



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 **2020**



ABOUT OUR GROUP

Steed Oriental (Holdings) Company Limited (referred to in this report as the “Company”, together with its subsidiaries, the “Group”) (Stock code: 8277) is primarily engaged in sourcing, manufacturing and sale of plywood products and other wooden products. The Group’s major products can be 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 materials; (iii) structural panel used for construction; (iv) floor base used for flooring; (v) supplementary materials used for construction; and (vi) other wooden products.

Policy of Corporate Social Responsibility

We understand that fulfilling corporate social responsibility underpins our business decisions. The Group is therefore obliged to make valuable contributions to society while enhancing its operational and financial performance with a view to promoting sustainable development. Our corporate social responsibility policy is applied to the environment, communities, business markets, supply chains, employment and labour practice. We value our communications and relations with our employees, customers, suppliers, shareholders, communities and the general public. Adhering to our values of integrity, safety, respect and excellence, we operate our business while taking into account the needs and interests of different stakeholders.

Forging ahead with continuous improvement in our operational capability, we produce quality plywood products and other wooden products which comply with standards of environment and society that governing global industries. We also strictly review our governance level with the aim of adhering to or even exceeding the minimum legal requirements and achieving the best practice guidelines.

Our corporate social responsibility policy applies 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 aligned.

ABOUT THIS REPORT

Reporting Scope

This is the annual environmental, social and governance (“ESG”) report (the “ESG Report”) of the Company for the year ended 31 March 2020 (the “Reporting Period”). The ESG Report mainly covers the operations described in the paragraph headed “About Our Group” above (the “Principal Operations”). Unless otherwise stated, the Principal Operations of the Group include two manufacturing bases in Ningjin County of Hebei Province and Jiangmen City of Guangdong Province in the People’s Republic of China (the “PRC”), as well as the headquarters of the Company in Hong Kong, which is responsible for compliance with the listing of the Company on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Therefore, no significant changes in the scope of the ESG Report was made, mainly detailing the overall ESG performance, risks and challenges of the Principal Operations, as well as the policies and measures in place to improve the ESG-related performance.

For the corporate governance structure of the Group and other relevant information, please refer to the “Corporate Governance Report” on pages 11 to 19 of the Annual Report 2020 published by the Company on 31 July 2020.

Reporting Principle

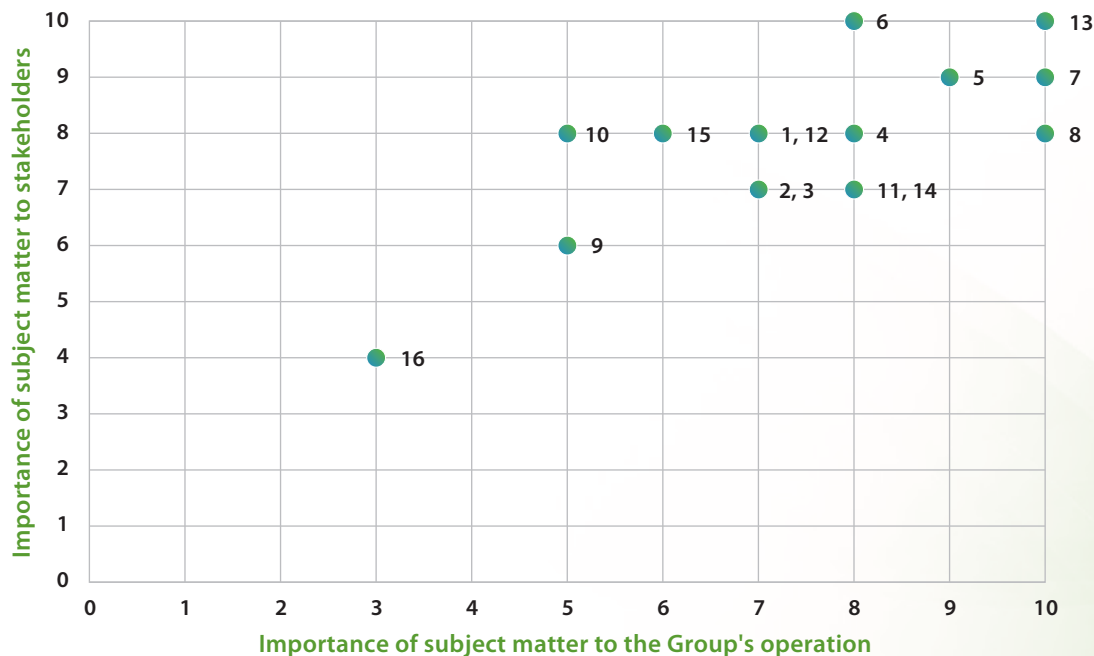
The ESG Report has been prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and the reporting principles of materiality, quantitative, balance and consistency.

