

ALLEN 亚伦®

CHINA CREATIVE GLOBAL HOLDINGS LIMITED
中創環球控股有限公司

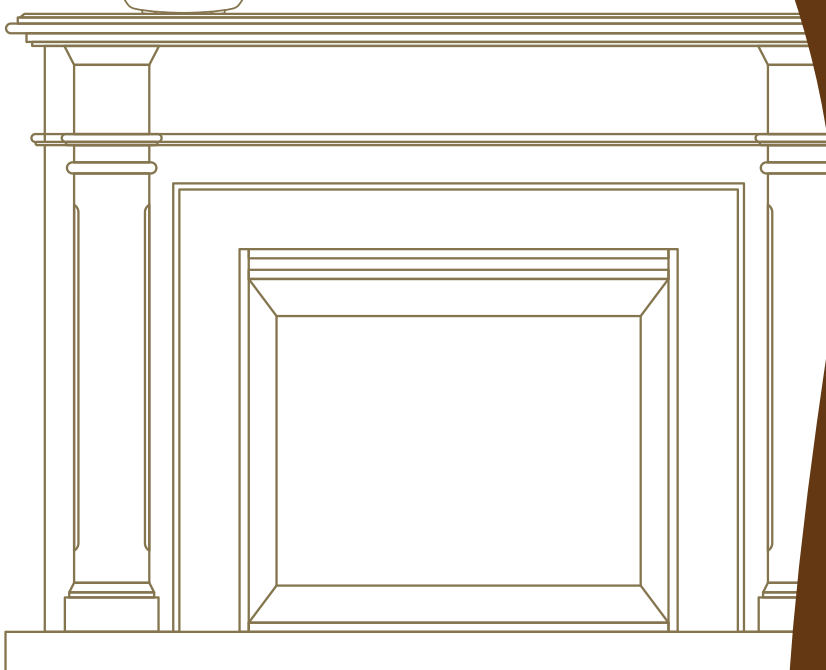
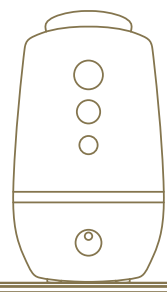
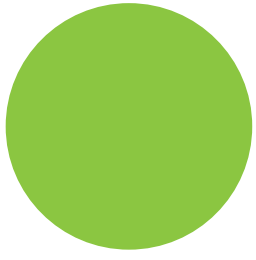
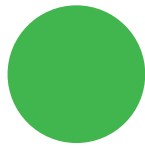
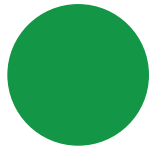
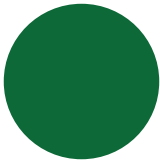
(incorporated in the Cayman Islands with limited liability)

Stock Code: 1678

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2017







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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

China Creative Global Holdings Limited (“China Creative Global” or the “Group”) is one of China’s leading manufacturers of branded electric fireplaces, air purifiers and home decor products. As early as 2005, the Group begins to design, develop, manufacture and sell products under its own brand “Allen (亞倫)” in China. The Group has also been actively expanding its overseas business by exporting products to overseas customers in the United States, Canada, Germany, France and the United Kingdom on ODM/OEM basis.

The Group expects that the economy of the PRC is anticipated to enter a steadier path with expansion in domestic consumption, posing a promising sales outlet for manufacturers. As a leading brand in the home decor market in the PRC, the Group continues as consumers’ top choice for home decor products and electric fireplaces. In October 2017, the Group acquired a company specializing in the trading of air purifiers in the PRC, Aoshiweilang Environmental Technology (Shanghai) Limited (奧士威朗環保科技(上海)有限公司). In January 2018, the Group was appointed as a non-exclusive agent by O2U Limited for the distribution of O2U purebed air purifiers for infants in the PRC, Hongkong and Macau. The business activities as mentioned above represent valuable opportunities to broaden our revenue base and promote the development of our air purifiers, which is expected to make positive contributions to our operations, financial results and profitability. Carrying our industry expertise forward, the Group will continue searching for business opportunities in the domestic as well as overseas markets. In the meantime, the Group will improve its products and optimize its business composition for sustainable growth.

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance Report (the “Report”) published by the Group, which discloses our policies, practices and performances in terms of environment, society and governance issues. These disclosures enable our stakeholders to have a better understanding of the Group’s progress and objectives of sustainable development.

This Report is prepared in both Chinese and English and has already been uploaded to the websites of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the website of the Group (www.cchome.hk).

Reporting Scope

This Report focuses on operation activities of our principal place of business for its “electric fireplaces and air purifiers”, which is the production facility (hereinafter referred to as the “Factory”)¹ based in Luojiang, Fujiang Province, for the period from 1 January 2017 to 31 December 2017 (the “Reporting Period”). For easy comparison by the readers of the Group’s year-on-year performance, the structure of this Report remains as similar as that of the first report. Although this Report may not cover all the operations of the Group, our objective is to continue improving the procedures of internal information collection so as to enable gradual extension of the scope of disclosure.

