



EVER SMART INTERNATIONAL HOLDINGS LIMITED

永駿國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8187

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016

1. ABOUT THIS REPORT

Ever Smart International Holdings Limited (the “Company”) is pleased to present our first Environmental, Social and Governance (“ESG”) Report (“ESG Report”). The report involves environmental and social impacts, policies and initiatives of the Company and our major subsidiaries, (collectively called “the Group”) to demonstrate our continuous commitment to sustainability. Additional information in relation to the Group’s corporate governance and financial performance can be referred to our annual report for the year ended 31 December 2016.

The present scope of ESG reporting covers the operating core activities of the Group’s headquarters and subsidiaries, which include footwear design and development, production management (including quality control) and logistics management. This Report highlights our sustainability activities spanning over the period from 1 January 2016 to 31 December 2016 (“Reporting Period”).

The ESG Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) under Appendix 20 of the Growth Enterprise Market (“GEM”) Listing Rules Chapter 17.103 of The Stock Exchange of Hong Kong Limited (“SEHK”). Those aspects and key performance indicators (“KPI”) defined in the ESG Reporting Guide which are considered to be relevant and material to the Group’s businesses and operations will be presented under the four subject areas, namely: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Investment. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report for reference.

In order to define what are relevant and material to our business in relation to sustainability, the key is to understand what issues our stakeholders are most concerned with. We define our stakeholders as people who affect our business or who are affected by our business. Our stakeholders include the shareholders, employees, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed in maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with follow-up actions. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group’s sustainability issues, please contact us via enquiry@esmart.hk.

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2. ENVIRONMENTAL PROTECTION

2.1 Corporate Environmental Policy

The Earth, our precious planet, is the most valuable asset for us. We are accountable to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws or ordinances during the operation of the business, including all necessary requirements under the Environmental Protection Law of the People Republic of China (“PRC”).

Being a service provider of footwear design and development as well as production and logistics management, we do not operate any factories or manufacturing businesses at the moment. As a result, the Group does not directly produce greenhouse gas in the operation. Nevertheless the Group is committed to actively managing our impact on the environment, especially air quality, by implementing several environmental protection measures in the office and workplace.

2.2 Electricity Consumption

Electricity consumption is a major source of our indirect greenhouse gas emission. The Group enhances the awareness for energy saving among all employees through “reducing carbon footprint” activities by maintaining an indoor temperature at an optimal level for comfort, installing LED lighting system in the offices, encouraging the employees to turn off the computers and monitors when not in use, setting office machines such as copiers and TV monitors to turn off automatically after office hours, encouraging the employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement, and putting up signage emphasizing the importance of energy saving in the offices.

2.3 Non-Hazardous Waste Management

Besides implementation of energy saving initiatives in the office, the Group also promotes other environmental friendly measures to reduce disposal of non-hazardous waste (such as used paper) throughout the entire operation. We encourage our employees to reduce paper usage by using double-sided copying and by a common use of electronic information systems for material sharing or internal administrative documents as part of our environmental protection campaigns.

2.4 Environmental Performance

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the data of the “Emissions” and “Use of Resources” of the Group during the Reporting Period of 2016 are tabulated below.

Energy use and emissions	Unit	2016
Electricity	kWh	53,218
Unleaded petrol	L	5,721
Greenhouse gas emissions	CO ₂ e (Kg)	38,685
NO _x	g	4,175
SO _x	g	84
PM	g	307

Resources use	Unit	2016
Paper	Piece (kg)	126,887 (634)

Despite the nature of our business has no direct adverse impact on the environment and natural resources, the Group will continue to strengthen the environmental protection and strive to build a green and healthy environment to fulfil our responsibilities as a responsible corporate citizen.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Corporate Policy of Employment and Labour

The Group considers human capital is the most important asset for our long-term operation and business development. Through providing desirable workplace, continuous training and prospective career opportunities to our employees, the Group will be in a good position to maintain a robust business performance and growth.

Employees hired by the Group are mainly located in Hong Kong and China. The Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and the Labour Law of the PRC. The Group offers equal employment opportunities to different genders, age groups and nationalities such that a sound diversity of human resources can be achieved.

Our corporate policy is to be a caring employer and to fully comply with the local labour legislations and regulations related to child labour and forced labour. During the Reporting Period, we comply with the corporate policy. In China, we have participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC. In Hong Kong, we provide medical insurance, disability and invalidity coverage, maternity leave and paternity leave, incentive and bonus etc. to all our full time employees. We have also participated in the Mandatory Provident Fund (MPF) Scheme, prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group also reviews the corporate policy of employment and labour regularly to ensure that the Group has fully complied the related legislations and regulations.

