



Mengke Holdings Limited 盟科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1629



Environmental,
Social and Governance Report

2016

This Environmental, Social and Governance report discloses the performance on environment, community and governance of Mengke Holdings Limited and its subsidiaries (collectively the “Group”) in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and in compliance with the “comply or explain” provisions in the ESG Guide.

Scope of Reporting

This report covers the period from 31 January 2016 to 31 December 2016 (the “reporting period”), including data and information of the Group’s headquarters and its self-owned production facility in Yichang City, Hubei Province and Hong Kong office.

The Group is principally engaged in the manufacture of metallised packaging paper for cigarette package manufacturers in the People’s Republic of China (“PRC”). Two main lines of our products are transfer metallised paper and laminated metallised paper.

Environmental Protection

The Group noticed that the PRC government and clients had shown stronger awareness on environmental protection. In order to meet the requirements of the PRC government and clients and establish positive corporate image, the Group has formulated environmental protection policies and guidelines to enhance our environmental protection management, including forming an environmental protection committee to oversee and supervise our environmental protection management and to monitor the implementation of environmental protection policies and guidelines.

During the reporting period, the Group has complied with all relevant laws and regulations that have significant impacts on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. These laws and regulations include, but not limited to, the Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》, Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise 《中華人民共和國環境噪聲污染防治法》, 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》, Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》 and Decision of the State Council on Several Issues Concerning Environmental Protection 《國務院關於環境保護若干問題的決定》. During the reporting period, we had not received any notice or warning in relation to pollution in respect of our production, nor had we been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no ongoing or pending action by any PRC environmental government agencies in respect thereof.

The PRC government encourages the procurement of transfer metallised papers in cigarette packaging as one of the initiatives regarding environmental protection. It is because transfer metallised papers are more environmentally friendly than laminated metallised papers as the plastic transparent layer of the metallised film for transfer metallised paper is removed after lamination and is therefore recyclable. We have strong research and development capabilities in the area of high-end environmentally friendly metallised packaging paper. Our product research and development team has extensive experience in metallised packaging paper production and it is committed to improving technology to meet the environmental standards. During the reporting period, we had completed a research and development project in respect of the production technology on imitated structural colour laser papers. The Science and Technology Bureau of Yichang City recognised it as a leading technology with environmental and cost efficiency. Moreover, we have developed proprietary technologies for producing high-end environmentally friendly metallised cigarette packaging paper with enhanced anti-counterfeiting features primarily for the external packaging needs for mid to high-end cigarette brands. We will make significant investments in further improving our research and development capabilities, in order to contribute to the environmental development of the industry.

Regarding use of resources and natural resources, we implement various measures to reduce wastage and consumption levels in our headquarters production facility and offices. We focus on enhancing efficiency, through upgrading machines or adopting advanced technologies in production, to minimise emissions (such as waste gas and waste water) and use of resources and natural resources (including electrical power, water, cardboard, metallised film and other raw materials). We also encourage reduction in use of paper, water and energy usage through promotion of “paperless office”, working on electronic documents and using double-sided printing to minimise paper consumption, use of natural light or LED lighting, switching off unnecessary power, maintaining suitable indoor temperature and clean regularly the air conditioner and ventilation system, as well as other initiatives. Meanwhile, the Group reviews regularly the implementation of the abovementioned initiatives, carries out improving measures when needed, strives to achieve energy conservation and emission reduction, and conservation of natural resources.

We have obtained the pollutant discharge permit during the reporting period, which allows us to discharge industrial waste water and sewage to water legally when conducting production activities. In addition, in order to protect the biodiversity and ecosystem, we have bespoke guidance on handling of hazardous and non-hazardous wastes arising from our manufacturing processes, which include proper disposal of waste and sewage treatment.

Human Resources

1. Employment

As at 31 December 2016, the Group has employed a total of 176 employees, of which 5 were based in Hong Kong and 171 were based in the PRC, among which 127 were male and 49 were female. We endeavour to provide a fair, safe and respectful workplace environment for our staff.

The Group has formulated and strictly implemented a set of comprehensive human resources management system, which is in compliance with and follows Hong Kong Employment Ordinance, the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) and other prevailing laws and regulations.

