



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

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



2021 ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

ABOUT STEED ORIENTAL

Steed Oriental (Holdings) Company Limited (the “Company”; or together with its subsidiaries, the “Group”, “we” or “us”) is primarily engaged in sourcing, manufacturing and sale of plywood products and other wooden products. In order to meet future business development, the Company was listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 February 2015 (stock code: 8277). The Group currently provides the following six major products to fulfill the different needs of customers:

Products	Application/case
(i) general plywood	interior applications of buildings and manufacture of wooden furniture for home and office;
(ii) packing plywood	packaging materials;
(iii) structural panel	construction;
(iv) floor base	flooring;
(v) supplementary materials	construction;
(vi) other wooden products	wood structures, aluminium-clad wooden doors and windows, Chinese solid wood furniture, etc.

ABOUT THIS REPORT

Reporting Period and Scope

This is the fifth environmental, social and governance (“ESG”) report (the “Report” or “ESG Report”) of the Company Limited to present ESG policies, measures, overall performance, risks and challenges of the Group for the period from 1 April 2020 to 31 March 2021.

Unless otherwise stated, the Report covers the principal operations of the Group (please refer to the businesses as set out in the section “ABOUT STEED ORIENTAL” above), including:

- the manufacturing base in Ningjin County of Hebei Province in the People’s Republic of China (the “PRC”);
- the manufacturing base in Jiangmen City of Guangdong Province, the PRC
- the headquarters of the Company in Hong Kong, which is responsible for compliance with the listing of the Company on the GEM of the Stock Exchange.

During the Reporting Period, there was no major change in the principal operations of the Group. The manufacturing base in Jiangmen City of Guangdong Province, the PRC, have been relocated, and the newly-built manufacturing base have been fully put into production in June 2020. Therefore, the Report mainly details the abovementioned businesses and existing operating locations to more accurately and comprehensively disclose the ESG performance of the Group during the Reporting Period.

Reporting Standards

The Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 20 to the GEM Listing Rules of the Stock Exchange and the “comply or explain” provisions thereunder. The Group has formed a designated working group consisting of personnel from different departments and subsidiaries to collect relevant information and data required for the Report. The information and data set out in the Report are derived from the official documents of the Group or statistical reports, and have been reviewed and approved by the board of directors (the “Board”) of the Company.

Reporting Principles

In preparing the Report, the Group followed the following reporting principles:

- Materiality: The Group collects opinions from stakeholders through different channels to identify issues that have a significant impact on it, and prioritize disclosure of these issues in the Report.
- Quantitative: Where reasonably feasible, the Report presents quantitative environmental and social key performance indicators.
- Balance: The Report shall disclose the environmental, social and governance performance of the Group impartially.
- Consistency: The statistical method of the data in the Report is consistent with that for previous years for meaningful comparison.

SUSTAINABLE CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICY

The Group has always been committed to promoting sustainable development, strictly reviewing its own governance level, and complying with or exceeding the minimum legal standards, in order to achieve the best practice guidelines. The Board is fully responsible for the Company’s environmental, social and governance strategies and reports, as well as supervision and management of ESG-related risks.

While improving business and financial performance, the Group has incorporated the factors of sustainable development into daily business decisions and has formulated corporate social responsibility policies, to proactively fulfil its social responsibilities and make meaningful contributions to the community. Adhering to the values of integrity, safety, respect and excellence, the Group emphasizes the communications and relations with its stakeholders including employees, customers, suppliers, shareholders, communities and the general public. Therefore, the Group’s corporate social responsibility policy covers multiple aspects including environment, community, business market, supply chain, and employment, and takes into account the needs and interests of different stakeholders.

For the corporate governance structure of the Group and other relevant information, please refer to the “Corporate Governance Report” in the 2021 annual report of the Group.

