

KAM HING INTERNATIONAL HOLDINGS LIMITED 錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 02307

Environmental, Social and Governance Report



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1 BUSINESS REVIEW

- 1.1.1 Kam Hing International Holdings Limited (along with its subsidiaries hereinafter called "Kam Hing" or the "Group") is a Hong Kong-based corporation established in 1996 that primarily focuses on the production of assorted fabrics including knitting, fabric dyeing, and fabric finishing.
- 1.1.2 Kam Hing has two textile manufacturing plants in China. One of the manufacturing plants, located in Guangzhou, Guangdong, is responsible for operations such as yarn dyeing, fabric knitting, cotton fabric dyeing, cotton and its blends and processing. The other textile manufacturing plant, located in Enping, Guangdong, is mainly focused on fabric knitting, cotton and its blends, synthetic long filament and functional fabric dyeing and printing solutions. To adapt to the constant changing customer needs, the Group has established a new garment plant in Cambodia in order to provide a one-stop solution for clients. The Group's products are distributed internationally and used by many reputable apparel designers.

2 ABOUT THIS REPORT

2.1 REPORTING SCOPE

- 2.1.1 This is the Group's second publication of the Environmental, Social and Governance (ESG) Report, which covers the financial reporting period from 1 January 2017 to 31 December 2017. All ESG-related activities during the reporting period are presented in this report.
- 2.1.2 The scope of the report covers the Group's operations in its Hong Kong office, two manufacturing plants in Guangzhou and Enping, and a garment manufacturing plant in Phnom Penh, Cambodia.

2.2 **Reporting Guideline**

- 2.2.1 The report fulfilled the "comply or explain" provisions and "recommended disclosures" of the Environmental, Social and Governance Reporting Guide (ESG Guide) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A Content Index is attached at the back of this report as a tool to direct readers to the specific sections of interest. Corporate governance is discussed more in depth in the Annual Report with regards to Appendix 14 of the Main Board Listing Rules.
- 2.2.2 The Group has appointed Allied Sustainability and Environmental Consultants Group Limited (stock code: 8320) to prepare this report.

2.3 ACKNOWLEDGEMENT

2.3.1 The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication in contributing to the preparation of this and to the environmental and social performances of the Group throughout the reporting period.

3 DEVELOPING QUALITY PRODUCTS

3.1 SUPPLY CHAIN MANAGEMENT

- 3.1.1 As Kam Hing continues to develop higher quality and more innovative products, the control on supply chain and quality procedure must be reviewed periodically. The Group has conducted environmental and social risks management on its suppliers; it has evaluated and managed all the potential risks related to the suppliers.
- 3.1.2 The Group aims to provide "environmentally friendly products" and to vigorously promote the eco-friendly procurement of products such as organic cotton, BCI¹ Cotton, and recycle polyester.
- 3.1.3 In order to prevent product containing restricted chemical substances, the *Kam Hing Restricted Substances List* has been formulated based on the REACH SVHC List² to prohibit use of banned chemicals. All suppliers that provide raw materials, including purchasing and ordering, were required to provide chemical substances, raw materials and packaging materials which do not contain substances listed on the *Kam Hing Restricted Substances List*.
- 3.1.4 As part of implementing and adhering to the supply chain regulations, the Group has evaluated its supply chain business partners to identify, reduce, and mitigate potential risks, such as risks in relation to the recruitment of child and forced labour and the quality of our manufacturing process.

3.2 RESPONSIBLE TEXTILE PRODUCTS

3.2.1 The Group values the quality of its products and services and aims to provide standards-compliant products and services. The Group has always insisted on keeping up with the times and improving its services. All products were produced and inspected according to relevant laws and standards such as "Product Quality Law of the PRC", "Law of the PRC on the Protection of Consumers' Rights and Interests" and "National General Safety Technical Code for Textile Products". As a result of the Group's stringent measures, during the reporting period, no products were recalled for safety and health reasons.

3.3 UPHOLDING BUSINESS INTEGRITY

3.3.1 Kam Hing considers honesty, integrity and fairness to be important to the Group's business development. All employees must sign a commitment agreement before the staff enrolment and must ensure that the Group's reputation is not compromised by fraud or corruption. Any employee who obtains or accepts benefits in carrying out his or her duties, including money, gifts, loans, fees, remuneration, employment, contracts, services, and preferential treatment without the employer's permission is doing so in violation of the Group's disciplinary code and relevant legislation. Any person providing related interests would violate the relevant bribery regulations.

