



**WINOX**

**Winox Holdings Limited**

(incorporated in the Cayman Islands with limited liability)  
Stock Code : 6838

**2016**

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

# Environmental, Social and Governance Report

## COMPANY OVERVIEW

Winox Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is principally engaged in the development and manufacture of stainless steel watch bracelets, costume jewellery, mobile phone cases and parts, as well as accessories and parts for leather goods on an OEM basis for our customers. Our customers include internationally renowned brands from Switzerland and various countries in Europe.

We are committed to offering a comprehensive and one-stop product development and manufacturing solution. We maintain and develop close working relationship with our customers, and cater to their needs with reliable quality standard, flexibility in design and manufacturing techniques, competitive pricing and on-time delivery.

The Group is headquartered in Hong Kong with two production facilities situated in the PRC. For the year ended 31 December 2016, the total number of employees of the Group was approximately 3,272 (2015: 3,695).

## SUSTAINABLE DEVELOPMENT

The Group adopts a product diversification model which provides a significant platform for us to broaden our customer base and expand our market share in the industry. We utilise our resources strategically to advance our skills and technology so as to enrich our product variety and sophistication. We are committed to working closely with our customers to deliver quality and cost-effective products efficiently. This enables us to maintain long-term business relationship with our stakeholders. Our goal is to put continuous efforts to reinforce our operational efficiency so as to achieve long-term business sustainability and drive improvement.

## REPORTING PERIOD AND SCOPE

This report covers the year ended 31 December 2016 (the reporting period from 1 January 2016 to 31 December 2016). Unless specially stated otherwise, the scope of this report includes the data and activities from the offices and production facilities of the Group in Hong Kong and the PRC.

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and disclosed information on the sustainable development performance in respect of important relevant areas of the Group under the ESG Guide during the reporting period.

This report has been reviewed and approved by the senior management of the Group.

## ENVIRONMENTAL POLICIES

The Group attaches great importance to environmental protection. The Group carefully takes various environmental factors into account in the operation and decision-making processes to optimize the use of resources, strictly complies with the applicable environmental regulations and other statutory requirements, reduces waste, as well as actively encourages each of its stakeholders to protect the environment and contribute to environmental protection.

We have adopted the following principles to minimise the impact on the environment from our operations:

- Comply with relevant environmental regulations and other statutory requirements;
- Monitor and review the impact of the Group’s operations on the environment on a regular basis; and
- Require all staff to address environmental responsibilities, such as implementing green measures at offices to enhance their environmental awareness.

## Air Pollution Control

The key environmental impacts from our operations mainly relate to energy consumption, sewage and waste production. To alleviate the impact on the environment caused by our operations, we are committed to reducing pollution and carbon emission arising from our production processes to comply with all relevant environmental regulations and other statutory requirements, such as the atmospheric pollutant emission restriction stipulated by the “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國大氣污染防治法》).

## Exhaust Gases and Greenhouse Gases

Exhaust gases and greenhouse gases generated during the production process	Measures for reducing exhaust gases and greenhouse gases
Exhaust gas dusts generated during grinding and polishing processes	Install fan systems for collecting exhaust gas dusts. Prior to emission of such dusts, recycled water is used for sprinkling and activated carbon adsorption treatment are conducted for reaching required standards.
Volatile organic exhaust gases generated during paint-spraying process	Install fan systems in a closed water curtain cabinet for collecting exhaust gas dusts. Prior to emission of such dusts, recycled water is used for sprinkling and activated carbon adsorption treatment are conducted for reaching required standards.
Small amount of acid mist exhaust gases generated during etching process	Install fan systems for collecting acid mist exhaust gases. Method of lye sprinkling is adopted for reaching required standards before such gas emissions at high altitude.
Exhaust gases generated by generators	Establish exhaust gas collection device. Method of lye sprinkling is adopted for reaching required standards prior to such gas emissions at high altitude.
Oily fumes and exhaust gases generated during cooking at kitchen	Install fan systems for collecting oily fumes and exhaust gases. Method of lye sprinkling and oily fume purification are adopted for reaching required standards prior to such gas emissions at high altitude.
	Conduct regular checks and monitor closely the operation of the above environmental protection facilities.
	Submit environmental assessment reports in respect of environmental protection facilities to Environmental Protection Bureau, and obtain relevant environmental approvals and pollutant discharge permits in relation to operations.