FEEDBACK

We welcome your comments on the Report and the environmental, social and governance policy and performance of the Group, please share with us through the following ways:

- Address: Room 2104, 21/F., OfficePlus @Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong
- Tel No.: (852) 3595 6556
- Fax No.: (852) 3705 0076
- Email: info@steedoriental.com.hk

STAKEHOLDER ENGAGEMENT

The Group values the opinions of stakeholders, proactively communicates with stakeholders through different channels to collect their feedback, understand their concerns, and continues to improve the Group's sustainable development strategy. The table below summarizes the communication channels between the Group and stakeholders and their main concerns.

STAKEHOLDERS	COMMUNICATION CHANNELS	STAKEHOLDERS' CONCERNS
EMPLOYEES	<ul style="list-style-type: none"> • Internal meetings • Performance appraisal • Training and staff activities 	<ol style="list-style-type: none"> 1. Promotion and development prospects 2. Employee benefits 3. Equal opportunities 4. Occupational safety and health 5. Corporate values and dynamics
SENIOR MANAGEMENT AND MEMBERS OF THE BOARD	<ul style="list-style-type: none"> • Internal meetings • Board meetings • Performance appraisal 	<ol style="list-style-type: none"> 6. Company outlook 7. Internal governance level
CUSTOMERS	<ul style="list-style-type: none"> • Business meetings • On-site inspection • Customer service hotline • Website 	<ol style="list-style-type: none"> 8. Product and service quality
SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> • Annual general meeting • Annual report and financial report • Announcements and circulars 	<ol style="list-style-type: none"> 9. Company results 10. Shareholder interests
SUPPLIERS AND BUSINESS PARTNERS	<ul style="list-style-type: none"> • Business meetings • On-site inspection • Supplier review 	<ol style="list-style-type: none"> 11. Supply chain management 12. Procurement policy
GOVERNMENT AND REGULATORY AUTHORITIES	<ul style="list-style-type: none"> • Inspection and examination • Meetings 	<ol style="list-style-type: none"> 13. Compliance level of the Company
THE PUBLIC	<ul style="list-style-type: none"> • Reports and announcements • Website 	<ol style="list-style-type: none"> 14. Environmental footprint in the course of business 15. Community support and investment

MATERIALITY ANALYSIS

The Group conducts annual materiality assessment on environmental, social and governance related issues to identify and prioritize important issues. The following materiality matrix summarizes the results of this assessment. The five issues in the outermost area of the matrix are the important issues during the Reporting Period of the Group.

Materiality Matrix



ENVIRONMENTAL ASPECT

Due to the nature of the business, the Group deeply realizes the importance of environment and regards environmental protection as one of the core values of its corporate social responsibility policy. From continuous improvement of the environmental management, to only sales of products made from legitimate timber logging, and the certification of certain trading subsidiaries of the Group by the Forest Stewardship Council ("FSC"), which is recognized as one of the highest world standards for sustainable and responsible forest management, the Group has always been committed to proactively incorporating environmental protection factors into different aspects of business operations in order to achieve sustainable development.

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 People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《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 believe that such policies and measures can assist the Group in building a safe and efficient business while reducing its carbon footprint. In addition, the Group has set up an environmental protection team to oversee the overall policies and measures to ensure the implementation of relevant measures and the implementation progress.

During the Reporting Period, the Group did not have any violations of relevant laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Emissions

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

Meanwhile, we adopt online monitoring equipment, with which the designated officers are able to carry out real-time inspecting and monitoring the levels of air and water pollution in the manufacturing processes. Third-party professional inspection companies are engaged to conduct regular inspection on the "three wastes" level, to ensure compliance with national emission regulations.

Air and Greenhouse Gas Emission

The Group closely monitors any updates on the national environmental information and relevant requirements, and proactively complies with the environmental standards of exhaust gas emission stipulated in relevant national and local laws. The main sources of the Group's air and greenhouse gas emission are emissions generated by the boilers used in manufacturing process and fuel consumption of vehicles for delivery and transportation.

