

譚木匠控股有限公司^{*}

CARPENTER TAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 837



譚木匠

2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

^{*}For identification purpose only

TABLE OF CONTENT



芭
蕉
惹
雨

2	I. About this Report	17	5. Health and Safety
3	II. Stakeholders' Engagement	18	6. Compliance
5	III. Materiality Matrix	19	VI. Operating Practices
6	IV. Environmental Protection	19	1. Supply Chain Management
6	1. Management of Emissions	19	2. Product Responsibility
10	2. Management of Resources Utilization	20	3. Anti-corruption
14	3. The Environment and Natural Resources	21	VII. Community Investment
15	V. Employment and Labor Practices	23	VIII. Honors and Certifications
15	1. Talent Selection	24	IX. Vision Outlook
15	2. Labor Standards	25	X. Environmental Performance Data Summary
16	3. Compensation and Welfare	27	XI. "Environmental, Social and Governance Reporting Guide" by HKEX
17	4. Development and Training		

I. ABOUT THIS REPORT

The board of directors (the “Board”) of Carpenter Tan Holdings Limited (the “Company”) is pleased to present this Environmental, Social and Governance (hereinafter called “ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group” or “we”). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the environmental and sustainable development strategies and policies of Group’s business in the manufacture and sale of combs, mirror and other kinds of wooden/horn handicrafts for the year ended 31 December 2019. The Report discloses the required information under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group’s ESG strategy formulation and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel have discussed internally and identified the environmental, social and operating items; and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.



II. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Means of communication	Management response
Government/ regulatory organizations	<ul style="list-style-type: none"> ➤ Compliance in laws and regulations ➤ Fulfill tax obligation 	<ul style="list-style-type: none"> ➤ Periodic report/announcement ➤ Correspondence ➤ Field investigation 	<ul style="list-style-type: none"> ➤ Uphold integrity and compliance in operations ➤ Pay tax on time, and in return contributing to the society ➤ Establish comprehensive and effective internal control system
Shareholders/ investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Information transparency ➤ Corporate governance system 	<ul style="list-style-type: none"> ➤ Information disclosed on the HKEX website ➤ Company's official website ➤ Annual general meeting and other shareholders' meetings 	<ul style="list-style-type: none"> ➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Ensure transparent and effective communications by dispatching websites of HKEX and the Company ➤ Continue to improve the internal control system and focus on risk management
Employees	<ul style="list-style-type: none"> ➤ Labor rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety 	<ul style="list-style-type: none"> ➤ Employee activities ➤ Employee performance assessment ➤ Induction and on the job training ➤ Internal meetings and announcements ➤ Contact via email, phone, communication applications 	<ul style="list-style-type: none"> ➤ Set up contractual obligations to protect labor rights ➤ Encourage employees to participate in continuous education and professional trainings ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and safety

II. STAKEHOLDERS' ENGAGEMENT

Stakeholders	Expectations and concerns	Means of communication	Management response
Customers	<ul style="list-style-type: none"> ➤ High quality products and services ➤ Timely delivery ➤ Reasonable price 	<ul style="list-style-type: none"> ➤ Business visit ➤ Contact via email and phone call ➤ Customer service hotline 	<ul style="list-style-type: none"> ➤ Improve the quality of products and services continuously in order to maintain customer satisfaction ➤ Establish an effective, efficient and green supply chain system ➤ Formulate comprehensive quality assurance process and recall procedures ➤ Ensure proper contractual obligations are in place
Suppliers	<ul style="list-style-type: none"> ➤ Stable demand ➤ Good relationship with the Company ➤ Corporate reputation 	<ul style="list-style-type: none"> ➤ Business visit ➤ Contact via email and phone call 	<ul style="list-style-type: none"> ➤ Ensure proper contractual obligations are in place ➤ Establish policy and procedures in supply chain management ➤ Establish and maintain strong and long-term relationship with suppliers ➤ Select suppliers with due care
Communities	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Reduce greenhouse gas emissions ➤ Reduce waste generation ➤ Effective resource utilization ➤ Community contribution ➤ Economic development 	<ul style="list-style-type: none"> ➤ The Company's official website and information publicity website of government department ➤ Community activities 	<ul style="list-style-type: none"> ➤ Pay attention to climate change ➤ Continue to invest resources in environmental protection ➤ Strengthen energy saving and emission reduction management ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Maintain good and stable financial performance and business growth

III. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination measures ◆ Labor rights protection 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Product quality and safety ➤ Customers' satisfaction ➤ Service quality ➤ Suppliers management ◆ Occupational health and workplace safety ◇ Application of clean production and green products
	Medium	<ul style="list-style-type: none"> ➤ Community involvement 	<ul style="list-style-type: none"> ➤ Anti-corruption ◇ Greenhouse gas emissions ◇ Use of resources 	<ul style="list-style-type: none"> ➤ Customers' privacy measures and protection ◇ Exhaust air emission ◇ Sewage discharge
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labor 	<ul style="list-style-type: none"> ◇ Water resources utilization ◇ Generation of non-hazardous wastes 	<ul style="list-style-type: none"> ◇ Use of raw materials ◇ Generation of hazardous wastes
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation

IV. ENVIRONMENTAL PROTECTION

1. MANAGEMENT OF EMISSIONS

The Group has always strictly complied with the national laws and regulations on environmental protection, including the “Environmental Protection Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, the “Law of the People’s Republic of China on the Prevention and Control of Water Pollution”, the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”, the “Law of the People’s Republic of China on the Prevention and Control of Environmental Noise Pollution”, the “Law of the People’s Republic of China on Energy Conservation” and other local laws and regulations. The Group based on the ISO14001 environmental management system standards, and made reference to the Group’s operating environment, structure, production capabilities and human resources to develop a unique environmental management system and established different internal policies and procedures on pollutant management to regulate waste gases, waste water, noise and different types of solid wastes generated in operation and production. The factory that holds ISO14001 environmental system certification has been certified by a third-party professional certification body and comply with the international standards. We update the internal policies and procedures timely to ensure that the environmental policies and systems are in line with the national and local standards. We set up a Risk Control Centre within our management structure to supervise various actions in environmental protection, and monitor the environmental performance of the plant in a regulated and systematic manner. In order to effectively implement the emission reduction at source policy, to prevent pollution and to continuously improve the environmental management system, we communicate closely with the related stakeholders, demand all employees to participate in and to receive appropriate training, and to regularly review the implementation progress and the appropriateness of the environmental target, and hope to achieve the Environmental policy of “conserving energy and reducing carbon, complying with law and regulations, and greening the society”.

MANAGEMENT OF AIR AND GREENHOUSE GAS EMISSIONS

The waste gases generated by the Group during its operation mainly includes the dust from the production process, the volatile organic compounds from the painting process, the fume and waste gases from canteens, and the waste gases and greenhouse gases from cars and forklifts using gasoline and diesel. In order to comply with the applicable laws and regulations and to meet the emission standards of air pollutants, the Group has established “environmental protection control procedures” to control and monitor the emissions of exhaust air and dust. We have established stringent safety production procedures in the production division in order to avoid extra waste gas and dust produced from improper operation. We installed pulse central dust collector, and a port is set at its bottom to facilitate the removal of dust. We also installed ventilation and exhaust facilities to ensure that the exhaust and dust are diluted and discharged effectively. In order to reduce the production of fumes in staff canteens, we have installed purifiers such as fumes separators, and stipulated that canteen staff have to operate the cooking stoves properly to reasonably minimize fumes. We conduct regular repairs and maintenance on vehicles and forklifts to reduce waste gas and greenhouse gas emissions due to part failures.



Exhaust gas treatment equipment installed in Wanzhou plant

Wanzhou plant has obtained the air pollutant emission permit from local government and discharge particulate matter, sulfur dioxide, nitrogen oxides, non-methane total hydrocarbons, toluene and xylene following the requirements. During the reporting period, Wanzhou plant has entrusted professional testing company according to the requirements of the local environmental protection department to inspect the waste gases emitted by the plant. The testing contents include particulate matter, non-methane total hydrocarbons, toluene and xylene. The test results are in line with the national “Integrated Emission Standard of Air Pollutants”, “Emission Standard of Air Pollutants from Boilers” and local emission standards.

IV. ENVIRONMENTAL PROTECTION

MANAGEMENT OF SEWAGE

In order to comply with “Law of the People’s Republic of China on Prevention and Control of Water Pollution” and to meet the emission standards of sewage, the Group has established “Environmental Protection Control Procedures” to control and monitor the non-hazardous sewage produced in production, office and living. Our operation and production process did not generate any hazardous sewage. Domestic sewage discharge directly into water environment and farmland are forbidden, and they must go through separation and biochemical treatment before discharge into the municipal sewage pipe network system according to the regulations. The sewage from Wanzhou plant must be precipitated, filtered, and separated before reuse in the production process to conserve water and minimize sewage discharge; the sediments are sold to third party as fuel. Wanzhou plant has obtained the sewage discharge permit from the local government and discharge sewage that meets standards within the effective period. Wanzhou plant has entrusted professional testing company according to the requirements of the local environmental protection department to inspect the sewage produced by the plant this year. The testing contents include the concentration of pH value, suspended particulate, chemical oxygen demand, animal and vegetable oil. The test results are in line with the national “Discharge Limits of Water Pollutants”. During the reporting period, the Group discharged 33,517.00 tonnes of non-hazardous sewage, representing an increase of approximately 3,832.00 tonnes or 12.91% as compared to the previous year. This is mainly due to the increase in production level.

During the reporting period, the Group’s production of non-hazardous wastewater are as follows:

	2019 (Tonnes)	2018 (Tonnes)
Non-hazardous Sewage		
Total ¹	33,517.00	29,685.00
Intensity ²	7.42	6.74

Notes :

¹ Non-hazardous wastewater produced is estimated based on the actual amount of water consumed by Jurong office and Wanzhou plant.