## Waste and Sewage Treatment

To counter sewage generated from production processes, we have adopted several sewage reduction measures to monitor the wastewater and pollutants generated during the production process and take appropriate measures, so as to comply with the environmental regulations and standards of the PRC, such as the "Water Pollution Prevention Law of the People's Republic of China" 《中華人民共和國水污染防治法》.

## Sewage

Sewage generated during the production process	Measures for reducing sewage discharges
<p>Integrated wastewater</p> <ul style="list-style-type: none"> <li>Wastewater generated during polishing and washing processes</li> <li>Wastewater generated during carbonization and water polishing processes</li> <li>Wastewater generated during acid etching and washing process</li> <li>Recycled wastewater generated inside water curtain system during paint-spraying process</li> </ul>	<p>Build our own sewage treatment station and pipe network to collect wastewater generated from various processes and workshops, in which level two dosing coagulating sedimentation treatment, quartz sand and activated carbon absorption and fiber high quality PP cotton filtration treatment are conducted for reaching required standards. Such treated wastewater would be recycled and reused for polishing and washing processes while the rest would be disposed of in accordance with the instructions of the relevant environmental departments.</p> <p>Conduct regular checks and monitor closely the operation of the above environmental protection facilities.</p> <p>Submit environmental assessment reports in respect of environmental protection facilities to Environmental Protection Bureau, and obtain relevant environmental approvals and pollutant discharge permits in relation to operations.</p>

## Hazardous Waste Disposal

In respect of hazardous waste disposal, we have taken stringent safety measures to comply with the laws relating to hazardous waste disposal, including the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” (《中華人民共和國固體廢物污染環境防治法》), and alleviate the adverse impact on the environment caused by our production processes. We shall achieve such targets through the following measures:

- Establish secondary leak-proof facilities;
- Engage a chemical waste disposal company in the PRC with a business permit to handle hazardous waste for the collection, storage, and disposal of the chemical waste produced during our production processes;
- Engage recycling company to sell and recycle stainless residues and waste produced during our production processes;
- Appoint an external agency approved by local environmental departments in the PRC to install waste treatment facilities;
- Classify chemical waste and get them correctly packed and properly labeled for identification purpose before passing them to the entrusted entity for transportation and disposal; and
- Provide clear work guidelines to employees at the factories in the PRC.

## Effective Management on the Use of Resources

We have implemented energy efficient measures and promoted green practices at our offices to enhance employees’ environmental awareness, and established a target and reward system on the usage of raw materials to encourage the reduction of wastage, with the aim of achieving effective management of the use of resources.

We have introduced energy efficient facilities at the factories in the PRC. The lighting at our factories has been replaced with light-emitting diodes (“LED”) with a view to enhancing energy efficiency, reducing approximately 342,000 kWh of electricity consumption and saving an expense of approximately RMB317,000 per annum. This promotes environmental protection, and enhances operational efficiency. In addition, more energy saving water curtain cooling system has been installed for reducing heat generated in the course of production and lowering room temperature at our factories in the PRC in which the principle of convection is adopted. It helps to keep the whole area well-ventilated. For the system, ventilation fans are installed at one end in which inside airs could be diverted to the outside while at the other end, water curtain system is placed for pulling outside cooler air into the inside area for the purpose of increasing room humidity and reducing room temperature.

Under the green office policy, we also set green rules at our offices, requiring our employees to address their responsibilities in the area of environmental protection. For instance, they should turn off the power when electric appliances (such as computers or lights) are not in use to optimise the use of energy, thus enhancing their environmental awareness and giving them a better understanding of environmental protection.

The Group has launched the landscape greening project at the plants in the PRC by continuously enlarging the greenery areas of the factory zone, for the purpose of improving air quality and providing our employees with a pleasant green environment.

Furthermore, for the use of raw materials, the Group has established a designated target and reward system to encourage our employees to avoid human errors and wastage during the production processes. This aims to control the consumption of spare parts and prevent the overall costs of raw materials over budget, thereby reducing wastage and achieving the goal of environmental protection and economizing.

### Keeping Pace

We review our sustainable development policies on an annual basis to reduce the adverse impact on the environment and natural resources caused by our operations and ensure compliance with relevant regulatory requirements, while meeting our business needs in response to the latest development.

## EMPLOYEES

Our business is labour-intensive and we always strive to achieve high and superb product quality. We believe that employees are one of our most valued assets and motivated workforce could play a vital role in sustaining competitive advantage and providing the best service experience to our customers. We trust and respect our employees, and have established a clear remuneration and welfare policy based on the principles of equal opportunity and anti-discrimination that complies with statutory requirements in the PRC and Hong Kong, including the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》) promulgated by the State Council and “Employment Ordinance” in Hong Kong.