During the Reporting Period, the relevant emission data of exhaust gas and greenhouse gas are as follows (Note 1):

	Unit	2021	2020
Exhaust gas			
Nitrogen oxides (NOx)	kg	395.73	587.25
Sulphur oxides (SOx)	kg	4.79	6.94
Particulate matter (PM)	kg	1.47	1.67
Greenhouse gas			
Scope 1 direct emission			
i. fuel consumption	CO ₂ equivalents (tonne)	1,107.12	1,623
Scope 2 indirect emission			
i. electricity consumption	CO ₂ equivalents (tonne)	2,082.32	2,425.25
Total greenhouse gas emissions	CO ₂ equivalents (tonne)	3,189.44	4,048.25
Intensity	CO ₂ equivalents (tonne)/ million revenue (HKD)	17.52	18.15

Note:

1. The data of 2020 has been adjusted to reflect the actual consumption and/or associated emissions.

The Group keeps abreast of the latest developments in relevant environmental protection technologies and has adopted the following measures to reduce carbon emissions and improve air quality:

Upgrade equipment and system

- Installation of high-efficiency power conservation equipment:
 - i. Replacing low-efficiency fuel with eco-friendly natural gas for boilers;
 - ii. Using low-NOx emission boilers.

Improve production process and environment

- Utilising manufacturing machines in a more reasonable and efficient manner;
- Installing precipitators and ventilation systems at production site.

Waste Management

The Group's main business operations did not produce hazardous waste, and non-hazardous waste was mainly from daily business process, most of which are substandard wooden products and scraps (such as sawdust, wood shavings etc.), and food waste and domestic waste generated in staff canteens, dormitories, offices and production plants.

During the Reporting Period, the relevant data are as follows:

	Unit	2021	2020
Non-hazardous waste (Note 1)	tonne	3.49	N/A
Intensity	tonne/million revenue (HKD)	0.02	N/A

Note:

1. The Group did not calculate the weight and quantity of waste in 2020, and the waste generated during the period was collected and processed by the designated service provider.

The Group has formulated and strictly implemented waste management measures for proper handling and collection of waste produced in daily business process:

- designated equipment and facilities are used to classify and recycle the wastes, and we will consider the reuse value of the wastes before the recycling;
- recycling agreement has been entered into with suppliers to arrange dedicated persons to collect certain reusable waste and materials by schedule and based on quantity; and
- wastes that are not eligible for reuse or recycling will be sent to landfill by refuse collection trucks from the industrial zone for proper disposal.

Meanwhile, the Group also reviews and improves the current measures and operating practices, to reduce the generation of solid waste:

- production and purchase volume, arrangement of transportation and logistics support are determined by the Group's orders from customers to avoid wastage of energy and resources;
- the Group usually purchases repairable computers and electronic devices with longer life span, and repair are handled by designated staff to reduce electronic solid waste; and
- the Group tries to resell obsolete computers and electronic devices in the second-hand market.

Sewage Treatment

The Group holds valid sewage discharge permit and properly treat sewage in accordance with relevant laws and regulations. The Group only generates domestic wastewater and does not produce any industrial wastewater in manufacturing process. Other than certain used domestic water reused for irrigation of our green space and plants in the manufacturing bases, the remaining domestic wastewater will be discharged into designated urban drainage network.

Use of Resources

The Group has been committed to conserving resources and has established an ISO14001 environmental management system. It has adopted corresponding policies and measures in the management of manufacturing bases and offices, so as to achieve energy saving and waste reduction in daily operations and reduce negative impacts on the environment.

