



**STEED ORIENTAL (HOLDINGS) COMPANY LIMITED**  
**駿東（控股）有限公司**

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 8277



**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT**  
**2019**

## ABOUT THIS REPORT

This is the annual Environmental, Social and Governance (“ESG”) report (the “ESG Report”) of Steed Oriental (Holdings) Company Limited (referred to in this report as the “Company”, together with its subsidiaries, the “Group”) (Stock code: 8277) for the year ended 31 March 2019 (the “Reporting Period”).

The Company is an investment holding company and the Group was principally engaged in the sourcing, manufacturing and sale of plywood products and other wooden products (“Principal Operations”) during the Reporting Period.

## SCOPE, MATERIALITY AND REPORTING PERIOD

### Reporting Principle, Scope and Materiality

The content of this ESG Report focuses on material sustainability areas, based on our most significant economic, environmental and social impacts, as well as the areas that are of the greatest interest or concern to stakeholders.

As identified by the materiality assessment, the ESG Report covers the overall performance, risks, strategies, measures and commitments of the Group in four areas, namely, working environment quality, environmental protection, operating practices and community investment, for the Group’s Principal Operation during the Reporting Period.

As a strategic move to capture the opportunities from favourable government policies such as the coordinated development for the Beijing-Tianjin-Hebei region and Northern China, where the plywood market is currently at a developing stage with enormous growth potential, the Group acquired the share interest in Hebei Youlin Technology Company Limited (河北優林科技有限公司) and subsequently its production facilities. Therefore, the scope of reporting in this ESG Report includes the newly acquired production base in Hebei Province, the People’s Republic of China (the “PRC”), together with the two other principal places of operation, namely the leased production base located in Jiangmen City, Guangdong Province, the PRC, and the head office in Hong Kong, which is mainly responsible for the relevant compliance matters for the listing of the Company on GEM.

Besides the change in principal locations, there was no significant change in our ESG management approach, strategy, priorities and objectives. All information contained herein comes from official documents or statistical reports of the Group. A designated working group from different departments and subsidiaries was assigned to gather information and data for the preparing of this ESG Report. This report has been reviewed and approved by the board of directors of the Company (the “Board”).

Regarding the corporate governance structure of the Group and other relevant information, please refer to pages 12 to 20 of the Company’s annual report for the year ended 31 March 2019.

## MISSION AND VISION

As a responsible corporation, the Group is committed to producing high quality plywood products which comply with the international industry standards. We believe that corporations, while promoting business development, should also take the interests of different stakeholders into account. Therefore, the performance of the corporate social responsibilities and our business decisions are closely related. We are committed to ensuring that our operations are economically, socially and environmentally sustainable and producing low consumption, green and practical plywood and flooring-oriented plywood, with a view to building the Company into the largest green plywood production and export base in southern China region.

## CORPORATE SOCIAL RESPONSIBILITY POLICIES

Our corporate social responsibility policies are designed to enable us to understand the stakeholders’ needs by communicating with them, including investors, shareholders, employees, suppliers and business partners, government, and community, thereby striking a balance of their interests and incorporating their needs into our operational decisions. We have made clear requirements for our day-to-day operations to comply with or exceed the minimum legal standards to achieve the best practice guidelines.

Our corporate social responsibility policies are applicable to all directors, senior executives and other employees while we require our suppliers and all related parties from the supply chain to understand our relevant policies to ensure our values are consistent.

## STAKEHOLDER ENGAGEMENT

The Group strives to allow different external stakeholders to understand our business conditions through various channels, including formal financial reports, statutory disclosures, the Company's website and general meetings, and through this ESG Report, the Group also tries to let external stakeholders understand the Group's performance in aspects other than financial performance and business operations.

