

The background of the entire page is a light brown wood-grain texture. In the center, there is a horizontal rectangular area with a light green background and a repeating pattern of stylized green leaves. The word "DASEN" is written in large, bold, dark green capital letters across this central area. To the right of "DASEN", the text "2018 Environmental, Social and Governance Report" is written in a smaller, dark green font. Above and below the central green area, there are several stylized green trees of different sizes, each with a white trunk. The trees have a layered, teardrop-like shape with internal green patterns.

DASEN

2018
*Environmental,
Social and
Governance
Report*

DA SEN HOLDINGS GROUP LIMITED
大森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1580



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINE

This Environmental, Social and Governance Report (the “Report”) summarizes Da Sen Holdings Group Limited’s (the “Company”, together with its subsidiaries the “Group”) environmental, social and governance (“ESG”) initiatives, plans and performance, and demonstrates its commitment to sustainable development.

The Group is principally engaged in the manufacturing and sales of plywood products and biomass wood pellets (木製生物質顆粒). As a leading manufacturer and supplier of plywood products and biomass wood pellets, the Group adheres to the ESG management direction in accordance with the concept of sustainable development, and is committed to progress effectively and responsibly against the ESG affairs of the Group as a core part of its business strategy. The Group believes that this is the key to its continuing success.

ESG Management Structure

The Group established the ESG taskforce (the “Taskforce”). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant information on its ESG aspects for the preparation of the Report. The Taskforce reports to the board of directors of the Company (the “Board”) on a regular basis, assists in identifying and assessing the Group’s ESG risks, and assesses the effectiveness of the Group’s ESG internal control mechanism. The Taskforce also examines and assess the performance in different aspects such as environment, safe production, labour standards, and product responsibility in the ESG perspectives. The Board has set the general direction of the Group’s ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

REPORTING SCOPE

The Report mainly focuses on the Group’s core business in Mainland China and its major subsidiaries, including Dasen (Heze) Biomass Energy Limited (“Dasen (Heze)”) and Meisen (Shandong) Wood Limited (“Meisen (Shandong)”). As at 31 December 2018, the total number of employees of the Group was 392. Unless otherwise stated, the Group obtained ESG Key Performance Indicators (“KPIs”) information through the Group’s and its subsidiaries’ operational control mechanisms.

REPORTING FRAMEWORK

The Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the “Reporting Guide”).

REPORTING PERIOD

The Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018 (the “Reporting Period” or “2018”).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group recognizes the stakeholders' views on the Group's business and ESG issues. To understand and respond to the concerns of its stakeholders, the Group communicates with its key stakeholders (including employees, investors/shareholders, customers, suppliers, government and regulatory bodies, communities, non-governmental organizations and the media) through different channels. The Group's communication channels with the key stakeholders are as follows:

Key stakeholders	Material topics and issues being raised	Communication channel	Communication frequency
Employee	Working environment	Employee opinion survey	Full Year
	Employees' benefit	Channels for Employees Feedback (form, suggestion box, etc.)	Full Year
	Work performance	Management newsletter and performance evaluations	Regular
	Company activities updates	Employee newsletter and broadcasting	Full Year
	Company policies updates Industrial knowledge	Intranet Staff seminars	Full Year Regular
Investors/shareholders	Performance	Annual general meeting	Regular
	Development	Annual report and interim report	Regular
	Operational prospects	Announcements and circulars	Regular
	Information and activities updates	Investor conferences	Regular
		Monthly newsletter	Every month
		Investor relation officer Hotline	Full year Full year

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key stakeholders	Material topics and issues being raised	Communication channel	Communication frequency
Customers	Product quality	Customer satisfaction survey and feedback form	Full year
	Health and safety	Customer service center	Full year
	Service quality	Customer service manager	Full year
	Personal information protection	Customer meetings and company visits	Full year
Suppliers	Quality of raw materials	Supplier management conferences and events	Regular
	Supplier's environmental and social risks	Supplier on-site audit management system	Regular
Government and regulatory bodies	Operation compliance	Conference	Regular
		Performance report	Regular
		On-site inspection	Regular
Communities, NGO and the Media	Green operation	Seminars, lectures and workshops	Regular
	Public health	Public and community events and partnership projects on different issues	Regular
	Corporate social responsibility	Community investment projects	Full year

The Group will take into account the expectations of the stakeholders while formulating over operational strategies and ESG measures, and work together to continuously improve its ESG performance to create greater value for the community.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the Report, assisting the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to its businesses and stakeholders. The Group compiled a questionnaire in accordance to the identified material ESG issues to collect information from the relevant departments and business units of the Group.

The following table summarises the Group's material ESG issues included in the Report:

The Reporting Guide	Material ESG Aspects of the Group	
A. Environment		
A1. Emissions	Exhaust Gas Emission	P. 6
	Greenhouse Gas Emission	P. 9
	Sewage Discharge	P. 11
	Waste Disposal	P. 11
A2. Use of Resources	Energy Efficiency Management	P. 13
	Water Consumption Management	P. 14
	Use of Packaging Materials	P. 14
A3. Environment and Natural Resources	Use of Forest Resources	P. 15
B. Society		
B1. Employment	Remuneration and Benefits	P. 17
	Recruitment, Promotion and Dismissal	P. 18
	Equal Opportunity	P. 18
	Communication with Employees	P. 18
B2. Health and Safety	Safe Production Management System	P. 19
	Measures on Safe Production	P. 20
	Safe Production Training and Employee Health Management	P. 22
	Fire Safety Management	P. 22
B3. Development and Training	Training Management	P. 23
	Training Programmes	P. 24
B4. Labour Standards	Labour Standards	P. 24
B5. Supply Chain Management	Supply Chain Management Structure	P. 25
	Fair and Open Procurement	P. 25
	Environmental and Social Risk Management of the Supply Chain	P. 26
	Business Ethics	P. 26



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Reporting Guide	Material ESG Aspects of the Group	
B6. Product Responsibility	Green Products	P. 27
	Quality Control	P. 27
	Research and Development	P. 28
	Customer Service	P. 28
B7. Anti-Corruption	Anti-Corruption	P. 30
B8. Community Investment	Charity Management	P. 31
	Social Responsibility Education	P. 31

For the year ended 31 December 2018, the Group confirmed that an appropriate and effective management policies and internal control mechanism for ESG issues were established and the information disclosed in the Report meets the Reporting Guide.

CONTACT US

The Group welcomes comments and suggestions from its stakeholders. You may provide your comments on the Report or towards its performance in respect of sustainability via email to info@msdscn.com.

