

# China Art Financial Holdings Limited 中國藝術金融控股有限公司

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

Stock Code: 1572

The background of the entire page is a stylized illustration in a traditional Chinese ink wash style. It features a large, pale yellow sun or moon in the upper left, with several black birds in flight across the sky. In the foreground, there is a red bridge with three cows and a small figure walking across it. To the right, there is a traditional Chinese pagoda with multiple tiers. The background is filled with soft, blue and pink washes representing clouds and water.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016



# CONTENTS

1.	About this Report	2
2.	Environmental Protection	3
2.1	Corporate Environmental Policy and Compliance	3
2.2	Electricity Consumption	3
2.3	Non-Hazardous Waste Management	3
2.4	The Environments and Natural Resources	3
3.	Employment and Labour Practices	4
3.1	Corporate Policy of Employment and Labour	4
3.2	Corporate Policy of Training and Recruitment	4
3.3	Corporate Policy of Health and Work Safety	4
4.	Operating Practices	5
4.1	Corporate Policy of Supply Chain	5
4.2	Corporate Policy of Anti-Corruption	5
5.	Community Investment	6
6.	SEHK ESG Guide Content Index	7

# About this Report

China Art Financial Holdings Limited is pleased to present our first Environmental, Social and Governance Report (“ESG Report”). The report involves environmental and social impacts, policies and initiatives of the Company and our major subsidiaries, (collectively called “the Group” or “We”) demonstrating our continuous commitment to sustainability. Additional information in relation to the Group’s corporate governance and financial performance can be referred to our Annual Report 2016.

We prepared this ESG Report in compliance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) under Appendix 27 of the Main Listing Rules Chapter 13.91 of the Stock Exchange of Hong Kong Limited (“SEHK”). Those aspects and key performance indicators (“KPI”) defined in the ESG Reporting Guide which are considered to be relevant and material to the Group’s businesses and operations will be presented under four subject areas, namely: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Contribution. In addition, a complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report for an easier reference.

This ESG Report covers the ESG performance of our office in Yixing, Jiangsu Province, the People Republic of China (“PRC”). The core operating activities conducted in Yixing include the art and asset lending business and art and asset auction business. This Report highlights our sustainability activities spanning over the reporting year from 1 January 2016 to 31 December 2016.

In order to define what are relevant and material to our business in relation to sustainability, the key is to understand what issues our stakeholders are most concerned with. We define our stakeholders as people who affect our business or who are affected by our business. Our stakeholders include the shareholders, employees, clients, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with follow-up actions in a timely manner. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group’s sustainability issues, please contact us via [sales@hexingroup.net](mailto:sales@hexingroup.net).

# Environmental Protection

## CORPORATE ENVIRONMENTAL POLICY AND COMPLIANCE

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws or ordinances throughout our operation, including all necessary requirements under the Environmental Protection Law of the PRC where applicable. At this moment, we are not subject to any significant environmental regulations in any of the business sector we are engaged in.

As a company that is principally engaged in provision of financial services, we do not own any industrial manufacturing at the moment. As a result, the Group does not directly produce greenhouse gas during its operation. Nevertheless, the Group is committed to actively minimizing our impact on the environment, especially air quality by implementing several environmental protection measures in the office and workplace.

## ELECTRICITY CONSUMPTION

We consider electricity consumption as a major source of our indirect greenhouse gas emission. In order to further raise the awareness of energy saving initiatives among all employees, the Group carried out a series of “reducing carbon footprint” activities including maintaining the indoor temperature at an optimal level for comfort, installing LED lighting system in offices, encouraging employees to switch off computers and monitors when not in use, setting office machines such as photocopiers and monitors to switch off automatically after office hours, encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement, and putting up signage emphasizing the importance of energy saving in offices.

## NON-HAZARDOUS WASTE MANAGEMENT

In addition to implementation of energy saving initiatives in offices, the Group also promotes other environmental friendly measures so as to reduce disposal of non-hazardous waste (such as used paper) throughout the entire operation. All employees are encouraged to reduce paper usage by using double-sided copying and by a frequent use of electronic information systems for material sharing or internal administrative documents as part of our environmental protection campaigns.

We have been committed to being environmental friendly before we were officially listed in Hong Kong. During our Initial Public Offerings (IPO) in 2016 in Hong Kong, we proudly adopted the use of White Form eIPO management system in order to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the White Form eIPO Service Provider, contributed HK\$2.00 for each “China Art Financial Holdings Limited” White Form eIPO application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang-Hong Kong Forest” project initiated by Friends of the Earth (HK).

## THE ENVIRONMENTS AND NATURAL RESOURCES

Despite the nature of our business has no direct adverse impact on the environment and natural resources, the Group will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a responsible corporate citizen.

# Employment and Labour Practices

## CORPORATE POLICY OF EMPLOYMENT AND LABOUR

The Group believes that human capital is always the most important asset for our long-term operation and business development. Through providing a desirable workplace, continuous training and prospective career opportunities to our employees, the Group will set itself in a good position to maintain a robust business performance and growth.

Our employees are mainly located in Hong Kong and China. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the Labour Law of the PRC. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), as well as housing provident fund contributions and other local regulations of the PRC. In Hong Kong, we have participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

## CORPORATE POLICY OF TRAINING AND RECRUITMENT

We believe that competence, work experience and skill-sets of our staff members play an important role in maintaining our operation efficiency. In order to recruit and retain talented employees, the Group offers a competitive remuneration package to our staff members, including internal promotion opportunities and performance-based bonus. The Group aims to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during recruitment and promotion processes.