We welcome your feedback on this ESG Report; please share your views with the Group through the following methods:

Address: Suites 2524-25, 25/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong  
Tel No.: (852) 3595 6556  
Fax No.: (852) 3705 0076  
Email: [info@steedoriental.com.hk](mailto:info@steedoriental.com.hk)

## ENVIRONMENTAL ASPECT

The Group values good environmental management and strives to protect the environment. We are devoted to taking environment-protecting elements into account during our business process.

We have production bases at Jiangmen City, Guangdong Province, and Ningjin County, Hebei Province, PRC, hence our operations are required to strictly observe certain national or local laws and regulations, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Evaluation of Environment Effects (《中華人民共和國環境影響評價法》) and other relevant local laws and regulations enacted by the regions where the Group operates. We have taken it as our responsibilities to build a satisfied environmental management and protect the environment on the utmost basis. Our environmental practices are centred around the ideas to conserve water and energy, minimise air and other pollution, and protect ecosystems.

All supervisors of our production bases and executives of our office, together with the environmental protection team, oversee the implementing status of the relevant environmental measures and policies. Our philosophies behind our relevant practices and our environmental requirements are communicated in the induction courses for new employees; whilst meetings are held on a weekly basis by various departments to discuss environmental and safety issues.

Under such strict supervision and instruction, we aspire, through water and energy saving, protection of ecology and natural environment, reduction of emission of greenhouse gas and wastes, that each department can achieve its best green practice and ensure all business processes are in compliance with legal requirements. We will continue to review our policies and practices, and how our operations impact the environment. We will also report to management if appropriate and suggest suitable measures when necessary.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group, and therefore no penalties was imposed on the Group during the Reporting Period.

## Emissions

The Group has established the ISO14001 Environmental Management System, and environmental facilities to contain our emission level of "three wastes" (namely exhaust gas, industrial wastewater and waste residues) within the maximum limit allowed by applicable laws and regulations.

With the help of online monitoring equipment, designated officers are able to carry out real-time inspecting and monitoring the levels of air and water pollution generated from our manufacturing processes. They are also subject to the reward and punishment system determined by a series of environmental indicators, so that they are motivated to help the Group achieve best environmental practices. Third-party professional companies are invited to conduct regular inspection upon our "three wastes" level.

Manufacturing activities will be temporarily suspended, confined or re-arranged when severe pollution alerts are issued by relevant government authorities. Emergency Plans for Severe Pollution are in place to advise about coping measures to three different pollution levels of yellow, orange and red. Employees are informed of instructions via email and instant messaging.

The following measures are taken to the Group's minimise carbon emissions:

1. replacing low-efficiency fuel with eco-friendly natural gas for boilers;
2. installing high-efficiency power conservation equipment;
3. utilising manufacturing machines in a more reasonable and efficient manner;
4. regularly assessing the performance of and enhancing waste reduction, reuse and recycling; and
5. conserving water and electricity power with control protocols

### ***Greenhouse Gas Emission***

Throughout the years the Group has upheld the environmental standards of exhaust gas emission stipulated in relevant national and local laws. Greenhouse gas and exhaust gas emitted from our boilers were within the maximum allowed levels of the laws. New technology and equipment, such as low-NOx emission boilers, are applied when suitable to ensure we comply with national emission requirements. We constantly monitor any updates on relevant environmental standards and regulations, and take measures to upgrade our equipment and systems, or improve our manufacturing procedures, including the use of renewable energy, when necessary.

Besides emissions generated by our boilers used in manufacturing process, vehicles for delivery and transportation are another source of greenhouse gas emission. To prevent unnecessary emission by vehicles, delivery schedule and routes are planned meticulously according to destinations and number of orders.

### ***Waste Management***

Production volume, arrangement of transportation and logistics support are determined by the Group's orders from customers to avoid wastage of energy and resources. General non-hazardous waste, domestic wastes, and kitchen waste from canteen of the production bases are classified and stored properly and separately before being collected by professional companies. We have entered into recycling agreement with suppliers to allow the latter to recycle and reuse certain materials. Those wastes which are not eligible for reuse or recycling will be disposed of properly.

