



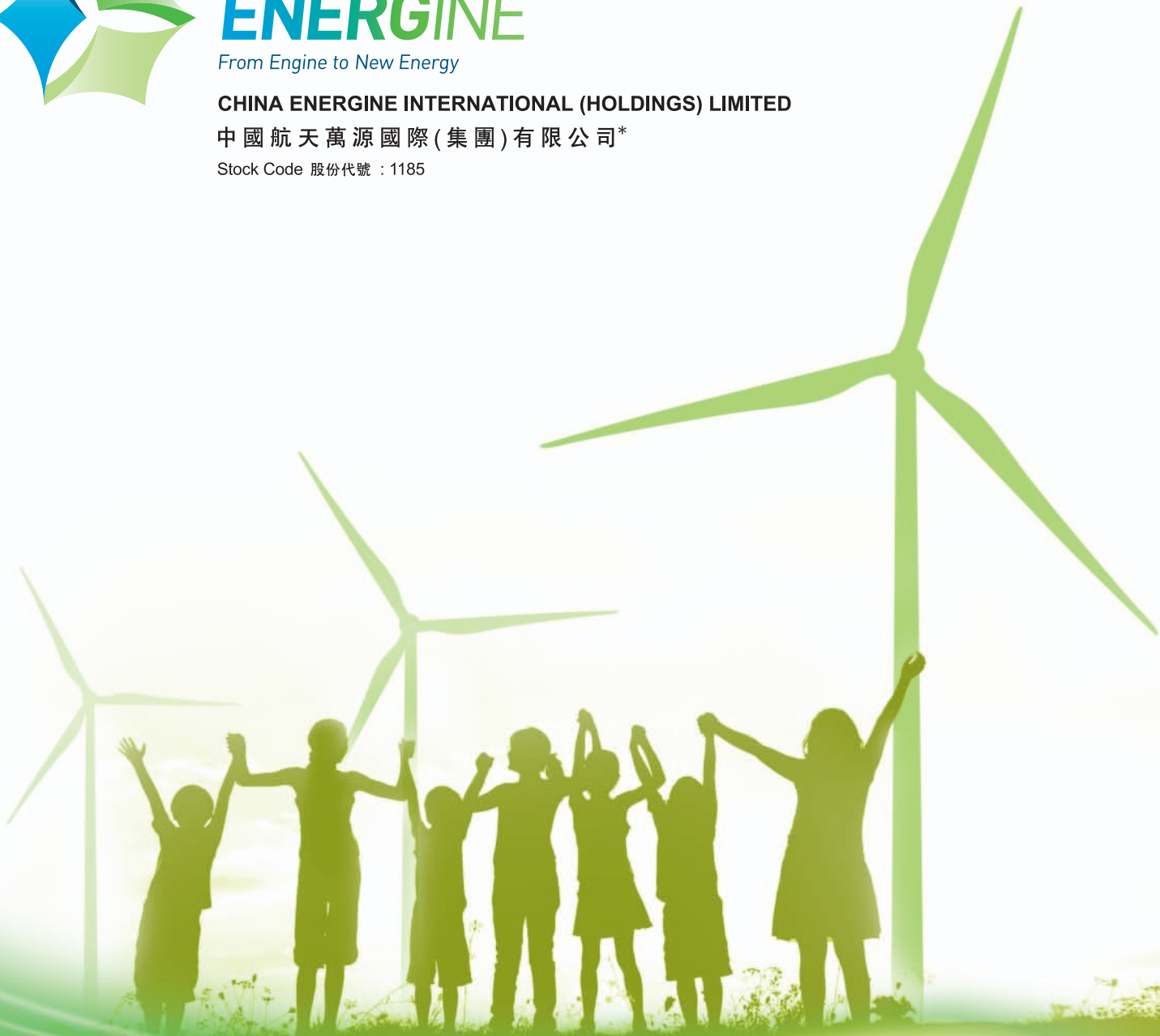
CHINA
ENERGINE

From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code 股份代號 : 1185







Corporate Social
Responsibility Report **2014**

* For identification purpose only
僅供識別



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About this Report

Reporting Period

Financial year of 2014.