3.2 Corporate Policy of Training and Recruitment

We believe that the competence, work experience and skill-sets of our staff, including designers, merchandising staff, shipping staff and quality control staff, plays an important role in maintaining our operation efficiency. In order to recruit and retain talented employees, the Group offers competitive remuneration package to our staff, including internal promotion opportunities and performance-based bonus. The Group aims to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during the recruitment and promotion processes.

Every position has its unique professional and technical needs. The Group ensures that every new joiner has received proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways including on-the-job training, comprehensive training for specific skill development, and professional training for relevant employees. Through education and training, the Group can nurture the employees to elevate their personal qualities, reinforce their skill-sets and keep up with the most updated professional knowledge.

Moreover, the Group promotes open and direct communication between employees and management. The management constantly encourage the staff members to communicate with them. Regular and festival gatherings such as Christmas and Chinese New Year dinners are organized to enhance the harmonious spirit throughout the Group.

3.3 Corporate Policy of Health and Work Safety

Our Group strives to safeguard the health and safety for our employees as part of the Group's long-term plan. We have developed and adopted health and safety policies covering prohibition of smoking in workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in working area, and follow-up actions for accidents or personal injuries. We require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook. Management members conduct regular meetings with staff to assess the effectiveness of the policy whereas if there are any improvements to protect the health and safety of the employees. We also update the health and safety policies from time to time to ensure that the policies are best fit to the Group's core businesses.

Providing a safe working environment and protecting our employees from occupational hazards are a very important part of the Group's operation. Ample space between workstations, clean and tidy common space such as corridors and pantry, sufficient ventilation and lighting system are essential in our offices.

3.4 Social Performance

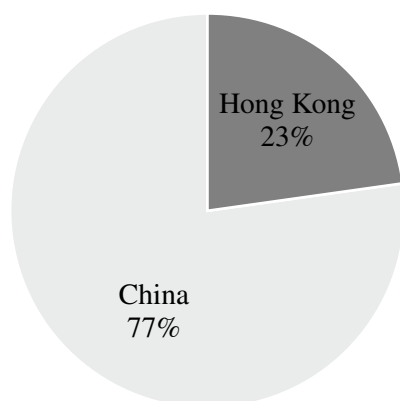
In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the data of the "Social Performance" of the Group during the Reporting Period of 2016 are tabulated as well as presented in graphs below.

Employee Training	Unit	2016
Average hours of training received per employees	hours	1.11
Average hours of training per employee by gender		
Female	hours	1.57
Male	hours	0.43
Average hours of training per employee by employment category		
Senior level	hours	1.50
Ordinary level	hours	0.96
Percentage of training by employment category		
Senior level	%	14.29
Ordinary level	%	22.86
Percentage of training by gender category		
Female	%	31.43
Male	%	5.71

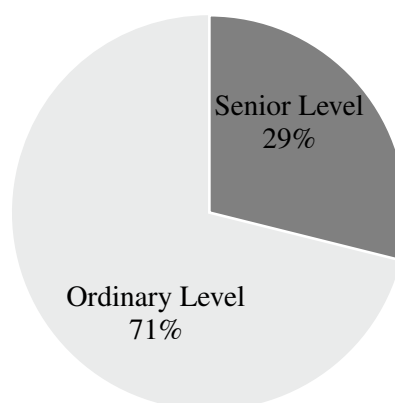
**As at
31 December 2016**

Total Workforce as of 31 Dec 2016	70
Turnover rate by gender (%)	
Female	15.71
Male	10.00
Turnover rate by Age Group (%)	
Under 30 years old	8.57
30 – 50 years old	14.29
over 50 years old	2.85
Turnover rate by Geographical Region (%)	
Hong Kong	4.29
China	20.00