¹ The wholly-owned subsidiary of the Group is Allen Electronics Co., Ltd. Fujian, which is responsible for operating the production facility in Luojiang.



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Reporting Standards

This Report complies with the requirements of the Environmental, Social and Governance Reporting Guide (the "Guide") published by the Stock Exchange concerning "comply or explain". The four reporting principles, which covers materiality, quantitative, balance and consistency, set out in the Guide are taken as the basis for preparing this Report. To make sure that the environmental key performance indicators are accurate, the professional consultant Carbon Care Asia Limited (hereinafter referred to as "CCA") was appointed to conduct a carbon assessment. Moreover, the Report also includes individual key performance indicators in the "Proposed Disclosures" in the Guide to enhance the effectiveness of the Report. A complete index is attached to the last chapter of the Report to enable readers to understand this Report according to the Guide.

Confirmation and Approval

All information in this Report is derived from the Group's official documents, statistics and the administration and operation information collected through our systems. This Report was confirmed and approved by the Board on 22 June 2018.

Feedback

The Group places high emphasis on the feedback of its stakeholders. If you are in doubt or have any recommendations in regards to the content or the presentation of this Report, you are most welcome to contact us through the following means:

Email: ir@cchome.hk
Address: Room 913,
China Merchants Tower,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong
Fax number: 852-23950995

COMMUNICATION WITH THE STAKEHOLDERS

The stakeholder² engagement plays an important role in our business management, which helps us to identify any potential risk and opportunity. Communications with the stakeholders and understanding their insight enable the Group to align our business practices with their needs and expectations, as well as properly handling feedback from different stakeholders. Regular communications with key stakeholders within or outside the Group are conducted by us through various channels, which provide the stakeholders with opportunities to understand the Group's development and operational approach on the one hand, and on the other hand allow the Group to heed their opinions, so as to prioritize different issues by materiality and formulate corresponding policies.

² "Stakeholders", also refers to as "interested parties", "equity holders" or "parties involved", means any group or individual who have significant impacts on, or under significant impact of, the business of the Group, including the Board, management, administrative and general staff as well as external shareholders, customers, suppliers, government/ regulatory authorities, and banks.



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Methods of communications with the major stakeholders during the Reporting Period



Same as last year, in order to determine the strategies and directions for our sustainability, and to identify environmental and social issues that are most essential for the Group and the stakeholders, the Group engaged the independent consultant CCA to conduct interviews with the management. Based on the results of the interviews and advices of the consultants, the following three (out of eleven) environmental and social aspects from the Guide have been selected as the key focuses of this Report.



To ensure effective communications with the stakeholders, the Group strives to establish a communication channel with transparency, integrity and accuracy to enable timely response. In the future, the Group will enhance interaction with the stakeholders by further diversifying channels so as to increase our exposure to the stakeholders, thereby achieving a reciprocity relationship.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S STATEMENT

As China continues fast growth, environmental issues, including air pollution, have affected the daily life of the citizens. Following introduction of the two-baby policy, the public attention to the health of children further stimulates the market demand for air purifiers. Against such backdrop, China Creative Global has been embracing various challenges in an innovative and flexible manner. Faced with risks and opportunities arising from the changing market and sustainability development, the Board conducts regular reviews over the environmental and social impacts and performance of the Group. To continue improving our environmental and social performance, we also formulate orientation policies that achieve effective results in the long term.

The Group emphasizes exercising control over environmental health and safety over the course of production activities, while formulating environmental policies to supervise and manage the gas, noise, and hazardous emissions. In addition, the Group installs air purification devices within the Factory to properly dispose waste gas, while other various forms of solid waste will be recycled and disposed by qualified professional institutions. Furthermore, the Factory formulated the "2017 Working Plan for Energy Conservation and Emission Reduction" for the purposes of improving internal use of resources.

To address the rights, interests, and physical and mental health of our employees, China Creative Global strives hard to develop a healthy workplace with safety and equality. For the purposes of operation safety, the Group regularly organizes a variety of training programs with respect to environmental, occupational safety and health, as well as emergency drills.

Employees represent the fundamental force of our business development. Under our clearly defined human resources management system, the Group guarantees that our employees access reasonable remuneration packages and timely training. Besides complying with all relevant regulations, the Group expects that our employees may enjoy comprehensive development while seeking individual growth at work.

Operating its business in compliance with the "Business Social Compliance Initiative", China Creative Global sets up a set of procedures to review and approve suppliers, which will help to maintain a healthy industry that adheres to integrity practices. The Group believes that integrity-based business operation plays a key role in business success, and therefore stresses the importance of the code of business conduct for our employees as well as the anti-corruption training.

During last year and up to the date of this Report, China Creative Global successfully acquired one company and secured the rights of agency to strengthen the business foundation of the Group. The Group will proactively explore suitable products and business partners to meet our respective requirements, whereby acquiring more streams of revenue, as well as diversifying our product mix. In line with our fast business growth, China Creative Global will continue to assess its environmental and social impacts, which will be also taken into consideration when business decisions are made. In the meantime, regular work report on sustainability will be submitted to the Board to enhance governance efficiency.