A. ENVIRONMENT

A1. Emissions

General Disclosures and KPIs

The Group recognizes the importance of good environmental management and strives to protect the environment in order to fulfill the social responsibilities of the Group. The Group adheres to operational sustainability in terms of resource sustainability, ecological sustainability, operational sustainability and social sustainability. The Group focuses on strengthening environmental protection measures to comply with relevant local laws and regulations and implement environmental policies. Through continuous enhanced measures, the Group promotes clean production to reduce the emission of pollutants. On the other hand, the Group promotes the optimal use of forest resources, reducing damage to the environment and waste of resources, avoiding over-consumption and over-harvesting, and continuously delivering clean products to the market. The Group also continues to focus on regulating the Group's environmental management by utilizing a standardized management system. The Group's subsidiaries have already established the ISO 14001 environmental management system and have passed independent third-party certification.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly complies with the “Environmental Protection Law of the People’s Republic of China, “Law of the People’s Republic of China on the Prevention and Control of Water Pollution”, “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution”, “Law of the People’s Republic of China on Prevention and Control of Environmental Noise Pollution”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” and other environmental protection related laws and regulations. The Group has established the policy of environmental protection and responsibility to actively implement environmental protection measures for the pollution generated from its operational process.

The Group has established the “Pollution Control Procedure for Sewage, Exhaust Gas, Noise and Waste” to effectively control the pollutants generated such as sewage, exhaust gas, noise and waste. The Group also manages the waste in an orderly manner and supervises the implementation of environmental protection measures by different departments to prevent and reduce environmental pollution, to protect and improve the environment and to ensure the health of workers, in order to achieve the Group’s environmental protection goals and indicators.

The supervisors of the Group’s production bases and office executives supervise the implementation of the above measures and related environmental protection policies. The Group hopes that under strict supervision and guidance, all departments will do their best to implement its environmental protection policies and ensure that all operational processes are complied with relevant laws and regulations. Persons in charge of environmental protection at all levels will continue to review its policies and practices and report to management if necessary with proposed suggestions. If there is an abnormal discharge caused by an emergency during the production process, the persons in charge will immediately take emergency measures to prevent the expansion of pollution and report to the management in a timely manner in order to coordinate the work.

During the Reporting Period, the Group did not have any violations of local environmental laws and regulations that had material impact to the Group in respect of exhaust gas and greenhouse gas emissions, emissions from water and land, and hazardous and non-hazardous waste.

Exhaust Gas Emission

Among the Group’s operational process, the sources of exhaust gas emission are: production process of plywood products, transportation of goods and boiler combustion for the supply of electricity and heat (biomass wood pellet). These mainly lead to the following four categories of exhaust emissions: saw dust, volatile organic compounds (VOCs), boiler exhaust gas and vehicle exhaust gas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of Exhaust Gas Emission Performance:

Exhaust gas emission category ¹	Total emissions in 2018 (Tonnes)	Total emissions in 2017 (Tonnes)
Sulphur Dioxide (SO ₂)	9.02	11.01
Nitrogen Oxide (NO _x)	35.68	43.88
Inhalable Particles (PM ₁₀)	0.71	0.88
Total	<u>45.41</u>	<u>55.77</u>

Note:

- The Summary of Exhaust Gas Emission Performance only includes boiler exhaust gas from biomass wood pellet. The exhaust gas emission are with reference to, including but not limited to, "Technical Guidelines for the Preparation of Exhaust Gas Emission List for Biomass Combustion Sources" issued by Ministry of Environmental Protection of the People's Republic of China (the "PRC").

The Group uses the following methods to deal with the above four categories of exhaust emissions:

- Saw Dust — During the operation of the dram sanders, a large amount of sawdust and wood flour are produced. Among these wood dusts, there are PM_{2.5} and PM₁₀ particulates, which cause harm to the respiratory tract and eyes. The treatment methods and measures for reducing emissions are as follows:
 - Installation the central dust removal system: Dust collection equipment such as bag dust collectors or gas collection hoods have been installed in the dust-prone areas (wood chip grading areas, slab laying areas, and sanding areas for cutting). The suction system inhales the gas into the bag filter or cyclone separator. Regular inspections are conducted for the system to detect and eliminate blockages that interrupt the effective removal of dust;
 - Installation of ventilation systems in workshops;
 - Enhancement on facilities management and regular maintenance for the treatment facilities to keep the facilities in normal operation;



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Use of measures such as windbreaks, spraying, or binders to minimize dust emissions where outdoor stockpiles are unavoidable;
 - Handling of chips and particles by pneumatic means rather than by open conveyor or by bulk transport. Where conveyors are used, they should be fully enclosed, especially at height changes;
 - Enclosure of chips storage areas;
 - Installation of dust removal devices to regularly clean up dust generated by treatment facilities, and timely transport dust to designated locations for stacking and disposal. After treatment, the dust will be discharged after reaching the Integrated Emission Standard of Air Pollutants (GB16297–1996); and
 - Regular review for the safety of production equipment and selection of advanced production machinery and equipment.
- b. Volatile Organic Compounds (VOCs) — In the plywood production process, a large amount of exhaust gas is generated in the assembling, bonding, drying, and hot pressing steps, resulting in the emission of volatile organic compounds (VOCs). Ingredients include benzene, benzene series, formaldehyde, etc. It is odor and harmful to people's health and living environment. Treatment methods and reduction measures are as follows:
- Use of environmental friendly adhesives and cleaning agents that have passed the environmental labeling product certifications;
 - Use of UV photolysis method to treat coating exhaust gas: It can effectively remove volatile organic compounds (VOCs), inorganic substances, hydrogen sulfide, ammonia, mercaptans and other major pollutants, as well as all kinds of bad smell. The deodorizing effect greatly exceeds the Emission standards for Odor Pollutants (GB14554–1993) issued in 1993 and the Integrated Emission Standard of Air Pollutants (GB16297–1996) issued in 1996; and
 - Promotion of production procedures and products that meet international environmental protection standards.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- c. **Boiler Exhaust Gas** — Apart from purchased electricity and central heating, the Group also supplies electricity and heat by its own use of boilers. Exhaust gas is also generated in the boiler combustion process, resulting in the emission of air pollutants including sulfur dioxide (SO₂) and nitrogen oxides (NO_x). Treatment methods and reduction measures are as follows:
- Minimization of air pollutant emissions by installing a cyclone and a bag filter to treat the boiler exhaust and discharge after meeting Emission Standard of Air Pollutants for Boiler (GB13271-2014) and total amount control requirements;
 - Installation of ventilation systems in workshops; and
 - Extensive use of the Group's production of biomass wood pellet (using the "three residues" produced during the plywood production process) instead of coal for combustion. Due to the low content of sulfur, phosphorus and nitrogen oxides in biomass wood pellet, it will not release large amounts of exhaust gas and its components after combustion, thus effectively reducing exhaust emissions.
- d. **Vehicle Exhaust Gas** — During the production process of the Group's products, a large number of vehicles are used to transport raw materials (timber) and finished products. The consumption of gasoline and diesel also results in the emission of air pollutants including SO₂ and NO_x. Treatment methods and reduction measures are as follows:
- Optimising the operational procedure to increase the loading rate and reduce the idling rate of vehicles;
 - Performing vehicle and equipment maintenance on a monthly basis to prevent inefficient fuel consumption or abnormal operations; and
 - Phasing out substandard vehicles, purchasing regular diesel oil and gasoline for vehicles, and conducting inspection every year in accordance with the emission policies formulated by the state (GB IV) to ensure that emission standards of the state are met.

