



2021

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



Hong Wei (Asia) Holdings Company Limited
鴻偉(亞洲)控股有限公司

(Incorporated in Hong Kong with limited liability)
Stock code: 8191

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Hong Wei (Asia) Holdings Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group’s shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. We are also engaged in charitable activities to fulfill corporate social responsibility. This report covers environmental, social and governance (“**ESG**”) matters of the Group for the year commencing from 1 January 2021 to 31 December 2021 (“**Reporting Period**”).

As a responsible company, our mission is to operate the business by incorporating sustainability principles into the core of our business strategies, including to focus on ways to efficiently utilize our biological assets in terms of forestlands acquired and raw materials deployed for manufacturing our major products in form of particleboards, to create long-term economic value for our shareholders and to ensure our employees having a safe and healthy working environment.

The Group is committed to minimize its environmental impact throughout its business processes. Through stringent environmental control in operations, we strive to ensure that applicable environmental laws are complied with. We review and evaluate from time to time the efficiency and effectiveness of our environmental initiatives. It is our aim to strike a fine balance between environmental protection and business growth.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input and feedback from its stakeholders as they bring potential impacts to the Group’s business. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group’s operation and performances. The Group has included board members, senior management and frontline staff to identify key ESG aspects and challenges in the Reporting Period. Through discussion and data gathered among the relevant management members and divisions, the Group was capable to obtain better understanding on stakeholders’ concern on corporate environmentally friendly policy, employment and labour practice, as well as training and development policy. As a result, the management further identified air emission, environmental protection measures, labour protection as well as anti-corruption as top material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group’s ESG management.

By assessing the materiality for the disclosure of this report, the management has reviewed the proportion of resources consumed by the two business segments of the Group during the Reporting Period. As a result, it is noted that the Particleboards Segment of the Group consumed major portion of the resources of the Group during the Reporting Period and hence disclosure in this report mainly concerning that segment.

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A. ENVIRONMENT

Environmental protection is one of the Group's main concerns. Procedures have been established to control emissions, wastewater and waste gases.

The Group has established environmental protection procedures in accordance with the Environmental Protection Law of the People's Republic of China ("PRC"), the Appraising of Environmental Impacts Law of the PRC, the Regulations on the Administration of Construction Project Environmental Protection, the Prevention and Control of Atmospheric Pollution of the PRC, the Law on the Prevention and Control Water Pollution of the PRC, the Law on the Prevention and Control of Noise Pollution of the PRC, Law on the Prevention and Control of Solid Waste Pollution Law of the PRC, Forestry Law of the PRC and other relevant laws and regulations.

A.1 Emissions

The Group produces particleboards from residual wood as its core operation during the Reporting Period. Waste caused by production, for example tree bark, is sent to heating center as pellet fuel. This procedure can reduce emissions. The pellet fuel does not contain sulfur and is environmentally friendly.

Waste Gases

The factory of the Group is equipped with dust removal system and machines to reduce exhaust emissions. During the Reporting Period, such system operated properly and the local supervisory unit is satisfied with the result.

Wastewater

The factory of the Group is equipped with a sewage treatment system, which effectively improves the circulation of used water to reduce wastewater. During the Reporting Period, such system operated properly and the local supervisory unit is satisfied with the result.

Set forth below is the statistics of greenhouse gas emissions by the Particleboards Segment of the Group during the Reporting Period:

Greenhouse Gas (GHG) Emissions

Greenhouse Gas (GHG) Emissions	2021		2020	
	Emissions (in tonnes) of CO ₂ e	Intensity (emission per cubic meter of particleboards produced)	Emissions (in tonnes) of CO ₂ e	Intensity (emission per cubic meter of particleboards produced)
Direct emissions from the use of diesel and LPG	140	0.0005	112	0.0004
Indirect emissions from the use of purchased electricity (note 1)	19,893	0.0713	19,190	0.0719
Other indirect emissions from water consumption (note 2)	31	0.0001	27	0.0001
Total	20,064		19,329	

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Note 1: Emission factor of 0.5912 tCO₂/MWh (2020: 0.5912 tCO₂/MWh) was applied to purchased electricity in Guangdong Province of the PRC as per the provincial grid average carbon dioxide emission factor of the PRC (省級電網平均二氧化碳排放因子).

