



Luen Thai Holdings Limited

聯泰控股有限公司


(Stock Code: 311)

ESG

Environmental, Social and Governance

REPORT 2016





Luen Thai is a leading consumer goods supply chain group. We are a global industry consolidator and multi-product expert in apparel and accessories.

We have well established operational experience partnering with major global brands in apparel, offering competitive price, good quality and reliable delivery times. We leverage on existing managing expertise in expanding product range beyond apparel into bags. Strategic mergers and acquisitions continue to broaden our client base and manufacturing capability. Since Luen Thai listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEX”) in 2004, Luen Thai has embarked on a string of selective mergers and acquisitions to further build our multi-product capability.

Luen Thai is committed to corporate social responsibility by engaging in lawful, transparent and ethical best practices as well as growing commitment to environmental stewardship and community service.



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About this Report



This is the first Environmental, Social and Governance (ESG) report of Luen Thai Holdings Limited (the “Company”, “Luen Thai” or collectively, the “Group” together with its subsidiaries) (Stock code: 0311).

Luen Thai is a global industry consolidator and multi-product expert in apparel and accessories. The Group is principally engaged in apparel and bags manufacturing while the Group’s production and operations are mainly carried out by the Company’s subsidiaries in mainland China and certain Southeast Asian countries including the Philippines, Vietnam, Cambodia and Indonesia with well-established manufacturing operations and facilities. The Group is committed to fulfilling corporate social responsibility, pursuing customer’s satisfaction, improving working environment and contributing to environmental preservation in addition to striving for economic benefits for its sustainability and long term growth.

This ESG report highlights Luen Thai’s efforts in attaining sustainability on the following aspects:

- Social Aspects (community involvement, employment, health and safety, development and training, labor standards, supply chain management, product responsibility and anti-corruption)
- Environmental Aspects (emissions, use of resources, the environment and natural resources)



For Luen Thai, 2016 was a year of successful strategic transformation with a focus on its long-term sustainable growth. In the future, with the numerous support from our customers, business partners, management executives, shareholders, employees and all other stakeholders, the Group will continue to achieve sustainable growth and development through various initiatives in the environmental and social aspects, endeavouring to contribute to the harmony of society and sustainability of the world.

The details of our corporate governance have been set out in the Group's Annual Report 2016 under the section headed "Corporate Governance Report". The Report covers the period from 1

January to 31 December 2016. Some contents were traced to previous period when needed.

The Group has complied with the "comply or explain" provisions of the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the HKEX. This report is to provide an overview on the ESG management approach, strategy and objectives of the Group as a way to enhance the understanding of our stakeholders on the Group's achievements and future plan on the ESG areas. This report has been reviewed and approved by the board of directors of the Company.

This ESG report is publicly available in English and Chinese. Should there be any discrepancy between the English and Chinese versions, the English version shall prevail. If you have any comments or queries on this ESG report, please contact the Company. The contact details are as follows:

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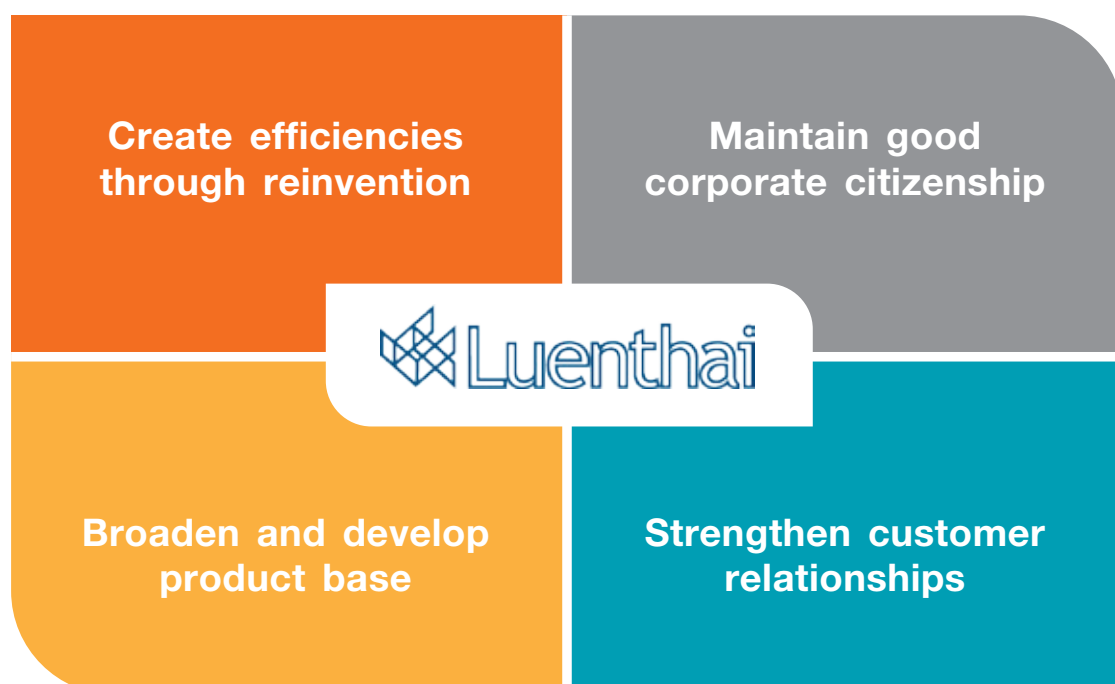
Corporate Social Responsibility at Luen Thai