Greenhouse Gas ("GHG") Emission

The Group's GHG emissions are mainly comprised of indirect greenhouse gas emissions (Scope 2) resulting from the purchased electricity and direct greenhouse gas emissions resulting from the combustion of biomass wood pellet from boilers and gasoline and diesel from transportation (Scope 1). The Group has actively adopted the electricity-saving and energy-saving measures to reduce GHG emissions, including:

- Wood-burning biomass boilers are used instead of coal stoves for combustion and power generation. Because the average amount of carbon dioxide ("CO₂") emitted by biomass wood pellets is lower than that of coal (According to the IPSOS report, the amount of grams of CO₂ emitted per megajoule of biomass wood pellet is 83.8, while that of coal is 88.1-97.6), therefore, this effectively reduces the GHG emissions;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- In utility plants (boilers and thermal fluid heaters), the general energy efficiency techniques are adopted where appropriate;
- Energy used in drying is reduced through use of relatively dry raw materials, including recycled wood matter in particle board manufacturing, by maximizing the contact between drying air and particles in dryers through use of a three-pass dryer or partial recirculation of hot and dry dryer exhaust air and minimizing dryer temperature to the extent possible;
- Energy efficiency and environmental protection related production technologies are researched;
- The GHG emissions caused by vehicle exhaust gas are reduced, detailed measures are described in the section “Exhaust Gas Emission — Vehicle Exhaust Gas” above; and
- At the office level, environmental protection and energy conservation measures are actively taken and relevant measures are described in the “Energy Efficiency Management” of A2.

Summary of GHG Emission Performance:

GHG scope	Total emission in 2018 (Tonnes CO ₂ e)	Intensity in 2018 (Tonnes CO ₂ e/ employees)	Total emission in 2017 (Tonnes CO ₂ e)	Intensity in 2017 (Tonnes CO ₂ e/ employees)
Direct GHG emission (scope 1)	1,104.45	2.82	1,182.00	1.93
Indirect GHG emission (scope 2)	<u>2,444.61</u>	6.24	<u>3,460.00</u>	5.64
	<u><u>3,549.06</u></u>	9.06	<u><u>4,642.00</u></u>	7.57

Notes:

1. Greenhouse gas emission data are presented in terms of CO₂ equivalent, with reference to, including but not limited to, the reporting requirements of the “GHG Protocol Corporate Accounting and Reporting Standard” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare on ESG Report — Appendix II: Reporting Guidance on Environmental KPIs” issued by the Hong Kong Stock Exchange, and the latest published Baseline Emission Factors for Regional Power Grids in the PRC.
2. As at 31 December 2018, the Group’s total employee number was 392. This data is used to calculated other intensity data. (2017: 613)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sewage Discharge

The Group has developed environmental operation control procedures to monitor the production, office and domestic sewage to comply with relevant laws and regulations and to meet the local government's sewage discharge standards. The Group mainly discharges domestic sewage during the daily production and operation process. The discharged domestic wastewater is purified by underground sewage treatment equipment and discharged into the urban sewage pipeline network.

Summary of Sewage Discharge Performance:

Type of sewage	Total discharge in 2018 (Tonnes)	Intensity in 2018 (Tonnes/ employees)	Total discharge in 2017 (Tonnes)	Intensity in 2017 (Tonnes/ employees)
Domestic sewage	862	2.2	849	6.96

Waste Disposal

The Group identifies and classifies wastes, centralizes them for storage and disposal. In the office area and the production area, the Group has set up waste sorting bins and designated the personnel to handle the waste in a timely manner and maintain the sanitation around the collection bins. For the following types of solid waste, the Group adopts specific treatment measures:

Non-hazardous Waste

For the solid waste generated during the production process with recycling value, such as plywood processing residues (wood end, bark, wood core, waste wet veneer, discarded dry veneer, trimming, unqualified veneer, etc., commonly known as "three residues"), the Group carries out comprehensive utilisation after classification and recycling. They are used as raw materials for the production of biomass wood pellet or fuel for boilers. The ash generated by the biomass boilers is stored in a closed windproof area until it is completely cooled. After evaluating the impact of ash components on soil and groundwater, ash will be transported back to the forest or other places and incorporated into the soil as a fertilizer and soil amendment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Non-hazardous Waste (Non-Recyclable)

Non-recyclable non-hazardous wastes are stored centrally in waste warehouses or refuse dumps. After reaching a certain volume, they will be transported to the designated place in a leak-proof to prevent scatter, loss and leakage, and ensure that they will not be discarded along the way.

Type of non-hazardous waste	Total discharge in 2018 (Tonnes)	Intensity in 2018 (Tonnes/ employees)	Total discharge in 2017 (Tonnes)	Intensity in 2017 (Tonnes/ employees)
Forest residues generated from plywood production process — being recycled into biomass wood pellets and used as boiler fuel	12,654	32.28	15,729	25.66

Hazardous Waste

For hazardous wastes, the Group centralises them for classification and labels them in accordance with local laws and regulations, and stores them in designated locations. The departments that produce hazardous wastes put them into special boxes in production workshops, warehouses, and office areas. The employees of the Group arrange them to be sent to the qualified third-party collectors for harmless disposal. According to the business nature, the Group did not generate significant amount of hazardous waste during the Reporting Period.

Other Waste Reduction Measures — Office Paper Management

The Group is committed to establishing an environmental friendly office. The office makes full use of the computer system, while general business notices and data transmissions are conducted through the internet system. Printing and copying are minimised to the largest extent to reduce paper usage. Office paper are used for both sides. The office management is responsible for supervising the amount of paper usage; waste paper is collected and disposed by the administrative department and the office. Scrap boxes or package boxes will be placed as recyclable waste for disposal.

