



宏太控股有限公司

**Wang Tai Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1400)

**2017**

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

# **Wang Tai Holdings Limited**

## **Environmental, Social and Governance Report**

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## 1. About the Report

Nowadays, humanity faces severe survival crisis from issues including global warming, air pollution and water pollution etc. The Chinese government has shown great determinations in tackling these problems and tightened up the limitations on the corporations in terms of environmental protection, leading to the closure of some factories that do not meet the standards. Even though profitability is important, we believe that financial performance should not be the only focus of successful corporations, who should also take social responsibilities and contribute to environmental protection and social well-beings.

In order to achieve sustainable development and to maintain the balance of the society and environment, Wang Tai Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to incorporating environmental protection and corporate social responsibilities into its development strategies, and taking into account safety, environment and staff while operating the corporate and making decisions.

### 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”). The contents include the methods and results of the ESG activities the Group took during the period from January 1st to December 31st 2017, 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 advice are welcomed in order to continuously improve the Group’s activities in relation to environment, society and corporate governance.

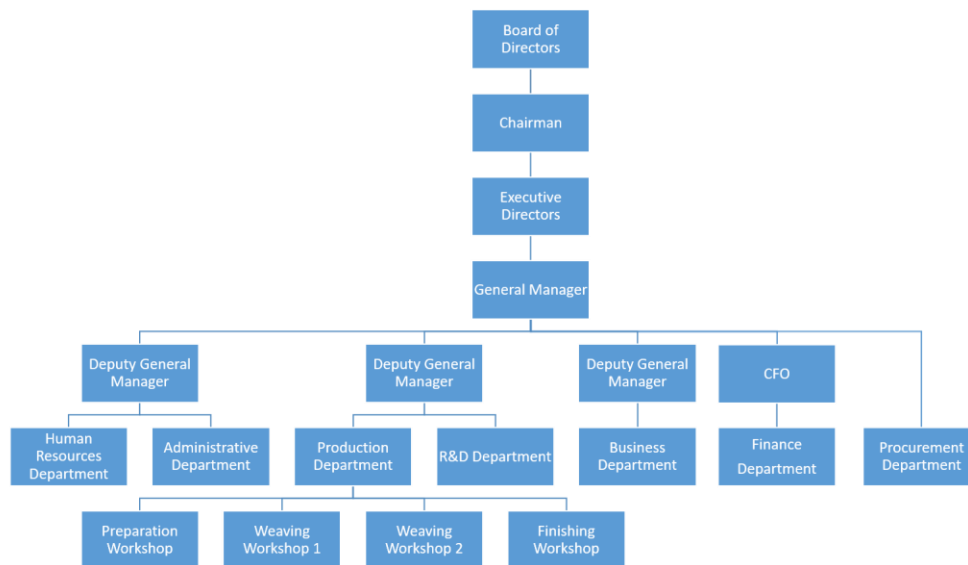
## 2. Corporate Governance

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 a stable and 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 in ensuring transparency and accountability of its operations. The Group will continue to enhance the competitive strength

and innovation, improve the value-added products, upgrade the fabric products and look for breakthrough, continuously extend the channels to improve the profitability.

The corporate governance structure of the Group is as follows:



The Group is equipped with well-developed governance structure, featuring different sections of the business including procurement, research and development (“R&D”), manufacturing, sales, management, etc., among which are the Group’s strong R&D and operation teams established through years of efforts dedicating to the technological innovation. They aim at not only increasing the production efficiency thus satisfy the evolving demand of the market and clients, but also helping to minimize the pollution during the manufacturing processes.

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

As a raw materials industry player, the Group well acknowledges the importance of achieving sustainable development. The Group develops environment-friendly materials and advanced production techniques aiming at minimizing the pollution from manufacturing, so as to achieve a balanced situation between the environment and the production efficiency.

#### Environment Protection Policies During Production Process

The Group pushes internal guidelines to promote energy-saving manufacturing processes, including installing water-saving facilities to reduce the water usage, conducting regular

check-ups on any leakage in taps, pipes, circulation systems and water towers, and encouraging staff to close water taps after use, and to save used water for toilet flushing, etc.

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 strictly complies with related laws, regulations, government policies, and the Group's principles of being responsible for the environment. The Group strictly forbids the use of toxic materials and materials having negative influences on the environment that are prohibited by the government.