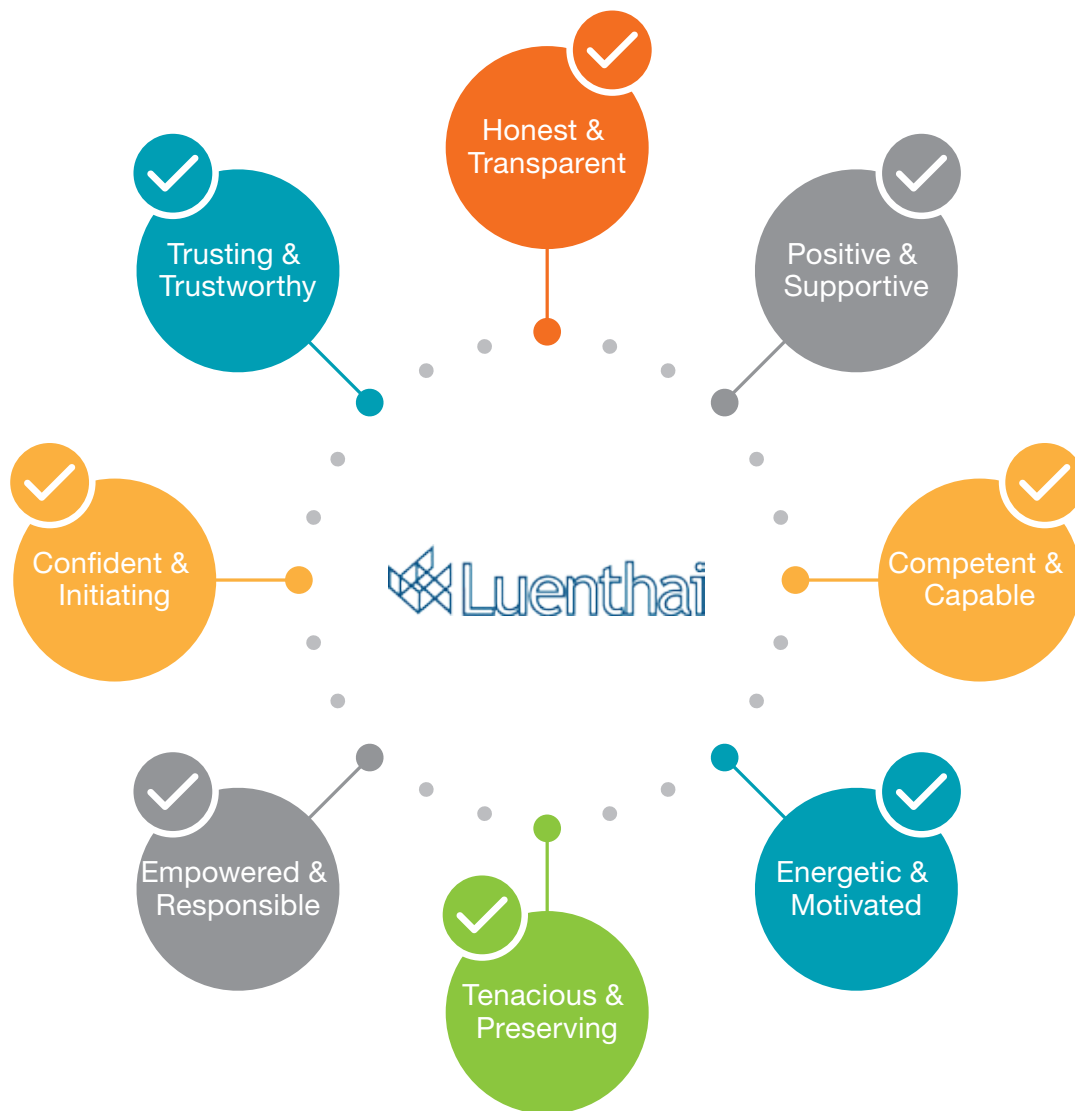
2.1 OUR VALUES

Within our workplace and supported communities in locations where we have operations, Luen Thai is committed to implementing and continuously improving our strategic and sustainable programs on caring of our community in line with the Company's vision and values, customer standards, and in compliance with applicable laws and regulations.

To cope with the constant challenges posed by a rapidly globalizing economy and the ensuing consolidation of the apparel industry, Luen Thai constantly reinvents and reengineers our business model to maintain and improve our position as a leading apparel and bags supply chain service provider with an end-to-end value proposition. With this goal in mind, Luen Thai acknowledges the strategic value of developing partnerships with suitable players in the industry.

With our corporate values of integrity, trustworthiness, diligence and dedication, Luen Thai's efforts in seeking, developing and nurturing partnerships are guided by the following factors that have shaped our business success throughout the years.





Luen Thai is committed to implementing and continuously improving strategic and sustainable programs on corporate social responsibility, which are aligned to the Company's vision and values and customer standards.

Luen Thai places great value on ethical business practices, employee care, environment stewardship and community service. We believe that with the dedicated support and efforts from different stakeholders, including all of our customers, suppliers, management executives, shareholders and employees, the Group can sustain a long term growth and strike for excellence to a further step.

Corporate Social Responsibility at Luen Thai

2.2 STAKEHOLDER ENGAGEMENT

Perceptions and opinions of our stakeholders constitute one of the valuable assets of the Group. The engagement of stakeholders helps the Group to develop and realize business strategies with a valuable vision and sustainability. Through various communication channels and platforms, the Group is able to engage with our stakeholders and identify the impacts of our business operations and strategies.



The Group believes that with the interactive communication with Stakeholders, the Group can enhance its sustainability as well as realize its corporate value.

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Community Involvement



With presence in multi-locations across China, US, the Philippines, Cambodia, Indonesia and Vietnam, Luen Thai is closely interlinked with the development of these cities, and our ability to build effective dialogue and close connection with and among all sectors of the communities.