A2. Use of Resources

General Disclosures and KPIs

The Group is actively promoting the effective use of resources for the purpose of real-time monitoring of the potential impact of business operations on the environment. By implementing the four basic principles of reducing, reusing, recycling and replacing, the green office and operating environment are set to minimize the environmental impact of the operation of the Group. The Group emphasises on the rational and efficient use of resources. The Group takes full control on raw materials, production processes and final products, and strive to create a high-quality and green product line, minimize the use of resources, and eliminate any form of waste. The Group manages the use of resources such as water, electricity and oil, and conducts key management of major energy-consuming equipment. It also uses statistics on monthly usage and standardizes equipment operation procedures to fully and effectively use energy. In addition, in order to achieve sustainable development, the Group regularly circulates environmental protection messages and practical advice on environmental-friendly lifestyles to its employees.

Energy Efficiency Management

In the daily production and operation process, the main sources of energy consumption of the Group are electricity for production, biomass wood pellet used by boilers and petrol and diesel consumed for transportation.

The Group actively adopts the concept of energy conservation and emission reduction and uses of biomass wood pellets instead of raw coal to power boilers. Due to the high calorific value and high combustion rate of biomass fuels, the consumption amount of fossil fuels is greatly reduced, hence energy efficiency is improved. In order to standardize the operation of the boilers, the Group has implemented the “Regulations for Boiler Operation and Management”.

The Group has set rules and regulations to achieve the goal of saving electricity and using electricity effectively. The relevant measures are as follows:

- Using electricity-saving equipment, electrical appliances, and lamps for production, office, and domestic electricity use;
- Forbidding the running of idle equipment, and the unreasonable electric wiring distribution;
- Requiring employees to turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours only if needed;
- Strictly regulating the use of air conditioners, not setting temperature lower than 25°C in summer; higher than 20°C in winter; and
- Enhancing the maintenance and overhaul of equipment, maintaining the best condition of all electronic equipment for effective use of electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group installed LED energy-saving lamps in all lighting areas. Through posting power-saving slogans, etc., it raises the employee's awareness of energy conservation and environmental protection in the work and life.

During the Reporting Period, the Group's consumption of electricity and other types of energy as well as their intensity were:

Type of Energy	Volume in 2018	Intensity in 2018	Volume in 2017	Intensity in 2017
Diesel	85,169 litres	217.27 litres/ employees	81,131 litres	132.35 litres/ employees
Petrol	55,204 litres	140.37 litres/ employees	12,532 litres	20.44 litres/ employees
Electricity	3,220,825 kWh	8,216 kWh	4,554,130 kWh	7,429 kWh

Water Consumption Management

The Group's water consumption is mainly from the domestic water consumption of office area and living quarters. Water-saving appliances are used in all water facilities. The faucets should be closed in time after using water to prevent the wastage and leakage of water. If abnormal conditions are found, the equipment department will be notified in time to prevent any wastage of water resources. The Group has been enhancing its water-saving promotion, posting water-saving slogans, and reminding employees to use water reasonably. The water consumption volume of the Group during the Reporting Period is stated in "Sewage Discharge" session of A1 — Emission

Use of Packaging Materials

During the production process of the Group, the packaging materials used are plastic bags and cardboards. The total usage amount during the Reporting Period was 366,461 pieces/block. (2017: 256,111 pieces/block)

A3. Environment and Natural Resources

General Disclosures and KPIs

The Group pursues the best practice with the environment and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environmental related regulations and international standards to appropriately protect the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability.

The Group works tirelessly to mitigate the environmental impact of its activities through adopting industry best practices targeted at reducing natural resources consumption and achieving effective emission management. We regularly assess the environmental risks of our business, and adopt preventive measures to reduce risks and to ensure compliance with relevant laws and regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Forest Resources

Since the raw materials used by the Group's production are mainly wood, its business operation has a potential impact on the forest resources. Therefore, the Group needs to avoid placing potentially excessive pressure on the forest resources. The Group strictly complies with the "Environmental Protection Law of the People's Republic of China", "Forestry Law of the People's Republic of China", "Regulation on the Implementation of the Forestry Law of the People's Republic of China" ("Regulation on the Implementation of the Forestry Law") and other laws and regulations of local government and the state. At the same time, the Group commits to minimize impact on forest resources of mainland China during its production process. During the transportation process, the Group has obtained Timber Transport License for the transportation of timber in accordance with "Environmental Protection Law of the PRC" and "Regulation on the Implementation of the Forestry Law".

During the Reporting Period, the Group's poplar consumption was:

Type	Volume in 2018	Intensity in 2018	Volume in 2017	Intensity in 2017
Poplar	203,818 m ³	519.94 (m ³ /employees)	240,000 m ³	391.52 (m ³ /employees)

The Group has adopted the following measures to ensure the legality of the source of poplar logs, poplar plywood cores and veneers:

- a. For rural farmer suppliers, pursuant to the Forestry Law of the People's Republic of China, the trees grown neighbouring their homes, on their private lands or private hills can be freely cut or logged without obtaining a logging permit (採伐許可證), and therefore timber supplied by such rural farmers logged from land neighbouring their homes or their private lands or private hills are legal.
- b. For corporate suppliers, its policies are:
 - To review the relevant operation permits possessed by the suppliers such as the business licenses and timber operation and processing permit (木材加工經營許可證);
 - To conduct regular on-site inspections to the suppliers;
 - To assess the reputation of the suppliers;
 - To purchase poplar logs, poplar plywood cores and veneers with the valid value-added-tax invoices issued, and to keep such original value-added-tax invoices by the Group; and



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- To check the suppliers' business licenses and other licenses or approvals associated with their operations, (such as business licenses and timber operation and processing permits) on a regular basis.

For suppliers that may cause serious damage to the forest resources or those have caused major damage to the forest resources, the Group will terminate their supply contracts. Through strict review of different types of suppliers, the Group ensures that there are no suppliers in the supply chain to conduct illegal logging to avoid over-harvesting activities that violates the law, thus protecting forest resources from excessive consumption.

B. SOCIETY

B1. Employment

General Disclosure

Employees are the largest and most valuable asset and the core competitive advantage of the Group. At the same time, it provides the Group with the driving force for continuous innovation. Therefore, the success of the Group is highly dependent on its capability to attract, cultivate and retain employees. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardizes labour employment management, protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and values their enthusiasm, initiative and creativity in order to build a harmonious labour relations.