² The intensity is calculated per each 1,000 production unit.

MANAGEMENT OF DISPOSAL OF SOLID WASTE

In order to comply with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”, “Standard for Pollution Control on Hazardous Waste Storage”, and the applicable laws and regulations, the Group has established “environmental protection control procedures” to manage and monitor the treatment process of disposal of solid wastes. Solid wastes mainly include hazardous wastes, recyclable wastes, non-recyclable wastes and domestic wastes.

Hazardous wastes include oil wastes, waste paints, activated carbon, paint bucket, filter cotton, solvents, thermometers, batteries, fluorescent tubes, toner and ink cartridges, etc. We follow the requirements of the local laws and regulations to label, categorize and process the hazardous wastes centrally; and store them in specified location. Hazardous wastes collection boxes are put inside the production plant, warehouse and office areas. The Administrative and Personnel Department and Wanzhou Plant Office deliver the collected wastes to the designated qualified agents of the government for processing. During the reporting period, the Group generated approximately 3,219.15 kilograms of hazardous wastes, representing an increase of 518.05 kilograms or 19.18% as compared with the previous year. This is mainly due to the increase in production level.

Non-hazardous wastes include recyclable and non-recyclable wastes. We formulate relevant policies and procedures for non-hazardous wastes recycling and external processing. Wastes such as woodchips, tiny wood and wood scraps are placed centrally and delivered to qualified recycling company for further processing or utilization when the wastes have reached certain quantity level. We review and change our production process with an aim to recycle the solid wastes whenever applicable, for example, optimize the production techniques of lacquer products to shorten the production process and reduce the use of sanding auxiliary materials; design products that can reuse scrap materials from other products (such as teeth-inlaid comb). The related techniques have been progressively matured, and can effectively save materials and reduce wastes. Non-recyclable wastes are centrally stored in waste warehouse/garbage station and delivered using closed circulation method to avoid loss and leakage, and unauthorized disposal in transit is prohibited. Solid wastes from our canteen is collected and stored centrally, and further processed by the local neighborhood committee. Although the production level rises this year, due to conservation measures implemented effectively, the Group generated approximately 59,446.00 kilograms of non-hazardous wastes, representing a drop of 11,484.00 kilograms or 16.19% as compared with the previous year.

During the reporting period, the Group's production of hazardous and non-hazardous solid wastes are as follows:

	2019 (Kilograms)	2018 (Kilograms)
Hazardous Solid Wastes		
Total		
Intensity ¹	3,219.15	2,701.10
	0.71	0.61
Non-hazardous Solid Wastes		
Total		
Intensity ¹	59,446.00	70,930.00
	13.15	16.11

Note :

¹ The intensity is calculated per each 1,000 production unit.

COMPLIANCE

During the reporting period, the Group's businesses strictly abide by the national environmental laws and regulations and did not involve in any confirmed violations or suspected violations that are related to emissions that have a significant impact on the Group.

IV. ENVIRONMENTAL PROTECTION

2. MANAGEMENT OF RESOURCES UTILIZATION

In order to comply with “Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise”, the Group has established “Environmental Protection Control Procedures”. The use of water, electricity and fuel are controlled as long as the production and office operations are not negatively impacted. All uses outside business are prohibited. Craft Equipment Division set up water, electricity and fuel consumption indicators. The level of energy consumption is reviewed and assessed quarterly, and when excessive consumption and wastage is noted, immediate attention and action is required, so as to control the situation and reduce its impact.

MANAGEMENT OF ENERGY UTILIZATION

CONSERVATION OF GASOLINE, DIESEL AND NATURAL GASES

Gasoline and diesel are mainly used in automobiles. Most of the time, the vehicles are used for business reception and commuting employees, while the forklift is used for handling materials and goods. Drivers must plan their routes in advance. If passengers travel to the same or close destinations, they will be arranged to use the same vehicle to reduce the amount of gasoline and diesel used. We conduct regular repairs and maintenance on vehicles for better energy use efficiency and to reduce fuel consumption and waste gas emissions due to part failures. During the reporting period, the Wanzhou Plant has stopped using diesel vehicles, and therefore, the Group consumed 2,200.00 liters of diesel, representing a drop of 3,756.00 liters or 63.06% as compared with the previous year; the Group consumed 13,419.33 liters of gasoline, representing a slight increase of 98.44 liters or 0.74% as compared with the previous year.

Natural gas is mainly used in cooking in canteens and boilers generating steam for operating the timber drying equipment. We regularly inspect natural gas pipelines, cooking facilities and boilers to avoid unnecessary waste caused by leakage and failure of cooking facilities and boilers. Leakage of natural gas also poses safety issues. During the reporting period, the Group consumed 157,776.00 cubic meters (“m³”) of natural gas, representing an increase of 12,246.11 m³ or 8.41% as compared with the previous year.