Under iServe.iGiveback charity initiative, Luen Thai and our partner companies strive to become valuable members of their respective communities.

The community spirit is core to Luen Thai. Through establishing responsive programs in communities where we do business (e.g. our iServe.iGiveback charity initiative), Luen Thai and our partner companies strive to become valuable members of these communities through various and diverse programs such as sport activity, underprivileged children education, health awareness promotion and disaster relief. The Group has been active in fulfilling our social responsibility as a global corporate citizen. We encourage our staff to support community activities and voluntary services.

The Group has organized different community programs, including:

- Football classes and vocational training in cooperation with Tuloy Foundation;
- The Health Enable Returns Project (the "HER Project");
- Seed planting activity and facilities improvement for the orphans of Future Light Orphanage of Worldmate;
- Bags giveaway in Cambodia and Vietnam;
- Clothing donation in Cambodia;
- Community visit and donation in kind for the community.

Community Involvement

Football classes and vocational training in cooperation with Tuloy Foundation, which benefit the growth and development of children who are in need. By joining the various classes and activities, the children are able to develop their hobbies and stretch out their potentials.



The HER Project has been implemented successfully in one of our subsidiaries. The HER Project is a project focusing on improving the welfare and health awareness for the female workforce.



Bags produced by our factories were distributed to the local school in Cambodia. With the donation of bags from Luen Thai, the children no longer use old plastic bags to carry their books, instead, new bags can be used!



Satchels were donated to the school in Vietnam. The satchels, which were made by our factories, are a fitting tribute suitable for the school children.

Vast quantities of cloth were donated to Cambodia Orphanage for the launch of their own football team. Our team began their journey with the Joy of Cambodia Orphanage, an organization based in Phnom Penh dedicated to helping kids in the city. Extending Luen Thai's philosophy of giving back to the community, the Group has provided support and resources to the orphanage to help them start their own football team.



