



京城機電股份
JINGCHENG MAC

北京京城機電股份有限公司

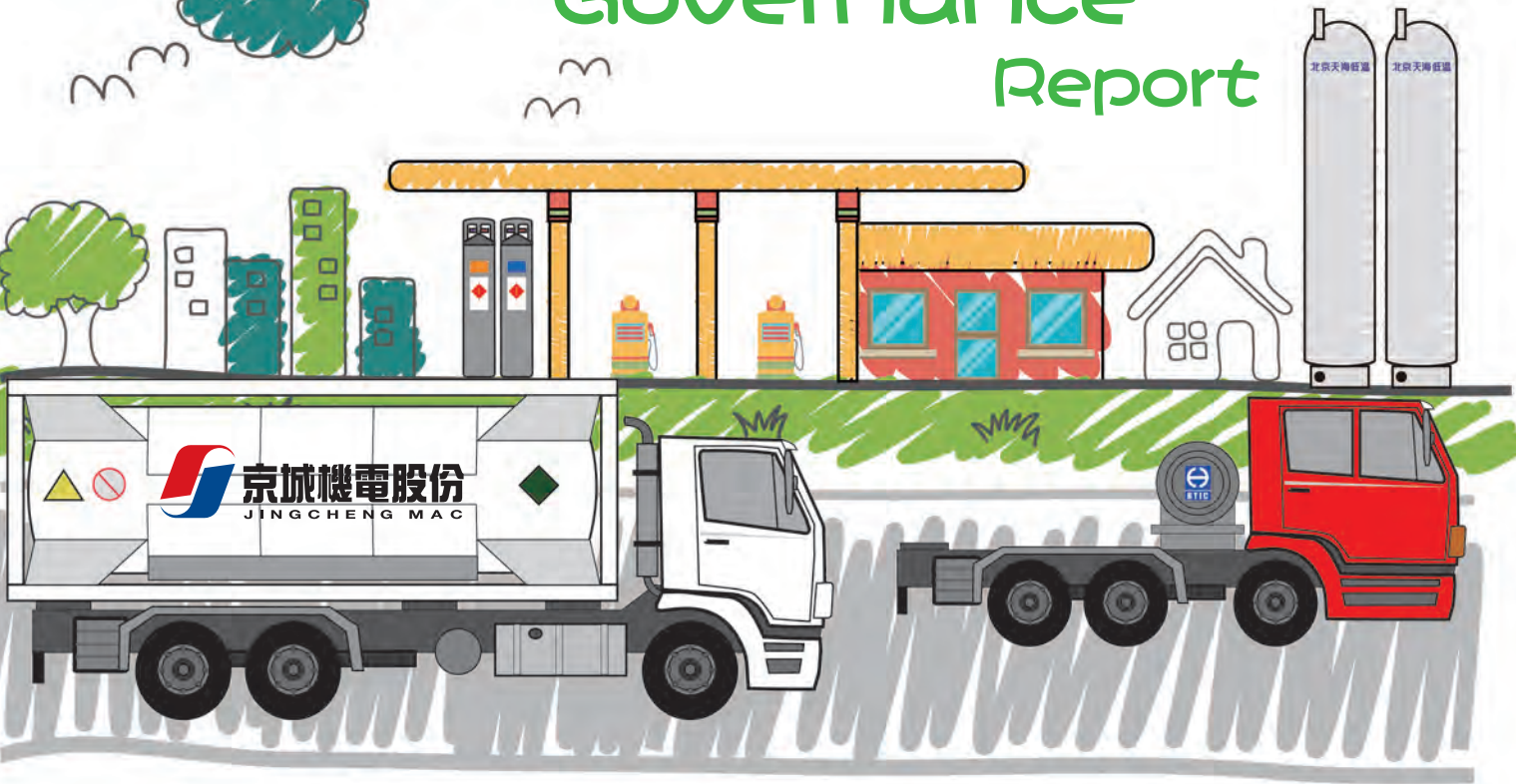
Beijing Jingcheng Machinery Electric Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)

(H Share Stock Code: 0187; A Share Stock Code: 600860)



Environmental, Social And Governance Report



Environmental, Social and Governance Report 2019

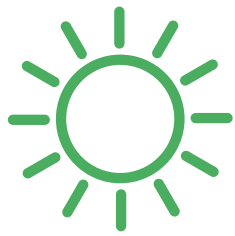




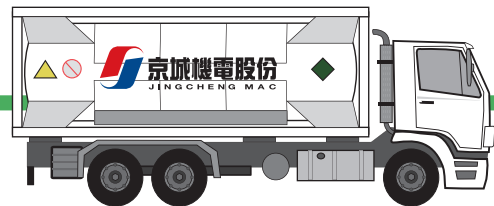
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ABOUT THIS REPORT



1. Report Description

This report is the Environmental, Social and Governance Report of the year 2019 issued by Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司) (hereinafter referred to as “Beijing Jingcheng”, or the “Company”). The Board of Directors and all Directors of the Company guarantee that there are no false records, misleading statements or material omissions in the contents of this report, and assume individual and joint responsibility for the authenticity, accuracy and completeness of its contents, and have reviewed and approved this report.

2. Introduction

Beijing Jingcheng is listed on the Shanghai Stock Exchange (A shares) and The Stock Exchange of Hong Kong Limited (H shares) with a registered capital of RMB422,000,000. Its subsidiaries include Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司) (“Tianhai Industry”) and Jingcheng Holding (Hong Kong) Company Limited (京城控股(香港)有限公司) (“Jingcheng HK”). The Company is committed to becoming a leading enterprise engaged in the manufacturing of storage and transportation equipment and provision of services for both industrial gas in the world and energy gas in China.



This report has been prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board confirms that it has reviewed and approved this report. Beijing Jingcheng has always regarded sustainable development as its long-term direction. This report aims to present stakeholders with a description of the key issues and the management approach in respect to environmental, social and governance and the Company’s sustainable development, its compliance with the listing rules of both stock exchanges, and the relevant policies, regulations in the environmental, social and governance aspects of its business operations in the context of achieving sustainable development.



3. Reporting Period and Scope

This report covers the 2019 financial year from 1 January 2019 to 31 December 2019.

The scope of this report includes but not limited to the Company and its subsidiaries, being:

- (1) Beijing Jingcheng Machinery Electric Company Limited (北京京城機電股份有限公司)
- (2) Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司)
- (3) Tianjin Tianhai High Pressure Container Co., Ltd. (天津天海高壓容器有限責任公司) (“Tianjin Tianhai”)
- (4) Kuancheng Tianhai High Pressure Container Co., Ltd. (寬城天海高壓容器有限公司) (“Kuancheng Tianhai”)
- (5) Shanghai Tianhai Composite Cylinders Co., Ltd. (上海天海複合氣瓶有限公司) (“Shanghai Tianhai”)
- (6) Beijing Tianhai Cryogenic Equipment Co., Ltd. (北京天海低溫設備有限公司) (“Tianhai Cryogenic”)



- (7) Beijing Minghui Tianhai Gas Storage Equipment Sales Co., Ltd. (北京明暉天海氣體儲運裝備銷售有限公司) (“Minghui Tianhai”)
- (8) Beijing Tianhai Hydrogen Energy Equipment Co., Ltd. (北京天海氫能裝備有限公司) (“Tianhai Hydrogen Energy”)

4. Feedback to this Report

The interests and needs of different stakeholders have been taken into consideration to the fullest extent possible while preparing this report. The Company will continue to improve the content of future reports. For enquiries and opinions, please contact us at:

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MESSAGE FROM THE GENERAL MANAGER

Dear stakeholders:

We are pleased to present our 2019 Environmental, Social and Governance Report for the year ended 31 December 2019. We regard this report as one of the most important, direct and effective communication channels between the Company and its investors and stakeholders, and use this channel to deliver our ongoing plans and initiatives to our stakeholders every year.

2019 is the 70th anniversary of the founding of the People's Republic of China, a crucial year for building a well-off society in an all-round way, as well as a year of overcoming difficulties and forging ahead in challenges, fighting in adversity, and achieving leapfrog development for the Company. Facing the ever-changing environmental and social risks, the Company adhered to the corporate spirit of "integrity, dedication, learning, innovation and aiming at first-class", implemented the business concept of "compliance with the law, ensuring safety and health, and green operation" and continued to promote sustainable development strategy.

During the year, the Company continued to assist in the establishment of a high-grade high precision and advance industrial structure in the capital, firmly facilitated the streamlining of non-capital functions as required by the national industrial policy, and achieved many breakthroughs in the reform and restructuring, market expansion and new product research and development. As of the end of the Reporting Period, the Company recorded an operating income of RMB1,195.8471 million. Operating income increased by RMB74.2829 million as compared to the same period of last year, representing an increase of 6.62%. While focusing on the development of our main business, we significantly improved various emissions, energy saving and environmental protection indicators, gradually improved the ESG management level, actively assumed social responsibilities and made better allocation of resources and talents, so as to comprehensively create "a global leading industrial gas and a domestic leading energy gas storage and transportation equipment manufacturing and service enterprise".





1. Insisting on green development and creating a green ecology

We insist on green development by focusing on investment and development of the gas storage and transportation industry, dedicating to promoting the storage and transportation of environmental-friendly and low-carbon new energy, and conveying the concept of advanced new energy to the public, to create a green ecology. In 2019, the Company launched the project of non-public issuance of A shares, and raised funds for the construction of intelligent numerical control production lines for plastic liner composite cylinder (“Type IV cylinder”), hydrogen product research and development projects, etc., comprehensively deployed the upstream and downstream industrial chain of hydrogen energy, actively promoted the integrated operation mode of clean energy gas, bottle, tank and station, and contributed to environmental protection in China.

2. Safety and health, energy saving and emission reduction

We unswervingly implement the green development strategy, resolutely implement energy saving and consumption reduction measures, vigorously apply and promote new technologies and processes, and accelerate the elimination of high energy-consuming equipment. We design and manufacture in strict compliance with relevant environmental protection and pollutant emission laws, regulations and industry standards of the PRC, of our places of operation and the gas filling industry, formulate relevant regulatory documents and require our subsidiaries and branches to accelerate efforts to save energy, reduce emissions, build environmental facilities and keep our office green. We actively develop and promote green environmental protection products, provide green services, and help China’s ecological civilization.

