



**Huajin International Holdings Limited**

**華津國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2738)**

**Environmental, Social and Governance Report  
2016**

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## Section 1 – About This Report

### 1.1 Introduction

As a responsible corporate citizen, Huajin International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”, “we”, “our” or “us”) is aware of its responsibility towards society and the environment. We are committed to making continuous improvement in environmental and society responsibility and strive to establish sustainable relationships with all stakeholders, in order to build a sustainable future.

As a leading cold-rolled carbon steel processor in Guangdong Province, the PRC, we care about the economic, environmental and social impacts of our business. In the hope of promoting a culture of environmental protection and giving back to the community, the Group has implemented various initiatives covering environmental management, labour practices, product quality, corporate integrity and community participation during the reporting period to fulfil our corporate social responsibility.

The Group is pleased to publish its first Environmental, Social and Governance (“ESG”) Report. This report highlights our policies and practices in corporate social responsibility (“CSR”) for the reporting period from 1 January 2016 to 31 December 2016 within our Group and among our stakeholders and attests to our ongoing commitment to creating a brighter future. The Group will continue this ESG reporting as part of the strategy to improve the Group’s sustainability performance.

### 1.2 Basis for Writing the Report

This report was prepared by the board (the “Board”) of the directors (the “Directors”) of the Company according to the Environmental, Social and Governmental Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The information disclosed in this report was sourced from the Group’s internal data results and internal management system analyses.

### 1.3 Scope of Report

#### Scope of Report:

This report focuses on the Group's headquarter and our two main production operations subsidiaries in the People's Republic of China (the "PRC"), namely Jiangmen Huajin Metal Product Company Limited ("Jiangmen Huajin") and Jiangmen Huamu Metals Company Limited ("Jiangmen Huamu"), located at Xinsha Industrial Park, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC.

Unless otherwise specified, all numbers are absolute figures. Subcontractors' personnel are not included in the employment section for the Group. For other ESG information, including financial data and corporate governance details, they have already been published in the Company's 2016 Annual Report.

This report has been approved by the Board. We would like to take this opportunity to thank every individual and organisation that participated in the work for this report.

## Section 2 – ESG Performance Overview

The following is an overview of the Group’s CSR work solutions for 2016:

Scope	Area	Policy/Regulation for Compliance	Summary of Initiatives
Environment	Emissions	✓	Make reasonable use of natural resources, reduce waste gas emissions
	Resource usage	✓	Energy saving plans for the “13th Five Year Plan” – energy audits
	Environmental protection and natural resources	✓	Waste hydrochloric acid onsite recycling project
Society – employment and labour practices	Employment	✓	Fair, equal and open system for internal employee promotions
	Health and safety	✓	Safe production responsibility management system
	Development and training	✓	New employee training, on-the-job training
	Labour standards	✓	The use of illegal or inhumane punitive measures or forced labour is prohibited
Society – operating practices	Supply chain management	✓	Supplier evaluation mechanism
	Product responsibility	✓	Establish and implement quality management systems
	Anti-corruption	✓	Anti-fraud management system
Society – community	Community investment	✓	Communicating with the government to work together on community development

## Section 3 – Environment

### 3.1 Emissions Control Management

We believe that environmental protection is extremely important to the sustainable development of the Group's business. Consequently, our operational decision-making processes take into account a wide range of environmental factors, and every aspect, from planning and procurement to production, involves input from all departments, organisations and business partners. We take a range of measures to reduce our environmental impact, control waste gas, greenhouse gas emissions, water and soil pollution, and reduce production of both toxic and non-toxic waste material, in order to fulfil our ongoing commitment to environmental protection.

Our production processes produce liquid waste, industrial waste water and metropolitan waste water. Energy saving plans for the "13th Five-Year Plan for Energy Saving and Environmental Friendly Industry Development Plan" published by PRC government (the "13th Five Year Plan") – energy audits

- Our acid washing workshop uses fully-treated neutral water to supply the furnace workshop dust-removal loop and acid washing tanks; and
- Waste water for external discharge is treated to the relevant limits for cold-roll companies in the Iron and Steel Industry Water Pollutant Discharge Standard 《鋼鐵工業水污染物排放標準》(GB13456-2012).

Our production processes also make appropriate use of natural gas or biomass fuel pellets, and we have signed contracts with gas suppliers to reduce waste gas and greenhouse gas emissions; this work is supervised and implemented by the Energy Audit Team which is headed by Mr. Kuang Junming, the Deputy Manager of Jiangmen Huajin and Jiangmen Huamu.

We take the following measures to manage solid waste:

- Scrap material is recycled by a metal recycling organisation;
- Packing waste material is recycled by the relevant waste recycling organisations;
- Specialist hazardous waste recycling companies handle the replacement of emulsified oils and acid washing effluent, and the replacement of machine oils for mechanical equipment; and
- Office waste is collected and disposed of by the relevant sanitation agencies.