The information and data contained in the ESG Report are derived from the official documents of the Group or statistical reports. The Group has formed a designated working group consisting of personnel from different departments and subsidiaries to collect relevant information and data for the preparation of the ESG Report. Although the Group has not engaged any independent third party to conduct an independent review and verification of the environmental performance data in this report, such information has been reviewed and approved by the board of directors of the Company (the “Board”). The Board is fully responsible for the ESG strategies and reporting of the Company, as well as monitoring and managing ESG-related risks. During the Reporting Period, the Group did not identify any material risks relating to the ESG management of the Group.

Stakeholder Engagement and Materiality Assessment

We enable external stakeholders to understand the operating conditions of the Group through various channels, including financial reports, announcements and corporate website. The ESG Report allows the stakeholders to understand the commitments and performance of the Group in the ESG aspects. In addition, the Group actively collects and analyses the stakeholders' opinions, concerns and needs, as well as our responses, which are categorised as follows:

Stakeholders	Stakeholders' concerns	Our responses
<i>Internal stakeholders</i>		
General employees	1. Promotion and development prospects 2. Employee benefits 3. Equal opportunities 4. Occupational safety and health 5. Corporate values and dynamics	Provide adequate opportunities for promotion and training; promote a dynamic and respectful workplace
Senior management and members of the Board	6. Company outlook 7. Internal governance level	Strengthen decision-making and communication; satisfy with corporate governance requirements
<i>External stakeholders</i>		
Customers	8. Product and service quality	Improve the quality of products and services continuously by upgrading technology and production efficiency
Suppliers and business partners	9. Supply chain management (labour standard and environmental policy) 10. Procurement policy (order quantity and delivery cycle)	Keep close contact with suppliers and business partners for requirements on raw materials, procurement policies and cycles
Shareholders and investors	11. Company results 12. Shareholder interest	Ensure release of quarterly results announcements and timely update of the information of the Group; provide well-managed investor enquiry hotline
Government and regulatory authorities	13. Compliance level of the Company	Pay taxes in compliance with laws; comply with labour, environmental protection and listing-related regulations
Banks and other professional institutions	14. Cashflow and financial position	Maintain timely communications and notifications of corporate financial and operational conditions; sustain sound financial position
Non-government organisations and community/local residents	15. Environmental footprint in the course of business (greenhouse gas emission and waste produced) 16. Community support and investment	Focus on and reinforce management on environmental protection; continue to explore community support programmes



We welcome your feedback on the ESG Report and our ESG policies. Please share your views with us through the following ways:

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ENVIRONMENTAL ASPECT

Environmental protection is one of the core elements of our philosophy as to corporate social responsibility, which is embodied by only selling products made from legitimate timber logging. Certain trading subsidiaries of the Group have obtained the Forest Stewardship Council ("FSC") certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for businesses seeking access to eco-friendly and socially-conscious markets.

We fully understand that the environment is the foundation of our existence, and the communities in which we operate require a good environment. Through continuous improvement in environmental management, we strive to achieve a competitive advantage of sound, sustainable development. To uphold this commitment, we are devoted to incorporating environmental protection factors into our business process. The Group has formulated internal policies and measures which enable us to meet or exceed the standard provided in relevant environmental 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 also formed an environmental protection team to oversee and ensure the relevant environmental measures and policies are implemented through the accomplishment of our environmental philosophy and requirements in the induction courses for new employees, and holding meetings on a weekly basis among various departments to discuss environmental and safety issues. We believe that such policies and measures are instrumental in building a safe and efficient business where we minimise our carbon footprint and offer reliable quality products.

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 which 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 inspection 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" is in place to advise about coping measures to three different pollution levels, namely yellow, orange and red. Employees are informed of instructions via email and instant messaging.

