



宏太控股有限公司

**Wang Tai Holdings Limited**

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

**(Stock Code: 1400)**

2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Wang Tai Holdings Limited** **Environmental, Social and Governance Report**

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## 1. About the Report

Nowadays, environment and climate issues have attracted worldwide attention and ways to cope with the environmental and climate changes are ever-increasing challenges to the society. Since the effectiveness of the “Paris Agreement” on November 4<sup>th</sup> 2016, nations are taking various carbon-emission-reduction methods to prevent worsening climate changes. To fulfill its corporate responsibilities and protect the environment, Wang Tai Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to incorporating environmental protection and corporate responsibilities into its development strategies so as to achieve sustainable development of the company, society and environment.

### Standard and Scope of the Report

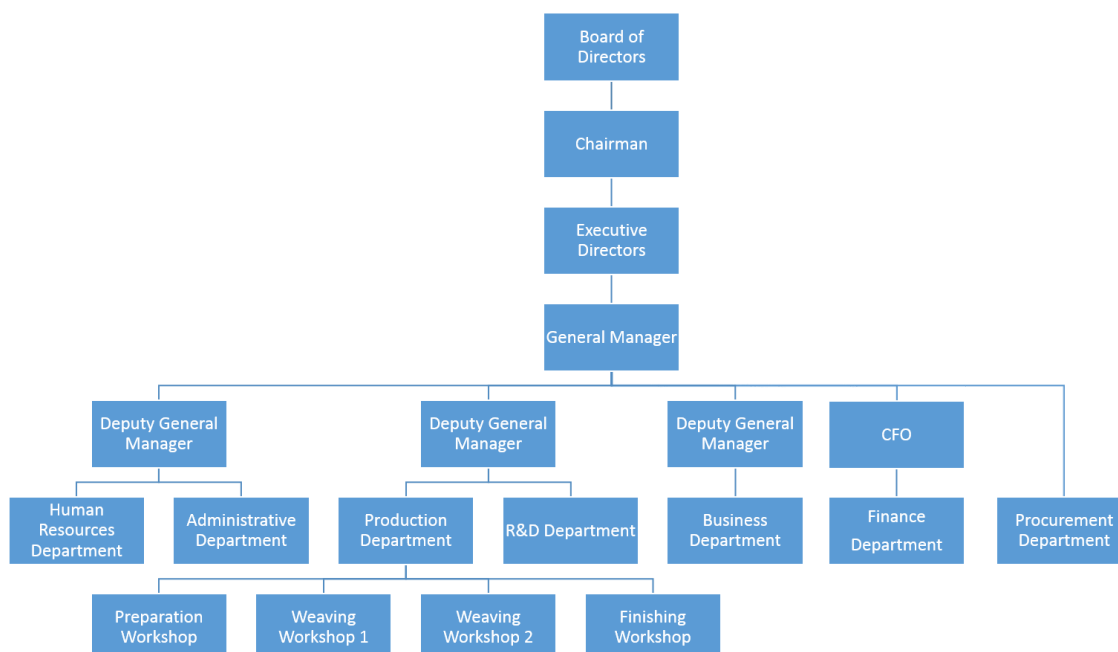
This Environmental, Social and Governance (the “ESG”) Report (the “Report”) is composed pursuant to the ESG Reporting Guidance issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). It is the first ESG Report of the Company and its contents include the methods and results of the ESG activities the Group took during the period from January 1<sup>st</sup> to December 31<sup>st</sup> 2016, and the Group’s efforts in areas such as working environment, environmental protection, operating rules and community involvement. Data in the Report is based on the documents and statistics of the Group. The production of this Report is supported by the management of the Group. We express our sincere gratitude to all parties that have contributed to the Report and the activities of the Group in relation to environment, society and corporate governance. Enquiries and advices are welcomed in order to continuously improve the Group’s activities in relation to environment, society and corporate governance.

## 2. Corporate Governance

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

The Company principally engages in the design, research and development, production and sales of fabrics and yarns. Established in 2004, the Company was listed on The Stock Exchange of Hong Kong Limited in 2014. After over a decade of development, the Group has formulated an effective corporate structure. The Company has complied with applicable terms in the CG Code, and is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role the Board of Directors (the “Board”) plays in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Group plans to invest in Iron Mining International to broaden its business and improve its operating conditions, in order to achieve diversified development.