CHEN Fanglin

Chairman and Executive Director

China Creative Global Holdings Limited

22 June 2018



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Emissions

The Group responds positively to the policy for developing a low-carbon economy around the globe and fulfils its corporate social responsibility. The Group has formulated the “Environmental Health and Safety (hereinafter referred to as the ‘EHS’) Policy” and “EHS Management System” for the Factory as the guidelines and objectives of health and safety, and the EHS Committee is established with competent officers designated to address matters related to environmental protection. To implement policies governing environmental protection, the Group strengthens supervision and management of hazardous and harmful factors, including gas, noise, and radioactive substances, along with increasing efforts to carry out remedial actions. According to the regulations applicable to the Factory, any violation against the “EHC Policy” will be subject to administrative penalties.

The Group’s air emissions come from the electronics plant and carpentry plant located within the Allen Industrial Park in Luojiang, which is mainly comprised of volatile organic compounds and particulate matters derived from industrial production processes. To reduce dust emission within the Factory, the Factory has installed a centralized dust removal system to the wood processing workshop, thus achieving a dust collection rate of 99%. The painting workshop in our new factory is installed with the ventilation system. Through such system, the water spray and mist removal device, as well as the glass-fiber mat and active carbon absorption devices, will purify organic waste gas, which will then be directed by the induced draft fan to the exhaust funnel at a height of 21.5 meters (above the ground). The surveillance results of waste gas during the Reporting Period were in compliance with the emission limits of the Integrated Emission Standard of Air Pollutants.

The Factory generates hazardous waste and non-hazardous waste, among which, hazardous waste includes waste oil and its containers, dyes, waste paint, paint scraps, and organic resin waste. The Factory has entered into a Hazardous Waste Disposal Agreement with Fujian Province Solid Waste Disposal Co., Ltd (福建省固體廢物處置有限公司), pursuant to which, hazardous waste generated from the Factory will be transferred, warehoused, and disposed by Fujian Province Solid Waste Disposal Co., Ltd. On the other hand, recyclable non-hazardous waste, including metal scraps, paper waste, and sawdust, will be collected and weighed before being delivered to Quanzhou Luojiang Green Environmental Services Limited* (泉州市洛江綠潔環衛服務有限公司) for recycling and reuse purposes.

The Factory generates no industrial water waste. Domestic water waste generated within the Factory will be processed in the septic tank and discharged into the municipal sewage treatment plant after meeting the Integrated Waste Water Discharge Standards.

Greenhouse gas emissions are closely linked with climate change and global warming. Numerous companies in various countries have worked out carbon reduction initiatives and targets. During the Reporting Period, the Group appointed the consultant CCA to conduct a carbon assessment. The assessment was conducted with reference to the guidelines³ issued by the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會), ISO14064-1, the Greenhouse Gas Protocol Initiative and other international standards, which enabled the Group to gain a better understanding of its emission volumes.

³ The Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions Generated by Machinery and Equipment Manufacturing (Trial) and the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions Generated by Enterprises in Other Industries (Trial).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions (Continued)

Total Carbon Emissions:
752.1 metric tons of
CO₂ equivalent

Percentage of carbon
emissions indirectly
generated from
purchased electricity:
87.8%

Carbon emission
intensity (by production
volume): 0.006 metric
ton/product unit

The Group's carbon emissions mainly come from the purchased electricity under Scope II, followed by the fossil fuel combustion under Scope I. In response to major sources of carbon emissions, the Group will continue to assess, record and disclose its annual greenhouse gas emissions and other environmental data, whereby data collated during the year will serve as a benchmark against data to be collated in the future for the purposes of reviewing the effectiveness of our existing measures. This will further help to formulate our emission reduction targets in the future.

Use of Resources

In order to reduce use of resources in our daily operations, the Factory maintains its operations in accordance with the guidelines set forth under the "Environment Management Policy and Objectives" and "Administrative Measures for Energy Consumption". In addition, the "2017 Working Plan for Energy Conservation and Emission Reduction" was formulated and publicity and education activities were carried out for the purposes of enhancing the awareness of energy conservation and emission reduction among our employees. At the same time, the Factory streamlined energy-saving and emission reduction measures and strived to reduce energy consumption and costs. To improve work efficiency, the Factory established an energy saving and emission reduction working group to monitor the use of resources in the Factory and implemented the policies of appropriate incentives and penalties.

The Group's use of resources mainly includes fossil fuels burned in the Factory, electricity for daily operations, water, and packaging materials such as cardboard boxes. Electricity and liquefied petroleum gas (LPG) are the energy most consumed by the Group mainly for the purposes of operation activities within the Factory. During the Reporting Period, the Group's annual electricity consumption was reduced by 400 kWh compared to that in 2016, while the water consumption was reduced by 450 m³ compared to that in 2016.

