



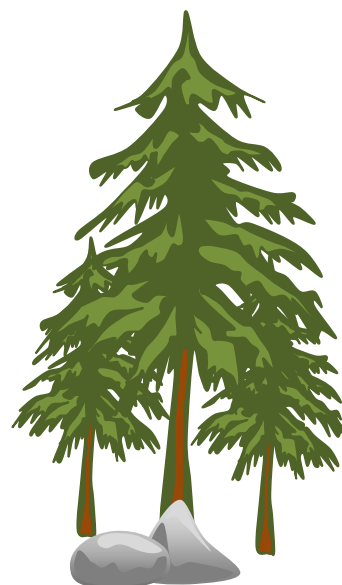
Hing Lee (HK) Holdings Limited
興利(香港)控股有限公司

(Incorporated in the British Virgin Islands and re-domiciled and
continued in Bermuda with limited liability)

Stock code : 396

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

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ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Hing Lee (HK) Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) is pleased to present its Environmental, Social and Governance (“ESG”) Report (“ESG Report”) for the year ended 31 December 2018 (“Year 2018”) with reference to the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and based on the material aspects that the Group and its key stakeholders concern with. The data of the key performance indicators in the subject area “A. Environmental” is collected from the plants in panel furniture manufacturing and upholstered furniture manufacturing in the People’s Republic of China (the “PRC”), which represent the core operations of the Group. However, to make the contents of the ESG Report more comprehensive, the ESG Report covers all activities of the Group unless otherwise specified.

The Group is committed to the long-term development of its business in a sustainable manner. The Group seeks to embed sustainable practices in its everyday operations and align sustainability goals with the Group’s overall strategic direction.

The board of directors of the Company (the “Board”) considers sustainability issues as part of its strategic formulation and places strong emphasis in aligning the Group’s business strategies to the Group’s sustainability objectives. The Board has reviewed the material environmental, social and governance aspects that the key stakeholders of the Group concern with, and deem that the identified aspects continue to remain relevant in the ESG Report.





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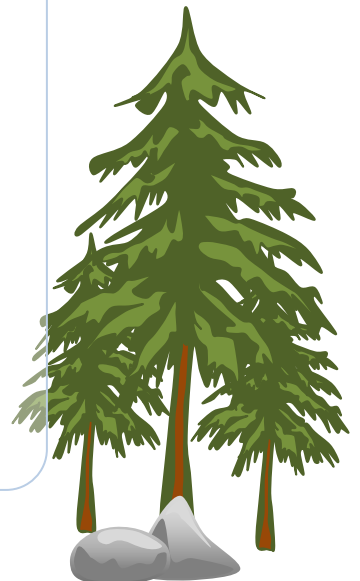
INTRODUCTION

The Board works closely with the management to monitor the performance of the material environmental, social and governance matters that the key stakeholders of the Group concern with.

STAKEHOLDER ENGAGEMENT

The Group communicates with key stakeholders through various channels in order to understand their different expectations and identifies the most material aspects to be placed comparatively higher emphasis for reporting in the ESG Report. While higher priority is given to the most material aspects, the Group will continue to monitor and report the other aspects in the ESG Report in order to enhance the corporate transparency.

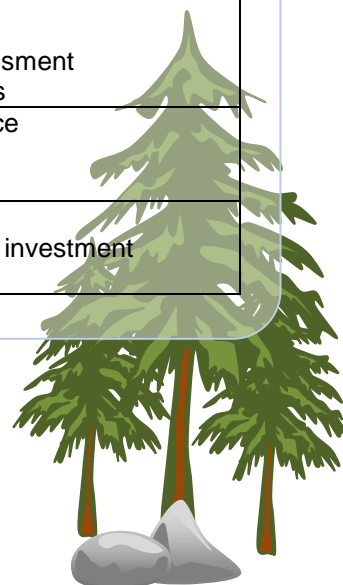
The table below presents the communication methods between the Group and the key stakeholders