To reduce electronic solid waste, the Group usually purchases repairable computers and electronic devices with longer life span. Also, the Group tries to resell obsolete computers and electronic devices in the second-hand market.

### ***Maintaining Air Quality***

The Group strives to maintain a better air quality, precipitators and ventilation systems have been installed to improve air quality at our production site, as we understand that this is critical to reduce emission of air pollutants and provides a healthier and safer working environment to our workers.

### ***Sewage Treatment***

During manufacturing process, the Group does not produce any industrial wastewater. Certain used domestic water will be reused for irrigation of plants in the production bases and the remaining will be discharged into designated urban drainage network according to the requirements of laws. The Group holds valid sewage discharge permit and permit for water discharge into drainage network.

### ***Suppliers and Business Partners***

While we uphold our environmental standard and comply with all applicable laws and regulations, we also ensure that our business partners share the same value. The Group maintains a close communication with its suppliers and other business partners to better understand their implementation and compliance level with the relevant environmental laws. Site visits are arranged when the Group deems necessary.

The Group will continue to closely monitor and manage its environmental efforts and minimise its environmental impacts caused from its operations. It will take necessary measures to improve its contribution to the environmental protection and observe all applicable laws, standards and regulations.



**Emission Data:**

<i>Emissions</i>	<i>Unit</i>	<i>Quantity</i>
Greenhouse gas	kg of CO <sub>2</sub> equivalents	
– Scope 1 – direct emission		
– fuel consumption (machines)		2,013,055
– fuel consumption (vehicles)		105,318
– Scope 2 – indirect emission		
– electricity consumption		1,810,776
– Scope 3 – other indirect emission		
– water consumption		18,278
Exhaust gas	gram	
– Sulfur oxides (SO <sub>x</sub> )		649

Summary of KPI disclosure of Aspect A1 under the ESG Reporting Guide:

KPI A1.1	The types of emissions and respective emissions data (if applicable) are set forth above.
KPI A1.2	Emissions of indirect greenhouse gases are set forth above.
KPI A1.3	Our principal business operations do not involve activities that produce hazardous wastes.
KPI A1.4 and KPI A1.6	There is no applicable data of non-hazardous waste produced as waste produced from our operations is collected and handled by designated service provider hired. Types of non-hazardous waste, description of how they are handled, and reduction initiatives are discussed in the Use of Resources – Waste Management.
KPI A1.5	Measures to mitigate emissions can be referred to in the above paragraphs.

**Use of Resources**

We have introduced “7S” management in our production bases. In order to save the energy cost, we adopt relevant policies and measures to deal with the usage of electricity, water, natural gas and paper in our day-to-day production. We advocate energy saving by requiring our staff to switch off electricity and water tap. We carry out the measures to categorise and recycle the wastes, and before the recycling, we will consider the reuse value of the wastes and take the appropriate measures to reduce the amount of the wastes we discharge. Meanwhile, we have also replaced to LED lights at the workshops. Relevant measures have been detailed on the staff notice board to raise employees’ environmental awareness.

In addition, the Group’s ISO14001 Environmental Management System, which complements our “7S” management, offers guidance on policies and measures of the usage of electricity power, water, fuel, paper, and other energy or resources for daily operations, with a view to promoting conservation and waste and emission reduction.

We are committed to producing low consumption, green and high quality products which comply with the international industry standards and invested a considerable amount of funds for research and development and improvement of our production techniques, including replacing the wood-fired boilers by a new boiler fired by clean natural gas to minimise the pollution made from combustion. Our general plywood, low formaldehyde emission structural plywood and low formaldehyde emission concrete panels are JAS (“Japanese Agricultural Standard”) certified. We obtained European Alliance CE certification of factory production control of wood-based panels. We have also been assessed and certified in compliance with the relevant standards of “FSC-STD-40-004 V2-1 Standard for Chain of Custody Certification and FSC-STD-40-003 V2-1 for purchase of FSC 100% veneer; manufacture (transfer system) and sales of FSC 100% plywood”.

