

浙江永安融通控股股份有限公司

**ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.\***

*(formerly known as 浙江永隆實業股份有限公司 Zhejiang Yonglong Enterprises Co., Ltd. \*)*

*(a jointed stock limited company incorporated in the People's Republic of China)*

(Stock Code: 8211)

ESG REPORT

**2016**

*\* For identification purpose only*

## CONTENTS

	<i>Pages</i>
<b>A. OVERVIEW</b> .....	2
1. Scope of Coverage .....	2
2. Management and Approach .....	2
<b>B. MATERIAL ENVIRONMENTAL AREAS, ASPECTS AND KPIS</b> .....	3
1. Overview .....	3
2. Material Environment Aspects and KPIS .....	4
<b>C. MATERIAL SOCIAL ASPECTS AND KPIS</b> .....	7
1. Employment and Labour Practices Areas — Overview.....	7
2. Material Employment and Labour Standards Aspects and KPIS.....	8
3. Material Operation Practices Aspects and KPIS.....	10
4. Community Investment.....	12

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Year ended 31 December 2016*

The Board of directors (the “Board” or the “Directors”) of 浙江永安融通控股股份有限公司 Zhejiang Yongan Rongtong Holdings Co., Ltd.\* (formerly known as 浙江永隆實業股份有限公司 Zhejiang Yonglong Enterprises Co., Ltd. \*) (the “Company”) is pleased to present to our shareholders the first Environmental, Social and Governance Report of the Company for the year ended 31 December 2016.

## A. OVERVIEW

Pursuant to Appendix 20 Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company is required to prepare an ESG Report, which explains the management approaches, strategies, policies, measures taken and results of its activities on Environmental and Social areas and aspects, and evaluate their impact on the sustainable development of the environment and society.

Since our establishment in 2002, the Company has been working towards developing ourselves as an international leader in woven fabrics design, manufacture and sale. Our objectives are to bring new technology and products to fashion industries, returns to our investors, shareholders and employees, and positive contributions to the environment and society. We have adopted and implemented the strategies, policies, rules and regulations in relation to the environmental and social areas and aspects of the ESG Guide with responsibility and a high Code of Standards, which can be summarized below:

### 1. Scope of Coverage

This statement covers our headquarter and our only factory operation in Shaoxing, Zhejiang, China for our principal business for the period from 1st January to 31st December 2016.

### 2. Management and Approach

The Company operates under a centralised structure. The Board has delegated to the Chief Executive Officer of the Company (“CEO”) the overall responsibility on overseeing the total operation of the Company including the ESG compliance. Departmental managers have been instructed to implement the Board approved strategies, policies, rules and regulations, and to submit reports on the measures taken and their performance on the related ESG areas and aspects to the CEO. The CEO peruses the reports with special attention to the established key performance indicators (“**KPIs**”) and recommends to the Board to introduce, adjust and take appropriate strategies, policies and regulations, if required. To update the monitoring processes, the Company will carry out surveys and arrange gatherings with employees, business partners, and other stakeholders to collect their opinions and views.

The Board has approved and implemented for many years the “**CORPORATION MANAGEMENT RULES AND REGULATIONS**” (“**CMRR**”) with special references to management of internet, sales and purchases, products quality, personnel, social insurance, training, wages and salaries, accidents and emergencies, privacy and confidentially. The Company manages its strategies, policies, rules and regulations on an on-going basis, and will adjust accordingly in response to changes. The Company conducts its operation and business under strict compliance of the local, national and international laws, rules and regulations, with transparency and Code of Standards, and the wish to achieve sustainable development of the environment, society and itself.

## **B. MATERIAL ENVIRONMENTAL AREAS, ASPECTS AND KPIS**

### **1. Overview**

Reporting directly to the CEO, the General Manager of Administration in the Headquarter Office and the General Manager of Operation in the Factory are the 2 front-line managers directly responsible for managing the environmental aspects in the ESG Guide.

The headquarter office responsible for all the office administration routine works, and will not generate or discharge any hazardous or polluted emissions, wastes and water.

