



SHENGLONG
盛 龙

**SHENGLONG SPLENDECOR
INTERNATIONAL LIMITED**

盛龍錦秀國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8481)

**Environmental,
Social and
Governance Report**

2017

2017 Environmental, Social and Governance Report

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ABOUT THE GROUP

Shenglong Splendecor International Limited and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and sales of decorative printing materials products. The Group has been active in this industry over 20 years. In addition to its sophisticated equipment and advanced production lines, the Group always persists in following the principle of “Quality First and Customer First” by continuing to transform and introduce high-tech printing equipment to improve its production efficiency and quality.

The Group stresses the importance of technological innovation, research and development, which is validated by the various invention patents and design patents over the years. Operating our business under the brand SPLENDECOR, the Group has successfully developed a series of novel and environmental decor materials, including finish foil paper, decorative paper, melamine impregnated paper and PVC decorative films, with the offering of colour scheme solutions based on customer requirements. The Group’s products, which are sold throughout the world, are widely used in various areas, including furniture, cabinets, framework, door panels, fire-proof boards, melamine boards, chip boards, density boards and floorboards.

By always adhering to the corporate spirit of “responsibility, honour, innovation and improvement”, the Group strives to develop into a green business focusing on environmental decorative materials. With an aim to achieve customer satisfaction and upholding the standards of health, safety and environmental protection, the Group is committed to carrying out its corporate mission of “Creating Customer Values, Development Opportunities for Employees, Providing Better Places to the Communities, and Maintaining the Natural Harmony”.

ABOUT THIS REPORT

This is the first Environmental, Social and Governance (“ESG”) Report of Shenglong Splendecor International Limited, which disclose the actions and performance of the Group involved in sustainability in a transparent and open manner, so as to boost the confidence of the stakeholders in the Group and deepen their understanding about the Group.

REPORTING YEAR

All information provided in this report covers the period from 1 January 2017 to 31 December 2017, which is consistent with the financial year of the Group’s 2017 annual report.

BASIS OF PREPARATION

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the “ESG Guide”) promulgated by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”), the description of which sets forth the ESG performance of the Group in a simplified form. Information as contained in this report is derived from the statistics and analytical results of the Group. This report is prepared in Chinese and English, which is also uploaded to the Group’s website at www.splendecor.com. In case of any inconsistency or discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

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STAKEHOLDER ENGAGEMENT

Based on the relevant business management personnel's experience in and frequency of providing responses to customers, as well as consultations and interactive communications between external bodies and in-house employees, the Group filters and selects six major categories of stakeholders, which are identified as investors/shareholders/media, customers, employees, communities, government/regulatory bodies and suppliers.

Major Stakeholders	Communications Channel	Aspects in concern
Government/regulatory bodies	Due submission Inspection of compliance	Compliance with laws and regulation Corporate governance
Investors/shareholders/media	Information disclosed on the websites of the Company and the Stock Exchange General meetings Road shows	Market image Corporate governance Economic performance
Customers	Business visits Liaison through e-mail and telephone Regular meetings	Product quality Product management Environmental management
Employees	Training Employees' opinions and complaints Publications for employees	Safety Employee benefits Labour rights
Communities	Volunteer activities Sponsorship for public welfare events in communities Interviews	Emissions Social responsibility Community activities
Suppliers	Business visits Liaison through e-mail and telephone Regular meetings	Supply management and requirements Operating conditions

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ENVIRONMENTAL PROTECTION

Emissions

In accordance with the national laws, including the Environmental Protection Law (《環境保護法》), the Law on the Prevention and Control of Air Pollution (《大氣污染防治法》), the Law on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢棄物污染環境防治法》), the Law on the Prevention and Control of Water Pollution (《水污染防治法》), as well as local rules and regulations, including Zhejiang Ordinances on the Prevention and Control of Air Pollution (《浙江省大氣污染防治條例》), Zhejiang Ordinances on the Prevention and Control of Water Pollution (《浙江省水污染防治條例》), and Zhejiang Ordinances on the Prevention and Control of Environmental Pollution by Solid Waste (《浙江省固體廢棄物污染環境防治條例》), the Group has established the “Integrated Management System for Exhaust Gases”, “Integrated Management System for Wastewater”, and “Management System for Solid Waste”, whereby regulating the management of production activities, domestic exhaust gases and wastewater and solid waste, as well as preventing water and soil pollution, for the purposes of minimising environmental impacts on the surroundings and protecting and improving the environment.