Total direct energy
consumption
1,403 GJ

Total indirect energy
consumption
939 MWh



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources (Continued)

Item	Measures
Electricity saving	<ol style="list-style-type: none"> 1) Minimize use of air conditioners by maintaining a minimum air conditioning temperature of 26°C in the office area 2) Reduce the lighting time by turning off all lighting equipment before leaving office 3) Turn off the power of all devices before leaving office to reduce the standby time of such devices
Water saving	<ol style="list-style-type: none"> 1) Turn off the faucet immediately after washing hands 2) Improve daily maintenance of water and heating pipelines to prevent leakage of water 3) Use recycled water for the spray-work painting booth located within the Factory
Vehicle management	<ol style="list-style-type: none"> 1) Turn off air-conditioning and engine of vehicles when parked for a long period to reduce oil consumption 2) Formulate maintenance plans and regularly inspect vehicles
Office supplies management	<ol style="list-style-type: none"> 1) Use recycled paper 2) Use double-sided paper 3) Promote paperless office by using electronic communications to reduce paper 4) Encourage personal use of drinking cups for less use of disposable cups 5) Improve the purchase and distribution policies of office supplies by prioritizing use of energy-saving and environmental products

Environment and Natural Resources

The Factory complies with laws and regulations in its day-to-day operations and makes sure that its operations conform to the requirements for statutory emission limits by means of regular environmental monitoring. To enhance the environmental awareness of our employees, the Factory provided employee training to cover environmental policies and guidelines within the Factory, environmental laws and regulations, and various environmental factors and management systems within the Factory. The Group incurred a total expense of RMB120,000 when minimizing any significant impact of its business activities on environmental and natural resources, which mainly aimed to dispose waste gas, dust, pollutant emissions and hazardous waste.

Materials required for production within the Factory include wood, accessories, steel, etc., 5% of which have received the ISO14001 certification. All wood products have been certified by the Forest Stewardship Council (hereinafter referred to as the "FSC") to ensure sustainability of sources. To reduce metal scraps, sawdust waste, paper waste, and other forms of waste, the Factory minimized loss and wastage by improving the reuse rate of materials, including use of recycled cardboard boxes as well as use of metal plates and wood scraps. As for paper used by the Factory, 80% of such paper derived from the FSC certified paper suppliers, while the remaining 20% came from the recycled paper.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment and Natural Resources (Continued)

In view that wood is a major material for electric fireplaces, the Group plans to improve its wood management procedures in the future. For example, over the course of wood purchase, the Group will specify in orders to be placed that the suppliers shall cut wood based on our product dimension specifications in their production facilities to prevent waste due to secondary cutting. Sawdust and wood scraps generated from the production process will be recycled for engineered wood to maximize the wood resources. In the long term, we will focus on introducing imitation wood products to reduce use of wood.

During the Reporting Period, the Group did not identify any non-compliance case related to emissions, use of resources, or environmental and natural resources at the Factory.

EMPLOYEE CARE

Health and Safety

The Group values the health and safety of our employees. Therefore, the Factory has developed the "EHS Policy" and "EHS Management System" for the Factory, and the EHS Committee is established to coordinate occupational health and safety affairs, ensuring the operations of the Factory comply with the relevant safety laws in China.

The Factory emphasizes production safety by providing new employees with training programs to promote the concept and knowledge about workplace safety. Upon completion of such training, only those employees who are determined as qualified may receive training with respect to productions and operations. All mechanical equipment and electric devices in the workshops are equipped with safety protectors, such as pulley mounting hood. The Factory will distribute personal protective equipment to our employees, while our workshops will provide labels and instructions on how to utilize personal protective equipment. Workshops and warehouses prohibit any open flame, while chemicals deposited within workshops are under specialized control by designated personnel. The relevant employees are required to participate in personal protection training and carry out fire safety measures.

To safeguard the occupational health and safety of our employees, the Factory conducts regular inspection and testing to identify harmful elements that may cause occupational diseases at workplaces. During the Reporting Period, the Factory engaged The Center for Disease Control and Prevention to sample and test air quality within workshops, the findings of which indicated that harmful contents, including benzene, xylene and toluene, were all in compliance with the national standards governing the limits of occupational contacts with harmful elements at workplaces. To prevent and eliminate occupational diseases of our employees, the Factory will also arrange health checks for our employees assigned for specific work. During the Reporting Period, the Factory engaged The Center for Disease Control and Prevention to perform health checks on aggregate 56 operators who might expose to occupational diseases from stamping, machine tooling, grinding, spraying, dispensing, and welding procedures. No symptom related to such working procedures was identified.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety (Continued)

The Factory also recognizes the importance of emergency plans for safety-related accidents and related training. All employees are required by the Factory to have a full understanding of escape routes and locations of fire extinguishers. In case of fire, earthquakes, and other emergencies, they will cooperate with the emergency team under the committee to follow through emergency rescue plans for accidents and transport the injured patients to hospitals for treatment. The Factory is committed to minimizing the severity of accidents by preparing and implementing the “Emergency Plans for Accidents”. The emergency rescue plans mainly cover measures to address leakage, fire, typhoon, explosion and other accidents, as well as establishment of emergency rescue procedures and on-site rescue squads. In connection with emergency plans, the Factory will organize a series of training for our employees, including fire drills, escape drills and voluntary firefighter training.