The Group actively complied with laws and regulations, such as the "Labour Law of the People's Republic of China" 《中華人民共和國勞動法》 ("Labour Law") and the "Labour Contract Law of the People's Republic of China" 《中華人民共和國勞動合同法》 ("Labour Contract Law"). The Group has established relevant personnel management policies such as "Policy on Remuneration Management", "Procedures on Recruitment", "Regulations on the Procedures of Onboarding, Departure and Transfer" and "Employee Handbook" to provide employees with a healthy, positive and motivative working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

During the Reporting Period, the Group did not aware any material non-compliance of laws and regulations in respect of human resources.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Remuneration and Benefits

The Group has established a fair, equitable, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. The remuneration of the employees of the Group comprises of basic salary, performance bonus, overtime payment, position subsidy, related subsidies and other various bonuses. In addition, the Group conducts annual assessments in accordance to changes in macroeconomic factors (e.g. national policies and price levels), industry and regional remuneration levels, changes in the Group's development strategy, and the overall effectiveness of the Group, and makes corresponding adjustments to staff remuneration.

The Group has signed and executed labour contracts with employees in accordance with the Labour Contract Law. The signing rate of the labour contracts is 100%.

In accordance with the law, the Group legally pays “five social insurance and one housing fund” for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees covered by social insurance.

The Group sincerely safeguards the legitimate interests of labour in accordance with the requirements of the national and local laws and regulations (e.g. the Labour Law), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. The Group follows the “Regulation on Paid Annual Leave for Employees” 《職工帶薪年休假條例》 and other relevant regulations to implement the paid leave system for employees. Meanwhile, overtime wage is paid for labour exceeding statutory working hours in accordance with national laws and regulations.

The Group has been committed to providing thoughtful and comprehensive employee benefits and actively organizing various activities. On the one hand, it creates a warm family atmosphere with meticulous care to employees. On the other hand, it helps employees to build up work-life balance through such benefits. The relevant benefits and activities are as follows:

- To organize a variety of cultural and sport activities as well as entertainment activities to provide employees a platform for self-expression;
- To establish various culture and entertainment venues to enrich employees' leisure life and cultivate employees' positive moral sentiments;
- To provide family vacation benefits such as marriage leave and maternity leave so that employees can spend time with their families; and
- To deliver festive foods such as moon cakes and dumplings to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion and Dismissal

The Group actively implements strategies for strengthening the enterprise by employing talents, and has continuously established and improved its recruitment and selection mechanism. In the recruitment process, the Group standardizes the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of justice, fairness, competitiveness, and on a selective basis, so as to continuously attract talents.

The Group manages front-line production employees and office support staff separately, specifies the basis and process of management for staff promotion, transfer and demotion, regulates the departure and dismissal processes, and protects the interests of both employees and the Group.

The Group has implemented a fair and open assessment system to provide employees with opportunities for promotion and development based on their work performance and internal assessment results so as to explore their potential at work. In order to optimize the allocation of human resources within the Group and to provide more opportunities and platforms for employees' career development as to meet the Group's needs of sustainable development, the Group has established a succession planning and arranges tailor-made trainings and leadership position trainings for key training targets. For employees who have contributed to the Group, the Group gives priority to appointment when competing for posts.

Equal Opportunity

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process and developing relevant policies to eliminate discrimination in the recruitment process to ensure no discrimination regardless of race, gender, colour, age, family background, ethnicity, ethnic tradition, religion, physical fitness and nationality and thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, to attract professionals with diverse backgrounds to join the Group.

Communication with Employees

The Group has also been committed to continuously improving its communication channels with employees based on labour union. The Group has established a labour union organization to solve employees' problems in the expression of demand, the handling of contradictions and other issues through various methods, and to ensure employees' right to participate, know and supervise.

B2. Health and Safety

General Disclosure

The Group recognizes the importance of the health and safety of its employees, commits itself to providing employees with a healthy, safe and comfortable working environment and strives to eliminate potential health and safety hazards at workplaces. The Group enforces relevant laws and regulations such as the “Labour Law of the People’s Republic of China” 《中華人民共和國勞動法》, “Work Safety Law of the People’s Republic of China” 《中華人民共和國安全生產法》, “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” 《中華人民共和國職業病防治法》 and “Fire Protection Law of the People’s Republic of China” 《中華人民共和國消防法》.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation were paid to its employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

Safe Production Management Mechanism

The Group has formulated “Policy on Management of Safe Production” and “Policy on Management of Safe Production Training” to govern the safe production work of the Group. The Group has also established a safe production guideline of “Safety First, Precaution Crucial, Participated by all Employees and Comprehensive Control”, implemented a safety supervision and management principles of “All employees, All of the process, All-rounded and All time” and demanded all employees to build an ideology of “Ensuring Production Safety is a Key Responsibility” to enhance their sense of responsibility and urgency on safe production. The Group has strengthened safety production supervision and management, defined safety production responsibilities, and implemented various national laws and regulations relating to safety to prevent and reduce safety accidents and ensure the safety of employees and the Group’s assets.

The Group has always focused on regulating the Group’s occupational health and safety management through a standardized management system. Meisen (Shandong) has established occupational health and safety management system in accordance with the OHSAS18001 international standard and it has passed the certification of a third-party. In accordance with the system’s requirements, the Group has formulated a series of procedural documents, including but not limited to, “Environmental, Occupational Health and Safety Operations Control Procedures”, “Hazard Identification and Risk Assessment Control and Evaluation Procedures” and “Emergency Preparedness and Response Control Procedures”.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group identifies and evaluates the potential hazards affecting the health and safety of employees and customers in the Group's activities, products and services, prioritizes the level of risk, and implements effective control and management, which provides basis for establishing target indicators and preventing hazards. In response to identified potential hazard, the Group takes training and drills to improve the ability of all staffs to respond to emergencies in production and other experimental processes. So that all staffs facing the emergency conditions or accidents can be quickly and effectively take emergency measures to reduce the impact of various types of dangers, including injuries to personnel, property losses and adverse effects on the environment.

The Group's professional safety supervisors monitor and evaluate safety measures on a regular basis and will immediately correct them to prevent accidents and work injury.

