



**Hong Wei (Asia) Holdings Company Limited**  
**鴻偉(亞洲)控股有限公司**

(Incorporated in Hong Kong with limited liability)  
Stock code : 8191



***Environmental, Social and Governance Report***

**2016**

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Introduction

Hong Wei (Asia) Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group’s shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. We are also engaged in charitable activities to fulfill corporate social responsibility. This report covers environmental, social and governance matters of the Group for the year commencing on 1 January 2016 to 31 December 2016 (“Reporting Period”).

This environmental, social and governance report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

### A. Environment

Environmental protection is one of the Group’s core concerns. Procedures have been established to control emissions, wastewater and waste gases.

The Group has established environmental protection procedures in accordance with the Environmental Protection Law of the PRC, the Appraising of Environmental Impacts Law of the PRC, the Regulations on Administration of Construction Project Environmental Protection, the Prevention and Control of Atmospheric Pollution Law of the PRC, the Prevention and Control of the Water Pollution Law of the PRC, the Prevention and Control of the Noise Pollution Law of the PRC, the Prevention and Control of the Solid Waste Pollution Law of the PRC and other relevant laws and regulations.

#### A.1 Emissions

The Group produces particleboards from residual wood. Wastes caused by production, for example tree bark, are sent to heat center as pellet fuel. This procedure can reduce the emissions. The pellet fuel does not contain sulfur, which is environmentally friendly.

#### Waste Gases

The factory of the Group is equipped with dust removal system and machines to reduce exhaust emissions.

#### Wastewater

The factory of the Group is equipped with a sewage treatment system, which effectively improves the circulation of used water to reduce wastewater.

## A.2 Consumption of Resources

Our Group aims at promoting our brands as environmentally responsible brand names. We have strived to create a corporate image of being environmentally friendly by following the international environmental practices created by the Forest Stewardship Council. We have obtained "FSC Standard for Chain of Custody Certification" (FSC-STD-40-004 V2-1) and the certification of the complementary FSC "Standard for sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects" (FSC-STD-40-007 V2-0) (valid from February 2013 to February 2018). With such certifications, we are qualified to apply the FSC label on our products when certain prescribed criteria are met. The FSC label, when applied, provides a credible guarantee to our customers, including end consumers, that our products originate from well-managed forests, controlled sources, reclaimed materials, or a mixture of these.

### Reducing fossil fuel usage

Wastes caused by production, for example tree bark, are sent to heat center as pellet fuel. It can reduce fossil fuel usage and improve energy efficiency. The pellet fuel does not corrode the boiler and can extend the service life of the boiler. Moreover, the pellet fuel does not contain sulfur, which is environmentally friendly.

The Group promotes electronic communication, holding cross-territory meetings in the form of tele-conference instead of physical meeting to reduce fuel consumption arising from traveling.

### Paper reduction

The Group actively encouraged its employees to reduce the use of paper. We have adopted the practice of double sided printing, writing on both sides of paper, and reusing stationary such as envelope and file folder.

### Water conservation

We have adopted effective water-saving production methods and instruments. The factory of the Group is equipped with a sewage treatment system to improve circulating use of water and reduce water waste.

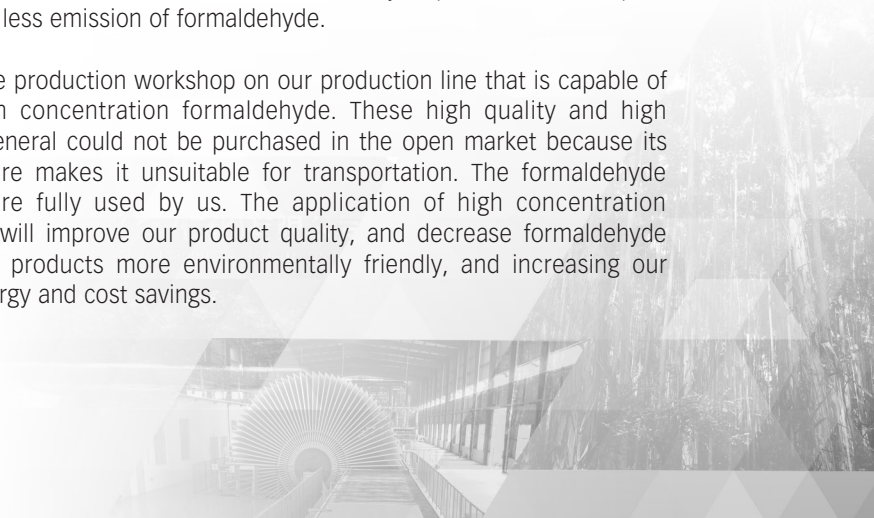
We put up water conservation slogans and encourage our employees to use water reasonably to reduce water consumption.