The raw materials of the factory for weaving of woven fabrics mainly are fibers such as polyesters, viscose, nylon, rayon, linen flax, acetate, polyester staple fiber, rayon staple fiber, etc., which, are made through the manufacturing process of: Raw Materials (Warp Yarn/Weft Yarn)→Twisting →Twist Setting→Warping →Weaving (woven fabrics)→Inspecting. During the process, non-hazardous emissions, solid wastes and waste water will be generated.

As a basic policy, the headquarter office and the factory are required to operate in an environmentally friendly manner and to save costs, the Company has taken measures to reduce waste, save energy and use resources efficiently under the following guided principles:

- Compliance with all international, national and local environmental laws, rules and regulations;
- Adoption and implementation of environmentally friendly strategies and policies;
- Identifying, controlling and minimising environmentally unfriendly or hazardous processes; and

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Year ended 31 December 2016*

- Raising awareness and consciousness of all employees to have green environmental practices.

The Company has practiced and obtained ISO certifications on the Quality Management System and Environmental Management System to ensure that all the environmental issues have been properly managed and our operation and activities have complied with all the environmental laws, rules and regulations and policies.

In 2016, the Company honored all of its environmental obligations, complied with all the environmental laws, rules and regulations, passed all governmental environmental annual inspections and examinations without any fine.

## 2. Material Environmental Aspects and KPIs

- **Emissions (A1)**

The headquarter office operation and activities generate no hazardous or polluting air emissions, waste or water discharges. Only living water and waste, and routine office paper and stationery waste are produced, which will be collected and disposed properly on a daily basis.

The factory operation and activities including 350 workers and 400 sets of various types of machines do not generate any hazardous air emissions and waste, but mainly produce non-hazardous waste water and air emissions, and solid waste. Waste water mainly comes from the living water of the canteens and offices and factory, and the manufacturing process generates a small quantity of steam used for setting and floor cleaning. The waste water will be collected through the waste water pipes into the underground septic pool for treatment before discharging into the urban waste water network. The Company will treat the waste water in accordance with the “Waste Water Discharging Standard — GB8978-1996” before discharging.

The Company paid all its discharging fees in 2016. Regarding air emissions, as the factory sources steam from the local town and does not operate any coal-fired boiler itself, no hazardous air is generated. The weaving machines produce some waste air in the form of heat releases which is non-hazardous as well. The only minor polluted air emission is generated from cooking in the canteens, which will be treated by purifiers before emitting into the sky. Solid waste mainly comes from scraps of raw materials, packing and construction materials, which are not hazardous and will be collected, classified and sold to recycle operators. The only solid waste which requires close monitoring is “used lubricant oil”. It has to be collected and stored properly, as inappropriate handling will cause serious pollution. Our factory has specialised procedures and a storage yard to handle it.

## ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.\*

Our manufacturing process does not generate any significant amount of greenhouse gases. Furthermore, as the Company is located at Yanxunqiao, Keqiaoqu, Shaoxing which is next to 中國輕紡原料城 China Textile Materials City\*, the largest raw material of textile trading centre in the Asia and it only takes 10 minutes of travelling from the Company to it. The Company is also next to 中國輕紡城 China Textile City\*, the largest fabrics trading centre in the Asia and it only takes 15 minutes of travelling from the Company to it. Therefore various textile raw material suppliers and textile traders and Garment manufacturers etc., are nearby the Company in Shaoxing and Xiaoshan of Hangzhou. The suppliers send the raw materials to the factory of the Company by their own logistic. Most of the customers also collect the fabrics from the factory of the Company by their own logistics. Only minimum amount of fabrics has to be arranged by the Company with its outsourced logistic operation. Hence, the Company does not maintain a large fleet of transport vehicles, and only keeps a few saloon cars for the uses of the senior management and marketing purposes, and the greenhouse gases from running cars are insignificant. The only greenhouse gas generated will be carbon dioxide (CO<sub>2</sub>), which is an indirect emission from the use of electricity in daily operation and activities.