Resource Consumption

During the Reporting Period, the relevant data are as follows:

	Unit	2021	2020
Energy (Note 1)			
i. Direct energy			
Natural gas (machines)	kWh	5,079,284	7,631,309
Diesel (vehicles)	kWh	311,314	353,775
ii. Indirect energy			
Electricity	kWh	2,420,597	2,757,096
Total energy consumption	kWh	7,811,195	10,742,180
Intensity	kWh/million revenue (HKD)	42,919	48,171
Water use (Note 2)			
Total water consumption	m ³	15,881	15,423
Intensity	m ³ /million revenue (HKD)	87.26	69.16
Packing materials (Note 3)			
Total packaging materials	kg	250	N/A
Intensity	kg/million revenue (HKD)	1.37	N/A

Note:

1. The data has been adjusted to reflect the actual consumption and/or associated emissions.
2. During the Reporting Period, the Group had no issue in sourcing water that is fit for purpose.
3. The Group starts to disclose the data in 2021.

Energy Saving and Waste Reduction

In order to effectively conserving energy, the Group has introduced a number of environmental protection measures in its manufacturing bases and offices:

Manufacturing bases	Introduction of "7S" management
Enhancement of employees' environmental awareness	<ul style="list-style-type: none">• staff are required to switch off electricity and water tap after use; and• measures are carried out to categorise and recycle the wastes to reduce the amount of the wastes we discharge.
Energy saving and waste reduction equipment	<ul style="list-style-type: none">• used domestic water is collected by equipment before being reused for irrigation of green space and plants in the manufacturing bases;• LED lights have been replaced at the workshops; and• considerable amounts of funds have been invested for research and development in order to improve the production techniques, including replacing the wood-fired boilers by a new boiler fired by clean natural gas to minimise the pollution generated from combustion.
Production-related environmental certification	<ul style="list-style-type: none">• Our general plywood, low formaldehyde emission structural plywood and low formaldehyde emission concrete panels are certified by Japanese Agricultural Standard ("JAS");• we obtained European Alliance CE certification of factory production control of wood-based panels; and• we are in compliance with the relevant standards of "FSC-STD-40-004 Standard for Chain of Custody Certification and FSCSTD-40-003 for purchase of FSC 100% veneer, manufacture (transfer system) and sales of FSC 100% plywood".
Offices	Promotion of green office
Improvement of daily work procedures and practices	<ul style="list-style-type: none">• promote "paperless office" and the use of electronic documents to reduce paper consumption;• utilise instant messaging applications as means for conveying corporate policies and daily communication by creating company mailbox and WeChat working chat group, etc;• promote green procurement by selecting more eco-friendly office supplies; and• maintain suitable air-conditioning temperature.
Adoption of environmentally friendly equipment and systems	<ul style="list-style-type: none">• use natural light design or LED lighting system; and• use time delay faucets and other water-saving equipment.

Environment and Natural Resources

The Group understands that its business operations are closely related to the environment, so it has been committed to producing low consumption, green and quality products which comply with the international industry standards. We strive to reduce our negative impact to the environment by improving the operation efficiency and implementing green measures.

Production of Quality Products

The Group only sells 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 enterprises seeking access to eco-friendly and socially-conscious markets.

Operation Policy and Supervision

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 continuously optimise manufacturing processes, reduce consumption of water, electricity, fuel and other resources, and limit or stop the use of polluting environment supplies.

In addition, 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 to reduce environmental pollution. The national environmental standard is met upon such upgrades. The Group also monitors the overall policies and measures through the establishment of an environmental protection team and weekly environmental meetings held by various departments and ensures the implementation of environmental protection measures to effectively reduce its carbon footprint.

The Group will continue to review the impact of its operations on the environment. We will report to management where appropriate and provide recommendations when necessary.

Enhancement of Employees' Environmental Awareness and Motivation

The Group concerns and values employees' environmental awareness, and continues to communicate with employees on its environmental values, principles and policies, such as incorporating the Company's environmental protection concepts and requirements into employee induction training for advocating the ISO14001 Environmental Management System and "7S" management philosophy to employees. In addition, through initiatives such as introduction of environmental management knowledge, field demonstration at work site, and regular inspection, we aim to raise the environmental awareness of our employees.