¹ Better Cotton Initiative (BCI) is an organization to promote better standards in cotton farming and practices ² REACH SVHC List is a list of criteria defined in Article 57 of EU REACH Regulation, which concerning Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

- 3.3.2 The Group established a whistle-blowing policy for reporting suspected irregularities, fraud and corruption via specified channels. The Group also continued to improve its internal control and monitoring system. If any irregularities were identified, the Group took immediate action and adopts a zero-tolerance approach to corruption.
- 3.3.3 The Group complied with "Interim Provisions on Banning Commercial Bribery" and "Anti-Unfair Competition Law of the PRC". Over the reporting period, the Group had not found any legal cases relating to violation of anti-corruption policy.

4 PROTECTING THE ENVIRONMENTAL

4.1 Environmental Friendly Production

- 4.1.1 Facing the challenges of climate change and resource scarcity, the Group responded actively to its biggest environmental challenges, such as water pollution, energy consumption, air emission, and chemical waste. The Group has adopted ISO14001 Environmental Management System as a framework to control the environmental impacts of the operation of the Group. Kam Hing has further formulated an emergency plan that serves as a guideline for environmental accidents (《恩平錦興紡織印染企業 有限公司突發環境事件應急預案》).
- 4.1.2 The Group strived to incorporate sustainability into the raw material procurement and product design. Comprehensive life-cycle assessments were conducted to examine the environmental impacts before designing the products. Consideration was then given to improve the production process to include green elements such as eco-friendly technology and recyclable raw materials, without compromising fabric quality.
- 4.1.3 The Group has adopted innovative technology for the manufacturing process, to reduce water and energy consumption. It has invested in the research and development of resource-efficient facilities, wastewater treatment systems, wastewater discharge monitoring device, as well as air emission monitoring system. These facilities have reduced labour cost and improved resource efficiency during production.

4.2 WATER RESOURCES MANAGEMENT

4.2.1 The water used during operation were primarily from public supply and surface water. The manufacturing plant in Guangzhou consumed both surface water and public supplied water to secure the water supply. The Group recognized its water consumption impact to the environment and has implemented water resource management as well as set up long-term reduction targets according to the water consumption per unit product. At the end of 2017, the unit product consumption of the Group has reduced 8.0% comparing to 2015.

Water Conservation

4.2.2 To fulfill the targets, the Group has introduced new water-saving dyeing machines to improve water efficiency in Enping and Guangzhou manufacturing plants. For instance, Kam Hing has acquired some airflow machines during reporting period to replace around 45% of the traditional dyeing machines. These air flow machines used air instead of water to circulate fabric during the dyeing process, which lowered the water consumption by around 60% comparing to the traditional machines.

Overview of Water Consumption 2017		
	Unit	Consumption
Total water consumption	m3	8,633,147
Water consumption intensity	(m3/HKD'000 revenue)	2

Water Pollution Control

- 4.2.3 The major source of water pollution was generated from the chemical waste and dyes that have dissolved in water. Direct disposal of the wastewater may pollute the nearby water body and cause negative impacts to the local community.
- 4.2.4 The Group has strictly complied with Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (《紡織染整工業污染物排放標准》) (GB4287-2012) in Mainland China, and installed water treatment facilities inside the manufacturing plants. Primary and secondary water treatment facilities with Reverse Osmosis and disinfection treatments were applied to ensure water discharge has complied with the standards. Treated water was also reused in textile dyeing processes to reduce the water consumption and discharge.
- 4.2.5 All wastewater discharge was monitored by a central system, which helped tracking the water treatment process and report wastewater pollutant levels and defected any potential non-compliance to relevant standards. During the reporting period, the Group has generated 4,082,000 m³ wastewater and has complied with all the standards above.