Apart from the production base, we encourage the Hong Kong head office and our subsidiaries to carry out green office management from different aspects, including promoting “paperless office” and reduction of paper usage by using electronic documents and instant messaging applications, use of natural light design or LED lighting system, maintaining suitable air conditioner temperature, green procurement, supplying environmentally friendly office supplies.

## Resource Consumption Data

<i>Resources Consumed</i>	<b>Unit</b>	<b>Quantity</b>
Electricity	kWh	2,263,470
Water	tonne	18,278
Natural gas – machines	m <sup>3</sup>	1,063,902
Diesel – vehicles	litre	40,290

Summary of KPI disclosure of Aspect A2 under the ESG Reporting Guide:

KPI A2.1	Details of electricity consumption are set forth above.
KPI A2.2	Details of water consumption are set forth below in the above data highlights.
KPI A2.3	Description of energy use efficiency initiatives can be referred to in the above paragraphs.
KPI A2.4	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable. Description of water use efficiency initiatives can be referred to in the above paragraphs.
KPI A2.5	There is no applicable data of packaging material as we do not involve the use of any packaging material.

## Environment and Natural Resources

We strive to reduce our negative impact to the environment by improving the efficiency of our operation and implementing green measures. We supervise the production process and review every single step from peeling, veneer drying, sorting, composing and gluing, pressing, trimming and sanding to inspection and packaging on a regular basis in order to optimise manufacturing processes, reduce consumption of water, electricity, fuel and other resources, and limit or stop the use of polluting environment supplies. All boilers have been replaced or upgraded so as to minimise the environmental impact from the Group’s manufacturing activities.

The Group constantly communicate its environmental value, principles and policies with its employees, including promoting the ISO14001 Environmental Management System, “7S” management and other environmental management knowledge, carrying out inspection, and so on.

Summary of KPI disclosure of Aspect A3 under the ESG Reporting Guide:

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them can be referred to in the above paragraphs.
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## SOCIAL ASPECT

### Employment and labour practices

#### Employment

As at 31 March 2019, the Group had 240 employees. The increase in number of employees was mainly attributable to the Group's acquisition of Hebei Youlin Technology Company Limited (河北優林科技有限公司) and the expansion of workforce to capture potential business opportunities. The Group has entered into employment contracts with the staff in accordance with (where applicable) the Employment Ordinance (《僱傭條例》) (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC (《中華人民共和國勞動法》) and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》).

All employees are bound by relevant terms and condition to protect the rights of both the Company and employees. Our administration department and supervisors are responsible for overseeing the implementation: when inappropriate behaviour takes place, they shall report to senior management and provide recommendations when necessary.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

<b>Employment Data:</b>	<b>Unit</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
Total employees	No. of people	<b>240</b>	135
By gender			
– male		<b>59.6</b>	63.7
– female	percentage	<b>40.4</b>	26.3
By employment type			
– permanent		<b>27.1</b>	48.9
– full-time contracted	percentage	<b>72.9</b>	51.1
By rank			
– executives		<b>24.2</b>	25.2
– others	percentage	<b>75.8</b>	74.8
By age			
– below 30		<b>11.3</b>	7.4
– 30-39		<b>30.0</b>	24.4
– 40-49	percentage	<b>35.0</b>	41.5
– 50-59		<b>20.4</b>	25.2
– 60 or above		<b>3.3</b>	1.5
New employees			
– male		<b>101</b>	24
– female	No. of people	<b>64</b>	13
Employee turnover			
– male		<b>44</b>	54
– female	No. of people	<b>16</b>	38

## *Recruitment and Remuneration Policies*

In general, the Group provides a market-competitive remuneration system. Based on the nature of the job, market conditions, job performance and employees' career planning, the Group formulates reasonable compensation package and benefits for its employees and strictly abides by the laws and regulations relating to the minimum wage and statutory benefits. Night-shift workers will be provided with extra overtime wage and meals, while non-local employees are entitled to dormitory vacancies.