Note 2: During the Reporting Period, the manufacturing plant of the Group located in Renhua County consumed a total of approximately 76,113m³ (2020: 66,351m³) of fresh water for its operation, contributing to an emission of an equivalent of approximately 31 tonnes (2020: 27 tonnes) of carbon dioxide.

During the Reporting Period, the Group's core operations contributed to the emission of approximately 20,064 tonnes (2020: 19,329 tonnes) of carbon dioxide. Meanwhile, the overall increase in emissions was mainly due to the increase in total volume of particleboards produced from 267,000 cubic meters for the year ended to 31 December 2021 to 279,000 cubic meters for the Reporting Period.

During the Reporting Period, the Group did not produce any harmful or hazardous waste during the particleboards manufacturing process and the non-hazardous waste generated from the production process and general office operation are mainly scrapped packing materials and factory consumables as well as other general office waste.

The total amount of non-hazardous waste generated by the Group during the Reporting Period was mainly consisted of packing materials consumed in terms of cardboard, packing belts and buckles and wrapping films for approximately 43,300 kilogrammes (2020: 39,500 kilogrammes). Other such waste was relatively not significant mainly in form of general office waste and the relevant data is not available. The Group has reviewed its current system and aims to improve the relevant measures to quantify such waste.

A.2 Consumption of Resources

Our Group aims to promote our brands as environmentally responsible brand names. We have strived to create a corporate image of being environmentally friendly by following the international environmental practices created by the Forest Stewardship Council. We have obtained "FSC Standard for Chain of Custody Certification" (FSC-STD-40-004 V2-1) and (FSC-STD-40-004 Version 3.0) and the certification of the complementary FSC "Standard for sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects" (FSC-STD-40-007 V2-0) (valid from February 2013 to February 2018). Such certificate was renewed for a valid term from February 2018 to February 2023. With such certifications, we are qualified to apply the FSC label on our products when certain prescribed criteria are met. The FSC label, when applied, provides a credible guarantee to our customers, including end consumers, that our products originate from well-managed forests, controlled sources, reclaimed materials, or a mixture of these.

Reducing fossil fuel usage

Waste caused by production, for example tree bark, is sent to heating center as pellet fuel. It can reduce fossil fuel usage and improve energy efficiency. The pellet fuel does not corrode the boiler and can extend the service life of the boiler. Moreover, the pellet fuel does not contain sulfur, and is environmentally friendly.

The Group promotes electronic communication, holding cross-territory meetings in the form of teleconference instead of physical meetings to reduce fuel consumption arising from traveling.

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Paper reduction

The Group actively encourages its employees to reduce the use of paper. We have adopted a common practice of double sided printing, writing on both sides of paper, and reusing stationary such as envelopes and file folders.

Water conservation

We have adopted effective water-saving production methods and instruments. The factory of the Group is equipped with a sewage treatment system to improve circulating use of water and reduce water waste.

We put up water conservation slogans and encourage our employees to use water reasonably to reduce water consumption.

Set forth below is the statistics of consumption of resources by the Particleboards Segment of the Group during the Reporting Period:

Consumption of resources	2021	2020
Electricity (kWh)	33,647,900	33,395,615
Water consumption (m ³)	76,113	60,887

The increase in consumption of electricity and water was mainly due to the increase in total volume of particleboards produced for the Reporting Period as compared to the corresponding period in previous year.

A3. The Environment and Natural Resources

The particleboards produced by us are made with raw materials such as undersized log, wood branches and off-cuts, agriculture and forestry residues and wood waste, and hence they are generally considered to be environmentally friendly and renewable wooden boards.

Plywood and fibreboard are artificial boards with similar function as particleboards. All these types of artificial boards have their respective characteristics, slightly different performance and different application and usage. Compared to plywood and fibreboard, particleboards are more environmentally friendly as particleboards require less usage of adhesives, and thus less emission of formaldehyde.

There is an auxiliary formaldehyde production workshop in our production line that is capable of producing high quality and high concentration formaldehyde. These high quality and high concentration formaldehyde generally could not be purchased in the open market because of its highly unstable chemical structure, which makes it unsuitable for transportation. The formaldehyde produced from the workshop are fully used by us. The application of high concentration formaldehyde in our production will improve our product quality, and decrease formaldehyde emission, thereby rendering our products more environmentally friendly, and increase our production efficiency through energy and cost savings.

