



CHINA ENERGINE

From Engine to New Energy

CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際(集團)有限公司*

Stock Code 股份代號 : 1185



2015

Corporate
Social Responsibility
Report

* For identification purpose only
僅供識別



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About this Report



Reporting Period

Financial year of 2015

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

**Workplace
Quality**



**Environment
Conservation**



**Community
Participation**



**Operating
Practices**



Group Profile

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

China Energinet focuses on the development of businesses which are strongly supported by the state, comprising manufacture of wind turbines, development of wind farm, distributed energy, wind-solar energy storage integration and graphene energy storage.

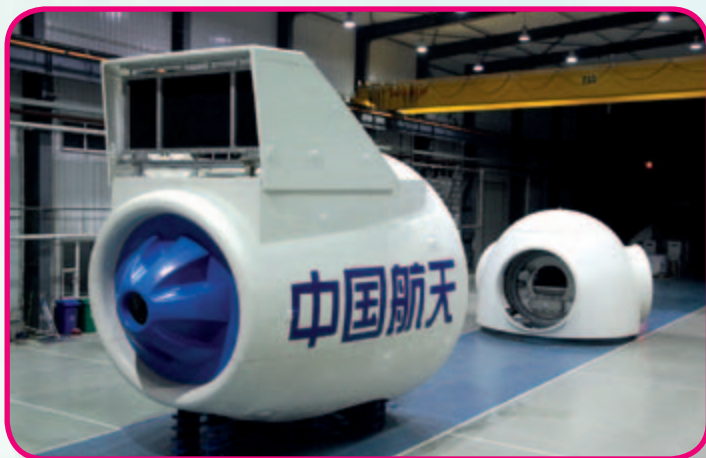
The Group has capabilities for the research and development and production of wind turbines as well as the design, construction and operation of wind farm across the wind power industry chain. The Group has hitherto accumulated a history of over 15 years of experiences in self-research, development and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

China Academy of Launch Vehicle Technology, the Group's major shareholder and a subsidiary of China Aerospace Science and Technology Corporation, is the place of origin of China's launch vehicles and the largest entity for research, design and manufacture of launch vehicles. The Academy has finished tasks on science research, design and manufacture of launch vehicles with outstanding performance. In addition,

it conducted active capital operation by capitalising on the capital market mechanism in Hong Kong to restructure the new energies and materials application technologies developed by its utilising aerospace hi-tech with the assets of China Energinet. As such, we complemented each other's advantages and grew stronger, paving a solid foundation for the Group's fast and healthy development.



Group Profile



Over the years, the brand of Aerospace has great influence over various regions across the nation. Meanwhile, since Aerospace has been developing the wind energy industry for a long period of time, a very good development relationship has been established with various provinces and good partnership relationship is also maintained with the top five power companies. Moreover,

as China Enginex has been engaging in the production of automotive components, such as automotive engine management system and automotive sealing system for a long period of time, the Group has maintained close business relationships with large automobile manufacturing groups such as the First Automotive Works Group ("FAW"), Dongfeng Automobile Co., Ltd. ("DFAC") and SAIC Motor Corp. Ltd. ("SAIC Motor").





Stakeholder Engagement

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

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

Workplace Quality



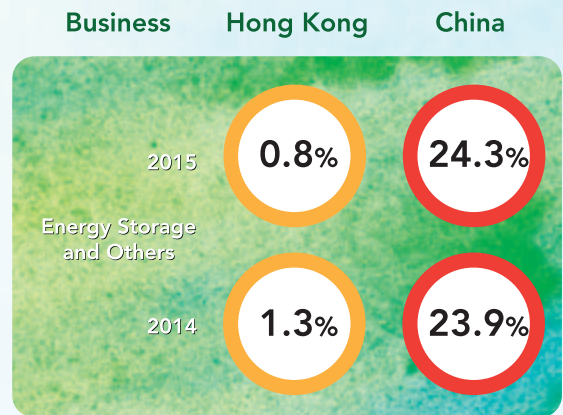
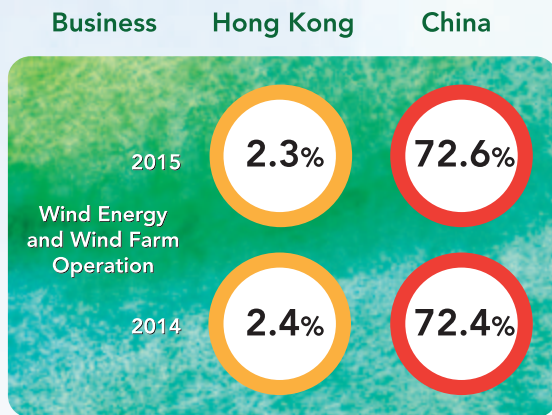
Working conditions