3. Pursuing value and achieving win-win

We always safeguard the legitimate rights and interests of employees, respect the diverse development requirements of employees, strengthen occupational health management, improve safety awareness, organize skills training and cultural and sports activities, provide care and warmth for employees, and build a broad platform for employees’ career development; strengthen supply chain management, promote industrial integration, deepen international cooperation, and cooperate with partners to achieve complementary resource advantages and coordinated development. Meanwhile, in order to effectively protect the labor rights of employees, the Company regularly provides generous benefits for employees, conducts various cultural activities and enhances the cohesion and centripetal force within the enterprise.





4. Facilitating sustainable operation with integrity and realizing win-win cooperation

We firmly implement the core values of “creating value with responsibility, establishing an image with integrity”, and highly appreciate the requirements of stakeholders. In 2019, we conducted extensive and in-depth communication with key stakeholders of the Company to further understand the issues and related recommendations they are concerned about, and improve our internal management system with a problem-oriented approach and strive to realize the sharing of development results. Through customer satisfaction surveys, we carefully listened to customer voices, formulated and implemented improvement measures, practically guaranteed information security and customer privacy, and continuously improved the level of services; we continued to improve the supplier management system and promote the establishment of good communication mechanisms; we actively participated in the formulation of industry standards in the upstream and downstream of the value chain, and proactively created our proprietary brands to achieve a win-win situation with our partners.

In 2019, the Company obtained certain achievements in environmental, social and corporate governance while ensuring the development and transformation of its principal businesses. On behalf of the management, I hereby express our sincere gratitude to all stakeholders for their support and trust.

Looking forward to 2020, with the support of the stakeholders and national policies, the Company will continue to take sustainable development as the guiding ideology, target to enhance cost-efficiency and accelerate transformation, and aim to maintain a harmonious labor relationship, work with all shareholders and stakeholders together to overcome the difficulties and challenges ahead.

Mr. Li Junjie
General Manager
24 April 2020

ABOUT BEIJING JINGCHENG



1. Company Overview

Beijing Jingcheng is listed on the Shanghai Stock Exchange (A shares) and The Stock Exchange of Hong Kong Limited (H shares), and completed restructuring and asset replacement on 31 October 2013, being the only listed company under Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司). Currently, the abbreviation of H shares of the Company is “JINGCHENG MAC” and A shares is “京城股份”, under the respective stock codes 0187 and 600860.

Key economic figures for 2019:

Revenue:	RMB 1,195,847,102.19
Profit:	RMB -130,036,755.55
Net Assets:	RMB 337,286,095.32
Total Assets:	RMB 1,670,839,500.81

As its main enterprise, Tianhai Industry is a group company with eight specialized gas storage and transportation equipment production bases (Beijing Tianhai, Minghui Tianhai, Tianhai Cryogenic, Tianjin Tianhai, Shanghai Tianhai, Kuancheng Tianhai, Tianhai Hydrogen Energy, Jiangsu Tianhai) and an American company. The Company have the design qualification of A1, A2, C2, C3 class pressure vessels and the manufacturing qualification of A1, A2, B1, B2, B3, C2, C3, D1, D2 class pressure vessels. Now the Company can produce more than 800 steel seamless gas cylinders, winding gas cylinders, accumulator housings, asbestos-free filler acetylene bottle, welding insulated gas cylinders, carbon fiber full-winding composite gas cylinders (including car models), cryogenic tanks and gas station and other products, and which are widely used in automotive, chemical industry, fire-fighting, medicine, petroleum, energy, urban construction, food, metallurgy, machinery, electronics and other industries.

By accurately capturing the clean energy market, Tianhai Industry can provide customers with LNG/CNG system solutions through multi-directional technical integration of vehicle LNG cylinders, CNG cylinders, cryogenic storage tanks, natural gas stations and other aspects of technology. The Company can also design and manufacture cryogenic storage tanks, IMO tank container products of different volume and pressure levels according to the Chinese pressure vessel standard, EU ADM and 97/23/EC PED, Australia/New Zealand AS1210 and other standards.

For a long time, Tianhai Industry has always adhered to the principles of “developing in line with international standards, producing based on international standards and creating international first-tier level” in manufacturing technology and scientific management, and it has obtained forty-one international certification, ISO9001:2015, ISO/TS16949:2009 quality management system certification, ISO14001:2015 environmental management system certification, OHSAS18001:2007 occupational health and safety management system certification. After more than 20 years of development, Tianhai Industry has established a complete and efficient product sales network and after-sales service system for gas storage and operation which covers the whole country, and its products have been exported to over 40 countries and regions on five continents.

Tianhai Industry adheres to the corporate spirit of “integrity, dedication, learning, innovation and aiming at first-class”, it has established a reputation for safe, reliable products and quality service. With its increasing core competitiveness and rapidly improving performance, the Company has been awarded with many honorary titles such as China’s Top 100 Enterprises (中國百強企業), Beijing’s Top 10 Foreign-invested Enterprises (北京市十佳外商投資企業), Beijing High-tech Enterprises (北京市高新技術企業), China’s Metal Pressure Vessel Manufacturing Industry Leader Enterprises (中國金屬壓力容器製造行業排頭兵企業) and the National “Labor Day” Awards (全國“五一”勞動獎狀).



Driven by the rapid growth of the industrial gas and natural gas industry, the prospects of gas storage equipment business market are promising. Tianhai Industry will continue to invest in large-scale cryogenic tanks equipment and natural gas applications, and with a cohesive corporate culture, leading manufacturing capabilities, practical and forward-looking strategic decision-making and a global development strategy pattern, it will strive to achieve the development goal of “becoming one of the leading enterprises in the global gas storage and transportation equipment industry”.

2. Corporate Governance

The Company highly values and strives to improve the corporate governance structure established by the shareholders’ meeting, the Board of Directors, the Board of Supervisors and the management team, thus forming an well balanced and coordinated operation mechanism with clear rights and responsibilities among decision-making rights, supervision rights and management rights, so as to ensure the effective implementation of the decision-making rights of the shareholders’ meeting, the Board of Directors, and the supervision rights of the Board of Supervisors, as well as compliance of the operation and management rights of the management team effectively.

With the continuous enhancement of sustainability being at the core of ESG management, the Company has integrated ESG into routine production and operational practice by reinforcement of corporate governance and innovative implementation. The Company utilizes ESG as a significant element in achieving its strategic objective of “building the world’s leading energy gas storage and transportation equipment manufacturing and service enterprise”.

The Company designs and manufactures in strict compliance with relevant environmental protection and pollutant emission laws, regulations and industry standards of the PRC, of its places of operation, and of the gas filling industry, including ISO14001:2015 Environmental Management Systems – Requirements with Guidance for Use and OHSAS18001:2007 Occupational Health and Safety Management System: Standards. Based on these, the Company has established environmental management systems and procedures such as Environmental and Occupational Health and Safety Management System Procedures, Environmental Factors Identification and Evaluation Form and List of Important Environmental Factors, and Solid Waste List. The Company has also established a Safety and Environmental Protection Department to provide staff training on environmental protection knowledge, enhance awareness of environmental protection, supervise and manage environmental protection-related work, with a focus on saving energy and reducing emissions, and manage environmental factors and pollutants emission, so as to ensure smooth production and operation.

3. Business Philosophy

The Company’s spirit of “integrity, dedication, learning, innovation and aiming at first-class’ has helped it establish a reputation for safe, reliable products and quality service. With its enhanced core competitiveness and rapidly improving performance, the Company provides high quality products for customers and creates value for society.

By adhering to the concept of green manufacturing, the Company actively promotes energy saving, consumption reduction and comprehensive utilization of resources. Besides, the Company makes great efforts to implement the new strategy of “saving energy, reducing consumption and emissions, and enhancing efficiency”, and strives to promote the sustainable development of society while constantly improving our intrinsic value and creating maximum return for shareholders.



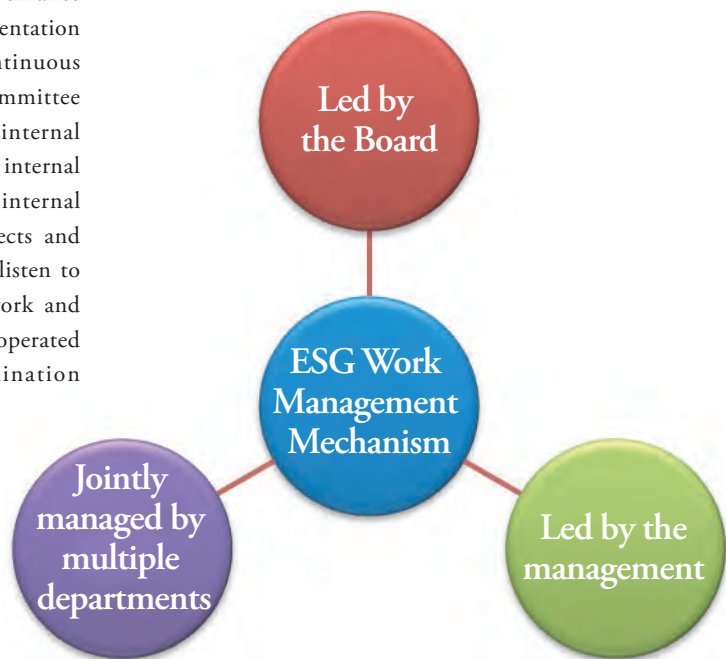
4. ESG Management Mechanism

The Board of Directors of the Company assumes full liabilities for the management and reporting of the Company in the areas of environmental, social and governance (“ESG”) and is responsible for assessing and identifying the Company’s environmental, social and governance risks, and for ensuring that the Company has an appropriate and effective environmental, social and governance risk management and internal control system. The Company’s management provides information to the Board of Directors to assess the effectiveness of the above systems. Environmental, social and governance requirements contribute to the Company’s continued improvement of operation and management.