We ensure that every new joiner receives proper and appropriate orientation training and mentoring in order to help them swiftly adapt to the new work environment. Continuous training is committed by the Group in different ways including internal training courses, comprehensive training for specific skill development, and professional continuous training for corresponding employees. Through a variety of training programs, the Group can nurture the employees to elevate their personal qualities, reinforce their skill sets and keep up with the most advanced professional knowledge.

Moreover, the Group promotes open and direct communication between employees and management. The management constantly encourages the staff members to communicate with them. Regular and festival gatherings such as Mid-Autumn Festival and Chinese New Year dinners are organized to enhance the harmonious spirit throughout the Group and serve as a less official channel for communication among different levels of employees.

## CORPORATE POLICY OF HEALTH AND WORK SAFETY

Our Group strives to safeguard the health and safety for our employees as part of the Group's long-term development plan. We have developed and adopted health and safety policies including prohibition of smoking in the workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in the working area, and follow-up actions for accidents or personal injuries. We require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook. We also provide orienteering program to employees such that they can be familiar with our corporate policies in relation to health and safety as quickly as they can.

The Group has been attaching great importance to a comfortable and safe working environment for our employees which help minimize their exposure to occupational hazards. Air purifiers are installed in areas where are relatively crowded such as conference and meeting rooms. Ample space between workstations, clean and tidy common area such as corridors and pantry, sufficient ventilation and lighting system are essential in our offices. At each individual workstation, adjustable chairs and monitor screens for eye protection are provided.

# Operating Practices

As a responsible corporate citizen, one of our missions is to disseminate the pursuit of sustainability into our core business. The Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by the Hong Kong Stock Exchange. Furthermore, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

## **CORPORATE POLICY OF SUPPLY CHAIN**

Whenever we are required to select our suppliers and contractors, we not only consider economic and commercial benefits during the tendering processes but we also evaluate the suppliers' and contractors' track records and capacity in compliance with all the applicable laws and regulations including safeguarding workers' health and safety, and mitigating environmental impacts.

## **CORPORATE POLICY OF ANTI-CORRUPTION**

The Group is committed to upholding a high standard of business ethics and prohibition of bribery and corrupt practices. The Group has developed a series of corporate policies on anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong). The Group has also set up an email channel for whistle blowing or other complaints lodged by the employees. With principles of "Commitment, Assurance of High Quality, Fair Deals and Faithfulness", all employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

# Community Investment

The Group is committed to making a better society through active community involvement. We support local communities especially in Yixing where our core business is located. During the reporting year, we participated in a charity event organized by the XiWangCun Fund (西望村基金) in which our senior management teams visited the elderly people who live alone.

In addition, as mentioned in the previous section, during the Initial Public Offerings (IPO) in 2016, the white Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, contributed HK\$2.00 for each “China Art Financial Holdings Limited” White Form eIPO application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang-Hong Kong Forest” project initiated by Friends of the Earth (HK).

In the coming future, the Group will continue to attach great importance to community services, and encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect A1: Emissions</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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</li> </ul>	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	–	The Group will disclose this data in the next reporting year.
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	–	The Group will disclose this data in the next reporting year.
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group has not identified any hazardous wastes that were produced by our core business
KPI A1.4	Total non-hazardous waste produced and intensity	–	No significant non-hazardous wastes were produced in our core business
KPI A1.5	Description of measures to mitigate emissions and results achieved	–	The Group will disclose this data in the next reporting year.
KPI A1.6	Description of how hazardous and non — hazardous wastes are handled, reduction initiatives and results achieved	–	The Group will disclose this data in the next reporting year.

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect A2: Use of Resources</b>			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	–	The Group will disclose this data in the next reporting year.
KPI A2.2	Water consumption in total and intensity	–	The Group will disclose this data in the next reporting year.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	–	The Group will disclose this data in the next reporting year.
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	The Group believes that our water consumption is mainly used for domestic use purpose and no issues are addressed at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business
<b>Aspect A3: The Environment and Natural Resources</b>			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	–	The Group does not aware of any significant impacts of activities on the environmental and natural resources.

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect B1: Employment</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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</li> </ul>	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	–	Non-disclosure
KPI B1.2	Employee turnover rate by gender, age group and geographical region	–	Non-disclosure
<b>Aspect B2: Health and Safety</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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</li> </ul>	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	–	No work-related fatalities were occurred during the reporting year.
KPI B2.2	Lost days due to work injury	–	No lost days due to work injury were recorded during the reporting year
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect B3: Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	–	Non-disclosure
KPI B3.2	The average training hours completed per employee by gender and employee category	–	Non-disclosure
<b>Aspect B4: Labour Standards</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour</li> </ul>	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	–	The Group does not aware of any cases on child and forced labour in our core business.
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	–	No such incidents were reported during the reporting year.
<b>Aspect B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	–	No suppliers were contracted for the core business during the reporting year
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	–	Not identified as material aspect

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect B6: Product Responsibility</b>			
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, labelling and privacy matters relating to products and services provided and methods of redress	–	Not identified as material aspect
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	Not identified as material aspect
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	Not identified as material aspect
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	Not identified as material aspect
KPI B6.4	Description of quality assurance process and recall procedures	–	Not identified as material aspect
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	–	Not identified as material aspect

# SEHK ESG Guide Content Index

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
<b>Aspect B7: Anti-corruption</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering</li> </ul>	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting year and the outcomes of the cases	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting cases.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Operating Practices	
<b>Aspect B8: Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	–	Non-disclosure