The waste and pollutants generated during the additional production processes for zinc coating, such as hot-dip galvanisation, cooling and fingerprint resistant surface treatment, are mainly in liquid form. In addition, some solid residues, which mainly consist of zinc and iron (“Zinc Residue”), will be generated in the molten zinc bath during the hot-dip galvanisation process. Our Directors are not aware of any toxic chemical generated by the additional production processes for zinc coating which may materially impact the environment.

We will take the following environmental protection measures to address the wastes and pollutants generated in the zinc coating process:

1. the Zinc Residue generated in the hot-dip galvanisation process will be recovered for recycling; and
2. the liquid wastes and pollutants generated during the hot-dip galvanisation, cooling and fingerprint resistant surface treatment processes will be properly treated by our existing sewage systems of Workshop No. 3 which is adjacent to Workshop No. 4 before disposal, whilst those generated from the rest of the production processes in other workshops will be treated by the decontamination facilities in the respective workshops where the processes take place.

Our Directors believe that the above environmental protection measures can adequately and effectively prevent and control pollution to the environment that may be caused by the production of zinc coated steel.

During the reporting period, the Group has complied with the relevant environmental laws and regulations in the PRC for all major aspects of environmental protection, including waste gas and greenhouse gas emissions, water and soil pollutant discharge, toxic and non-toxic waste. The Group has not received any penalties for breaching the applicable laws or regulations.

### **3.2 Efficient Use of Resources**

The Group has created resource usage policies to manage energy savings, water consumption and raw material usage, with the goal of increasing resource efficiency, reducing waste by recycling reusable resources.

On the energy saving front, the Energy Audit Team, has created an effective system of rationalisation-focused audits, which includes the Energy Statistics Management System, Energy Consumption Quota Management System, Electricity Use Management System, Energy-saving Technology Modification Management System and the Energy Economy Reward and Penalty System. We have also formulated technology management systems for energy that require the use of energy-saving technologies in rebuilding, expansion and new build projects, while the associated feasibility studies and initial designs must demonstrate reasonable energy use. In addition, we have improved our publicity and education

programmes to promote energy efficiency and implement our energy development strategy of “simultaneously implementing energy savings and development, while putting energy economy first”, and comply with the environmental related policy titled the “13th Five Year Plan”.

In terms of water usage, we encourage the economical use of water in our day-to-day operations and we have reduced waste by recycling water resources.

Our quality targets include setting indicator requirements for the number of raw material issuing errors that occur during the production process, in order to reduce raw material waste. In our offices, we promote to reduce the use of paper by using double-sided printing and recycling one-side printing paper and electronic filing system. Ink cartridges are often refilled and reused, while a “new for old” replacement policy is operated for office supplies, so that older goods can be recycled and reused.

### **3.3 Environment and Natural Resources**

To reduce the impact of our day-to-day operations on the environment and natural resources, the Group identifies sources of emissions and waste products in our operational processes, as well as the severity of the environmental impact caused by the use of resources, and performs targeted environmental impact assessments. During the reporting period, we have adopted physical and chemical processes such as “regulate-neutralise-precipitate” to expand waste water treatment facilities in waste acid recycling projects, while the majority of waste water is reused in the acid washing process after being treated. Domestic waste water is currently treated with septic tanks and screening tanks before being discharged. We have also conducted environmental impact assessments on our metal product, strip shearing and logistics projects, and implemented management and monitoring of waste gas, noise and solid waste produced by such projects, in order to ensure that they comply with the relevant environmental quality standards.



## Section 4 – Personnel

### 4.1 Respecting Labour Rights

Employees are precious assets for the Group, as well as a vital element upon which the Group's success depends. In terms of employee salaries, recruitment, promotion, dismissal, work hours, holiday time, equal opportunities, diversity, benefits, welfare and fighting discrimination, we formulate management policies in accordance with the relevant local laws and regulations for the operational location, in order to properly protect and respect employees' rights and build an ideal workplace for employees.

We recruit and promote suitable employees in accordance with the principles of fairness, equality and openness, and we do not discriminate on the basis of race, skin colour, social status, birthplace, nationality, religion, disability, sex, sexual orientation, union membership, political views or age. We prohibit the use of child labour in accordance with the relevant standards and laws, and our PRC subsidiaries only recruit personnel over 18 years of age.

