



XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(formerly known as China Zenith Chemical Group Limited 中國天化工集團有限公司)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019

This is the third environmental, social and governance (“ESG”) report of Xinyang Maojian Group Limited (the “Company”) and its subsidiaries (collectively the “Group”). This report captures the ESG performance during the year ended 30 June 2019 (“Year 2019”).

The structure of this report is by reference to Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It is recommended that this report is to read together with the Corporate Governance Report as laid down in our Annual Report for the year ended 30 June 2019.

The Company is an investment holding company. Its subsidiaries are principally engaged in generation and supply of power and steam in Mudanjiang, Helongjiang Province, the People’s Republic of China.

This report is designed to enable the shareholders, investors (including potential investors) and the public to have a more comprehensive understanding of the Company’s corporate governance and culture. The Company is willing to take up more social responsibilities in order to maintain the balance between the interest of shareholders and social benefits. Data contained in this report is derived from various Company’s documents and reports, as well as summary and statistical data provided by the Company’s subsidiaries.

ENVIRONMENTAL

Emissions

The Group has proposed a reduction management policy in order to save energy resources, reduce energy waste and spend energy efficiently since 2018. All members of the Group would build up a saving habit on energy resources. The reduction policy has suggested some tactics to create a better and cleaner environment for the society.

The Group did not notice any non-compliance of the relevant environmental law and regulatory standards issued by the central and local government of the People's Republic of China ("PRC"), such as "Environmental Protection Law" 《環境保護法》, "Emission Standard of Air Pollutants for Coal-fired Power Plants" 《火電廠大氣污染物排放標準》, "Emission Standard of Air Pollutants for Industrial Furnaces and Kilns" 《工業爐窯大氣污染物排放標準》 and "Air Pollution Prevention and Control Law of the People's Republic of China" 《中華人民共和國大氣污染防治法》.

- ***Pollutants emission management***

As the Group generates and supplies heat and power in PRC, strict controls have been taken for emission of air. It is the Group's policy to maintain the manufacturing process in an efficient and effective manner to continue minimizing environmental impact.

The Group aims to minimize pollution emitted by the existing coal-fired equipment and machines. To complete the low emission technical upgrades for coal-fired power in order to reduce the pollutants and greenhouse gases emission and to enhance the efficiency of the power generating units in order to reduce the consumption of raw materials.

For the generates and supplies heat and power in the PRC, during the reporting period, the main source of the operation's greenhouse gas emissions is derived from direct emission from the stationary and mobile combustion sources ("Scope 1"), indirect emission from acquired electricity missions ("Scope 2") and other indirect emissions ("Scope 3").

The Group repairs and maintains the equipment and machines regularly and thoroughly from time to time in order to ensure the equipment and machines under a good condition for operation. The Group is dedicated to upgrade the equipment and machines and invests in chemical treatment machines to reduce the discharge of chemical pollutants. It also develops technological innovation to strive for breakthroughs in the area of clean energy and low carbon emission technology.

- ***Waste micro dust management***

The Group burns coals during the production process and emits smoke which contains micro dust. Therefore, the Group installs dedusting, desulphurization and denitration facilities and purchases coals with less pollutant contents, controlling the emission of airborne pollutants effectively. The Group possess the Administration Of Pollutant Discharge License and follows the PRC's discharge standard strictly.

- ***Solid wastes management***

The Group reduces wastes discharge with the establishment of a comprehensive residue and ash disposal system and in strict compliance with the “Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes” 《一般工業固體廢物貯存、處置場污染控制標準》. The Group will fully explore and realize the potential application of waste coal ashes to recycle and reuse wherever possible.

For the manufacture of calcium carbide business, in the generating process, the lime powered and coke powered will be collected as raw materials. The residual calcium carbide slag will be used as building materials. And the broken calcium carbide slag will be recycled after remove the dust. The solid wastes mention above will be disposed of 100%.

The Group has constantly updated with the local legislation and standards for environmental protection and assessed whether these legislations and standards are related to the business of the Group and the Group’s compliance status. During the year ended 30 June 2019, the Group has complied with environmental laws and regulations applicable to the Group’s business. The Group will continue looking for ways to reduce carbon dioxide emission.

Use of resources

The Group are proactively seeking opportunities to minimize the impact of business activities on the environment. In order to reduce the use of resources, the Group actively implemented measures in energy conservation and pollution reduction. Basically, measures were introduced to reducing the use of paper by printing on double side and recycling paper. The Group also encourages and pushes a paperless office, and use digital copy rather than hard copy. Moreover, the Group switched florescent light to energy efficient lightbulb, and switched off lights and air-condition when not in use.