During the reporting period, the Group’s use of energy and Scope 1¹ greenhouse gas emitted are as follows:

	2019	CO ₂ equivalent emissions (Tonnes)	2018 ³	CO ₂ equivalent emissions (Tonnes)
	Consumption		Consumption	
Gasoline	13,419.33 Liters	36.34	13,320.89 Liters	36.07
Diesel	2,200.00 Liters	5.75	5,956.00 Liters	15.50
Natural Gas	157,776.00 m³	288.96	145,529.89 m ³	266.53
Total Group’s Emission		331.05		318.10
Group’s Emission Intensity ²		0.07		0.07

Notes :

¹ Scope 1 refers to the greenhouse gas emissions directly generated by the Group’s business, including burning gasoline, diesel, natural gas and so on.

² The intensity is calculated per each 1,000 production unit.

³ Certain figures for the previous year are restated to conform with the current year’s presentation.

CONSERVATION OF ELECTRICITY

The Group's electricity is mainly used in office and electrical equipment in the production plant. We actively promote the energy conservation and consumption reduction policy based on the applicable laws and regulation, and implement a series of energy conservation measures to educate employees on the relationship between energy use and sustainability of the planet, and raise their awareness of conservation so that they can build good habit in use of electricity. We strictly select energy-efficient equipment, electrical appliances and lighting for use in production and office areas. Empty running of equipment, unreasonable electric power distribution, etc. are strictly prohibited. Electrical equipment, including lighting, air-conditioners, electric fans, etc. are turned on according to need during office hours, and staff are encouraged to switch off the unused equipment after work. The temperature and duration of use of air-conditioners are strictly controlled. We pay attention to the maintenance and inspection of electrical equipment to keep them in good condition and to use electricity effectively. During the reporting period, Wanzhou plant has transformed the raw material processing equipment from manual visual inspection to infrared detection in order to reduce equipment idling time; the plant has also strengthened the daily management of dust removal devices, for example, increasing the frequency of cleaning dust removal devices to raise the operating efficiency of equipment, and thereby reduced electricity consumption. Although the Group's production volume has increased, with the active support from our employees and the above-mentioned energy saving measures, the electricity consumption during the year only increased slightly by about 137.12 MWh or 7.62%, and consumed approximately 1,935.42 MWh.

During the reporting period, the Group's use of electricity and the Scope 2¹ greenhouse gas emitted are as follows:

	2019		2018	
	Consumption (MWh)	CO ₂ equivalent emissions (Tonnes)	Consumption (MWh)	CO ₂ equivalent emissions (Tonnes)
Electricity	1,935.42	1,733.63	1,798.30	1,651.49
Total Group's Emission		1,733.63		1,651.49
Group's Emission Intensity ²		0.38		0.38

Notes :

¹ Scope 2 refers to the "indirect energy" greenhouse gas emissions caused by the consumption of purchased electricity within the Group's business.

² The intensity is calculated per each 1,000 production unit.

IV. ENVIRONMENTAL PROTECTION

CONSERVATION OF WATER

The Group uses government-supplied water sources mainly for production, domestic use (including hand washing, cleaning, canteens, staff dormitories, and so on) and greening. Although we do not encounter any water supply problem during the reporting period, we have taken various measures to raise the water resources use efficiency, to reduce the impact on the environment and to educate our employees to save water in daily life. We use water-saving appliances; turn off water tap after use to prevent running, overflowing, dripping and long flowing water; to reuse and recycle water in production process. When irregularity is found, one should report the case to the Equipment Division to take appropriate action to prevent wastage of water resources. During the reporting period, the Group consumed 33,531.01 tonnes of water, representing a rise of approximately 3,832.41 tonnes or 12.90% as compared with the previous year. This is mainly due to the increase in production level and the lake restoration project inside Wanzhou plant. In order to improve the lake water quality in the Wanzhou plant and prevent seepage at lake bottom from further aggravating, lake water was discharged for the purpose of installing a water circulation system and carrying out seepage renovation work. Lake water is natural water and not polluted in production and living waste water in the plant, and thus the water can be discharged directly into the river.

During the reporting period, the Group's use of water resources are as follows:

	2019 (Tonnes)	2018 (Tonnes)
Water Resources		
Total	33,531.01	29,698.60
Intensity ¹	7.42	6.75

Note :

¹ The intensity is calculated per each 1,000 production unit.

CONSERVATION OF PAPER

The Group promotes green office policy and encourages employees to save paper and avoid wastage. We send files in electronic form whenever possible to reduce physical copies; recycle the one-sided used papers for photocopying and printing. Office Division is responsible for monitoring the paper quantity used; Administrative Department and Office Division are jointly responsible for collecting and recycling used papers. Waste cartons are recyclable; an example of its use include temporarily hold finished goods pending for packaging.

