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 2025

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INTRODUCTION

Hong Wei (Asia) Holdings Company Limited (the "**Company**"), and its subsidiaries (collectively, the "**Group**") is primarily engaged in manufacturing and sales of particleboards ("**Particleboards Segment**") and the timber logging, plantation and sales of bamboo, wood and agricultural products in the People's Republic of China (the "**PRC**") ("**Forestry Segment**").

The Group is 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 fulfil corporate social responsibility.

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 utilise 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 minimise 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.

Reporting Boundary

This Environmental, Social and Governance Report (the "**ESG Report**") demonstrates to both internal and external stakeholders its efforts on sustainability developments. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Code (the "**ESG Reporting Code**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The ESG Report discloses the Group's performance and initiatives implemented regarding environmental, social and governance ("**ESG**") issues and relevant key performance indicators ("**KPIs**") for the period from 1 January 2025 to 31 December 2025 (the "**Reporting Period**"). This ESG Report covers the key operations that have significant environmental and social impacts. The reporting scope is determined based on a materiality assessment, taking into account the significance of ESG-related risks, opportunities, and operational footprint.

During the Reporting Period, the ESG Report focuses on the Particleboards Segment operations in the PRC, as this segment represents the majority of the Group's environmental footprint, resource consumption, and operational activities. The Forestry Segment and Hong Kong office operations are excluded from the reporting scope, as they are considered immaterial to the Group's overall ESG impact during the Reporting Period. In particular, the Forestry Segment did not generate any revenue during the Reporting Period, and its operational activities remained minimal. Accordingly, its contribution to the Group's environmental and social performance is not significant for disclosure purposes.

Notwithstanding its exclusion from the reporting boundary, the Group continues to monitor developments relating to its Forestry Segment. During the Reporting Period, there were no updates regarding the timber harvesting quotas granted by the relevant PRC government authorities, which have been materially restricted since 2018 as part of national environmental protection policies. The Group remains supportive of the PRC government's environmental objectives, including the long-term goal of achieving carbon neutrality before 2060, and continues to explore alternative approaches to optimise the utilisation of its forestry resources while strengthening environmental management.

Governance Structure

We believe that a high standard of corporate governance is fundamental to the success of our ESG and sustainability strategy, as well as fostering effective communication channels between the Board, management, and operational levels. The Group has adopted a comprehensive top-down approach in addressing sustainability matters, with the Board of Directors (The "**Board**") taking ultimate responsibility for the Group's ESG strategy and reporting. It ensures that we integrate ESG considerations in our business decision-making process and provides oversight to the sustainability performance of the Group.

The Board is also responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management is in place. The Board is also responsible for formulating ESG management policies, strategies, goals, annual reporting and promoting related implementation. They also identify, evaluate, review, and manage major ESG issues, risks and opportunities while other departments are responsible for organising, promoting, and implementing various ESG related tasks under the Group's ESG management policies and strategies. All tasks are reported to the Board regularly in order to review and reformulate the policies and plans for achievement of goals and targets.

Reporting Principles

The ESG Report has been prepared based on four reporting principles which as set out in the ESG Reporting Code to define the report content and to ensure the quality of information presented in this Report, including:

Materiality – The Group has conducted an annual stakeholder engagement and identified the material ESG issues during the Reporting Period. The result of the materiality assessment has been confirmed by the management and the Board. For more information, please refer to the section headed "Stakeholder Engagement" and "Materiality Assessment" of this ESG Report.

Quantitative – KPIs are recorded and disclosed in quantitative terms with narrative and comparative figures, whenever possible. Information on the standards, methodologies, assumptions and source of conversion factors used for the calculation of environmental data are also disclosed in this ESG Report. For all standards and methods adopted for calculating the KPI (if applicable), please refer to the relevant sections in the Report.

Balance – The ESG Report provides an unbiased picture of the Group's ESG performance, presenting both positive and negative information in a transparent manner, to enable stakeholders to make a reasonable assessment of the Group's overall performance.

Consistency – Unless otherwise specified, The ESG Report presents information on a consistent basis. The Group provides necessary information and/or explanation to enhance disclosure when there are any changes to the methodologies, calculations, or any other factors that affect meaningful comparison.