In addition, the Group has established the reward and punishment system which determined by a series of environmental indicators to motivate employees to implement environmental protection measures in their daily operations, so as to enable the Group to achieve best environmental practices.

SOCIAL ASPECT

Employment and Labour Practices

Employment

The Group regards its employees as its valuable assets and highly values communication and relationships with employees. We proactively understand the needs and concerns of employees, protect their rights and interests, and strive to create and maintain a good working environment for employees.

During the Reporting Period, the Group did not have any violations of relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

As at 31 March 2021, the Group has 169 employees. The relevant employment data are as follows:

	Unit	2021	2020
Total number of employees	number of people	169	205
By gender			
Male	number of people	105	129
Female	number of people	64	76
By employment type			
Permanent	number of people	74	61
Full-time contracted	number of people	95	144
By age			
Below 30	number of people	17	22
30-39	number of people	29	53
40-49	number of people	57	73
50-59	number of people	57	50
60 or above	number of people	9	7
By region (Note 1)			
Hong Kong	number of people	11	N/A
PRC	number of people	158	N/A
Employees turnover (Note 2)			
By gender			
Male	percentage	44.8%	41.9%
Female	percentage	37.5%	36.8%
By age (Note 1)			
Below 30	percentage	47.1%	N/A
30-39	percentage	113.8%	N/A
40-49	percentage	43.9%	N/A
50-59	percentage	5.3%	N/A
60 or above	percentage	22.2%	N/A
By region (Note 1)			
Hong Kong	percentage	9.1%	N/A
PRC	percentage	44.3%	N/A

Note:

1. The Group starts to disclose the data in 2021.
2. The employee turnover rate is calculated by the total number of employee turnover during the Reporting Period divided by the total number of employee at the end of the period. The percentage may exceed 100%.

Recruitment, Remuneration and Promotion Policies

The Group conducts recruitment based upon the needs of business development and position allocation, for its long-term and stable growth. In general, the Group's recruitment of new staff is based upon job content, duties, and capabilities and experience required for different positions. Special positions, for instance, electricians, furnace workers, and forklift workers, etc., must hold the relevant professional qualifications in accordance with local laws in the PRC.

We have entered into employment contracts with employees in accordance with all applicable laws, such as the Employment Ordinance (Chapter 57 of the Laws of the Hong Kong), the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). The Company and all employees are bound by relevant terms and provisions to protect their rights. Our administration department and supervisors are responsible for overseeing the implementation in recruitment process. When inappropriate behaviour takes place, they shall report to senior management and provide recommendations when necessary.

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 to attract, motivate and retain talent, including:

- basic salary and discretionary bonus;
- share options to senior management and core or long-serving employees, and other monetary and non-monetary long-term incentive mechanism;
- enrollment and handling of mandatory provident fund and social insurance for employees;
- statutory holidays such as annual leave, sick leave, marriage leave, and maternity leave;
- standard working hours system;
- extra overtime wage and meals for night-shift workers; and
- non-local employees are entitled to dormitory vacancies.

In addition, the Group performs an annual review of its internal remuneration and welfare policies, based on changes in economic condition, government policies, industry standard, and regularly evaluates the work performance of employees to adjust the remuneration and benefits and provide promotion opportunities for outstanding employees.

Dismissal Policies

The Group clearly states the terms and conditions of dismissal in the employment contract. 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, and will consult our management and seek legal advices when necessary to ensure such dismissal is in compliance with relevant labour laws.

During the Reporting Period, we did not experience any material change in the structure of our labour force. Our employee turnover was mainly voluntary. Reasonable and appropriate arrangement was made by the Group for all the resigning employees in accordance with relevant laws and internal policies. The Group had no labour dispute caused by dismissal.

Equal Opportunities, Diversity and Inclusion

The Group embraces diversity and inclusion and is dedicated to creating a fair, discrimination-free working environment to 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.