#### Air Pollutants and Greenhouse Gas Emissions

The year 2017 poses pressure on the textile industry. In order to maintain its business, the Group puts efforts in opportunity seeking and new client exploring. The total distance traveled in automobile vehicles has increased as well as the usage of diesel and gasoline. Reflecting this on the environment, we see an increase in the greenhouse gas and air pollutants emissions. However, the Group has never eased up on its studies and efforts in the environmental protection and emission reduction.

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. stringent selection for suppliers and partners who fulfill their obligations in the aspects of environmental protection and social responsibility. iii. proactively studying the practicality of environment-friendly production technologies and adopting them when suitable to achieve waste reduction at source. In the future, the Group will continue environmental- protection and energy-saving programs to help achieve a green industry.

#### Greenhouse Gas and Air Emissions

	Emissions	
	The year ended 31 December	
	2016	2017
Total greenhouse gas emissions (kg)	10,245,626.49	14,065,510.71
SO <sub>2</sub> (g)	669.44	927.06
NO <sub>x</sub> (g)	15,965.11	21,917.39
PM(g)	1,175.48	1,613.74

### Non-hazardous Waste

The Company's 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 and to learn waste classification. This is led by the management team of the Group with a clear purpose of reducing waste. The non-hazardous waste production increased from 242.7 tonnes in 2016 to 333.19 tonnes in 2017.

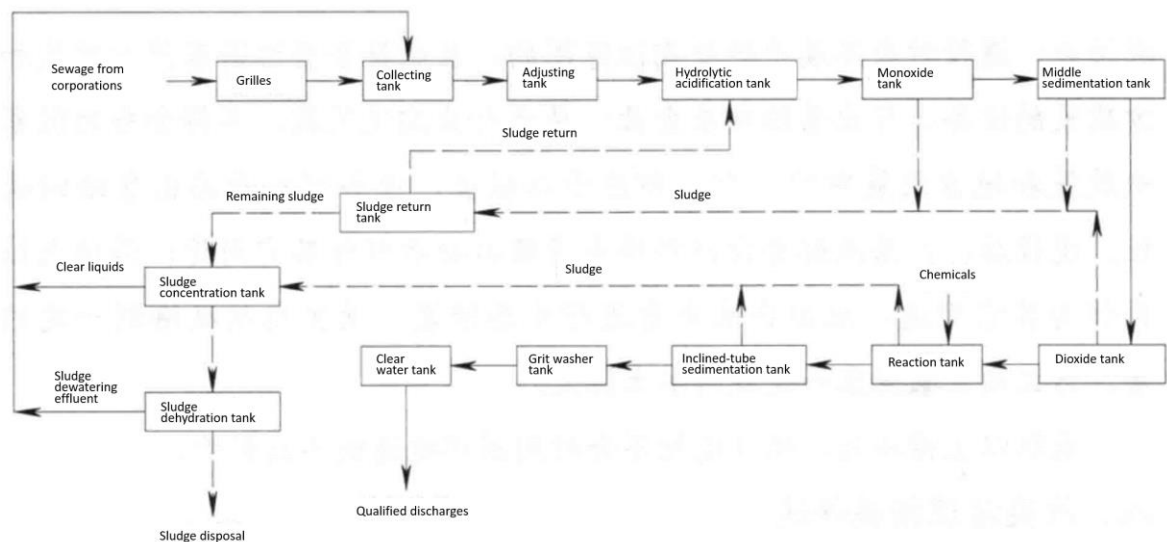
The Group's production activities do not involve production of hazardous waste.

### Sewage Discharge and Treatment

#### Sewage Discharged by the Group in 2016 and 2017

	Sewage discharged (tonnes)		Discharge destination
	The year ended 31 December		
	2016	2017	
Hongtai (China) Co., Ltd (宏太（中國）有限公司)	18,991.00	26,071.43	Taiwan Strait
Hongsheng (Hubei) Textile Co., Ltd. (宏晟（湖北）紡織有限公司)	36,600.00	50,245.60	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 Impact on Environment and Natural Resources

The Group realizes that sewage disposal and electricity consumption are the most significant environmental issues in the textile industry. Therefore, it will investigate the possibilities of sewage filtering and reusing, and of switching to more eco-friendly chemicals.