There are four committees under the Board of Directors, namely, the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. In accordance with the division of responsibilities, the Strategic Committee of the Board of Directors of the Company shall be responsible for conducting research and making recommendations on the Company’s long-term development strategy and major investment decisions, and organizing the policies and practices of the corporate governance, control system and organizational structure of the Company, including advising the Board of Directors on corporate governance guidelines and monitoring the Company’s implementation of such policies and guidelines to achieve continuous improvement and optimization. The Audit Committee of the Board of Directors shall supervise the internal audit system and its implementation, review the internal control system of the Company and organize internal control inspection, evaluate internal control defects and supervise the relevant rectification, and regularly listen to the reports of the Company’s internal control work and determine whether the internal control system is operated effectively on a continuous basis. The Nomination Committee of the Board of Directors shall be responsible for selecting and making recommendations on the personnel, selection criteria and procedures in respect of the Company’s directors and managers. The Remuneration and Assessment Committee of the Board of Directors shall be responsible

for formulating the assessment standards of the directors and managers of the Company and conducting such assessments. The Board of Directors of the Company shall convene meetings regularly to listen to reports from the management team in respect of production safety, operation and management, internal control, social responsibility and other aspects, and provide supervision and guidance.

In order to ensure that the Environmental, Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of the Stock Exchange is effectively implemented, the Company has set up an ESG work management mechanism, of which the Secretary of the Board of Directors of the Company shall be responsible for coordination, communicating ESG disclosure requirements with department heads. Meanwhile, each department shall be responsible for the assignment of relevant personnel and the implementation of the specific ESG work. The ESG work management mechanism embodies the work model of ESG management with the leadership of the Company’s Board of Directors and the joint engagement of the management and multiple departments of the Company, which fully guarantees the effectiveness and applicability of its ESG management.





5. Promoting Industry Development

Over the years, the Company has been devoted to promote sustainable industrial development by taking an active lead in improving a series of national industry standards and refining product-related laws and regulations. The Company has participated in the following industry organizations:

Organization	Membership
Beijing Association of Mechanical and Electrical Industries	Vice president
Beijing Association of Automobile Manufacturers	Executive director
China Industrial Gases Industry Association	Member and member of GLF Cooperation Committee
Liquefied Natural Gas Branch of the China Industrial Gases Industry Association	Member
Natural Gas Vehicle and Boat Branch of China Transportation Association	Member
Gas Car Branch of China Association of Automobile Manufacturers	Member
Fuel Cell Branch of China Electrical Equipment Industry Association	Member
Urban Passenger Transport Branch of China Road Transport Association	Member



6. Honours and Awards

In 2019, with its competitive strengths in the industry and outstanding management results, the Company has been continuously recognized by the Chinese government, the Beijing Municipal Government, various industry associations and authoritative certification bodies. Some honours and awards obtained by the Company and its subsidiaries in recent years are as follow :



High tech Enterprise



Zhongguancun High tech Enterprise



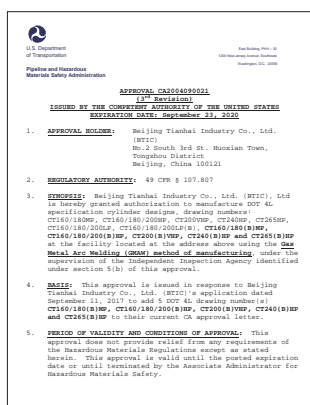
Occupational Health and Safety Management System Certification



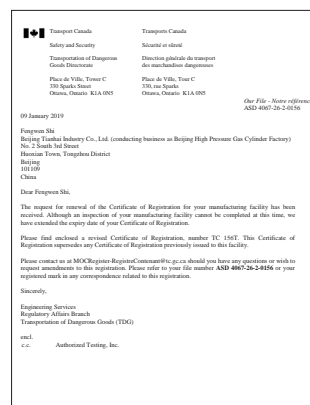
Environmental Management System Certification



Quality Management System Certification



Certificate issued by the U.S. Department of Transportation



ISO/TS 16949:2009 Certificate



ISO/TS 16949:2009 Certificate

ESG MANAGEMENT APPROACH

The year 2019 was the key year in China's 13th Five-Year Plan, the policy direction of which was to focus on improving environmental quality and addressing key ecological problems, strengthening protection of ecosystem, and enhancing efficient utilization of resources. As we face the global challenge of climate change and resources shortages, energy saving and emissions reduction have become major imperatives of corporate development. Coping with climate change is the responsibility of every corporate citizen.

As a responsible manufacturing enterprise, and in response to the call of the national clean energy policies, the Company incorporates the concept of green development into every step of its routine production and operations. Through continuous enhancement of emissions treatment, energy savings and emissions reduction, construction and operation of environmental protection facilities and green offices, and other efforts, the Company strives to coordinate the development of production and operations with environmental protection, and to make positive contribution to saving energy, reducing emissions, and the development of China's environmental protection industry.




1. Stakeholder Engagement

ESG MANAGEMENT APPROACH



We highly value our communications with each stakeholder, and strive constantly to improve our stakeholder engagement mechanism, enhance operational transparency, disseminate the concept of corporate social responsibility through multiple channels, understand and respond to shareholders' needs, and make progress in partnership with stakeholders.

Stakeholders	Expectations and Demands	Communication and Response
Government and regulatory authorities	<ul style="list-style-type: none"> ▶ Compliance with laws and regulations ▶ Payment of taxes ▶ Support for economic development ▶ Creation of job opportunities 	<ul style="list-style-type: none"> ▶ Conducting business in compliance with relevant laws and regulations ▶ Regular communication with regulatory authorities ▶ Pay taxes according to law
Investors	<ul style="list-style-type: none"> ▶ Return on investment ▶ Risk management ▶ Safe production 	<ul style="list-style-type: none"> ▶ Regular disclosure of operating information ▶ Investor meetings ▶ On-site inspection
Customers and business partners	<ul style="list-style-type: none"> ▶ Good faith and truthful performance of the agreement ▶ Fair, just and open procurement ▶ High-quality products ▶ High-quality services ▶ Fulfilment of the diverse needs of customers and creation of value for them 	<ul style="list-style-type: none"> ▶ Business communications and contracts ▶ Open tendering and price comparison ▶ Assurance of product quality ▶ Customer satisfaction surveys
Employees 	<ul style="list-style-type: none"> ▶ Occupational health ▶ Remuneration and benefits ▶ Career development ▶ Employee caring 	<ul style="list-style-type: none"> ▶ Occupational health examination ▶ Provision of satisfying remuneration and benefits ▶ Provision of training ▶ Workers Congress, staff forums, suggestion box and recreational activities
Environment 	<ul style="list-style-type: none"> ▶ Energy savings and emissions reduction ▶ Ecological protection 	<ul style="list-style-type: none"> ▶ Communications with local regulatory authorities and residents ▶ Managing emissions and enhancing efficient use of resources and energy
Industry 	<ul style="list-style-type: none"> ▶ Development of industry standards ▶ Promotion of industry development 	<ul style="list-style-type: none"> ▶ Involvement in development of industry standards ▶ Attending industry forums ▶ Visits and inspections with industry peers
Community and the public 	<ul style="list-style-type: none"> ▶ Engagement in community development ▶ Support for charitable activities 	<ul style="list-style-type: none"> ▶ Public welfare undertakings ▶ Volunteer services

2. Fulfilling Green

Operational Responsibilities





“Innovation, coordination, green, openness, and sharing” are China’s five major development concepts. Chinese government has made addressing climate change a major strategy for national economic and social development, further promoted the construction of ecological civilization, and developed a green economy, making the active promotion of various emission reduction measures as the core of policies to address climate change.

The “Thirteenth Five-Year Plan” period is the closing period for China to implement the grand goal of building a well-off society in an all-round way, and it is the beginning for China’s economic and social development to enter the new normal. The Company incorporates the concept of green development into every step of its routine production and operations. Through continuous enhancement of emissions treatment, energy savings and emissions reduction, construction and operation of environmental protection facilities and green offices and other efforts, the Company strives to coordinate the development of production and operations with environmental protection, and to make positive contribution to saving energy, reducing emissions, and developing China’s environmental protection industry.

In order to continuously reduce energy consumption, reduce carbon dioxide emissions, improve energy utilization, and achieve the goal of comprehensive and sustainable development, the Company established and implemented a management system according to the specific requirements of “Energy Management System Requirements” (GB/T 23331) and DB44/T1944-2016 “Carbon Emission Management System Requirements” Management system. In 2019, the Company obtained the energy management system certification.



(1) Emissions Management

As a manufacturing enterprise, the Company designs and manufactures in strict compliance with relevant environmental protection and pollutant emissions laws and regulations and industry standards of the PRC and of its places of operation, and of the gas filling industry. These including ISO14001:2015, The Requirements of Environmental Management System and User's Guide, OHSAS18001:2007 Occupational Health and Safety Management System: Standards, etc. Based on these, the Company has established environmental management systems and procedures such as the Environmental and Occupational Health and Safety Management System Procedures. The Company has also established a Safety and Environmental Department and formed a leading group of energy saving and emission reduction to supervise and manage environmental protection-related work with a focus on energy savings and emissions reduction. The Company identifies environmental factors annually and develop protection measures accordingly. To this end, the Company established the Environmental Factors Identification and Evaluation Form and List of Important Environmental Factors with reference to the State's Solid Waste List to increase its effective management of environmental factors, solid waste disposal and pollutant emissions, etc.

Waste generated by the Company's production is treated in full compliance with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and other relevant environmental protection laws and regulations, as well as local governments' administrative measures for solid waste. The waste is classified for collection and treatment within the Company. Domestic waste is transferred to municipal departments for treatment, while treatment of hazardous waste is entrusted to qualified and permitted units from governmental environmental departments. The Company issued the Notice on Strengthening Environmental Protection Work which requires different sections of the Company including technical, supply, sales, equipment and production to formulate standards, enhance communication and reduce hazardous waste from their respective sources. The Company provides staff training on environmental protection knowledge to raise environmental awareness. Meanwhile, an environmental production management system was formulated and implemented to penalize and educate departments that cause environmental damage. The Company has also established a specialized department to supervise safe production and environmental protection, and ensure the coordinated development of production and operations and environmental protection. Minghui Tianhai and Tianhai Cryogenic increased canteen oil fume purifiers according to new standards to improve purification efficiency. The production wastewater in Kuancheng Tianhai is fully recycled after being treated by the own sewage system, and is not discharged out, and the domestic sewage is discharged into the municipal pipe network.



