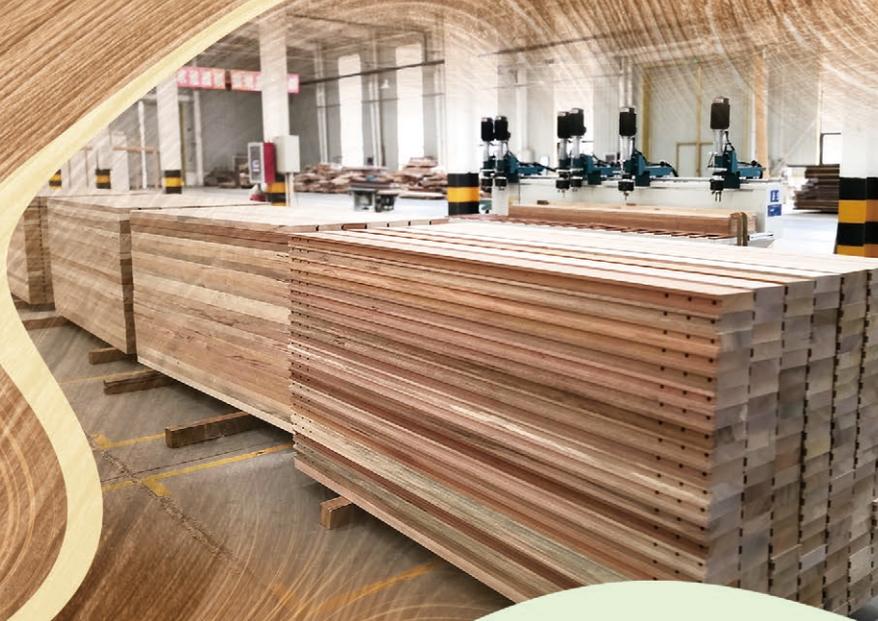




STEED ORIENTAL (HOLDINGS) COMPANY LIMITED
駿東（控股）有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8277

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT **2022**



CONTENT

ABOUT STEED ORIENTAL	2
ABOUT THIS REPORT	2
STAKEHOLDER ENGAGEMENT	4
MATERIALITY ASSESSMENT	5
SUSTAINABLE CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICY	6
ENVIRONMENTAL ASPECT	6
Emissions	6
Use of Resources	8
The Environment and Natural Resources	10
Climate Change	10
SOCIAL ASPECT	11
Employment	11
Health and Safety	14
Development and Training	15
Labour Standard	16
Supply Chain Management	17
Product Responsibility	18
Anti-corruption	19
Community Investment	19
REFERENCES TO ESG REPORTING GUIDE OF THE STOCK EXCHANGE	20

ABOUT STEED ORIENTAL

Steed Oriental (Holdings) Company Limited (the “Company”; or together with its subsidiaries, the “Group”, “we” or “us”) is primarily engaged in sourcing, manufacturing and sale of plywood products and other wooden products. In order to meet future business development, the Company was listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 February 2015 (stock code: 8277.HK). During the year ended 31 March 2022, the Group provides the following six major products to fulfil the different needs of customers:

General plywood	Interior applications of buildings and manufacture of wooden furniture for home and office
Packing plywood	Packaging materials
Structural panel	Construction
Floor base	Flooring
Supplementary materials	Construction
Other wooden products	Wood structures, aluminium-clad wooden doors and windows, Chinese solid wood furniture, etc.

ABOUT THIS REPORT

This is the sixth environmental, social and governance (“ESG”) report (the “Report”) of the Company to present the ESG policies, measures, overall performance, and risks and challenges of the Group for the year 2022.

Reporting Period and Scope

There was no major change in the principal operations of the Group as compared to last year. Unless otherwise stated, the Report covers the principal operations of the Group (the businesses as set out in the section “ABOUT STEED ORIENTAL” above), including:

- the manufacturing base in Ningjin County of Hebei Province in the People’s Republic of China (the “PRC”);
- the manufacturing base in Jiangmen City of Guangdong Province, the PRC; and
- the headquarters of the Company in Hong Kong, which is responsible for compliance with the listing of the Company on the GEM of the Stock Exchange.

The Report mainly details the ESG performance and policies of the Group from 1 April 2021 to 31 March 2022 (the “Reporting Period”).

Reporting Principles

The Report has been prepared in accordance with the mandatory disclosure requirements and the “Comply or explain” provisions of the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 20 to the GEM Listing Rules of the Stock Exchange. In preparing the Report, the Group followed the following reporting principles:

Reporting Principles	Response of the Group
Materiality	The Group collects opinions from stakeholders through different channels, and conducts internal materiality assessment to identify issues that have a significant impact on the Group and stakeholders, and prioritize disclosure of these issues in the Report.
Quantitative	Where reasonably feasible, the Report presents quantitative environmental and social key performance indicators, which are calculated in accordance with Appendices 2 and 3 of “How to prepare an ESG Report” issued by the Stock Exchange.
Consistency	The Group uses statistical methodology that is consistent with that of previous years to measure key performance indicators for a meaningful comparison. If there are changes in the methodology used and the scope of reporting, they will be explained in the notes.

Data Collection

The Group has formed a designated working group consisting of personnel from different departments and subsidiaries to collect relevant information and data required for the Report. The information and data set out in the Report are derived from the official documents or statistical reports of the Group, and have been reviewed and approved by the Board of Directors (the “Board”) of the Company.

Report Version and Access

The Report is published in both Chinese and English and has been uploaded to the website of the Stock Exchange (<https://www.hkexnews.hk>) and the official website of the Group (<http://www.steedoriental.com.hk>). In the event of any discrepancy or inconsistency between the two versions, the Chinese version shall prevail.

