Midas Holdings Limited

2014 Sustainability Report

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Sustainability report overview

As a leading manufacturer of aluminium alloy extruded products, Midas Holdings Limited ("Midas" or the "Company") is aware that our operations have impacts on the environment and society – such as air pollution from manufacturing processes and requiring our employees to operate in challenging environments. While we continue to minimize the negative impacts, Midas is striving to ensure its business operations are conducted in a sustainable and responsible manner. We believe that sustainable development does not mean sacrificing corporate's profits. Rather it is an opportunity for risk management, efficiency improvement, innovation and growth. In the spirit of transparency, Midas has produced its first ever Sustainability Report to evaluate its environmental and social impacts and policy, and look for future opportunities.

We understand that our operating environment is changing. Increasingly severe sustainable development challenges will undoubtedly impact our business – from compliance, operating efficiency, supply chain management and market competitiveness to our long-term growth strategy. Our listing on The Stock Exchange of Hong Kong Limited ("HKEx") has also prompted us to step up our sustainability efforts as the HKEx plans to raise the level of obligation to its Draft Environmental, Social and Governance Reporting Guide ("HKEx ESG Guidelines") to "comply or explain" by 2015. Similarly, Singapore Exchange Securities Trading Limited ("SGX") has announced in October 2014 to move sustainability reporting from voluntary to "comply or explain". In China where our manufacturing facilities are based, the revised Environmental Protection Law, effective from January 2015, imposes stricter obligations on enterprises regarding pollution prevention, management and disclosure and provides harsher punishments for wrongdoing. Therefore, we are facing increasingly stringent regulations. We are pleased to announce that Midas' activities have been in compliance with relevant laws and regulations.

In addition to compliance risks, we see strong opportunities for our products as a solution to today's transition to green and sustainable economies where we serve. Due to their lightweight, durability, recyclability and energy-efficiency, our products are meeting customers' demand for smarter and sustainable materials in the Transport Industry and Power Industry. According to China's five-year plan from 2011 to 2015, China plans to have 120,000km of operating railway track network. Our polyethylene pipes are non-toxic in nature and they are cost efficient and possess high resistance to corrosion. We truly believe that our business will grow stronger with sustainable development.

Therefore, it is the Company's aim to align its sustainability reporting with regional requirements and international best practices. As far as possible, this report discloses key environmental and social indicators in line with HKEx ESG Guidelines and the Global Reporting Initiative ("GRI") fourth generation ("G4") guidelines. For our first Sustainability Report, we reviewed the impact of the Liaoyuan site of Jilin Midas Aluminium Industries Co., Ltd on its surroundings. The report helps us create a communication tool that enables us to further engage with our key stakeholders in the future.

Midas conducted a materiality assessment of HKEx ESG Guidelines key performance indicators ("KPIs") to determine which are most relevant for its business. Our assessment took into account stakeholders such as employees, peers and industry sources, sustainability reporting guidelines, environmental impact modelling and valuation, etc. KPIs were ranked and cross-checked against data availability. The sustainability information disclosed in this report is material according to the Company's corporate strategy and best practice sustainability guidelines.

Sustainability highlights in 2014

Our first Sustainability Report has resulted in the following key discoveries at our Liaoyuan site:

- Whilst we had no fatalities, we lost 1,103 working days due to injury. This is impacting the well-being of our employees and our efficiency as a company. We will investigate the main causes of such injuries, and put measures in place to improve the injury rate in future.
- We used 113,516 MWh of energy in our operations, resulting in 73,324 tonnes of carbon dioxide equivalent ("CO_2e"). 24% of energy use was coal, which resulted in a high proportion of environmental pollutants - causing global warming, health problems and damage to the natural environment. We will look into improving energy efficiency, and consider increasing the use of cleaner or renewable fuels.
- Almost 90% of our waste is currently sent to landfill. We will aim to improve our recycling rate and investigate reuse in order to improve our operational efficiency.
- We currently work with our suppliers to minimize raw material use – for example, by recycling and sending aluminium alloy scrap back to our suppliers to be re-processed into aluminium billets, which we can then reuse. We will continue to engage with our suppliers to identify other opportunities to optimize our sourcing.
- We donated RMB5,000 to sponsor the Hosiery Liaoyuan International Fair, which contributed to the economic development of the area. We will build on this experience by investigating other avenues for assisting in the development of the Liaoyuan economy. This will help to bring prosperity to the area and demonstrate a positive external contribution by Midas.

Methodology

Midas took the following steps in order to compile our first Sustainability Report in line with the HKEx ESG Guidelines.

Materiality assessment

The HKEx ESG Guidelines emphasize that companies should only reporting relevant environmental and social ("E&S") KPIs. Midas conducted a materiality assessment to identify which quantitative E&S KPIs are relevant for our operations, and hence should be disclosed. We conducted a review of the key topics discussed by stakeholders such as peers, industry sources and sustainability reporting guidelines such as the GRI. We also used environmental impact modelling and valuation to quantify the most material environmental impacts for our industry. KPIs were ranked to determine the most material impacts, and these were cross-checked against data availability. The KPIs disclosed in this report are therefore the most relevant according to the Company's corporate strategy and best practice sustainability guidelines.