The emission data of major subsidiaries is as follows:

A. Measures for reduction of exhaust gas emission:

Implementer	Emission reduction measures
The Company and its subsidiaries	To regularly maintain the exhaust gas treatment facilities and change dustproof bag
Tianjin Tianhai	To complete the disposal of volatile organic adsorption generated from the completion of painting, dusting, full-winding and gluing process and combustion desorption at operation places and the collection and treatment of smoke and exhaust gas generated from the process of medium frequency, spinning and welding of Tianjin Tianhai
Minghui Tianhai	To replace high-power welded dust purification equipment and improve the dust purification effect

The emission data is as follows:

Greenhouse gas	Emission data
Sulfur dioxide	Approximately 0.74 ton
Nitrous oxide (oxynitride)	Approximately 4.8 tons
Carbon Dioxide	Approximately 12,647 tons
Total	Approximately 12,652 tons

Note: Except for the aforesaid greenhouse gas, the Company does not generate other greenhouse gas such as methane, hydrogen carbon compounds etc. The emission concentration of various facilities of the Company meets the requirements of relevant department.

Hazardous waste	Emission data
Benzene	Approximately 0.03 ton
Benzene series	Approximately 0.396 tons
Non-methane hydrocarbon	Approximately 4.74 tons
Particle	Approximately 0.60 ton
Dust emission of shot blasting process	Approximately 1.30 tons
Total	Approximately 7 tons

Note: The emissions concentration of various facilities of the Company meets the requirements of relevant departments.



High power purification equipment for dust removal is used in Minghui Tianhai

B. Measures for reduction of waste water discharge:

Implementer	Discharge reduction measures
Kuancheng Tianhai	1. The production waste water flows to the waste water treatment facility through the sewage pipe of the plant, the domestic waste water flows to the septic tank, the canteen waste water first flows to the septic tank after the oil and water separator treatment and finally flows to the Kuancheng county sewage treatment plant through the municipal sewage pipe network
Tianjin Tianhai	2. Customized procurement and blanking of steel pipes to reduce the production of general solid waste

The emissions data is as follows:

Total amount of industrial waste water produced		221523.77 tons
of which	Emission	Emission data
1	Chemical oxygen demand (COD)	Approximately 19.27 tons
2	Ammonia nitrogen	Approximately 0.90 ton
3	Suspended solids	Approximately 2.44 tons
4	Total phosphorus	Approximately 0.14 ton
5	Flora and fauna	Approximately 0.04 ton
6	Petroleum	Approximately 0.13 ton
	Total	Approximately 22.92 tons

Note: The emissions concentration of various facilities of the Company meets the requirements of relevant departments.



C. Measures for waste reduction

Implementer	Waste reduction measures	
The Company and its subsidiaries	In order to protect the ecology and reduce the pollution of waste to the surrounding ecology, the Company resolves to effectively control all types of wastes discarded, classify the domestic wastes and the non-metallic wastes generated in the course of production and process them separately	
	of which	1. Hazardous waste: viscous oil waste, spray paint waste, etc. are collected by the entities with waste disposal qualifications certified by the environmental protection bureau for recycling 2. Non-hazardous recyclable waste: scrap metal materials and parts, non-hazardous packages are collected by the waste recycling company 3. Other general waste: household waste is disposed by the municipal government
Tianjin Tianhai	Customized procurement and blanking of steel pipes to reduce the production of general solid waste	

D. Management of non-hazardous waste

The Company generates non-hazardous recyclable waste in its business operations such as scrap metal materials and parts and non-hazardous packages, which shall be collected by recycling companies, and generated a small amount of other general waste such as domestic waste, which shall be disposed by the municipal government.

Packaging materials consumption of the Company in 2019:

Packaging box	Approximately 82.1 tons
Foamed plastics	Approximately 49.9 tons
Total	Approximately 132 tons

The total amount of non-hazardous recyclable waste generated by the Company in its business operations such as scrap metal materials and parts collected by recycling companies was approximately 3,557.22 tons.

(2) Energy saving measures

In 2019, the Company regarded energy saving and low carbon as an unremitting work. During the year, the Company further strengthened management, adopted a series of management measures and established a long-term mechanism to further supplement and improve system for managing energy conservation, focus on the source, details and process of energy saving and achieve the goal of energy saving and emissions reduction. Meanwhile, in line with its training scheme, the Company put further efforts in promoting the energy saving and emissions reduction work and had the cultural concept of energy saving and emissions reduction deeply rooted in people’s hearts, so as to facilitate the energy saving and emissions reduction work.



ESG MANAGEMENT APPROACH

In 2019, the energy saving leading group in the Company obtained outstanding results, and significantly enhanced the energy utilization efficiency. The leading group and other dedicated personnel of energy management are responsible for effectively implementing the task of energy saving and emissions reduction assigned by the superior and completing the Company's energy-saving targets based on government assessment. The Company regularly revises the energy management system and energy assessment indicators for decomposition every year. The Company also ensures that when purchasing new equipment, using new technologies, and undertaking technologically innovative projects, priority is given to new energy saving technologies, processes, equipment and materials. In particular, energy-saving products that are recommended by the PRC or internationally recognized bodies shall have first preference. Finally, collection, summarization, analysis and assessment of data on energy consumption are performed every month; such calculation is based on the amount of consumption per RMB10,000 of output value, and regular inspection is performed.

In 2019, the main energy-saving renovation projects of the Company were as follows:

- A. The Company has set up circulating water stations and sewage treatment stations. Cooling water accounts for a large proportion of the total volume of water of industrial use. In order to save water resources, the Company has added circulating water pipelines and cooling facilities to satisfy the need in the process production while saving a significant amount of water resources.

Energy consumption (including natural gas, water, electricity, etc.) of the Company and its major subsidiaries in 2019:

Energy	Unit	Total consumption for 2019	Energy consumption per RMB10,000 output
Natural gas	0'000 cubic meters	Approximately 543	Approximately 0.0679
Petrol, diesel, etc.	Ton	Approximately 67	Approximately 0.0009
Heat	Million kJ	Approximately 37,903	Approximately 0.0121
Electricity	0'000 kWh	Approximately 4,818	Approximately 0.0556
Water consumption	Cubic meters	Approximately 306,605	Approximately 2.8823

B. Reformation of gas boiler of Kuancheng Tianhai

The boilers used for the drying process in production division no. 3 of Kuancheng Tianhai were originally 0.7 MW gas boilers relocated from Langfang. According to the analysis of production volume of Kuancheng Tianhai, the steam generator was replaced by 216 kW in May 2019, and the whole water system was rebuilt. The original drying cost of each cylinder was RMB4.26 per piece, compared with RMB2.29 per piece now, saving RMB1.97 per piece. The cost savings amounted to more than RMB270,000 calculated on the production capacity of 140,000 pieces in 2019.



Picture: Comparison before and after gas boiler renovation in Kuancheng Tianhai

C. *The green office*

In 2019, to continue to respond to the national requirement of energy saving and emissions reduction, the Company and its subsidiaries carried out “Green office, low carbon” activity to create a green and energy-saving office environment. The Company has formulated relevant calls to mobilize all employees to practice low-carbon office with practical actions. Meanwhile, the Company continued to implement a number of measures to reduce daily energy consumption and increase the utilization efficiency of resources. In terms of electricity, light-emitting diode (LED) lamps and other energy saving devices are used in offices. Meanwhile, employees are required to shut down office equipment including lighting devices, drinking fountains, computers and printers when leaving during non-office hours; maintain air conditioning temperature at 26 degrees Celsius and implement an office automation system (OA system) to replace the traditional paper-based office as far as possible to reduce unnecessary copying or printing. Other measures include printing on both sides of paper, reusing paper, and using ecofriendly paper to print publications and flyers; and providing collection bins for recyclable waste paper, printer cartridges, batteries, etc.



(3) Production Safety

In 2019, the Company conscientiously implemented the spirit of the national and city-wide safe production video conferences and city SASAC safety and stability conferences on 9 January, firmly established the red line consciousness that “seeking for development at the expense of security is unacceptable”, and adhered to the policies of “security first, prevention-oriented, comprehensive treatment”. With “preventing various types of production safety accidents” as its goal, and “building a dual prevention mechanism and facilitating promotion through guaranteeing coordination and rectification” as the main line of action, and focusing on “supervision and inspection of production safety and comprehensive examination”, we strived to deepen the implementation of the principal responsibility for production safety, continuously carry out safety education and training, improve the emergency management mechanism and ensure the safety of major events such as the 70th anniversary of National Day, so as to provide a strong guarantee for the Company to fight the “four battles” and achieve safe operation.

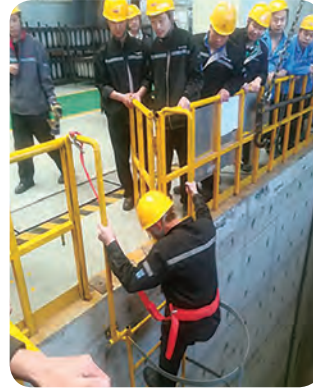
1) System and process improvement

Based on the people-oriented principle, the Company strictly implemented the Safe Production Law of the PRC, the Safe Production Regulations of local governments, and specific requirements for safe production. The Company has established 71 safety-related rules and regulations under the Safe Production Management System and Safe Production Contingency Plan and implement systems in practical work.

In keeping with “Single Position, Double Responsibilities, the Party and the Government are Both Responsible” for safe production, the Company has established the safe production responsibility systems for staff members at all levels and positions. The Company signs a Letter of Safe Production Responsibility at the beginning of each year, which serves as a reminder that responsibility for safety falls on every individual. In compliance with safety governance standardization requirements, the Company undertakes to self-examine and rectify as needed matters pertaining to production safety, and has subsequently obtained (along with its subsidiaries) Level 1 to Level 3 certificates of Safety Standardization to further promote safe production. As a preventive measure, the Company annually identifies potential sources of danger and formulates specific countermeasures in accordance with OHSAS18001:2007 Occupational Health and Safety Management System: Standards. In accordance with “One Enterprise One Standard, One Position One List”, the Company also investigates and manages potential safety risks, carries out monthly summary and analysis, and implements any needed rectification work. The Company organizes staff activities such as “Safety Month” and “119” emergency plan drills and carries out emergency drills for X-rays leakage and confined space to reinforce their ability to cope with emergencies, avoid serious injuries or above level accidents and eliminate the occurrence of minor injuries.