Scope of Report

This **Corporate Social Responsibility Report** covers the business of the Group across all regions. The major scopes of the report are as follows:



Workplace Quality



Environment Conservation



Operating Practices



Community Participation



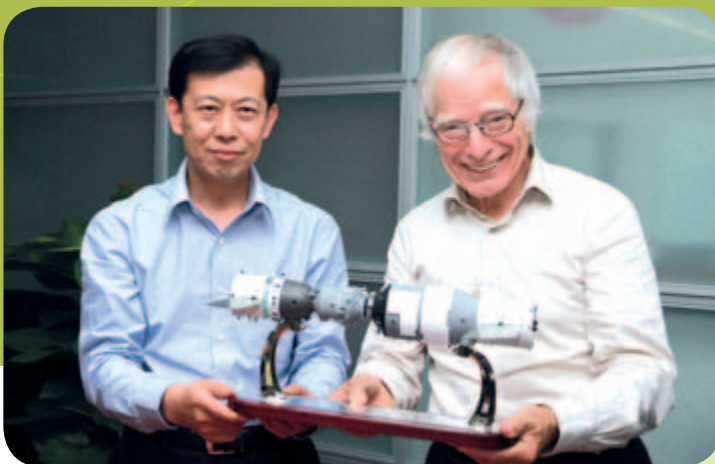
Group Profile

China Energiner International (Holdings) Limited (“China Energiner”) is one of a few high-end and high-growth new energy enterprises that has top technology research and development capability and resources whilst succeeding in their commercialisation.

China Energiner focuses on the development of businesses which are strongly supported by the state, comprising manufacture of wind turbines, development of wind farm, distributed energy, wind-solar energy storage integration and graphene energy storage. The Group has capabilities for the research and development and production of wind turbines as well as the design, construction and operation of wind farm across the wind power industry chain. The Group has hitherto accumulated a history of over 15 years of experiences in self-research, development and production in several new energy-saving and environmental conservation businesses, such as self-research and development of excitation magnetic directdrive gearless wind turbine, graphene energy storage battery and power management system, all of which have entered industrial operations successfully.

China Academy of Launch Vehicle Technology, the Group’s major shareholder and a subsidiary of China Aerospace Science and Technology Corporation, is the place of origin of China’s launch vehicles and the largest entity for research, design and manufacture of launch vehicles. The Academy has finished tasks on science research, design and manufacture of launch vehicles with outstanding performance. In addition, it conducted active capital operation by capitalising on the capital market mechanism in Hong Kong to restructure the new energies and materials application technologies developed by its utilising aerospace hi-tech with the assets of China Energiner. As

such, we complemented each other’s advantages and grew stronger, paving a solid foundation for the Group’s fast and healthy development.



Group Profile



Over the years, the brand of Aerospace has great influence over various regions across the nation. Meanwhile, since Aerospace has been developing the

wind energy industry for a long period of time, a very good development relationship has been established with various provinces and good partnership relationship is also maintained with the top five power companies. Moreover, as China Energiner has been engaging in the production of automotive components, such as automotive engine management system and automotive sealing system for a long period of time, the Group has maintained close business relationships with large automobile manufacturing groups such as the First Automotive Works Group ("FAW"), Dongfeng Automobile Co., Ltd. ("DFAC") and SAIC Motor Corp. Ltd. ("SAIC Motor").



Stakeholder Engagement

We value the importance of stakeholder engagement and understand various stakeholders have different expectations on our sustainable development. We therefore communicate and establish long-term relationship with our stakeholders through various channels by reference to which, we develop our business strategies so as to enhance the transparency of the Group and the stakeholders' confidence in the sustainable development of the Group.

Stakeholders	Channels of communication	Content
Shareholders/ Investors	<ul style="list-style-type: none"> • Annual general meeting • Annual reports, interim reports and announcements • Direct communications • Corporate website 	<ul style="list-style-type: none"> • Financial performance • Business sustainable development • Investment and contribution to community • Corporate transparency
Customers	<ul style="list-style-type: none"> • Forum of cooperation • Technology exchange meeting • Meeting of manufacturing progress 	<ul style="list-style-type: none"> • Technologies of turbines • Delivery arrangement of turbines
Employees and professional team	<ul style="list-style-type: none"> • Training sessions • Work-life-balance activities • Charitable activities • Periodic performance appraisal 	<ul style="list-style-type: none"> • R&D and manufacturing technologies of turbines • Safety management of production lines • Integrity and business conduct • Sustainable development strategy
Government	<ul style="list-style-type: none"> • Direct communications • Face-to-face meetings 	<ul style="list-style-type: none"> • Government policy implementation • Local development strategy • Business integrity • Responsible social enterprise
Community	<ul style="list-style-type: none"> • involving in community activities 	<ul style="list-style-type: none"> • Education • Sustainable development with contribution to the society
Suppliers	<ul style="list-style-type: none"> • Site visits and reviews • Close communications • Meeting of manufacturing progress 	<ul style="list-style-type: none"> • Corporate reputation • Delivery of materials • Industry experience and expertise