The Group adopts the following measures to 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

The Group closely monitors any updates on the national environmental information and relevant requirements, and 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. We will also keep abreast of the latest development of relevant environmental technology. Our equipment and system, such as low-NOx emission boilers, will be upgraded, and our production procedures will be refined if deemed suitable, including the adoption of renewable energy when necessary to ensure we comply with national emission requirements.

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

Reliable and effective waste management measures are in place for proper handling and collection of waste produced from our daily operation, which mainly includes unfitted wood products and scraps, such as sawdust and wood shavings. In general, production volume, arrangement of transportation and logistics support are determined by the Group's orders from customers to avoid wastage of energy and resources. Waste produced from our daily operation, as well as food waste and domestic wastes from staff canteen, dormitories, offices and production plants, are collected through designated equipment and facility, and are then classified and stored.

We have entered into recycling agreement with suppliers to allow the latter to collect certain reusable waste and materials by schedule and based on quantity; whilst wastes which are not eligible for reuse or recycling will be sent to landfill by refuse collection trucks from the industrial zone for proper disposal.

To reduce electronic solid waste, the Group usually purchases repairable computers and electronic devices with longer life span. Maintenance and repair are handled by designated staff. 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

Besides domestic wastewater, the Group does not produce any industrial wastewater during manufacturing process. Certain used domestic water will be collected by our equipment before being reused for irrigation of our green space and plants in the production bases. The remaining domestic wastewater 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:

Emissions	Unit	Quantity	
		For the year ended 31 March 2020	For the year ended 31 March 2019
Greenhouse gas			
Scope 1 – direct emission			
i. fuel consumption (machines)		1,368,166	2,062,692
ii. fuel consumption (vehicles)		96,091	105,318
Scope 2 – indirect emission			
i. electricity consumption	kg of CO ₂ equivalents	2,425,249	1,810,776
Scope 3 – other indirect emission			
i. water consumption		15,423	18,278
Exhaust gas			
Nitrogen oxides (NOx)		29,490	32,322
Sulphur oxides (SOx)	gram	5,918	6,487
Particulate matter (PM)		2,171	2,380

Note:

During the Reporting Period, the Group further regulated its methodology of collection and calculation of environmental key performance indicators, pursuant to which certain data reported in the Environmental, Social and Governance Report 2019 is modified and restated.

Use of Resources

We have established the ISO14001 Environmental Management System and 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.

We are committed to producing low consumption, green and quality products which comply with the international industry standards. As such, we have invested a considerable amount of funds for research and development in order to improve 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 Japanese Agricultural Standard (“JAS”) 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 Standard for Chain of Custody Certification and FSC-STD-40-003 for purchase of FSC 100% veneer, manufacture (transfer system) and sales of FSC 100% plywood”.

Apart from the production bases, we encourage green office management from different aspects:

1. promoting “paperless office” and the use of electronic documents to reduce paper consumption;
2. utilising instant messaging applications as means for conveying corporate policies and daily communication by creating company mailbox and WeChat working chat group, etc;
3. using natural light design or LED lighting system;
4. installing time delay faucets and other water-saving equipment;
5. maintaining suitable air conditioner temperature; and
6. promoting green procurement by selecting more eco-friendly office supplies.

Resource Consumption Data:

Resources Consumed	Unit	Quantity	
		For the year ended 31 March 2020	For the year ended 31 March 2019
Electricity	kWh	2,757,096	2,263,470
Water	tonne	15,423	18,278
Natural gas – machines	m ³	705,677	1,063,902
Diesel – vehicles	litre	36,760	40,290

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. We constantly review our internal policy, improve our environmental initiatives and upgrade our equipment. For instance, in accordance with the requirements by the national environmental protection department on rectifying air polluting projects, all boilers in our manufacturing bases have undergone the low-NOx upgrades during the Reporting Period to minimise their pollution to the environment. The national environmental standard is met upon such upgrades.

The Group constantly communicates its environmental value, principles and policies with its employees, including advocating to employees the ISO14001 Environmental Management System, “7S” management philosophy. Through initiatives such as promoting environmental management knowledge, carrying out regular inspection, we aim to raise the environmental awareness of our employees.