We aspire to attract, encourage and retain talent to support the long-term and stable growth of the Group. To achieve such goal, we have fixed, among others, the welfare and benefits of the employees including the basic salary, discretionary bonus and other monetary and non-monetary incentive mechanism, mandatory provident fund, social insurance, housing provident fund and statutory leaves in accordance with the requirements of the applicable laws and regulations. We will also provide dormitory residence to employees from other provinces or places. We also have long-term effective incentive schemes, pursuant to which we grant share options to senior management and core or long-serving employees.

Employees are provided with fair promotion opportunities which are determined by job performance, experience. The Group perform an annual review of its internal remuneration and welfare policies, based on changes in economic condition, government policies, industry standard.

During the Reporting Period, we did not experienced any material change in the structure of our labour force. Our employee turnover was mainly voluntary and mostly from production workers, which is normal in our industry and other factories, and reasonable and appropriate arrangement was made for all the resigning employees in accordance with relevant laws.

For the requirements of the work, our employees hold professional qualifications according to the laws of the PRC, e.g. electricians, furnace workers, and forklift workers all holding qualified license.

## *Dismissal Policies*

In situations where an employee violates the Group's regulations or consistently perform his or her duties below an acceptable level, our administration department will, subject to the requirements of the local regulation, terminate his or her employment contract. Terms and conditions relating to dismissal are enumerated in employment contract. We will consult our management and seek legal advices when necessary to ensure such dismissal is in compliance with applicable labour laws. During the Reporting Period, the Group did not experienced any labour dispute caused by dismissal.

## *Equal Opportunities, Diversity and Inclusion*

The Group is dedicated to create a fair, discrimination-free working environment for the employees. We embrace diversity and inclusion as we protect our employees from the discrimination in relation to gender, disability, pregnancy, marital and family status, racial background, religious belief, age, sexual orientation or any other kind of discrimination, or being deprived of any benefits.

Due to our business nature, male employees constitute a larger proportion of our workforce, which is aligned with industry standard. However, we still strive to improve the gender balance at workplace and ensure employees of different background and genders are allowed to enjoy a better representation at our workplace.

## *Employee Communication*

The Group organises and encourages our employees to participate in various activities, such as seminars, trainings and festive activities, to promote communication among employees and better understand their needs and improve their corporate values, sense of identity and code of practice, and strengthen their sense of belonging.

## *Health and Safety*

The Group is always committed to providing a safe, efficient and comfortable workplace for its staff, and endeavours to eliminate potential hazards. To safeguard the well-being of our employees, we identify potential safety risks in each step of the production and reinforce safety control.

Massive operations of machineries are involved in the Group's manufacturing base. Therefore, we endeavour to maintain a sound safety management and comply with all relevant laws. Laws and regulations governing the manufacturing and fire safety mainly include Law of the PRC on Work Safety (《中華人民共和國安全生產法》), Fire Protection Law of the PRC (《中華人民共和國消防法》), Provisions on Supervision and Administration of Fire Control at Construction Projects (《建設工程消防監督管理規定》) and Provisions on the Supervision and Inspection Over Fire Protection (《消防監督檢查規定》) issued by Ministry of Public Security.



The Group has built a comprehensive safety control system, production safety emergency and contingency measures, as well as guidelines for occupational health. We have taken references to industry nature, practices and regulatory requirements in formulating all these protocols.