Feedback

We welcome your comments on the Report and the environmental, social and governance policy and performance of the Group, please share with us through the following ways:

Address: Room 2104, 21/F., OfficePlus @Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong
Tel No.: (852) 3595 6556
Fax No.: (852) 3705 0076
Email: info@steedoriental.com.hk

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions constitute a solid foundation for the long-term development and success of the Group. The Group values the opinions of stakeholders, proactively communicates with them through different channels to collect their feedback, understand their concerns, and continue to improve the Group's sustainable development strategy. The table below summarizes the communication channels between the Group and stakeholders and their main concerns:

STAKEHOLDERS	COMMUNICATION CHANNELS	ISSUES OF CONCERNS
 SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> • Annual general meeting • Annual report and financial report • Announcements and circulars 	<ul style="list-style-type: none"> • Company results • Shareholder interests
 CUSTOMERS	<ul style="list-style-type: none"> • Business meetings • On-site inspection • Customer service hotline • Website 	<ul style="list-style-type: none"> • Product and service quality
 SUPPLIERS AND BUSINESS PARTNERS	<ul style="list-style-type: none"> • Business meetings • On-site inspection • Supplier review 	<ul style="list-style-type: none"> • Supply chain management • Procurement policy
 SENIOR MANAGEMENT AND MEMBERS OF THE BOARD	<ul style="list-style-type: none"> • Internal meetings • Board meetings • Performance appraisal 	<ul style="list-style-type: none"> • Company outlook • Internal governance level
 EMPLOYEES	<ul style="list-style-type: none"> • Internal meetings • Performance appraisal • Training and staff activities 	<ul style="list-style-type: none"> • Promotion and development prospects • Employee benefits • Equal opportunities • Occupational safety and health • Corporate values and dynamics
 GOVERNMENT AND REGULATORY AUTHORITIES	<ul style="list-style-type: none"> • Inspection and examination • Meetings 	<ul style="list-style-type: none"> • Compliance level of the Company
 THE PUBLIC	<ul style="list-style-type: none"> • Reports, announcements and circulars • Website 	<ul style="list-style-type: none"> • Environmental impact in the course of business • Community support and investment

MATERIALITY ASSESSMENT

The Group conducts annual materiality assessment on environmental, social and governance related issues to identify and prioritize important issues. We have consolidated and added ESG issues in order to reflect the ESG risks and opportunities faced by the Group effectively. As the international community becomes more concerned about the climate change and environmental resources, we have added issues including “Emission and Waste Management”, “Effective Use of Resource” and “Combatting Climate Change”. In addition, we have also added issues such as “Prohibition of Child Labor and Forced Labor” and “Anti-Corruption Training”. During the Reporting Period, the ESG issues covered in this Report are as follow:

Environmental Aspect	Operating Practice	Social Aspect
1. Emission and Waste Management	5. Company Outlook	14. Occupational Safety and Health
2. Effective Use of Resources	6. Internal Governance Level	15. Promotion and Development Prospects
3. Environmental Impact in the Course of Business	7. Company Results	16. Prohibition of Child Labor and Forced Labor
4. Combatting Climate Change	8. Shareholder Interest	17. Employee Benefits
	9. Anti-Corruption Training	18. Equal Opportunities
	10. Compliance Level of the Company	19. Corporate Values and Dynamics
	11. Supply Chain Management	20. Community Support and Investment
	12. Procurement Policy	
	13. Product and Service Quality	

The following table presents the results of the materiality assessment, and the environmental and social issues with higher importance will be the key disclosures of this Report:



SUSTAINABLE CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY POLICY

A good governance structure is the foundation of the Group's sustainable development. The Group is committed to promoting sustainable development, and strictly reviewing its governance level and complying with or exceeding the minimum legal standards, with an aim to achieve the best practice guidelines. The Board has overall responsibility for the Company's ESG strategy and report, including the assessment and prioritization on the ESG issues as well as the monitoring and management of the ESG-related risks. We hold board meetings on an annual basis to discuss the ESG-related risks, opportunities and measures and identify the major issues related to the sustainable development.

While improving business and financial performance, the Group has incorporated the factors of sustainable development into daily business decisions and has formulated corporate social responsibility policies, to proactively fulfil its social responsibilities and make meaningful contributions to the community. Adhering to the values of integrity, safety, respect and excellence, the Group emphasizes the communications and relations with its stakeholders including employees, customers, suppliers, shareholders, communities and the general public. Therefore, the Group's corporate social responsibility policy covers multiple aspects including environment, community, business market, supply chain, and employment, and takes into account the needs and interests of different stakeholders.

For the corporate governance of the Group and other relevant information, please refer to the "Corporate Governance Report" in the 2022 Annual Report of the Group.

ENVIRONMENTAL ASPECT

As the Group is primarily engaged in the business of plywood and wood products, we understand the importance of environment to the sustainable development of our business and regard environmental protection as one of the core values of our corporate social responsibility policy. From continuous improvement of the environmental management, to only sales of products made from legitimate timber logging, and the certification of certain trading subsidiaries of the Group by the Forest Stewardship Council ("FSC"), which is recognized as one of the highest world standards for sustainable and responsible forest management, the Group has always been committed to proactively incorporating environmental protection factors into different aspects of business operations in order to achieve sustainable development.

The Group has operated our business in accordance with the standards that meet or exceed those required in relevant environmental laws and regulations. We have formulated internal policies and measures pursuant to the relevant laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》) and other relevant local laws and regulations enacted by the regions where the Group operates. We believe that such policies and measures can assist the Group in building a safe and efficient business while reducing its carbon footprint. In addition, the Group has set up an environmental protection team to oversee the overall policies and measures to ensure the implementation of relevant measures and the implementation progress.