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

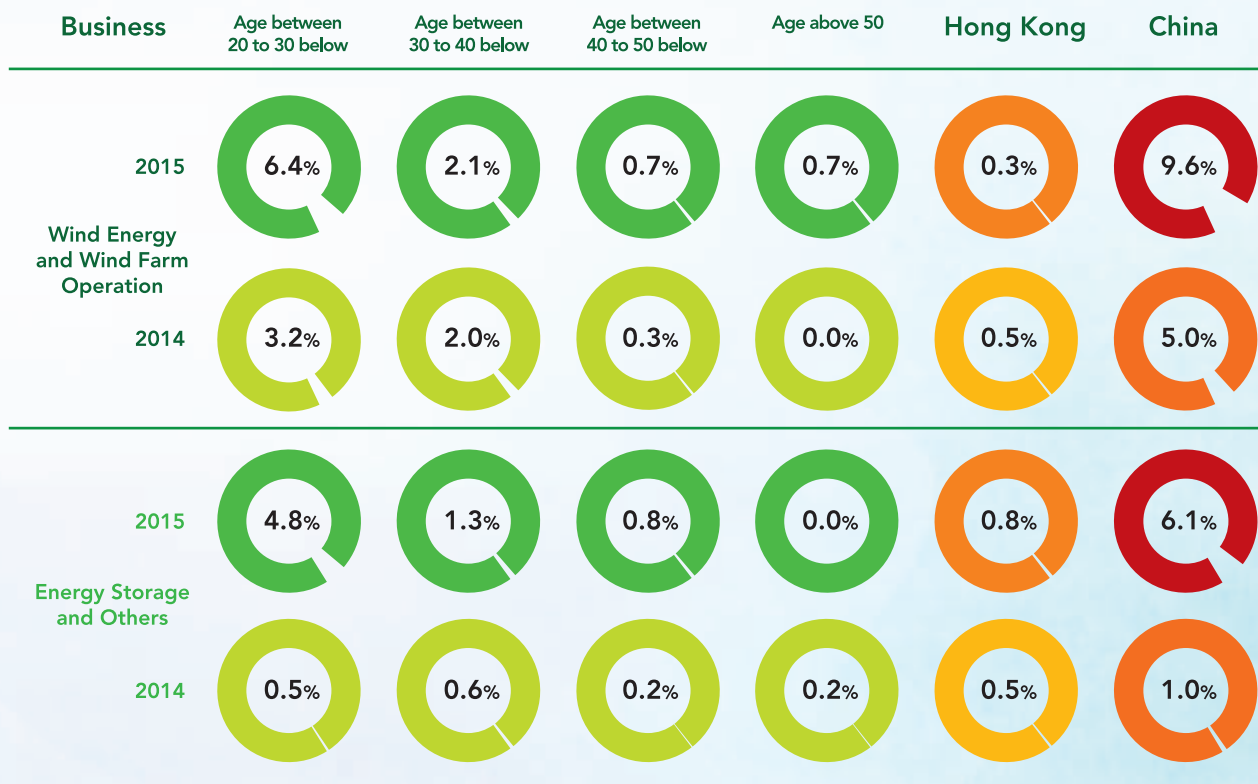
Total number of employees by age group and gender:

| Business | Age between 20 to 30 below | Age between 30 to 40 below | Age between 40 to 50 below | Age above 50 | Male | Female | |
|-------------------------------------|----------------------------|----------------------------|----------------------------|--------------|------|--------|-------|
| Wind Energy and Wind Farm Operation | 2015 | 45.2% | 15.8% | 9.4% | 4.5% | 54.4% | 20.5% |
| | 2014 | 44.4% | 18.6% | 10.2% | 0.3% | 58.9% | 19.8% |
| Energy Storage and Others | 2015 | 10.2% | 8.4% | 5.5% | 1.0% | 14.7% | 10.4% |
| | 2014 | 13.5% | 8.4% | 4.4% | 0.3% | 11.4% | 9.9% |

Total number of employees by geographical area:



Turnover rate of employees by age group and geographical area:



Workplace Quality



Health and safety

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



In 2015, the Company formulated the objectives and management solutions relating to environment and occupational health and safety for 2015.

Occupational health and safety objectives

Accomplishing level two of corporate production safety standard in Beijing

According to the rating scheme of corporate production safety standardisation for the manufacturing industry in Beijing, Beijing Energiner obtained the score of 892 for production safety standards and was recognised as an enterprise accomplishing level two of corporate safety standard in Beijing.