We 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. Due to our business nature, male employees constitute a larger proportion of our production workers, which is aligned with industry standard. We witness a balanced gender ratio in other positions.

Meanwhile, the Group provides employees with fair promotion opportunities, which only factors of job performance, their working experience and expectations are considered, and are not affected by other unreasonable factors.

Employee Communication

The Group attaches great importance to communication with employees, and aspires 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. Different measures are adopted to promote communication among employees and better understand their needs and improve their corporate values, sense of identity and code of practice, as well as strengthen their sense of belonging.

We regularly organise and encourage our employees to participate in various activities, such as symposia, seminars, trainings and festive activities

We establish chat group on WeChat and other instant messaging applications

Health and Safety

Employee safety is the first principle of the Group. We firmly believe that adequate preventive measures can avoid all accidents, and we are committed to providing employees with a safe, efficient and comfortable working environment.

There were no work-related fatalities occurred in each of the past three years including the Reporting Period. During the Reporting Period, there was no lost day due to severe work 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.

Emphasis on Occupational Safety

The Group has installed precipitators and ventilation systems at production site to improve air quality and provide employees with a healthier and safer working environment. Besides, as massive operations of machineries are involved in the Group's manufacturing base, we attach great importance to the safe operation of machinery, and endeavour to maintain a sound safety management and comply with all relevant laws including but not limited to Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), and Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》).

The Group has implemented a series of preventive measures at the manufacturing bases to ensure the safety of employees, including:

- equipping sufficient first-aid tools and fire prevention equipment
- installing safety protection devices in production equipment
- labelling yellow warning signs
- arranging fire drill
- carrying out practice on fire safety equipment
- providing annual body check for employees at special work positions

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

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 "identification, monitoring, evaluation and education".

Identification

- Identify potential safety risks in each step of the production and have built a comprehensive safety control system, production safety emergency and contingency measures, as well as guidelines for occupational health.

Monitoring

- Hold meetings among various departments to discuss safety issues on a weekly basis;

Evaluation

- Conduct regular examination of the implementation level of relevant measures and safety level at workplace, so as to protect the safety and health of our staff.

Education

- All new employees shall undergo safety training and pass the test before officially commencing works;
- Arrange relevant trainings for and provide the information to our employees on a regular basis, including fire prevention seminar, first-aid and fire fighting equipment manual, in order to raise their safety awareness.

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

Besides work safety, the Group also attaches high importance to employees' mental wellness and actively promotes management of physical and mental well-being among them to help employees to work in their best physical and mental conditions.

The Group helps staff strike a work-life balance and develop their sense of belonging to the Group through the following measures:

- organising activities, such as seminars and regular gatherings for employees to strengthen the interaction and communication among them; and
- building basketball, table tennis, badminton and other sport courts to encourage exercising and building physical strength.

Development and Training

The Group understands that employee development and training are essential elements for sustainable business development, and we have formulated a series of measures in terms of two major aspects of talent recruitment and internal training, to provide employees with a high-quality development and growth environment to enhance the team's overall market competitiveness, thereby supporting the long-term development of the Group's business.

Optimisation of the structure of human resources

- Introduction of management talents and professionals based on business development needs and direction to continuously optimise the team.

Focus on internal training

- Promote a learning culture, and enhancing staff quality through training programmes with an aim to support their long-term career growth.
- Offer internal promotion opportunities to the employees with outstanding performance and development potentials in order to build a reliable team which can meet management needs and face challenges in the future.

During the Reporting Period, the Group provides the employees with different types of training according to their staff rank and job nature, 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 so as to meet the requirements of professional organisations or laws. Meanwhile, the Group also arranges 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.