MANAGEMENT OF USE OF TIMBER

The major raw material used in production is timber, which is procured by our purchasing department in the factory. We select timber that meets our production and quality requirements (Please refer to “Supply Chain Management” below for details). We monitor closely the production process, to provide professional training to workers, and to minimize sub-standard semi-finished and finished goods. Sub-standard goods are repaired to avoid timber wastage. We improve our production process, and reuse scrap materials as much as possible, for example, design products that can use scrap materials (such as teeth-inlaid comb), and the related techniques has progressively matured, which can effectively use each piece of timber and save materials. We strengthen our warehouse management; each warehouse is equipped with thermometers, hygrometers and fire sprinkler systems, etc., and to cover timber with thin film to ensure that timber is kept dry and safe and to prevent the materials from mechanical and chemical injuries. During the reporting period, the Group used approximately 1,331.06.00 cubic meters of timber, representing an increase of approximately 165.35 cubic meters or 14.18% as compared with the previous year. This is mainly due to the increase in production level this year.

During the reporting period, the Group's use of timber is as follows:

	2019 (Cubic Meters)	2018 (Cubic Meters)
Timber		
Total	1,331.06	1,165.71
Intensity ¹	0.29	0.26

Note :

¹ The intensity is calculated per each 1,000 production unit.

IV. ENVIRONMENTAL PROTECTION

3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has always been focusing on protecting the environment and hope that everyone can contribute and work together to build a livable society. We planted a lot of plants around the factory and hope that greenification can help cooling down the temperature and absorb greenhouse gases. In order to let everyone of the Group have better understanding of the negative impact of our business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (Please refer to “Emission Management” and “Management of Resources Utilization” above for details). We also hope that our employees can convey the message of protecting the environment to their families, friends and business partners; so as to build a stronger cohesive power and work together to ease the climate change.



Thanks to the efforts and perseverance of our greening team, the beauty of Wanzhou plant can be continued

V. EMPLOYMENT AND LABOR PRACTICES

Employees are our valuable assets and the key driver for the Group's sustainable and long-term business development. We devote to create a non-discrimination, equal, harmonious and safe workplace; build up a mutual-respect and good relationship with our people; encourage our employees to be innovative, flexible and committed when dealing with our customers and produce high quality products and services as their mission. To accomplish this target, we offer opportunities of advancement to attract, develop, retain and reward our talented staff; provide commensurate remuneration, personal growth and career development training, other fringe benefits and various auxiliary facilities at work. Besides, we care about our employees' work, life, physical and mental health. We organize regular free time activities and training courses to enrich their leisure time and to enhance their technical skills and team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges.

1. TALENT SELECTION

The Group is a fair opportunity employer and respects personal privacy, and established recruitment guideline to regulate the recruitment management procedures. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the Administrative and Personnel Department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on the principal of "open, fair, competitive, select the best", and their morality, knowledge, abilities and job requirements; regardless of their age, gender, sexual orientation, race, disability, marital status, pregnancy, religion, political factions. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination.

2. LABOR STANDARDS

The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labor by reviewing the identity documents in its hiring process. Employees' consent for working overtime is required to avoid forced overtime work, and the employees are compensated in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labor.

V. EMPLOYMENT AND LABOR PRACTICES

3. COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level are decided based on one's knowledge, skills, experiences and education background relevant to their work requirements, and the Group implements a remuneration system that consists of basic salary and performance-based bonus. The employee remuneration package includes salary, overtime subsidies, performance-based bonus, and so on. Other benefits include festive gifts (Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, etc.), body checks, work shuttle services, meals subsidy and so on. We also provide various facilities for employees with disabilities, for example, arranging a electric car to take them between canteen and their workplace during lunch time; installing handrails in the stairs and washrooms. In order to enhance employees' work quality and efficiencies and inspire their motivation, we conduct periodic performance appraisal and fairly assess the level of awards, salaries increment and/or promotion recommendations based on a number of criteria. To comply with the local labor laws and regulations, the Group provides social security benefits for all employees. We handle dismissal and compensation in accordance with the local laws and regulations.

The Group pays attention to its employees' health and encourages work-life balance. We protect the employees' rights of rest days and holidays, and establish employees' work hours based on the local labor laws. Besides, the Group cares about its employees' physical and mental health, and organizes various leisure activities to enrich their leisure time and to enhance team cohesion.



Photos of employee living areas in Wanzhou plant

4. DEVELOPMENT AND TRAINING

In order to align the staff career plan with our long-term corporate business plan, the Group sets up staff training policies with reference to the departmental human resources needs. The Administrative Centre established a comprehensive staff training plan with an aim to build an excellent, well-trained and responsible corporate team. This can enhance the staff's knowledge and management capabilities, and improve their work ability, performance and efficiency, and raise their enthusiasm in work and to cultivate team spirit. New hires have to participate in induction training and must pass the assessment. The training topics include corporate culture, business, work-related rules and regulations, organizational structure, staff welfare and work safety, etc.. During the reporting period, on top of providing our new hires with induction training, we also organized various training programs related to safety, fine arts, environmental protection and sales to achieve the ultimate goal of nurturing talent. The training topics include fire safety knowledge, electricity safety in daily work and evacuation drills, life aesthetics classes, garbage classification and environmental protection rectification, marketing games and business negotiation skills enhancement, and so on.