To dispose wastewater, the Company adopts measures to separate drainage and sewage, under which, raindrops, production sewage, and domestic sewage at the preliminary stage will be transported in separate pipelines to our self-constructed sewage treatment station for treatment. Wastewater that is in compliance with the emission standard under the Integrated Wastewater Discharge Standard and the corporate standards set by Hangzhou Lin'an Wastewater Discharge Limited* (杭州臨安排水有限公司) will be directed to the municipal sewage pipeline. Hangzhou Lin'an Wastewater Discharge Limited will carry out subsequent treatment processes.

To dispose hazardous waste, electroplating sludge generated each year is delivered to a qualified recycling company for hazard-free treatments. To dispose exhaust gases, the Company installs exhaust collecting devices to our production equipment that will generate exhaust gases. The exhaust gases so collected will be transported to an exhaust gas treatment facility in a pipeline network, the discharge concentration level and speed ratio of which will meet the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》).

Every year, the Group appoints the relevant qualified third-party inspection and testing body to conduct inspection and testing over exhaust gases, sewage and noise so that all emission levels are in compliance with the limitation requirements under the Integrated Emission Standard of Air Pollutants (GB16297-1996) and the Integrated Wastewater Discharge Standard (GB8979-1996). During the reporting period, the Group's plants reported no non-compliant case involving the relevant environmental laws and regulations.

No substantial direct emission of greenhouse gas is generated from the Company's business operations. Our greenhouse gas emissions mainly discharged from our self-owned vehicles and indirect energy consumed by the Group for its daily operations, including electricity, natural gas and diesel. Further details of our greenhouse gas emissions are set forth as follow:

Direct greenhouse gas emissions (tonne)	—
Indirect greenhouse gas emissions (tonne)	3,583.4
Electricity (kWh)	3,695,316
Natural gas (m³)	790,502

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Note:

Data related to electricity is based on 809.5 grams of carbon dioxide per kilowatt, the default discharge factor set by Zhejiang Power Grid in the PRC.

Data related to natural gas is based on the reference values under the "Calculation Methods and Reporting Guide for Greenhouse Gas Emissions of Production Enterprises Engaged in Paper Production and Paper Products (Trial) of the PRC"* (中國造紙和紙製品生產企業溫室氣體排放核算方法與報告指南(試行)).

* For identification purposes only

Use of resources

In addition to formulating the "Control Procedures for Energy Conservation and Efficient Consumption", the Group adopts various measures to reduce the level of resources consumed during our business operations.

The Group makes production plans by aligning orders that consume the same paper for centralised production, which will reduce the number of powering on machinery and equipment. As a result, the utilisation rate of energy and raw materials will be increased. For transportation, our plant sites will also align orders in close proximity for transportation in the same vehicle to reduce the number of commutes, which will further reduce fuel consumption.

Furthermore, the Group installs water metres to facilities that require water consumption for the purposes of monitoring water consumption. In case of any consumption anomaly, the environmental protection department shall investigate into the causes with concerned departments, and take corrective and precautionary measures accordingly.

Overview of environmental performance indicators for water resources

	Unit	Total Amount	Types
Total water consumption	Tonne	58,660	Water used for production activities, daily water used by employees

The Group's packaging materials for its products comprise of packaging paper, plastic films, paper core barrels paper spools, etc. The Company utilises various packaging materials reasonably and effectively to reduce environmental impacts.

Major packaging materials	Unit	Total Amount
Packaging paper	kilogram	137,698
Plastic films	kilogram	60,589
Paper core barrels	kilogram	82,705
Paper spools	kilogram	8,211

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Environmental and natural resources

The Group is committed to minimising the impacts brought by our corporate activities on the environment in a responsible manner, and utilises our resources and efforts in concert with all employees to make contributions to the environmental protection. On the one hand, we enhance environmental promotions among our employees to raise their environmental awareness, and encourage them to adopt environmental practices. On the other hand, we design workplaces for sustainability. Furthermore, we manage our resources in a responsible manner. For example, steam condensate will supplement our fire-fighting water to reduce the discharge of sewage, while exhaust gas processing facilities are installed to reduce waste emissions. For the purposes of reducing the discard of chemical packaging barrels, we entered into the agreement with respect to the recycle of chemical packaging barrels with related suppliers with our best efforts to minimise the environmental impacts.

Green office

The Group actively promotes the environmental practices of low-carbon office operations by encouraging our employees to conserve water, power and use of paper and other office supplies in our daily office activities, as well as encouraging our employees to upload and share documents and materials through the internet, instant messaging software and other electronic communications means to reduce unnecessary printing.