Stakeholder Engagement

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 identified key stakeholder groups and established diversified engagement channels to facilitate effective communication. Their major expectations and concerns, as well as the corresponding communication methods adopted by the Group, are summarised below:

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and Investors	• Financial performance • Corporate governance • ESG performance • Risk management	• Annual and interim reports • Announcements • General meetings • Company website
Employees	• Remuneration and benefits • Occupational health and safety • Career development • Labour rights	• Internal communications • Training sessions • Regular performance appraisal
Customers	• Product quality • Supply stability • Pricing • Environmental compliance (e.g., sustainable sourcing of timber)	• Customer feedback • Business meetings • Telephone hotline
Suppliers and Contractors	• Compliance with laws and regulations • Environmental protection • On-time payment • Fair procurement	• Routine communication • Regular appraisal • Site visits and evaluation
Local Communities	• Environmental impacts (e.g., deforestation, emissions) • Community development • Resource usage	• Community engagement activities • Site visits • Public consultations
Government	• Environmental protection • Production safety • Licensing and permits • Compliance with laws and regulations	• Communication with authorities • Routine inspections • Regular reports

Materiality Assessment

During the Reporting Period, the Group conducted a materiality assessment to identify and prioritise ESG issues that are relevant and material to its business operations and stakeholders. The assessment involved the participation of board members, senior management and frontline staff with reference to stakeholder engagement results and the Group's business characteristics.

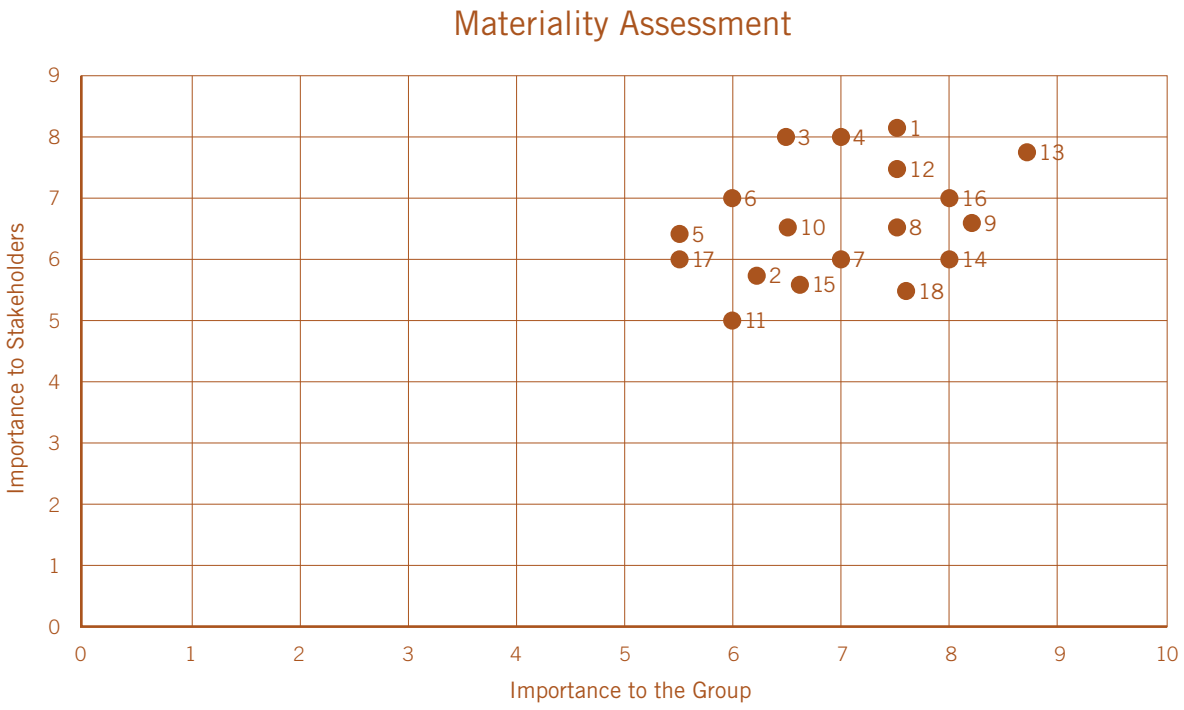
The Group identified a range of ESG issues relevant to its Particleboards Segment, covering environmental, social and governance aspects, as summarised below:

ESG Aspect	ESG Issues
Environmental	1. Air emissions
	2. Greenhouse gas ("**GHG**') emissions
	3. Energy consumption
	4. Waste management
	5. Environmental protection
	6. Resource utilisation
	7. Compliance with environmental laws and regulations
Social	8. Labour protection
	9. Employment health and safety
	10. Employee welfare and benefits
	11. Training and development
	12. Diversity and equal opportunity
	13. Supply chain management
	14. Product responsibility
	15. Community investment and engagement
Governance	16. Anti-corruption
	17. Business ethics
	18. Risk management and internal control

The identified ESG issues were evaluated and prioritised based on (i) their potential impact on the Group's business operations and long-term development, and (ii) the level of concern and interest expressed by stakeholders. Through internal discussions and analysis conducted by management and relevant departments, the Group ranked the ESG issues according to their relative importance.

The results of the materiality assessment have been reviewed and confirmed by the management and the Board to ensure that they appropriately reflect the Group's business priorities and expectations of stakeholders.