Opportunities and Strategies

As the environmental pollution issues are increasingly serious, all circles of society in China have heeded the exponentially growing call for environmental protection and clean energy. According to the target of "Twelfth Five-year Plan for Energy Development", the reliance on external supply of petroleum in China up to 2015 is controlled under 61%, while the percentage is now approaching the red line. Based on the statistics, the reliance on external supply of petroleum in China has exceeded the benchmark of 50% and was even up to 58.1% in 2013. Therefore, the development of clean and green energy has become the essentials of sustainable energy development in China.

In 1 August 2013, the State Council issued the "Opinions on Promoting the Development of Energy-Preservation and Environmental-Protection Industries", which promulgates comprehensive policies, to accelerate the development of energy conservation and environmental protection industry, stimulate investment and consumption, foster new sectors of economic growth, promote industrial upgrading and transformation of development mode, and facilitate energy conservation and improve livelihood. The State implemented various measures to stimulate the development of new energy and environmental protection industry via the implementation of various measures (i.e. the promulgation of the "Renewable Energy Law of PRC", "Energy Conservation Law of the PRC", "Medium and Long-term Development Plan for Renewable Energy") and various regulations and policies of various departments and fields. As a result, the future development of wind power or energy storage is promising.



Opportunities and Strategies



Leveraging on its strong capacity in R&D, capital market and financial support, as well as, the strong capability of its parent company, China Engene has targeted the great potential of related industries of new energy and energy storage systems, and has competed for the most advanced technology and the leading market position.

However, operational challenges come along with the rapid development of new energy. We have to enhance the safety of working environment and the skill of employees, whilst improving the productivity. On the environmental conservation front, the Group will allocate more resources to carry out environmental conservation measures so as to meet the State’s new requirements on environmental conservation and fulfill corporate social responsibility.





Workplace Quality



Working conditions

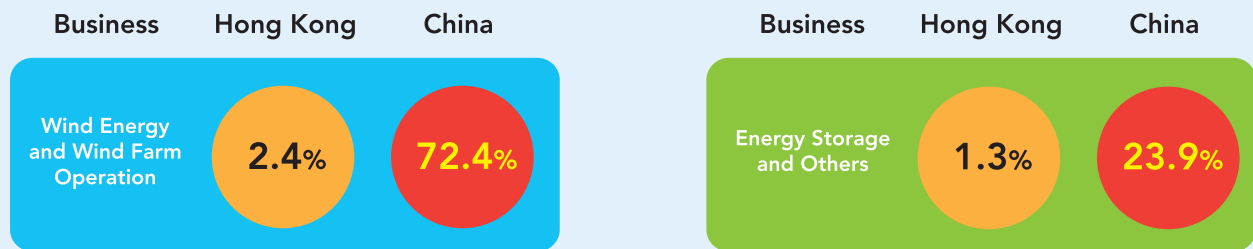
The Group upholds the core value of “leveraging employees’ talents to full play and win-win in harmony”, values the importance of human resources, and aims at establishing teams of talents. The Group provides a fair workplace for our employees and advocates a working background embracing diverse culture in encouraging employees to maximize their potential and make contribution to the Group. We offer our employees competitive remuneration packages and promotion opportunities by reference to their performance.

Total number of employees by age group and gender:

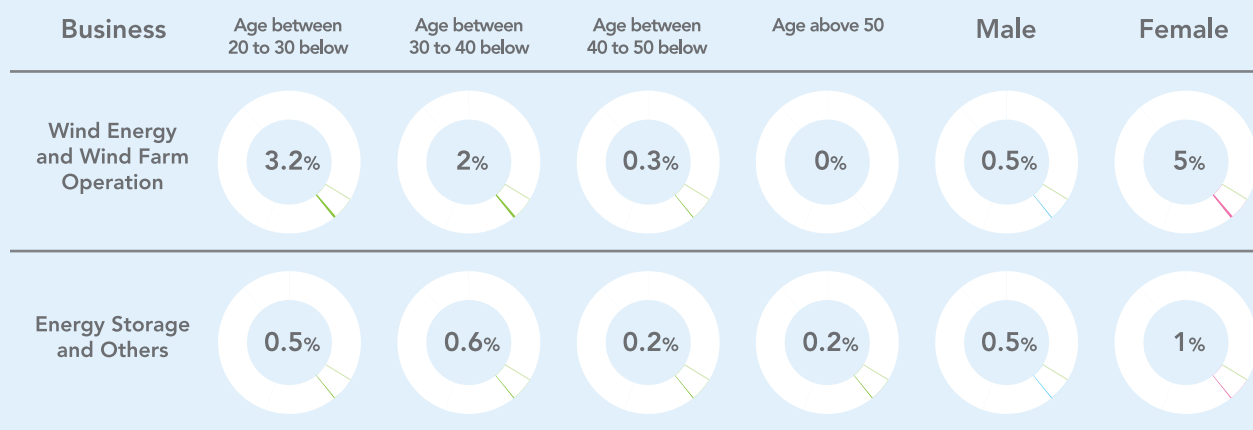
Business	Age between 20 to 30 below	Age between 30 to 40 below	Age between 40 to 50 below	Age above 50	Male	Female
Wind Energy and Wind Farm Operation	44.4%	18.6%	10.2%	0.3%	58.9%	19.8%
Energy Storage and Others	13.5%	8.4%	4.4%	0.3%	11.4%	9.9%

Workplace Quality

Total number of employees by geographical area:



Turnover rate of employees by age group and geographical area:



Health and safety

In parallel with holistic planning the landscape of the corporate wind power industry chain, the Group also places much emphasis on environment, occupational health and safety, and safety production standards. Overlooking occupational safety may result in safety incidents, operations delay, adversely affecting the image of the Group. In addition, the handling works after the safety incidents may cause a significant amount of expenses, affecting the profits of the Company.

Number of work-related fatalities: zero

Lost days due to work injury: zero





Contingency plans and drills:

The Department of External Liaison and the Department of Operation, Maintenance and Engineering Department of the Group have refined and supplemented the emergency plans, and have formulated an aggregate of 11 contingency plans of the Company and the wind farm. Among them, contingency plans for fire control and for personal injuries of electrical shock are categorized as emergency plans of the Company; while contingency plans for fire accident, for falling accident, for environmental pollution, for mechanical injuries, for explosion, for earthquake, for rain, snow and freeze, for food poisoning, for electrical shock are categorized as contingency plans of the wind farm. All of the contingency plans had been appraised and part of them had been roundtable drills.



Creating a green, healthy and safe environment with the aim of environmental conservation; and creating green, people-come-first, love and care for life and win-win in harmony:

The Group creates a green, healthy and safe environment via scientific management and regulated services. It achieves occupational health and safety performance to the satisfaction of the community and employees. The formulation of the occupational health and safety policies are in line with the nature and scope of the Group's occupational health and safety and assimilates with the actual conditions of the Group. The policies include the commitment of preventing personal injuries and damages to health and continuously improving the management and performance of occupational health and safety, which is at least in compliance with the commitment required by the applicable laws and regulations relating to occupational health and safety hazards.



Workplace Quality

In 2014, the Company commenced the consultation, service and assessment of the production safety standards according to the "Universal Standard of the Two-Level Review of Production Safety Standardization for the Manufacturing Industry in Beijing" (the "Universal Standard"). It also commenced the establishment of production safety standardization with the support and guidance of professional institutions, and actively established a production method safety standardization corporation in Beijing.

In the period, the Company established a Production Safety Committee with specific responsibilities, under whose leadership the "File Compilation of Production Safety Management System" is prepared and issued. The files compiled include "Production Safety Responsibilities of the Leaders, Departments and Subsidiaries of the Company", "Management Methods for Production Safety", "Awards and Disciplinary Methods in Respect of the Persons Responsible for Safety Management", "Management Methods for Safety Assessment", "Handling Method on Production Safety Incident Reporting, Inspection and Investigation", Contingency Plan on "Emergency and Rescue Plans for Production Safety Incident", "Management Regulations for Laboratory Safety", "Hazardous Chemicals Storage and In-coming and Out-going Safety Management System", "Regulations for the Use of Safety Belt", "Regulations for the Use of Safety Helmet", "Regulated Operation Process for the Research Centre on Graphene and Energy Storage Technology" and "On-site Regulated Operation Process for the Wind Farm of Operation, Maintenance and Engineering Department", and a sub-volume of Safety Emergency Contingency Plans is compiled.



