



中國藝術金融控股有限公司

China Art Financial Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1572

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT

2018



CONTENTS

1.	ABOUT THIS REPORT	2
2.	ENVIRONMENTAL PROTECTION	3
2.1.	ENVIRONMENTAL POLICY AND COMPLIANCE	3
2.2.	ENERGY EFFICIENCY MANAGEMENT	3
2.3.	NON-HAZARDOUS WASTE MANAGEMENT	4
2.4.	ENVIRONMENTAL PERFORMANCE	4
3.	EMPLOYMENT AND LABOUR PRACTICES	5
3.1.	EMPLOYMENT AND LABOUR	5
3.2.	DEVELOPMENT AND TRAINING	8
3.3.	HEALTH AND WORK SAFETY	9
4.	OPERATIONAL PRACTICES	9
4.1.	SUPPLY CHAIN MANAGEMENT	9
4.2.	ANTI-CORRUPTION	10
4.3.	PRIVACY PROTECTION	10
5.	COMMUNITY INVESTMENT	10
6.	HKEX ESG GUIDE CONTENT INDEX	11



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

China Art Financial Holdings Limited is pleased to present our Environmental, Social and Governance Report (“ESG Report”) for the year ended 31 December 2018. 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 2018.

This ESG Report covers the ESG performance of our office in Hong Kong and 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 2018 to 31 December 2018.

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 Rule 13.91 of The Stock Exchange of Hong Kong Limited (“HKEX”). 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 Investment. 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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ENVIRONMENTAL PROTECTION

2.1. Environmental Policy and Compliance

Being the foundation of a sustainable economy, a sustainable environment is crucial to the well-being of human beings. Because of this, we, as part of the planet Earth, believe our planet deserves our best thinking associated with appropriate investment. In accordance with our environmental vision, 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.

As a company that is principally engaged in financial and auction services, we generally bear a low impact on carbon emission and the environment. Nevertheless, the Group continues to manage our environmental footprint via active reduction of our resource consumption and carbon emissions at all business levels.

The Group continues to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment. Recognising that a corporate citizen must be accountable for their industry's impacts on the environment, we are determined to take a proactive role in caring for the environment. We can help reduce the consumption of natural resources, minimise our discharges, wastes, greenhouse gas emissions, as well as other pollutants regulated under national laws and regulations, so as to build a sustainable future for our generations and their generations.

2.2. Energy Efficiency Management

Similar to the previous years, electricity consumption of our corporate office accounts for our major contribution to the greenhouse gas emission and energy footprints. In 2018, the Group adopted a number of energy-saving initiatives and efficiency practices to reduce greenhouse gas emission and conserve energy usage, encompassing:

- indoor temperature is maintained at an optimal level for comfort;
- LED lighting system is set in the offices;
- employees are encouraged to turn off the computers, monitors and other personal electronic devices before they leave the office;
- office machines such as copiers and TV monitors are set to turn off automatically after office hours;
- telecommunication system is encouraged to avoid unnecessary travel arrangement; and
- signages are put on at appropriate areas to raise the awareness of energy saving.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3. Non-Hazardous Waste Management

We are as committed as ever to conserving precious resources, believing that every small step will make a difference. Besides implementation of energy saving initiatives in the office, the Group also promotes other eco-friendly measures to reduce disposal of non-hazardous waste in our operation.

Contributing to our efforts to reduce paper usage, we have encouraged paperless solution for the operation. The electronic information system is encouraged for documents storage, material sharing or internal administrative documents. It considerably improves operational efficiency while helping create a paperless operation system, thereby contributing to waste reduction and resource conservation. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents.

2.4. Environmental Performance

Despite the nature of our business has no direct adverse impact on the environment and natural resources, the Group, considering it as our principal value, will continue our commitment in environmental protection and strive to promote environmental protection activities in harmony with economic development.

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, our environmental performance of “Energy Use and Emissions” and “Resource Use” during the reporting period are tabulated as below.

Table 1 — Energy Use and Emissions

Energy Use and Emissions	Unit	2018	2017
Electricity	kWh	130,818	90,074
Unleaded petrol	L	5,892	5,456
Greenhouse gas emissions	CO ₂ e (kg)	121,014	85,876
Nitrogen Oxides	g	3,469	3,362
Sulphur Oxides	g	87	80
Particulate Matter	g	255	248

Table 2 — Use of Resources

Use of Resources	Unit	2018	2017
Paper	Piece	63,711	35,037
	(kg)	(318.56)	(175.19)

In the future, the Group will continue to raise employees’ awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Employment and Labour

Human capital has always been considered by the Group as the most important asset for our long-term operation and business development, thus the Group is committed to upholding an open, fair, just and reasonable human resource policy.