Furthermore, we provide social insurance for our employees in the PRC, including basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance, in accordance with the “Regulation on Work-Related Injury Insurance” (《工傷保險條例》), “Regulations on Unemployment Insurance” (《失業保險條例》), “Pilot Measures for Childbirth Insurance for Enterprise Employees” (《企業職工生育保險試行辦法》) of the PRC.

### Anti-Discrimination Policies

The Group has adopted the principles of equal opportunity and anti-discrimination when formulating our recruitment, remuneration, training, promotion, termination and retirement policies and practices, while discrimination on the grounds of race, nationality, social class, religion, disability, age, gender, sexual orientation and marital status is not allowed.

In addition, we do not hinder the employees from observing their beliefs and customs, and we protect their basic human rights, for the purpose of fair and equal treatment. We have also undertaken zero-tolerance policy towards physical, psychological or verbal harassment, intimidation, torture, insult, discrimination and exploitation at workplaces, dormitories and other facilities.

Moreover, the Group has established a grievance and complaint mechanism, allowing its employees to lodge complaints with the labour representative or a senior representative directly in the event that discrimination is found. A thorough investigation will be conducted by a designated person whom does not have any conflicts of interest and remedial measures will be taken accordingly.

### Prohibition on Employment of Child and Forced Labour

The employment of child and forced labour is strictly prohibited. All of our employees are subject to the minimum working age requirement stated under relevant regulations of the PRC and Hong Kong.

For recruitment in our PRC companies, effective measures are adopted to identify the real age of workers. Candidates are strictly forbidden to provide false documents on age, ensuring that our employees reaches at least 16 years old at the time of joining. Such requirements regarding the prohibition on child and forced labour are also applied to our suppliers and subcontractors.

### **Providing a Pleasant Working Environment**

The Group continues to improve the working and living environment for the staff in the PRC, by providing a wide range of recreational facilities, including sports grounds, large football pitches, basketball courts, table tennis courts, badminton courts, fitness trails, libraries, supermarkets, internet rooms, karaoke rooms and movie studios.

In addition, we respect and protect labour rights on freedom of association. Our PRC companies have established labour associations and committees to promote corporate culture and safeguard labour rights. Such associations and committees organize various cultural, sports and recreational activities with a view to strengthening the interaction and communication among employees.

During the year of 2016, the abovesaid activities include Spring dinner, monthly birthday parties, Mid-Autumn Festival party, Winter Solstice gathering, Christmas party as well as football and basketball friendly matches with other companies. We have also distributed rice dumplings and mooncakes to employees during the Dragon Boat Festival and the Mid-Autumn Festival respectively, in order to create a strong traditional festive atmosphere.

In order to reinforce the sense of cohesion and team spirit among staff, all members of labour associations take turns in devising menus for the Spring dinner, the Mid-Autumn Festival dinner, the Winter Solstice gathering and the monthly birthday parties every year.

Besides, we have offered various interest classes, including social dance and square dance, to promote the work-life balance of employees.

In addition, we regularly invite government officials and professionals to hold seminars at our PRC companies, such as health talks, seminars on laws for protecting women's rights as well as talks on emotion and stress management for female coworkers.

In May 2016, the volunteer team of our PRC companies initiated campaigns for extending their regards towards the employees in need and provided school supplies for their children.

### **HEALTH AND SAFETY**

The Group is committed to creating a healthy and safe working environment. We have established a comprehensive labour safety system to safeguard our employees' health and safety and comply with occupational health and safety laws in the PRC and Hong Kong.

In order to prevent accidents, we have taken a series of effective measures, provided clear work guidelines and enhanced training. We have formulated operational safety guidelines and manuals, such as fire safety manual and production safety manual, which set out the rules and procedures that must be complied with for prevention of accidents at our production facilities, to ensure that our production facilities meet applicable safety standards and minimise hazards and potential dangers at workplace.

For safety assurance, all production facilities are required to undergo comprehensive tests before commencement of operation. All operators shall receive trainings before operating equipment. Such trainings cover the knowledge like dangerous chemicals storage and usage, fire safety, emergency medical and evacuation drills, occupational disease prevention, dangerous work education and emergency medical manuals and so on.

In addition, the Group has appointed a senior management representative to be responsible for ensuring that the Group creates a safe working environment for all employees and fulfills the requirements set by the authorities.