Scope and boundary

Taking a pilot approach, we chose to begin to collect E&S data on our Liaoyuan site based in the Jilin Province as it is most significant in our operations. We are reporting in line with our 2014 financial year – (January – December 2014) and we plan to continue to report for the same period on an annual basis going forward.

Data collection and analysis

As the structure of the HKEx ESG Guidelines are closely aligned to the GRI guidelines, Midas has mapped our material KPIs to GRI G4 indicators where possible to inform the methods of collecting and calculating data. We collected E&S KPI data using a customized spreadsheet, and we were able to collect comprehensive data on the majority of KPIs.

Results

We have compiled the information relating to material E&S KPIs in order to summarize Midas' sustainability performance at Liaoyuan in 2014. Information is reported in accordance with the HKEx ESG Guidelines and GRI G4.

Area A: Workplace quality

This section presents information on our workforce, health and safety and training provided at Liaoyuan.

Table 1: A1.1 (GRI LA1) Total workforce by age group

Age group	Number of workforce
Under 30 years old	722
30-50 years old	826
Above 50 years of age	49

Over ½ of our workforce is in the 30-50 age group, and the second largest group is under 30. This demonstrates that we have a young and dynamic workforce, which puts us in a strong position for the future.

Table 2: A1.1 Total workforce by type of employment

Contract time	Hours	Number of workforce
Permanent	Full time	1,553
Long term	Part time	0
Temporary	Full time	44

The majority of our staff are permanent and full time, hence are likely to show greater loyalty to the Company.

The Liaoyuan site had no fatalities in 2014, although we lost 1,103 working days due to injury (A2.2, GRI LA6). As this is impacting the well-being of our employees and our efficiency as a company, we will investigate the main causes of such injuries, and continue to monitor this in future years to ensure that our injury rate is improving.

Table 3: A3.2 (GRI LA9) The average training hours completed per employee by age group

Age Group	Average training hours
Under 30 years old	62.7
30-50 years old	61.5
Above 50 years of age	62.3

We provided an average of 62.1 hours to our employees in 2014. Our training period is fairly consistent across all age groups, helping to promote mobility within the Company.

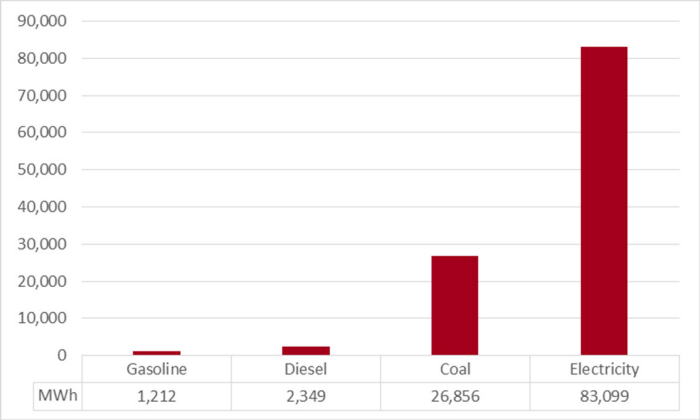
Besides the structured hours of training provided above, our employees also receive on-the-job training and ad-hoc training courses wherever possible.

Area B: Environmental protection

This section presents information on the environmental impact of our Liaoyuan site.

Our Liaoyuan site consumed 113,516 MWh of energy in 2014, as shown in the chart below.

Figure 1: B2.1 (GRI EN3) Energy consumption by type



We calculated the resulting emissions to air due to our fossil fuel consumption at Liaoyuan.

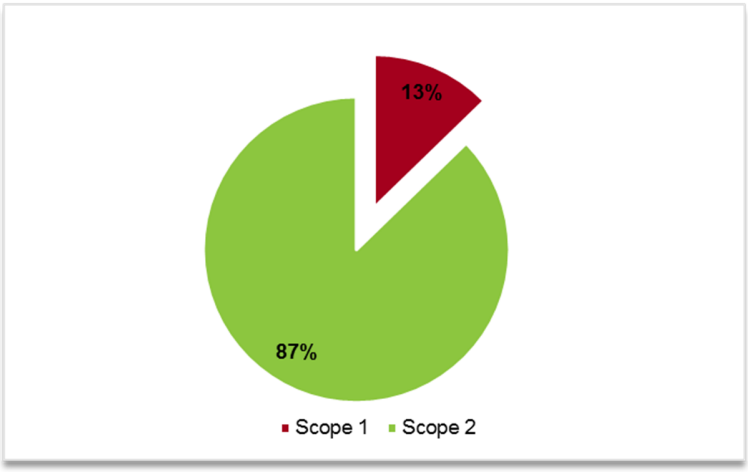
Table 4: B1.1 (GRI EN21) The types of emissions and respective emissions data

Emission type	Quantity (tonnes)
Nitrogen Oxide	36
Sulphur Dioxide	72
Carbon Monoxide	124
Ammonia	1
Particulates	6
Volatile Organic Compounds	3
Total	**242**

Over 50% of all emissions to air were carbon monoxide, with sulphur dioxide being the second highest emission quantity. Carbon monoxide almost exclusively derived from gasoline, and sulphur dioxide from coal.