In our factory, there are two environmental issues which require proper handling. “Noise” generated from the operation of the various types of equipment is hazardous to workers’ hearing who are exposed continuously without proper equipment protection. It is a rule of the Company that workers in the production hall must wear hearing protection equipment and tools during works. Also, during the weaving process, fabric shreds may become airborne, which will be hazardous to workers’ respiratory organs if they are breathed in and accumulated substantially. It is a rule of the Company that all workers in the weaving hall are required to wear masks to protect themselves.

The Company has taken the appropriate measures to invest in tools and equipment to ensure “environmental green practices”. On one hand to reduce costs, the Company will continue to promote “energy and water saving” and on the other hand to support global calls for “conserving energy and water, and reducing indirect CO<sub>2</sub> emission to tackle global warming”. The KPIs on “**Electricity, Water and Packaging Materials Consumption**” have been established to allow the management to monitor the effectiveness of the policies and measures taken.

- **Use of Resources (A2) — including electricity, steam, water and raw fabric materials**

For office administration, factory production and general living of the resident workers, the Company consumed electricity, water, steam, lubricant oil and raw materials of polyesters, Lien flax etc., and packaging materials of paper and plastic.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Year ended 31 December 2016*

To save energy which also saves costs, the Company has invested in installing energy saving tools such as LED lights, solar panel systems to generate hot water and controlling meters. However, the most effective means of energy saving will be smart and responsible use of energy by our employees. The Company has promulgated rules and requested the employees to co-operate such as:

- Lights and equipment must be turned off if not in use;
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow; and
- Inspectors will inspect the factory and offices to turn off unused tools.

For water, the main consumption is coming from the living uses of the resident workers. The Company again requests the employees to use resources smartly and be responsible. Inspectors have been assigned to ensure no unwarranted uses and waste. Also as a means to monitor, special meters have been installed to record the water usage pattern.

For steam, which is used to provide heating for the office and factory during winter, and during twisting and warping processes of the raw materials, to save energy and to reduce the use of steam, the office and factory supervisors have been assigned to be responsible for maintaining the working environment temperature at a pre-determined degree, and to turn off the heating when no works are in progress. The factory is now studying a wider use of solar panel systems to provide hot water especially for living uses.

For the packaging paper and plastic raw materials, the Company have been insisted to use recycled paper and plastic wraps. For raw materials which are our main production materials, and account for a significant portion of costs of production, we have trained our designers to utilise the raw materials to the fullest extent. Any scraps will be collected and sold as scrap materials to recycling and recoverable resources operators.

In our office and factory, the Company has encouraged the office staff and factory workers to reduce paper consumption as much as possible through use of electronic tools such as emails, messages and USB storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper.

For continuous monitoring purpose, the Company has established the KPIs on the “**Electricity, Water and Packaging Materials Consumption**”.



- **The Environment And Natural Resources (A3)**

The Company is an industrial operation value-adding and turning raw materials into woven fabrics for manufacturing of garments and fashion. The manufacturing process does not produce hazardous emissions, waste or discharges to pollute the environment. All the waste and discharges generated can be collected and treated. However, the manufacturing process, apart from using raw fabric materials, will consume significant amounts of energy, water, steam and lubricant oil as well as packaging materials of plastic. It is for our own benefit to save on the use of these resources without jeopardising our production as the production costs will be simultaneously reduced. The method to achieve this objective is to invest in energy, water and steam equipment and tools, and to educate, guide and direct the staff and workers to smart uses through promulgation and implementation of our “Green Practice Policy”. The Company has constantly educated the staff and employees to be a “responsible citizen” to act in an eco-friendly manner and to save on water and energy consumption.

## **C. MATERIAL SOCIAL ASPECTS AND KPIS**

### **1. Employment and Labour Practices Areas — Overview**

Despite the advancement of technology, weaving of woven fabrics still requires a large number of skilled workers. As at end 2016 we had over 350 factory workers. Considering the cost and time to train new employees to become skilled labours, our skilled workers are therefore valuable assets to the Company. To retain these skilled workers, the Company has therefore adopted responsible human resources policies and strategies, and tried to provide them with a safe, healthy, fair and pleasant working environment, and to support employees continuous training and learning.