In particular, our companies in the PRC also set up safety committee to monitor the overall performance of their safety system, conduct safety production inspections and convene safety production meetings periodically, supervise the safety management scheme regularly, and liaise with authorised units in the PRC in performing equipment and working environment checking, so as to ensure compliance with the relevant safety requirements of laws and regulations. In the event of work injury accident, the safety committee will conduct an in-depth investigation and hold meetings, compile a review report and give recommendations on the causes of the accident and effectiveness of rectified and preventive measures, and maintain written records of the work injury accident.

### **Preemptive Protection**

We provide appropriate and effective personal protective gears for employees engaging in high-risk work, place safety warning signs at factory premises, and carry out regular health checks and provide work-related injury insurance in accordance with the requirements of relevant laws and regulations.

Moreover, our PRC companies have established systems to detect, prevent or deal with potential hazards to health and safety of our employees, especially pregnant women, and appropriate measures are taken to eliminate the risks to their health and safety.

During the year, there were no material or prolonged production disruptions at our plants in the PRC as a result of the malfunction of the production facilities, and no major accidents occurred during the production process.

### **DEVELOPMENT AND TRAINING**

The Group believes that in order to maintain our competitiveness, we should focus on nurturing talents. We have established a training system in order to provide each employee with equal training opportunity for helping them to improve and develop their personal potential while promoting our business development.

Our products require sophistication and precision, therefore we have higher expectation on our staff. Our PRC companies have set up training centres to continuously review the training needs of the employees, organise training courses, supervise the training programs of different departments and conduct evaluation.

In addition, the Group provides induction training for every new staff, including company profile and corporate culture, rules and regulations and codes of conduct, basic knowledge of ISO9000, knowledge of occupational health and safety, basic knowledge of RoHS and REACH, professional ethics and confidentiality obligations, social responsibility standards under SA8000 and 6S basic management knowledge and so on.

On the other hand, the Group establishes a year-round training programme every year with different training themes for targeted training. This covers various fields, including (amongst others) management systems and skills, leadership skills, communication skills, business strategies and practices, mainland affairs, customer services, personal development skills and training, financial skills and ISO quality management. Such training programme is carried out at three levels, namely the company level, plant level and departmental level, to reinforce and update the employees' knowledge and professional skills.

We also constantly review the training needs of our employees to design appropriate talent development and training programmes, and conduct trainings ourselves, assign personnel for external trainings or arrange in-house trainings by hiring mentors.

Moreover, the Group holds seminars and workshops on a regular basis and subsidizes our employees of all ranks for taking work-related courses.

During the year, our PRC companies provided all staff at the officer level with training on effective mid-level management.

### **CUSTOMERS, SUPPLIERS AND OTHER BUSINESS PARTNERS**

#### **Supply Chain Management**

The Group believes that a sustainable supply chain can benefit all stakeholders, including customers and suppliers, the Group itself, and even the industry as a whole. The Group has established a stringent internal control system and implemented a quality management procedure to monitor the quality of suppliers, so as to reduce potential risks in terms of environmental and social risks.

We have adopted the most widely recognized quality management system – ISO9001. In 2008 and 2010, the Group was awarded ISO9001:2000 certification and ISO9001:2008 certification respectively in recognition of our established quality management system.

The Group has been prudent when assessing and selecting suppliers. It reviews new suppliers and has formulated a set of suppliers' guidelines with respect to the environment, quality management, social responsibility, anti-corruption and anti-bribery and so on.

We require suppliers to sign a supplier code of conduct agreement, indicating their clear understanding of the content of the code and their compliance with the provisions of environmental protection, quality safety and confidentiality, and declaring whether there is a conflict of interest.

In addition, the Group strictly stipulates that all the raw materials or products provided by the suppliers should comply with the requirements of the European and US environmental ordinances and regulations on the use of hazardous substances, including the EU Amendment to Nickel Release Standards EN 1811, the European Union's Directive RoHS (Restriction on the Use of Certain Hazardous Substances), the requirements about the restriction on the use of toxic and hazardous substances provided under REACH (the EU Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), and the requirements about the protection of drinking water resources from carcinogenic and harmful chemical pollutions provided under CP65 (California's Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, California, USA) to mitigate relevant risks of non-compliance. In this regard, we have requested suppliers to provide materials safety data sheets (MSDS) to verify that the products provided by the suppliers meet the safety standards set by the Group.