The relevant employee training data are as follows:

	Unit	2021	2020
Participating employees	number of people	123	139
Participating employees as % of total workforce	percentage	72.8%	67.8
By gender			
Male	percentage	76.2%	70.5
Female	percentage	67.2%	63.2
By position			
Executives	percentage	70.8%	50.8
Others	percentage	73.6%	75.4
Average training hours per employee			
By gender			
Male	hours	11.2	15
Female	hours	9.8	15
By position			
Executives	hours	9.5	15
Others	hours	11.1	15

The Group advocates open communication and encourages 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 the 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 Group.

Labour Standard

The Group is in strict compliance with relevant laws and regulations including 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 Using Child Labour (《禁止使用童工規定》). During the Reporting Period, the Group had no incident in connection with child labour or forced labour.

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 recruitment processes and promotion activities are carried out according to the human resources management system of the Group and subject to stringent supervision.

We prohibit forced labour by threat of punishment, or deceptive recruitment. We do not tolerate any form of workplace bullying and harassment. 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.

The Group encourages 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 to prevent recurrence of similar incident.

Operating Practices

Supply Chain Management

The long-term development of the Group's business depends on the support of suppliers. As one of the important stakeholders of the Group, we emphasize the communication and relationship with them, and our corporate social responsibility policy covers supply chain management and takes into account their needs and interests.

We had 158 suppliers as at 31 March 2021 and all of them are from the PRC. Since the Group's manufacturing bases are located in the PRC, Chinese suppliers, which helps reduce transportation costs and reduce air emissions during transportation, are prioritized in selection process.

Procurement Policy

The Group has established procurement policy to proactively maintain appropriate supply chain management to endorse sound practices in the supply chain. We offer the suppliers fair and reasonable terms and do not exploit the suppliers in any form when the Group sources goods from them.

Other than taking costs, product quality, product safety and track records into account, the Group also stresses the importance of integrity of our suppliers and business partners in selection of suppliers. Based on our internal guidelines and the ISO9001 standard that specifies the 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.

Our procurement department will examine whether these suppliers have fulfilled the product responsibilities to ensure that their products meet our needs through comparison of the suppliers' quality performance, after-sales 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.

The procurement department will select several qualified suppliers for selection to ensure stable supply of important materials of the Group. Samples of their products are requested 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.

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. Besides, the Group will also perform annual check and verification on the FSC certification of the suppliers to ensure that their certification is still valid.

Environmental and Social Risks

In addition to the above measures, the Group also considers the environmental and social risks in supply chain management.

While we uphold environmental standards and complies with all applicable laws and regulations, our suppliers and all related parties from the supply chain are also required to understand our relevant policies to ensure our business partners share the same value. The Group maintains a close communication with its suppliers and other business partners, and site visits are arranged when the Group deems necessary to better understand and supervise their compliance level with the relevant environmental laws and implementation of environmental protection measures.

The labour standards of the Group are also applicable to our suppliers and sub-contractors 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, e.g. child labour and forced labour.

Product Responsibility

During the Reporting Period, the Group did not have any violations of relevant laws and regulations that have a significant impact on the Group in relation to product health and safety, advertising, labelling and privacy matters.

Product Quality

The Group regards product quality and corporate reputation as one of the key foundations of sustainable development and proactively ensures product and service quality through internal control in a bid to producing high quality plywood products and other wooden products which are in compliance with international industry standards.

The Group emphasizes research and development to continuously improve and optimize products. We have obtained numerous safety approvals and certificates issued by different international product testing and certification organisations which are accredited certification bodies or assessors of JAS, FSC and CE, respectively. Therefore, the Group has strong confidence in the safety and quality of its products and is capable of fulfilling the specific requirements from our customers in various countries and offering quality assurance, including those which demand high quality standards and have stringent safety requirements.

During the Reporting Period, the Group had no products sold or shipped subject to recalls for safety and health reasons.

Customer Feedback

The opinions of customers help the Group to make continuous progress. We communicate with customers through various channels to obtain their feedback and understand their needs.