During the Reporting Period, the Group was not aware of any violations of laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Emissions

The Group has established the ISO14001 Environmental Management System and environmental facilities to contain our emission level of "three wastes" (namely exhaust gas, wastewater and waste residues) within the maximum limit allowed by the applicable laws and regulations. We adopt online monitoring equipment to closely monitor the emission level during the manufacturing process, with which the designated officers are able to carry out real-time inspection and monitor the levels of air and water pollution in the manufacturing process. Third-party professional inspection companies are engaged to conduct regular inspection on the "three wastes" level, to ensure compliance with national emission regulations.

Air and Greenhouse Gas Emission

With increasing emphasis of the state on environmental protection and governance, the Group closely monitors the updates on the national environmental standards, and proactively complies with the environmental standards of exhaust gas emission stipulated in relevant national and local laws. We are committed to implementing various emission reduction measures to reduce air and greenhouse gas emissions. The main sources of the Group's air and greenhouse gas emission are emissions generated by the boilers used in manufacturing process and fuel consumption of vehicles for delivery and transportation. We keep abreast of the latest developments in relevant environmental technologies and have adopted the following measures to reduce carbon emissions and improve air quality:

Upgrade equipment and system

- Installation of high-efficiency power conservation equipment:
- Replacing low-efficiency fuel with eco-friendly natural gas for boilers;
- Using low-NOx emission boilers

Improve production process and environment

- Utilising manufacturing machines in a more reasonable and efficient manner;
- Installing precipitators and ventilation systems at production site

During the Reporting Period, the relevant emission data of exhaust gas and greenhouse gas are as follows:

	Unit	2022	2021
Exhaust gas¹			
Nitrogen oxides (NOx)	kg	1,305.82	895.06
Sulphur oxides (SOx)	kg	257.76	186.39
Particulate matter (PM)	kg	18.11	9.75
Greenhouse gas			
Scope 1: Direct emission (fuel consumption)	tonne of CO ₂ equivalents	1,517.85	1,107.12
Scope 2: Energy indirect emission (electricity consumption)	tonne of CO ₂ equivalents	2,657.28	2,082.32
Total greenhouse gas emissions	tonne of CO ₂ equivalents	4,175.13	3,189.44
Intensity ¹	tonne of CO ₂ equivalents/million revenue (HKD)	44.50	38.29

Note:

1. The data of 2021 has been adjusted to reflect the actual consumption and/or associated emissions.

During the Reporting Period, due to the increase in production, the exhaust gas and greenhouse gas emission of the Group has been increased when compared to that of the previous year.

Waste Management

The Group strives to reducing the generation of solid waste. The Group's main business operations did not produce hazardous waste, and non-hazardous waste was mainly from daily business process, most of which are substandard wooden products and scraps (such as sawdust and wood shavings), and food waste and domestic waste generated in staff canteens, dormitories, offices and production plants.

The Group has formulated and strictly implemented waste management measures for proper handling and collection of waste produced in daily business process. Meanwhile, the Group reviews and improves the current measures and operating practices to reduce the generation of solid waste through two major measures:

Waste Recycling and Disposal

- Designated equipment and facilities are used to classify and recycle the wastes, and the reuse value of the wastes are considered before recycling;
- Recycling agreement has been entered into with suppliers to arrange dedicated persons to collect certain reusable waste and materials by schedule and based on quantity; and
- Wastes that are not eligible for reuse or recycling will be sent to landfill by refuse collection trucks from the industrial zone for proper disposal

Waste Reduction at Source

- Production and purchase volume, arrangement of transportation and logistics support are determined by the Group's orders from customers to avoid wastage of energy and resources;
- The Group usually purchases repairable computers and electronic devices with longer life span, and repair are handled by designated staff to reduce electronic solid waste; and
- The Group tries to resell obsolete computers and electronic devices in the second-hand market

During the Reporting Period, the relevant data of waste are as follows:

	Unit	2022	2021
Non-hazardous waste	tonne	1.16	3.49
Intensity ¹	tonne/million revenue (HKD)	0.01	0.04

Note:

1. The data of 2021 has been adjusted to reflect the actual consumption and/or associated emissions.

Sewage Treatment

The Group only generated domestic wastewater and did not produce any industrial wastewater in the manufacturing process. The Group holds valid sewage discharge permit and properly treat sewage in accordance with relevant laws and regulations. Other than certain used domestic water reused for irrigation of our green space and plants in the manufacturing bases, the remaining domestic wastewater will be discharged into designated urban drainage network.

Use of Resources

The Group has been committed to conserving resources and established the ISO14001 Environmental Management System. It has adopted corresponding policies and measures in the management of manufacturing bases and offices, so as to achieve energy saving and waste reduction in daily operations and reduce negative impacts on the environment. In order to save energy effectively, the Group has implemented several environmental protection measures in the manufacturing bases and offices, including:

Office – Promotion of Green Office

1. Improvement of daily work procedures and practices
 - promote “paperless office” and the use of electronic documents to reduce paper consumption
 - utilize instant messaging applications as means for conveying corporate policies and daily communication by creating company mailbox and WeChat working chat group, etc.
 - promote green procurement by selecting more eco-friendly office supplies
 - maintain suitable air-conditioning temperature
2. Adoption of environmentally friendly equipment and systems
 - use natural light design or LED lighting system
 - use time delay faucets and other water-saving equipment

Manufacturing Base – Application of “7S” Management

1. Energy saving and waste reduction equipment
 - used domestic water is collected by equipment before being reused for irrigation of green space and plants in the manufacturing bases
 - LED lights have been replaced at the workshops
 - considerable amounts of funds have been invested for research and development in order to improve the production techniques, including replacing the wood-fired boilers by a new boiler fired by clean natural gas to minimize the pollution generated from combustion
2. Enhancement of employees’ environmental awareness
 - staff are required to switch off electricity and water tap after use
 - measures are carried out to categorize and recycle the wastes to reduce the amount of the wastes we discharge