The Factory will organize regular sports activities to encourage our employees to maintain physical health. Company retreats are also organized to enable our employees to achieve relaxation and work-life balance. During the Reporting Period, the Group did not identify any non-compliance case related to health and safety or work injury case.

Work Injury Rate for
2016 and 2017:
0%

EMPLOYMENT SYSTEM

Being an employee-friendly entity that cares individual growth and development, the Group is committed to building a workplace where our employees may seek comprehensive development by manifesting their potential, creating self-worth values, and advancing personal development. Meanwhile, the Factory strives hard to safeguard the interests and rights of our employees. Our “Employee Manual”, which covers compensation, recruitment, promotion, working hours, rest periods, benefits, equal opportunity, discrimination and complaint channels, stipulates that our employees shall understand their own rights and responsibilities, as well as the requirements of employees’ behavior and discipline.

To enable our employees at work to further enhance their personal development, competence, activeness and positivity under the mechanism of fair, impartial, and open competition, the Factory establishes the “Employee Promotion Policy” to standardize the procedures of promoting employees and their pay grades. To assist our employees in understanding their individual work performance, as well as clarifying the work targets and requirements in the future, the Factory has formulated the performance-linked management measures, under which, appropriate assessment will be performed with reference to each employee’s position and work. Subsequently, targeted recommendations will be provided to improve the work performance and working procedures, which in return will boost their positive attitude for work.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the “Anti-Discrimination Policy” of the Factory, the expertise of job applicants will determine their employment status. The remuneration, bonus, allowances and other forms of subsidies payable by the Factory to our employees are subject to their work performance, expertise, and competence, regardless of their sex, race, religious beliefs, age, disability, sexual orientation, nationality, political views, social status, social and racial backgrounds, and other factors. The “Anti-Discrimination Policy” also protects the rights and interests of female employees, under which, marriage or pregnancy discrimination is not permitted for employment of women, and therefore no pregnancy test shall be performed on any female job applicant. The Factory shall make proper arrangements to prevent the well-being of pregnant women from being affected by work. In case that the management or external service providers are in violation of the “Anti-Discrimination Policy”, they shall be subject to penalties. Our employees may lodge complaints with our administrative department via a complaint hotline or the suggestion box, and the administrative department will conduct a regular review each week, launch investigation, and address any violation if identified. During the Reporting Period, the Group did not identify any complaint case from our employees.

Year	2016	2017
Employee turnover rate	92.5%	61.9%

During the Reporting Period, the Group understood that the turnover rate remained high. In the future, the Group will step up the implementation of measures to lower the employee turnover rate, including reviewing the remuneration packages within the industry, improving the respective treatment and talent development mechanism, and providing more training and assisting our employees in preparing their career plan. In addition, we will commit ourselves to improving the management mechanism of the Group, while cultivating the teamwork culture.

During the Reporting Period, the Group did not identify any non-compliance case related to employment.

Development and Training

The Group’s various types of employee training not only help employees improve their skills sets and operational efficiency, but also provide an opportunity for their personal development. According to the “Human Resources Management Procedure” for the Factory, the administrative department shall formulate training programs, under which, each employee is required to receive position-related training, including in-house and external training. Training effectiveness will be assessed by written or oral tests, hand-on operations, spot check and other measures. Employees whose specific work has significant impacts on the environmental and occupational safety and health will be assessed by the administrative department for their qualifications, and the assessment scope will cover their academic background, competence, training, and/or qualifications. Such employees, only if determined as eligible, will be permitted to take up the position.

During the Reporting Period, the Factory focused on training related to production safety, hygienic practices and personal health, medical treatment and first aid, and environmental protection. During the Reporting Period, the Factory arranged more employee training, as a result of which, training hours per employee increased by over two hours as compared to that last year. In the future, the Factory will improve its training programs and the percentage of employee training.

Year	2016	2017
Training hours per employee	0.8	3.2



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training (Continued)

Training Focuses During the Reporting Period

Trainees	Training Program Description
Entry-level employees	Various systems related to working hours, remuneration calculation, and remuneration package and fringe benefits Employee Manual, and factory-wide rules and regulations Occupational health and safety, and environmental awareness Knowledge related to fire safety and counter-terrorism Hygienic practices and personal health, and medical treatment and first aid Pre-employment skills, on-the-job operations, product quality control
All-level employees	Workplace hygienic practices and personal health and safety Fire safety knowledge and emergency escape drills Counter-terrorism knowledge Medical treatment and first aid
First-line managers	ISO9001 certification knowledge and product quality control Know-how on quality control On-site management practices and 5S management system
Employees who have access to chemicals and warehousing staff	Standards for Safe Access to Chemicals and Personal Protective Equipment
Employees who have access dangerous equipment	Safe Use of Dangerous Equipment
Security personnel and emergency staff	Emergency Know-how for Firefighters and Emergency Staff
Manufacturing department	On-site management practices and 5S management system