Equality and diversity is highly respected in our corporate philosophy during the process of employment, remuneration, promotion and termination. In our employee inclusion, we strictly follow the relevant laws and regulations and our employment policies to select candidates based on skillsets, experience and expertise and offer equal employment opportunities to different genders, age groups and nationalities.

Employees hired by the Group are mainly located in Hong Kong and China. In Hong Kong, the Group safeguards the rights of our employees by strictly complying with relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, the Minimum Wage Ordinance, Employment Ordinance and the Employees' Compensation Ordinance by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. 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 local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

The Group is fully aware that exploitation of child and forced labour violates human rights and international labour conventions. Therefore, the Group strictly complies with the relevant laws and regulations related to child labour and forced labour.

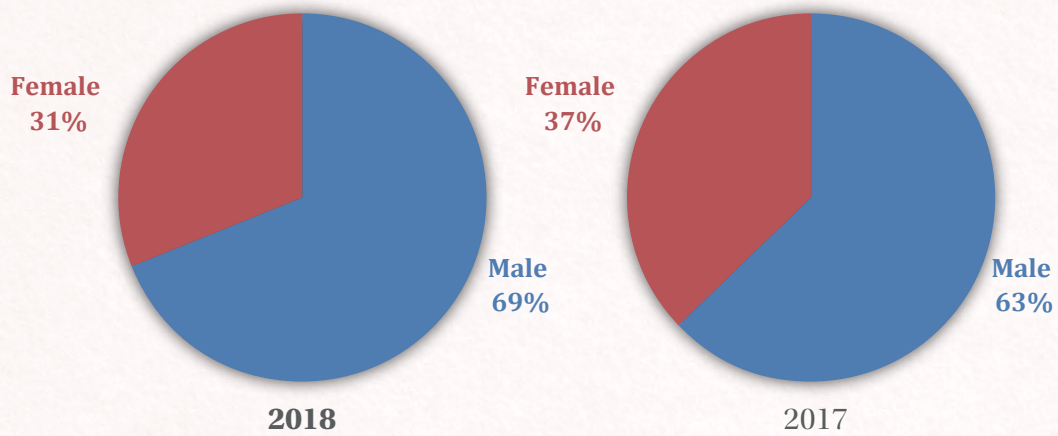
In accordance with the ESG Reporting Guide, the details of the Group's workforce during the reporting period are tabulated as well as presented in graphs below.

Table 3 — Workforce

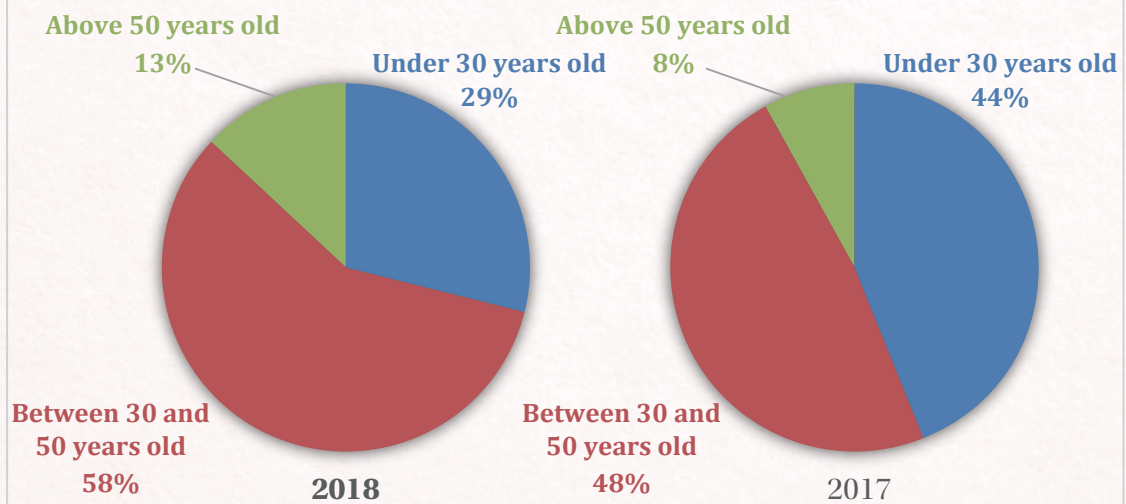
	2018	2017
Total Number of Full-Time Employees	45	63
Turnover rate by Gender (%)		
Male	21.82	12.70
Female	10.91	4.76
Turnover rate by Age Group (%)		
Under 30 years old	18.18	9.52
30–50 years old	12.73	7.94
over 50 years old	1.82	0
Turnover rate by Geographical Region (%)		
Hong Kong	16.36	6.35
China	16.36	11.11

