time to time, no less than twelve times throughout the year, to discuss and analyze inspection results, security topics, accidents and other topics, so as to continuously improve the Plant's safety management.

Each year, Xiezhong Nanjing will set the safety management objectives of the Plant to review the effectiveness of the various safety measures. The Group is committed to ensuring compliance with relevant provisions of the Safety Production Act of PRC, the Code of Occupational Disease Prevention of PRC and other relevant legislations. During the reporting period, the Group has not found any cases violating the laws and regulations concerning safety and health.

Overview of health and safety performance indicators

| | Number of work-related injury or death | Work-related injury per thousand employees | Number of lost working days due to work-related injury | Total absences hours | Total working hours | Total absenteeism |
|--------|--|--|--|----------------------|---------------------|-------------------|
| Male | 0 | 0.0012% | 0.0002% | 14,448 | 945,552 | 2.77% |
| Female | 1 | | | 13,408 | 289,184 | |

Employee Care

Safety management objectives of Xiezhong Nanjing Plant in 2016

| Significant safety factors | Safety objective | Specific measures implemented | Standard achieved |
|---|---|--|---|
| Work-related injury | No major accidents; No minor accidents | <ol style="list-style-type: none"> 1. The Plant sets up "Safe and Environmental Operation" and other signs in the production site 2. Holding more safety and environmental protection trainings 3. Conducting more safety assessments on the Production Department | During the reporting period, one minor accident occurred within the Plant, there was no major accidents |
| Compliance | 100% legal and regulatory training coverage | Providing employees with safety, fire-fighting and environmental knowledge training | Achieved |
| <ol style="list-style-type: none"> 1. Accident fire in dangerous goods warehouse 2. Fire caused by chemical leakage 3. Air compressor explosion 4. Food poisoning 5. Water supply stoppage/power failure | When the accident occurs, 0 casualty | <ol style="list-style-type: none"> 1. Training and assessing dangerous goods warehouse managers 2. Preparing contingency plans and organizing evacuation drills 3. Perfecting emergency facilities, implementing regular inspections 4. Conducting regular technical training, for important positions, employees must pass the exam before take up the post 5. Implementing daily inspection of fire control and safety 6. Marking the Plant's dangerous areas, prohibiting fireworks 7. Establishing dangerous goods warehouse management procedures 8. Continuously implementing various operating standards and safety administrative provisions | Such accidents did not occur |

Development and Training

Xiezhong Nanjing Plant provides new recruits with pre-job training in the forms of tour, seminar, and video teaching, to help employees fit in the work environment as soon as possible. The Plant also provides job training to enable new employees to learn operational and quality requirements. For the in-service staff, the Plant's department leaders will formulate annual and monthly training program that based on job requirements, to provide professional and technical trainings. The Plant also invites scholars or training consultants to hold lectures to enrich the staff's knowledge.

Overview of development and training performance indicators

| | | Management | Manager | General staff | Total number of employees | Summary |
|--------------------|--------|------------|---------|---------------|---------------------------|---|
| Number of trainees | Male | 8 | 29 | 638 | 871 | 100% of employees have been trained |
| | Female | 1 | 14 | 181 | | |
| Training Hours | Male | 180 | 180 | 20 | | Each employee received an average of 0.87 hours of training |
| | Female | 180 | 180 | 20 | | |

Employment

Xiezhong Nanjing Plant has developed administrative pay level table that based on the nature of posts, and implemented a transparent salary rating system. In addition to basic salary, the employee remuneration includes staff performance incentives and senior bonus to reward the contribution from employees. In addition to statutory insurance protection, the Group also provides additional employee benefits, including commuter cars, birthday bonuses, holiday cash gifts or presents. The Plant also has a staff appraisal system as a basis for staff promotion. The provisions concerning calculation, distribution and adjustment of remuneration and benefits, and recruitment, employment, work time, attendance, vacation, promotion, dismissal and other aspects of the provisions, are detailed in the "Staff Manual", so that employees can understand their own rights and interests.

Xiezhong International strictly complies with the Labor Law of the PRC and other relevant employment laws and regulations. During the reporting period, the Group has not found any cases violating the laws and regulations concerning employment and labor practices, nor received complaints about discrimination and sexual harassment. At present, the Group has not yet developed any employment policies on equal opportunities, diversification and anti-discrimination, and will study to add relevant requirements in the "Employee Handbook" or other existing system.

Employee Care

Overview of employment performance indicators

| Number of employees | | Under 30 | 30-50 | Above 50 | Total number of employees | Male vs female | Male-female average salary ratio |
|---------------------|--------|----------|-------|----------|---------------------------|----------------|----------------------------------|
| | Male | 312 | 324 | 39 | 675 | 3.44:1 | 1.01:1 |
| | Female | 53 | 137 | 6 | 196 | | |

| New employees | | Under 30 | 30-50 | Above 50 | Total number of new employees | Percentage of new employees vs total staff | |
|---------------|--------|----------|-------|----------|-------------------------------|--|--------|
| | Male | 141 | 44 | 1 | 186 | | 22.73% |
| | Female | 5 | 7 | 0 | 12 | | |

| Resigned employees | | Under 30 | 30-50 | Above 50 | Total staff turnover | Staff turnover rate | |
|--------------------|--------|----------|-------|----------|----------------------|---------------------|-------|
| | Male | 20 | 21 | 2 | 43 | | 6.65% |
| | Female | 4 | 14 | 1 | 19 | | |

Labor Standards

Xiezhong International strictly observes the Labor Law of the PRC against employing child labor and forced labor which violate fundamental human rights, international labor conventions and pose a threat to sustainable social and economic development. The Group prohibits child labor and carries out examination of applicants' actual age during recruitment process. The Group only implements the requirements of standard labor contract and will not unfairly limit the employment relationship between employees and the Group in any way. The Nanjing Plant has set out the provisions for the conclusion, continuation and termination of labor contract in the Employee Handbook to protect the employees' right to know. During the reporting period, the Group has not found any cases violating the laws and regulations concerning child labor or forced labor.



The International Labor Organization is a specialized agency of the United Nations, which enacts labor standards in the form of international labor conventions and recommendations, and thereby, improves the standard of work and living standards around the world. China is a founding member of the ILO and a permanent member of the organization. In Hong Kong, there are currently 41 international labor conventions applicable to working conditions and employment policies.



Community Investment

Xiezhong International believes that employees are the core force that promotes social well-being and creates more value for society. Xiezhong Nanjing and Jiangsu Xiezhong Automobile Group Co., Ltd. jointly established the “Nanjing Xiezhong Group Care Fund” (the “Fund”) in June this year and encouraged the employees to donate. The staff of the Plant’s Departments actively donated, just in six months, the fund has successfully raised more than RMB 270,000 as the start-up donation to provide assistance to the sick, poor plant employees or those who are unable to afford their children’s education and social vulnerable groups. The Plant has established independent fund accounts and internal management system to plan and manage the use of raised funds.

In order to encourage employees to participate in volunteer work, the Association of Trade Unions of Xiezhong Nanjing has set up the “Registration Form of Volunteers” to register the personal data of the employees who are interested in participating in the volunteer service, as well as other information like the service field, time and area. In the future, Xiezhong International will actively study how to combine the professional skills, personal interests and community needs of employees, and jointly organize different activities for the community with social organizations to make greater contributions to the sustainable development of the community.

Overview of the Registration Form of Nanjing Xiezhong’s Volunteers



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