During the Reporting Period, the relevant data of energy consumption and consumption of packaging material are as follows:

	Unit	2022	2021
Energy			
Direct energy			
Natural gas	MWh	6,962	5,079
Diesel	MWh	478	311
Indirect energy			
Purchased electricity	MWh	4,354	2,421
Total energy consumption	MWh	11,794	7,811
Intensity ¹	MWh/million revenue (HKD)	125.56	93.77
Packing materials			
Total packaging materials	tonne	0.14	0.25
Intensity ¹	kg/million revenue (HKD)	1.49	3.00

Note:

1. The data of 2021 has been adjusted to reflect the actual consumption and/or associated emissions.

Water Resources Management

The Group is committed to adopting corresponding water conservation policies to reduce the consumption of water resources. During the Reporting Period, the Group did not have any issue in sourcing water that is fit for purpose. In addition, we have adopted measures for the management of sewage discharge, so as to reduce adverse impacts on the environment.

During the Reporting Period, the relevant data of water consumption are as follows:

	Unit	2022	2021
Total water consumption	m ³	24,038	15,881
Intensity ¹	m ³ /million revenue (HKD)	256.18	190.64

Note:

1. The data of 2021 has been adjusted to reflect the actual consumption and/or associated emissions.

The Environment and Natural Resources

The Group understands that its business operations are closely related to the environment, so it has been committed to producing low consumption, green and quality products which comply with the international industry standards. We strive to reduce our negative impact to the environment by improving the operation efficiency and implementing green measures.

Production of Quality Products

The Group only sells products made from legitimate timber logging. Certain trading subsidiaries of the Group have obtained the FSC certification. The trading subsidiaries can now be involved in the chains of trade of FSC products which represents plywood manufactured up to FSC certification standards. As the FSC certification scheme is recognised as one of the highest worldwide standards for sustainable and responsible forest management, it is essential for enterprises seeking access to eco-friendly and socially-conscious markets.

In addition, we have obtained production-related environmental certifications from different countries, including:

- our general plywood, low formaldehyde emission structural plywood and low formaldehyde emission concrete panels are certified by Japanese Agricultural Standard ("JAS");
- we obtained European Alliance CE certification of factory production control of wood-based panels; and
- we are in compliance with the relevant standards of "FSC-STD-40-004 Standard for Chain of Custody Certification and FSC-STD-40-003 for purchase of FSC 100% veneer, manufacture (transfer system) and sales of FSC 100% plywood".

Operation Policy and Supervision

We supervise the production process and review every single step from peeling, veneer drying, sorting, composing and gluing, pressing, trimming and sanding to inspection and packaging on a regular basis in order to continuously optimise manufacturing processes, reduce consumption of water, electricity, fuel and other resources, and limit or stop the use of polluting environment supplies.

In addition, we constantly review our internal policy, improve our environmental initiatives and upgrade our equipment. For instance, in accordance with the requirements by the national environmental protection department on rectifying air polluting projects, all boilers in our manufacturing bases have undergone the low-NOx upgrades to reduce environmental pollution. The national environmental standard is met upon such upgrades. The Group also monitors the overall policies and measures through the establishment of an environmental protection team and weekly environmental meetings held by various departments, to ensure the implementation of environmental protection measures effectively reduce its carbon footprint. The Group will continue to review the impact of its operations on the environment. We will report to management where appropriate and provide recommendations when necessary.

Enhancement of Employees' Environmental Awareness and Motivation

The Group concerns and values employees' environmental awareness, and continues to communicate with employees on its environmental values, principles and policies, such as incorporating the Company's environmental protection concepts and requirements into employee induction training for advocating the ISO14001 Environmental Management System and "7S" management philosophy to employees. Meanwhile, through initiatives such as introduction of environmental management knowledge, field demonstration at work site, and regular inspection, we aim to raise the environmental awareness of our employees. In addition, the Group has established the reward and punishment system which determined by a series of environmental indicators to motivate employees to implement environmental protection measures in their daily operations, so as to enable the Group to achieve best environmental practices.

Climate Change

With the growing global concern about climate change issue, the Group is also fully aware of the risks and opportunities associated with climate change in its business, and attaches great importance to the potential threats to its business caused by climate change. The increased frequency and intensity of extreme weathers events, such as heavy rains and flooding caused by climate change, may threaten the safety of the Group's staffs and even lead to the shutdown of our manufacturing bases. The transportation time of products may be affected, resulting in order delays.

The Group has formulated a series of policies to address the potential threats posed by climate change and the possible impacts of the extreme weather conditions. We develop appropriate workflows and measures, including back-up plans, to prevent or mitigate the impacts of climate change on the production and transportation of products. In addition, the Group has established extreme weather management plans to address emergency situations under the extreme weather events to prioritize the safety of employees and customers.

As a responsible company, the Group is also committed to reducing wastes and greenhouse gas emissions from our business. We strive to contribute to mitigate global warming and climate change by practicing energy management in our operations and improving energy use efficiency, so as to reducing our direct and indirect greenhouse gas emissions.