Besides these practices, the Group implements the following measures to reduce waste of resources and carbon emissions:

- To reduce energy consumption used for the standby mode of computers, printers, photocopy machines, and other office equipment;
- To enhance our management of energy consumption of air-conditioners;
- To improve our management of lighting power, such as selective lighting in bigger offices;
- To fully utilise the video-based conference system;
- To promote the recycling of the office paper and other resources and reduce use of disposable paper cups;
- To improve the utilisation rate of our business vehicles by picking up passengers who are in close proximity, and provide regular maintenance to reduce fuel consumption.

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ABOUT THE EMPLOYEES

Currently, the Group has a total number of 348 employees, among which, 259 male employees account for 74.4%, while 89 female employees account for 25.6%. As the plant site in Lin'an is principally engaged in production activities and massive physical labor is generally required in production related positions, male employees outnumbered the female employees.

Overview of employment performance indicators

Number of employees		Under 30 years old	Between 30–50 years old	Over 50 years old	Ratio of men to women
	Male	78	135	46	259 : 89
	Female	30	53	6	

New Employees		Under 30 years old	Between 30–50 years old	Over 50 years old	Total new employees	Percentage of new employees
	Male	25	21	6	52	20.11%
	Female	7	9	2	18	

Employees turnover		Under 30 years old	Between 30–50 years old	Over 50 years old	Employee turnover	Employee turnover rate
	Male	37	30	6	73	26.72%
	Female	11	7	2	20	

Our plant sites treat men and women equally by offering the same fringe benefits and remuneration packages for the same position. During the reporting period, our plant sites were not involved in any cases involving the laws and regulations governing employment and labour.

Prioritising Safety Based on Precautions

The Group places a high emphasis on the workplace safety of our employees to prevent any physical injury. In particular, we stress the importance of various safety measures implemented in our production workshops and provide effective induction training to our employees along with safety promotions and instructions, risk management, first aid and other related work. Furthermore, we organise regular safety drills, including fire drills. We always emphasise prioritising safety based precautions.

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Caring a Healthy Amateur Life

It is important for the Group as a production-driven enterprise to ensure the occupational health and safety of our employees. In compliance with the industry standards and the statutory requirements under the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Group is committed to providing our employees with a healthy and safe workplace in the course of its business. On the one hand, the plant sites will provide our employees with personal protective equipment based on their various positions. For example, printer operators will be provided with dust-proof masks and earplugs, while our ink production specialists will be provided with toxic-proof masks and gloves. On the other hand, the plant sites will organise regular safety education programs for our employees to raise their safety awareness over the course of production activities. In addition, the plant sites will organise fire drills and fire safety training each year to enhance the fire safety awareness of our employees.

The Group cares about the physical and mental health of our employees and provides our employees with regular health checks. By providing a full-range health service platform for our employees, the Group maintains the health level of our employees with precautions against the spread of diseases, thus ensuring the healthy conditions of our employees. In 2017, the Group arranged 450 health checks for our employees.

The Group offers our employees an extensive range of fringe benefits, including lucky money or festive gifts to our employees on Chinese New Year, Mid-autumn Festival, Women's Days, and other statutory holidays. Furthermore, the Group extends such benefits package to the family members and relatives of our employees, such as birthday blessing to the parents of our employees.



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Overview of health and safety performance indicators

Number of injuries	Injury description	Workplace injury rate per 100 employees	Total hours of absence	Percentage of workday loss due to workplace injuries	Corrective measures to prevent reoccurrence of the same accidents
11	mainly cuts and scratches	11%	2,340	0.28%	To raise the safety awareness of our employees through enhanced safety training programs

During the reporting period, the Group found no material occupational health and safety incident or death accident.

Valuing Talents Through Education and Training

The Group pays attention to the career development of our employees by establishing a full-fledge education and training system. Under such system, our employees as a whole are encouraged to persist in on-the-job training. Furthermore, we strive hard to create growth opportunities for our talented employees through our education and training that will boost individual quality, sharpen the workplace skills and enhance the teamwork performance.

Overview of training and development performance indicators

		Managerial Staff	General Staff	Total percentage of trained employees
Percentage of trained employees	Male	100%	100%	100%
	Female	100%	100%	



Besides, the Group operates a fresh graduate cultivation scheme that will be conducive to the smooth and effective adaption of fresh graduates to the workplace, enabling them to recognise the shift in their social role and adjust their attitude on their path to career development.