As a responsible corporate citizen, the Group has been active in fulfilling its responsibility to the society and encouraging its staff to support community activities and voluntary services through various means.

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Employment and Labour Practices



Luen Thai continues to be an employer of choice through focused and strategic human resources strategies and social responsibility programs that are aligned with the Company's growth and changing needs.

With over 30,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under our employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programs; and a strong corporate culture where employees' contributions are recognized and rewarded.

The Group upholds the idea that employees are valuable assets and our policies are people-oriented. The Group has planned a comprehensive approach of selection, employment, training and retention of employees.

The Group is also committed to providing the employees with a fair, safe and healthy work environment, which is in line with our corporate values. With Luen Thai's corporate culture, our employees are highly motivated to deliver their values and results that meet the increasing demands of our customers.

4.1 TALENT RECRUITMENT AND RETENTION

Every employee in Luen Thai is regarded as one of our valuable assets. In order to attract, motivate and retain the best people for our business operations, the Group provides a market competitive employment package consisting of monetary and non-monetary rewards for all our employees.

The Group's comprehensive reward system offers discretionary bonus scheme, share options, group medical insurance protection, and retirement protection. We believe that employees who enjoy a good work-life balance are better equipped to achieve their best performance.

Promoting a corporate culture of open communication is also one of the keys to our sustainable growth and development. We encourage staff at all levels to express their views and make suggestions through a variety of channels, including face-to-face meetings.

4.2 EMPLOYEE WELFARE AND WORKING CONDITIONS

The Group concerns about the mental health of our staff. We put the objective of the balance of daily life and work into practice so that motivation and positive sentiments could be formed to strengthen their capability to handle emotional problems and difficulties. The Group acknowledges the value on the well-being of our employees. In order to strengthen employees' health awareness, we have arranged health talks for our staff and encourage them to engage in sports and recreational activities.

The Group respects the resting time of all of our employees. The Group has committed to complying with the laws and regulations that deal with working hours and rest periods in the jurisdictions where our business operations locate. The Group organizes and supports various kinds of indoor and outdoor activities to facilitate communication and interaction among staff to enhance their physical fitness and team spirit, which include but are not limited to casual dancing, ball games, community work, tree planting and talent performance.





Employment and Labour Practices

4.3 PERFORMANCE REVIEW AND MANAGEMENT

Timely Performance Review

As a world-class company with the “people-oriented” principle, the Group is devoted to enhancing the capabilities of employees. The Group has implemented performance management system to assess individual employee’s performance while the results will be used as the basis for salary adjustment, job promotion and a personal development plan which enables our staff to enhance their capabilities to the next level. The basis of reward and promotion is dependent on an employee’s work attitude, qualification, professionalism and overall performance. Performance assessments are carried out at least once a year to measure employees’ overall performance. The comprehensive performance management system helps the Group to nurture and develop the capabilities of our employees while achieving the corporate goals and business development.

Dismissal

The Group has presented the “Employees Handbook” to our employees. The Employees Handbook sets out the conduct, discipline and compliance which shall be complied by all of our employees. Procedures of termination of employment contract have been established for situations in which an employee has violated the Group’s regulations. The terms and conditions for dismissal are outlined in our Employees Handbook. For dismissal, the Group complies with all applicable legal requirements in the corresponding jurisdictions in which it operates.

4.4 TRAINING AND CAREER DEVELOPMENT

The development of our employees is one of the essential elements for the Group’s sustainable growth in the long run. The Group continues to promote a life-long learning culture and offer structured career development and training programs that ensure employees at all levels are well-equipped not merely for work, but also for their individual improvements.

In 2016, the Group organized certain training programs and seminars covering a variety of job-related hard skills and soft skills such as communication, leadership, team building and personal effectiveness.

In order to meet the operational needs of our product and further enhance the development of our staff, the Group has also provided trainings including but not limited to internal regulations for health and safety of employees, operational safety, waste management, boiler operation and chemical management.



4.5 WORK SAFETY

The Group is devoted to complying and executing the national regulations and standards in regards to the employee's health and safety, as the labour health and safety is a top priority to the Group. We also educate our staff to ensure the effective implementation of the occupational health and safety standard.

The Groups adopts the occupational health and safety measures and related execution and observation procedures in several production facilities such as supplies of personal protective equipment for employees, periodic testing and maintenance of equipment, establishment of fire-fighting plan and practice.