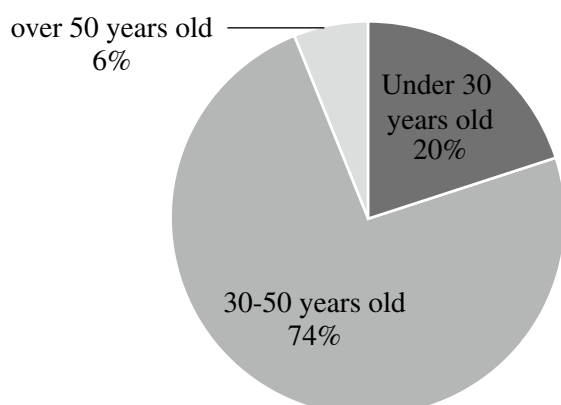
Total Workforce by
Geographical Region



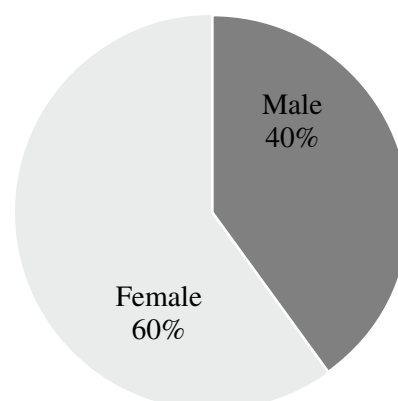
Total Workforce by
Employment Category



Total Workforce by Age Group



Total Workforce by Gender



4. OPERATING PRACTICES

As a responsible corporate citizen, one of our missions is to integrate sustainability into our core business. In addition, the Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by the Hong Kong Stock Exchange. Furthermore, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

4.1 Corporate Policy of Supply Chain

We emphasize ethical and social compliance standards with which our footwear suppliers and original equipment manufacturers (“OEMs”) shall comply. There are in total 31 suppliers during the Reporting Period which are all located in the PRC. While our facilities sourcing manager and/or our quality control manager conduct an on-site examination of a new supplier’s facilities, besides assessing its production and technical capabilities, they also conduct social compliance assessment such as examining its policies against the use of child and forced labour, work place health and safety, hours of work, compensation, benefits and wages, protocols against sexual and gender discrimination, protocols against harassment and abuse. If the supplier cannot reach the social compliance standards, the Group will not engage such supplier. We require our suppliers to comply with all the applicable laws and regulations, to mitigate environmental pollution, and to follow the principles of proper social, environmental and ethical conduct. For regular suppliers, we perform internal assessment annually to review the track records of each supplier whereas our customers may request their own team or third parties to perform the social responsibility compliance assessment. We also assist our footwear suppliers to understand and comply with ethical and social compliance standards requested by our customers.

4.2 Corporate Policy of Quality Management System

We have implemented and maintained a quality management system of high standard. We strive to maintain the quality by achieving ISO 9001:2008 certification continuously to demonstrate that we have ability to consistently provide services that meet our customers’ needs and fulfill applicable statutory and regulatory requirements.

The Group believes that the quality control measures, together with footwear design and development capabilities, are the principal factors to attract and retain our international branded customers. To ensure the quality of footwear, we closely monitor product quality throughout the production process. Our full span quality control covers raw material examination, footwear production process monitoring, finished footwear checking and testing, and packaging inspection. As part of our quality management process, the quality of raw materials purchased by our footwear suppliers will be sampled for in-house examination. Raw materials are also tested by third party laboratories when it is required by our customers. This ensures that our footwear can meet the high quality demands of our customers.

Under our quality control measures, the finished footwear produced by our footwear suppliers is subject to sample checking by our quality control staff to ensure that the finished footwear can meet our customers' requirements. We do not have a product return policy. Nevertheless, in order to maintain goodwill and business relationships with our customers, we strive to investigate each complaint and satisfy our customers' requests to the best of our capacity.

4.3 Corporate Policy of Intellectual Property Rights

The Group is committed to complying with the relevant intellectual property right ("IP rights") laws by maintaining effective control over production management. As at 31 December 2016, The Group had registered seven trademarks which are material to the Group's business. The Group values and protects its intellectual properties through patent fees and periodic trademark renewals.

In order to ensure that the customer's IP rights of products is properly protected during the outsourcing processes to suppliers or OEMs, a confidentiality agreement regarding IP rights must be signed before business engagement. Internally, we enter into standard employment contracts with our employees which contain provisions on intellectual property rights and confidentiality. Each employee of the Group has signed a written confirmation to (i) confirm that all intellectual property rights created or made during their employment with the our Group shall belong to us; and (ii) agree not to use or disclose the confidential information relating to the product designs without authorisation of the Group. When the products designs are provided by the customers to the Group for product development, IP rights of such designs belongs to the customers. IP rights also belong to customers when the Group provides design inputs or polish the original product design from customer.

