



HOP FUNG GROUP

合豐集團控股有限公司

HOP FUNG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2320

**Environmental, Social and Governance Report
Year 2016**

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1. Scope

The reporting period for this Environmental, Social and Governance report of Hop Fung Group Holdings Limited (the “Company” and including subsidiaries, the “Group” or “we”) is from 1st January 2016 to 31st December 2016. It includes the operations of the Hong Kong Office (“Hong Kong Office”) and the factory and office of Green Forest (QingXin) Paper Industrial Limited (the “Qingyuan Factory”) of the Group. The business of the Qingyuan Factory includes production and selling of containerboard (corrugating medium and linerboard) and corrugated paper-ware products (corrugated paper boards and carton boxes). This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Stakeholder Communication

The Group’s annual general meeting and other general meetings (if any) have provided an effective platform for the board of directors (the “Board”) and shareholders to exchange insights. Apart from general meetings, in order to maintain a close relationship with the stakeholders, such as clients and suppliers, the company would collect the opinions and understand the needs of the stakeholders through visits, telephone conferences, emails, follow-ups from customer service, questionnaires and other such ways on a regular basis. The Group’s overall performance would also be reported to the investors through the annual report.

3. Environmental, Social and Governance Performance

3.1 Environmental

3.1.1 Emissions

Waste Reduction Policy

The Qingyuan Factory has a set of fixed control procedures for wastes, and requires each department to assort wastes for collection and store any wastes generated. Wastes that could be recycled include scrap metal, scrap pallet, scrap packaging bag and plastic barrel. They have been collected and reprocessed by recycling companies. The Group has also collected coal ash from boilers, providing it to cement and brick factories as raw material to reduce non-hazardous wastes. The Group has advised employees to use re-usable eating utensils instead of disposable ones. We have also advised employees in Hong Kong office and the Qingyuan Factory office (collectively known as the “Offices”) to use single-sided printed paper as draft paper. Recycling bins are placed beside the photocopier and printer for easy use of single-sided printed paper for printing. Scrap paper and confidential documents have been shredded and stored at the recycling station, and finally passed to the recyclers on a regular basis. The Group has also returned empty ink cartridges to the suppliers for recycling.

Hazardous Waste Reduction Policy

In dealing with hazardous wastes, monitoring the use of chemicals is of utmost importance to the Group. The Qingyuan Factory has a set of monitoring procedures for using hazardous chemicals: the purchase volume of hazardous chemicals should be based on the actual needs of the production orders. They should be delivered in batches to prevent over purchasing which would result in inventory backlog, and to reduce hazardous wastes due to wastage. The Group has strictly implemented the “Cleaner Production Promotion Law of the People’s Republic of China” and the relevant provisions. In procurement check of raw materials, non-toxic, non-hazardous and environmentally friendly materials should be chosen to minimize hazardous wastes.

Wastewater Reduction Policy

In the process of manufacturing paper, lots of wastes and useful fibres would be extracted from waste paper. Parts of the useful fibres would be retained in water (“White Water”). The Group has adopted the reuse of White Water at the Qingyuan Factory. Wastewater reaching the standards after processing through the white water recycling system, has been returned to the production lines for use in order to minimize wastewater generation and water consumption. Moreover, the Group has also equipped with effective wastewater treatment technique, anaerobic digestion. With this facility and technology, the Group has greatly reduced water consumption and hazardous substance in the wastewater. The thermal power station is equipped with cooling system so that condensed water could be recycled for the boiler use. Technological upgrade to the facilities has increased the rate of reusing water and reduced the volume of wastewater emission.

Atmospheric Emission Policy

The Group’s main source of exhaust gas comes from the boilers in the Qingyuan Factory. The exhaust gas emitted from the boilers mainly consists of soot, sulfur dioxide and nitrogen oxide. The Group has used various techniques to control gas emissions: exhaust gas emitted from boilers has been passed to the Wet Flue Gas Spray Tower for magnesium desulfurization to minimize the sulfur dioxide in flue gas; using SNCR denitrification technology to minimize nitrogen oxide; the soot from flue gas has been minimized through bag filters.

Through the above measures, the group has ensured that the emissions meet the Chinese emissions requirements.

Business Trip Reduction Policy

The Group understands that long-distance business trips increase the emission of greenhouse gases, hence we would use conference calls in place of unnecessary business trips. Employees would travel together and would take public transport instead of private vehicles to reduce carbon emissions.

Supporting Local Suppliers

Under the same business conditions (e.g. cost, quality, technology, services, environmental and other factors), the Group would give priority to local suppliers to reduce distance of delivery and its resulting carbon emissions.

Air Quality Policy

Smoking is prohibited in the Qingyuan Factory and the Offices to maintain good air circulation. The Hong Kong office has been equipped with air freshening machine and ventilation system to improve air quality.

The Group has strictly complied with the relevant environmental regulations. No violations of environmental regulations were found in the reporting period.