## A3. The Environment and Natural Resources

The particleboards produced by us are made with raw materials such as undersized log, wood branches and agriculture and forestry residues, and hence they are in general considered to be environmentally friendly and resources-saving reconstituted wood-based panels derived from undersized log, wood branches, wood off-cuts and residues, agriculture and forestry residues and wood waste.

Plywood and fibreboard are the related wood based panel products having similar function as particleboards. All these types of wood based panel products have their respective characteristics, slightly different performance and different application and usage. Compared to plywood and fibreboard, particleboards are more environmental friendly as particleboards require less usage of adhesives, and thus less emission of formaldehyde.

There is an auxiliary formaldehyde production workshop on our production line that is capable of producing high quality and high concentration formaldehyde. These high quality and high concentration formaldehyde in general could not be purchased in the open market because its highly unstable chemical structure makes it unsuitable for transportation. The formaldehyde produced from the workshop are fully used by us. The application of high concentration formaldehyde in our production will improve our product quality, and decrease formaldehyde emission, thereby rendering our products more environmentally friendly, and increasing our production efficiency through energy and cost savings.



## B. Social

### B1. Employment

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

The Group complies with the Labour Law of the PRC, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and other relevant laws and regulations.

We provide social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in the PRC according to PRC Social Insurance Law. The Group adopts an 8-hour working system and voluntary overtime. Overtime is limited to a maximum of 4 hours to protect employees' health. In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to safeguard employees' safety.

#### **Recruitment and promotion**

The human resources department of the Group has developed a comprehensive recruitment and promotion system. The recruitment and promotion should be fair and cannot be affected by race, color, gender, ethnic tradition, religion, nationality, marital status or family status.

We emphasize equal competition and open recruitment and prioritise internal promotion of suitable candidates over external candidates.

Each department will review its human resources needs on a regular basis by analyzing the annual objectives of the department, the project tasks, the workload of the departmental staff. When a need to hire an additional employee is identified, the relevant department will provide the job description for recruitment purposes.

While the relevant department is responsible for evaluating the adequacy of professional/technical skills of candidates for the position sought to be filled, it will consult with the human resources department on remuneration package to ensure that employees across different departments of the Group are fairly remunerated.

#### **Rest periods**

The employees of the Group can enjoy statutory holidays, funeral leave, maternity leave, annual leave, sick leave and work-injury leave.

#### **Salary and Benefits**

The Group offers competitive salary and benefits to the employees according to individual performance, knowledge and job requirement. Employees' compensation consists of basic salary, subsidies and bonuses, which is adjusted regularly. We conduct appraisal of the performance of the employees of the Group and review the remuneration of the employees annually. In addition, the Group provides certain employees with rental subsidy, phone subsidy and subsidy for meal.

#### **Dismissal**

The Group has established policy to prevent unfair dismissal. An employee cannot be dismissed when she has been confirmed pregnant or after she has given notice of pregnancy. An employee cannot be dismissed when he or she takes a paid sick leave. Each employee that tenders resignation will be interviewed by the human resources department to ascertain the reason for leaving the Group. The dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave.

**B2. Health and Safety**

The Group is committed to providing employees with a healthy and safe working environment. We require the relevant employees to wear respirators, earplugs, gloves and other protective equipment in accordance with the relevant laws and regulations.

Our factory is equipped with first aid kits, and the Group has adopted emergency procedures to send the employee to hospital within 30 minutes in the event of an accident.

No major accident occurred during the Reporting Period.

**B3. Development and training**

Talent development is an important part of the Group human resource strategy. We believe knowledgeable employees who are capable to meet the demands of a dynamic market is essential to the success of the business. The Group provides the employees with effective training and has developed a clear promotion ladder. The types of training provided by the Group include on-the-job training, operation training, management training and job rotation.

**B4. Labour Standards**

The Group complies with labor law, and laws and regulations relating to the elimination of the use of child labor, the abolition of all types of forced or compelled labor or workplace discrimination. We tolerate no discrimination against any employee based on race, color, gender, ethnic tradition, religion, nationality, marital status, family status and other factors. The strict recruitment system ensures employees who are hired must be at least 16 years of age. The human resources department of the Group has adopted strict procedures to verify the identity of the employees, including checking personal identification, driver's licence and household register issued by government authorities.

**B5. Supply-chain Management**

To ensure that we purchase residual wood from legitimate sources, we have established and adopted standard procedures with respect to selecting legitimate residual wood suppliers.