Picture: X rays drill



Picture: Confined space drill



Figure: Special emergency drill for leakage of hazardous chemicals



Picture: Fire drills

2) *Safety education, operational procedure training*

The Company provides new staff members with company-level, factory-level and team-level safety education. Staff members are only regarded as qualified to work after examinations have been passed. Frequent safety education sessions are provided to all staff members for maintaining their awareness, their ability to identify potential sources of danger, and their ability to protect themselves from hazards. To staff at mid-level and above, the Company provides education on safety and environmental protection regulations, ensuring that each knows, understands and respects the laws as they are implemented at work. The team leaders are provided with safety education and are kept informed of government regulations and the Company's systems, so as to lead the staff to improve their protection ability. Employees who are exposed to occupational hazards are provided with occupational injury prevention training to raise their awareness and ensure the compliance with relevant regulations and requirements. The Company's major persons in charge, supervisory persons in charge and persons in charge of the safety department all participate in professional training held by higher-level departments and government organizations and have obtained certificates.



Picture: Fire safety training of Beijing Tianhai in 2019



Picture: The Company conducts regular safety inspections

3) Bases of relevant policies and data of precautionary measures

Monitoring locations of hazards	Frequency	Points	Qualified points	Unqualified points
	1	295	289	6
Occupational health checks	Frequency	Pre-job health check	On-the-job health check	Post-job health check
	1	480	446	22
Local laws, regulations and requirements	GBZ/T189.8-2007 Measurement of Physical Agents in Workplace Part 8: Noise; GBZ/T189.8-2007 Measurement of Physical Agents in Workplace Part 7: High Temperature; GBZ/T192.1-2007 Monitoring of Dust in Workplace Part 1: Total Dust Concentration; GBZ159-2004 Sample Specification of Hazardous Substances Monitoring in Workplace; GBZ2.1-2007 Occupational Exposure Limit of Hazards in Workplace Part 1: Chemical Hazards; GBZ2.2-2007 Occupational Exposure Limit of Hazards in Workplace Part 2: Physical Agents, the Law on the Prevention and Control of Occupational Diseases.			



4). Data and measures of safe production management

Production safety	Number of work-related injuries	Year	Total (%)	Death (%)	Serious injury (%)	Minor injury (%)	Near misses
		2019	3	0	0	3	0
		2018	3	0	0	3	0
		2017	8	0	0	8	0
	Loss days	60					
	Safety investment	Cryogenic Tianhai invested RMB1,558,922.6; Beijing Tianhai invested RMB1,065,956.5; Tianjin Tianhai invested RMB2,211,516; Shanghai Tianhai invested RMB348,000; Minghui Tianhai invested RMB1,655,115.62; Kuancheng Tianhai invested RMB485,000 ; the total amount is RMB7,324,510.72					
	Fire prevention measures	<ol style="list-style-type: none"> 1. Establish responsibility system of fire prevention post and management system of fire safety; 2. Organize fire examination regularly; 3. Organize fire drill, strength fire prevention training and publicity; 4. Equip with fire-fighting apparatus and fire prevention facilities. 					
	Safety measures	<ol style="list-style-type: none"> 1. Enhance identification and management of production safety risks and control of production safety risk levels, identification of risk factors and risk control. Strengthen the safety education training and emergency drill; 2. Strengthen the implementation of responsibility system of production safety and the prevention, supervision, reward and punishment of responsibility system. Execute safety commitment agreements, establish safe production targets, manage the systems, establish and improve the safety responsibility. 3. Strengthen the management of dangerous goods, strengthen operational safety procedures, occupational health checks, relevant parties management, labor protection supplies management and the implementation of responsibility system of inspection and supervision; 4. Set out specifications based on the safety measure 3 and install safety facilities. Establish safety management organizations, assign safety management personnel and formulate safety management requirements, provide regular safety education training to personnel and require the special workers to report duty with certificate based on the safety management system of Beijing Tianhai. According to the requirements of No.2 order of Hebei province, establish a double prevention mechanism of risk control and identification of risks. 					
	Regulatory methods	Clarify responsibilities and implement safety education, safety inspection at each level and safety reward and punishment.					

3. The People-Oriented Principle for Creating Harmonious Labor Relations

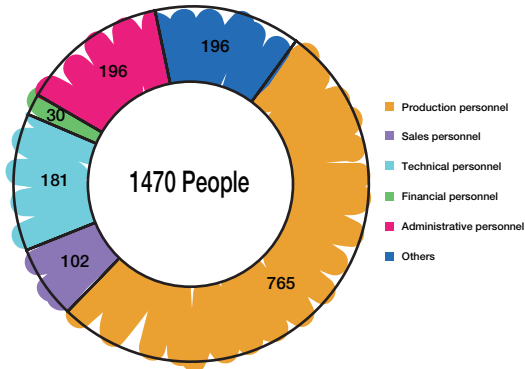




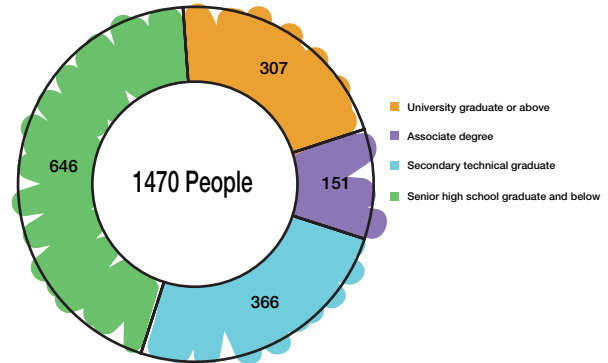
The country stands for talent, and the industry thrives on talent. Talent has always been the source of sustainable development for enterprises. “Establishing a long-term stable and harmonious employment relationship with employees” is always the goal pursued by the Company. The Company always adheres to the principle of employment in accordance with the law and equal employment, respects and protects the legitimate rights and interests of employees, and provides employees with a career development platform for personal and corporate growth and sharing development results, and creates a good corporate culture atmosphere to attract and retain talented people by career, by treatment and by emotion. In the R & D, sales, management, operation and production front-line positions, the Company builds a core talent team with both merits and talents, core competence and professional qualities. The Company strives to enhance employees’ self-worth and happiness, and to create an atmosphere of contribution and comprehensive development for employees.

(1) Management of employees

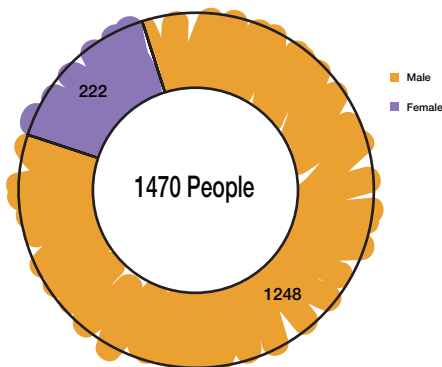
The Company embraces and values the diversity and talent of employees from different cultures and social backgrounds. Following on from strategic requirements of “transforming from manufacturing to service-oriented manufacturing business” and “marching towards high-end brand from mid-to-low end brand”, the Company strives to enhance the quality and efficiency of employees’ work by establishing production and work procedures which fully utilize their enthusiasm, initiative and creativity. In this way, our employees contribute to achieving the Company’s aim of becoming a first-class, internationally competitive enterprise.



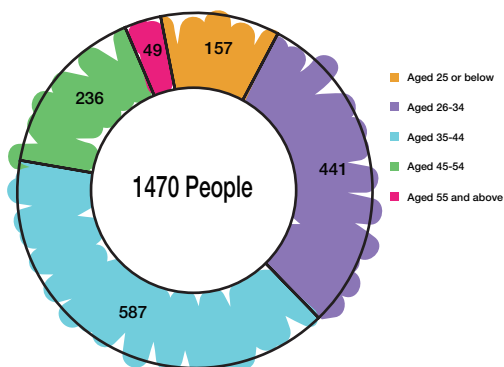
Picture: Employee by profession



Picture: Employee by education level



Picture: Employee by gender



Picture: Employee by age



(2) Employment policy

The Company values and protects the legal rights of all employees according to law and maintains strict compliance with the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China, and relevant local laws and regulations. The Labor Law of the People’s Republic of China sets out strict regulations on the prohibition of recruiting minors and working hours, rest and vacations of employees. The Company organizes personnel recruitment annually based on operational plans and the number of employees consequently required for various positions. Recruitment targets fresh graduates and general public in order to encompass people from all walks of life and classes. The Company upholds a “people-oriented” principle, with emphasis on the basic human rights of employees and prevention of any discrimination based on gender, age, nationality, religion, marital status, disability etc., with regards to recruitment, determination of salaries, promotions and training. The Company wishes to ensure that all employees enjoy fair, equal and open job opportunities. It offers suitable positions to disabled employees and implements “equal pay for equal work”. At the same time, it strictly protects employees’ personal information and prevents the leakage of such information. All these policies show the concern of the Company to every employee, and foster employees’ sense of belonging.

Step	Item	Content
1	Human resources requirements	All departments and branches of the Company put forward employment requirements in strict accordance with rules and regulations;
2	Formulate plans	The Company prepares recruitment information according to the summarized needs, and develops detailed recruitment plans to ensure the maximum utilization of human resources;
3	Implement recruitment	The Company releases recruitment information through various ways including online release, offline campus recruitment and internal competing products to ensure the diversification of talent sources;
4	Organize interviews	After the selection and confirmation of candidates, the Company will regularly or irregularly organize interviews to have a comprehensive understanding of candidates;
5	Complete enrollment procedures	The Company performs the enrollment formalities for selected and determined personnel, signs legal labor contracts, provides induction training and completes the enrollment procedures.

(3) Employment promotion, remuneration and incentive policies

To provide employees with a broad development platform, the Company has formulated the Middle-level Leading Cadre Selection and Appointment Processes and Operational Procedures. This standardizes the administrative measures and selection and appointment procedures for middle-level leading cadre, and specifies the processes and operational procedures for organizational selection, internal recruitment and open selection (social recruitment). Regarding promotion, we offer fair opportunities to each employee, maintaining an impartial attitude and issuing announcements for staff promotion to ensure the fairness and openness of the process, and that our staff enjoys fair remuneration and benefits.