3.1.2 Use of Resources

The Group understands that the Earth's resources are limited, thus implementing appropriate measures to improve the efficiency of the use of resources. These include:

Energy Conservation

The Group places great importance on overall energy conservation and has implemented the following measures:

1. Gradually change lighting to energy saving lamps;
2. Use electrical appliances with Grade 1 energy labels;
3. Switch off computers, air conditioners, printers and any other electrical appliances after work;
4. Switch off lights and air conditioners in the conference room when not in use;
5. Keep indoor air temperature at a constant level to reduce energy usage;
6. Carry out technological upgrade to machinery and equipments to improve efficiency of energy usage;
7. Use transparent lighting tiles as roofing, if appropriate, to allow natural lighting and energy saving.

Water Conservation

The Group has adopted a series of technological upgrade measures to reduce the use of water during production. We have further monitored and carried out statistical analysis on each department's water usage to reduce the occurrence of condensation, dripping and leakage. The Group would also remind employees and visitors to conserve water through public notices.

Office Resources Conservation

To implement the concept of a paperless office, the Group has encouraged employees to communicate by emails, telephones or other such electronic devices to reduce paper usage. The Group has also promoted the use of electronic files and internal shared drives to minimize paper filing and the use of office resources and to improve the environmental awareness of the employees.

3.1.3 The Environment and Natural Resources

The Group understands the concerns of the community on environmental issues. Thus we have implemented the following green manufacturing and green procurement policies:

Green Procurement Policy

The Offices have been equipped with environmentally friendly products with Grade 1 energy label, and have consumed recycled products like printing paper and napkins, and energy saving light lamps, photocopiers with double-sided printing function and air conditioners. For the Qingyuan Factory, the main raw material is recycled waste paper of which the materials are non-toxic and non-hazardous. Suppliers are required to provide a Restriction of Hazardous Substances (ROHS) test report annually to ensure that their products meet the environmental protection requirements.

Green Operation Policy

The Qingyuan Factory has established a standardized management system and the operation mechanism, and has been accredited with ISO14001 Environmental Management System. Various exhaust gases, wastewater, solid wastes and noises from the production sites have been strictly controlled in accordance with relevant environmental laws and regulations.

The Qingyuan Factory has set up a safety and environmental incident emergency rescue team, and multiple emergency drills have been conducted. It has been equipped with specialized facilities for wastewater treatment and pollution control (including wastewater treatment stations and various exhaust management facilities). We have established clear pollutant treating methods and operating instructions, monitoring the facilities on a real-time basis and recording the results in details. The Group would carry out regular inspections on the key pollution control facilities to ensure their normal operation. According to the provisions of the Law of Environmental Protection of the People's Republic of China, and relevant regulations on environmental management for construction projects, we have made environmental impact assessment on construction projects in the Qingyuan Factory. We have strictly complied with the relevant Chinese emission regulations. All pollutants after processing have been discharged in standards.

The Qingyuan Factory has established contingency plans with corresponding emergency preparations and responses dealing with emergency to cope with various urgent environmental safety incidents. Furthermore, in delivering or storing hazardous solid wastes, we have strictly complied with the requirements of the "Standard for Pollution Control on Hazardous Waste Storage" published by the government and relevant administrative measures on hazardous waste transfer to prevent pollution.

Providing Environmental Protection Training to Employees

The Group has developed a culture of environmental protection through trainings, environmental posters and meetings. We have annually provided training on relevant knowledge to improve employees' awareness on environmental protection.

3.2 Social

3.2.1 Employment

Apart from complying with the local employment regulations, the group has formulated relevant employment policies to ensure employees are treated in a fair and reasonable manner.

Recruitment and Promotion Policy

Each candidate is given the equal opportunities during the recruitment. We would not discriminate against any candidate due to factors like gender, age, race and religion. With regards to promotion, the Group would consider the performance, experience and personal ability of the employees.

Anti-discrimination Policy

The Group has advocated a fair work environment that is free from discrimination on race, gender, religion, age, disability or sexual orientation, etc.

Compensation Policy

The Group has arranged appropriate insurance to protect the benefits of employees. If there are work injuries, the Group would make reasonable compensation and take appropriate actions according to relevant regulations.

Dismissal and Retirement Policy

The Group has a certain limit on retirement age. We would follow the retirement procedures in accordance with relevant requirement. Hong Kong employees who have been employed for not less than 5 years under a continuous contract can enjoy long service payment. The Group would contribute fund to endowment insurance for the Qingyuan Factory employees. The employees can postpone the retirement if the Board's approval is obtained.

Employee Benefits

Employees can enjoy insurance, medical benefits, share options as well as discretionary bonus. We had also offered holiday benefits to employees.

The Group has strictly complied with relevant employment regulations. No violations of regulations were found in the reporting period.

3.2.2 Health and Safety

The Group has been striving in achieving the goal of zero accident, and has adopted different measures to prevent the occurrence of occupational diseases and industrial casualties.

Occupational Health and Safety Policy

According to the requirement of the regulations, the Group has formulated a set of safety production management, including first-aid and self-help knowledge after the occurrence of an accident. A safety team managed by a safety officer was set up in the Qingyuan Factory. There are three levels of safety training namely factory level, departmental level and group level which have been led by the department head and safety officer.