4.3 ENERGY EFFICIENCY INITIATIVES

- 4.3.1 Both manufacturing plants at Guangzhou and Enping have on-site heating and power station for electricity and steam generation. During the dyeing and printing processes, manufacturing equipment usage was the main source of electricity and coal consumption and transportation/vehicles were the main source of petrol consumption. The Group recognized the importance of resource conservation and has set up the reduction target in the following years according to the coal consumption in 2015. At the end of 2017, the Group has achieved its energy reduction target.
- 4.3.2 To manage the energy consumption, the Group has set up the Energy Management System (EMS), which was designed in accordance with the PRC GB/T-23331/ISO 50001 Energy Management System. The following corresponding energy-saving initiatives were also implemented:
 - Appoint the Energy and Emission Reduction Team to oversee the EMS and different energy and emission reduction initiatives;
 - Install high efficient dyeing machines;
 - Promote the recycling of water from setting machines; and
 - Improve efficiency of water treatment plants and boilers.

4.3.3 As described previously, the Group has adopted the air-flow dyeing machine to increase its resource consumption efficiency. The facility not only reduced water consumption, but also decreased the use of energy through lowering the steam consumption. The Group also updated 47% of the dyeing machines, and each dyeing machine could at least save 32% of the electricity consumption. 50% of the T8 light bulbs were replaced by LED lights, and 79% of the electricity were saved through using the new LED lights.

Overview of Energy Consumption 2017		
	Unit	Consumption
Total Energy Consumption	MWh	3,054,534
Total Energy Intensity	MWh/HKD'000 revenue	0.72

4.4 AIR EMISSION CONTROL

- 4.4.1 Coal burning results in emission of air pollutants such as CO₂ (carbon dioxide), NOx (nitrogen oxides), SO₂ (sulfur dioxides) and PM (particulate matters). In order to minimize the environmental impacts of air emission, the Group strives to decrease air pollutant emissions by improving energy efficiency.
- 4.4.2 Monitoring devices were also installed at the chimneys to disclose real-time air pollutant concentration levels, to monitor emission levels and tackle any irregular emission. Designated staff were responsible to monitor the performance and implement immediate corrective measures when necessary to ensure the emission complies to relevant laws and regulations.
- 4.4.3 During the reporting period, all emissions has complied with the regulations and standards, including Emission Standard of Air Pollutants for Thermal Power Plants (《火電廠大氣污染物排放標准》) (GB13223-2011), Guangdong Province's Emission Limits of Air Pollutants (《大氣污染物排放限值》) (DB44/27-201), and Emission Standards for Odor Pollutants (《惡臭污染物排放標准》) (GB14554-1993).

Overview of Greenhouse Gas (GHG) Emission 2017		
Emission Type	Unit	Emissions
Scope 1: Direct GHG emission	tonnes of CO_2 equivalent (t CO_2)	536,574
Scope 2: Indirect GHG emission	tCO ₂	479,156
Total GHG emission	tCO2	1,015,730
GHG emission intensity	tCO2 / HKD'000 revenue	0.24
SO2	tonnes	121
NOx	tonnes	3117
РМ	tonnes	993

4.5 WASTE MANAGEMENT

Non-hazardous Waste

- 4.5.1 The non-hazardous wastes generated from office operation and raw material packaging were properly sorted and stored. The Group has set up a Non-hazardous Waste Management Team to monitor and analyze the non-hazardous waste performance. The team was responsible for formulating the non-hazardous waste target and the waste reduction plan each year. Qualified waste management companies were assigned to recycle the non-hazardous wastes.
- 4.5.2 During the reporting period, the Group has generated 46,711 tonnes of non-hazardous waste which were processed by waste recycling companies.

Hazardous Waste

- 4.5.3 Hazardous wastes included waste chemicals and dyeing, sludge from sewage treatments, waste tarpaulins, dye containers, and other chemical containers. The Group has established Hazardous Waste Management Guidelines to provide procedures for chemical waste handling. Hazardous Management Team was responsible for decision making, supervision and coordination of the Group's hazardous waste management. Suggested by the team, the Group strived to use non-toxic and environmental friendly dyeing additives as much as possible and reduce the use of dyeing additives through improving manufacturing procedures.
- 4.5.4 On-site hazardous wastes were sorted according to the types before being transported to the designated storage area. Kam Hing has developed a strict waste storage management system and emergency plans for hazardous waste accidents. Qualified third-party waste management companies have been appointed to handle and recycle the chemical containers and sludge from water treatment.