4.6 THE LABOUR RIGHTS AND STANDARDS

Equal Opportunities, Diversity and Anti-Discrimination

We are an equal opportunities employer. The Group's employment practices do not discriminate on grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation, national origin, trade union membership or other conditions recognized in law.

No Child Labour and No Forced Labour

The Group has complied with the relevant laws and regulations and have a zero tolerance policy towards the use of forced labor and child labor in the business operations.

The Group aims not to be directly or indirectly complicit in human rights abuses and is committed to ensuring that all work that is performed on our behalf is in compliance with relevant labor laws and regulations.

The Group strives to create an environment of respect, integrity and fairness for our employees and customers wherever we operate while striking for economic benefits.

05 Environmental Protection

5.1 EFFECTIVE AND EFFICIENT USE OF RESOURCE

The continuous improvement in the efficient utilization of resource is one of the objectives of the Group. During the year, the Group has implemented different guidelines and policies in order to enhance the efficiency of the use of energy.

The consumption on energy during the productions of apparels and bags, which are the core businesses of the Group, accounts for most of our energy consumptions in the aspects of electricity, water and packaging materials. With well-established production facilities in strategic locations, the Group is capable to produce excellent products to our customers with improving efficiency and environmental friendliness. The Group is committed to searching for various ways to reduce the resource consumption while enhancing our performance, efficiency and capacity.



Water Resources Utilization

Water is one of the valuable resources from our nature. The Group is committed to the preservation of natural resources while the water resource is no exception.

With respect to water resources management policies, the Group is devoted to ensuring the compliance with the local discharge regulations for the processing of discharged water.

In order to manage the safe use of water resources in each factory, water purification plants system has been set up for the reuse of water. Relevant operation criteria for the treatment of fresh water and sewage have also been formulated.

The aggregate amount of the domestic and industrial water consumption of the Group is approximately 1,843,000 tonnes for the year of 2016. The Group had saved approximately 1% of total water consumption by reusing treated industrial water in 2016. The water intensity per unit of production is approximately 0.03 tonnes for garment and 0.04 tonnes for bag respectively.

Use of Raw Materials

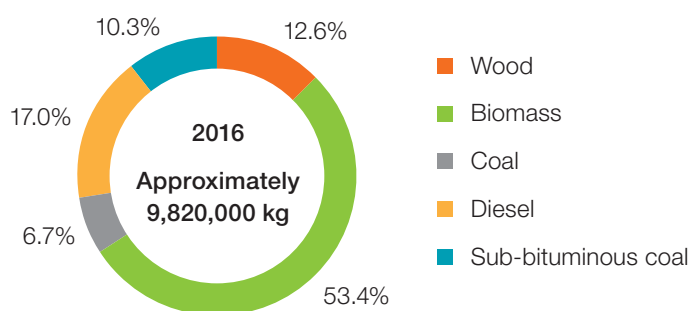
The Group has always maintained close communication with brand customers and material suppliers in the course of material selection. We follow brand customers' quality requirements and standards in selecting materials. The packaging materials for our garment and bags products include carton box, plastic bag and other auxiliary items. In 2016, the total consumption of packaging materials was approximately 8,400 tonnes.

Use of Energy

The Group implemented its energy management strategy through the following initiatives, such as installation of environmental friendly air conditioning system, energy-efficient lighting system and environmental friendly steam-drying room.

In 2016, the Group consumed approximately 44,255,000 kWh electricity. The Group had saved approximately 2% of total electricity consumption by using environmental friendly light tubes. With the continuous effort, the Group believes that a gradual increase in energy saving will be achieved. The electricity intensity per unit of production is approximately 0.60 kWh for garment and 1.16 kWh for bag respectively.

In 2016, the boiler fuel consumption was approximately 9,820,000 kg. The Group aims for gradual increase in the utilization of environmental friendly fuel, such as the biomass fuel, which can help to reduce the carbon footprints and hence attain success in environmental conservation.



Environmental Protection

5.2 GREENHOUSE GAS AND CARBON EMISSION

The Group has established manufacturing operations and facilities in different strategic locations, including the China, the Philippines, Cambodia, Indonesia and Vietnam. The Group is dedicated to complying with the environmental regulations in the corresponding locations.

The Group manages and reduces the emissions of air pollutants, including the greenhouse gas, in various means. The Group has implemented different policies in order to reduce the emissions of air pollutants, such as adoption of environmental friendly manufacturing facilities and equipment which enables the use of renewable energy and energy saving.