The Group places great importance on production safety and the occupational health of employees. The Qingyuan Factory has arranged regular body check-up for employees.

There is a fire engine in the Qingyuan Factory as a means of safety when necessary. Apart from this, the Group has installed CCTVs in various areas (warehouse, materials storage, etc.) so as to minimize the risk from any accidents.

Safety Management at Workplace

Regarding employee workplace safety, regulations for the Qingyuan Factory has included the following:

1. operating procedures were set up for all positions, such as regulations of operations management for safe work in confined space and regulations of operating procedures for machinery to protect the safety of employees;
2. safety officer would regularly inspect fire protection facilities and safety facilities to ensure they can function properly;
3. protective equipments are provided to employees such as mask, earplugs, plastic gloves and anti-smashing shoes;
4. emergency exits are free from obstacles.

Employee Work Safety Training

The Group has the responsibility to provide adequate safety training to employees in reducing risks at work. All new employees must take the training in knowledge of safety. The Qingyuan Factory has also set up contingency plans and conducted drills to allow staff to familiarize with procedures in dealing with accidents.

Work-life Balance Policy

We emphasize on work-life balance. We have regularly organized different activities for employees after work. There are recreational facilities in the Qingyuan Factory like sports ground, gardens, billiard room, table tennis room, karaoke room and other facilities for employees' recreational use.

We have strictly abided by the relevant safety regulations and no violations of any occupational safety regulations were found in the reporting period.

3.2.3 Development and Training

Career Development Policy

The Group has formulated a series of career development plans for employees. We have provided training to new employees including the essential knowledge and skills required by their positions. Apart from it, we have arranged experienced employees to guide new employees during day-to-day work, helping them to adapt new working environment.

Training Development Plans for Employees of Different Posts

The Group has provided employees with different platforms for development in consideration of our internal needs, and employees' experiences and abilities. Employees are encouraged to add value to oneself by taking continuous education and professional examinations to obtain professional qualifications.

3.2.4 Labour Standards

The Group absolutely prohibits and strongly opposes to hire any child labour. We would not employ any person who is under the age of 18. No employees are forced to provide services to the Group.

During the reporting period, there have never been any cases of child labour or forced labour.

3.2.5 Supply Chain Management

Suppliers Code of Conduct

In accordance with regulations requirement, the Group has various codes of conduct applying to suppliers to assure product quality. We have waste paper environmental protection control system to prohibit imported waste paper to be mixed with hazardous wastes to minimize the impact on environment.

Criteria for Suppliers Selection

The Group has a set of established code of practice in selecting suppliers. The important factors affecting the selection include corporate social responsibilities, industry prestige, environmental protection, quality, delivery time, price, etc.

Procedures on Suppliers Selection

All suppliers should go through a strict review process. Apart from considering suppliers conditions, we would conduct on-site reviews regularly.

3.2.6 Product Responsibility

Quality Assurance Policy

The Group has a stringent monitoring process in assuring product quality. The quality of semi-finished products and finished products must be examined. Workers are required to operate carefully during the production process to avoid defective products leaking into the market.

Safety Policy

The Group would carry out sampling check on finished products in order to assure product safety.

Fair Marketing Policy

The Group has ensured that product information on the website and other related promotional materials are true and accurate. The salespersons are required to disseminate information on competitive advantage which should be recognized by the Group when promoting the products. Negative description of competitors are not allowed so as to avoid misleading customers.

After-sales Service Policy

Customer service officers and salespersons would make after-sales visits to customers on a regular basis. We would obtain comments for improvement from customers' satisfaction survey and would follow up after-sales issues immediately. If there are severe product quality issues, we would withdraw the defective products and redeliver the quality products.

Data Protection Policy

The Group's responsible personnel would protect, store and keep the secrecy of customer information. No one is allowed to make copies of or privately store or get the customer information out of the Offices without permission.

The Group has strictly abided by the relevant regulations, and no violations of product responsibility or privacy regulations were found in the reporting period.

3.2.7 Anti-corruption

Corporate Governance Policy

The Board has set up different committees, such as audit committee, nomination committee and remuneration committee, striving to maintain high standards of corporate governance to safeguard shareholders rights and interests, and the Group's value and accountability.

Whistleblowing Policy

There is a sound whistleblowing policy of which employees are welcomed to report any non-compliance or dishonest behavior. The privacy of reporting employees is also protected.

Independent Auditing Policy

The Group appoints Deloitte Touche Tohmatsu as the independent audit firm. The re-appointment of auditor are required to be put forward to the annual general meeting for approval.

Declaration on Conflict of Interest

The Group stipulates that all employees must declare the conflict of interest. Employees are prohibited to transact any securities of the Group during sensitive periods.

Prevention of Corruption, Blackmail and Fraud

The Group stipulates that employees are prohibited from corruption, blackmail and fraud. Any such behavior would be reported to the police.

The core values of the Group are integrity and fairness. The Group has strictly complied with the regulations on anti-corruption. No violations of any provisions were found in the reporting period.

3.2.8 Community Investment

The Group has actively participated in the community including donating fund and materials to charitable organizations and participating in blood donation to contribute to the community.