We provide employees with competitive salaries, benefits and welfare. Our employees' salary packages include wages, bonuses and allowances. In general, we determine salaries on the basis of each employees' individual qualifications, experience, job position and performance. In accordance with the provisions of the applicable PRC laws and regulations, we participate in society welfare programmes based on employees' actual salaries. These programmes provide our employees with a pension, medical insurance, industrial injury insurance, maternity insurance and unemployment insurance. In accordance with the provisions of the applicable PRC laws and regulations, we also provide our employees in PRC with social welfare programmes based on the employee's actual salary that cover a housing fund and housing benefits. All employees are able to give a reasonable notice period when they leave their job.

We understand the importance of work-life balance and implement a clear system of factory rules and penalties that prohibits and does not support the imposition of illegal or inhumane penalty measures and forced labour. We hold regular recreational activities for employees to reduce work stress, including table tennis, basketball, tug-of-war and singing events, while employees are also entitled to holiday days as specified in their employment contracts.

Our culture is about casting a wide net to recruit outstanding talent and including people from different backgrounds. We ensure that every employee is treated fairly and does not suffer unfair discrimination in terms of recruitment, salary, benefits, training opportunities and work arrangements.

During the reporting period, the Group's operations complied with all relevant local laws and regulations pertaining to employee salaries, recruitment, promotion, dismissal, work hours, holiday time, equal opportunities, diversity, benefits, welfare, fighting discrimination, child labour and forced labour, the Group was not penalised for any violations of the applicable laws or regulations, and there were no major employee or labour disputes that disrupted our normal day-to-day operations.

#### **4.2 Health and Safety**

The Group strives to uphold health and safety standards and comply with PRC laws and regulations regarding labour, safety and work accidents. We have established a Safe Production Responsibility Management System, and provide safety protection for employees in production factories, including issuing protective labour equipment to employees. We have prepared safety guidelines and operating manuals that include production process safety measures. We have also established a Safety Education and Training Management System that provide our employees with safety-related training schemes to ensure that all employees are familiar with our safety procedures and policies, including safety management, unforeseen circumstances, guidelines for the correct operation and use of equipment and machinery, and accident reporting rules, in an effort to achieve zero industrial accidents.

During the reporting period, the Group complied with relevant PRC workplace safety supervision regulations, while our PRC subsidiaries have completed the relevant registration procedures for the furnaces currently in use and have obtained specialised equipment usage registration certificates issued by the local quality and technology supervision agencies. We have not experienced any accidents or complaints that have had a major adverse impact on our operations, and we have not been penalised for violations of the applicable laws or regulations.

#### **4.3 Education, Training and Career Development**

In order to ensure the quality and train future management personnel, the Group uses comprehensive employee development and training programmes to increase employee knowledge of operational and safety practices and provide training based on specific job requirements. The objective of internal training is to train our employees and seek out talent, in order to provide promotion opportunities within the Group and foster employee loyalty, thereby laying further foundations for the sustainable development of the Group.

All employees receive new employee training from the human resources department when they start working for the Group. This training chiefly focuses on providing an understanding of the Company's development history, corporate culture, business philosophy, rules and regulations, basic business operations knowledge, safety rules, welfare/benefits systems, and other basic content. During the term of their employment, employees receive on-the-job

training organised by the human resources department or the department in which they are employed.

We strive to provide ample career development opportunities and evaluate the work capabilities and performance of employees with the potential for promotion and the desire to change jobs, and make reasonable adjustments based on the Group's business development needs and the employee's individual wishes to help employees develop their careers.

## Section 5 – Operating Practices

### 5.1 Product Responsibility

Our ability to consistently deliver high-quality and intensively-processed steel products to our customers is critical to our business. For this reason, we have always attached great value to quality control and have adopted stringent quality standards to eliminate any possibility of consumers incurring personal injury or property damage caused by defects in our metal products and ensure that our products comply with the product quality standards set out in PRC laws and regulations, including the PRC Quality Law and the PRC Consumer Rights Protection Law. Jiangmen Huajin and Jiangmen Huamu have held ISO 9001:2008 certification in relation to their quality management systems since 2008 and 2015, respectively. In order to guarantee reliable product quality, our quality control team meticulously monitors every stage of our operations, from selecting suppliers and checking key raw materials to conducting spot-checks on semi-finished and finished products.

Our meticulous quality management systems strictly enforce quality control policies, while our product quality warranties generally require us to produce products that are free from any defects in materials or processes and that comply with customer requirements. If a product fails to meet the product requirements as a result of fault on our part, the customer may return the defective product to us within 15 days and we are required to repair or replace the product at no charge.

During the reporting period, there were no major product quality issues that resulted in the occurrence of health and safety incidents or the imposition of fines, product recall orders or penalties by the PRC government or its regulatory authorities.