The corporate governance structure of the Group is as follows:



The Group is dedicated to its business development and innovation, placing priority in the research and development capacities in order to meet the demand of the market and clients. The following awards and patent received by the Group during the year 2016 indicate the acknowledgements from the market, clients and government.

Type	Item
Awards	Fabrics China Appraisal Entry Enterprise (中國流行面料入圍獎)
	Quanzhou Technology Enterprise Award (泉州市科技創業獎)
	Communist Youth League Shishi Committee May Fourth Red Flag Branch (共青團石獅團委五四紅旗團支部)
Patent	A warp technology for uniaxially weaving double-layer fabric (一種雙層織物面料單軸織造的輕紗工藝) Patent Registration No.: ZL201410674681.X

### 3. The Group's Efforts in Environmental Protection

The Group well acknowledges the significant influences corporate development poses on the society. It considers environmental protection and sustainability as core elements of its corporate development and seeks to raise its employees' environmental awareness. The Group is considering the possibility of adoption of environmental protection technology to recycle the waste materials during the production process. If the adoption becomes feasible, the Group can save the wastage during the production process to slim down the production cost.

## Environmental Protection Policies During Production Process

In order to reduce carbon dioxide emission, Hongtai (China) Co., Ltd (宏太（中國）有限公司) entered into an agreement with Shanghai Hengwu Mechanical & Electronic Technology Co., Ltd (上海衡屋機電科技有限公司) on January 5<sup>th</sup> 2016 in relation to Air Compressor Type C350-73-energy-saving remodeling. Upon completion of the remodeling processes, energy consumption of the air compressor will be saved by 27%, power of the air compressor will be lowered by 100KW, number of units of gas-supply equipment will be increased by 50%, and demand on circulating cooling water will be decreased.

Hongtai (China) Co., Ltd (宏太（中國）有限公司) abandoned coal-fired steam production since May 2013 and purchases steam from Fujian Hongshan Coal-fired Cogeneration Co., Ltd (福建省鴻山熱電有限責任公司); Hongsheng (Hubei) Textile Co., Ltd. (宏晟（湖北）紡織有限公司) produces steam by natural gas power since its establishment and abandoned the use of coal-fired production methods, realizing reduction in the air waste emission from coal-fired production processes.

In the meantime, the Group has strictly complied with related laws, regulations, government policies, and the Group's principles of being responsible for the environment. The Group strictly forbids the use of materials prohibited by the government, toxic materials and materials that may have negative influences on the environment.

## Air and Greenhouse Gas Emissions

The Group strives to reduce the emission of NO<sub>x</sub> and SO<sub>2</sub> and significantly cuts down the use of diesel and gasoline. According to the data collected by the Group, its SO<sub>2</sub> emission from using diesel decreased from 112.88g in 2015 to 33.50g in 2016; the SO<sub>2</sub> emission from using gasoline decreased from 755.33g in 2015 to 635.95g in 2016.

## Greenhouse Gas and Air Emissions

	Emissions	
	The year ended 31 December	
	2015	2016
Total greenhouse gas emissions (kg)	23,441,490.87	10,245,626.49
SO <sub>2</sub> (g)	868.21	669.44
NO <sub>x</sub> (g)	17,161.13	15,965.11
PM (g)	1263.54	1175.48

The Group has set out three means of reducing emission: i. regular monitoring of energy usage in its production equipment, reviewing energy efficiency during production processes and circulating guidelines for improvement when suitable; ii. pushing guidelines on high-efficiency transport arrangements as well as opting for lower-emission fuel; iii. proactively studying the

practicality of environmentally friendly production technologies and adopting them when suitable. In general, the emission-reduction methods the Group took proved to be effective and the emissions of greenhouse gas and other air pollutants have been reduced. In the future, the Group will spare no efforts in adopting environmental-protection methods and energy-saving plans to keep on a green development path.

#### Non-hazardous Waste

The non-hazardous waste production decreased from 270 tonnes in 2015 to 242.7 tonnes in 2016. The Company is located in the industrial zone and its major waste is household waste which is treated by the city government. The Company encourages its staff to reduce the production of waste both at work and in daily life in order to contribute to the protection of the environment.