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR STANDARDS

Given that protection of human rights represents fundamental conditions for sustainability, the Group is committed to safeguarding human rights and adopts the zero-tolerance approach towards child labour or forced labour. In compliance with the relevant national laws and regulations governing child labour, the Factory formulates the “Ban on Employment of Child Labour and Minors”, according to which, the Factory will carry out stringent inspection over the backgrounds and identification documents of the job applicants during recruitment to ensure that they meet the statutory age for employment and prevent use of child labour. The Factory also sets up internal whistle-blowing channels and remedial measures with respect to use of child labour. In case that any case related to use of child labour is identified, the Factory will immediately settle the due remuneration and contact their guardians before escorting them back their home. All expenses and travel costs will be covered by the Factory.

As forced labour is in violation with the basic human rights and international conventions on labour, the Factory has formulated the “Prohibition of Forced Labour” policy, pursuant to which, the Factory makes clear its stance to all employees that unfair restriction of the employment relationship between our employees and the Factory in any form will not be imposed and that no remuneration, payment in kind or identification documents will be withheld. The legislations safeguard the rights and freedom of any employee to terminate a labour contract. In case of any suspected case related to forced labour, any employee may report to the Factory via the complaint hotline or the suggestion box so that the Factory may timely resolve such issues.

To enhance the understanding of the labour standards among our employees, the Factory incorporated control of juvenile workers, identification of child labor and remedial measures, and elimination of forced labour into our human resources and expertise training. During the Reporting Period, the Group did not identify any non-compliance case related to child labour or forced labour.

OPERATING PRACTICES

Supply Chain Management

The Group values its collaboration with suppliers, and believes that an established partnership with suppliers can help the Group continuously optimize its operation process and improve its operation quality. The major materials as purchased by the Factory include wood, steel, electronic components and packaging materials. Production of relevant materials will involve matters that affect the environment, such as emissions of wastewater and waste, while use of chemicals will also affect the health and safety of our employees. To improve and control the environment and social risks of our suppliers, the Factory has formulated the “Supplier Social Responsibility Management Measures”, which provides guidelines as to the review and management of the performance of our suppliers, as well as requiring the suppliers to comply with the requirements under the “Business Social Compliance Initiative” (hereinafter referred to as the “BSCI”).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Management (Continued)

The BSCI comprises a set of universally accepted management tools and factory audit standards designed for corporate social responsibility. Suppliers shall be required to comply with the code of conduct under the BSCI, which includes:

- Freedom of association and right of collective bargaining agreement;
- Anti-discrimination;
- Fair remuneration policy;
- Lawful labour hours;
- Occupational health and safety;
- Prohibition of child labour;
- Protection of minor workers;
- Lawful labour employment contracts;
- Prohibition of forced labour;
- Environmental protection;
- Business ethics practices.

The Factory requires that the human resources and administrative department shall perform factory audit over suppliers under the BSCI and submit a results report on their social responsibility. Subject to the rating standards of the BSCI, where any supplier is found using child labour or practicing forced labour, such supplier will immediately be rated as “unacceptable”. The Factory will request such “unacceptable” supplier to make rectifications, during which, all outstanding production orders will be suspended. Meanwhile, any supplier is required to enter into the “Social Responsibility Undertaking”, whereby undertaking to comply with and fulfil the social responsibility requirements.

How the BSCI factory audit rating is implemented: the BSCI factory audit certification standard no longer adopts the point-based rating system but a five-letter (namely, A, B, C, D, and E) rating system.

- ① For any factory is rated as A (outstanding), its compliance rate ranges from 86% to 100%;
- ② For any factory is rated as B (good), its compliance rate ranges from 71% to 85%;
- ③ For any factory is rated as C (acceptable), its compliance rate ranges from 51% to 70%;
- ④ For any factory is rated as D (insufficient), its compliance rate ranges from 30% to 50%;
- ⑤ For any factory is rated as E (unacceptable), its compliance rate ranges from 0% to 29%.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

Attaching great importance to product quality and safety, the Group continues to monitor quality and implement safety standards. The Group strictly monitors the entire production process from receipt of materials, production to product shipment.

Materials required by the Factory for production purposes include wood, accessories, steel, etc., 95% of which are raw materials that have received the ISO 9001 quality management system certification. To manage materials, the Factory has formulated the "Materials Inspection Instruction" to regulate the quality inspection standards for materials so as to ensure that no non-compliant materials will enter the production processes. According to purchase contracts, the inspectors will verify whether the orders, subject matters, specifications, quality compliance, and others as set forth in purchase contracts are consistent. If identified as compliant, such materials may be warehoused. Any material identified as non-compliant is required to be separated with a label, which will not be warehoused or used for production processes.