Measures on Safe Production

The Group implements the following measures on safe production to prevent possible physical damage to workers during its production process:

Machine Safety

There is a lot of cutting equipment equipped in its production workshop, such as chippers, mills, flakers, saws and sanding equipment. In addition, process machinery such as multi-opening presses and drive systems can have the risk of body trapping. If they are used carelessly, injury may happen. Therefore, the Group has taken the following measures to prevent and control work injuries caused by cutting equipment, including:

- All cutting equipment should be fitted with safety guards capable of preventing access to moving cutting blades;
- All workers should be trained in the safe use of cutting equipment;
- Chippers should be fitted with safety guards which prevent the insertion of body parts;
- All cutting equipment should be adequately contained to prevent the expulsion of blade fragments in case of blade breakage; and
- Moving gears, chains, belts and rollers should be fully enclosed.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Log Handling Activities

During the transportation process of logs of the Group, logs are generally unloaded from railroad cars or heavy trucks and stacked by machines before being moved to log conveyors for transport to the debarker and chipper. Injuries due to vehicle movement in log yards are common, in addition to injuries from logs that roll off or are dropped by handling equipment or are dislodged from log stacks. Therefore, the Group adopts following measures to prevent, minimize, and control injury in log yards, including:

- Complete mechanisation of log yard activities to reduce human contact with logs during handling and stacking activities;
- Transport routes within log yards are clearly demarcated and vehicle movement should be closely controlled;
- Log stacks are no higher than a safe height defined by risk assessment which should take account of site specific circumstances including stacking methodology;
- Access to log yards is restricted to authorized personnel;
- Log decks are equipped with stops, chains, or other guards to prevent logs from rolling down and off the deck;
- Workers are trained in safe working procedures in log stack and deck areas, including avoidance of falling logs and planning of escape routes;
- Workers are provided with protective steel capped boots, hardhats, high visibility jackets, eye protection and gloves; and
- All mobile equipment are equipped with audible reversing alarms.

Burns

As a plywood products and biomass wood pellet manufacturer, severe injuries from steam, hot oil, or hot machinery are risky in its production lines and may occur through accidental contact with hot surfaces and by accidental release of hot substances to the workplace. The Group has adopted the following measures to prevent and control injury from steam pipelines and other hot materials:

- Insulation and regular inspection of all steam and thermal fluid pipelines;
- Direction of steam vents and pressure release valves away from areas where workers have access;
- Automated handling of hot liquors or resins; and
- Screening of all high temperature areas of presses to prevent ingress of body parts.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safe Production Training and Employee Health Management

The Group creates a good working environment and safe production conditions for employees, strengthens safety inspections, and ensures the safety of production equipment and facilities. Personal protective equipment such as masks, respirator, ear plugs, gloves, safety helmets and other personal protective equipment are provided to employees. The Group also provides employees with production safety education and training, so that they have the necessary production safety knowledge, are familiar with the relevant production safety regulations and operating procedures, and have the necessary safety operation skills for their respective positions. Employees performing special operations are required to receive specialized safety training and obtain qualification certificates for special operations. For production employees, the Group stipulates that employees in the production workshop need to pass three-levels safety education and receive labor protection supplies in accordance with regulations before their onboard.

In order to prevent occupational diseases and injuries, the Group helps employees understand occupational hazards that may arise from production activities, potential consequences and protective measures. Furthermore, the Group provides occupational health tests for employees and retain staff occupational health records.

Fire Safety Management

The Group recognises the importance of fire safety within the factory, designs and conducts production plant buildings in accordance with the national engineering building fire control standards, and formulates fire safety working methods and establishes fire control systems. Fire facilities, including fire sprinkler systems, fire extinguishers, fire hoses, etc., are provided in warehouses, production workshops and offices, and are maintained on a regular basis. The “No smoking” logo is affixed to each gate and workshop. Motorcycles and cars need to be parked at designated locations. The monitoring of key locations (such as transformers, power supply and distribution rooms, storage of flammable and explosive materials warehouses, etc.) is strengthened to reduce the potential for fire hazards.

In order to enhance the fire safety awareness of employees, the Group also performs regular firefighting trainings and emergency drills for its employees, including hiring outside experts to conduct fire drills for fire brigades and medical teams.

In addition, in the plywood production lines, large amounts of finely divided combustible dust may be existed in some areas. Therefore, the Group has implemented the following measures to prevent and control fire and explosion hazard related to dust:

- Regular housekeeping to ensure that dust is removed from the facility, including a biannual blow down or vacuuming of the entire facility (e.g. roof rafters);
- Use of explosion relief panels on all dust moving equipment, in dryers and in buildings;



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Installation and regular maintenance of spark detection and deluge dousing systems in dryer systems and dust control equipment;
- Eliminating all sources of ignition from the working environment, including:
 - o Elimination of naked flames, such as burner flames, welding or cutting torches, matches, cigarette lighters, and heaters;
 - o Control of hot surfaces, such as operating internal combustion engines, frictional sparks, heated wires, glowing metals, and overheated bearings;
 - o Control of portable, battery powered equipment e.g. radios, mobile phones etc.;
 - o Safe use of certain chemicals, such as peroxide hardening products which can be self-heating or result in spontaneous combustion; and
 - o Grounding of conveyors and dust control systems to prevent discharge of static electricity.

B3. Development and Training

General Disclosure

The Group focuses on the establishment of an internal management system of training and development for the Group. Through diversified training programmes such as induction training, management training, technical skills training and pre-employment training, the Group satisfies the different needs of job duties at all levels. Hence, the Group enhances its sustainable development, and enhances employees' personal growth and development at the same time.

Training Management

The Group has established the "Human Resource Management Procedures" to regulate the training and management of employees. The training programmes of the Group are divided into internal training and outsourced training, and the training plan is formulated by the management team on an annual basis. Moreover, a corporate training file has been established. The management will regularly review the effectiveness of different internal training courses to help improve the efficiency of the Group's training system. The Group also provides education and training incentives to encourage employees to participate in external training on their own. At the same time, the Group also subsidizes employees to obtain professional qualifications related to the Group's business.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training Programmes

The Group's internal training includes safety training, standard training, professional training, management knowledge and skills training, and professional knowledge training. Content includes professional etiquette, team building, product quality management, production operations management, process management, equipment operation and maintenance, production goal management and so on. Outsourced training means entrusting universities, research and development agencies, government agencies, and industry management departments to provide lectures for the Group.

The new employees will receive on job training to help them adapt to the work environment and perform their duties smoothly. The contents include the company introduction, company policies and updates, basic business knowledge, corporate culture, workshops, and the introduction of the relationship between various functional departments. The Group also provided training for employees in key positions such as production staff, technical personnel, internal auditors, middle management personnel, and quality inspectors.

The Group also recognises the importance of safety production training to ensure the personal safety of employees. The relevant policies have been described in detail in B2 "Safe Production Training and Employee Health Management" session.

B4. Labour Standards

General Disclosure

The Group strictly complies with the "Abolition of Forced Labour Convention", the "Labour Law of People's Republic of China" related to the employment of teenagers under 16 and their legal rights, and the "Provisions on the Prohibition of Using Child Labour".

The Group strictly prohibits the employment of any child labor and forced labor in its business in Mainland China. The Group clearly stipulates in recruitment guidelines that only employees over the age of 18 can be recruited, and that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and account information. The Group has established a complete recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. It also conducts regular reviews and inspections to prevent any child labor or forced labor in its operation.