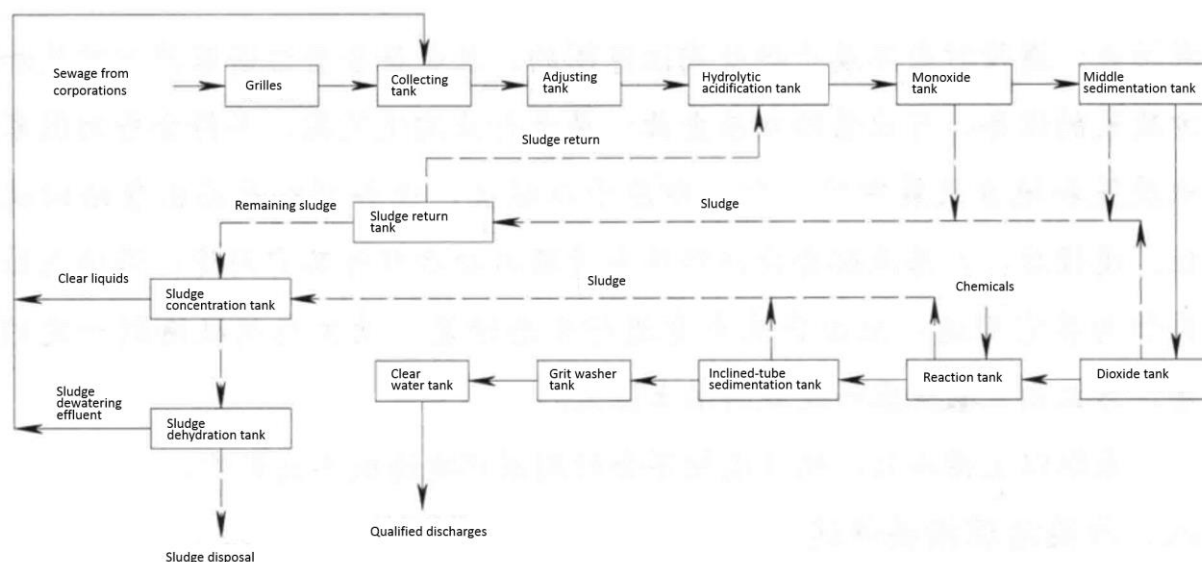
The Group's production activities do not involve production of hazardous waste.

#### Sewage Discharge and Treatment

##### Sewage Discharged by the Group in 2015 and 2016

	Sewage discharged (tonnes)		Discharge destination
	The year ended 31 December		
	2015	2016	
Hongtai (China) Co., Ltd (宏太(中國)有限公司)	18,991	18,991	Taiwan Strait
Hongsheng (Hubei) Textile Co., Ltd. (宏晟(湖北)紡織有限公司)	36,600	36,600	Huangmei County River

The sewage discharged by the Group from production processes and living activities is collected by septic tanks and discharged to sewage treatment plants through official city networks. The processes are as follows:



## Significant Impacts on Environment and Natural Resources

The Group understands that sewage disposal and energy consumption in the textile industry are the major topics of concern. For this reason, it will investigate the possibilities of sewage filtering and reusing, and of switching to more eco-friendly chemicals. Concurrently, it is in collaboration with the Beijing University of Aeronautics and Astronautics to develop energy-efficient production technology, see more in “Use of Resources”.

### 4. Use of Resources

The Group proactively enforces management policies and technological advances. As a result, electricity for production use has been reduced compared to the previous year. It has also taken initiatives to reduce consumption in offices and encourage the staff to save resources and energy, and creat a green and comfortable office environment.

#### Consumption of Resources

	Consumption	
	For the year ended 31 December	
	2015	2016
Electricity (kWh)	48,502,916	22,357,408
Water (tonnes)	201,205	99,725
Paper tube (tonnes)	6.61	6.6525
Packaging film (tonnes)	14.82	12.4192
Paper (tonnes)	0.43018	0.53572

#### Energy Consumption

	Consumption	
	For the year ended 31 December	
	2015	2016
Steam (tonnes)	6,844	3,011
Diesel (L)	7,011.33	2,080.48
Gasoline (L)	51,382.96	43,261.82
Natural gas (m <sup>3</sup> )	544,498	342,879