SOCIAL ASPECT

Employment

The Group regards its employees as its valuable assets and highly values communication and relationships with employees. We proactively understand the needs and concerns of employees, protect their rights and interests, and strive to create and maintain a good working environment for employees. We have entered into employment contracts with employees in accordance with all applicable laws, such as the Employment Ordinance (Chapter 57 of the Laws of the Hong Kong), the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

During the Reporting Period, the Group was not aware of any violations of laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

Employee Overview

As at 31 March 2022, the Group has 224 employees. The employment data are as follows:

	Unit	2022	2021
By Gender			
Male	person(s)	143	105
Female	person(s)	81	64
By Employment Type			
Permanent	person(s)	53	74
Full-time contracted	person(s)	171	95
By Age Group			
Below 30	person(s)	32	17
30-39	person(s)	46	29
40-49	person(s)	71	57
50-59	person(s)	66	57
60 or above	person(s)	9	9
By Geographical Region			
PRC	person(s)	212	158
Hong Kong	person(s)	12	11

We strive to maintain a gender balance at workplace and ensure employees of different background and genders are allowed to enjoy a better representation at our workplace. Due to our business nature, male employees constitute a larger proportion of our production workers, which is aligned with industry standard. We witness a balanced gender ratio in other positions.

Recruitment, Remuneration and Promotion

The Group conducts recruitment based upon the needs of business development and position allocation, for its long-term and stable growth. In general, the Group's recruitment of new staff is based upon job content, duties, and capabilities and experience required for different positions. Special positions, for instance, electricians, furnace workers, and forklift workers, etc., must hold the relevant professional qualifications in accordance with local laws in the PRC.

The Group strictly abides by the laws and regulations relating to the minimum wage and statutory benefits. Based on the job nature, market conditions, job performance and employees' career planning, the Group formulates market-competitive and reasonable compensation package and benefits to attract, motivate and retain talents, including:

1. Basic salary and discretionary bonus;
2. Share options to senior management and core or long-serving employees, and other monetary and non-monetary long-term incentive mechanism;
3. Enrolment and handling of mandatory provident fund and social insurance for employees;
4. Statutory holidays such as annual leave, sick leave, marriage leave, and maternity leave;
5. Standard working hours system;
6. Extra overtime wage and meals for night-shift workers; and
7. Non-local employees are entitled to dormitory vacancies.

In addition, the Group performs an annual review of its internal remuneration and welfare policies, based on changes in economic condition, government policies, industry standard, and regularly evaluates the work performance of employees to adjust the remuneration and benefits and provide promotion opportunities for outstanding employees.

Dismissal Policies

The Group clearly states the terms and conditions of dismissal in the employment contract. In situations where an employee violates the Group's regulations or consistently perform his or her duties below an acceptable level, our administration department will, subject to the requirements of the local regulation and internal policies, terminate his or her employment contract, and will consult our management and seek legal advices when necessary to ensure such dismissal is in compliance with relevant labour laws. Reasonable and appropriate arrangement was made by the Group for all the resigning employees in accordance with relevant laws and internal policies. The Group had no labour dispute caused by dismissal.

During the Reporting Period, the data of employee turnover is as follows:

Employees Turnover¹	Unit	2022	2021
By Gender			
Male	percentage	14.0%	44.8%
Female	percentage	11.1%	37.5%
By Age Group			
Below 30	percentage	12.5%	47.1%
30-39	percentage	19.6%	113.8%
40-49	percentage	9.9%	43.9%
50-59	percentage	9.1%	5.3%
60 or above	percentage	33.3%	22.2%
By Geographical Region			
PRC	percentage	13.7%	44.3%
Hong Kong	percentage	0%	9.1%

Note:

1. The employee turnover rate is calculated by the total number of employee turnover during the Reporting Period divided by the total number of employee at the end of the period. The percentage may exceed 100%.

During the Reporting Period, we did not experience any material change in the structure of our labour force. Our employee turnover was mainly voluntary.

Equal Opportunities, Diversity and Inclusion

The Group is dedicated to creating a fair, discrimination-free working environment. We embrace diversity and inclusion and protect our employees from the discrimination in relation to gender, disability, pregnancy, marital and family status, racial background, religious belief, age, sexual orientation or any other kind of discrimination, or being deprived of any benefits. The Group provides employees with fair promotion opportunities, which only factors of job performance, their working experience and expectations are considered, and are not affected by other unreasonable factors.

Employee Communication

The Group advocates open communication and establishes chat group on WeChat and other instant messaging applications, and encourages employees at all levels to express their views and suggestions through various channels in order to better understand their work conditions, career development goals and the effectiveness of the development and training programme. Necessary improvement measures are made and employees can be assigned to suitable positions, allowing them to deliver their best, gain satisfaction, and grow with the Group. Different measures are adopted to better understand employees' needs and improve their corporate values, sense of identity and code of practice, as well as strengthen their sense of belonging. We aspire to build a communication atmosphere where employees are respected and valued, so that they are able to express their views on work condition and expectation, as well as needs and difficulties in daily life.

Health and Safety

Employee safety is the first principle of the Group. We firmly believe that adequate preventive measures can avoid all accidents, and we are committed to providing employees with a safe, efficient and comfortable working environment. As massive operations of machineries are involved in the Group's manufacturing base, we attach great importance to the safe operation of machinery, and endeavour to maintain a sound safety management and comply with all relevant laws, including but not limited to Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), and Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》).

There were no work-related fatalities occurred in each of the past three years (including the Reporting Period) and a total of 259 lost days due to work injury during the Reporting Period. During the Reporting Period, the Group was not aware of any violations of laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

Occupational Safety Measures

The Group has installed precipitators and ventilation systems at manufacturing site to improve air quality and provide employees with a healthier and safer working environment. In addition, the "Emergency Plans for Severe Pollution" is in place to advise about coping measures to three different pollution levels, namely yellow, orange and red. Manufacturing activities will be temporarily suspended, confined or re-arranged when severe pollution alerts are issued by relevant government authorities. Employees will be informed of instructions via email and instant messaging.