5. HEALTH AND SAFETY

The Group pays attention to its employees' health and provides a safe work environment so as to prevent occupational hazards. To comply with the requirements of the "Law of the People's Republic of China on Work Safety", we establish management policies in production safety and set up safety management system. We follow the requirements of the government's safety production department and signed the safety responsibility statement. We also require the supervisors and employees at all levels to clearly understand their own safety responsibilities and sign the respective safety responsibility statement, and strictly perform the requirements as stated on the safety responsibility statement with reference to the internal safety management system. During the reporting period, we obtained GB/T28001-2011 idt OHSAS18001:2007 Certification in Occupational Health and Safety Management.

Training topics are mainly related to workplace safety and occupational health. The Group provides appropriate occupational health and safety training to introduce the corporate development plan, enhance their awareness on safety and continuously strengthen their consciousness, improve their professional skills, especially for those job positions under significant potential safety hazards, and enable them to perform their duties in a safe environment. Employees have to report to the management immediately when incident occurs or aware of any potential hazards. New staff are required to attend and get pass in examination after a 3-level safety training, including company level, department level and team level, before they are assigned to jobs. Production team provides daily training to remind staff about production safety issues. Besides, we organize fire and emergency incident drill with government's emergency department. This is to ensure our employees can take sensible and immediate action in case of fire outbreak in offices.

V. EMPLOYMENT AND LABOR PRACTICES

We give a lot of attention to fire safety in our factory. In order to comply with the “Law of the People’s Republic of China on Fire Control”, we established guidelines in fire safety. Warehouse, production plants and offices are equipped with fire facilities and equipment (including fire sprinkler system, fire extinguishers, fire hose, etc.), and maintained and replaced fire facilities and equipment regularly. The maintenance work is conducted by external professional company. “No smoking and fire” signs are posted at the easily noticeable places at the entrance and inside the production plants; set up more escape routes and emergency indicators; motorcycles and vehicles are required to park in specified location; key areas like transformer and power supply room, and flammable and explosive materials warehouse are closely monitored to reduce the risk of fire. We have established volunteer fire brigade and medical team which are equipped with fire extinguishers, fire hose, helmet, medical equipment, etc.

Staff of special work types, such as electricians, welders, drivers, etc., must possess valid licence from the government authority before they are allowed to operate the machines. Besides, we educate our employees to correctly use production equipment and installed facilities, fire prevention facilities, protective and first aids tools, etc. Machine operators are required to inspect the equipment and facilities daily; and to report abnormalities to the relevant department for immediate repair arrangement. We also set up annual maintenance and repair plan and equipment enhancement plan for critical equipment to ensure that they are kept in good condition and to control risk and prevent safety incidents from happening. For example, installed windproof devices in brushing process; used smart compensation method to control power supply so that it can be more safe, stable and reliable: transformed the original circuit system and added phase loss protection function for transformer switchgear to avoid the risk of damage to the motor and equipment resulting from lack of phases in the mains; installed explosion proof devices for dust removal equipment to prevent dust explosion.

We care so much about our people’s health and set up working hours and holiday systems in compliance with the national requirements. In principle, staff working overtime must be voluntary and do no harm to their health. In order to comply with the “Law of the People’s Republic of China on Prevention and Treatment of Occupational Diseases”, we provide workers with safety production tools like earplugs, masks, goggles, gloves, etc. and such supplies should be used correctly as instructed according to needs by job positions. We prepared rescue drugs and equipment according to need where poisoning, injury and other incidents may occur. We do not allow and will not assign our minor staff (above legal working age) to handle tasks relating to toxic, hazardous, excessive physical labor or dangerous type of works. We also provide pre-employment body check for the new hires, and periodic body checkup every two years thereafter in order to prevent occupational disease.

6. COMPLIANCE

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

VI. OPERATING PRACTICES

1. SUPPLY CHAIN MANAGEMENT

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develops with them on the basis of equality and win-win situation. To strengthen the supply chain management, we have established policies and procedures in assessment of suppliers, including initial and final selection, and renewal; and set up an “approved vendor list”. Samples are required for purchases from new suppliers and a small quantity is ordered and tried before a normal quantity order is placed. Samples are retained for reference and record. We have stringent procurement and control procedures over procurement contracts processing from preparation, amendment and approval, and execution of the contracts. This is to ensure that suppliers’ and our interests are appropriately protected, and also procurements are executed as scheduled; and to prevent unnecessary disputes or to resolve all disputes timely. To ensure that suppliers are competitive and that the goods and services provided to us are with high quality, we have strict requirements for division of labor from contract signing to goods received quality check, inspection and acceptance. We require the suppliers of goods and services to possess recognized qualifications and good internal control system, provide stable quality, on-time delivery, compliance with laws and regulations and have the required professional skills and quality. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations and suspected abuse of one’s authority for own interest. During the reporting period, the Group did not have significant issues relating to violations in this respect.