#### Energy Consumption Intensity

	Consumption Intensity	
	For the year ended 31 December	
	2015	2016
Energy consumed per employee (kWh)	61,787	43,328
Energy consumed per meter produced (kWh)	1.21	0.69
Energy consumed per production facility (kWh)	85,392	39,362

#### Water Consumption Intensity

	Consumption Intensity	
	For the year ended 31 December	
	2015	2016
Water consumed per employee (tonnes)	256.3	193.3
Water consumed per meter produced (tonnes)	0.005	0.0025
Water consumed per production facility (tonnes)	354.2	175.6

#### Intensity of Packaging Material Use

	Usage Intensity	
	For the year ended 31 December	
	2015	2016
Paper tube used per million meters produced (tonnes)	0.164	0.205
Packaging film used per million meters produced (tonnes)	0.369	0.383
Paper used per million meters produced (tonnes)	0.011	0.017

In 2016, measures to promote resources conservation and waste reduction were set out along with the use of energy-efficient technologies. For instance, LED lighting was installed and primarily used in places such as the R&D department, factories and offices within all company properties to reduce energy consumption while reminder to the staff of switching off lights as they leave the room is set up. Air conditioning was adjusted according to the actual necessity of insulation for production in the workshops. Regarding water conservation, the Group pushes internal guidelines encouraging turning off taps immediately after use, saving rinse water for toilet flushes. Check-ups for any leakage in taps, pipes, circulation systems and water towers are run, while water-efficient fixtures have been installed to reduce water consumption. The Group is taking tangible action to carry out production and office activities in a resource-saving manner.

On January 20<sup>th</sup>, 2016, Hongtai (China) Co., Ltd (宏太（中國）有限公司) signed a collaboration agreement with the School of Automation Science and Electrical Engineering, the Beijing University of Aeronautics and Astronautics on developing complete sets of energy-efficient pneumatic equipment for the textile industry. It aims at researching on the energy-efficient pneumatic equipment and relevant controlling techniques through the parties' collaborative innovation in the context of the textile industry and the Company's status quo. Such technology is to be validated through the trial operation in the Company and popularized within the industry when mature, and eventually industrialized. The agreement will facilitate the Group's advances in efficient use of energy. On top of this, water used in production is recycled and reused.

Main packaging materials used were paper tubes, packaging film and paper. The Group adopts strict policies to control the usage of packaging materials in order to make the best use of resources. The consumption of paper tubes slightly increased from approximately 6.61 tonnes in 2015 to approximately 6.65 tonnes to 2016; packaging film consumption decreased from



approximately 14.82 tonnes in 2015 to approximately 12.42 tonnes in 2016; and the consumption of paper decreased from approximately 0.43 tonnes in 2015 to approximately 0.54 tonnes in 2016.

## 5. Employees and Safety

### Work Environment

The Group is committed to providing employees with a platform of opportunities and safeguarding the legal rights of employees. The Group has consistently implemented lawful employment policies and non-discriminative practices where there is no gender restriction and all employees are treated equally. On top of this, the Group has strictly adhered to laws and regulations of the PRC and the relevant laws of the Hong Kong Special Administrative Region, in that no child labor or forced labor is employed and “equal pay for equal work” is exercised.

Furthermore, the Group views its employees as significant human resources and capital, hence it has always been people-oriented. Recruitment and reasonable remuneration are determined according to the market average/ the company’s internal qualification classifications while that of existing employees is often reviewed. Employees of the Group are entitled to their rightful welfare and benefits, such as working hours, rest breaks, holiday benefits, paid leaves, sick leaves, vocational training etc. in accordance with national laws, regulations and relevant policies. In the meantime, the Company is in the course of establishing a system of diversified staff development and promotion of outstanding employees who have passed relevant assessments, achieving the full utilization of each employee’s strength and talent. Except in the case of severe breach of conduct, the Group does not execute instant termination of employment contract with employees. In the case of justifiable dismissal, the terminated employee is entitle to compensation according to local labor laws.

To prevent child and forced labor, the Group checks candidates’ identity documents during recruitment processes to strictly prevent employing candidates under local legal working age and make sure no forced labor is employed. In the discovery of malpractices, the Group will investigate each case and person(s) accountable for such malpractices.