The Group measures the emissions of the air pollutants timely so as to achieve our goals in emissions reduction. The Group's total carbon emission of greenhouse gas is approximately 57,900 tonnes in 2016.

The Group has started a tree-planting program from 2009. Over the past seven years, the Group has planted more than 800 trees.



5.3 POLLUTION PREVENTION

Environmental Management Policy and Compliance

The Group acknowledges the importance of preserving our environment and is devoted to protecting the environment. We do believe that every business relies on the natural resources of our planet and has the social responsibility to conserve our environment. Thus, monitoring and reducing air pollutant emission, achieving energy and resource saving as well as reducing waste production are considered as the Group's environmental objectives for the preservation of the natural resources. Luen Thai has taken consideration of environmental sustainability during business development. The Group will continue to strive with the implementation of various policies and initiatives to protect our environment.

For the establishment of environmental protection guidelines and policies, the following principles have been adopted by the Group, such as compliance with relevant environmental laws and regulations, education and training on staff awareness of environmental protection and minimization of the utilization of hazardous substances.

Waste Management

The Group has complied with the environmental protection regulations in the disposal, transfer and handling of hazardous waste. The hazardous waste is handled by licensed professionals in order to minimize the risk of the hazardous waste brought to the environment. The Group's total production of hazardous waste is approximately 800 tonnes in 2016. Meanwhile, the non-hazardous waste is handled by the recycler, incinerator or sent to the landfill. The aggregate amount of non-hazardous waste is approximately 8,100 tonnes in 2016.

The Group has implemented waste management strategy to alleviate the impact on the environment from both of the hazardous and non-hazardous waste production. The Group adopts the principles of reducing, reusing, recycling and replacing for the waste management.

06 Operating Practices

6.1 CUSTOMER SERVICES AND PRODUCT MANAGEMENT

The principal customers of the Group are companies selling branded apparel and bags. The Group has well established operational experience partnering with major global brands in apparel and bags, offering competitive price, good quality, reasonable labelling and reliable delivery times. Efficient communications between the Group and the customers have been established through various means which enable the Group and the customers to achieve their profitability and sustainable growth.



The Group respects and protects our customers' intellectual property rights and other trade secrets. For any products that are related to intellectual property rights and trade secrets, the Group will take measures to keep them in strict confidence and prevent unauthorized disclosure of such information.

Product excellence is one of the core values of the Group.

We have emphasized the importance in collection and analysis of customer's feedback on our products. Procedures have been taken to enhance the quality of our products and to raise the customer's satisfaction continuously. The excellence of our products has been recognized by obtaining different awards worldwide.



Our products are manufactured in compliance with the applicable international standards, laws and regulations. Our products will also be verified in accordance with the verification standards as agreed with our customers.



6.2 SUPPLY CHAIN MANAGEMENT

Luen Thai is a global industry consolidator and multi-product expert in apparel and bags manufacturing. Luen Thai has strategic partnerships with diverse and leading global brands. Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with our suppliers in order to deploy the capability and capacity of the suppliers for accomplishing the Group's business goals.

The policy and principles governing the sourcing decisions of the Group has taken the social responsibility into considerations. The sound practices in risk diversification has been in our supply chain management. The suppliers

are expected to comply with the applicable local regulations governing ethical behavior, employment practices, health and safety, and the environment.

We have a zero tolerance policy towards bribery and corruption. The policy of conflict of interest is established as our crucial values for our supply chain management.



6.3 INTEGRITY AND ANTI-CORRUPTION

The Group has formulated anti-corruption policy, rules and regulations for our employees, contractors and suppliers to minimize the possibility of bribery, extortion, fraud and money laundering. Any contravention to the policy, rules and regulations identified with solid evidence, the contravened parties of or for services will be terminated.

We have a zero-tolerance policy regarding bribery and corruption in any form or at any level in association with any aspect of the Group's activities. We got certain policies on bribery, gifts and entertainment which prescribe the minimum set of rules adopted to prevent, identify and address any instances of alleged or actual bribery or corruption.

The employee induction process for new hires includes extensive guidance on anti-corruption measures. Relevant working policy, rules, regulations and procedures will be reviewed from time to time. A complaint mechanism was also set up for reporting corrupted behavior. The detailed anti-corruption guidelines and procedures are informed to the employees, contractors and suppliers through communication. The procedures cover various channels for reporting the corrupted behavior, such as declaration of conflict of interest prior to the official engagement.