2. PRODUCT RESPONSIBILITY

“Treat customers like family” is the Group’s service philosophy, therefore, the Group has formulated policies and procedures to monitor the product quality and customer service processes, maintain communication with customers, understand and meet the customer needs and expectation, and make continuous improvements. During the reporting period, we obtained the GBT/T19001-2016 idt ISO9001:2015 Certification in Quality Management and standardized the product quality assurance process. In order to comply with the “Law of the People’s Republic of China on Product Quality”, we set up Quality Management Division and established guidelines for inspection work in each production process and provide professional training to our quality assurance personnel to inspect and accept raw materials and monitor the production process; so as to ensure that the quality of finished goods and raw materials are up to standard; and the production procedures are properly controlled. If the customers have issues about our products and services; or the deliverables are unable to meet their needs; they can give feedbacks or lodge complaints through various channels like by phone, email, facsimile, interview, etc. via our after-sales service. Our customer service personnel will take appropriate action promptly and assign a designated staff to follow up with the customer until the issue is satisfactorily settled.



The quality of our products can be pushed to the best with the Group’s professional processing team

VI. OPERATING PRACTICES

Confidentiality is one of the Group's core values. We handle customers' information diligently and confidentially. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any such information to third parties without proper authority unless there is a legal or professional right or duty to do so.

During the reporting period, the Group's products and services did not involve any significant issue relating to violations nor did the Group receive any complaints concerning breaches of customer privacy and loss of data.

3. ANTI-CORRUPTION

The Group firmly believes fairness, honesty and integrity are the important commercial assets, and has adopted a zero-tolerance approach for all kinds of malpractice. To comply with "Criminal Law of the People's Republic of China", "Prevention of Bribery Ordinance" enforced by Hong Kong Independent Commission Against Corruption, and the laws and regulations of other applicable jurisdictions. Therefore, the Group strengthens its internal control system, and established internal policies and procedures to regulate the employees' conduct and offenders are heavily penalized. We demand all employees to build a habit of strict compliance with policies and procedures, and to prevent all bribes. The employees who violate our Code will be severely penalized or even terminated. We bring discipline monitoring work in the production and business process, ensure that there are channels for reporting directly by phone to Human Resources Department and the Chief Executive Officer for suspected cases of obtaining personal interests in carrying out one's job duties, bribes, extortion, frauds, money laundering in breach of policies, regulations and laws in strict confidence. We are determinant in combating corruption and contribute to building a clean society. We establish Code of Ethics and Business Conduct (the "Code") and require our business partners to sign commitment letter to confirm their compliance with the Code, and also demand their employees to observe and follow the requirements and maintain a simple, transparent, clean and fair co-operation relationship. During the reporting period, the Group or our employees did not involve in any litigation cases of corruptions.

VII. COMMUNITY INVESTMENT

Contributing to the society is the Group's mission. We grow a lot of plants and trees in our factory area, to go green in the city, and open part of our park to the public. In response to the tree planting activities organized by the Forestry Bureau, our employees planted 300 saplings in Zhushan Township, Wanzhou District, Chongqing City to promote the benefits of forests and promote education on environmental protection. To fulfill social responsibilities, we have been supporting the rehabilitation plan for people with disabilities. We employed more than 300 employees with physical disabilities, and assign them with appropriate job duties based on their ability and skills. We also provide extra training to ensure that they have sufficient ability and technical skills to discharge their duties. And we ask our employees to treat everyone like family members, hoping to develop a diverse and inclusive workplace.



Tree Planting Day Photos

VII. COMMUNITY INVESTMENT

We also co-organized with Self-Strengthening Disabled Persons Association in Wanzhou District in Chongqing and arranged more than 340 employees with disabilities to visit the Sanxia Migrants Memorial Hall, so that they can feel the spirit of “sacrificing individual interest for everyone” of the Sanxia migrants, and help them build self-esteem, self-strengthening and self-reliance. We also hope this activity can enhance the ability of the people with disabilities when facing difficulties, warm their hearts, and help cultivate healthy world view, view of life, and personal values, and encourage them to strive for self-improvement and optimism.



Photos of Caring for the Aged on the Dragon Boat Festival and the Disabled Day

Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people. We establish retirement plan for staff in different area. We maintained good production operation, actively promoted environmental protection and achieved good development order, and to some certain extent, we have contributed to social stability and building a harmonious community.