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TOTAL WORKFORCE BY GENDER AS AT 31 DECEMBER

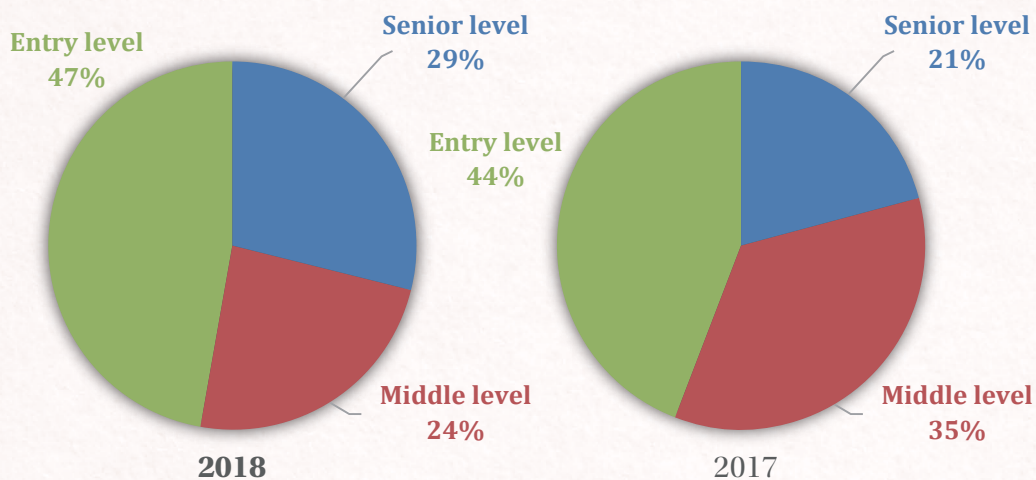


TOTAL WORKFORCE BY AGE GROUP

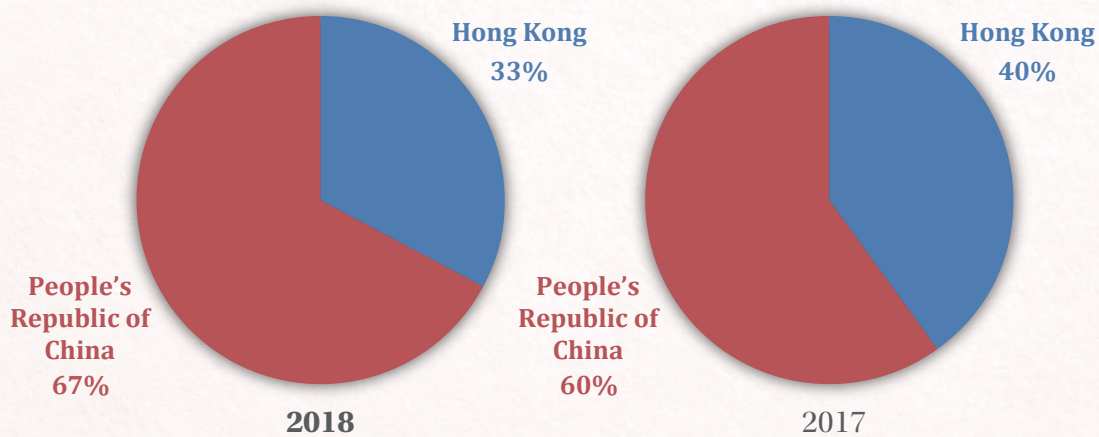


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TOTAL WORKFORCE BY EMPLOYMENT TYPE



TOTAL WORKFORCE BY GEOGRAPHIC REGION



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2. Development and Training

The Group see each of the position is of unique professional and technical needs. Thus, we ensure that our professional training and development programs continuously evolve and create a listening culture through support and coaching.