The Company adopts a diversified remuneration system with job performance as its primary basis for determination of salary. Based on fixed job positions, the job performance salary determines the relative value of the position through evaluation, and determines the salary level with reference to labor market price levels, to ensure both the internal and external fairness of remuneration. On this basis, the Company has developed Administrative Measures for Technical Grading of Professional Technical Staff, which entitles engineering and technical staff at technical grade upon appraisal to the corresponding executive-level remuneration, and offers technology innovation incentives to employees. For marketing staff and basic production workers, the Annual Assessment Approach for the Sales Department and the Annual Assessment Approach for Piece-rate Wage are implemented respectively. An annual salary system applies to senior management in accordance with Administrative Measures for Performance Appraisal of Senior Management. We implement a diversified remuneration policy with hierarchical classification in accordance with differences in work nature.

To enhance the staff's zeal for work and creativity, the Company has established a diversified incentive mechanism. Meanwhile, in order to actively build a platform for realizing employees' own value, the Company organizes and carries out evaluation activities for a number of staff positions and departments:

Activity	Content of activity	Result of activity
Four Tens	The Company rewarded advanced individuals and groups that take practical action to make outstanding contributions to the Company's transformation, development and the realization of the goal of improving quality and increase efficiency	The Company selected and commended "Ten pacesetters", "Ten experts", "Ten advanced group" and "Ten best projects of reducing cost and increasing efficiency"
Promotion and refund Strive to be the best sales person	The Company carried out labor competition in sales system and conducted experience exchange and recognition activities in the first quarter	The Company selected and commended a total of 7 "Top sales" "Sales experts" and excellent sales person
"Ankang Cup" & Safe production model team	The Company actively carried out "Ankang Cup" competition and building safe production model team activities, and carried out safety knowledge activities including knowledge questionnaire in safety month, "Safety training to improve quality and labor protection to promote harmony"	The Company established Assessment Indicator System for Production Safety Model Team and selected 5 teams as the 2019 Production Safety Model Team.
Proposals of rationalization and small reform activities	The Company actively carried out the "proposals of rationalization and small reform activities" activities, and in the process of promoting the Company's high-quality development, to stimulate the initiative of employees to participate in reform and innovation, and guide to drive employees to become active and contribute to their posts	71 projects were approved and implemented



Activity	Content of activity	Result of activity
Select and set model employee	The party committee, after discussion, collectively considered and decided to recommend the new “Model employee of Jingcheng Machinery Electric” with reference to the recommendation list of each branch and the opinions of employees	Two employees including Xu Chang of Technical Quality Management Department and Zhang Qing of Sales Department from Minghui Tianhai, were selected as “Model employees of Jingcheng Machinery Electric”
Select and set employee innovation office	To guide the innovation office to strongly promote the promotion and transformation of technological breakthroughs by centering on the hot and difficult issues of enterprise production, select and set the new model of employee innovation office	The welding office of welding adiabatic gas cylinder was selected as 2018 “Beijing (demonstration) Staff Innovation Studio” and Research and Application of Liquefied Natural Gas Cylinders for Pumps was awarded first prize of 2018 independent innovation of capital employee; The project of “the series development of 35MPa carbon fiber full-winding composite gas cylinders for vehicle “ in Compound Gas Cylinder Innovation Studio was rated as “Excellent Project of Beijing Jingcheng Machinery Electric Staff Innovation Studio in 2019”; Minghui Tianhai’s Jinjuwang (金巨旺), Jiao Weibin (焦維賓), Mei Guodong (梅國棟), Ma Long (馬龍) completed “the innovation achievements of Inner tube washing machine retrofit” were rated as “the First-line Technical Worker Post Innovation Achievements of Beijing Jingcheng Machinery Electric in 2019”

(4) Labor standards

All work at the Company is voluntary, with no forced, indebted, contract-bound or involuntary prison labor used. All employees are entitled to resign freely upon providing reasonable notice to the Company. The Company does not allow child labor in any of its workplaces. “Child labor” refers to laborers who are under the age of 16 (or the age prohibited by law). The number of working hours shall not exceed the maximum hours stipulated by local laws, so that our employees can get enough rest. Employees are also entitled to leave for reasons of marriage, maternity, bereavement, paternity, breastfeeding and others, in addition to paid annual leave.



(5) Talent cultivation

The Company provides systematic training to employees according to its business development strategy. By encouraging their use of spare time for learning, employees' knowledge, skills and quality are improved and their personal development needs are fulfilled, enabling them to better meet the Company's operational needs. To this end, training conducted by the Company focuses on the areas of common sense, job skills, emergency response, production safety, and party building and integrity. Incentives are also provided to employees in accordance with Company policy.

In 2019, according to the 2019 Training Plan, the Company completed a total of 38,131 hours of training, involving a total of 14,897 person-times, with an average training time per person of 25.9 hours.



Picture: the training system of the Company



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According to the Company's annual training plan, it organized trainings in respect of product and process knowledge, continuing education of financial and statistical personnel, internal control, incorruptibility construction, job qualification, team leaders training, safe production, emergency plan and fire safety.



Picture: 119 fire safety training and drills



Picture: Training on management of grass-roots cadres



Picture: Quality development activities for new college students





(6) Employee interests

1) Employees' interests

In accordance with the provisions of laws, regulations and rules, the Company shall provide and make full contributions to five major social insurances such as pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance and housing provident fund, and shall fulfill the obligation of withholding and payment in accordance with the law, publish the payment of social insurance premiums on a monthly basis, and accept the supervision from employees.

In the practice of company transformation and upgrading, reform and adjustment and democratic management, the labor union of the Company earnestly implemented the provisions on the disclosure of factory affairs, strengthened the participation at the source, adhered to and improved the employee representative meeting system, and highlighted the democratic management and participation of employees in politics and government. The labor union organized the second and the third meetings of the fifth session of the employee representative meetings, at which the employee representatives listened to the annual economic work report made by the leadership of the Company at such meetings, and considered and approved the amendment of the Enterprise Annuity Implementation Rules (《企業年金實施細則》) as well as the Resolution in respect of Implementing the Spirit of the Meeting to Ensure the Completion of the 2019 Target Tasks (關於貫徹大會精神，確保完成2019年目標任務的決議), which formed a consensus and joint force of unity and hard work to overcome difficulties and created favorable conditions for the full completion of the Company's annual target tasks.

Promoting the harmonious construction of enterprises and properly completing the placement of employees. The Company has properly dealt with the interests of enterprises and employees and completed placement work through fully respecting the will of employees, implementing two-way selection and providing positions for those who accept allocation results, providing guarantee for internal retirees and providing compensation for negotiated termination. The steady and orderly exit of employees has laid a solid foundation for the next step of the Company's transformation and upgrading.

Strengthening labor protection and ensuring the safety and health of workers. The Company has implemented the policy of "safety first, prevention centered", established and improved the safety of production responsibility system and material technology security system with the core of life safety, and has effectively protected the rights and interests of workers. The labor union has actively organized employees to carry out the "Ankang Cup" competition and safe production model team activities, at the same time it has strengthened inspection efforts over the summer heat protection and cooling, production safety inspection, safe electricity, fire safety and other aspects, enhanced the safety of employees and labor protection awareness, and promoted the further implementation of safety responsibilities.



Picture: Regular safety inspection



Picture: The "Ankang Cup" Safety Knowledge Contest 2019



On the eve of the “women’s day” in 2019, by showing care of the physical and mental health of female employees of the Company and mobilizing the enthusiasm and creativity of them, the Company’s labor union coordinated with the human resources department to entrust experts from the physical examination center to conduct two cancer screening tests for 120 female employees, eliminating the hidden dangers of physical diseases. The related work of employee’s health insurance was done well by the Company. During the year, labor union of the Company funded the renewal of mutual assistance insurance for major illnesses, inpatient medical treatment, hospitalization allowances, and special diseases of women workers, strengthened mutual assistance protection, and relieved employees’ worries.

Caring for employees

The Company continued the “caring activities” and visited the labor models, objects of the united front, retired veteran cadres and employees suffering from family hardship and serious illness. During the Spring Festival, the Company visited 20 retired and needy employees, sent condolences to 7 workers, paid condolences to 7 employees, and paid tribute to the security of their positions during the festival. Before the Spring Festival and Mid-Autumn Festival, we carried out caring activity for all members, and distributed rice, oil, dried fruits and fungi to each member. By the end of November, we had conveyed condolences to 10 inpatient employees who had been on sick leave, to the families of 6 deceased employees, and to the families of 8 deceased retirees.

The Company has actively responded to the call of the superiors, and carried out the “Jingcheng Student Support “ (京城助學) project by granting “Jingcheng Student Support “ subsidies of RMB23,000 to 12 employees whose children had entered universities, and providing stationeries to 6 employees whose children had entered primary school, which expressed encouragement to the education of the employees’ children and alleviated some of the actual difficulties of such employees. The labor union of the Company always keeps in mind that there is no trivial matter in the interests of the masses, and regards solving the problems of employees’ lives as a matter of great importance, to go deep among the employees, listen to the voice of them, understand their lives, and actively coordinate with them to solve practical problems.



Picture: Condolences to difficult employees, retirees, frontline workers, etc.

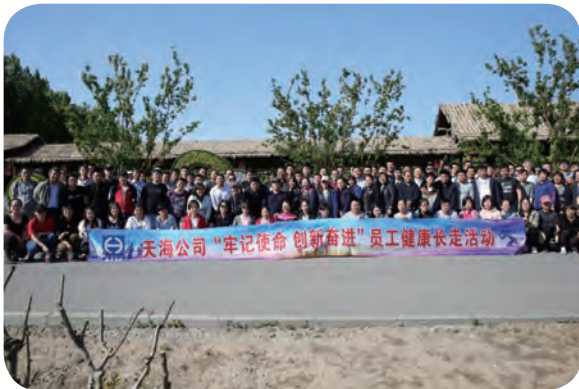


2) *Cultural and sports activities to boost employees' vitality*

Since 2019, the labor union organization has carried out popular cultural and sports activities that the employees enjoy to enrich the amateur cultural life of active employees and enhance the motivation, vitality and cohesion of labor union organization. In January, the fun New Year cultural and sports activity was held, the form of which were innovative, and the content of the activities created a warm, peaceful cultural atmosphere; in February, the “online book reader (線上書香朗讀者)” activity was held, and Jingcheng Machinery Electric won an outstanding award, an original award, one finalist award and 8 encouragement awards; In March, a flower arranging activity called “Women blossoming in a New Era of Construction (建工新時代、巾幗綻芳華)” was held; in April, the Company’s fourth “Keeping in mind the Mission, Innovating and Forging Ahead (牢記使命創新奮進)” employee walking activity was held; in June, the Company’s third “Tianhai Cup” employee basketball match was held; in October, the Company’s fifth futsal match was held; the Company also actively organized employees to participate in interest-oriented classes held by the labor union of Jingcheng Machinery Electric to meet the diverse needs of employees; in November, the labor union and the Youth League Committee jointly organized the Company badminton team to participate in the Jingcheng Machinery Electric “Jingcheng Cup” badminton tournament, our team managed to win the runner-up and achieved a historic breakthrough. Table tennis and billiards matches have been launched in December. Each branch also organized small and diverse cultural and sports activities such as badminton, billiards and table tennis, for employees in their space time. Such activities were organized in various forms and with abundant features for wide participation.