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4.5.5 The Group has complied with Laws of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物 污染環境防治法》) during the reporting year, and has generated and handled 4.7 tonnes of hazardous wastes.

5 CREATING A TIGHT-KNITTED WORKFORCE

5.1 EMPLOYMENT AND LABOUR PRACTICES

- 5.1.1 Kam Hing is committed to people-oriented management and pays regard to the legal rights of its staff. The Group strictly complied with relevant laws and regulations, such as *Labor Law of the People's Republic of China (PRC), Labor Contract Law of PRC* and *Hong Kong Employment Ordinance*. The Group has in place policies in line with such relevant laws and regulations to safeguard the employees' legal rights, human rights and privacy, including but not limited to policies in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare of its employees. Further, factors such as race, gender, religion, nationality, age, marital status, disability, sexual orientation, or any other social attributes of the employees will not be taken into account when deciding employees' employment and compensation causes, as the Group has zero tolerance for discrimination of any kind.
- 5.1.2 The Group prohibited any violation on human rights and sanctioned all use of child and forced labours. Age confirmation system was implemented to fully prevent employment of child labour. Annual review of the system is conducted to ensure zero violations. In the reporting period, no cases relating to child or forced labour were found.

Overview of Number of Employees by Gender 2017	
Total	6,882
Male	3,923
Female	2,959



Overview of Num	ber of Employees by Age 2017
Total	6,882
< age 30	2,340
Age 31 – 40	1,720
Age 41 – 50	1,996
> age 50	826



5.2 TRAINING AND DEVELOPMENT

- 5.2.1 The Group believes that employees are one of the most important assets for fulfilling corporate vision. Kam Hing fostered equality and diversity in the workplace, encouraged employee participation and professional development, and ensured the well-being of our employees.
- 5.2.2 Training programmes were provided to employees of all levels. These programmes were divided into three categories: induction training, technical training and career development training. All employees must take an induction training course and pass the assessment before joining the company. Technical training provided vocational skills training such as safety operations and technical support for employees. Career development training was also provided for employees to support career growth.





5.3 STAFF ACTIVITIES

5.3.1 In addition to training, the Group promoted work-life balance through several activities for our employees. Employee families were also welcome to participate in a wide range of corporate events and activities, such as basketball games, the Mid-autumn Festival carnival, and the Spring Festival Gala. As a result, these activities have promoted work-life balance, and strengthened the bond among employees, families, and the Group.

Spring Festival Gala



5.4 HEALTH AND SAFETY

- 5.4.1 The Group emphasizes on health and safety of its employees, and workplace management. The Group's management has formulated safety standards and established Occupational Health and Safety Management Systems to provide a safe and healthy working environment for all employees.
- 5.4.2 To strengthen the management of safety environment, the Group integrated a series of safety environmental management procedures:
 - Organize regular safety environmental inspections (at least once a year for each plant site) to track the effectiveness of prevention measures;
 - Assist in field investigations, count the accidents at work in various plant areas, analyze the causes of the accidents, and provide support for improvement or prevention measures;
 - Measure the safety status of each plant area using indicators such as "incidence rate for thousands of people" and "rate of accident loss for working hours per million"; and
 - Provide legal and regulatory standards and other professional knowledge support.

5.4.3 The Group is aware of the occurrence of employee injuries during manufacturing. Therefore, it is committed to reducing accidents and casualties of employees by improving the safety facilities of the factory. For instance, the Group required Safety Officers conduct on-site inspections and set up guardrails at the windows to prevent employees from falling when working at heights. The Group also increased safety trainings to enhance employee's safety awareness.

Conducted on-site inspections and provided industrial safety belts and harnesses for works at heights





Set up guardrails at the windows and increased safety trainings



5.4.4 During the reporting period, the Group has complied with relevant laws and regulations relating such as *Production Safety Law of the PRC* to provide a safe working environment for its employees and protect them from occupational hazards.

6 INVESTING IN COMMUNITY

6.1.1 The Group always emphasizes its social responsibilities and actively participates in many charitable services to support underprivileged groups and contribute to the community.

The Group held Charity Gala at Enping



Kam Hing donated 564,972 RMB scholarship for poverty students



6.1.2 In the reporting year, the Group donated a total amount of 2.2 million Hong Kong dollars to various charitable organizations.

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