In addition, the Group has established a forty-hour working time. Employees work overtime only in accordance with the principle of voluntariness to avoid violation of labor standards to effectively protect employees' rights and interests. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, and sexual harassment (including inappropriate language, posture, and physical contact) for any reason.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the same time, the Group also avoids the appointment of such suppliers and contractors who are known to have engaged in child labor or forced labor in their operations to provide products and services.

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

B5. Supply Chain Management

General Disclosure

In addition to purchasing the raw materials according to the specifications of the required products, the price trend of and the demand for raw materials, the Group also recognizes the importance of the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and regulated procurement system and supplier selection process, and puts forward requirements for suppliers on environmental and social risk control.

Supply Chain Management Structure

The Group has a well-managed procurement system and strict supplier selection process, including qualification authentication, laboratory testing, production examinations as well as annual review and reassessment to confirm the supplier's commitment to product liability to ensure the quality of raw materials. The Group and its subsidiary Meisen (Shandong) have formulated the Procurement Control Procedures to control the process, validation, identification, handling, storage and custody of the products being procured, in order to ensure compliance in respect of performance, quality, occupational health and safety, and environmental protection. To determine which suppliers should be included in the Qualified Supplier List, the Group looks into supplier's production and technical competency, independent production capacity, product cycles and applicable industrial standards, to fill out the Supplier Information Sheet, and screens suppliers by utilizing the Supplier Evaluation System. In addition, the sample must be reviewed during the first time purchase. After the sample is qualified, or after the trial of the small-volume sample is qualified, the normal bulk purchase will be performed, and the sample and its record will be retained for reference.

Fair and Open Procurement

The Group's procurement process strictly complies the relevant regulations, including but not limited to the "Bidding Law of the People's Republic of China" and is conducted under conditions of openness, fairness and impartiality. No discriminatory treatment will be given to any supplier. Employees and other individuals who have a relationship for common benefit with the relevant supplier will not be allowed to participate in relevant procurement activities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Risk Management of the Supply Chain

The Group requires the suppliers to sign the Supplier's Environmental Commitment Agreement regarding Environmental Issues with suppliers under the principle of "Mutual benefit, mutual development, environmental protection and benefiting the mankind", which stipulates that products and raw materials used by the suppliers shall meet environmental protection requirements set out in national and local laws and regulations as well as industrial standards, and encourages the usage of clean production process and equipment. In case any supplier fails to meet standards when discharging pollutants (waste water, waste gases, solid waste, noise, etc.) during the production, the Group will require such supplier to take corrective measures, set up signs warning about dangerous items and hazardous waste storage, and use recyclable packaging materials to avoid waste of resources. For suppliers who are likely to cause or have caused serious harm or major environmental pollution, the Group will terminate the supply contract.

As the raw material for production of the Group is mainly timber, the Group recognizes the importance of the potential risks of the Group's raw material supply chain to forest resources. The management structure and guidelines in this area have been described in detail in A3 — "Use of Forest Resources" session of the Report.

Apart from environmental risks, the Group also takes measures to examine whether its major suppliers/contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labor and child labor, and examine the suppliers' awareness in the above aspects.

Business Ethics

The Group is also concerned about the integrity of suppliers and partners. The Group will only select suppliers and partners who have had a good track record in the past and have no serious violations of relevant laws and regulations or violations of business ethics. The Group has zero tolerance to bribery and corruption, and suppliers and partners are strictly prohibited from obtaining procurement contracts or partnerships through any form of transfer of benefits.

B6. Product Responsibility

General Disclosure

The Group recognizes the importance of product quality and corporate reputation. It actively monitors the quality of its products and services through internal controls and is committed to producing high quality plywood products and biomass wood pellet products that meet international industry standards. The Group also maintains communication with its customers to ensure understanding and meeting customer needs and expectations, and understand customers' satisfaction. Thus, the Group is able to continuously improve its products and services. The Group strictly complies with



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

the national and local laws and regulations, including but not limited to, “Product Quality Law of the People’s Republic of China”, “Law of the People’s Republic of China on Protection of Consumer Rights and Interests” and “Advertising Law of the People’s Republic of China”.

During the Reporting Period, the Group was not aware of any material non-compliance with product and service quality-related laws and regulations.

Green Products

The biomass wood pellet is a green fuel made from agriculture and forestry residues (commonly known as “the three residues”) through crushing, drying and granulating process. Compared with traditional fuels such as the coal, the biomass wood pellet is a solid fuel which is smaller, sealable, easier to transport and store, and thus more economical for the Group. Less air polluting gases will be produced from the combustion of biomass wood pellets as they contains less sulphur and phosphorus. In addition, the average carbon dioxide emissions of biomass wood pellets are lower than that of coal, thus can effectively reduce GHG emissions by replacing coal as a source of electricity. Therefore, the biomass wood pellet has advantages in respect of transportation, storage, heat value and emission reduction.

Quality Control

To implement strict quality control, the Group has introduced the ISO 9001 quality management system and established quality standard in accordance to the relevant appropriate PRC standards to establish a comprehensive quality control system. Its products have passed all necessary product verification tests commissioned by the Group. These verification tests are conducted by independent testing and inspection institutions. Its plywood products satisfy the CARB requirements in respect of formaldehyde emission standard. Meisen (Shandong), for example, has obtained quality management system certification from an independent third party. Furthermore, the Group established quality management policies including Quality Management Policies, Production Process Quality and Safety Control Policy, Tracing Management Policy, Product Inspection Control Procedure and Product Batch Sampling and Inspection Management Process. Meisen (Shandong) conducts inspection over purchased products, processed products and finished products; uninspected or defective products are not allowed to be processed, transferred, stored or delivered. Meisen (Shandong) was classified as a “AAA” rated enterprise in terms of brand quality and integrity by the China Brand Evaluation Management Centre (中國品牌評價管理中心) in the previous years.