Picture: The Company held “New Era of Construction, Female Powers “ flower arrangement activity



Picture: The Company’s fourth “Remember the Mission, Progress and Innovation” employee walking activity



Picture: The Company’s third “Tianhai Cup” employee basketball match

In 2019, the Company’s labor union undertook the grand project of organizing activities for the Company to celebrate the 70th anniversary of the founding of PRC. On 20 September, at the theatrical performances of employees of Jingcheng Machinery Electric for National Day’s 70th Anniversary, the Company’s labor union carefully planned and well-organized the sitcom “Re-creating Brilliance” (《再创辉煌》), which, with the active cooperation and strongly support from the Youth League Committee and other relevant department and the dedication and hard work of all cast members, achieved great success. In the 70th Anniversary of National Day celebration activities, 10 team members from Tianhai Industry on behalf of all staff participated in the mass procession of the 19th “innovation-driven” square, and completed the training tasks with high standards and high quality after three months of training. On the National Day, they passed the rostrum in Tiananmen Square with a free, vivid, happy and lively posture, and showed the heartfelt blessing to the motherland’s 70th birthday and successfully completed the task entrusted by the Company, showing a new role and a new style of Tianhai employees in the new era.



Picture: Company employees participated in the Mass Parade on the 70th National Day



Picture: The performance of the sitcom "Re-creating Brilliance"

Through a variety of employee cultural and sports activities and events, all kinds of talents of the Company were gathered. While the employees are working hard, they also enjoy the applause and cheers from the team, which better meets the growing spiritual and cultural needs of the employees and creates a prosperous and harmonious atmosphere. Facing difficulties and challenges, it has played a positive role in boosting morale, gathering strength and uplifting spirit.

4. Creating Value

and Contributing to Society





(1) Strictly governing the enterprise according to law

The Company regulates its positioning of rights and responsibilities and the way of exercise in strict accordance with laws and regulations such as the Company Law of the People's Republic of China and the Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資 法》), under the guidance of the Company's articles of association. The Company also conscientiously implements the strict audit process for contracts, rules and regulations and major decisions, builds a legal affairs management system to prevent and control legal risks, promotes subordinate companies to establish and improve the internal control system, strengthens internal control management, improves the audit system, conducts internal audit, enhances audit supervision, and timely organizes communication meetings, seminars, training sessions when dealing with league problems in major projects and rules and regulations with many problems during implementation to effectively prevent and control legal risks and to ensure the regulations to be put into practice. At the same time of steadily progressing its businesses, with compliance management as a fundamental requirement, the Company strives to integrate compliance management into its business processes to ensure the Company's orderly operation and management.



Picture: Training meeting on issuing VAT invoices in a standardized manner to prevent related legal risks

(2) Promoting corruption-free operation

The Company and its subsidiaries have always attached great importance to fight against corruption, advocated corruption-free operation, opposed to commercial bribery and strictly complied with laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering. The Company has implemented regulations and systems such as the "Work Plan for Establishing and Perfecting a System for Punishing and Preventing Corruption for 2013-2017", the "Reporting System of Party's Corruption-free Work Style Construction", the "2019 Main Task Division of Party's Corruption-free Work Style Construction and Anti-corruption Work" and the "2019 Work Focus of Discipline Inspection and Supervision", so as to continuously carry out the construction of party's corruption-free work style and anti-corruption work.



ESG MANAGEMENT APPROACH

In 2019, the party committee held a work conference on corruption-free work style construction and signed a total of 171 four-tiered responsibility statement of integrity; launched an education month of Party's Corruption-free Work Style Construction on the theme of "learning laws and regulations, abiding laws and regulations (學紀學法、守紀守法)", 228 party members participated in the Party branch secretary's lecture activities on corruption-free work, 324 people watched typical cases and special films on anti-corruption warnings, education and publicity, and set up files for 64 middle-level cadres. Pre-service integrity talks focused on the correct treatment and use of power and other aspects were carried out to the 9 new middle-level leading cadres. In 2019, the Company's Commission for Discipline Inspection conducted 145 spot checks on the sunshine procurement platform from time to time to monitor the operation of the platform. The Company's Commission for Discipline Inspection organized a total of 109 people, who are the Company's middle-level leading cadres (including leaders dispatched to subsidiaries), members of the Company's Commission for Discipline Inspection directly under the branch (general branch) or personnel engaged in the management, using and driving of company vehicles and other relevant personnel to participate in the "learning from cases, rectifying based on cases (以案鑒、以案促改)" warning education conference and "private car maintained by public resources (私車公養)" special inspection work deployment meeting, and set up special working groups and six cross-inspection teams to carry out special inspections over 48 company vehicles. The Company's Commission for Discipline Inspection continued to carry out supervision and inspection work to examine whether there was any sign of "formalism, bureaucratism, hedonism, and extravagance" in the critical time and festivals, ensured the whistleblowing work was conducted in an orderly and confidential manner and set up a special hotline and E-mail address for whistleblowing, and effectively safeguarded the vital interests of the employees. In addition to giving warning in the critical time through special meeting, WeChat work group, OA office platform and other ways, a special column titled "Alarm Bells Ring (警鐘長鳴)" was published in the monthly Tianhai Information (《天海資訊》) to release criminal cases which caught public attention as negative examples; at the same time, related warning videos were played at the monthly branch secretaries' regular meetings.



Picture: Warning education activity for the Party conduct and clean government promotion month in Tianhai Industry



Picture: Watching typical warning film at the branch secretaries' regular meeting



(3) Protection of intellectual property

The Company implements comprehensive management of the creation, protection, use, management and risk prevention and control of intellectual property rights, and strictly abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the People's Republic of China in its production and operation activities. Anti-Unfair Competition Law and other related laws, and passed the effective implementation of intellectual property management system documents.

Through a series of intellectual property management systems established by the Company the Company provides specific instructions to deal with patent application and trademark maintenance and avoid infringement of intellectual property and patented technology, with a view to protecting its brand. The Company complies with intellectual property laws and regulations, and enhances its intellectual property protection in research, development, production, operation and internal management in line with international practice and generally accepted standards on technology and economic exchanges and cooperation.

To protect its own innovative technologies and brand, the Company has applied for a number of patented technology and trademark registrations in China and overseas. In China, we have obtained 31 technology patents and one patent pending for registration. Meanwhile, the Company has registered the trademarks of JP, BTIC, etc. in 14 countries, including the European Union, Canada, the United States and Singapore; and 15 trademarks for self-owned brand names of JP, BTIC, BTCE, etc. at the Trademark Office of the State Administration for Industry & Commerce of the PRC. The Company has been recognized as a "Trustworthy Enterprise" by the Beijing Municipal Administration of Industry and Commerce.

(4) Protect Information Security and Privacy

The Company attaches great importance to information security, strictly protects the customer privacy and employee privacy. In order to standardize information security work and internal employee behavior, the Company carried out the following five aspects of work: Firstly, the Company formulated the Use and Management System of the OA System (Trial) (《OA系統使用管理制度(試行)》), the Operations and Maintenance System of Information System (《信息系統運維管理制度》) and the Accountability System of Network Information Security (《網絡信息安全責任追究制度》) on the basis of the original Network Information Security Management System, Hardware System Management Regulations and Project System Work Management System, so that there are laws to abide by in respect of information security and privacy protection. Secondly, the Company signed the Network and Information Security Commitment (《網絡與信息安全承諾書》) with all employees to further improve the employee's awareness of information security and privacy protection, so that there are laws to abide by in respect of information security and privacy protection. Thirdly, the Company further strengthened the management of the server room, adjusted the strategies such as security protection, anti-intrusion, anti-tampering and upgraded anti-virus system to ensure the security of the server room and software system. Fourthly, the Company installed anti-virus software on the client to reduce the risk of virus affection in the client and the leakage of files. Fifthly, the Company strengthened the contingency plan practice to ensure the effectiveness of data backup and that the system can be put back into use more quickly when run into system anomalies.



(5) Customer Services

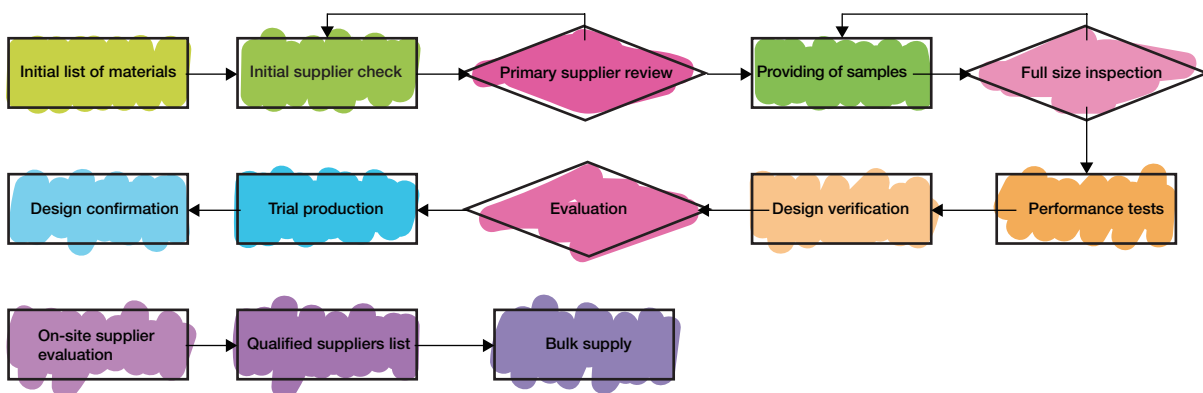
To enhance its connection with customers and understanding of their needs, the Company has established an extensive after-sales system and an after-sales department to provide services in the areas of packaging guidance, repair, information consultation, complaints, and others. On receiving calls from customers, the after-sales department records the customer's information and then determines a preliminary approach to their issue based on the content of the complaint. Simple guidance on repair can be provided over the phone. Cases which cannot be dealt with over the phone are handled with the corresponding procedures in accordance with Company regulations. After completion of each after-sales case, the problem situation, results, responsible department and person, preventive and corrective measures, etc. are all recorded in the format of a flow chart. In 2019, the Company received a total of 1,344 calls, including 972 for consultations and inquiries, 372 for reception and after-sale services.