The General Manager of Human Resources Department reports directly to the CEO to implement the Board’s approved human resources strategies, which have been detailed in the Employee Handbook, Employment Contract, and CMRR. All the terms and conditions contained therein related to wages and salaries, social insurance, holidays, severance and compensation pay, performance assessment, accidents and injuries, safety and health, communication, etc. are in strict compliance with national and local government labour laws and Employment Ordinances.

The Company provides employees with equal opportunities on promotion, growth and development. All job positions are open to all, decided with no discrimination on sex, race, religion, gender, age and disability basis, and selected on skill and competency basis.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Year ended 31 December 2016*

To build a mutually understanding and acceptable working environment, the Company encourages employees to communicate open-heartedly, and has invited employee representatives to meet regularly to discuss about issues relating to working conditions, health and safety and employment terms and conditions. The Company believes that with effective communication, trust can be built and a win-win situation can be established.

## 2. Material Employment and Labour Standards Aspects and KPIs

- **Employment (B1)**

In relation to employment issues, the Company strictly follows China's labour laws and Employment Ordinance and has totally forbidden recruitment of child labour and forced labour. Our recruitment, internal transfer and promotion policies and procedures are important to our continuous development.

On recruitment, we use many different channels such as agents, referrals, advertisement to source quality and skilled workers from different parts of China. Most of employees come from rural areas, which we prefer to employ because we can provide more job opportunities to under-developed rural areas.

On internal transfer and promotion, the Company's policy has been to be fair and open to all so that any potential employees can apply and we can get the best candidate for the post. The Company does not allow any discrimination on sex, gender or origination. By end 2016, out of our total 430 employees, 389 were general workers and females accounted for 57.5%; in the managerial positions, mostly in the production divisions, out of 28, 16 were males which we consider to be reasonable. In short, the Company has been equitable and fair to all employees.

Finally, all employees regardless of long term or short term arrangement have to sign employment contracts with us. The Company has honored all obligations including the payment of salaries and wages, holidays and leaves, compensations, insurance and health benefits without disputes with our employees in 2016.

To have a constant understanding about the Company's employee situations, an "**Employment Record**" with breakdown of total number of employees in different sectors, gender and aged has been prepared as a KPI, which will be regularly updated.

- **Health and Safety (B2)**

The Company has invested substantially to build a decent and pleasant working environment for the employees. The Company has obtained ISO certification on its environmental system management under GB/T24001-2004idt ISO 14000 : 2004 (valid till 14 September, 2018).

Furthermore, in our Employee Handbook, and CRMM we have called and insisted on production safety, and employees have to be trained to understand the health safety system, fire prevention, emergency handling and protective equipment usage. Safety officers are employed to constantly check the operation. Clinical equipment and medicines are always in place and accessible. Throughout 2016, the Company recorded only ONE minor injury to a general worker due to mishandling of machine, and the injured employee had been proper cared for.

The Company has set up the “**Safety And Health Equipment Registrar**” and “**Accidents and Injuries Record**” as the KPIs for the management to monitor employees health and safety issues.

- **Training and Development (B3)**

The Company fully recognises that success of our business links to the quality and skills of our employees. We have therefore consistently encouraged employees to continue learning and to improve skills. In 2016 the Company organised internal training programs every month for general work category employees and tried to let each employee to have at least 20 hours of training per year; for office administration employees, the Company arranged each employee 24 hours of training per year. The Company also sponsored employee to attend external training programs including general programs such as Fire Safety and Textile Technology and specialised programs such as Legal Practice and Accounting Practice.

The Company has set up and maintained the “**Training Record**” listing all the training programs and number of attendants in 2016 as a KPI for the management to review.

- **Labour Standards (B4)**

The Company has honored all the obligations under the employment contracts, implementing the CMRR with compliance on China labour laws and employment ordinances; and has provided a safe, healthy and pleasant working environment to our employees. We did not have any labour litigation recorded for 2016.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Year ended 31 December 2016

## 3 Material Operation Practices Aspects and KPIs

- **Supply Chain Management (B5)**

As a woven fabric manufacturer, the Company purchases large quantities of fibers as raw materials such as polyesters, viscose, nylon, rayon, linen flax, acetate, polyester staple fiber, rayon staple fiber etc.; equipment and spare parts, accessories, offices and factories supplies etc., from local suppliers nearby. The Company has a complete set of “Purchase Policy and Guidelines”, which stipulates the purchase process to make sure malpractices and illegal acts will be eliminated.