The results of the materiality assessment are illustrated in the materiality matrix below. The Group continues to review and refine its material ESG issues and maintain ongoing communication with stakeholders to enhance its ESG management and disclosure practices.



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 PRC, the Environmental Impact Assessment Law of the PRC, the Regulations on the Administration of Construction Project Environmental Protection, the Law on the Prevention and Control of Air Pollution of the PRC, the Law on the Prevention and Control of Water Pollution of the PRC, the Law on the Prevention and Control of Noise Pollution of the PRC, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC, and other relevant laws and regulations.

A.1 Emissions

The Group continues to uphold responsible emissions management as part of its commitment to environmental protection.

Waste gases

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 centres as pellet fuel. Pellet fuel does not contain sulphur and is environmentally friendly. However, the emission data of waste gases resulting from the consumption of pellet fuel is not available. The Group is in the process of reviewing its data collection system and intends to enhance its emissions monitoring and disclosure in future reporting periods.

Despite that our waste gases generated from production processes are treated through dust-removal and exhaust filtration systems, which operate to reduce airborne particulates and maintain compliance with environmental regulations. These systems underwent regular inspections to ensure consistent operational efficiency.

In addition, the Group is committed to minimising air emissions by improving production efficiency, optimising fuel usage and strengthening maintenance of pollution control equipment.

Hazardous Waste and Non-Hazardous Waste

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.

Packaging materials, such as cardboard, packing belts and buckles and wrapping films, remains the major non-hazardous waste of the Group. Other such waste was relatively not significant, which was 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.

The Group adopts a waste management approach that emphasises waste reduction, reuse and recycling. For example, reusable materials are segregated and recycled where practicable to minimise waste sent to land

The total amount of non-hazardous waste generated by the Group during the Reporting Period is set forth below:

	2025	2024
Non-hazardous waste (kg)	**35,050**	42,500
Intensity (kg/million of revenue in HK$)	**345**	135

Emission and Waste Management Targets

The Group is committed to continuously improving its environmental performance. During the Reporting Period, the Group has adopted the following measures to reduce emissions and waste:

- Enhancing the efficiency of production processes to reduce waste generation
- Promoting the reuse of production by-products (e.g. wood residues)
- Strengthening maintenance of emission control facilities
- Improving internal data collection and monitoring systems

In order to strengthen its environmental management practices, the Group has established a preliminary target on waste reduction. The Group aims to reduce its non-hazardous waste intensity (kg per million HK$ revenue) by approximately 5% over a five-year period from the Reporting Period as the baseline.

The Group monitors its performance against this target on an ongoing basis and implements appropriate operational improvements where necessary, including enhancing resource utilisation and minimising waste generation throughout the production process.

The Group considers establishing more comprehensive and measurable environmental targets in future as its data collection capabilities continue to improve.

A.2 Use of Resources

Reducing fossil fuel usage

As mentioned in Section A.1 Emissions above, the Group utilise waste pallets for heating, thereby reducing the reliance in fossil fuel. Moreover, the pellet fuel does not corrode the boiler and can extend the service life of the boiler. The Group aims to enhance energy efficiency and optimise the use of resources in its operations, including electricity, fuel and raw materials used in the production of particleboards.

The Group also promotes electronic communication, holding cross-territory meetings in the form of teleconference instead of physical meetings to reduce fuel consumption arising from traveling. Such measures contribute to reducing indirect energy consumption associated with business travel.

Paper reduction

The Group actively encourages its employees to reduce the use of paper. We have adopted a common practice of double-sided printing, and reusing stationery such as envelopes and file folders. In addition, the Group also promotes digital communication further reduce paper consumption. These initiatives form part of the Group's efforts to improve resource utilisation efficiency and minimise unnecessary consumption of raw materials.

Water conservation

Water conservation practices are integrated into our operations, supported by awareness campaigns to promote responsible consumption. Water usage is optimised through the deployment of sewage treatment systems in our factories, enabling the recycling and reuse of a substantial portion of fresh water. The system operated reliably with all water quality indicators meeting required environmental standards.

During the Reporting Period, the Group did not encounter any significant issues in sourcing water that is fit for purpose. The Group continues to monitor its water usage and explore opportunities to further enhance water efficiency.

The Group monitors its resource consumption, including electricity and water, to support effective management of resource utilisation. The total resources consumed by the Group during the Reporting Period is set forth below:

	2025	2024
Electricity (kWh)	**12,387,108**	13,621,817
Intensity (kWh/million of revenue in HK$)	**121,817**	43,329
Water Consumption (m^3)	**6,341**	7,292
Intensity (m^3/million of revenue in HK$)	**62**	23

The decrease in consumption of electricity and water was mainly due to the decrease in total volume of particleboards produced for the Reporting Period as compared to the corresponding period in 2024.