SOCIAL ASPECT

Employment and labour practices

Employment

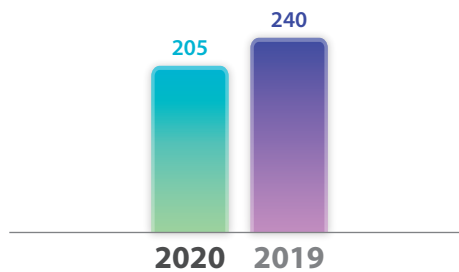
As at 31 March 2020, the Group had 205 employees. The Group has entered into employment contracts with the staff in accordance with (where applicable) the Employment Ordinance (《僱傭條例》) (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC (《中華人民共和國勞動法》) and Labour Contract Law of the PRC (《中華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.

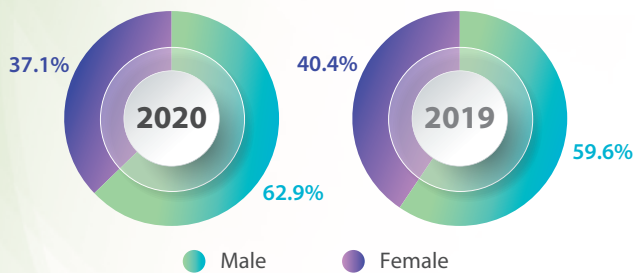
Total number of employees

(31 March)



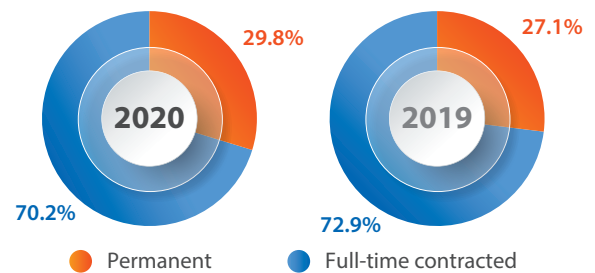
By gender

(31 March)



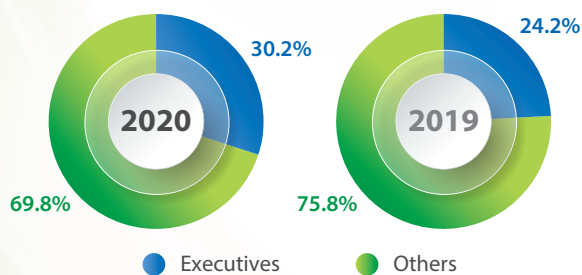
By employment type

(31 March)



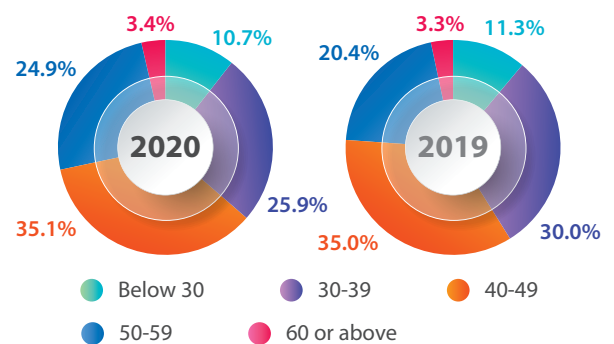
By rank

(31 March)



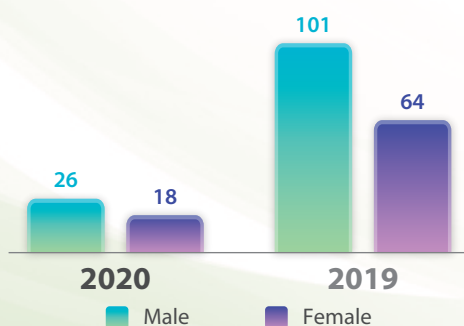
By age

(31 March)



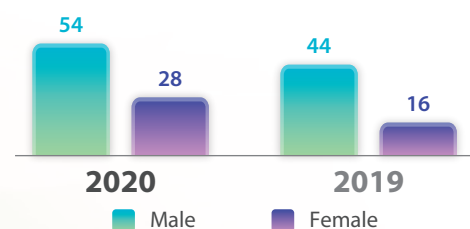
New employees

(31 March)



Employees turnover

(31 March)



Employment Data:

		Quantity For the year ended 31 March 2020	For the year ended 31 March 2019
	Unit		
Total number of employees	number of people	205	240
By gender			
Male		62.9	59.6
Female	percentage	37.1	40.4
By employment type			
Permanent		29.8	27.1
Full-time contracted	percentage	70.2	72.9
By rank			
Executives		30.2	24.2
Others	percentage	69.8	75.8
By age			
Below 30		10.7	11.3
30-39		25.9	30.0
40-49	percentage	35.1	35.0
50-59		24.9	20.4
60 or above		3.4	3.3
New employees			
Male		26	101
Female	number of people	18	64
Employees turnover			
Male		54	44
Female	number of people	28	16

Recruitment, Remuneration and Promotion Policies

In general, the Group's recruitment of new staff is based upon the needs of business development and position allocation, together with job content, duties, and capabilities and experience required for different positions. Some special positions, for instance, electricians, furnace workers, and forklift workers, etc., must hold the professional qualifications as set out by the PRC law. Therefore, we will also have requirements on the professional qualifications of the candidates.

The Group strictly abides by the laws and regulations relating to the minimum wage and statutory benefits. Based on the job nature, market conditions, job performance and employees' career planning, the Group formulates market-competitive and reasonable compensation package and benefits for its employees to attract, encourage and retain talent for the long-term and stable growth of the Group.

Of which, we have fixed, among others, the welfare and benefits of the employees including the basic salary, discretionary bonus, share options to senior management and core or long-serving employees, and other monetary and non-monetary long-term incentive mechanism. We also enrol mandatory provident fund, social insurance, housing provident fund for our employees and offer them with statutory leaves and standard working hours. Night-shift workers will be provided with extra overtime wage and meals, while non-local employees are entitled to dormitory vacancies.

Employees are provided with fair promotion opportunities, which are free from discrimination and other unreasonable factors, determined by the results of job performance appraisal, their working experience and expectations. The Group performs 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 experience any material change in the structure of our labour force. Our employee turnover was mainly voluntary and mostly from production workers who resigned for reasons such as personal development. Such situation is normal in our industry and other factories. Reasonable and appropriate arrangement was made for all the resigning employees in accordance with relevant laws.

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 experience any labour dispute caused by dismissal.

Equal Opportunities, Diversity and Inclusion

The Group is dedicated to creating 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 production workers, which is aligned with industry standard. We witnessed a balanced gender ratio in other positions. We will strive to maintain a gender balance at workplace and ensure employees of different background and genders are allowed to enjoy a better representation at our workplace.

Employee Communication

Besides induction training for new employees, the Group regularly organises and encourages our employees to participate in various activities, such as symposia, seminars, trainings and festive activities, as well as chat group on WeChat and other instant messaging applications 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. We aspire to build an open communication atmosphere where employees are respected and valued, so that they are able to express their views on work condition and expectation, as well as needs and difficulties in daily life.

Health and Safety

The Group is always committed to providing a safe, efficient and comfortable workplace for its staff, and believes that all accidents are preventable. While we work our best on preventive measures, we insist that all employees must have ownership of their own and colleagues' safety. Hence, we endeavour to eliminate potential hazards through "identifying, monitoring, evaluation and education".

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.

We identify potential safety risks in each step of the production. 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. Upon the implementation of relevant measures and guidelines, our safety team members, who hold Safety Management Personnel Certificate issued by local government authorities, will strictly monitor and conduct regular examination of the implementation level and safety level at workplace, so as to protect the safety and health of our staff.

In addition, we value training efforts in terms of occupational health and safety. All new employees shall undergo safety training and pass the test before officially commencing works. Meanwhile, we arrange other trainings for and provide the relevant information to our employees on a regular basis, including fire prevention seminar, first-aid and firefighting equipment manual, in order to raise their safety awareness.

First-aid tools and fire prevention equipment are in place, while safety protection devices are installed in production equipment and yellow warning signs are placed. We also arrange fire drill and practice on fire safety equipment in our manufacturing base and provide annual body check to employees at special work positions. 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.

Mindful of Physical and Mental Well-being

We recognise that employees are the core assets of our business, and it is essential for our business success and thus we help our employees to work at their best both physically and mentally. In light of that, besides work safety, we also attach high importance to employees' mental wellness and actively promote management of physical and mental well-being among them, while providing them with an appropriate and friendly working environment.