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B. SOCIAL

B1. Employment

Employees are regarded as valuable assets and competitive advantages. Employees will be recognized and rewarded by their skills, contribution and work performance. The Group is committed to providing employees with a good working environment and fostering and individual development.

The Group complies with the Labour Law of the PRC, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and other relevant laws and regulations in all material aspects.

We provide social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in the PRC according to PRC Social Insurance Law. The Group adopts an 8-hour working system and voluntary overtime. Overtime is limited to a maximum of 4 hours to protect employees' health. In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to safeguard employees' safety.

During the Reporting Period, the details of the employees' distribution by gender of the Group are as follows:

	Male		%		Female		%		Total		%	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Directors	7	5	78	71	2	2	22	29	9	7	100	100
Senior and middle management	5	5	56	56	4	4	44	44	9	9	100	100
General staff	113	110	71	73	46	41	29	27	159	151	100	100
Total employees	125	120	71	72	52	47	29	28	177	167	100	100

As one of the fundamental management principles of the Group is to maintain equality of human resource, there is no gender preference in all levels of employees and management structure. Indeed, the Group values all employees in terms of their contribution to the Group's business.

Recruitment and promotion

The human resources department of the Group has developed a comprehensive recruitment and promotion system. The recruitment and promotion should be fair and cannot be affected by race, color, gender, ethnic tradition, religion, nationality, marital status or family status of a candidate or an employee.

We emphasize equal competition and open recruitment and prioritise internal promotion of suitable candidates over external candidates.

Each department will review its human resources needs on a regular basis by analyzing the annual objectives of the department, the project tasks, the workload of the departmental staff. When a need to hire an additional employee is identified, the relevant department will provide the job description for recruitment purposes.



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While the relevant department is responsible for evaluating the adequacy of professional/technical skills of candidates for the position sought to be filled, it will consult the human resources department on remuneration package to ensure that employees across different departments of the Group are remunerated fairly.

Rest periods

The employees of the Group can enjoy statutory holidays, funeral leave, maternity leave, annual leave, sick leave and work-injury leave.

Salary and Benefits

The Group offers competitive salary and benefits to the employees according to individual performance, knowledge and job requirement. Employees' compensation consists of basic salary, subsidies and bonuses, which is reviewed regularly. We conduct appraisal of the performance of the employees of the Group and review the remuneration of the employees annually. In addition, the Group provides certain employees with rental subsidy, phone subsidy and subsidy for meals.

Dismissal

The Group has established policy to prevent unfair dismissal. A female employee cannot be dismissed when she has been confirmed pregnant or after she has given notice of pregnancy. An employee cannot be dismissed when he or she takes a paid sick leave. Each employee that tenders resignation will be interviewed by the human resources department to ascertain the reason for leaving the Group. The dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave.

Employee turnover

During the Reporting Period, the overall annual turnover rate was 12% (2020: 12%) with 21 employees (2020: 20 employees) left the Particleboards segment of the Group. Including in those, there were 16 (2020: 10) male staff and 5 (2020: 10) female staff.

The management considered that the turnover rate for the Reporting Period is fairly acceptable and will further review with human resources department for relevant measures to minimise the rate in the coming years in order to achieve greater stability in employees retention.

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B2. Health and Safety

The Group is committed to providing employees with a healthy and safe working environment. We require the relevant employees to wear respirators, earplugs, gloves and other protective equipment in accordance with the relevant laws and regulations.

The Group has consistently implemented safety policies for both years of 2020 and 2021 on four aspects: site improvement, facilities enhancement, structural modification, safety inspection.

Site improvement

- Dust cleaning
- Adding warning sign for safety alert
- Inventory partition
- Establishing hazardous chemicals warehouses

Facilities Enhancement

- Poisonous and harmful substances inspection equipment improvement
- Fire services system enhancement
- Emergency rescue equipment enhancement

Structural Modification

- Establishing safety and environmental department
- Safety training for departments
- Modification on safety working procedure

Safety Inspection

- Safety inspection on 26th each month
- Safety briefing for every staff

Our factory is equipped with first aid kits, and the Group has adopted emergency procedures to send the employee to hospital within 30 minutes if an accident occurs.