The Company, in parallel to preparation and refinement of the safety management file, inspected the safety of the office site in looking for hidden dangers pursuant to the "Universal Standard" so as to eliminate them found therein.

Workplace Quality

In the event of harassment, discrimination or other labour issues, the employees not only could report to the heads of respective departments but also

make written complaints to the human resources department direct for follow-up investigations. We shall speedily address all the cases and the relevant information is strictly confidential.



Development and training

Education training by levels and categories

The Group strengthens the authentication of employees' skills and provides production workers and management personnel with training, refining the training programs tailored to different levels and different positions of employees in effort to enhance the practical operation skill and theoretical level

of employees. In 2014, the Group held 30 in-house training programs of quality, environment, occupational health and safety and 8 external training programs, with an education expense of RMB1.322 million. A training scale of 3,157 man-days, totaling of 680 man-time,



which effectively satisfy the increasing demand of employee quality from production and operation.



Workplace Quality

Labour standards

The Group strictly regulated the recruitment process, performed the responsibilities of supervision and management, and prevented the breach of laws and regulations on child labour and etc at its very source. The Company reviewed and verified personal information in the recruitment process according to relevant laws and regulations of the State in effort to eliminate the non-compliance fundamentally. The Group strictly complied with relevant requirements of "Labour Law" of the State and provided various labour protection and safety and health conditions relating to production required by the laws and regulations to ensure employees' safety during their services. Meanwhile, the Group paid remuneration on schedule, provided social insurance in terms of welfare remuneration to safeguard the legal interests of the employees.



There has been no litigation on labour dispute for the Group since its establishment.





Environmental Conservation



Emissions

The Group aims at providing high-quality and efficient wind energy equipment to the users in further supporting the development of new energy industry. The public wishes the Group to provide products that are capable of preventing the environment from pollutions of waste and noise and preventing the adverse impact of safety hazards.

Assuring products in compliance with the relevant regulations of environment, social and safety management

The product designs of the Group meet various national standards of noise and safety, and are equipped with various protective facilities and equipment. Our wind turbines are of directdrive products with no gear boxes, minimizing the use of lubricant oil in large quantity that pollutes the environment, thereby avoiding environmental pollution in operational application to the largest extent.



Environmental Conservation

Environment, natural resources and the use of resources

The public expects the Group to use new technologies and new equipment so that we are able to effectively use resources or reduce the use of resources, with the aim of promoting green living.

The Group established a self-improvement mechanism in environmental and occupational health and safety in order to accommodate the growth of the Group in that we established an environmental and occupational health and safety management system according to the GB/T24001 and GB/T28001 standards. The system is capable of continuously improving the performance of environmental and occupational health and safety, enhancing standard of the environmental conservation and prevention of pollution, controlling the exposure to significant occupational health and safety risks and establishing a brand image with commitment to social responsibility and attention to the occupational health and safety of employees, thereby capturing larger market opportunity and enhancing the management standards of the Company.



Identifying and reviewing the environmental factors and hazards

The Group is exposed to various major environmental factors, including solid wastes from the Company and wind farm sites, the consumption of water, electricity, paper and oil, radioactive contamination of office equipment, noise arising on the operation of wind turbines, etc. These environmental factors will have adverse effects on the environment of the Company and wind farm sites, such as air pollution, soil pollution, wastage of material and energy, fire accident, etc.



Environmental Conservation

The quality and technology department organized employees of various departments and wind farm sites to review and identify each of the environmental factors by using multi-factor evaluation method and direct observation judgment method according to the scale, severity, frequency, lasting duration of the environmental impacts, relevant environmental laws and regulations, other requirements and the technical capability of changing the environmental impact and economic affordability and various significant environmental factors were evaluated. The Group would formulate targets, indices and management solutions for all significant environmental factors to control and improve the factors, and determine the effectiveness of the implementation of environmental management system based on them.

The design of our wind turbine products passes the grid compatibility test and power quality test required by the State. Our products are improved according to the domestic grid features to possess the low-voltage ride-through function, assuring the efficiency of electricity generation and operating reliability.