The safety standardisation management system developed by the Company basically complies with the requirements set out in the “Universal Standard of the Two-Level Review of Production Safety Standardisation for the Manufacturing Industry in Beijing”. The responsibilities of all functional departments were specifically defined. These departments carried out production safety standardisation activities in accordance with their respective terms of reference. Letters of commitment to production safety objectives were signed by departments of all levels. A safety responsibility system in relation to all functions and levels was established and regular inspections and assessments were conducted. The objectives and measures of production safety were implemented. The Group



regularly organised various forms of cultural activities and training programmes in relation to safety in order to equip its employees with a stronger safety awareness and facilitate the initial establishment of a safety culture system within the Group.



The Group had a comprehensive safety and risk identification and evaluation for its operating activities. The control measures were effective and the safety equipment and protective facilities were in compliance with the requirements of national standards and regulations. With satisfactory production safety conditions, the Group developed a work permit system for its direct operation process to strictly monitor and ensure safety during direct operation.

In conclusion, during the standardization process of production safety, the management of the Group stressed on its importance; junior staff of all departments were allowed to play their roles in production safety, the Group reinforced their knowledge, awareness and operation skill on production safety in its pursuit of better production safety standard.

2014 and 2015



Number of work-related fatalities

0



Lost days due to work injury

0

Workplace Quality



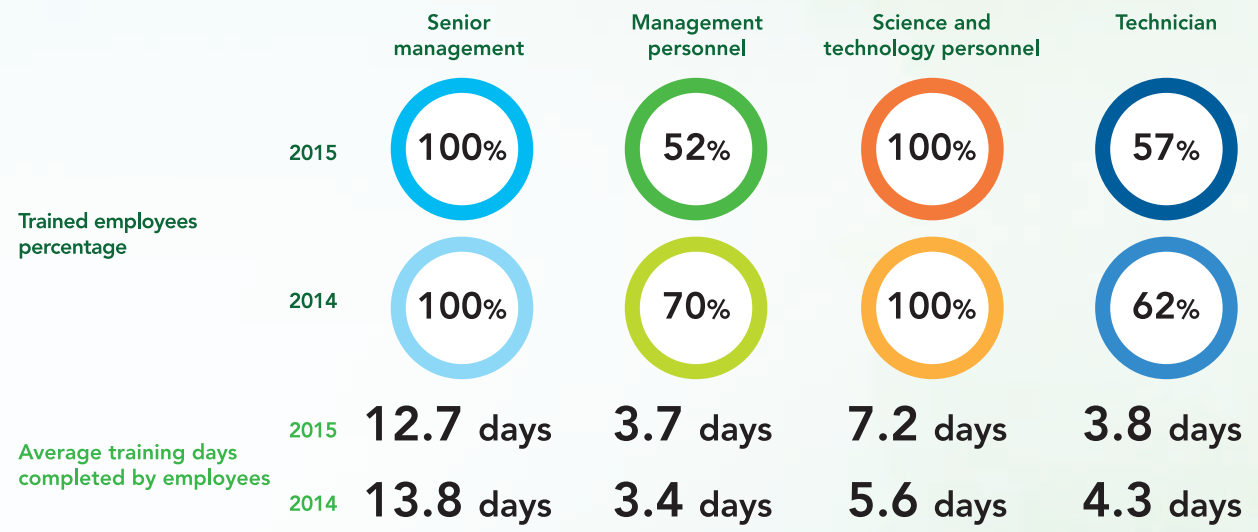
Development and training

Education training by levels and categories

In 2015, starting from the perspectives of the requirements for building talent teams, the qualification requirements for taking posts and business needs, the Group systematically rationalized the training needs, identified the training focuses for different teams, different levels and different posts, establishing a training programme system by taking into account the qualification requirements for taking posts, in enhancing training in a systematic, targeted and effective way. Meanwhile, the Group kept broadening the coverage of education and training, with the training rate significantly improved as compared to 2014. In 2015, the Group held 7 in-house training programs of quality, environment, occupational health and safety and 21 external training programs, with an education expense of RMB1.17 million and a training scale of 2,512 man-days, totaling 931 man-time, which effectively satisfied the increasing demand for employee quality from production and operation and paved the career path for employees.