### Staff Breakdown by Job Function

Categories	No. of employees	
	As at 31 December	
	2015	2016
Management	9	9
Administration	72	67
Finance	22	21
Business operation	22	18
Research and development	8	7

Procurement	5	5
Production	647	389
Total	785	516

#### Staff Breakdown by Gender, Age Group and Region

Categories		No. of employees	
		As at 31 December	
		2015	2016
Gender	Male	321	246
	Female	464	270
Age group	≤30	294	145
	30-40	207	164
	40-50	221	155
	50-60	63	52
	≥60	N/A	N/A
Region	Fujian	489	277
	Hubei	293	236
	Hong Kong	3	3

#### Overview of Employee Turnover in the year of 2015 and 2016

Categories	No. of employees (as at 31 December 2015)						
Region	Fujian		Hubei		Hong Kong		Total
Gender	Male	Female	Male	Female	Male	Female	
Beginning of year	229	281	107	195	3	0	815
Recruits	68	99	39	91	0	0	297
Resignees	96	92	48	91	0	0	327
End of year	201	288	98	195	3	0	785

Categories	No. of employees (as at 31 December 2016)						
Region	Fujian		Hubei		Hong Kong		Total
Gender	Male	Female	Male	Female	Male	Female	
Beginning of year	201	288	98	195	3	0	785
Recruits	33	89	33	59	0	0	214
Resignees	108	226	45	104	0	0	483
End of year	126	151	86	150	3	0	516

#### Employee Safety and Health

The Group ranks the safety of its employees as a top priority and therefore strives to provide a work environment free of harm for its employees and meanwhile strictly complies with the laws and regulations of the PRC and the Hong Kong Special Administrative Region. The Group takes various measures to ensure employee safety. Safety supplies such as aprons, work caps, earplugs are provided to all frontline production staff; staff of special functions, for example, electricians are required to hold valid qualification and are equipped with rubber insulating gloves, insulating shoes etc. to comprehensively defend their vocational health and safety. The

Cross-checking system has been in place and the items to be inspected are listed clearly on standard procedure. There were no work-related incidents leading to fatality or injury leave in the past two years. The Company's production adopts a 3-shift-per-day policy to avoid overworking employees and to safeguard health and safety. This demonstrates the Company's genuine respect for employees and protection of their rights and interests.

The Group values the health of its employees and has pushed forward policies over staff care and welfare. The Group offers its employees well-equipped staff residential buildings which improve their quality of life. With appropriate number of working hours determined, it fosters the employees' needs for reproduction and post-natal life. Medical examinations are provided to new recruits and on an irregular basis to all employees as a reciprocation of their contribution, which also builds their health awareness. The Group arranges annual sports and recreational events. Training on occupational health and safety takes place regularly to raise safety awareness of employees thus ensuring their physical and mental health.

#### Staff Development and Training

The Group is eager in pushing forward staff training and development-related activities. Production staff attend on-the-job training from one to three months upon employment, favoring their career development and future promotion. Regular trainings are also provided to staff regarding safety and health at work.

#### Overview of Staff Training on Relevant Vocational Knowledge and Skills

	For the year ended 31 December	
	2015	2016
No. of training	114	60
No. of persons trained (by gender)		
Male	1,405	526
Female	2,121	942
No. of persons trained (by job function)		
Management	196	91
Administration	204	106
Finance	137	64
Business operation	132	66
Research and development	90	41
Procurement	94	45
Production	2,673	1,055
Total	3,526	1,468

	For the year ended 31 December					
	2016			2016		
Training hours completed	1-5 hours	6-10 hours	11 hours or above	1-5 hours	6-10 hours	11 hours or above

No. of persons trained (by gender)						
Male	546	405	314	243	122	114
Female	1,351	487	423	463	315	211
No. of persons trained (by job function)						
Management	116	65	49	54	37	26
Administration	96	66	72	78	50	44
Finance	73	51	48	36	30	24
Business operation	66	56	36	28	34	27
Research and development	57	36	27	21	25	18
Procurement	57	29	41	22	22	20
Production	1,305	612	567	377	281	214

## 6. Customers, Suppliers and Product Responsibility

### Policy on Supplier Selection

The Group is determined to collaborate with firms of decent qualifications and reputation which attain superior product quality and fulfill their social responsibilities, to establish efficient strategic collaboration. Moreover, the Group regularly conducts reviews on its suppliers and reinforces control on the supply chain, so as to ascertain the high quality in output and smooth stream in the supply chain.