VIII. HONORS AND CERTIFICATIONS

During the reporting period, the Group's Wanzhou plant was accredited the following key honors and certifications:

- Chongqing Brand Products Certificate
- "Excellent Organization Award" of the 29th "National Disability Assistance Day" Special Exhibition in Wanzhou District
- National Mode Enterprise with Harmonious Labor Relations
- Culture and Sports Model Enterprise for People with Disabilities in Chongqing City
- ISO14001:2015 Certification in Environmental Management
- GB/T28001-2011 idt OHSAS 18001:2007 Certification in Occupational Health and Safety Management
- GBT/T19001-2016 idt ISO9001:2015 Certification in Quality Management

IX. VISION OUTLOOK

As a good corporate citizen, the Group strives to strike a balance between achieving the corporate economic goals and business objectives, and to fulfill their social responsibility. We will continue to evaluate our performance in environmental protection, employee care, product and service quality, and community investment and to build edge for the sustainable development of the Group.

The Group will endeavor to comply with the stringent laws and regulations of environmental protection, allocate resources and undertake various environmental improvement projects, including improving exhaust air, sewage and waste treatment facilities. We will also put employee satisfaction and production safety as our top priority. We aim at attracting more talents through providing a safe workplace and competitive remuneration scheme. As for product and service quality, the Group will continue to invest resources for further improvement to our products so as to fulfill the environmental standards. At the same time, we committed to fulfilling our social responsibility by actively participating in charitable activities and promoting the community's sustainable development.

The Group hopes to use wood as the essence, technically combine modern manufacturing technology with traditional handicraft technology, culturally combine modern fashion with Chinese traditional cultural technology, and personalize the product's artistic, craftsmanship, ornamental, a combination of collectability and practicality. The Group aspires to become the world's first brand of practical handicrafts with wood as its essence. Going forward, the Group serves to enhance its business performance through implementation of sustainable development strategies and to generate more meaningful long-term value for the enterprise and its stakeholders.

X. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2019	2018 ⁴
Greenhouse Gas ("GHG") Emissions			
Scope 1 ¹:			
Total	Tonnes	331.05	318.10
Intensity ³	Tonnes	0.07	0.07
Scope 2 ²:			
Total	Tonnes	1,733.63	1,651.49
Intensity ³	Tonnes	0.38	0.38
Air Emissions			
Nitrogen Oxides	Kilograms	93.84	182.61
Sulfur Oxides	Kilograms	0.23	0.29
Particulate Matters	Kilograms	6.79	11.20
Hazardous Wastes			
Solid Wastes Generated:			
Total	Kilograms	3,219.15	2,701.10
Intensity ³	Kilograms	0.71	0.61
Non-hazardous Wastes			
Solid Wastes Generated:			
Total	Kilograms	59,446.00	70,930.00
Intensity ³	Kilograms	13.15	16.11
Sewage Discharged:			
Total	Tonnes	33,517.00	29,685.00
Intensity ³	Tonnes	7.42	6.74
Packaging Materials Used for Finished Goods			
Total	Tonnes	553.09	521.65
Intensity ³	Tonnes	0.12	0.12

X. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2019	2018 ⁴
Energy and water consumptions			
Electricity:			
Total	Megawatt hours	1,935.42	1,798.30
Intensity ³	Megawatt hours	0.43	0.41
Gasoline:			
Total	Liters	13,419.33	13,320.89
Intensity ³	Liters	2.97	3.03
Diesel:			
Total	Liters	2,200.00	5,956.00
Intensity ³	Liters	0.49	1.35
Natural Gas:			
Total	Cubic meters	157,776.00	145,529.89
Intensity ³	Cubic meters	34.91	33.06
Water:			
Total	Tonnes	33,531.01	29,698.60
Intensity ³	Tonnes	7.42	6.75
Timber (Raw Material):			
Total	Cubic meters	1,331.06	1,165.71
Intensity ³	Cubic meters	0.29	0.26

Notes :

- ¹ Scope 1 refers to the Group's business direct GHG emission, including combustion of gasoline, diesel, natural gas, and so on.
- ² Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- ³ The intensity is calculated per each 1,000 production unit.
- ⁴ Certain figures for the previous year are restated to conform with the current year's presentation.

XI. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
	A. Environmental	
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6-9
KPI A1.1	The types of emissions and respective emissions data.	25-26
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	25-26
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	25-26
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	25-26
KPI A1.5	Description of measures to mitigate emissions and results achieved.	6-9
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6-9
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	10-13
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	25-26
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	25-26
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	25-26
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	25-26
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	25-26
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	14
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	25-26

XI. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure	Reporting Guideline	Page
	B. Social¹	
Aspect B1	Employment and Labor Practices	
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.	16
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.	17
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	17
Aspect B4	Labor 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 labor.	15
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	19

XI. “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” BY HKEX

General Disclosure	Reporting Guideline	Page
	B. Social¹	
Aspect B6	Product Responsibility	
General Disclosure	Information on: <ul style="list-style-type: none"> (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. 	19
Aspect B7	Anti-corruption	
General Disclosure	Information on: <ul style="list-style-type: none"> (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. 	20
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.	21

Note:

- ¹ Pursuant to Appendix 27 of the “Main Board Listing Rules”, the KPIs under Area B “Social” are recommended disclosures only. Therefore, the Group chooses not to disclose those KPIs in this report.