Building a system for employee development in practice

With advancing the job qualification work as the foothold, the Company has established an employee training mechanism for evaluating the capability of employees in a scientific way, driving the enhancement of the business competence of employees and promoting the career development of employees. In 2015, the Company established a career development path for research and development staff and technical employees and launched job qualification assessment and certification; and carried out labour skill contests for technical employees and the "five small achievements" review, as steered by enhancing the quality of the technical team. Through a series of measures for promoting the career development of employees, the Company has eliminated the employees' confusion about their careers and enhanced the motivation and innovation of employees.



Workplace Quality



Labour standards

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



2014 and 2015



Litigation on labour dispute for the Group

0



Environmental Conservation



Emissions

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

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

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



Environmental Conservation



Environment, natural resources and the use of resources

In 2015, The Company formulated the objectives and management solutions relating to environment and occupational health and safety for 2015.

Environment protection objective:

The Company's centralised waste disposal rate in the Beijing head office was 100% and the recycling rate of hazardous wastes was 100%. Domestic wastes are disposed of by Wanyuan Properties according to the agreement. Hazardous wastes, such as toner cartridges and ink cartridges, were recycled by designated manufacturers.



During maintenance of turbines, all employees of the Engineering Department on the wind farm were required to carry a plastic bag for centralised disposal of wastes, such as disposed cloths and head bands, when entering the towers for inspection. The wastes were then collected in the booster station in the waste disposal areas designated by the wind farm owners for their centralised disposal. The centralised disposal rate could reach 95%.

Adhering to reasonable utilisation and usage of public resources and energy, the Company promoted the value of energy conservation and the disgrace of wastage among its employees. Employees were required to conserve public resources and energy to the full extent. A weekly inspection system was established to ensure that expenses on resources and energy consumption of the Beijing head office of the Company were under strict control. Significant improvement in annual energy and resources saving was made. According to the statistics of the Company, total annual office power consumption per person decreased by 28.8% compared with last year; annual consumption of bottled water per person decreased by 26% compared with last year; total annual usage of tap water per person decreased by 35.6%

Environmental Conservation



compared with last year; total annual office consumption of paper per person decreased by 50.5% compared with last year; and total annual fuel consumption on corporate cars decreased by 24.4% compared with last year.

Improvement in protection and maintenance of work environment

According to procedures on monitoring the environment performance and surveillance control formulated by the Company, the Department of External Liaison is responsible for the supervision, surveillance and inspection of the implementation

and effectiveness of environmental objectives, indices and management solutions. By filling the "environmental performance inspection record", the Department of External Liaison timely rectified the problems identified during inspection with precautionary measures, and conducted satisfactory survey on workplace environment.

Technical improvement measures and control on environmental safety

In 2015, the Company formulated and refined several environment protection and safety measures and replaced the light bulbs with energy-efficient alternatives in the Beijing head office. Interior plants were replaced to maintain a greener work environment. All the obsolete wiring boards were discarded. Besides, smoking was fully prohibited. These initiatives allowed the Company to realise its philosophy of a clean office with "effective energy conservation, lower energy consumption, less pollution and higher efficiency".



Operating Practices



Supply chain management

Reliable quality and stable supply chain

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

The Group strictly implements the “Measures for the Management of the Purchase of Supplies” and has adopted an annual tender approach to invite tenders for components and parts required for the batch production of wind turbines. For special components and parts for which tenders cannot be invited, the Company has adopted an inquiry and negotiation approach for purchase. While effectively reducing the purchase cost, the above standardisation of purchase has advanced the implementation of the purchase model.



Development and management of supplier

The Company has formulated the specific detailed rules for the annual appraisal of suppliers and organized departments including Quality, Operation and Maintenance, Research & Development and Integrated Planning to implement supplier appraisal so as to provide a basis for enhancing the quality of suppliers, which effectively promoted the improvement of both suppliers and purchase management.



In 2015, in accordance with the requirements of the Company on supply chain construction, the Purchase Management Department focused on developing five suppliers and made multi-faceted contacts with potential suppliers in light of the relatively few number of suppliers of parts such as castings, bearings, drives, slip rings, transformers, master control, fasteners and cables. The development of all new suppliers has strictly complied with the “Measures for the Development and Management of Suppliers”, which was jointly appraised and assessed by the departments of Purchase , Quality, Operation and Maintenance and Research & Development, and the related records were made. The development of new suppliers has enriched the purchase channels, avoided the risks caused by sole suppliers and effectively reduced the purchase cost.