In respect of supplier selection, the Group practices a specialized code of supplier management involving impartial and rigorous annual reviews on suppliers. Eligible suppliers would possess valid business license, tax registration certificate, minimum registered capital, and intellectual property rights (if applicable) etc. Suppliers of certain special industries must have their relevant qualifications while those with ISO certificates would have priority in the supplier selection process.

### Number of Suppliers

	For the year ended 31 December	
	2015	2016
By region		
Mainland China	147	118
Non-mainland China	N/A	5
By category		
Fabrics	122	106
Yarns	25	12
Non-textile products	N/A	5

### Procurement System

The Group has its own procurement system detailing all principles and processes. The main principles are price parity, consistency, incorruption and audit supervision whereas the procurement process includes purchase requisition, quoting and negotiating, contract signing, inspection and storage etc. In terms of inspection and storage, material passing inspection is enrolled for storage while material failing inspection is temporarily rejected for storage and pending for handling by the procurement department and suppliers.

### Product Responsibility

With its utmost efforts, the Group ensures the no products would harm the safety and health of customers. Safety and legality of all material and substances used in production are monitored in a stern and constant manner, and it also stays updated on safety reports and incidents of relevant products and materials.

### Quality Inspection

#### Raw material:

1. Blended yarns: weight, yarn levelness (except bamboo yarn) and toughness are tested.
2. Chemical fiber: weight is tested.

#### Finished product:

1. When weaving: fabric structure, width, density of warp threads and weft threads are tested.
2. After cropping: degree of fabric defect is outlined and problematic fabrics are mended to meet standards.

### Product Recall

In the past two years, the Group has not recalled any product due to safety and health reasons. The Group's common procedures on product recall includes the following steps:

1. Customer service department sends the recalled products to the production department for repair;
2. Production department conducts the inspection of the recalled products; and
3. Customer service department delivers the recalled products to customers after the completion of inspection.

### Policies on Customer Complaint

The Group is committed to maintaining sound customer relations. For the purpose of improving service quality, the Group has set up a management system of customer complaints, which entails collection, analysis and suggestion for improvement. The Group's products caters specifically for manufacturing and trading customers and are customized as per customer's order, hence no conditions of returns and complaints arose during the year. In case there is any doubt or disagreement in the business processes, the business department is accountable for

communicating with customers and resolving the issues.

#### Observing and Protecting Intellectual Property Rights

The protection of intellectual property rights holds a significant place in the Group's values, whether in the context of product design or production technology. It strictly prevents violations of existing copyrights while being sufficiently informed.

#### Privacy Policies

The Group highly values its customers' privacy and security of their information, ensuring that there is no violation of their rights. Serving such purposes, the Company housed a designated file room managed by authorized personnel who, following company guidelines, handles files including but not limited to: critical correspondences with customers, business reports and trading receipts. This is to ensure legitimate use of information and prevent information leakage. The Group encrypts important digital files to prevent access to protected files by external computers.

### 7. Anti-Corruption

#### Policies on Anti-Corruption and Fraud

The Group stringently observing the rules of the CG Code, and laws and regulations related to anti-corruption and fraud. Systematic management for such is in place, prohibiting bribery, extortion, fraud and money laundry and the like. Adding to this, there is a mailbox set up for employee complaints, enabling supervision and reporting through multiple channels. The Company will treat reports in a stern manner and proactively seek a solution to the problem. The Group has not faced any legal case in respect of corruption in the past two years.

### 8. Community Involvement

As a responsible corporate citizen, the Group has always been dedicated in its corporate social responsibilities and contributing towards the social welfare. The Group embodies its social value while developing its corporate business, creating a better future for the community and cultivating public welfare.

The Group's participation in social welfare during the year are as follows:

Donations were made towards compulsory education. As the Group recognizes the importance of education of minors and see them as the hope of society's future advancement, it aspires to contribute to education and its promotion among the grassroots, raising their chances of receiving education.

Aids were sent to the victims of flood in Huangmei County, Hubei Province. The Huangmei area

was severely battered by the extensive summer rainfall, which vastly affected residents' lives. The Group showed no hesitation in extending assistance to the area, partaking in the residents' recovery from such hardship. 212 employees joined the one-week fund-raising, and a total of RMB225,000 were funded from the public for the post-Huangmei flood reconstruction and recovery.