We organise activities, such as seminars and regular gatherings for our employees to strengthen the interaction and communication among them. We also have built basketball, table tennis, badminton and other sport courts to encourage exercising and building physical strength. These initiatives are intended to help our staff strike a work-life balance and develop 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 our business partners. Site visits and meetings are also arranged to help the Group monitoring 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

The Group proactively recruits and nurtures talents and, based on business development needs and direction, also introduces managerial professionals so as to optimise the structure of human resources. Meanwhile, the Group attaches high importance to cultivate its talents and promote a learning culture. We are committed to enhancing staff quality through training programmes with an aim to support their long-term career growth. In order to build a reliable team which can meet management needs and face challenges in the future, we offer internal promotion opportunities to the employees with outstanding performance and development potentials.

We also advocate open communication and encourage employees at all levels to express their views and suggestions through various channels in order to better understand their work conditions, career development goals and the effectiveness of our development and training programmes, so that necessary improvement measures can be made and employees can be assigned to suitable positions, allowing them to deliver their best, gain satisfaction, and grow with the Company. During the Reporting Period, the Group provides the employees with different types of training according to their job categories, including but not limited to seminars and trainings about machinery operation and professional knowledge on work environment management. Annual examinations are arranged for the employees who are required to hold certain certificates or qualifications according to the requirements from professional organisations or laws. We also arrange the directors to regularly attend external seminars or through online learning platforms to learn about the latest listing rules and relevant laws, so as to increase their corporate governance knowledge.

Training Statistics:

	Unit	Quantity	
		For the year ended 31 March 2020	For the year ended 31 March 2019
Participating employees	number of people	139	154
Participating employees as % of total workforce	percentage	67.8	64.2
By gender			
Male	total number of hours	1,365	1,345
Female		717	668
By gender			
Male	average hours	15	20
Female	per employee	15	29
By position			
Executives	total number of hours	470	408
Others		1,612	1,605
By position			
Executives	average hours	15	28
Others	per employee	15	21

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 People's Republic of China (《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》). All recruitment processes and promotion activities are stringently monitored according to the human resources management system of the Group. Candidates who apply for any job positions from the Group are required to verify their identities and backgrounds in order to avoid any form of forced labour, including child labour, human trafficking, bonded and indebted labour.

All the employment contracts have set out the personal code of conducts for the employees, imposing strict supervision on the behaviours of all directors, senior executives and the employees of all levels, to eliminate acts of squeezing labour interest and illegal deprivation of employees' rights. We prohibit forced labour by threat of punishment, or deceptive recruitment. We do not tolerate any form of workplace bullying and harassment. These labour standards are also applicable to our suppliers as we will conduct site visits and staff interviews to monitor their labour standards. Cooperation would be terminated if any suppliers and contractors violate our labour standards.

We encourage the employees to report any misconduct. In case of any non-compliance, we will promptly conduct an investigation and submit a relevant investigation report to the management, in order to impose appropriate penalties on or dismiss the relevant employees. For more serious cases, we would obtain legal advices and take legal actions. In response to the non-compliance, the Group would also further improve the labour system.

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

Operating practices

Supply Chain Management

Procurement Policies

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 199 suppliers as at 31 March 2020 and most of them are from the PRC as our production bases are also located in the PRC and we can reduce transportation costs by choosing the Chinese suppliers.

The Group proactively maintains appropriate supply chain management to endorse sound practices in our supply chain. However, other than taking costs, product quality, product safety and track records into account, we also stress the importance of integrity of our suppliers and business partners. Based on our internal guidelines and the ISO9001 standard that specifies requirements for a quality management system (QMS), we only select suppliers and business partners with proven business track records and no serious law violation or breach of business ethics. Our procurement department is responsible for performing all background checks to ensure legitimacy of these suppliers cooperating with the Group. We do 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 offers the suppliers fair and reasonable terms and does not exploit the suppliers in any form when the Group sources goods from them.

For the supply of the important materials, the procurement department will select several qualified suppliers to choose from. Samples of their products are requested by the Group to make fair assessment. Quality assurance and safety inspection will be conducted by our designated department and a small quantity trial will be made in our production. Suppliers with qualified samples will be listed on our Register of Qualified Suppliers and our procurement department will be allowed to order from them.