The Group is committed to continuously improving its resource efficiency. To strengthen resource management, the Group has established preliminary targets on energy and water efficiency. The Group aims to reduce electricity consumption intensity (kWh per million HK$ revenue) and water consumption intensity (m^3 per million HK$ revenue) by approximately 5% over a five-year period from the Reporting Period as the baseline.

The Group has implemented measures such as promoting the use of biomass fuel, encouraging paperless operations, and recycling water in production processes to enhance resource efficiency. The Group regularly reviews its resource utilisation performance against the established targets and continue to enhance operational efficiency through process optimisation, broader adoption of alternative energy sources such as biomass fuel, and ongoing improvements in water reuse and conservation practices.

During the Reporting Period, packaging materials used for finished products mainly included cardboard, plastic wrapping films and packing accessories. Such materials are essential for protecting finished particleboards during storage and transportation. The Group continues to review its packaging material usage and explore opportunities to optimise material consumption and improve data tracking in this area.

A.3 The Environment and Natural Resources

The Group recognises that its operations may have impacts on the environment and natural resources, including the consumption of timber resources, land use and biodiversity, as well as emissions generated during production processes. The Group places emphasis on minimising such impacts through responsible resource utilisation and environmentally conscious operational practices.

The particleboards produced by us are made with raw materials such as undersized logs, wood branches and off-cuts, agricultural residues and wood waste, and hence they are generally considered to be environmentally friendly and contribute to the efficient utilisation of forestry resources. By prioritising the use of recycled and residual wood materials, the Group reduces reliance on wood resources and promotes sustainable resource management.

Plywood and fibreboard are artificial boards with similar functions to particleboards. All these types of artificial boards have their respective characteristics, slightly different performance and different applications and usage. Compared to plywood and fibreboards, particleboards are more environmentally friendly as particleboards require less usage of adhesives, and thus less emission of formaldehyde. This contributes to reducing the environmental impact associated with the production and use of such products.

The Group also operates its own formaldehyde production workshop which 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 application of high concentration formaldehyde in our production improves our product quality, and decrease formaldehyde emission, thereby rendering our products more environmentally friendly, and increasing our production efficiency through energy and cost savings.

The Group strictly prohibits the use of illegally sourced raw materials and requires its suppliers to comply with applicable laws and regulations. Due diligence procedures are performed, where practicable, to ensure that raw materials are sourced from legitimate and responsible channels.

To further minimise environmental impacts, the Group has implemented various measures in its operations. These include the use of dust removal and exhaust filtration systems to mitigate emissions, as well as initiatives to enhance energy efficiency and water recycling, as described in Sections A.1 and A.2 of this Report. The Group also promotes the efficient use of raw materials and continuously explores opportunities to improve environmental management practices.

These measures reflect the Group's ongoing efforts to minimise its impact on the environment and natural resources, while supporting sustainable development of its business. The Group continues to review its operations and identify opportunities to further enhance its environmental performance.

A.4 Climate Change

The Group recognises that climate change presents both risks and opportunities to its operations. The Group has structured its climate-related disclosures with reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), taking into account the International Financial Reporting Standards Sustainability Disclosure Standards (the "**IFRS Sustainability Disclosure Standards**"), including IFRS S2 Climate-related Disclosures ("**IFRS S2**").

Governance

The Board is responsible for overseeing the Group's ESG strategy, including climate-related matters. The management is responsible for identifying, assessing and managing climate-related risks and opportunities, and for implementing relevant measures across the Group's operations.

Climate-related considerations are incorporated into the Group's governance structure and decision-making processes, particularly in areas such as environmental compliance, resource management and operational planning. The Board reviews ESG and climate-related matters periodically to ensure appropriate oversight.

Strategy

The Group has identified climate-related risks and opportunities that may affect its operations in the Particleboards Segment over the short, medium and long term.

Physical risks include extreme weather events such as storms, floods and droughts, which may disrupt production facilities, affect transportation of raw materials and finished products, and interrupt supply chains and logistics. Chronic changes in climate patterns may also affect the availability and cost stability of raw materials.

Transition risks arise from the transition to a low-carbon economy, including increasingly stringent environmental regulations in the PRC, evolving market expectations, and potential increases in operating costs associated with emission reduction and energy efficiency requirements.

Climate-related opportunities have also been identified. The Group's utilisation of manufacturing by-products and recycled materials in the production of particleboards enhances resource efficiency and supports circular economy practices. In addition, the adoption of biomass energy provides an alternative to fossil fuels and may contribute to the reduction of GHG emissions. These practices may strengthen the Group's environmental performance and enhance its competitiveness under increasingly stringent environmental requirements and market expectations.