No major accident occurred during the Reporting Period.

B3. Development and training

Talent development is an important part of the Group human resource strategy. We believe knowledgeable employees who are capable to meet the demands of a dynamic market is essential to the success of the business. The Group provides the employees with effective training and has developed a clear promotion ladder. The types of training provided by the Group include on-the-job training, operation training, management training and job rotation.

B4. Labour Standards

The Group complies in all material respects with labor law, and laws and regulations relating to the elimination of the use of child labor, the abolition of all types of forced or compelled labor or workplace discrimination. We tolerate no discrimination against any employee based on his or her race, color, gender, ethnic tradition, religion, nationality, marital status, family status and other factors. The strict recruitment system ensures employees who are hired must be at least 16 years of age. The human resources department of the Group has adopted strict procedures to verify the identity of the employees, including checking personal identification, driver's licence and household register issued by government authorities.



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B5. Supply-chain Management

To ensure that we purchase residual wood from legitimate sources, we have established and adopted standard procedures with respect to selecting legitimate residual wood suppliers.

Our resources management department is responsible for the assessment of each residual wood supplier to ensure that the supplier meets our requirements and has the relevant licences or permits for tree cutting and wood transportation.

If the tree cutting licence and wood transportation permit are not available for inspection, our resources management department will confirm with the Forestry Bureau of the relevant county under which our supplier is subject to their supervision to ensure that the supplier is holding the required licences or permits for supplying residual wood to us.

An annual assessment on each residual wood supplier is also conducted by the resources management department, raw material inventory department and production department to review and re-assess the qualification of each residual wood supplier to ensure it meets our requirements.

Our production base is strategically located in Renhua County, Shaoguan city. Renhua County is located in the northern mountain region of the Guangdong province with forest covering approximately 77% of the entire Renhua County, which provides us with abundant wood resources. Renhua County is also located at the conjunction of Guangdong, Hunan and Jiangxi provinces.

The close proximity between our production base and our suppliers enables our suppliers and independent third party logistics service providers to minimize the fuel consumption required in the transportation of raw materials.

B6. Product Responsibility

Our production line produces premium quality particleboards that comply with the applicable Particleboard PRC GB Standards and Particleboard International Standards.

We place strong emphasis on product quality by implementing quality control and production control in order to maintain our competitive edge. All products of the Group are tested by the Group's quality control department and designated "superior", "qualified" or "other" grading. All products must be clearly labelled, before delivery to customers, with their grading, production date and otherwise in accordance with customers specifications and requirements of relevant standards.

In maintaining product quality and customer service, our sales and marketing staff regularly visit our customers in order to understand their business needs and obtain feedback on our products.

To maintain stringent quality control over the whole production process, from the procurement of raw materials to the final inspection of finished goods before delivery, we have established comprehensive quality control protocol for product quality inspection. To the best knowledge of our Directors, we have not experienced any material quality control issues or any material product return from our customers due to any quality issue of our products.

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The Group focuses on the importance of protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. We also adhere to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorized access or application. The Group also ensures that customers' personal data is securely kept and processed merely for the purpose for which it has been collected as intended. Confidential information is securely stored with access restricted to only authorized personnel.

During the Reporting Period, the Group had complied with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in all material respects.

B7. Anti-corruption

The Group is committed to establishing and enhancing the internal control system to prevent corruption and fraud.

The Group has established a fair and honest report platform to encourage reporting of corruption and fraud. The relevant procedures are clearly set out in the employee handbook.

During the Reporting Period, the Group complied in all material respects with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

B8. Investing in Community

The Group has the responsibility to make the community a better place for everyone which also provides long-lasting benefits to our stakeholders. During the Reporting Period, the Group has made certain investments in relevant community as detailed below.

Public welfare activity

In the year 2021, the Group has donated approximately HK\$75,000 to the "Charity Association of Renhua County*" (仁化縣慈善會) to support public welfare activities and support rural water conservancy construction activities in Renhua County.

Corporate Governance Practices

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. Since the Listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group has strived to attain and uphold more rigorous standards of corporate governance. For such purpose, the Board has adopted the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Details of which are set out in the Corporate Governance Report included in the Annual Report 2021 of the Company.

* for identification purpose only