Promoting staff awareness of environmental protection

The Group formulated the environmental objectives and the implementation schedule of environmental objectives for 2015 based on the GB/T24001-2004 standard, and carried out periodic supervision and inspection. Irregular seminars on environmental analyses, periodic reporting of the progress of plans and internal review were conducted by various departments, in order to ensure the appropriate implementation of plans and to address areas of deficiency. Meanwhile, the Group will promote employees' awareness of environmental conservation through the following works:

- 1 control and eliminate the pollution sources in preparation for environmental assessment;
- 2 provide training on environmental conservation;
- 3 conduct satisfaction survey on working environment;
- 4 formulate detail plans for the general assembling plants in Inner Mongolia and Gansu.





Operating Practices



Supply chain management

Reliable quality and stable supply chain

The Group keeps reducing the exposure to lowering product quality and reliability as caused by reduction of component costs. In addition, the consistency of product quality was challenged by the excessive suppliers developing components individually. The Group is an integrator of wind turbines requiring extremely demanding standards on the quality control of products to prevent the final quality of products out of control. Cost reduction may affect the cooperation between the Group and the suppliers, leading to unstable supply chain.

Configuration update and use of tender

The Group adopted the assessment and dynamic appraisal system for qualified suppliers, and established a qualified supplier management system. We communicated with the R&D Centre, adjusted the configuration of the design of master control system of wind turbines, and reduced the procurement cost and enhanced the performance of products on the precondition of no compromise on the assured performance. We also attracted the participation of suppliers via tender and selected cheaper master control systems.





Product liability

Our customers wish the Group to provide high-quality and efficient wind energy equipment to further support the development of new energy industry. The products we offered will be able to prevent the environment from pollutions of wastes and noise and to prevent the adverse impact of safety hazards.

Ensuring product quality

The Group ensured our products reaching 100% passing rate on the assurance test on departing plant for delivery, and wind

turbines in wind farms reaching an average utilization rate of 97%. i.e. high standard requirements for the product's quality. In parallel, the Group strictly controlled the product quality of its suppliers in stringently executing the supplier evaluation and control program.

Providing quality services

A dedicated service team is assigned to provide service and technical support (i.e. installation, operation, maintenance) for each project. We have set latest response times in ensuring that customers' issues and requirements are addressed promptly. Regular customer feedback and satisfaction surveys are conducted where customer satisfaction is required to be over 85%. We also guaranteed the supply of spare parts to reduce the downtime occasioned from malfunction.

Complaints received on turbines and turbine blade products in 2014: zero



Operating Practices

Anti-corruption

The state authorities, shareholders and the public expect the Group to sustain in healthy development, carry out central educational activities in practice, formulate a comprehensive system in strengthening the work of anti-corruption and integrity promotion and refining the regulation system on pursuing integrity in industry, firmly eliminating the breaches of laws and regulations and the occurrence of corruption.



Fulfilling the responsibility of integrity

The Group pragmatically revised and refined the Undertakings on Integrity in a tailoring manner. In 2014, a total of 62 management personnel above the middle management and management assuming key positions signed the Undertakings on Integrity to commence the special appraisal on integrity and establish the management system relating to integrity accountability.

Education for key position and key personnel

The Company organized a forum of integrity for the newly appointed middle management members to study the "Manual of Integrity Culture of Aerospace Group" and "Business Ethics Handbook for the Management of China Engine", and watch an educational video "Authority" on alarming the importance of integrity. We also organized employee representatives to visit police education base of anti-corruption in Beijing, which reinforced employee education via re-appearance of cases, to enhance the self-discipline on integrity of employee.

No legal case regarding corruption was brought against the Company or employees in 2014.

Meanwhile, we have a whistleblowing policy to which employees can report, in confidence, any possible misconduct in the Company to the Audit Committee, and we shall then establish a case for following up.





Community Participation



Participation of the community work

The Group participates in the community works, viewing the importance of community development. In aligning with the condition of the Company's actual development, we actively participated in charitable activities with the focus on supporting the educational development and promoting youth development. We encouraged more participation in the related activities in strengthening the corporate social responsibility and solidarity of heart and strength, thereby accumulating positive energy for corporate development.



Community Participation

The Company gave donations supporting education to Jiujiia Primary School in Xiahe County, Gannan, Gansu from 2014. The donation for 2014 amounted to RMB122,800 with 687 beneficiaries, as a light contribution to improve nationalism education and promote national solidarity. We undertake the corporate responsibility in the aerospace industry and the society. As a continuation, the Company will reinforce more effort to support Jiujiia Primary School in Xiahe and participate community activities more actively to make contribution to, and create value for, the community.





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