Our PRC subsidiaries have filed patent applications for pending patents for our business operations with State Intellectual Property Office of the PRC, while the patents applied for were created by our employees. We possess registered trademarks and have submitted trademark applications for pending trademarks for our business operations to the Trademark Bureau of the State Administration for Industry and Commerce. The registered trademarks are intangible assets belonging to our PRC subsidiaries, and as such are of great importance to our business operations. The protection of our intellectual property (“IP”) depends upon a number of laws and regulations, including, but not limited to, the Patent Law and the Trademark Law of the PRC, as well as agreements concluded between the Group and its employees. In accordance with the relevant agreements, all IP rights to inventions, technologies and products created by our research personnel during the term of their employment belong to the Group for the duration of their employment and for a period of five years from the termination of their employment; in addition, all materials pertaining to

such products, technologies and IP rights are strictly confidential. Such obligations undertaken by our employees are mandatory and legally binding.

During the reporting period, the Group complied with all applicable local laws and regulations in the operational locations concerning advertising, labelling and privacy issues for products and services.

Insurance policies purchased by the Group include property all-risk, environmental pollution liability, goods in transit, cash and cash equivalents, and employee's liability. We believe that the insurance coverage we have purchased is ample for our operations and consistent with best practice. We were not involved in any major insurance claims during the reporting period.

## 5.2 Supply Chain Management

We have established stable, long-term business relationships with our major steel raw material suppliers, which allow us to obtain steel raw materials of all grades whenever they are required. To make the most in-depth understanding of the industry and grasp of market trends that our suppliers possess, we communicate and work closely with our major suppliers to obtain up to date market information on future customer demand. We are convinced that our stable, long-term relationships with suppliers also help us to strengthen our relationships with major customers and maintain our competitiveness.

We have established processes for evaluating and selecting suppliers. Before our procurement team adds a potential supplier to our list of approved suppliers, they conduct a variety of background assessment on potential suppliers, including evaluations of their operational scale, quality control, delivery times and reputation in the industry. To ensure the quality of raw materials, our procurement policy is to purchase raw materials only from approved suppliers. We also conduct assessments and evaluations of our existing suppliers from time to time. Any supplier that fails to meet our requirements will be removed from our list of approved suppliers. We have not encountered any major difficulties with confirming potential suppliers during the reporting period and we do not expect to do so in the foreseeable future. Over the same period, we have also encountered no major disputes with suppliers; nor have we experienced any supply interruptions, shortfalls or late deliveries involving raw material suppliers that would cause major adverse effects on our operations. At the end of 2016, out of the total number of 114 suppliers, we have 87 suppliers located in Guangdong Province and 27 suppliers from other provinces in the PRC.

We provide delivery services to the majority of our larger customers. Product risk and ownership is transferred to the customer once the customer collects or takes delivery of the products. Our products are delivered: (i) to domestic customers, principally by road freight; (ii) to overseas customers, mainly by shipment on a free on board basis. During the reporting period, we experienced no major disruptions or damage involving our products during the shipping process.

The Group actively works with its partners to fulfill its corporate responsibility, promote the sustainable development of the industry, and increases its positive impact on the environment and society.

### **5.3 Ethics and Anti-corruption**

The Group strives to ensure compliance with the relevant local and international laws and regulations concerning bribery, extortion, deception and money laundering; we regularly review operating procedures and guidance, as well as strengthening internal controls and compliance reviews.

Our employees operate in good faith to uphold the Group's business integrity, as reflected in the following areas:

- Signing Integrity Responsibility Agreements with suppliers;
- Anti-fraud management system;
- Established complaints procedures and channels;
- Appointed independent auditors to audit the accounts; and
- Conflict of interest policy.

During the reporting period, the Group complied with all relevant local laws and regulations for the operating locations concerning bribery, extortion, deception and money laundering.

## Section 6 – Community Involvement

The Group has consistently supported community participation and promoted the development of the local economy. Our Company has successfully finished the global offering and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 April 2016.

During the reporting period, we participated in the Xinhui District Major Corporate Taxpayer Forum, at which we explained the state of the company's development to the municipal and district governments and obtained a greater understanding of their respective policy directions, enabling us to continue to strengthen our business development and make positive contributions to the local economy of Xinhui District.

**Share your opinion with us!**

We value your opinions on this 2016 ESG Report. Your opinions help us to implement our vision of sustainable development for the future. We invite you to share your opinion with us via the following methods:

**Huajin International Holdings Limited****Headquarter in the PRC:**

Xinsha Industrial Park, Muzhou Town, Xinhui District,  
Jiangmen City, Guangdong Province, PRC

**Principal place of business in Hong Kong:**

Room 518, Tower A, New Mandarin Plaza,  
No. 14 Science Museum Road,  
Tsim Sha Tsui East, Kowloon, Hong Kong

**Company Website**

[www.huajin-hk.com](http://www.huajin-hk.com)

**Email**

[info@huajin-hk.com](mailto:info@huajin-hk.com)