(6) Quality assurance

The Group has established stringent processes and systems to ensure that all its products and services comply with all the relevant laws and regulations, as well as internal rules including (but not limited to) the Product Quality Law. The Group's quality policies are: To implement a zero-defect quality management strategy; maintain continuous innovation and improvement; observe laws and regulations, enhance customer satisfaction; provide environmental-friendly, safe, high-quality products and services. The manufacturing facilities of the Group have formulated a quality management system and obtained ISO9001 and IATF16949 certifications.

The Company makes all practical efforts to correct product defects in a timely manner. In the unlikely event of a product will be handled in accordance with the Procedures for Handling and Control of Returned Products. The quality of the Company's products, which are related to vehicle parts and components, is of crucial importance to the consumer safety. Therefore, we are committed to product quality and we assume full responsibility for accidents arising from the failure of our products.

Upon receiving a customer complaint, we will establish a task force in accordance with the global 8D problem-solving methodology to provide a prompt response, investigate the reasons for the issue, and develop an improvement plan to avoid similar incidents.





(7) Supply chain management

The Company conducts on-site evaluation of type A suppliers every two years to assure the quality of suppliers. For those unqualified suppliers, the Company will reduce the procurement volume from them, or even remove them from the qualified suppliers list.

(8) Social contributions

A. Party member's "double reporting" and active participation in community service activities

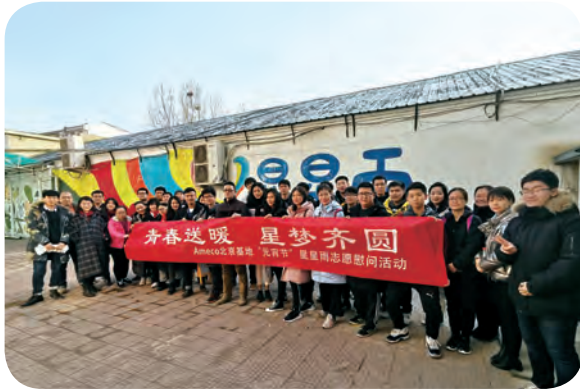
The Company's party member actively participated in community environmental protection, training on waste separation and environmental governance work to create a friendly atmosphere of co-building, co-governance and shared beautiful homes.





B. Active participation in social volunteer service activities

The Company actively organised social volunteer service activities for employees' participation, including visits to Xingxingyu Educational Research Institute on Lantern festival and to provide nursing services to children with autism.



C. Join together to fight the epidemic

In early 2020, Wuhan City, Hubei Province and many other places encountered outbreak of coronavirus. In the face of the sudden outbreak, the Company's party committee gave great concern and took prompt action by setting up an emergency response work leading group for the outbreak and effectively deployed infection prevention and control work in respect of the coronavirus, lending a helping hand to the frontline medical workers to fight against the coronavirus.



1) Taking multiple actions in prevention for the epidemic and resumption of work

The Company actively carried out epidemic prevention measures, made calculation of the personnel leaving Beijing or returning to Beijing during the Spring Festival, and established a daily reporting system on epidemic prevention and control information, set up disinfection implementation team and epidemic prevention and control materials support team and purchased main epidemic prevention and control materials (masks, disinfectants, infrared thermometers, etc.) for employees.

The Company strictly implemented the epidemic prevention and control measures in accordance with the requirements of strict prevention and thorough control from superior departments, and carried out mobilization of workers and publicity training to prepone for resumption of production under the hierarchical control system. The commission for discipline inspection and the labor union carried out supervision and inspection to ensure life safety of the employees. The Company issued The Notice on Epidemic Prevention and Control Work Arrangements Before and After the Resumption of Work (《公司關於復工前後疫情防控工作安排的通知》), specifying in detail the prevention and control measures, and signed letters of responsibility with the personnel-in-charge of various departments and clarified the epidemic prevention and control responsibilities of leadership at all levels.

After the resumption of work, we signed a “commitment letter of on-duty staff (上崗人員承諾書)” with each employee, calling on all employees to take responsibility for epidemic prevention and control, improve raise awareness of protection and implement proper protection measures. At the same time, the Company monitored the body temperature of the returning personnel, disinfected all public areas, distributed epidemic prevention materials and reduced the frequency of meetings as much as possible; the Company also arranged separated time slots and scattered seatings for employees to take meals; focused on promotion and guidance to positively disseminate the ‘epidemic fighting’ story of Tianhai and enhanced the employees’ confidence for “defeating the coronavirus”; utilized its political advantages to do well the job of joint prevention and control; strengthened communication with local governments to solve the difficulties in employee accommodation; enhanced overall co-ordination and planning to ensure production and operations and strive to achieve its annual operation target.



Picture: Coordination for resuming work and production



Picture: Disinfecting by Staff in the office area

2) Shouldering responsibility to ensure material supplies in the war against the corona virus

On the evening of 1 February, Shanghai Tianhai, which had been completely shut down, received an emergency business letter requesting for immediate supply of 400 oxygen cylinders for the production of air respirators for the epidemic prevention work of the Suqian and Nantong fire brigades of Jiangsu Province. The head of Shanghai Tianhai arranged personnel overnight to check the inventory, pack the goods and perform the disinfection and sterilization process. It took only twenty hours for all these work and logistics vehicles loaded with 400 Tianhai industrial gas cylinders headed for Jiangsu to support the local epidemic prevention work.



Shanghai Tianhai prepared epidemic prevention materials overnight

On 4 February, we received messages that Beijing Friendship Hospital, Chui Yang Liu Hospital and other designed hospitals needed more medical oxygen cylinders, and Tianhai Industry received an urgent goods transfer letter regarding the transfer of a batch of oxygen cylinders of 219-40 liter specifications. As the local government strictly controlled the flow of people and the plant of Kuancheng Tianhai which received the assignment has not yet resumed production, the responsible officers of Kuancheng Tianhai took immediate actions to support the epidemic prevention supplies work of the capital through multi-party coordination, making phone calls, home visits and holding video conferences while not affecting its own epidemic prevention and control work. The shipment was completed on 8 February, the Chinese Festival of Lanterns, and all required oxygen cylinders were made available to the frontline on time for fighting against coronavirus at the capital.



Oxygen cylinders of Kuancheng Tianhai rushing to Beijing to support the frontline of "fighting the epidemic"



ESG MANAGEMENT APPROACH

On 12 February, Tianhai Industry received the “Work Contact Letter (《工作聯繫函》)” from the Emergency Material Support Group of Wuhan Epidemic Prevention and Control Command. Due to the urgent need for epidemic prevention and control, the cylinders produced by Tianhai industry will be included in emergency support materials to supplement the hospital oxygen supply. Immediately after receiving the Work Contact Letter, Tianhai Industry actively arranged for Kuancheng Tianhai to urgently coordinate a batch of medical oxygen cylinders to support the epidemic prevention work in Wuhan. On 13 February, the first batch of logistics vehicles loaded with 650 oxygen cylinders rushed to Wuhan to provide support. On 14 February, the Company received message from the Emergency Material Support Group of Wuhan Epidemic Prevention and Control Command that 650 medical oxygen cylinders was urgently needed, and Kuancheng Tianhai, after consultation with Southeast Asian customers, coordinated some goods for export as epidemic prevention materials to support the epidemic prevention and control work in Wuhan. On 16 February, the second batch of logistics vehicles loaded with 650 oxygen cylinders rushed to Wuhan again to provide support.



The first batch of anti-epidemic materials rushing to Wuhan to provide support



The second batch of anti-epidemic materials rushing to Wuhan to provide support



3) Procuring supplies through multiple channels for donation from thousand miles away

In the most critical moment during the war against the corona virus, we made full use of overseas subsidiaries and offices and other platforms to procure supplies through multiple channels and collected 10,000 medical masks, 100 barrels of medical alcohol, 200 barrels of disinfection liquid and other epidemic prevention and control materials. On 19 February, our logistics vehicles full of epidemic prevention and control materials left the Company, carrying our sincere wishes and concern, and went to the Shiyan Economic and Technological Development Zone in Hubei Province to join the Hubei People to fight against the corona virus.



The Company purchases epidemic prevention materials from all over the world for donation to Hubei

The Company will carry out its historical mission, take on the responsibility of epidemic prevention and fight the corona virus with all staff, together and eventually we will win this war!



APPENDIX: INDEX TO ESG REPORTING GUIDE

A. Environmental			
A1	Emissions	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste 	Fulfilling Green Operational Responsibilities
A2	Use of resources	<p>General disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials</p>	Fulfilling Green Operational Responsibilities
A3	The environment and natural resources	<p>General disclosure</p> <p>Policies on minimizing the issuer's significant impact on the environment and natural resources</p>	Fulfilling Green Operational Responsibilities
B Social			
B1	Employment	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare 	The People-Oriented Principle for Creating Harmonious Labor Relations
B2	Health and safety	<p>General disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards 	Fulfilling Green Operational Responsibilities
B3	Development and training	<p>General disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities</p>	The People-Oriented Principle for Creating Harmonious Labor Relations



B Social			
B4	Labor standards	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor 	The People-Oriented Principle for Creating Harmonious Labor Relations
B5	Supply chain management	<p>General disclosure Policies on managing environmental and social risks of the supply chain</p>	Creating Value and Contributing to Society
B6	Product responsibility	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress 	Creating Value and Contributing to Society
B7	Anti-corruption	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering 	Creating Value and Contributing to Society
B8	Community investment	<p>General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests</p>	Creating Value and Contributing to Society