Number of suppliers by geographical region and business

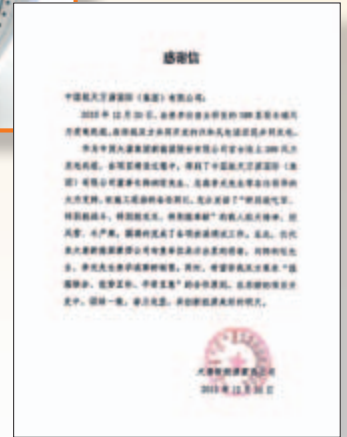
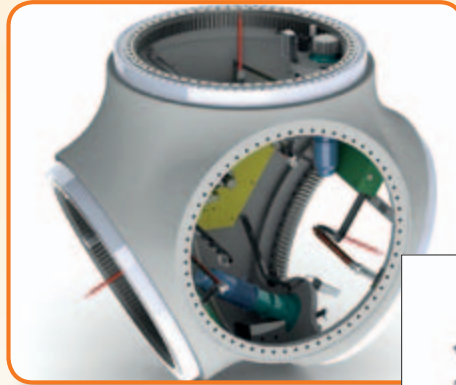
| Business | Qualified suppliers | China Northern region | China Southern region | Overseas | |
|-------------------------------------|---------------------|-----------------------|-----------------------|----------|---|
| Wind Energy and Wind Farm Operation | 2015 | 47 | 13 | 30 | 4 |
| | 2014 | 45 | 12 | 29 | 4 |
| Energy Storage | 2015 | 9 | 5 | 4 | 0 |

Operating Practices



Product liability

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



Ensuring product quality

The Group ensured our products reaching 100% passing rate on the assurance test on departing plant for delivery, and wind turbines in wind farms reaching an average utilization rate of 97%. i.e. high standard requirements for the product's quality. In parallel, the Group strictly controlled the product quality of its suppliers in stringently executing the supplier evaluation and control program.

Products guaranteed to comply with the relevant environmental, social, safety and management regulations

Products are designed to meet noise, safety and other national standards and are equipped with a number of protective facilities and equipment. Wind turbines are directdrive products which do not require gearboxes, thus avoiding, to the maximum extent practicable, the use of lubricants that, with its large consumption in use, pollute the environment.

Through the grid compatibility test and the power quality test required by the State and based on the domestic characteristics of domestic grids, the Company has improved its products to enable them to possess the low-voltage ride-through function in assuring the power generation efficiency and operational reliability of the products.

Providing quality services

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

Complaints received in 2014 and 2015



turbines and turbine blade products

0



energy storage products

0

Anti-corruption

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



Formulating systems, abiding by rules, strictly implementing "Eight Regulations"

The Company has completed self-examination, self-correction, inspection and rectification in respect of 32 key contents in 9 aspects ranging from the implementation of the "Three Important and One Large" system of important decision-making items, important appointments and dismissals, important project arrangements and large-amount fund operation, to the eight regulations of the central government, involving deployment of offices, and official vehicles, office expenses, conference fees, expenses relating to trips abroad, as well as supplies purchase, project construction, employee selection and appointment, fund management and use as well as resources allocation. Through improving systems, clarifying responsibilities, advancing the affixing of responsibility and establishing a long-effect mechanism, the Group has ensured the steady implementation of various rectifications.

Deepening education, reinforcing responsibilities, creating an anti-corruption atmosphere

The Group has established an anti-corruption responsibility system in strictly implementing the leadership's "three responsibilities" and "one post, two responsibilities", detailing the implementation of the anti-corruption responsibility. Targeting different posts and different groups, the Company completed the signing of written undertakings in respect of professional integrity by 53 middle-level leading officers of 23 types under 7 classes and 27 staff members holding key posts. The Company conscientiously performed its management and supervisory duties, insisted on conducting interviews with leaders before their appointment and strictly carried out reminders, inquiries by letter and admonishing. The Company vigorously carried out education on combating corruption and promoting incorruptibility and enhanced the creation of an atmosphere of professional integrity in the Company through such forms as visiting warning education bases, attending court hearings, watching films with the theme of anti-corruption and the establishment of columns for combating corruption and promoting incorruptibility.

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

2014 and 2015



Legal case regarding corruption brought against the Company or employees

0

Community Participation



Participation of the community work

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

The Company gave donations supporting education to Jiujiu Primary School in Xiahe County, Gannan, Gansu from 2014. The donations for 2015 and 2014 amounted to RMB118,600 and RMB122,800 respectively with 687 beneficiaries, as a light contribution to improve nationalism education and promote national solidarity. We undertake the corporate responsibility in the aerospace industry and the society. As a continuation, the Company will reinforce more effort to support Jiujiu Primary School in Xiahe and participate community activities more actively to make contribution to, and create value for, the community.