The Group determines employee remuneration and welfare package according to job nature, qualifications and performance as well as market conditions, with reference to his/her performance appraisal. We also encourage internal promotion to provide fair and sufficient opportunities for promotion and salary increment as the recognition and reward of the employee’s performance. The Group also ensures that all employees share equal opportunities and no employee will suffer from any discrimination or be deprived of any treatment due to sex, age, race, disability, marital and family status, disability or any other reasons.

The Group will also pay social insurance and housing provident fund for its staff and provides commercial insurance and supplemental medical benefit in accordance with the applicable laws and industrial practice of the region. During the reporting period, the Group has complied with all relevant laws and regulations that have significant impacts on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

2. Occupational Health and Safety

The Group attaches high importance on occupational health and safety. We are subject to the PRC Environmental Protection Law, Product Quality Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees. Our equipment and machineries are also maintained regularly to ensure that they are safe to be operated. We also implement safety measures at our production facilities to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of our employees. During the reporting period, we had not experienced any material or prolonged stoppages of production due to equipment failure and we had not experienced any severe accidents during our production process. We have also complied with all relevant laws and regulations that have significant impacts on the Group relating to the provision of a safe working environment and the protection of our employees from occupational hazards.

3. Staff Development and Training

We support our employees to develop their potentials and enhance their capabilities, which in turn make contribution to the Group. We require new employees to participate in safety training to familiarise themselves with the relevant safety rules and procedures. Considering the individual needs of the employees' personal career development and the business needs of the Group, we arrange different scopes of training for employees, including expertise and skills related to business and regulations in order to improve their quality. We provide induction training and on-going technical training to the production staff on, amongst other areas, safe operation and maintenance of equipment and machinery. Moreover, we provide training to our production staff from time to time in order to update them on production techniques and the latest technology. Through continuous development and adequate internal and external trainings, we expect the Group to keep abreast of the latest development and grow together with our employees.

4. Labour Standards

The Group is in strict compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong and Regulations on Labour Security Supervision issued by the State Council of the PRC, and takes reference to international labour standards in formulating internal guidance and labour system. All recruitment procedures and promotions are strictly supervised by the Group's human resources management system.

All employment contracts and staff rules have clearly defined the standards of employees' code of conduct, strictly monitoring all employees (including directors and all levels of staff) and eradicate all violations. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any illegal behavior is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors.

We strive to promote workplace diversity and inclusion. We also adhere to the principle of gender equality and welcome employees from different backgrounds. For the year ended 31 December 2016, the Group was not aware of any major safety issues. There was no child or forced labour in the Group's operations, nor any discriminating incidents involving race, religion, age or disability.

Operating Practices

Supply Chain Management

The Group has years of experience in cigarette package manufacturing industry and has already established a good reputation within the industry. While we have not entered into any long-term supply contracts with our suppliers, we maintain stable and long-term relationship with our major suppliers. Our key suppliers are large paper and metallised film manufacturers, mainly providing raw materials of cigarette packaging paper including white cardboard and metallised film which are composed of aluminum foil, polyethylene terephthalate (PET) and biaxially oriented polypropylene (BOPP). Most of our key suppliers are from the PRC. Working with them helps keeping our transportation costs low and enabling us to keep abreast of local market development which facilitate us to produce products that cater to customers' needs.

We choose suppliers based on their business records, products and services quality, cost, after-sale services and transportation and other factors. We periodically invite suppliers to provide us samples for pre-assessment and our procurement department maintains a list of qualified suppliers which have passed our internal assessment as potential suppliers for future purchases.

For the purpose of selecting a supplier for procurement of raw materials, we typically invite our pre-assessed suppliers to participate in a fair, just and open tendering procedure and we assess the tenders based on their quality, price and our purchasing history. Once a supplier is selected after the close of a tender, we typically enter into a fair and reasonable supply contract with the supplier to avoid any exploitation before placing orders to procure the raw materials we require. In addition, provisions for environmental protection are incorporated into certain contracts, requesting contractors and/or suppliers to strictly observe the requirements of environmental protection. In addition to assessing our suppliers on environmental performances, we also closely monitor the quality, cost, service and delivery of their products, as well as their commitments to high moral standards, when performing their contractual obligations. In case our suppliers fail to comply with any applicable laws and regulations or are unable to fulfill their contractual obligations, we will replace them and take legal actions for any related losses when necessary.