The highlights of the Purchase Policy are as follows:

1. *Supplier List:*

The Company keeps a suppliers list and each supplier will have an independent file containing its general operating information in terms of track record with our Company and others, and basic legal information;

2. *Purchase:*

When a purchase is required, the related unit will fill in a Purchase Form sent to our Purchase Department who will invite 2-3 suppliers to quote;

3. *Purchase Decision:*

The related unit and the Purchase Department will jointly decide on the purchase which may be on price, quality and/or other terms.

4. *Purchase Contract:*

The contract must be approved by the legal and finance department before it can be executed.

No policy and process will be perfect, and it relies on the joint departmental involvement and the senior management to exercise due diligence to wipe out malpractices and illegal acts. The Company states in the CMRR that legal actions will be taken if illegal acts and malpractices are found.

Since the Purchase Department maintains a detailed Suppliers List, the management can access to such information whenever required.

- **Products Responsibility (B6)**

- (i) *Sales*

The Company sold its products directly or through agents to customers in China, Europe, America and South-East Asia. We have for many years won the clients on our product quality and after sale services.

To ensure product quality, the Company has invested substantially on its production hardware, and at the same on developing new technology and new products by working with world famous corporations and educational institutions. The production process has been constantly monitored to ensure a “No-Mistake” approach. If quality issues occur, pursuant to Chapter 9 of the CMRR, the Production Department will immediately organise a committee to find out the reasons to ensure no repetition takes place. In our Sales Contract, there are clear clauses specifying our responsibilities under quality issues. The Sales Department will be the unit to handle all sales issues including complaints and returns. In 2016, we had a minor amount of orders with quality issues which have been rectified without jeopardising the relationship with our clients.

A KPI of “**Sales Return and Complaint Record**” has been set up for the management to directly monitor its products quality.

- **Intellectual Property Rights**

The Company’s business does not significantly involve intellectual property rights, but the Company still respects intellectual property right laws both domestically and internationally. We have not been subject to any litigation for any infringement of property rights.

- **Privacy and Confidentiality**

Over many years of operation, the Company has accumulated a large volume of private and confidential information on our suppliers, buyers, business partners in term of their general background, operation and financial data, track records etc. Pursuant to laws and also our moral obligation, such private and confidential information is not allowed to be disclosed to any third party without the knowledge of the party involved or unless it is compulsory to be disclosed under laws. The Company fully understands its privacy obligation, and has introduced into our CMRR and Employment Contract that employees are forbidden to disclose or to leak information on purpose. The Company has also introduced safety measures to protect such information on the internet. The Company reported no privacy leakage case for 2016.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Year ended 31 December 2016*

- **Anti-Corruption (B7)**

With the implementation of proper policies and procedures on sales and purchases, financial controls, and the provision of a healthy working environment to the employees, mal-practices and illegal acts have greatly been minimised. However, the Company still clearly states in the CMRR and Employment Contract that bribery and corruption acts will not be accepted, and legal action will be taken if necessary.

#### 4. **Community Investment**

- **Community Investment (B8)**

In 2016, the Company donated RMB50,000 to the Buddha Association of Shaoxing, Zhejiang and funded RMB100,000 to set up an “Employee Hardship Emergency Fund” to assist those employees who have encountered emergency difficulties. The drawdown will be on case by case basis upon application by an employee and discretion by the CEO.

By Order of the Board  
**Zhejiang Yongan Rongtong Holdings Co., Ltd.\***  
**Jiang Ning**  
*Chairman*

Zhejiang, the PRC, 28 June 2017

*As at the date of this document, the executive directors of the Company are Mr. Jiang Ning (Chairman), Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive directors are Mr. Chen Dong Chun and Mr. Tang Guo Ping; the independent non-executive directors are Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong.*

\* *For identification purpose only*