#### 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 encourages the staff to save resources and energy in order to create a green work environment.

#### Consumption of Resources

	Consumption	
	For the year ended 31 December	
	2016	2017
Electricity (kWh)	22,357,408	22,056,207
Water (tonnes)	99,725	84,896
Packaging film (tonnes)	12.42	11.77
Paper (tonnes)	0.54	0.56

#### Energy Consumption

	Consumption	
	For the year ended 31 December	
	2016	2017
Steam (tonnes)	3,011	3,670
Diesel (L)	2,080.48	2,059.43
Gasoline (L)	43,261.82	60,809.84
Natural gas (m <sup>3</sup> )	342,879	11,390

#### Energy Consumption Intensity

	Consumption Intensity	
	For the year ended 31 December	
	2016	2017
Energy consumed per employee (kWh)	43,328	48,475
Energy consumed per meter produced (kWh)	0.69	0.55
Energy consumed per production facility (kWh)	39,362	37,383

#### Water Consumption Intensity

	Consumption Intensity	
	For the year end 31 December	
	2016	2017
Water consumed per employee (tonnes)	193.3	186.6
Water consumed per meter produced (tonnes)	0.0025	0.0021
Water consumed per production facility (tonnes)	175.6	143.9

#### Intensity of Packaging Material Use

	Usage Intensity	
	For the year ended 31 December	
	2016	2017
Paper tube used per million meters produced (tonnes)	0.205	N/A
Packaging film used per million meters meter produced (tonnes)	0.383	0.295
Paper used per million meters produced (tonnes)	0.017	0.014

In 2017, the Group further practiced the energy-saving and waste reduction measures to promote green office management, including: i) to save energy by maintaining an average indoor temperature between 24°C and 26°C, except necessary temperature control in production facilities; ii) to reduce paper usage by sending and receiving both internal and external documents via emails as much as possible, and by adopting an electronic system for filing and documentation. iii) to encourage reusing single-sided paper for printing and receiving fax; iv) to promote the use of LED lighting throughout R&D department, production plants, and offices of the Group, and encourage employees to switch off the lights before leaving, in order to reduce energy consumption.

During the year, Hongtai (China) Co., Ltd (宏太（中國）有限公司) continues to work in collaboration with the School of Automation Science and Electrical Engineering, the Beijing University of Aeronautics and Astronautics on developing energy-efficient pneumatic equipment and relevant controlling techniques. Such technology is to be validated through the trial operation in the Company and popularized within the industry when mature, and eventually industrialized. On top of this, water used in production is recycled and reused.

Main packaging materials used were plastic bags 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 plastic bags is 11.77 tonnes in 2017 while the consumption of paper is 0.56 tonnes, similar to that of last year.



Under the Group's active water-saving measures, the water usage has dropped from 99,725 tonnes in 2016 to 84,896 tonnes in 2017.

## 5. Employees and Safety

### Work Environment

The Group strives to provide a fair work environment by establishing a professional human resources department to safeguard the legal rights of employees, for instance, reasonable working hours, statutory holidays, medical benefits and paid leaves, etc. The Group strictly adheres to regulations of the PRC and the relevant laws of the Hong Kong Special Administrative Region, in that all child labor or forced labor are sternly avoided, and all employees are required to present identity document prior to their official employment. Furthermore, the Group sticks to the principles of age and gender equality and adopts non-discriminatory practices.

In order to promote employees' sense of belonging, the group has conducted regular team-building programs, and formulated family-friendly work schedule, such as flexible office hours which allows employees to plan their own working schedule so as to achieve work-family balance and to create friendly work space.