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Stakeholders	Issues of concern	Engagement channels
Government	<ul style="list-style-type: none"> – Compliance with laws and regulations – Proper tax payment – Promote regional economic development and employment 	<ul style="list-style-type: none"> – On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual reports and other published information on website
Shareholders and Investors	<ul style="list-style-type: none"> – Return on the investment – Transparent disclosure of information – Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> – Annual general meeting and other shareholder meetings – Annual report, announcements and other published information – Meeting with investors
Employees	<ul style="list-style-type: none"> – Safeguard the rights and interests of employees – Career development opportunities – Health and safety 	<ul style="list-style-type: none"> – Conference – Training, seminars and briefing sessions – Cultural and sport activities – Intranet and emails
Customers	<ul style="list-style-type: none"> – Safe and high-quality products – Stable relationship – Information transparency – Business ethics – After-sales services 	<ul style="list-style-type: none"> – Website, brochures and annual reports – Email and customer service hotline – Customer feedback forms – Regular meetings
Suppliers/ Business Partners	<ul style="list-style-type: none"> – Long-term partnership – Honest cooperation – Fair, public tendering process – Risk reduction 	<ul style="list-style-type: none"> – Business meetings, supplier conferences, phone calls and interviews – Regular meeting – Review and assessment – Tendering process
Peers/Industry associations	<ul style="list-style-type: none"> – Experience sharing and cooperation – Fair competition 	<ul style="list-style-type: none"> – Industry conference – Site visits
Public and communities	<ul style="list-style-type: none"> – Community involvement – Social responsibilities 	<ul style="list-style-type: none"> – Volunteering – Charity and social investment





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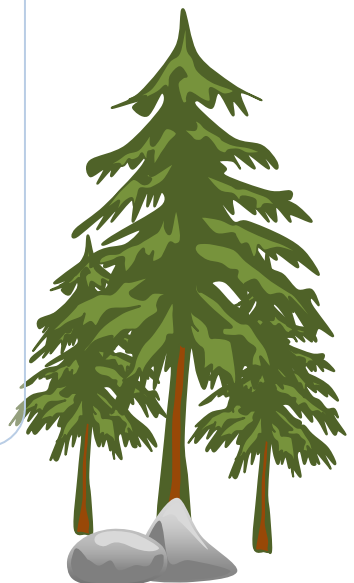
A. ENVIRONMENTAL PROTECTION

The Group is committed to operating its businesses in an environmentally responsible manner through improving energy efficiency and minimising its environmental footprint.

A1: Emissions

The major environmental impacts arising from the Group's production of furniture products and upholstered include the discharge of waste water, gas emission, the emission of dusts into the air and the generation of noise pollution. In order to comply with relevant environmental protection laws, rules and regulations in the PRC, the Group:-

- (i) has constructed sewage treatment facilities that help to recycle the waste water discharged;
- (ii) has installed a centralised dust vacuum system that collects dust and wooden particles generated during the production process;
- (iii) has installed an anti-noise pollution device to reduce the noise level generated during the production process;
- (iv) has equipped itself with a fully automatic UV spray-coating processing line which helps to reduce the level of air pollution and waste water discharge in spraying process; and
- (v) has engaged a waste water treatment company to collect the residual waste water and has engaged a solid waste treatment company to daily remove the solid wastes collected from the Group's production facilities for further treatment.





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We tackle our greenhouse gas (GHG) emissions by lowering our energy consumption. Policies and procedures to encourage energy saving have been incorporated throughout our operations.

For our operations, motion-activated lighting systems are installed in our factories and offices to reduce electricity consumption. These factories and offices are also designed to keep warm in winter and insulate heat in summer to reduce electricity consumption from air conditioning.

To bring down energy consumption caused by lighting in our operations, our factories and offices rely on natural light to the greatest extent during daytime and illuminated signs are only switched on at night. Some work stations have replaced conventional lighting with LED.

The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations. The Group encourages environmental protection and promote awareness towards Environmental protection to the employees. The Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.





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More importantly, the Group has put substantial effort in cleaner production. It has fulfilled the requirement and demonstrated a high commitment to cleaner production. As a result, it is certified by the Environment Bureau of The Government of the Hong Kong Special Administrative Region and The Economic & Information Commission of Guangdong Province as “Hong Kong – Guangdong Cleaner Production Partner (Manufacturing)”.

No substantial direct emission of greenhouse gas is generated from the Group’s business activities. Electricity purchase was the main cause of Greenhouse gases emissions during the year 2018. Indirect emissions other than electricity were minimal.