All new employees shall undergo safety training and pass the test before officially commencing works. Meanwhile, we arrange health and safety training for and provide the relevant information to our employees, including fire prevention seminar, first-aid and firefighting equipment manual, in order to raise their safety awareness; have first-aid and fire prevention equipment in place; arrange fire drill in our manufacturing base; provide annual body check to employees at special work positions. Leaders of safety teams, who hold Safety Management Personnel Certificate issued by local government authorities, are responsible for the monitoring of these safety control measures, as well as promote, communicate and implement the “7S” management system. In case of significant work safety risks and accidents, we will report to our management and take necessary improvement measures.

During the Reporting Period, the Group did not identify any material or heightened risks regarding occupational safety and health.

#### *Health and Wellness*

Besides work safety, we also attach high importance to employees’ mental and physical wellness. We organise activities, such as seminars, gatherings, and sport events, for our employees regularly and reinforce the interaction and communication among them, with a view to maintaining a balance between work and life and developing their sense of belonging to the Group.

#### *Monitoring of Suppliers*

We take it as our responsibility to ensure that our suppliers and business share the same value and that they comply with all applicable safety laws and regulations. Therefore, communication channels are maintained between the Group and business partners. Site visits and meetings are also arranged to help the Group monitor its business partners in this regard.

During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

#### **Development and Training**

<i>Training statistic</i>	<b>Unit</b>	<b>Quantity</b>
Participating employees	No. of people	154
Participating employees as % of total employees	percentage	64.2
By gender		
– male	Total hours	1,345
– female		668
By gender		
– male	Average hours	20
– female	per employee	29
By rank		
– executives	Total hours	408
– others		1605
By rank		
– executives	Average hours	28
– others	per employee	21

The Group actively attracts and nurtures talent, introduces management talent and professionals, and optimises human resources structure in accordance with the business development needs and direction. Meanwhile, the Group places importance on the nurturance of our own talent and promotion of studying culture. We aspire to enhance quality of our employees through training program, with a view to helping their career growth in the long run. Internal promotion opportunities are offered to employees with outstanding work performance and growth potential as we are committed to building the future with a capable team of future management.

We also promote open communication, encourage employees of different ranks to express their view and suggestions through various channels in order to better understand their work condition, career development goal and the effectiveness of our development and training program so that we can take necessary improvement measures and deploy employees to suitable positions, allowing them to deliver their best, gain satisfaction, and grow with us.

During the Reporting Period, the Group provide employees with different types of training according to their job nature, including but not limited to machinery operation, professional seminar and training on work environment management. We coordinate annual examination for employees who are required to hold certain certificates or qualification according to the requirements from professional organisations or laws. We also arrange the directors to attend the external seminars and online learning platform about latest listing rules and relevant laws regularly, so as to increase their corporate governance knowledge.

## **Labour Standard**

The Group is in strict compliance with the Employment Ordinance—Chapter 57 of the Laws of the Hong Kong, the Regulation on Labour Security Supervision (《勞動保障監察條例》) of the State Council of the PRC, Labour Law of the PRC (《中華人民共和國勞動法》) and Provisions on Prohibition of Child Labour (《禁止使用童工規定》) of the PRC. All recruitment processes and promotion activities are stringently monitored according to the human resource management system of the Group. Candidates who apply for any job positions from the Group are required to verify their identity and background so that we do not violate and relevant labour laws.

All the employment contracts have set out the personal code of conducts for the employees, imposing strict supervision on the behaviour of all directors, senior executives and the employees of all levels. We encourage the employees to report any misconduct. In case of any non-compliance, we will promptly conduct investigation and submit the relevant investigation report to the management, in order to impose appropriate penalty on or dismiss the relevant employees. In more serious cases, we will obtain legal advices and take legal actions. In response to the non-compliance, the Group will also improve the labour system further.

During the Reporting Period, the Group had no incident in connection with child labour or forced labour.

## **Operating practices**

### **Supply chain management**

The Group is principally engaged in the sourcing, manufacturing and sale of plywood products and relies on vendors and third-party suppliers to support our business. We had around 226 suppliers as at 31 March 2019 and most of them are located in the PRC.