- ***Coal consumption***

The Group utilizes resources effectively and responsibly to achieve sustainable development. The Group can not only fulfil its market mandate but also greatly support green activities and actively implement effective policies aimed at emission reduction. The use of coal directly impacts the environment. When the Group conducts heat and power business, it exerts an impact on the environment through the consumption of coal. The Group has tried its very best to reduce the consumption of energy.

The Group has implemented many environmentally friendly measures to control use of resources in operations. It also monitors closely the technology advancements in the machinery, infrastructures and systems that the Group uses to achieve better resources efficiently. The Group will consider acquiring more environmentally friendly machinery to replace the existing machinery when it retires from production. Environmental protection and energy-saving upgrades and transformation are conducted in a planned manner on existing regular coal-fired equipment and machines, increasing the overall utilization rate of coal resources. Meanwhile, the Group continues to

enhance its management of coal sourcing by purchasing quality coal. The environmentally friendly measures assist the reduction of resources consumption comprehensively, creating environmental and financial benefits to the Group.

- **Water consumption**

For the generating of calcium carbide business, water is required to cool down as the primary function. Based on the increasing operating efficiency and reduce the use of resources, the wastewater in generation process is cooling circulating water, most of which are recycled, and a small part is an overflow. The sewage of the business is domestic sewage and process overflow sewage. The wastewater release is properly processed so as to meet the third-class effluent standard of the “Comprehensive Sewage Discharge Standard” 《污水中和排放標準》 (GB8978-1996). After the treatment the sewage is transferred to the Heihe Sewage Treatment Plant to be processed to meet the first level A of “Discharge Standard of Pollutants for Municipal Wastewater” 《城鎮污水處理廠污染物排放標準》 (GB18918-2002) and released to Heilongjiang.

The performances in emissions, use of energy and resources during the Reporting Period are as follows:

	Unit	Quantity
Air emissions		
Nitrogen oxide (“NO _x ”)	g	5,295
Particulate matter (“PM”)	g	390
Sulphur oxide (“SO _x ”)		191
Greenhouse gases		
Scope 1	tonnes of CO ₂ e	193
Scope 2	tonnes of CO ₂ e	35
Scope 3	tonnes of CO ₂ e	28
Total emissions	tonnes of CO ₂ e	256
Energy and resources consumptions		
Electricity	kWh	72,825,480
Water	M ³	37,448
Petrol	L	12,984
Coal	kg	73,873

Environment and natural resources

The Group upgrades the machineries and facilities in its power plant and installs denitration and desulphurization facilities for its coal-fired power generating machines.

The Group practically enhances the maintenance and operation management of its environmental protection facilities to ensure that discharge of pollutants complies with the required standards. Control of discharge of airborne pollutants has been effectively improved.

The Group strictly monitors and reviews the data from time to time, minimizing the negative effect to the environment and maximizing its business development and operation at the same time.

The Group adopted an advanced technology and equipment to process an automation and scale production. Enhanced the utilisation of raw materials and resources. While improving the Group economic efficiency, achieving the goal of environmental protection.

SOCIAL

Employment

- ***Labour practices***

A good workplace prevents discrimination and promotes equal opportunities for all people despite age, gender, race, colour, sexual orientation, disability or marital status. The Group provides a good working environment for employees because it regards every single staff member as a valuable asset to the Group.

The Group guarantees the rights and interests of employees relating to compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfares. The Group explains the details of the employment rights to employees clearly during orientation for their staff.

The Group has an annual review of the employment policy and strikes a balance between employee remuneration and business growth, which can benefit the development of the Group.

As at the year ended 30 June 2019, the Group had 678 full-time employees. The male/female composition ratio of the Group is about 4:1. Due to the laborious nature of the operation the positions offered by the Group, especially at factory sites, were not favored by the female workforce. The Group has a policy to welcome any age range of people to join the Group as long as they are keen to learn and participate. The Group had no reported incidents of non-compliance with regulations concerning employment during the year.

- ***Anti-discrimination and equal opportunity***

The Group will diversify its staff by means of gender and age to balance the culture and communications between staffs. The Group encourages labour diversity and welcomes all manpower, thus putting the principle of fairness into practices.

The Group had no reported incidents of non compliance with regulations concerning employment during the year ended 30 June 2019.

Health and Safety

Protecting employee's occupational health and safety is critical for the Group. The Group respects occupational safety and health and other applicable regulations for a safe and comfortable working environment that protects employees from occupational hazards.

The health and safety of employees have always been the Group's priority of productions. Every worker is required to follow the safety instruction and train for using equipment or plant safety. Safety monitoring mechanism has been established and staff in each of production stage has been assigned to monitor the compliance of safety rule.

For the business operation in Heihe, All staff have to pass safety training, fire safety training and occupational health training, then they will be officially employed.