The Group has implemented a series of preventive measures at the manufacturing bases to ensure the safety of employees, including:



equipping with sufficient first-aid tools and fire prevention equipment



arranging fire drill



installing safety protection devices in production equipment



carrying out practice on fire safety equipment

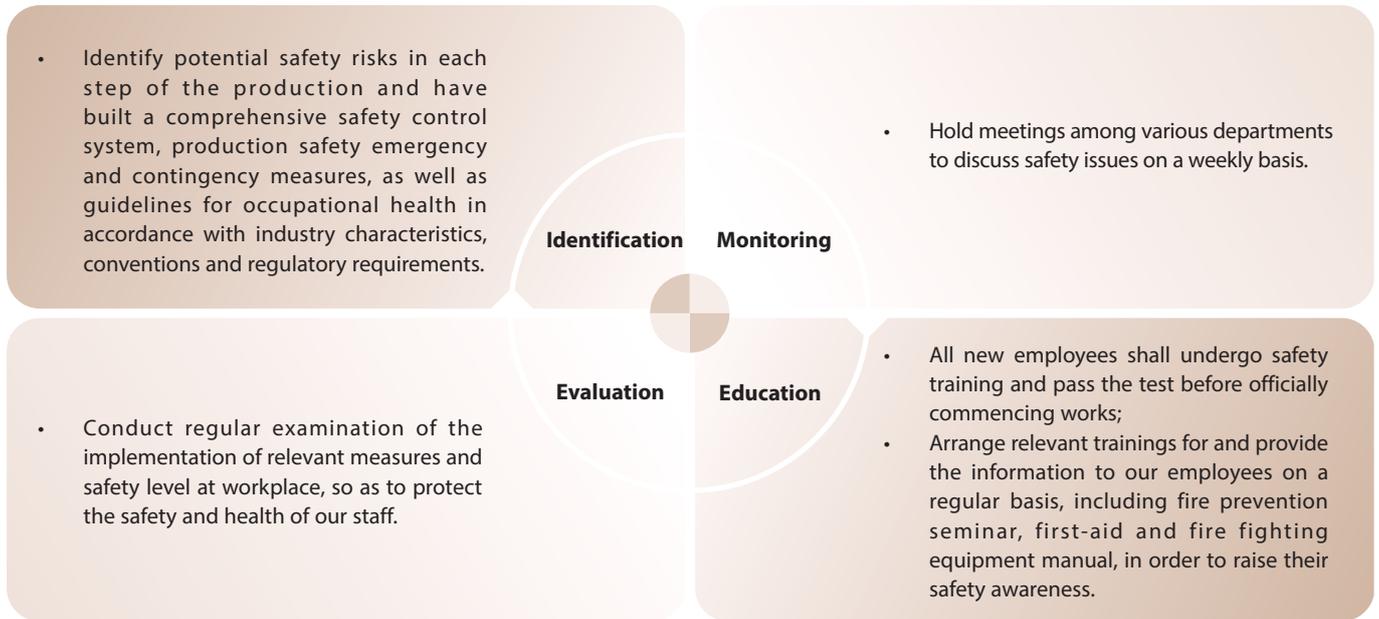


labelling yellow warning signs



providing annual body check for employees at special work positions

While we work our best on preventive measures, we insist that all employees must be responsible for their own and colleagues' safety. Hence, we endeavour to eliminate potential occupational hazards through "Identification, Monitoring, Evaluation and Education":



In case of significant work safety risks and accidents, we will report to our management and take necessary improvement measures. During the Reporting Period, the Group did not identify any material or heightened risks regarding occupational safety and health.

Focusing on Physical and Mental Well-being

Besides work safety, the Group also attaches high importance to employees’ mental wellness and actively promotes management of physical and mental well-being among them to help employees to work in their best physical and mental conditions. The Group helps staff strike a work-life balance and develop their sense of belonging to the Group through different measures. We organise activities, such as seminars, regular gatherings and festivals activities for employees to strengthen the interaction and communication among them; and build basketball, table tennis, badminton and other sport courts to encourage exercising and building physical strength.

Development and Training

Employee development and training are essential elements for sustainable business development of the Group. We have formulated a series of measures in terms of two major aspects of talent recruitment and internal training to provide employees with a high-quality development and growth environment to enhance the team’s overall market competitiveness, thereby supporting the long-term development of the Group’s business.



During the Reporting Period, the Group provides the employees with different types of training according to their staff rank and job nature, including but not limited to seminars and trainings about machinery operation and professional knowledge on work environment management. Annual examinations are arranged for the employees who are required to hold certain certificates or qualifications so as to meet the requirements of professional organisations or laws. Meanwhile, the Group also arranges the directors to regularly attend external seminars or through online learning platforms to learn about the latest listing rules and relevant laws, so as to increase their corporate governance knowledge.

During the Reporting Period, the relevant employee training data are as follows:

	Unit	2022	2021
Percentage of employees trained	percentage	78.6%	72.8%
By Gender			
Male	percentage	79.7%	76.2%
Female	percentage	76.5%	67.2%
By Employment Category			
Executives	percentage	90.5%	70.8%
Others	percentage	75.8%	73.6%
Average training hours completed per employee			
By Gender			
Male	hour(s)	14	11
Female	hour(s)	12	10
By Employment Category			
Executives	hour(s)	15	10
Others	hour(s)	13	11

Labour Standard

The Group does not tolerate any cases of child labour or forced labour. We are in strict compliance with relevant laws and regulations including the Employment Ordinance (Chapter 57 of the Laws of the Hong Kong), the Regulation on Labour Security Supervision (《勞動保障監察條例》) of the State Council of the PRC, Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and Provisions on Prohibition of Using Child Labour (《禁止使用童工規定》).