As required by the regulations of California Air Resources Board (“CARB”), the Group’s plywood products obtained the certificate of “Hardwood Plywood Veneer Core Formaldehyde Emission Standard: Phase Two (0.05 PPM),” in the previous years. The Group also engaged independent inspection institutions to test its biomass wood pellets for compliance with relevant industry standards on a regular basis.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has enough quality inspectors to implement quality control procedures. The quality control procedures the Group has adopted are as follows:

- a. Raw material inspection: The Group has formulated stringent supplier selection criteria based on product quality, delivery and costs, and have maintained relationships with its raw material suppliers. Such relationships enable the Group to procure quality raw materials with stable supplies. The quality control personnel runs the laboratory test and examines the raw materials upon delivery to ensure that they meet its requirements before the Group uses them for production. If such raw materials fail to meet its standards, the Group will return such raw materials to the suppliers and ask them to redeliver raw materials that are up to its standards.
- b. Process control: The Group implements quality control measures at several key points in the production process. The quality control personnel focuses on production line, performs tests at inspection points on production lines as stipulated in the Quality Inspection Standards and fills out the test log. Defective products shall be removed from the plants and stored separately by category for further disposal. Tests include pressure rating, thickness measurement, formaldehyde emissions test and surface quality test.
- c. Finished product inspection: Quality Control Inspectors are responsible for testing products according to the Quality Inspection Standards and preparing the Product Quality Report; workshop staff are responsible for the acceptance of qualified products according to the Product Quality Report and dealing with defective products as per the Control Procedures for Defective Products.

The Group appropriately retains test logs and makes monthly summary and analysis followed by corrective and preventive measures, so as to better implement the process control.

Research and Development

The Group considers research and development techniques and expertise in plywood processing and biomass wood pellets are vital to the success of its business. Therefore, the Group has established a research and development team, comprising of employees who have a bachelor degree or higher education background. The research and development team focuses on the research, development, modification and fine-tuning of its processing procedure, for further enhancing the quality and different features of its products, and also for lowering the production costs.

The Group further cooperates with several key universities to carry out research on its product quality, formaldehyde elimination, moth protection and aromatisation. The emphasis on production technologies increases productivity and adds more value to the products, priding the Group with a reputation as a credible and innovative supplier, thus effectively differentiating itself from its competitors.

Dasen (Heze) obtained the certificate of High-tech Enterprise (高新技術企業證書) from the Technology Bureau of Heze (荷澤市科學技術局) in the previous years.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to the collaborations with research institutes, the Group also intends to strengthen its research and development capability by:

- Purchasing advanced equipment and materials for research and development;
- Hiring research and development specialists who possess relevant knowledge and experience in wood preservation, chemistry or technology related to biomass wood pellet production process; and
- Hiring technicians for its laboratory.

Customer Service

The Group provides customers with good consumer experience through standardized, human-oriented and well-managed services. In accordance with the Group's Contract Review Policy, Customer Credit Evaluation Policy and other policies, customers' complaints are received and processed by sales department in a timely manner. The sales department is also responsible for following up customers' feedback as a way to improve customer satisfaction. Annual customer satisfaction survey is conducted to collect customer feedback.

The Group manages customer information under strict confidentiality to avoid data privacy leakage and requests relevant personnel to sign confidential agreement at time of recruitment to the Group's commercial secrets.

The Group engages professional advertisers in the design of product display booth, packaging advertisement and publicity brochures etc. This ensures its marketing materials not to be misleading and false advertising.

B7. Anti-Corruption

General Disclosure

The Group believes that a corporate culture of high integrity is the key to its continued success. Therefore, the Group recognises the importance of its anti-corruption work, policy and system, and are committed to building a fair, open and transparent corporate culture. The Group strictly complies with the related laws and regulations, including but not limited to, "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery".

During the Reporting Period, the Group did not notify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

Employee Code of Conduct

The Group does not allow any form of corruption, and if it happens, severe punishment measures will be taken. The Group has a strict internal control system and has established regulations on anti-corruption written in the Employee Handbook, which all employees must abide by. For those who abuse their power to engage in malpractices, misappropriation of funds and accepting bribes, the Group will immediately refer the case to law enforcement agencies.

Whistleblowing System

The Group has also established a whistleblowing system to establish and maintain a clean and transparent culture of the Group. The whistleblowing system allows all employees to report anonymously to the internal control staff, including negligence, corruption, bribery and other misconduct. The internal control staff will process the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also ensures that whistle-blowers will not be treated unfairly because of reports, the whistle-blowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

Publicity and Education

In addition, the Group has been adopting the following education measures to promote anti-corruption message to cultivate a culture of anti-corruption within the Group by:

- Promoting the code of conduct of integrity and anti-commercial bribery; and
- Arranging related educative events for senior management and division directors.

B8. Community Investment

General Disclosure

The Group believes that the Group should share the responsibility of contributing the society. Upholding the commitment of “Leading the industry, Benefitting the employees, Contributing to the society, Achieving harmony and win-win”, the Group actively fulfills its social responsibilities as a corporate citizen. By working with charitable organisations, the Group organises activities for public so as to build up positive image and fulfill social responsibilities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Charity Management

To strengthen the management of philanthropy and donation, the Group has developed the Temporary Regulation of Philanthropy of Dasen (Heze) according to the Articles of Association of Meisen (Shandong) and Dasen (Heze), Company Law of the PRC and other related laws and regulations. During the Reporting Period, the Group's total donation was RMB85,000. The Group donated RMB30,000 to the Shandong Poverty Alleviation and Development Foundation to fund the poverty alleviation undertakings of the Shandong Province. In the future, the Group will plan to increase the Group's support for public welfare undertakings through different means (such as donations, holding public welfare activities, etc.).

Social Responsibility Education

The Group hopes to foster a sense of social responsibility among its employees. Therefore, it has been encouraging employees to participate in charity activities during their work and personal time to make greater contributions to the community. It has also arranged for employees to participate in environmental protection activities, donation for educational development and social services. The Group believes that through directly participating in these activities that contribute to the community, its staff could build up positive value and eventually be a socially responsible citizen.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions — Exhaust Gas Emission, Greenhouse Gas Emission, Sewage Discharge, Waste Disposal
KPI A1.1 (“Comply or explain”)	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emission, Greenhouse Gas Emission, Sewage Discharge, Waste Disposal
KPI A1.2 (“Comply or explain”)	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — Greenhouse Gas Emission
KPI A1.3 (“Comply or explain”)	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Disposal (Not Applicable — Explained)
KPI A1.4 (“Comply or explain”)	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Disposal
KPI A1.5 (“Comply or explain”)	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas Emission, Greenhouse Gas Emission, Sewage Discharge
KPI A1.6 (“Comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Disposal



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources — Electricity Consumption Management, Water Consumption Management, Use of Packaging Materials
KPI A2.1 (“Comply or explain”)	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources — Electricity Consumption Management
KPI A2.2 (“Comply or explain”)	Water consumption in total and intensity.	Use of Resources — Water Consumption Management
KPI A2.3 (“Comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Electricity Consumption Management
KPI A2.4 (“Comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption Management
KPI A2.5 (“Comply or explain”)	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 (“Comply or explain”)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Use of Forest Resources



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community