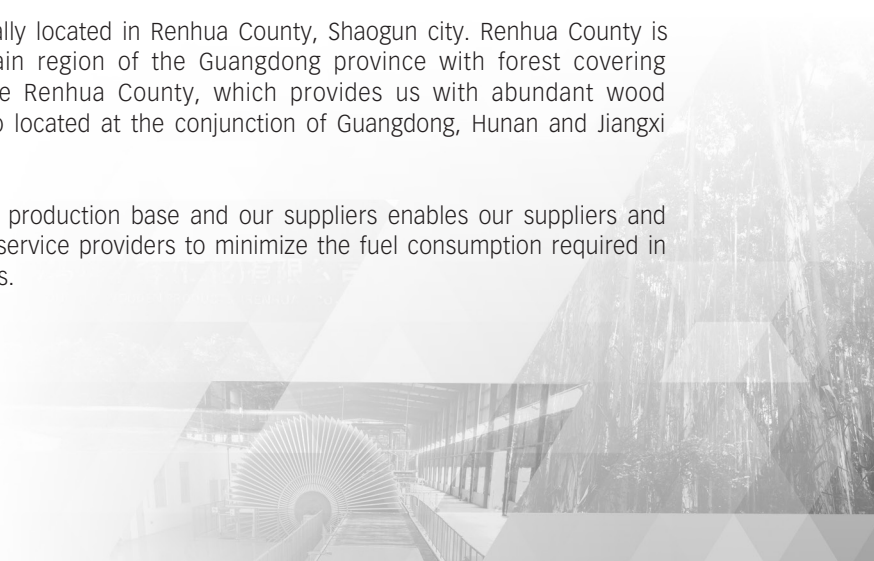
Our resources management department is responsible for the assessment of each residual wood supplier to ensure that the supplier meets our requirements and has the relevant licences or permits for tree cutting and wood transportation.

If the tree cutting licence and wood transportation permit are not available for inspection, our resources management department will confirm with the Forestry Bureau of Renhua County to ensure that the supplier is holding the required licences or permits for supplying residual wood to us.

An annual assessment on each residual wood supplier is also conducted by the resources management department, raw material inventory department and production department to review and re-assess the qualification of each residual wood supplier to ensure it meets our requirements.

Our production base is strategically located in Renhua County, Shaogun city. Renhua County is located in the northern mountain region of the Guangdong province with forest covering approximately 77% of the entire Renhua County, which provides us with abundant wood resources. Renhua County is also located at the conjunction of Guangdong, Hunan and Jiangxi provinces.

The close proximity between our production base and our suppliers enables our suppliers and independent third party logistics service providers to minimize the fuel consumption required in the transportation of raw materials.



**B6. Product Responsibility**

Our production line produces premium quality particleboards that can comply with all the Particleboard PRC GB Standards and Particleboard International Standards.

We place strong emphasis on product quality by implementing quality control and production control in order to maintain our competitive edge. All products of the Group are tested by the Group's quality control department and designated "superior", "qualified" or "other" grading. All products must be clearly labelled, before delivery to customers, with their grading, production date and otherwise in accordance with customers specifications and requirements of relevant standards.

In maintaining product quality and customer service, our sales and marketing staff regularly visit our customers in order to understand their business needs and obtain feedback on our products.

To maintain stringent quality control over the whole production process, from the procurement of raw materials to the final inspection of finished goods before delivery, we have established comprehensive quality control protocol for product quality inspection. To the best knowledge of our Directors, we have not experienced any material quality control issues or any material product return from our customers due to any quality issue of our products.

The Group does focus on importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. We also adhere to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorized access or application. The Group also ensures that customers' personal data is securely kept and processed merely for the purpose for which it has been collected as intended. Confidential information are securely stored with access restricted to only authorized personnel.

During the Reporting Period, the Group had complied with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in all material respects.

**B7. Anti-corruption**

The Group is committed to establishing and enhancing the internal control system to prevent corruption and fraud.

The Group has established a fair and honest report platform to encourage reporting of corruption and fraud. The relevant procedures are clearly set out in the employee handbook.

During the Reporting Period, the Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

**B8. Investing in Community**

The Group has participated in charitable activities. During the Reporting Period, the Group has donated approximately HK\$730,000 to the education bureau in Renhua County, Shaogun City of Guangdong Province, the People's Republic of China ("PRC") to improve the teaching facilities in primary schools in Renhua County. In addition, the Group has donated approximately HK\$27,000 to the Danxia Voluntary Union (丹霞義工會) to support volunteers in Danxia, Renhua County who were committed to helping students, the disabled, caregiving and other charitable causes.

**Corporate Governance Practices**

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. Since the Listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group has strived to attain and uphold more rigorous standards of corporate governance. For such purpose, the Board has adopted the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Details of which can be referred to the Corporate Governance Report included in the Annual Report 2016 of the Company.