The Group 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 make recall and compensation (if necessary) in accordance with the contractual terms of orders. Meanwhile, we will conduct investigation on the event and make improvements in production process or procurement management in the future.

During the Reporting Period, the Group did not receive any complaints in relation to its products and service.

Intellectual Property and Data Privacy

Due to the business nature of the Group, we did not encounter issues with third-party intellectual property or patent technology in our daily operation. However, the Group does not rule out the possibilities that its 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

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 mainly relied on its sales representatives to perform sales and marketing activities directly to existing or potential customers, and did not engage large-scale publicity and promotional activities. In the sale process, we ensure that any descriptions of our services and products by its 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. During the Reporting Period, the Group did not receive any complaint in relation to advertising and labelling.

Anti-corruption

The Group adheres to the principles of “Honesty and Integrity” and is committed to maintaining the highest standard of corporate governance. We strictly comply with the Prevention of Bribery Ordinance (《防止賄賂條例》) (Chapter 201 of the Laws of Hong Kong), 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. During the Reporting Period, the Group did not identify any non-compliance in relation to corruption, bribery, extortion, fraud and money laundering that have a significant impact on the Group.

The Group does not tolerate any corruption, bribery, extortion, money-laundering and other forms of frauds. Directors and all employees are required to maintain integrity and be law-abiding at both physical business and capital market operation levels. Employees are under strict supervision that they are prohibited 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. During the Reporting Period, the Group or its employees were not involved in any corruption lawsuits.

Whistle-blowing Policies

The Group has established the whistle-blowing mechanism. We encourage employees to report misconduct. Adequate confidentiality measures will be taken to protect the identities of the whistleblowers. Once any acts of corruption, bribery, extortion, money-laundering or other frauds are found, the Group would promptly carry out investigations and report to the management and government authorities.

We will continue to review and improve the internal monitoring system and anti-corruption system to prevent corruption. In addition, the Group has formed an audit committee and has also hired external lawyers and auditors for the compliance with the Stock Exchange’s corporate governance requirements for listed companies.

Community

Community Investment

The Group upholds the spirit of “Giving back to society” and proactively fulfills its corporate social responsibilities. In addition to proactive response to all sorts of charity events organised by the local trade unions, party committees and party organizations, the Group proactively recruits local employees at the locations of its production facilities to boost local employment and create economic value. We also increase our community investment as much as possible to promote community development and create a more favourable environment for our community and business.

The Group believes that the employees’ community awareness can be enhanced by participating in community activities, thereby motivating them to care about and help people in need, and establishing the right value. Therefore, we encourage employees to help disadvantaged groups in society to make greater contributions to the community and develop their sense of social responsibility.

Moreover, we will also consider making donations to charities from time to time when the Group records profits after tax and has sufficient funds to contribute to the society.

REFERENCES TO ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs			Page
A. Environmental			
Aspect A1 :			
Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5
	KPI A1.1	The types of emissions and respective emissions data.	5
	KPI A1.2	Total greenhouse gas emissions and intensity.	5
	KPI A1.3	Total hazardous waste produced and intensity.	The Group's main business operations did not produce hazardous waste.
	KPI A1.4	Total non-hazardous waste produced and intensity.	6
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	6
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	7
Aspect A2 :			
Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	8
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	8
	KPI A2.2	Water consumption in total and intensity.	8
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	9
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8
	KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	8
Aspect A3 :			
Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	10
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	10
Aspect A4 :			
Climate Change	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	There are no significant climate-related issues which have impacted or may impact the Group.

Subject Areas, Aspects, General Disclosures and KPIs			Page
B. Social			
<i>Employment and Labour Practices</i>			
Aspect B1 : Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	11
Aspect B2 : Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	14
Aspect B3 : Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	15
Aspect B4 : Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	16
<i>Operating Practices</i>			
Aspect B5 : Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	17
Aspect B6 : Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	18
Aspect B7 : Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	19
<i>Community</i>			
Aspect B8 : Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	19