Our procurement department will carefully examine whether these suppliers have fulfilled the product responsibilities to ensure that their products meet our needs through comparison of the suppliers' quality performance, aftersales service, shipping and delivery and price. According to the results of inspection and assessment, we will fill out the "Supplier Assessment Records" as reference for the selection of appropriate suppliers in the future. Suppliers would be held accountable and would be subject to compensation and claims if defects or quality issues of their products lead to any customer complaints.

For FSC certified products, we shall ensure that we 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 will also perform annual check and verification on the FSC certification of the suppliers.

Environmental and Social Risks

For our environmental risks and policies, and labour standards of supply chain, please refer to in the paragraphs headed "Emission – Suppliers and Business Partners" of Environmental Aspect and "Employment and Labour Practices – Labour Standard" of Social Aspect in this ESG Report.

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

Product Responsibility

Quality First

Plywood and other wooden products are the Group's main products. 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) supplementary materials used for construction. The Group also produces other high-quality wooden products, such as wood structures, aluminium-clad wooden doors and windows, Chinese solid wood furniture, etc.

The Group regards product quality and corporate reputation as the first priorities and proactively ensures product and service quality through internal control in a bid to producing high quality plywood products which are in compliance with international industry standards. We constantly improve our products and has obtained numerous 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 that 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 through various channels to obtain their feedback and understand their needs. We will review the service process according to customers' feedback and promptly handle and investigate the clients' complaints to improve the customer service and product quality. If there is any safety and health issue involving our products, the Group will recall, compensate (if necessary) and investigate in accordance with the contractual terms of orders with a view to improving the production process or procurement management in the future.

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 that 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.

Advertising and Labelling

We did not engage large-scale publicity and promotional activities during the Reporting Period as we rely on our sales representatives to perform sales and marketing activities directly to existing or potential customers. In the sale process, we ensure that any descriptions of our services and products by our sales representatives are in compliance with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and all other applicable laws and standards enacted by the government and industry associations. Adhering to its pragmatic principle, 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 principles 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 People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《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 at both physical business and capital market operation levels. The board of directors do 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 solicit 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 listed companies. We will continue reviewing the effectiveness 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 whistle-blowers. Once any acts of corruption, bribery, extortion, money-laundering or other frauds are found, we would promptly carry out investigations and report to the management and government authorities.

During the Reporting Period, we did not identify 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 make improvement when necessary.

Community

Community Investment

As a corporate citizen, the Group proactively participates in the organisations and events for giving back to society as it values corporate social responsibility. The Group proactively supports all sorts of charity events organised by the local trade unions, party committees and parties established by the party, and boosts local employment, including proactively recruiting local employees at the locations of our production facilities to create economic value.

We hope to develop our employees' sense of social responsibility while encouraging them to make greater contributions to the community during their work and in their private time. By personally participating in activities in relation to giving back to the community, the employees' community awareness can be enhanced, thereby motivating them to care about and help people in need, and establishing the right value. We increase our community investment as much as possible to create a more favourable environment for our community and business. 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 ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Subject Areas – General Disclosure	Content	Section in this ESG Report
A. Environmental Aspect		
A1 Emissions	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.	Emissions
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
B. Social Aspect		
<i>Employment and Labour Practices</i>		
B1 Employment	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment – Recruitment, Remuneration and Promotion Policies – Dismissal Policy – Equal Opportunities, Diversity and Inclusion
B2 Health and Safety	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.	Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B4 Labour Standard	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.	Labour Standard
<i>Operating Practices</i>		
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Emissions – Suppliers and Business Partners Labour Standard
B6 Product Responsibility	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.	Product Responsibility
B7 Anti-corruption	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.	Anti-corruption
<i>Community</i>		
B8 Community Investment	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.	Community Investment

Subject Areas**– Key Performance Indicators Description in this ESG Report****A. Environmental Aspect****A1 Emissions**

A1.1	The types of emissions and respective emissions data (if applicable) are set forth in Emission Data of Emissions.
A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions are set forth in the Emission Data of Emissions.
A1.3	Our principal business operations do not involve activities that produce hazardous waste.
A1.4	There is no applicable data of non-hazardous waste produced as waste produced from our operations is collected and handled by designated service provider we hired.
A1.5	The Group is in the process of setting emission-related targets and steps to be taken to achieve them, which will be announced thereafter in the Company's Environmental, Social and Governance Report next year.
A1.6	Our principal business operations do not involve activities that produce hazardous waste. Treatment of non-hazardous waste and waste reduction measures are discussed in "Emissions — Waste Management" and "Use of Resources—Waste Management". The Group is in the process of setting waste reduction targets, which will be announced thereafter in the Company's Environmental, Social and Governance Report next year.