### Staff Breakdown by Job Function

Categories	No. of employees	
	As at 31 December	
	2016	2017
Management	9	9
Administration	72	60
Finance	21	20
Business operation	18	10
Research and development	7	4
Procurement	5	3
Production	389	349
Total	516	455

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

Categories		No. of employees	
		As at 31 December	
		2016	2017
Gender	Male	246	181
	Female	270	274
Age group	≤30	145	123
	30-40	164	149

	40-50	155	131
	50-60	52	52
	≥60	N/A	N/A
	Fujian	277	221
	Hubei	236	229
Region	Hong Kong	3	5

#### Overview of Employee Turnover in the year of 2016 and 2017

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

Categories	No. of employees (as at 31 December 2017)						
Region	Fujian		Hubei		Hong Kong		Total
Gender	Male	Female	Male	Female	Male	Female	
Beginning of year	126	151	86	150	3	0	516
Recruits	30	34	20	74	1	1	160
Resignees	44	65	37	75	0	0	221
End of year	112	120	69	149	4	1	455

#### Employee Safety and Health

The Group pays close attention to employees' health, and adopted multiple measures to secure their safety, such as requesting employees to wear safety clothes in workplace, for instance aprons, work caps and ear plugs, etc. For special positions such as electricians, authorized certification must be presented, and protective equipment such as electrician gloves and shoes, must be worn in workplace, in order to guarantee full health and safety protection.

In addition, every production department is required to have a supervisor to ensure work safety and prepare the safety guidelines. There were no work-related incidents leading to fatality or injury leave in the past two years. The Company also adopted shift policy to avoid overworking employees.

Besides, 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 actively conducts staff training and development activities. Employees are required to attend pre-job training within first three months of employment; for those who wish to attend advanced studies, the Group offers financial aid and flexible working hours, favoring their career development and future promotion.

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

	For the year ended 31 December	
	2016	2017
NO. of training	60	73
No. of persons trained (by gender)		
Male	526	640
Female	942	1,146
No. of persons trained (by job function)		
Management	91	110
Administration	106	127
Research and development	41	49
Production	1,055	1,266
Others	175	234
Total	1,468	1,786

	For the year ended 31 December					
	2016			2017		
Training hours completed	1-5 hours	6-10 hours	11 hours or above	1-5 hours	6-10 hours	11hours or above
No. of persons trained (by gender)						
Male	243	122	114	292	146	136
Female	463	315	211	555	378	253
No. of persons trained (by job function)						
Management	54	37	26	64	44	31
Administration	78	50	44	94	60	53
Finance	36	30	24	43	36	29
Business operation	28	34	27	33	41	32
Research and development	21	25	18	25	30	22
Procurement	22	22	20	26	26	24

Production	467	239	166	562	287	198
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## 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 stability 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. Acknowledged suppliers should have the following qualifications: 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 receive priority in the supplier selection process.

### Number of Suppliers

	For the year ended 31 December	
	2016	2017
By region		
Mainland China	118	161
Non-mainland China	5	0
By category		
Suppliers of raw materials for producing fabrics	118	118
Non-textile products	5	43

### Procurement System

The Group has its specialized and professional procurement system consisting of detailed description on procurement 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

The Group strives to ensure that its products do not harm the health and safety of customers. The safety and legality of all raw materials and substances used in production are stringently

controlled while the safety reports and incidents of relevant products and materials are monitored.

#### 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. Blended yarns: weight, yarn levelness (except bamboo yarn) and toughness are tested.  
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 provide top services as it considers customers' benefits the first priority. For that, the Group set up a complaint handling system for customers, including opinion collection, case analysis and proposing improvement plan. Since the products were tailor-made and produced for each customer, there has been no returns and complaints. However, in case of any doubt or disagreement in the business processes, the business department is responsible 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 customers' privacy and security of their information, ensuring that there is no violation of their rights. Serving such purpose, the company equipped a designated file room managed by authorized personnel. The secured files include but are not limited to

correspondences with customers, business reports and trading receipts, etc., so as to ensure that information is used legally and to 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 observes the rules of the CG Code, and laws and regulations related to anti-corruption and fraud. It set up an anti-fraud reporting system to prohibit any illegal behavior that might harm the Group's benefit, namely bribery, extortion, fraud and money laundry and the like.

For suspected cases, the Company will deal with severely and encourage staffs who have sources close to the matter to report the illegality and provide information anonymously via multiple channels. The Group has not faced any legal case in respect of corruption in the past two years.

## 8. Community Involvement

The Group has been actively performing social responsibility as a corporate citizen by participating in social welfare activities, aiming at demonstrating the social value of enterprise while developing the business. In the year, the Group set up volunteers group to allow staff and their families to join volunteering activities, including helping the left-behind children, students from low-income families and elderlies living alone. By doing this, we wish to send love and care to people from all walks of life in the society.