Product Liability

To ensure high quality standards and maintain our good reputation within the industry, we implement stringent quality control management. Our production department is responsible for conducting the management, examination and maintenance of our production equipment from time to time in order to ensure their proper functioning and safe operation, thus enhancing our productivity and product quality. We have a set of internal guidelines on the maintenance of equipment observed by the production department and carry out periodic inspection and maintenance of our machinery and equipment.

Our production department has a set of internal manuals on standards for testing product quality and these quality control standards are implemented at each stage of the production process. Our production staff is required to record the conditions of the work in progress. The production department also works closely with the quality control department throughout the production process to ensure each production process is carried out in accordance with the quality standard. Before we deliver our final products to customers, our quality control department conducts quality assessment on each batch of final products to check that the products have been produced in accordance with the applicable standards and approved production processes. Only those final products that have fulfilled all testing requirements are delivered to our customers.

We place great emphasis on the satisfaction of our clients. Their opinion is the strongest motivation for our continuous improvement. We are eager to understand the needs of our clients through their feedbacks and accordingly adopt appropriate measures to further improve our services. We have adopted a unified sales return policy which applies to all of our products and all customers. After receiving our products and prior to giving its final confirmation of acceptance, our customers may request us to reprocess any products which fail to meet their required product specifications. On the other hand, request for product return after a customer's final confirmation of acceptance will only be accepted if there is any product quality issue and upon re-examination of the alleged defective product by our production department, quality control department and sales department.

Intellectual Property Rights

We fully understand the importance of intellectual property rights. Our core production technology and critical production processes are crucial to our continued success and development. Any infringement of our intellectual rights may seriously affect our business and reputation. Therefore, we aspire to protect our patents, brand, trademark and other intellectual property rights and eradicate all infringement of our intellectual property rights. We also ensure that our business operation processes are in compliance with the Trademark Law of the PRC (《中華人民共和國商標法》), the Implementation Rules of the PRC Patent Law (《中華人民共和國商標法實施條例》) and other relevant laws, administrative regulations, national standards and industrial standards.

Privacy Policy

We have a privacy policy, pursuant to which all personal and corporate data must be collected in compliance with all relevant privacy laws. We urge our staff to protect our customers' privacy and handle any commercial sensitive or confidential information in strict confidence.

During the reporting period, the Group has complied with all relevant laws and regulations that have significant impacts on the Group relating to health and safety, advertising, labelling and privacy matters relating to our products and services provided.

Anti-corruption

The Group always adheres to the principle of "integrity, corruption-free" and we have formulated a set of comprehensive anti-corruption and fraudulent mechanism pinpointing the whole supply chain from upstream suppliers to downstream end-customers, thereby ensuring that our directors and every employee clearly understand our strong stance of "zero-tolerance" against any corruption, fraudulence, extortion, money laundering and bribes, and will be in compliance with domestic rules and have good professional conduct.

In addition, the Group provides periodic anti-corruption training and information to employees and encourages them to report non-compliance incidents. The Group will immediately conduct investigations, punishment or dismissal of relevant employees when any illegal behavior is being discovered. We also have a "whistle-blowing" policy pursuant to which our employees can report any wrongdoing and misconduct anonymously. We undertake to safeguard their identity. If necessary, the Group will further improve the mechanism to safeguard against illegal behaviors.

During the reporting period, no corruption, fraudulent, extortion or money laundering incident was discovered within the Group. The Group has complied with all relevant laws and regulations that have significant impacts on the Group relating to bribery, extortion, fraud and money laundering.

Community Involvement

The Group values corporate social responsibility and actively explores options in coordinating charitable activities and collaborating with other organisations in different areas, such as education, culture, poverty relief, and so on. We aim to demonstrate positive influence of corporate values by raising employees' awareness of caring for the community and mutual help.

During the reporting period, the Group actively communicated with different institutions in the community where it located, understands their situation, organises and participates in various community activities. We will take their view into consideration when planning for our business operations. We hope to build the corporate culture of "lending a helping hand" through setting up an example by ourselves. We also encourage our staff to actively participate in community activities and promote the relationship between our employees and community.