The Group has taken up responsibilities to improve the working environment and created a safe and comfortable workplace for employees. No fatal industrial incidents from workplace has been incurred during year ended 30 June 2019. But there are about 10 lost days due to work injury. Each of incidents were formally investigated and reports were prepared and made available for future reference. The Group has an on-going effort to improve their safety manual and implement additional guidelines and measures as deemed necessary. Moreover, the Group provides accident insurance for employees.

Development and Training

Keeping employees trained is part of a fundamental role in business growth. The Group encourages employees for continuous development and improves their skill set through training. The Group understands that training is the most sustainable way for long term development, which is beneficial for both the Group and the employees. The Group also encourages the employees to identify their own personal objectives for development, allowing them to develop according their own needs and pace.

The Group also provides various internal trainings for developing the workforce, including orientation and on-board trainings for new staff to adapt to the operation of the Group efficiently and strengthen the skill and knowledge required at work. Trainings regarding safety operation are provided to frontline workers to ensure them to perform tasks safely, follow safe work procedures

and operate machines and equipment carefully. Training regarding safety compliance and responsibility are provided to office and managerial staff at factories. Details of training provided by the Group is as follow:

	Gender	
	Male	Female
No. of staff	299	61
Frontline worker	254	49
Managerial staff	45	12
Average training hours attended	72	72

The Group also evaluates the training programs from time to time and reviews the effectiveness of the training. The Group puts effort to improve employees' knowledge and technical skills for discharging duties at work.

Moreover, the Group encourages mutual communication between management and employees. The Group respects and cares about employees' opinions and suggestions. At the same time, the Group delivers the latest corporate news to all employees in a timely manner.

Labour Standards

Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law.

The Group makes good use of the Human Resource Department to ensure their employment practice comply with laws and regulations. The Human Resource Department takes up the responsibilities to review and confirm employment practices, avoiding child and forced labour. In case of any unlawful labour is discovered, the Group would immediately assist the employee and cooperate with relevant labour authorities.

The Group follows the laws and regulations prohibiting child labour and forced labour, which mainly include:

- Employment Ordinance of HKSAR
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Law of the PRC on Protection of Minors
- Regulations on Prohibiting Use of Child Labor (State Council Order No. 364)

For the year ended 30 June 2019, there was no violation regarding age of employment and any labour dispute within the Group.

Supply Chain Management

The Group develops a fair and impartial working relationship with suppliers. Contracts and agreements are performed in compliance with contractual requirements and all suppliers are treated with respect and equality.

Where ever possible, the Group compares the price with the different suppliers, evaluates the quality of the raw materials or machinery and confirms the qualifications of the suppliers before making contracts, in order to ensure the quality of the raw materials and machinery under an acceptable price. The group strives to ensure that their suppliers uphold similar stance in sustainability. The Group also tends to maintain long-term relationship with its suppliers for ensuring a stable supply of materials or goods. During this year, the Group carried out a regular review on their current suppliers and assess other alternative potential suppliers. Where ever possible, the Group would tend to suspend cooperation with suppliers if significant deterioration was found in the supplier's quality: this ensures that suppliers conform to the Group's standard.

Product Responsibility

The Group puts product and service quality as its first priority. The Group is dedicated to the building of a reliable and stable power generation system to ensure safer, more economical and more sustainable electric power supply. The Group had suspended the production of calcium carbide since March 2019. During its production period, the Group did not record any recalls of calcium carbide which is due to safety and health reasons.

The Group stabilises the supply of heat and power and maintains the temperature of heat based on the Government regulations. There is a 24 hours hotline for customer to report if the temperature is too low and the Group will provide checking and maintenance services. The Group strives to provide clients with quality and safe products to establish good credibility and reputation.

During the year ended, the Group did not receive any significant complaints relating to our services provided.

Anti-Corruption

The Group's operation complies with local and national legislation strictly, such as the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the People's Republic of China 《中華人民共和國刑法》, and the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》 and other relevant legislation on anti-corruption of mainland China.

The Group strives to maintain a system with moral integrity and an anti-corruption mechanism, which is the cornerstone for sustainable and healthy development. To effectively strengthen the Group integrity, it continues to improve the internal supervision and anti-corruption management.

The Group also requests our employees to follow the code of conducts to eliminate corruption such as bribery, extortion, fraud and anti-money laundering in any circumstance. Any suspected criminal offence will be promptly whistle-blown and reported to relevant authorities. For the year ended 30 June 2019, no such events took place in the Group.

Community investment

The Group has made significant investment in the past years for the heat and power supply to the community and the Group aims to provide safe and affordable heat and power supply to the community in a long-term view.

Contributing to society is a part of the Group's sustainable development strategy. The Group is committed to provide career opportunities to locals and promote the development of the community's economy.

Public welfare is indivisible from long-term development of the Group. The Group participates in volunteer activities and environmental protection activities when the country suffers from a tragedy, like earthquakes, in order to raise community awareness and concern, inspiring more and more employees to participate in community service.