On the other hands, the Group has taken stringent measures to "Know-Your-Customers" in order to ensure the customers are brand owners or licensees duly authorised or have obtained the necessary licenses for using the brands for which the Group is engaged to provide footwear. For all new customers, we will obtain copy of, among other things, the relevant trademark certificates, licence agreements and authorisation letters. If the required documents are not provided by our customers, we will verify the ownership of brands by checking and obtaining information from websites of the relevant government authorities, if available. For all existing customers, we will collect documents and information regarding renewal of licence and licence of all new brands. We maintain a control list of information of expiry date of licences and authorisation letters of each brand for each customer, which will be updated and reviewed on a monthly basis.

4.4 Corporate Policy of Anti-Corruption

The Group is committed to upholding a high standard of business ethics and to standards to prohibit bribery and corrupt practices. The Group has developed a series of company policies on anti-fraud, anti-bribery and anti-extortion which set out in the employee handbook. These policies apply to all members of the Group, and we also encourage all of our business partners to abide by the principles of the policies. The Group conducts periodic and systematic fraud risk assessments and will effectively communicate its anti-fraud policy and procedures to all levels of employees. The Group will monitor the effectiveness of its control related to mitigating fraud risk and remedy any deficiencies identified internally and by any external parties such as auditors in a timely manner.

At this moment, the Group has no whistle-blowing procedure and is planning to review the feasibility and appropriateness of it in the coming years, however the Group has established grievance procedures that are set out in the employee handbook. We provide a channel for employees to report any injustices and complaints to the Group.

During the Reporting Period, we comply with the corporate policy of anti-corruption.

With principles of “Commitment, Assurance of High Quality, Fair Deals and Faithfulness”, all employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

5. COMMUNITY INVESTMENT

The Group is committed to improving the society through community involvement. Both the Group and employees of the Group have put their best effort in helping the local communities and people in needs in the society. The Group has established policy on community involvement in which we are committed to supporting local communities through different means from time to time including donation and employee volunteering. The Group also considers the purpose of community involvement that can bring the best benefits and interests to people in needs on case-by-case basis. All donations made are subject to the approval of executive directors. This year, we have chosen to donate through auctions held in Po Leung Kuk. Overall, the Group donated to non-profit organisations worth approximately HK\$401,000 during this Reporting Period.

6. SEHK ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection: 2.1, 2.2 & 2.3	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection: 2.2 & 2.4	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection: 2.4	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	—	The Group has not identified any hazardous waste that was produced by our core business
KPI A1.4	Total non-hazardous waste produced and intensity	—	No significant non-hazardous waste was produced by our core business
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection: 2.2	As this is our first ESG Report, no comparisons can be made to show any results achieved.

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
KPI A1.6	Description of how hazardous and non – hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection: 2.3	As this is our first ESG Report, no comparisons can be made to show any results achieved.
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection: 2.1, 2.2 & 2.3	Use of water and other raw materials are not material to the Company's operation.
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection: 2.4	
KPI A2.2	Water consumption in total and intensity	–	The Group believes that our water consumption is mainly used for commercial purpose and no issues have been identified at this moment.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection: 2.2	As this is our first ESG Report, no comparisons can be made to show any results achieved.
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	The Group believes that our water consumption is mainly for commercial use and no issues have been identified at this moment.

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection: 2.1 & 2.4	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection: 2.1	
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti – discrimination, and other benefits and welfare	Employment and Labour Practices: 3.1	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices: 3.4	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices: 3.4	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices: 3.3	
KPI B2.1	Number and rate of work-related fatalities	–	No work-related fatalities were recorded during the Reporting Period.
KPI B2.2	Lost days due to work injury	–	No lost days due to work injury were recorded during the Reporting Period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices: 3.3	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices: 3.2	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices: 3.4	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices: 3.4	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices: 3.1	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices: 3.1	No such incidents were reported during the Reporting Period.
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	—	No such incidents were reported during the Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices: 4.1	
KPI B5.1	Number of suppliers by geographical region	Operating Practices: 4.1	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices: 4.1	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating Practices: 4.2	No applicable regulations have been identified for the Company's operation and compliance purpose.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	No incidents were reported during the Reporting Period.
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Operating Practices: 4.2	No complaints were reported during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Operating Practices: 4.3	
KPI B6.4	Description of quality assurance process and recall procedures	Operating Practices: 4.2	No recall procedures are required throughout the Company's operation.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices: 4.3	Our customers are wholesalers and we do not directly deal with consumers.

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices: 4.4	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle – blowing procedures, how they are implemented and monitored	Operating Practices: 4.4	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes communities' interests into consideration	Community Investment: 5	
KPI B8.1	Focus areas of contribution	Community Investment: 5	
KPI B8.2	Resources contributed to the focus areas	Community Investment: 5	