A2 Use of Resources

A2.1	Total direct and/or indirect energy consumption is set forth in "Use of Resources — Resource Consumption Data".
A2.2	Total water consumption is set forth in "Use of Resources — Resource Consumption Data".
A2.3	Description of energy use efficiency initiatives can be referred to in "Use of Resources". The Group is in the process of setting relevant targets, which will be announced thereafter in the Company's Environmental, Social and Governance Report next year.
A2.4	There is no issue in sourcing suitable water and the Group considers its water consumption level is reasonable. Description of water use efficiency initiatives can be referred to in "Use of Resources". Water efficiency targets will be announced in the Company's Environmental, Social and Governance Report of the year after being set.
A2.5	There is no applicable data of packaging material as we do not have significant use of any packaging material.

**A3 Environment and
Natural Resources**

A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them can be referred to in "Environment and Natural Resources".
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A4 Climate Change

A4.1	There are no significant climate-related issues which have impacted or may impact the Group.
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Subject Areas**– Key Performance Indicators****Description in this ESG Report****B. Social Aspect***Employment and Labour Practices***B1 Employment**

B1.1 Total workforce by gender, employment type and age group are set forth in “Employment – Employment Data”.

B1.2 Employee turnover data by gender is set forth in “Employment – Employment Data”.

B2 Health and Safety

B2.1 There were no work-related fatalities occurred in each of the past three years including the reporting year.

B2.2 There was no lost day due to severe work injury during the Reporting Period.

B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored can be referred to in “Health and Safety”.

B3 Development and Training

B3.1 The percentage of employees trained by gender and employee category is set forth in “Development and Training – Training Statistics”.

B3.2 The average hours completed per employees trained by gender and employee category are set forth in “Development and Training – Training Statistics”.

B4 Labour Standard

B4.1 Description of measures to review employment practices to avoid child and forced labour can be referred to in “Labour Standard”.

B4.2 Description of steps taken to eliminate such practices when discovered can be referred to in “Labour Standard”.

*Operating Practices***B5 Supply Chain Management**

B5.1 The Group’s major suppliers were from the PRC and Hong Kong with a total of 196 and 3, respectively.

B5.2 Description of practices relating to engaging suppliers, and how they are implemented and monitored can be referred to in “Supply Chain Management – Procurement Policy”.

B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored can be referred to in “Emissions – Suppliers and Business Partners” and “Labour Standard”.

B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored can be referred to in “Supply Chain Management – Procurement Policy”.

Subject Areas

– Key Performance Indicators	Description in this ESG Report
B6 Product Responsibility	
B6.1	During the Reporting Period, the Group had no products sold or shipped subject to recalls for safety and health reasons.
B6.2	During the Reporting Period, the Group did not receive any complaints involving its products and service.
B6.3	Practices relating to observing and protecting intellectual property rights are discussed in “Product Responsibility – Intellectual Property and Data Privacy”.
B6.4	Quality assurance process and recall procedures are described in “Product Responsibility – Quality First/ Customer Feedback”.
B6.5	Consumer data protection and privacy policies, and how they are implemented and monitored are discussed in “Product Responsibility – Intellectual Property and Data Privacy”.
B7 Anti-corruption	
B7.1	During the Reporting Period, the Group was not aware of any concluded legal cases regarding corrupt practices brought against the Group or its employees.
B7.2	Preventive measures and whistle-blowing procedures, and how they are implemented and monitored are described in “Anti-corruption”.
B7.3	Anti-corruption training provided to directors and staff is discussed in “Anti-corruption”.
<i>Community</i>	
B8 Community Investment	
B8.1	The Group’s focus areas of contribution in relations to community support during the Reporting Period are set forth in “Community Investment”.
B8.2	The Group did not perform quantitative statistics on the community investment resources (time) used.