In order to give suppliers clearer guidelines, we have also prepared a list of hazardous substances test items, and required the suppliers to provide the related test reports, such as a report on the hazardous chemical test (including RoHS and REACH) from a third-party testing entity and a report on EN 1811 nickel release test from a third-party testing entity in respect of different product categories on a quarterly basis, to certify that the products and accessories supplied meet the requirements of regulations on management of hazardous chemicals and the testing standard of nickel release.

Meanwhile, certain suppliers are required to sign the agreements on Conflict Minerals, i.e. tantalum, tungsten, tin, gold, etc., to ensure that the metals in the raw materials are not originated from conflict regions.

### **Product Liability**

The Group is committed to ensuring its product safety in compliance with regulations in relation to the health and safety standards, and regulatory tests.

To ensure high product quality standard, apart from various quality inspections and tests during the manufacturing process, we have set up a comprehensive audit framework to carry out periodic review on our suppliers and their upstream suppliers by on-site inspections at their factories, so as to monitor their quality management including sampling. Suppliers are required to propose corrective actions within a given time framework for any non-compliance. In case of continuous failures to meet the required standards, such suppliers would be disqualified. During the year ended 31 December 2016, no suppliers were removed due to their negative impact on the environment.

In addition, we would require our suppliers to implement effective quality management systems (such as ISO9001) to optimize the quality management systems by maintaining and continuously improving relevant management systems. Immediate notice must be given in case of changes in the certification status of their quality management systems. For suppliers that have not set up the quality management system with international standards, they are required to draw up a timetable to establish such quality management system for the purpose of complying with the requirements of laws and regulations.

### **Protection of Data Privacy**

The Group collects information from various stakeholders, such as suppliers, for different purposes and takes appropriate procedures to ensure that the information collected are solely for lawful and relevant purposes. It also strictly complies with the relevant laws and regulations in relation to the handling of sensitive information.

In addition, the Group acts cautiously when handling proprietary information, such as business confidential information, clients' information and suppliers' information. The Group requires its employees to keep all business information accessed confidential during their employment and they are also required to sign confidentiality agreements.

During the year, the Group did not identify any matters in respect of material breaches on relevant laws and regulations that has material impact on the Group.

## **ANTI-CORRUPTION POLICY**

The Group is committed to maintaining the highest standard of corporate governance, morality and integrity in all aspects. We have established a sound internal control system in order to prevent fraud and corruption from occurring, comply with the code of business conduct under the laws in Hong Kong, and other regions and countries, such as the “Prevention of Bribery Ordinance” in Hong Kong and the relevant anti-corruption laws of the PRC, and prohibit any senior officers, employees and suppliers of the Group from giving or offering to give money or anything of value proposed to government officials, parties or organisations.

### **Encouraging Reports on Irregularities**

The Group aims to create and maintain an environment where employees can act appropriately, without fear of retaliation, thereby fulfilling our pledges and maintaining our integrity and high ethical standards.

We conduct business based on principles of fairness, honesty, openness, decency, integrity and respect. We have set up a whistleblowing policy to support and encourage our employees to report and disclose any improper or illegal activities such as fraud, corruption or violation, in confidence. A full investigation would be conducted on such reports and disclosures to eradicate the occurrence of violations including corruptions.

We also address any complaints that alleged acts or attempted acts of interference, reprisal, retaliation, threats, coercion or intimidation against the employees who report and disclose improper or illegal activities and we protect those who come forward to report such activities. Our internal audit department conducts internal control review to ensure the effectiveness of the system.

### **Clear Guidelines for Employees**

In addition, the Group has adopted internal guidelines for employees with regard to the areas of conflicts of interest, corruptions and internal management, and clearly informed all the employees the Group’s anti-corruption policies in which the employees are required to comply with relevant codes and contents.

## **COMMUNITY**

As a responsible corporate citizen, the Group shows active concerns for the society and community, and encourages our employees to actively participate in different voluntary activities to care for the underprivileged, with the aim of contributing to the society and community.

The Group, as a member of the Dongguan City Association of Enterprises with Foreign Investment and one of the major renowned enterprises in Dalang Town, enthusiastically participates in all kinds of charitable fund-raising campaign every year.

### **Caring Spirit**

We endeavor to advocate mutual support and care in the community by organizing various voluntary activities and encouraging our employees to participate in volunteer services. Employees of our PRC companies visit the elderly at Xinmalian Villiage, Dalang Town, Dongguan City during the Chinese New Year every year, to spread love and care to the community in this joyful traditional festive season.