Greenhouse gases emission	2018	2017
Total Greenhouse gases emission (tonnes)	3,075	3,892
Total Greenhouse gases emission per employee (tonnes per employee)	4.10	4.23
Direct emissions (tonnes)	-	-
Indirect emissions (tonnes)	3,075	3,892
Quantity of purchased Electricity (MWh)	3,328	4,213
Intensity (tCO ₂ e/HK\$’000)	0.01	0.01

The Group does not generate much waste paper and household garbage during its operation, all of which will be collected and disposed by cleaning personnel and afterwards, will be processed by the Local Sanitation Bureau. Such arrangement will not cause material impact on the environment. The solid wastes such as leftover woods, fabrics and leather, etc. will be recycled or reused by the Group in order to save material consumption costs and enhance the resources efficiency. The quantity of non-hazardous waste of the Group representing leftover woods fabrics and leather for Year 2018 is approximately 1,385 tonnes (2017: approximately 1,525 tonnes) and the said waste did not exert any significant impact on the environment.

The Group will review its environmental practices from time to time and consider implementing further eco-friendly measures and practices in the operation of the Group’s businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse, as well as enhancing environmental sustainability.





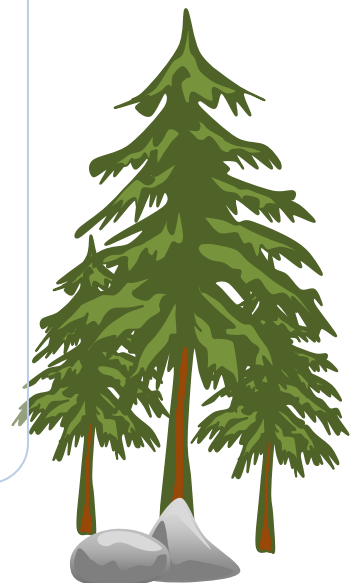
ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

A2: Use of Resources

The Group strives to minimize its environmental impact by saving electricity and water, and encouraging recycle of office supplies and other materials. It helps save both money and natural resources. For waste that cannot be avoided, we strive to reuse and recycle the relevant supplies and materials as much as possible.

The Group has also implemented the following measures to foster a culture of resources conservation awareness:

- (i) The Group encourages paperless working procedures through intranet and use video-conference system to replace avoidable business trips and increase communication efficiency;
- (ii) The Group encourages its distributors to use LED lighting for retail outlets operated by them;
- (iii) We avoid using excessive packaging and aim at having packaging offering protection for our products and at the same time appealing to customers;
- (iv) We maintain our air-conditioners regularly for better performance and keep an average indoor temperature of 25°C in order to minimize electricity usage; and
- (v) At our offices, double-side printing is expected under most circumstances. We remind our employees to switch off idle electrical appliances to promote energy saving.





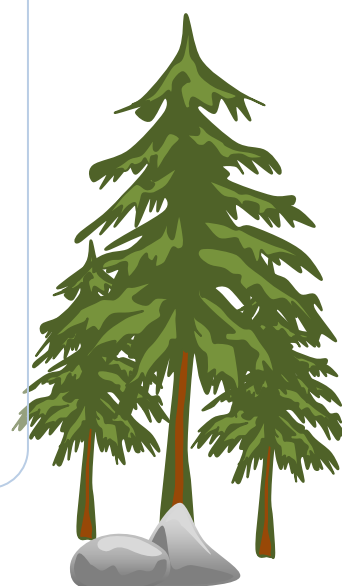
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A2: Use of Resources

During the year 2018, the major resources consumption of the Group is as follows:-

Resource Consumption	Unit	Total Consumption	
		2018	2017
Total electricity consumption	MWh	3,328	4,213
Electricity consumption per capita	MWh/per person	4.43	4.58
Consumption of non-renewable fuels	L	631	1,190
Consumption per capita	L/per person	0.84	1.29
Total water consumption	M3	35,814	45,915
Water consumption per capita	M3/per person	47.75	49.91

The Group mainly uses paper boxes, plastic bags and sponge scraps as packaging materials for its products. The amount of various types of packaging materials used in the year 2018 was approximately 394 tonnes (2017: approximately 480 tonnes) in total and approximately 14.8 Kgs (2017: approximately 15 Kgs) packaging materials were used per set of product. The Group used the packaging materials reasonably and effectively to minimize its impact on the environment.