The Group endeavours to maintain an appropriate supply chain management to promote sound practices in our supply chain. The Group's main suppliers are from the PRC as our production bases is located in the PRC and we can reduce transportation costs by choosing the Chinese suppliers. However, we also stress the importance of integrity of our suppliers and business partners besides putting costs, product quality, product safety and track records into consideration. Based on our internal guidelines and the ISO9001 standard that specifies requirements for a quality management system (QMS), we only source from suppliers and business partners with a proven business record and no serious law violation or violation of business ethics. Our procurement department is responsible to perform all the background check to ensure legitimacy of these suppliers to conduct with the Group. We will not tolerate bribery and corruption and we forbid our suppliers and business partners from securing procurement contracts or partnerships through any form of transfer of interest.

In addition, the Group will give the suppliers fair and reasonable terms and will not exploit the suppliers in any form when we receive the stocks from them. Our Procurement Department will select qualified suppliers through comparison of the suppliers' quality performance, aftersales service, shipping and delivery and price and fill out the "Supplier Assessment Records". For the supply of the important materials, the Procurement Department will select several qualified suppliers to choose from. Samples of their products are requested for the Group to make fair assessment. Upon engaged in procurement, the Group will examine carefully if these suppliers have fulfilled the product responsibilities and promptly provide the relevant information to ensure that their products meet our needs. Suppliers are held responsible and are subject to compensation and claims if defects or quality issues of their products lead to any customer complaints.

As regards FSC certified products, we undertake to only use wood products from FSC certified suppliers. We will check the relevant FSC certification of the suppliers and verify their identities from FSC before entering into any transactions. We also perform annual check and verification on the FSC certification of the suppliers.

During the Reporting Period, we did not identify any material risks and issues on supply chain management.

## **Product Responsibility**

### *Quality First*

Plywood is the Group's main product. Our plywood products can be used in different industries and categorised into (i) general plywood used in interior applications of buildings and manufacture of wooden furniture for home and office; (ii) packing plywood used as packaging material; (iii) structural panel used for construction; (iv) floor base used for flooring; and (v) other plywood products, e.g. the concrete panel used for external buildings.

The Group puts product quality and corporate reputation in the first place, strives to ensure product and service quality through internal control and is committed to producing high quality plywood products which are in compliance with international industry standards. We improve our products from time to time and has obtained a range of safety approvals and certificates issued by different product testing and certification organisations which are accredited certification bodies or assessors of JAS, FSC and CE respectively. Therefore, we believe our products are safe and reliable and are capable of fulfilling the specific requirements from and offering quality assurance to our customers in various countries including those which demand high quality standards and have stringent safety requirements.

### *Customer Feedback*

We communicate with customers by various channels to obtain their feedbacks and understand their needs. We will review the service process according to customers' feedbacks and promptly handle and investigate the clients' complaints to improve the customer service and product quality.

### *Intellectual Property and Data Privacy*

During the Reporting Period, due to our business nature, we did not encounter issues with third-party intellectual property or patent technology in our daily operation. However, we do not rule out the possibilities of our customers' trade secret or even personal information may come into contact in the future; therefore, we will require our employees to carefully handle customer information to protect their privacy and intellectual property from unnecessary losses. In addition, all personal information and record of our employees are maintained in a confidential manner and will only be used for employment purpose when necessary.

### *Advertising and Labeling*

We did not engage large-scale marketing and promotional campaigns during the Reporting Period. In the sale process, we ensure that any descriptions of our services and products by our sales representatives are in compliance with follows the Advertising Law of the PRC (《中華人民共和國廣告法》) and all other applicable laws and standards enacted by the government and industry associations. The Group does not allow any misleading, inaccurate and exaggerating information about its products and services. During the Reporting Period, the Group did not receive any relevant complaint.

During the Reporting Period, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to product health and safety, advertising, labelling and privacy matters.