Upon completion of products, the manufacturing department is required to carry out inspection work in accordance with the "PQC Operation Instruction" and "Inspection and Test Management Procedures". The inspection scope shall cover parts pending production, semi-finished products, finished products not yet stored and production samples.

Preparation Before Inspection	In-progress Inspection	Treatment upon Inspection
Ensure documents and inspection instruments related to products are all in place	Verify whether products are consistent with those set forth in orders	Separate and isolate compliant products and non-compliant products
Arrange inspection orders based on the production processes, delivery schedule, and production progress	Check items required for inspection under the standards	Box finished products and complete the warehousing procedures with labels and QC marks attached
	Use proper equipment to conduct various inspections	Prepare quality inspection reports and arrange disposal of non-compliant products

The Factory emphasizes the disposal of non-compliant products, in which case, products identified as non-compliant will be disposed in accordance with the "Non-compliant Product Control Procedures". The Factory has also developed the "Product Recall Procedures". In case of any product sold to the market but identified as having safety hazards, the Factory will recall and deal with the same according to the established procedures, ensuring product quality and public safety. During the Reporting Period, the Group did not identify any case related to product recall.





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Product Responsibility (Continued)

The Factory has prepared the “Procedures to Use, Manage, and Control Product Certification Labels”, under which, all certified products must be attached with the certification labels prior to their shipments. Use of compulsory certification marks shall be in compliance with the requirements under the Management Measures on Compulsory Product Certification Mark. Use of compulsory certification marks is not permitted for uncertified products, non-compliant products, and certified products that are modified without certification by any certification body, none of which therefore is permitted for shipment.

The Group places a high value on smooth communications channels with our customers to fulfil customer demands. Our complaint channel enables our customers to submit complaints and suggestions regarding service or commodity quality. According to our “Customer Complaint Handling Procedures”, upon receiving customer complaints, our sales department will e-mail the relevant complaints to the quality control department, while the quality control manager will review such customer complaints before appointing our quality engineers to launch investigation into the said customer complaints. The quality engineers will analyze the causes and determine which department shall be held accountable before the follow-up procedures take place. The sales department will respond to the customers in connection with the merits of the complaint and corrective actions to be taken or precautions to be implemented. In addition, customer satisfaction in settlement results will be surveyed until the relevant complaint is fully resolved. During the Reporting Period, the Group did not identify any customer complaint.

As part of good corporate governance maintained by the Group, security of customer data is also the key to cultivating a long standing trusted relationship with our customers. To avert information risk, effectively secure information, and enhance the responsiveness of processing information, the Factory has formulated the “Corporate Information Management Measures”, pursuant to which, in-house information regarding our operations will be managed under various security levels. In addition, publication guidelines and directories for confidential information will be established to ensure information is published and communicated in a correct and controllable manner.

In connection with advertising, the Group has appointed legal advisors to provide legal opinions and perform their duty of oversight. In case that any advertisement is found false or exaggerating, the Group will immediately cease to circulate such false advertisement and eliminate the negative effects by issuing a clarification announcement accordingly. In the future, the Group will establish advertisement management policies to enhance our management of product responsibility.

During the Reporting Period, the Group did not identify any non-compliance case related to product responsibility.



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Anti-corruption

Anti-corruption is already one of the basic principles for the international community to define corporate social responsibility. The Chinese government has been playing an active role in carrying out anti-corruption campaigns in recent years. The Group adopts a zero-tolerance policy on acts of corruption in any form, including bribery and extortion, fraud and money laundering, by undertaking that it conducts its business in an honest, ethical and good faith manner. The “Anti-corruption and Anti-bribery Control Procedures” of the Group clearly stipulates that our employees are prohibited from providing special treatments and seeking any form of benefits from our customers, suppliers or any business associates. The Factory encourages our employees and external stakeholders to report corruption incidents, in which case, whistle-blowers will be properly rewarded with their identities kept confidential, and they will be provided with personal protection and job security.

The Factory has specified the code of conduct for our employees in its “Business Ethics and Integrity Control Procedures” to demonstrate the Group’s determination against employees seeking personal gains by abusing their powers or by taking advantage of their positions. All employees at the Factory shall be required to enter into the “Employee Undertaking”, and our employee training also emphasizes the business integrity policy and anti-corruption contents. Any employee in violation of the business ethics and integrity control procedures will be subject to corporate penalties. To enhance cooperation with suppliers on integrity, the Factory and our suppliers have entered into the “Business Integrity Cooperation Agreement” to clarify the rules to prevent either side from committing bribery, as well as establishing whistle-blowing procedures for corruptive actions.

Percentage of our Suppliers who Have Entered into the “Business Integrity Cooperation Agreement” with the Factory	
In 2017: 80%	In 2018: It is proposed that the percentage will grow to 100%

During the Reporting Period, the Group did not identify any non-compliance case or lawsuit related to corruption.