Our Liaoyuan site emitted 9,337 tonnes of CO_2e from fossil fuel use – 91% of these emissions deriving from coal - and 63,987 tonnes CO_2e from electricity consumption, resulting in a total of 73,324 tonnes CO_2e in 2014 (B1.2 - GRI EN 15 and EN 16). The chart below shows the distribution between Scopes 1 (fossil fuels) and 2 (electricity), in accordance with the Greenhouse Gas Protocol ("GHGP").

Figure 2: Scope 1 and 2 distribution



In 2014, 24% of our energy use was coal, contributing almost all of our Greenhouse Gas emissions and a high proportion of sulphur dioxide. Gasoline use also caused the vast majority of our carbon monoxide emissions at Liaoyuan. Such air pollutants can cause global warming, health problems and damage to the natural environment. Midas will therefore look into increasing the use of cleaner or renewable fuels in the future.

We collected information on waste data at Liaoyuan. In 2014, we generated 12 tonnes of hazardous waste and 156 tonnes of non-hazardous waste (B1.3 and B1.4 – GRI EN23). The chart below shows the waste management route of this waste.

Figure 3: Waste generated by management route



Almost 90% of our waste is currently sent to landfill. We will aim to improve our recycling rate and investigate reuse in order to improve our operational efficiency.

Area C: Operating practices

This section presents information on the supply chain and product management practices at Liaoyuan.

Table 5: C1.1 Suppliers by percentage of purchases

Supplier group	% of purchases
The largest supplier	25%
Five largest suppliers in aggregate	67%

We recycle and send aluminium alloy scraps resulting from production processes back to our suppliers to be re-processed into aluminium billets, which we can then reuse. As we are minimizing the need for raw materials, we are reducing our dependence on natural resources and improving the efficiency of our operations. We will continue to work with our suppliers to identify other opportunities to optimize our sourcing.

In 2014, our Liaoyuan site had no product recalls for safety and health reasons (C2.1 – GRI PR1), did not receive any complaints (C2.2 – GRI PR5), and had no legal cases regarding corrupt practices (C3.1 – GRI SO5).

Area D: Community involvement

This section presents information on our involvement with the local community of Liaoyuan city. Our Liaoyuan site provided RMB5,000 (D1.2 – GRI EC1) to the Hosiery Liaoyuan International Fair (D1.1 – GRI SO1) in 2014. This fair is organized by the Liaoyuan city municipality to promote the city's hosiery industry, and is part of a local government initiative to encourage companies to assist in Liaoyuan's economic development. We will build on this experience by investigating other avenues for assisting in the development of the Liaoyuan economy, helping to bring prosperity to the area and demonstrating our positive external contribution.

Sustainability policy

Midas' policy summarizes our commitment to continuously working to integrate the management of material issues into business as usual, ensuring sustainable long-term growth. The policy focuses on subjects from the HKEx ESG guidelines, determined to be most material to Midas.

Workplace quality

- Midas complies with relevant regulations governing the protection of human rights, occupational health and safety standards and labour of the jurisdictions in which we conduct business
- Midas is committed to:
    - Encouraging a work environment which values and respects all employees
    - Encouraging and maintaining a positive safety culture and behaviour
    - Providing appropriate safety training at every level
    - Encouraging and promoting a diverse workforce
    - Supporting career progression and providing appropriate training

Environmental quality

Midas complies with relevant regulations governing the protection of environmental standards of the jurisdictions in which we conduct business.

Midas is committed to:

- Identifying opportunities to reduce the environmental impact and improve environmental efficiencies of Midas' activities, with particular focus on energy consumption and waste generation
- Developing and disclosing a responsible purchasing policy

Operating practices

Midas is committed to:

- Ensuring company-wide awareness of E&S issues and compliance with the company sustainability policy
- Developing and maintaining an active and constructive dialogue with suppliers
- Developing and disclosing policies on quality assurance process and re-call procedures
- Ensuring company-wide awareness and implementation of preventative measures

Community involvement

Midas will continuously promote and expand its commitment to society including:

- Working towards minimizing any negative impacts of our operations on local communities
- Connecting with local charities working in areas of our operations to support local economies. Midas has been, for example, supporting the Hosiery Liaoyuan International Fair in 2014, which is part of a local government initiative.
- Facilitating a transparent and productive dialogue with communities and other stakeholders
- Maximizing local resources (such as suppliers and employees) as much as possible and appropriate

This sustainability policy statement summarizes Midas' Environmental, Social and Governance Standards (March 2015). This Summary should not be viewed as a comprehensive expression of Midas' detailed commitments.