In response to the above risks and opportunities, the Group continues to enhance operational resilience and improve resource efficiency. The Group continues to assess climate-related opportunities as part of its long-term business development and sustainability strategy.

Risk Management

The Group has established processes to identify, assess and manage climate-related risks as part of its overall risk management and internal control framework. Climate-related risks, including physical and transition risks, are considered alongside other business risks to ensure a comprehensive risk assessment.

Relevant management personnel and operational departments are responsible for identifying climate-related risks within their respective areas, including raw material sourcing and manufacturing activities. Identified risks are evaluated based on their likelihood and potential impact on the Group's operations, supply chain and financial performance.

The Group implements appropriate mitigation measures in response to identified risks. For physical risks, the Group enhances the resilience of its operations through measures such as regular maintenance of production facilities, monitoring of weather conditions and diversification of raw material sourcing where practicable. For transition risks, the Group closely monitors regulatory developments in the PRC and takes steps to ensure compliance with applicable environmental laws and regulations, while improving energy efficiency and environmental performance.

Climate-related risks are reviewed periodically by management, and significant issues are reported to the Board where appropriate. The Group continues to refine its risk management processes by incorporating climate-related considerations into key business decisions, including procurement, production planning and resource allocation.

Metrics and Targets

The Group monitors key environmental performance indicators relevant to climate change, including GHG emissions and energy consumption, to assess its environmental performance and operational efficiency.

The Group reports its Scope 1 and Scope 2 GHG emissions during the Reporting Period. Scope 1 emissions consist of direct emissions arising from fuel combustion, while Scope 2 emissions relate to indirect GHG emissions associated with purchased electricity.

	2025	2024
Scope 1 - Direct emissions (tCO_2e)	**128**	151
Scope 2 - Indirect emissions (tCO_2e)	**7,156**	8,452
Total (tCO_2e)	**7,284**	8,603
Intensity (tCO_2e/million of revenue in HK$)	**72**	27

Note 1: The emission factor of 0.5777 tCO_2/MWh (2024: 0.6205 tCO_2/MWh) was applied to the purchased electricity in the PRC as per the provincial grid average carbon dioxide emission factor of the PRC.

Given the current data availability and the nature of the Group's operational boundary, Scope 3 has not been disclosed during the Reporting Period. The Group continues to assess the relevance and feasibility of disclosing Scope 3 emissions in the future, taking into account its business operations and data availability.

The Group has implemented measures to manage and reduce its emissions, including the use of biomass fuel, optimisation of production processes, and enhancement of energy efficiency across its operations.

The Group has defined a preliminary GHG emissions reduction objective to reinforce its approach to climate-related risk management. The Group targets a reduction of approximately 5% in GHG emissions intensity (tCO_2e per million HK$ revenue) over a five-year period from the Reporting Period as the baseline. The Group regularly reviews its emissions performance against the established target and continues to implement emission reduction initiatives.

In parallel, the Group continues to strengthen its carbon management capabilities, including improving emissions data accuracy and methodology, and evaluating the feasibility of extending its disclosures to cover additional emission categories.

B. SOCIAL

B.1 Employment

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

The Group has established human resources policies covering recruitment, compensation, promotion, dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare. These policies aim to ensure fair, consistent and lawful employment practices across the Group.

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, the PRC Social Insurance Law and other relevant laws and regulations in all material aspects.

Recruitment and promotion

Human Resources Department of the Group has developed a comprehensive recruitment and promotion system. Recruitment and promotion should be fair and cannot be affected by race, colour, gender, ethnic tradition, religion, nationality, marital status or family status of a candidate or an employee.

We emphasise equal competition, open recruitment and prioritise internal promotion of suitable candidates over external candidates. Each department reviews its human resources needs on a regular basis by analysing the annual objectives of the department, the project tasks, and the workload of the departmental staff.

When a need to hire an additional employee is identified, the relevant department provides the job description for recruitment purposes. While the relevant department is responsible for evaluating the adequacy of professional/technical skills of candidates for the position sought to be filled, it consult Human Resources Department on remuneration package to ensure that employees across different departments of the Group are remunerated fairly.

Working Hours and Rest periods

The Group adopts an 8-hour working system and voluntary overtime. Overtime is limited to a maximum of 4 hours to protect employees' health. 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 requirements. 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.

We also 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.

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 is on paid sick leave. Each employee who tenders resignation is interviewed by 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.

Diversity and Anti-Discrimination

As one of the fundamental management principles of the Group is to maintain equality of human resources, there is no gender preference in all levels of employees and management structure. The Group is committed to fostering an inclusive and diverse workplace, and does not tolerate any form of discrimination or harassment. Employment decisions are based on merit, qualifications and job requirements. Indeed, the Group values all employees in terms of their contribution to the Group's business.

Workforce Composition and Turnover

The following table sets out the breakdowns of the Group's employees by gender, employment type, employment category, age group and geographical region.