Candidates who apply for any job positions of the Group are required to verify their identities and backgrounds in order to avoid any form of forced labour, including child labour, human trafficking, bonded and indebted labour. All recruitment processes and promotion activities are carried out according to the human resources management system of the Group and subject to stringent supervision. We prohibit forced labour by threat of punishment, or deceptive recruitment. We do not tolerate any form of workplace bullying and harassment. All the employment contracts have set out the personal code of conducts for the employees, imposing strict supervision on the behaviours of all directors, senior executives and the employees of all levels, to eliminate acts of squeezing labour interest and illegal deprivation of employees' rights.

The Group encourages the employees to report any misconduct. In case of any non-compliance, we will promptly conduct an investigation and submit a relevant investigation report to the management to impose appropriate penalties on or dismiss the relevant employees. For more serious cases, the Group would obtain legal advices and take legal actions. In response to the non-compliance, we would also further improve the labour system to prevent recurrence of similar incident.

During the Reporting Period, the Group was not aware of any violations of laws and regulations relating to preventing child and forced labour that have a significant impact on the Group.

Supply Chain Management

The Group is committed to establishing a relationship of mutual trust and win-win cooperation with suppliers. As one of the important stakeholders of the Group, we emphasize the communication and relationship with suppliers, and our corporate social responsibility policy covers supply chain management and takes into account their needs and interests. Since the Group's manufacturing bases are located in the PRC, suppliers located in the PRC are prioritized in selection process which helps lower transportation costs and reduce air emissions during transportation process.

As at 31 March 2022, the Group had 175 suppliers and all of them are located in the PRC.

Procurement Policy

The Group has established procurement policy to evaluate the competence of suppliers. We offer the suppliers fair and reasonable terms and do not exploit the suppliers in any form when the Group sources goods from them. Other than taking costs, product quality, product safety and track records into account, the Group also stresses the importance of integrity of our suppliers and business partners in selection of suppliers. Based on our internal guidelines and the ISO9001 standard that specifies the requirements for a quality management system (QMS), we only select suppliers and business partners with proven business track records and no serious law violation or breach of business ethics. Our procurement department is responsible for performing all background checks to ensure legitimacy of these suppliers cooperating with the Group.

Our procurement department will examine whether these suppliers have fulfilled the product responsibilities to ensure that their products meet our needs through comparison of the suppliers' quality performance, after-sales service, shipping and delivery and price. According to the results of inspection and assessment, the "Supplier Assessment Records" are filled and as reference for the selection of appropriate suppliers in the future. Suppliers would be held accountable and would be subject to compensation and claims if defects or quality issues of their products lead to any customer complaints. During the Reporting Period, all newly engaged suppliers have been reviewed.

The procurement department will select several qualified suppliers for selection to ensure stable supply of important materials of the Group. Samples of their products are requested to make fair assessment. Quality assurance and safety inspection will be conducted by our designated department and a small quantity trial will be made in our production. Suppliers with qualified samples will be listed on our Register of Qualified Suppliers and will be ordered by our procurement department in the future.

Environmental and Social Risks Management

Environmental and social risks management is also an important factor for consideration during the selection of supplier. While we uphold environmental standards and comply with all applicable laws and regulations, our suppliers and all related parties from the supply chain are also required to understand our relevant policies to ensure our business partners share the same value. The Group maintains a close communication with its suppliers and other business partners, and site visits are arranged when the Group deems necessary to better understand and supervise their compliance level with the relevant environmental laws and implementation of environmental protection measures.

For FSC certified products, we shall ensure that we only use wood products from FSC certified suppliers. We will check the relevant FSC certification of the suppliers and verify their identities from FSC before entering into any transactions. Besides, the Group will also perform annual check and verification on the FSC certification of the suppliers to ensure that their certification is still valid.

In terms of social risks management, we do not tolerate bribery and corruption, and we forbid our suppliers and business partners from securing procurement contracts or partnerships through any form of transfer of interest. The labour standards of the Group are also applicable to our suppliers and sub-contractors. We will conduct site visits and staff interviews to monitor their labour standards. Cooperation would be terminated if any suppliers and sub-contractors violate our labour standards such as child labour and forced labour.

Product Responsibility

The Group regards product quality and corporate reputation as one of the key foundations of sustainable development, and proactively ensures product and service quality through internal control in a bid to producing high quality plywood products and other wooden products which are in compliance with international industry standards. We strictly comply with all applicable laws and regulations, including but not limited to Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》).

During the Reporting Period, the Group was not aware of any violations of laws and regulations in relation to product health and safety, advertising, labelling and privacy matters and methods of redress that have a significant impact on the Group.

Product Quality Management

The Group emphasizes research and development to continuously improve and optimize products. We have obtained numerous safety approvals and certificates issued by different international product testing and certification organisations which are accredited certification bodies or assessors of JAS, FSC and CE, respectively. Therefore, the Group has strong confidence in the safety and quality of its products and is capable of fulfilling the specific requirements from our customers in various countries and offering quality assurance, including those which demand high quality standards and have stringent safety requirements.

During the Reporting Period, the Group had no products sold or shipped subject to recalls for safety and health reasons.

Customer Communication

The opinions of customers help the Group to make continuous progress. We communicate with customers through various channels to obtain their feedback and understand their needs. The Group will review the service process according to customers' feedback and promptly handle and investigate the clients' complaints to improve the customer service and product quality. If there is any safety and health issue involving our products, the Group will make recall and compensation (if necessary) in accordance with the contractual terms of orders. Meanwhile, we will conduct investigation on the event and make improvements in production process or procurement management in the future.

During the Reporting Period, the Group did not receive any complaints in relation to its products and service.

Data Privacy and Intellectual Property

Due to the business nature of the Group, we did not encounter issues with third-party intellectual property or patent technology in our daily operation. However, the Group does not rule out the possibilities that its customers' trade secret or even personal information may come into contact in the future. Therefore, we will require our employees to carefully handle customer information to protect their privacy and intellectual property from unnecessary losses.