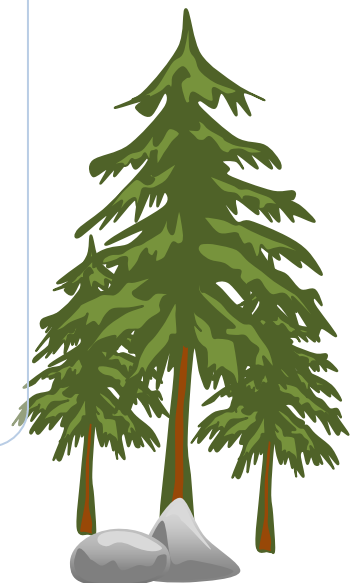


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A3: The Environment and Natural Resources

Our products are also certified with China Environmental Labelling (中國環境標誌) and China Ecolabelling (中國環保產品認證). These certifications show that our products meet the specific national requirement of environmental protection during production process. They have environmental advantage of low toxicity, low harm and saving resources when comparing with other similar products.

Save as disclosed in sections A1 and A2 above, the Group's operating activities have no significant impact on the environment and natural resources.





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B. SOCIAL

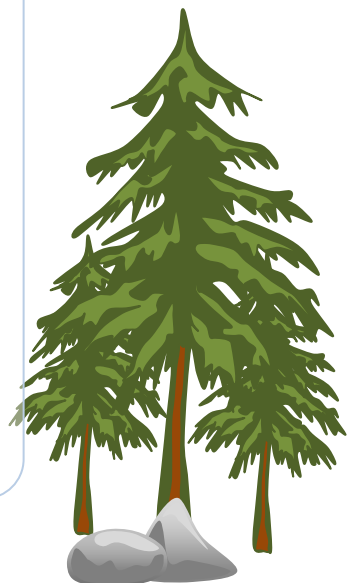
B1: Employment

The Group recognises that employee is the most important asset. We have established a set of human resources management policies in order to comply with relevant labour laws and regulations including Labour Law of the PRC and Hong Kong, and comply with them. As at 31 December 2018, the Group employed approximately 680 employees (2017: approximately 920).

Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

The Company ensures that all employees are entitled to paid annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights.

The Group is committed to constructing an inclusive workplace that embraces diversity and equal opportunity. The management sets a tone of zero tolerance to harassment and discrimination of any form. Employees are hired and selected based on their merits, regardless of their gender, age, nationality, religious belief, marital status, etc. To foster a harmonious working environment and encourage collaboration, we organised a series of teambuilding activities, including excursions, basketball competition and singing events during the reporting period.

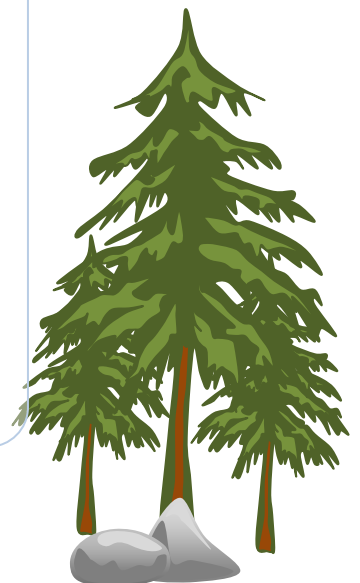




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B2: Health and Safety

Protecting the health, safety and wellbeing of our employees is our key priority. For example, workplace hazards are identified by experienced safety personnel and mitigation measures are implemented to reduce occupational health and safety risks at our production sites. Safety performance is monitored and followed up to encourage continuous improvement. Our employees are reminded and trained to apply proper personal protective equipment. Regular safety talks and seminars are held to increase workplace safety awareness. Annual health checks are conducted to monitor the health and wellbeing of our workforce. In addition, we also promote the concept of healthy living by providing employees with a balanced diet.





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B3: Development and Training

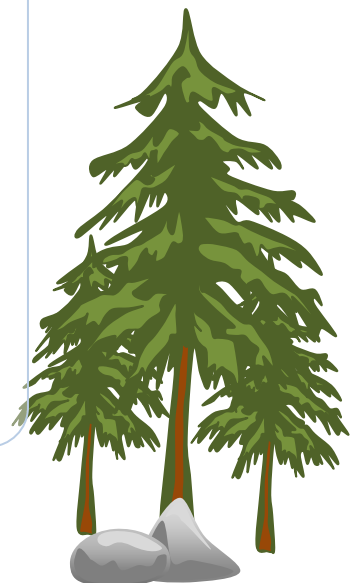
The Group believes in empowering its employees through constant development and training. Training at all levels is available to meet the needs of our business growth. Induction and mentorship are given to new joiners to give them a better understand of the corporate culture and settle in their new positions.