COMMUNITY INVESTMENT

As a corporation with commitment to social responsibility, China Creative Global understands that the Company wishes to make contributions to community sustainability by giving back to the community in addition to maximizing the profit for its shareholders. The Group is committed to supporting the community where its business operates by applying its professional skills and resources to cultivate talents and facilitate industrial development. To formulate community investment policies in the future, the Group will gradually understand the demands in various communities where our business operates to determine the commitment focuses of the Group. In addition, allowances, sponsorships, and donations will be provided to programs and events that will drives community development in a positive way. Furthermore, a community investment working group will be established to coordinate the implementation of community investment initiatives.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental performance

	Category	Amount of Emissions (kg)	
Waste gas emissions	Nitrogen oxides	266.8	
	Sulfur dioxide	2.4	
	Volatile organic compounds (Emissions from processes)^	2,488	
	Particulate matters	Emissions from processes^	478
		Fuel emissions	12.3

^ Estimate of the amount of emissions is based the environmental assessment report, and calculation will be based on monitoring results in future reports.

Scope	Emission Source	Amount of Emissions (metric tons of carbon dioxide equivalent)	
Scope I: Direct greenhouse gas emissions	Fossil fuel combustion — fixed sources	54.2	91.6
	Fossil fuel combustion — mobile sources	36.1	
	From industrial production processes	1.3	
Scope II: Indirect greenhouse gas emissions from energy usage	Electricity purchased from outside parties	660.5	
Total greenhouse gas emissions		752.1	
Density of greenhouse gases (metric tons of carbon dioxide equivalent/product unit)		0.006	

	Category	Amount of Emissions for the Year (metric tons)	Emission density (metric tons/product unit)
Waste	Hazardous waste	2.2	0.00002
	Non-hazardous waste	59.3	0.0005



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental performance (Continued)

	Category		Energy Consumption
Energy use	Direct energy	Liquefied natural gas (GJ)	877.3
		Gasoline (GJ)	444.1
		Diesel (GJ)	81.6
	Indirect energy	Electricity (mWh)	938.9
	Energy density (GJ/product unit)		0.04
Water consumption	Total water consumption (m ³)		14,840
	Water consumption density (m ³ /product unit)		0.12
Packaging materials for finished products	Total amount of packaging materials (metric tons)		113.9
	Packaging density (metric tons/product unit)		0.001

Social Performance

Number of Employees

Age Group	Female employees		Male employees	
	2017	2016	2017	2016
Under 30	43	85	53	95
30-50	107	151	112	176
Over 50	24	24	36	42
Total number of employees	174	260	201	313

Position Level	Female employees	Male employees
Level-C senior management	0	6
Senior management	2	9
Middle-level management	7	7
General employees	165	179

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance (Continued)

Number of New Employees

Age Group	Female employees		Male employees	
	2017	2016	2017	2016
Under 30	3	11	0	25
30-50	1	21	1	30
Over 50	0	1	0	5
Total number of employees	4	33	1	60
Percentage of number of new employees over the total number of employees in 2017	1.1%			
Percentage of number of new employees over the total number of employees in 2016	16.2%			

Number of Resigned Employees

Age Group	Female employees		Male employees	
	2017	2016	2017	2016
Under 30	37	92	36	126
30-50	60	126	79	142
Over 50	4	21	16	23
Total number of employees	101	239	131	291
Percentage of number of lost employees over the total number of employees in 2017	61.9%			
Percentage of number of lost employees over the total number of employees in 2016	92.5%			

Overview of Health and Safety Performance Indicators

Number and rate of deaths due to work	Number of work-related injury cases	Number of working days lost due to work-related injuries
0, 0%	0	0

Number of Employees Trained

Position Level	Female employees		Male employees	
	Number of employees trained	Number of employees under this category	Number of employees trained	Number of employees under this category
Level-C senior management	0	0	5	6
Senior management	2	2	7	9
Middle-level management	7	7	7	7
General employees	142	165	155	179
Percentage of employees trained in 2017	86%			
Percentage of employees trained in 2016	100%			



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance (Continued)

Training Hours

Position Level	Female employees		Male employees	
	Training hours	Number of employees trained	Training hours	Number of employees trained
Level-C senior management	0	0	30	5
Senior management	12	2	35	7
Middle-level management	40	7	25	7
General employees	426	142	465	155
Average training hours in 2017				3.2
Average training hours in 2016				0.8

Number of Employees Accepting Regular Performance and Career Development Assessment

Position Level	Female employees		Male employees	
	Number of employees accepting regular performance and career development assessment	Number of employees under this category	Number of employees accepting regular performance and career development assessment	Number of employees under this category
Level-C senior management	0	0	2	6
Senior management	2	2	5	9
Middle-level management	7	7	7	7
General employees	9	165	15	179
Total number of employees	18	174	29	201
Percentage of employees accepting evaluation				13%

Suppliers

Geographic Location of Suppliers	Number of Suppliers	Percentage of suppliers that implement the relevant practices
Fujian	36	100%
Guangdong	17	
Jiangsu	2	
Guangxi	2	
Zhejiang	7	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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