	2025		2024	
	Turnover rate	**Number of employees**	Turnover rate	Number of employees
By gender				
Male	**31%**	**151**	5%	198
Female	**24%**	**17**	10%	21
By employment type				
Full-time	**32%**	**161**	5%	219
Part-time	**–**	**7**	–	–
By employment category				
Director	**–**	**5**	–	6
Senior and middle management	**11%**	**19**	–	28
General staff	**34%**	**144**	6%	185
By age group				
18 – 30 years old	**100%**	**8**	36%	11
31 – 50 years old	**30%**	**122**	4%	168
Over 50 years old	**16%**	**38**	–	40
By geographical region				
The PRC	**30%**	**168**	5%	219

Note 1: The calculation method of employee turnover rate by category: (The number of departures in the category in the year ÷ The number of employees in the category at the end of the year) × 100%

During the Reporting Period, the Group was not aware of any material non-compliance with relevant employment laws and regulations.

B.2 Health and Safety

The Group continues to prioritise the health and safety of its workforce. All employees working in production areas are required to wear appropriate protective equipment, including respirators, gloves and earplugs in accordance with the relevant laws and regulations. Emergency response protocols remain in place to ensure prompt handling of incidents.

The Group has established a comprehensive safety management framework in its staff handbook, covering the prevention and response to natural disasters, accidents and occupational injuries. Safety management responsibilities are clearly defined. Supervisory personnel are responsible for overseeing workplace safety and Administrative Department coordinates overall safety management and emergency response arrangements. All employees are required to comply with safety policies and are responsible for participating in accident prevention and emergency rescue efforts.

The Group has consistently implemented safety policies over the years. Our safety policies mainly focus in the following four aspects:

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, safety inspection.

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

In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to safeguard employees' safety.

Occupational Health and Safety Statistics	**2025**	2024	2023
Lost days due to work injury	**–**	–	–
Number of work-related fatalities	**–**	–	–
Work-related fatality rate	**–**	–	–

During the Reporting Period, the Group did not record any work-related fatalities or work-related injury cases. The number of lost days due to work injuries was zero (2024: zero).

The Group continues to evaluate the potential cases leading to past work injures and identify corresponding measures to improve work safety environment.

B.3 Development and Training

The Group provides diverse training programmes to enhance employee competence and support career development. Training includes on-the-job instruction, technical skills development, equipment operation training and management development programmes. Job rotation opportunities further broaden employees' exposure to different operational areas.

The Group has established formal training and development policies to enhance employees' knowledge, technical capabilities and professional skills. These trainings support employees in effectively discharging their duties. Training needs are identified based on operational requirements, job responsibilities and employees' development plans. They are subject to periodic review to ensure alignment with the Group's business and operational needs.

The Group adopts a structured approach to training management. Training programmes are planned, implemented and monitored by relevant departments. Both internal and external training opportunities are provided. Training records are maintained to track employees' participation and progress.

During the Reporting Period, the Group provided various training sessions to its employees in different aspects, including personal safety, emergency procedure and accidents reporting, tools, machine and equipment operation and technical works safety. Below table sets out the average training hours and percentage of employees trained by gender and employment category.

	2025		2024	
	Percentage of employees trained	**Average training hours per employee**	Percentage of employees trained	Average training hours per employee
By gender				
Male	**100%**	**4.7**	100%	5.0
Female	**–**	**–**	–	–
By employment category				
Directors	**5%**	**1.8**	–	–
Senior and middle management	**10%**	**10.1**	35%	25.7
General staff	**85%**	**3.5**	65%	1.4

Notes:

1. The calculation method of the percentage of the number of employees trained by category: (The total number of employees trained in the category ÷ The total number of employees trained in the year) × 100%

2. The calculation method of average training hours by category: The training hours of employees in the category in the year ÷ The number of employees in the category at the end of the year.

The Group continues to allocate appropriate resources to employee training and development to support workforce capability building and long-term business growth.

B.4 Labour Standards

The Group complies in all material respects with labour law, and laws and regulations relating to the elimination of the use of child labour, the abolition of all types of forced or compelled labour or workplace discrimination. We enforce zero-tolerance to discrimination against any employee based on his or her race, colour, gender, ethnic origin, religion, nationality, marital status, family status and other factors.

The Company maintains a strict recruitment and employment framework designed to ensure full compliance with all applicable local labour laws in every jurisdiction where we operate. This includes adherence to statutory minimum age requirements and all regulations pertaining to the prevention of child labour.

The Group has established employment control procedures to avoid child and forced labour. These include verification of official identification documents prior to onboarding, proper maintenance of employee records, and oversight by Human Resources Department throughout the recruitment process. Employment contracts are voluntary agreements between the Company and employees, essential for outlining clear terms and conditions of employment. Employees are free to terminate their employment in accordance with applicable laws and contractual terms.