Apart from regular on-the-job training, the Group also engages professional parties to provide training to its staff to ensure they can obtain updated job related knowledge and enhance the quality of work.

B4: Labour Standards

The Group implements its labour standards in strict compliance with the labour laws and regulations of the places where the Group has business operations.

The Group strives to prohibit the use of child or forced labour in its operations. Our suppliers and contractors are expected to follow the same standard of labour practices when working with us.





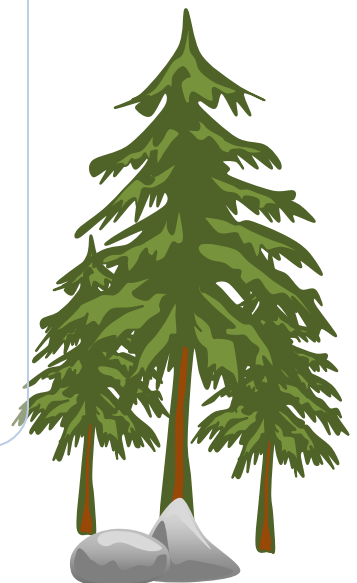
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OPERATING PRACTICES

B5: Supply Chain Management

We are keenly aware of the potential environmental and social risks associated with our supply chain and are committed to mitigating such risks in collaboration with our suppliers. We select suppliers that obtain source in a sustainable way, at the raw material procurement stage, the major suppliers of the Group are required to demonstrate that raw materials provided to the Group are in compliance with requirements under the relevant laws, rules and regulations. For example, using rubber wood and timber certified by the Forest Stewardship Council (FSC) for our wood furniture.

Choosing the right materials is the foundation of making high quality products that are durable and safe for our customers. We conduct assessments on the materials provided by our suppliers, ensuring that they do not contain any harmful substances or chemicals. For example, in selecting paint and powder for our furniture, we ask our suppliers to submit third party testing reports, so as to make sure the lead content for our products does not exceed the threshold limit, complying with the relevant Standards; we also do not use fire retardant chemicals that can be harmful to people and the environment, for all foam based components at our Furniture.





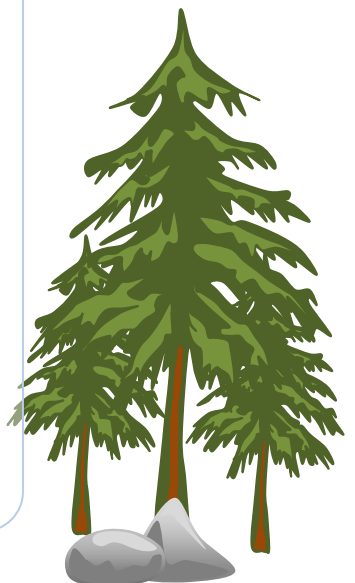
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B6: Product Responsibility

The Group endeavours to deliver quality products and services. In addition to selecting safe materials for production, the Group also applies strict safety standards based on compliance standard and customer requirements. Before starting production, we have internal testing standards for our products, such as structural tests, which are applied to finished products to make sure they are durable and safe for use, and coating adhesion tests. Only products that pass all necessary assessments are eligible for mass production and sold to our customers. Through these assessments and tests, the Group strives to maintain excellent quality in all our products.

While our assessments provide safety and quality assurance for our products, we also want to keep our customers informed of the potential risks or hazards that may occur if the products are used incorrectly. Hence, complying with the regulations of our operating countries, we attach safety labels on all applicable products, such as tip-over warning label, flammability warning label, etc. Information on the materials contained in the products is also attached, with detailed instructions on the usage of the products, e.g. cleaning procedures, maximizing the durability of our products.

We respect customer data privacy and are committed to preventing customer data leakage or loss. Collected customer personal data is accessible only by authorised personnel and handled with care. We also observe the significance of having correct labeling of our products to protect the interests of our customers.





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B7: Anti-Corruption

The Group operates with a high standard of integrity and ethics. We implement policies and procedures to minimise risks of fraud, corruption and bribery. Our principle on anti-corruption is well conveyed to our employees through daily communication, training and workshops. The Group has also established whistleblowing mechanisms that allow employees and third parties to report suspicious cases in a confidential manner.

B8: Community Investment

The Group is dedicated to improve the quality of life for and bring new lifestyles to the community through both its business operations and community involvement. Over the years, we supported charitable events and provided relief to natural disaster victims through donations.

