



SHENGLONG
盛 龍

**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)

2018

*Environmental,
Social and
Governance Report*

2018 Environmental, Social and Governance Report

Table of Content

2	ABOUT THE GROUP
2	ABOUT THIS REPORT
2	REPORTING YEAR
2	BASIS OF PREPARATION
3	STAKEHOLDER ENGAGEMENT
4	ENVIRONMENTAL PROTECTION
4	Emissions
6	Use of resources
7	Environmental and natural resources
7	Green office
8	ABOUT THE EMPLOYEES
9	Prioritising safety based on precautions
10	Caring a healthy amateur life
11	Valuing talents through education and training
11	Labour standards
12	Diverse communications channel
12	OPERATING PRACTICES
12	Supply chain management
12	Product responsibility
12	Certification in respect of environmental protection
13	Anti-corruption
13	COMMUNITY INVESTMENT
14	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE
	CONTENT INDEX

2018 Environmental, Social and Governance Report

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 our annual Environmental, Social and Governance (“ESG”) Report for 2018, which disclose the policies, 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 2018 to 31 December 2018 (“Reporting Period”), which is consistent with the financial year of the Group’s 2018 annual report.

BASIS OF PREPARATION

This report is prepared in compliance with Appendix 20 of Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the “Environmental, Social and Governance Reporting Guide” of the Stock Exchange (hereinafter referred to as the “ESG Guide”), the description of which sets forth the ESG performance of the Group in a simplified form. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Guide.

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.

2018 Environmental, Social and Governance Report

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 government/regulatory bodies, investors/shareholders/media, customers, employees, communities 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

2018 Environmental, Social and Governance Report

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. During the reporting period, there are no material generation of non-hazardous waste and the total amount of hazardous wastes and its intensity are 4.24 tonne and 0.000012 tonne/Revenue RMB'000.

Note: In view of our first time adoption of ESG Guide starting from last year, KPI for generation of hazardous waste during 2017 is not available, the Group will continue to optimise and improve the disclosure of KPIs.

2018 Environmental, Social and Governance Report

Our greenhouse emissions mainly discharged from our self-owned vehicles and indirect energy consumed by the Group for its daily operations, including electricity, natural gas, petrol and diesel. Further details of our major air pollutants emission for 2018 and GHG emissions for 2018 and 2017 are set forth as follow:

Air Pollutant Emission	
Type of Air Pollutants	Air Pollutant Emission (kg)
	2018
Sulphur dioxide	1,063.27
Nitrogen oxides	1,321.76
Particulate matter	0.81

Note: In view of our first time adoption of ESG Guide starting from last year, KPI for air pollutant emission during 2017 is not available, the Group will continue to optimize and improve the disclosure of KPIs.

GHG Emission		
Type of GHG emissions	Equivalent CO2 emission (tonne)	Equivalent CO2 emission (tonne)
	2018	2017
Scope 1 Direct emissions	91.7	—
Scope 2 Indirect emission	4,715.2	3,583.4
Total	4,806.9	3,583.4
Intensity	0.014 tonne/Revenue RMB'000	0.011 tonne/Revenue RMB'000

Note: The calculation of the greenhouse gas is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

Scope 1: Direct emission from vehicles that are owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

Scope 3: is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group

* For identification purposes only

2018 Environmental, Social and Governance Report

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 various natural resources

	Unit	2018 Total Amount	2017 Total Amount
Total water consumption	Tonne	64,466	58,660
Water Intensity	Tonne/Revenue RMB'000	0.18	0.18
Electricity	kWh	5,983,350	3,695,316
Natural gas	m ³	1,531,931	790,502
Petrol	L	19,758	Note
Diesel	L	18,966	Note

Note: In view of our first time adoption of ESG Guide starting from last year, certain consumption of natural resources during 2017 is not available, the Group will continue to optimize and improve the disclosure of KPIs.

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	2018 Total Amount	2017 Total Amount
Packaging paper	kilogram	78,274	137,698
Plastic films	kilogram	75,925	60,589
Paper core barrels	kilogram	107,571	82,705
Paper spools	kilogram	8,007	8,211

2018 Environmental, Social and Governance Report

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.

2018 Environmental, Social and Governance Report

ABOUT THE EMPLOYEES

As at 31 December 2018, the Group has a total number of 316 employees (2017: 348 employees). As the plant site in Lin'an is principally engaged in production activities and massive physical labour is generally required in production related positions, male employees outnumbered the female employees.

Below is a detailed breakdown of our employees by gender and age group as at 31 December 2018 and 2017:

	2018		2017	
	Number of staff	% of total	Number of staff	% of total
By gender				
Male	234	74	259	74
Female	82	26	89	26
Total	316	100	348	100
By age group				
Under 30	76	24	108	31
31-50	182	58	188	54
51 or above	58	18	52	15
Total	316	100	348	100

Below is a detailed breakdown of our employees turnover rate by gender and age group for the years ended 31 December 2018 and 2017:

	2018	2017
Turnover rate by gender		
Male	43%	28%
Female	21%	22%
Turnover rate by age group		
Under 30	74%	44%
31-50	26%	20%
51 or above	24%	15%

2018 Environmental, Social and Governance Report

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.



2018 Environmental, Social and Governance Report

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. During the Reporting Period, the Group arranged 142 health checks for our employees (2017: 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.

Overview of health and safety performance indicators

	2018	2017
Number of injuries	19	11
Injury description	Mainly cuts and scratches	Mainly cuts and scratches
Workplace injury rate per 100 employees	6%	11%
Total hours of absence	1,858	2,340
Percentage of workday loss due to workplace injuries	0.14%	0.28%
Corrective measure to prevent reoccurrence of the same accidents	To raise the safety awareness of our employees through enhanced safety training programs	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.

2018 Environmental, Social and Governance Report

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 for 2018 and 2017

		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.



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.

2018 Environmental, Social and Governance Report

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 PRACTICES

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.

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.

2018 Environmental, Social and Governance Report

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.

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. During the Reporting Period, the “Spring Wind Action” involved a total of 304 of our employees (2017: 294 employees). With assistance from our employees, those with difficult challenges indeed felt the presence of caring and warm communities.



2018 Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Key Aspects	Description Page	Index
A1 Emissions		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4
KPI A1.1	The types of emissions and respective emissions data.	4, 5
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	5
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	4
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	4
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	6
KPI A2.2	Water consumption in total and intensity.	6
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	6
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	6
A3 The Environmental and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	7
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7
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.	8

2018 Environmental, Social and Governance Report

Key Aspects	Description Page	Index
B2 Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	9, 10
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11
B4 Labour Standards		
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 preventing child and forced labour.	11, 12
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	12
B6 Product Responsibility		
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 health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	12
B7 Anti-corruption		
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 bribery, extortion, fraud and money laundering.	13
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	13