The Group also conducts periodic reviews of its employment practices to ensure ongoing compliance with relevant laws and regulations. Any irregularities identified during such reviews will be investigated promptly.

In the event that any case of child labour or forced labour is identified, the Group will take immediate corrective actions. These include terminating the employment in accordance with legal requirements, reporting the case to relevant authorities where necessary, and reviewing internal control procedures to prevent recurrence. Appropriate remedial measures, such as safeguarding the rights and welfare of the affected individual, will also be implemented.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to the prevention of child and forced labour.

B.5 Supply Chain Management

To ensure that all residual wood purchased by the Group originates from legitimate and legally compliant sources, we have established a set of standardised supplier-selection and verification procedures. These procedures form part of our broader responsible supply chain management framework, which aims to prevent illegal sourcing, promote sustainable resource utilisation, and uphold regulatory compliance in all regions where we operate.

Resources Management Department is responsible for conducting due-diligence assessments on every residual wood supplier. This assessment includes verifying that each supplier holds the required licences or permits for their business operations, including sourcing, processing, and transportation of wood-based materials, as required under applicable environmental and commercial regulations. Suppliers are required to provide relevant documentation for inspection prior to any procurement activities.

If a supplier is unable to present the necessary tree-cutting licence or wood-transport permit, Resources Management Department will conduct further verification with relevant regulatory authorities or through independent checks where appropriate. Procurement is only approved once the supplier's compliance has been independently verified through this process.

To strengthen governance and maintain ongoing compliance, an annual assessment is jointly conducted by Resources Management Department, Raw Material Inventory Department, and Production Department. This review evaluates each supplier's continued qualifications, regulatory compliance, supply stability, and adherence to our sourcing requirements. Suppliers that fail to meet our standards are subject to corrective action or removal from the approved supplier list.

In addition, the Group has established procedures to identify environmental and social risks along its supply chain, including risks relating to illegal sourcing of raw materials, non-compliance with environmental regulations, and potential labour-related issues. Such risks are managed through supplier due diligence, document verification and periodic review mechanisms.

When selecting suppliers, the Group prefers to consider those complying with environmental regulations and demonstrate sustainable sourcing practices. Environmental considerations are embedded into supplier selection criteria and are monitored through ongoing supplier evaluations.

The Group also maintains records of its suppliers by geographical region to facilitate monitoring and risk assessment. Details of the number of suppliers by geographical region during the Reporting Period are set out in the table below.

Geographical Region

	2025 Number	2024 Number
The PRC	**318**	366

Our primary production base is located in Renhua County, Shaoguan City, an area in the northern mountainous region of Guangdong Province. Its strategic location at the junction of Guangdong, Hunan, and Jiangxi provinces provides convenient logistics access and supports efficient procurement and transportation of raw materials for our production operations.

B.6 Product Responsibility

Product Quality

The Group is committed to delivering high-quality particleboards that meet stringent safety and performance standards. All products undergo a comprehensive quality control process and are graded prior to distribution to ensure consistency, reliability and compliance with both regulatory and customer requirements. Our production lines manufacture premium-grade particleboards in accordance with applicable national standards of the PRC and relevant international particleboard standards.

The Group complies with relevant laws and regulations that have a significant impact on its products and services, including those relating to product safety, product quality, labelling and environmental requirements.

To strengthen our environmental stewardship and promote our brands as environmentally responsible, the Group adheres to international environmental practices advocated by the Forest Stewardship Council (FSC).

Quality Control Process

We maintain stringent quality control protocols that govern the entire production cycle—from raw material procurement through to final inspection of finished goods. All particleboards are tested by our Quality Control Department and assigned one of three grades: superior, qualified, or other. Each product is clearly labelled with its grading, production date, and other relevant information in accordance with customer specifications and applicable standards before delivery.

In the event of any identified product quality or safety issue, the Group will initiate internal investigation procedures and take appropriate corrective actions. Where necessary, affected products will be recalled in accordance with established recall procedures, and relevant customers will be notified in a timely manner.

To better understand customer needs and enhance service quality, our sales and marketing team conducts regular customer visits to collect their feedback closely. The Group has established channels for handling customer complaints. All complaints are recorded, investigated and addressed by relevant departments, with follow-up actions taken to improve product and service quality.

During the Reporting Period, there were no products sold or shipped subject to recall for safety and health reasons, and no product and service-related complaints were received (2024: None).

To the best knowledge of our directors, the Group has not encountered any material quality control issues or experienced any material product returns attributable to product quality concerns.