## **Anti-corruption**

The Group upholds the highest standard of corporate governance and adhere to the values of honesty and integrity as it is committed to creating an anti-corruption workplace. The Group strictly complies with the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Laws, the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and other applicable anti-corruption laws and regulations.

Directors and all employees are required to maintain integrity and be law-abiding in both physical business and capital market operation levels. The board of directors will not tolerate any corruption, bribery, extortion, money-laundering and other forms of frauds. Employees are under strict supervision that they are not allowed to receive or ask for personal gain, including cash, gifts and unlawful favours, from business relationships. They are prohibited from obstructing any potential business transaction with suppliers, business partners and clients because of personal or business relationship with their competitors.

We have formed an audit committee, and have also hired external lawyers and auditors for the compliance with the Stock Exchange's corporate governance requirements for listing companies. We will continue reviewing the efficiency of our internal monitoring system to prevent corruption.

## *Whistle-blowing Policies*

We encourage employees to report misconduct. Adequate confidentiality measures will be taken to protect the identities of the whistleblowers. Any acts of corruption, bribery, extortion, money-laundering or other frauds will be promptly investigated and reported to the management and the government authorities upon discovery.

During the Reporting Period, we had not identified any non-compliance in relation to corruption, bribery, extortion, fraud and money laundering, which had a significant impact on the Group. The Group will regularly review its internal anti-corruption system and improve it when necessary.

## **Community**

### ***Community Investment***

As a corporate citizen, the Group places importance on giving back to the society, strives to promote the spirit of corporate social responsibility within the company and organises or participates in appropriate community activities. Moreover, we tend to employ local staff at the locations of our production facilities to promote local employment.

We hope to develop the sense of social responsibility of our employees while encourage them to make a greater contributions to the community during their work and in their private time. By giving back to the community through relevant activities, the community awareness of our employees will be enhanced, thereby motivating them to care about and help people in need, and establish the right value set. We increase our community investment as much as possible to create a more favourable environment for our community and business. We actively participated in charity events arranged by local organisations or government authorities; whilst promoting career development and employment in the region where our production bases are located. The Group will also consider making donations to charities from time to time when the Group records profits after tax and has sufficient funds.

## REFERENCES TO HKEX ESG REPORTING GUIDE

Subject Areas	Content	Section in this ESG Report
<b>A. Environmental Aspect</b>		
A1 Emissions General Disclosure	Information on the policies; and 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 Aspect – Emissions
A2 Use of Resources General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Aspect – Use of Resources
A3 Environment and Natural Resources General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Aspect – Environment and Natural Resources
<b>B. Social Aspect</b>		
<i>Employment and Labour Practices</i>		
B1 Employment General Disclosure	Information on the policies; and 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.	Social Aspect – Employment and Labour Practices – Recruitment, Remuneration and Dismissal Policies; Equal Opportunities, Diversity and Inclusion
B2 Health and Safety General Disclosure	Information on the policies; and 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.	Social Aspect – Employment and Labour Practices – Health and Safety
B3 Development and Training General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social Aspect – Employment and Labour Practices – Development and Training
B4 Labour Standard General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social Aspect – Employment and Labour Practices – Labour Standards



Subject Areas	Content	Section in this ESG Report
<i>Operating Practices</i>		
B5 Supply Chain Management General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social Aspect <ul style="list-style-type: none"> <li>– Operating Practices</li> <li>– Supply Chain Management</li> </ul>
B6 Product Responsibility General Disclosure	Information on the policies; and 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.	Social Aspect <ul style="list-style-type: none"> <li>– Operating Practices</li> <li>– Product Responsibility</li> </ul>
B7 Anti-corruption General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social Aspect <ul style="list-style-type: none"> <li>– Operating Practices</li> <li>– Anti-corruption</li> </ul>
<i>Community</i>		
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 take into consideration the communities' interests.	Social Aspect <ul style="list-style-type: none"> <li>– Community</li> <li>– Community Investment</li> </ul>