Advertising and Labelling

Adhering to its pragmatic principle, the Group does not allow any misleading, inaccurate and exaggerating information about its products and services. We strictly abide by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and other relevant laws and regulations. During the Reporting Period, the Group mainly relied on its sales representatives to perform sales and marketing activities directly to existing or potential customers, and did not engage large-scale publicity and promotional activities. In the sale process, we ensure that any descriptions of the services and products of the Group by its sales representatives are in compliance with all applicable laws and standards enacted by the government and industry associations.

During the Reporting Period, the Group did not receive any complaint in relation to advertising and labelling.

Anti-corruption

The Group adheres to the principles of “Honesty and Integrity”. We do not tolerate any corruption, bribery, extortion, money-laundering and other forms of frauds, and are committed to maintaining the highest standard of corporate governance. We strictly comply with the relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》) and other applicable anti-corruption laws and regulations.

Directors and all employees are required to maintain integrity and be law-abiding at both physical business and capital market operation levels. Employees are under strict supervision that they are prohibited to receive or solicit personal gain, including cash, gifts and unlawful favours, from business relationships. They are also prohibited from obstructing any potential business transaction with suppliers, business partners and clients because of personal or business relationship with their competitors. To promote integrity and enhance their anti-corruption awareness, the Group will provide anti-corruption-related training to directors and key employees.

Whistle-blowing Policies

The Group has established the whistle-blowing mechanism. We encourage employees to report misconduct. Adequate confidentiality measures will be taken to protect the identities of the whistleblowers. Once any acts of corruption, bribery, extortion, money-laundering or other frauds are found, the Group would promptly carry out investigations and report to the management and government authorities.

We will continue to review and improve the internal monitoring system and anti-corruption system to prevent corruption. In addition, the Group has formed an audit committee and has also hired external lawyers and auditors for the compliance with the Stock Exchange’s corporate governance requirements for listed companies.

During the Reporting Period, the Group or its employees were not involved in any lawsuits regarding corrupt practices. The Group was also not aware of any violations of laws and regulations in relation to corruption, bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community Investment

The Group proactively fulfills its corporate social responsibilities and upholds the spirit of “giving back to society”. We actively respond to all sorts of charity events organised by the local trade unions, party committees and party organizations. In addition, the Group proactively recruits local employees at the locations of its production facilities to boost local employment and create economic value. We also increase our community investment as much as possible to promote community development and create a more favourable environment for our community and business.

Moreover, we also contribute to the society by donations. During the Reporting Period, we donated a total of RMB 223,000 to Jiangmen Jianghai District Charity Association (江門市江海區慈善會) and Songling Village in Duruan Town (杜阮鎮松嶺村).

The Group believes that the employees’ community awareness can be enhanced by participating in community activities, thereby motivating them to care and help people in need, and establishing the right value. Therefore, we encourage employees to help disadvantaged groups in society to make greater contributions to the community and develop their sense of social responsibility.

REFERENCES TO ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs		Section/Remarks	Page
Mandatory Disclosure Requirements			
Governance Structure	A statement from the board containing the following elements: <ol style="list-style-type: none"> i. a disclosure of the board’s oversight of ESG issues; ii. the board’s ESG management approach and strategy, including the process used to evaluate, prioritize, and manage material ESG-related issues (including risks to the issuer’s businesses); and iii. how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. 	Sustainable Corporate Governance and Social Responsibility Policy	6
Reporting Principles	A description of, or an explanation on, the application of the reporting principles (materiality, quantitative and consistency) in the preparation of the ESG report.	About This Report – Reporting Principles	3
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About This Report – Reporting Period and Scope	2
“Comply or explain” Provisions			
Environmental			
Aspect A1 :Emissions			
General Disclosure	Information on: <ol 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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. 	Environmental Aspect	6
A1.1	The types of emissions and respective emissions data.	Emissions – Air and Greenhouse Gas Emission	6
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Emissions – Air and Greenhouse Gas Emission	6
A1.3	Total hazardous waste produced and intensity.	Emissions – Waste Management	7
A1.4	Total non-hazardous waste produced and intensity.	Emissions – Waste Management	7
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Air and Greenhouse Gas Emission	6
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management	7

Subject Areas, Aspects, General Disclosures and KPIs		Section/Remarks	Page
Aspect A2 : Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	8
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources	8
A2.2	Water consumption in total and intensity.	Use of Resources – Water Resources Management	9
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources	8
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Resources Management	9
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Use of Resources	8
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	10
A3.1	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	10
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	10
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	10
Social			
Employment and Labour Practices			
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	11
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment – Employee Overview	11
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment – Dismissal Policies	13

Subject Areas, Aspects, General Disclosures and KPIs		Section/Remarks	Page
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	14
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	14
B2.2	Lost days due to work injury.	Health and Safety	14
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Safety Measures	14
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	15
B3.1	The percentage of employees trained by gender and employee category.	Development and Training	15
B3.2	The average training hours completed per employee by gender and employee category	Development and Training	15
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 Standard	16
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standard	16
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standard	16
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	17
B5.1	Number of suppliers by geographical region.	Supply Chain Management	17
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Procurement Policy	17
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Environmental and Social Risks Management	17
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Environmental and Social Risks Management	17

Subject Areas, Aspects, General Disclosures and KPIs		Section/Remarks	Page
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	18
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality Management	18
B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Communication	18
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Data Privacy and Intellectual Property	18
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Management	18
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Privacy and Intellectual Property	18
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	19
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	19
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistle-blowing Policies	19
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	19
Community			
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 Investment	19
B8.1	Focus areas of contribution.	Community Investment	19
B8.2	Resources contributed to the focus area.	Community Investment	19