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Labour Standards

The Group fully recognises that child labour and forced labour violates the basic human rights and the International Labour Convention, which will pose a threat against the sustainability of communities and economic growth. Therefore, the Group is in strict compliance with the provisions that prohibit use of child labour and safeguards the human rights. In addition, the Group prohibits any form of forced labour or child labour.

Over the course of recruitment, the Group is required to identify the identification of our employees to verify they meet the statutory age of 18 years old. In case of overtime at the plant sites, we are required to ensure the employees are voluntary rather than being forced to take up overtime work. Where any employee is forced to work overtime, our employee representative may collect evidence for communications with our management to seek viable solutions.

Overtime pays are made in accordance with the standards as prescribed by law in case of workday overtime, weekend overtime, and overtime during national and statutory holidays.

During the reporting period, the plant sites of the Group in Lin'an found no case involving the violation against the laws and regulations governing the prevention of child labour or forced labour.

Diverse Communications Channel

The employees and management of the Group may engage in horizontal or vertical communications through our diverse communication channels, including complaint box, e-mail, routine meetings or announcements. Specified staff are designated to handle complaints lodged inside the complaint box on confidential terms.

OPERATING PRACTICE

Supply chain management

Over the course of selecting potential suppliers, our procurement department is required to analyse their competitiveness, and identified suppliers will be further approved by the production department of the plant sites and other related departments following their consensus. In this case, they will qualify as a member on the qualified supplier list of the Group.

In accordance with the requirements under the ISO 9001:2015 quality management system, the Group will establish the selection and assessment standards, and investigate into the operating conditions, the quality management system, production capacities, services, and delivery capabilities of these suppliers, the findings derived from which will serve as bases for selecting strategic suppliers. By introducing a regular assessment scheme, we will conduct regular reviews and inspections over the performance of our suppliers in various aspects. Our regular assessment indicators cover quality, pricing, delivery schedule, services, etc. for the purposes of achieving risk control over the supply chain. Persisting in our stringent approval system for all strategic suppliers, the Group will promote the quality management of our suppliers of raw materials and green management, while timely disqualifying unfit suppliers.

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Product responsibility

By continuing to “achieve customer satisfaction, seek improvement and prioritise quality”, the Group will provide our customers with premium services that are delivered “on schedule with the quality and quantity”. In terms of delivery schedule, quality and pricing, the Group will continue to enhance our service quality and provide timely responses to our customer demands, as a result of which the dependence of our brand customers on the product development and premium services of the Group will be strengthened and deepened. Furthermore, the Group will continue to improve the service system of our plant sites by actively tapping into various channels for collecting customer feedback on our products and services.

Certification in respect of environmental protection

The Group successively passes the certification under the ISO 9001 quality management system, ISO 14001 environmental management system, OHSAS 18001 occupational health and safety management system and FSC Chain-of-Custody certification.



Anti-corruption

The Group has always persisted in business operations and productions in good faith in accordance with the laws and regulations. According to our “Incentive and Penalty Management System”, the plant sites implement specific rules on improper gains, including prohibitions against personal gains by abusing the office power, acceptance of bribes, gifts, rebates or other improper gains, and bribery through document forgery or dealing with customers under table. All employees at our plant sites are entitled to and obligated to report the misconducts in various forms, including our corporate email, employee interview, open speeches at the meetings or direct reports to our management.

The “Staff Handbook” of the Group also stipulates that our employees should enter into the “Undertaking of Confidentiality” and be strictly bound to the relevant provisions thereto.

During the reporting period, the Group found no corruption or non-compliant cases or litigation involving our employees.

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COMMUNITY INVESTMENT

The Group adopts people-oriented management policy. Besides providing fringe benefits and packages to our employees, the Group will conduct an investigation into employees with difficulties on a regular basis each year, and those employees who suffer severe health issues or experience family-related misfortunes will receive specific assistance.

In active response to the initiative as proposed by the office of the leading taskforce for the “Spring Wind Action” (「春風行動」) in Lin'an District, Hangzhou, the Group involves all of its departments in the poverty alleviation work through donations and caring activities. In 2017, the “Spring Wind Action” involved a total of 294 of our employees. With assistance from our employees, those with difficult challenges indeed felt the presence of caring and warm communities.

In September 2017, a number of our employees supported and participated in a city cleaning initiative by the Lin'an District Government in Hangzhou.



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A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6
B1 Employment		
General Disclosure	Information on: (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.	7
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B8 Community Investment		
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