Protecting Intellectual Property Rights

The Group recognises the importance of safeguarding intellectual property ("IP") rights as a fundamental element of responsible business operations and product integrity. We are committed to ensuring full compliance with all applicable IP laws and regulations in the jurisdictions in which we operate, including those relating to patents, trademarks, copyrights, trade secrets, and proprietary technologies.

To protect our own IP assets, the Group has established internal procedures for the identification, registration and management of intellectual property. This includes maintaining appropriate records of trademarks and proprietary product designs, monitoring renewal deadlines, and ensuring that confidential business information is kept secure and disclosed only on a need-to-know basis. Employees with access to sensitive information are required to comply with confidentiality obligations and company policies governing the proper handling of such information.

The Group also places strong emphasis on respecting the intellectual property rights of third parties. We prohibit the use of unlicensed software, unauthorised replication of copyrighted materials, or any conduct that may infringe upon third-party patents, trademarks or proprietary technologies.

Training and awareness initiatives are provided to employees to strengthen their understanding of IP regulations and the importance of compliance. Violations of IP policies are subject to disciplinary action in accordance with internal governance procedures.

To date, the Group has not been involved in any material disputes or legal proceedings relating to intellectual property infringement, to the best knowledge of the directors.

Customer Data Protection and Confidentiality

The Group places strong emphasis on safeguarding the privacy and personal data of its customers, business partners and employees. We comply with applicable data protection laws and have implemented appropriate technical and organisational measures to prevent unauthorised access, misuse or leakage of personal information.

Personal data is collected and processed strictly for the purposes for which it was obtained, and confidential information is securely stored with access limited to authorised personnel only.

B.7 Anti-corruption

Anti-corruption Governance and Ethical Conduct

The Group is committed to upholding the highest standards of integrity, ethics and professional conduct in all business operations. We maintain a zero-tolerance approach towards corruption, bribery, extortion, fraud and any other form of unethical behaviour. All employees are required to observe the Group's ethical standards at all times and refrain from engaging in any conduct that may compromise the Group's reputation or legal compliance. The Group complies with applicable laws and regulations relating to anti-corruption, anti-bribery, anti-fraud and anti-money laundering that have a significant impact on its operations.

To reinforce ethical behaviour, the Group has established and implemented an Employee Handbook and a Code of Ethics, which outline clear guidelines on anti-corruption, anti-bribery, acceptance of advantages, and the management of conflicts of interest. Employees are required to exercise sound judgment when handling sensitive information or interacting with external parties and must declare any potential conflicts of interest to the management in a timely manner.

The Group has also implemented internal control procedures, including approval hierarchies, segregation of duties and monitoring mechanisms, to mitigate corruption-related risks in its operations.

Whistleblowing Mechanism

To provide a safe and confidential channel for reporting misconduct, the Group has adopted a Whistleblowing Policy that enables employees, suppliers and other stakeholders to raise concerns regarding suspected malpractice, impropriety or violations of company policies. Reports may be made directly to the Audit Committee on a confidential basis, and all disclosures are handled with strict confidentiality and without fear of retaliation.

All reported cases are subject to independent review and investigation. The Audit Committee oversees the handling of whistleblowing cases, and appropriate disciplinary or remedial actions are taken where necessary. The effectiveness of the whistleblowing mechanism is reviewed periodically to ensure proper implementation.

Anti-corruption Training and Awareness

The Group regularly promotes integrity and compliance culture through training sessions, briefings and internal communication materials. Anti-corruption training and information leaflets are provided to the Board of Directors and all employees from time to time to enhance awareness of ethical conduct, relevant laws and internal policies.

During the Reporting Period, the Group did not record any legal cases relating to corrupt practices involving the Group or its employees. The Group is not aware of any non-compliance with applicable anti-corruption, anti-bribery or anti-fraud laws and regulations that would have had a significant impact on the Group.

B.8 Community Investment

The Group has the responsibility to make the community a better place for everyone which also provides long-lasting benefits to our stakeholders. The Group has established policies on community engagement to better understand the needs and expectations of local communities. Through ongoing communication with local stakeholders, including community representatives and relevant organisations, the Group seeks to ensure that its operations and community initiatives take into consideration the interests and well-being of the communities in which it operates.

During the Reporting Period, the Group has made certain investments in relevant community as detailed below.

Public welfare activity

The Group has donated RMB150,500 to local charitable organisations to support a range of community investment initiatives. These contributions were directed towards environmental sustainability efforts, such as tree-planting programmes, as well as the promotion of local economic development through industry associations. In addition, the Group supported community welfare initiatives, including funding collective welfare projects and providing subsidies and care support for elderly residents. Through these efforts, the Group aims to foster sustainable community development, enhance environmental stewardship, and contribute to the well-being of local communities.

The Group continues to identify opportunities to contribute to the well-being of the communities in which we operate, particularly in areas related to livelihood improvement, environmental protection and local development.