For every new joiner, we provide a proper orientation training and mentoring in order to help them adapt to the new working environment quickly. Continuous internal training is committed by the Group in different ways including comprehensive training for specific skill developments and professional training for relevant employees. Through a variety of on-the-job learning sessions, we are able to nurture and retain excellent talents and strengthen the competitiveness of the Group. During the reporting period, we have organized a series of training sessions, which were designed to help our employees to improve their skills of project management and execution.

In accordance with the ESG Reporting Guide, the details of the of training and development programs provided by the Group during the reporting period are tabulated as well as presented in graphs below.

Table 4 — Training and Development

	Unit	2018	2017
Employee Training			
Average hours of training received per employee	hours	8.62	8.98
Average hours of training per employee by gender			
Female	hours	5.71	9.18
Male	hours	9.94	8.65
Average hours of training per employee by employment category			
Senior level	hours	15.08	10.31
Middle level	hours	6.55	8.64
Ordinary level	hours	5.71	8.64

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3. Health and Work Safety

Bearing in mind that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment are closely related, the Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from any potential occupational hazards.

The Group is in compliance with the Occupational Safety and Health Ordinance, by ensuring that the employees are working in a safe environment. We have developed and adopted health and safety policies, including prohibition of smoking in workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in working area, and follow-up actions for accidents or personal injuries. Such policies are set out in our employee handbook for our employees to comply with. We also update the health and safety policies from time to time to ensure that the policies are best fit to the Group's core businesses.

The Group has offered various facilities to address the health and safety needs of our employees, encompassing:

- installing air purifiers in areas where are relatively crowded such as conference and meeting rooms;
- ensuring ample space between workstations and clean and tidy common space such as corridors and pantry; and
- maintaining sufficient ventilation and lighting system in the offices.

During the reporting period, the Group has achieved zero work-related fatalities and lost days due to work injury.

Believing that sense of belonging is the key for the healthy growth of every commercial organization, the Group promotes open and direct communication between employees and management. Regular and festival gatherings such as Christmas and Chinese New Year dinners are organized to enhance the harmonious spirit of different levels of staff members throughout the Group.

4. OPERATIONAL 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 HKEX.

4.1. Supply Chain Management

In case we need to select our suppliers and contractors in the process of our business operation, we do not just consider economical and commercial factors in the tendering processes but whether they comply with all the applicable laws and regulations; safeguard employees' health and safety; and mitigate environmental impacts or not are also taken into account.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2. Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group is in compliance with the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong).

A series of corporate policies were set up by the Group on anti-fraud, anti-bribery, anti-extortion and anti-money laundering. The Group has also set up an email channel for whistle blowing or other complaints lodged by the employees, and is committed to offering the maximum protection to whistle-blowers.

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.

During the reporting period, we have complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have an impact on the Group, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

4.3. Privacy Protection

Throughout the operation, the Group unavoidably collects and holds personal information of individual customers. The Group has constantly monitored its compliance with applicable regulations and laws to ensure that all personal data are securely kept and used exclusively for matters relating to our operation. We are committed to ensuring all collected personal data kept will be free of unauthorized or accidental access, processing, erasure or other use.

5. COMMUNITY INVESTMENT

We are committed to and take pride in contributing to the community. We encourage our employees and their family members to contribute their skills and time to the community by volunteering in our community development and outreach programs.

We support local communities especially in Yixing where our core business is located. During the reporting period, we organized one charity auction. The auction was in collaboration with a Chinese Ceramic Artist, Mr Ji Yishun (季益順). The fund made from the charity auction was entirely used to establish the “Beijing Cultural Heritage Development Foundation (北京非物質文化遺產發展基金會)” in order to assist the development of arts in the community. All of the fund made was also completely used for charity purpose.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect 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	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
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	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A2: Use of Resources			
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	Environmental Protection	
KPI A2.2	Water consumption in total and intensity		The Group believes that our water consumption is mainly used for domestic use purpose and no issues are addressed at this moment.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect A3: The Environment and Natural Resources			
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.
Aspect 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	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect 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	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	
Aspect B3: Development and Training			
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	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect 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	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.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operational practices	
KPI B5.1	Number of suppliers by geographical region	–	Not identified as material aspect
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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on:	Operational practices	
	(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		
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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in ESG Report	Remarks
Aspect 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	Operational practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period 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	Operational practices	
Aspect 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 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	Community Investment	