



滿地科技股份有限公司

Moody Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1400)

2018

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**



Moody Technology Holdings Limited
Environmental, Social and Governance Report

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1. About the Report

These years, consumers place increasing importance on corporate social responsibilities. Countries including the People's Republic of China ("China") are taking various measures to move towards sustainability. Examples are tightened policies on environmental protection, urging corporations to care about humanity, supporting businesses to go green in their operations.

Moody Technology Holdings Limited (the "Company") together with its subsidiaries (the "Group") have embraced the green orientation leading industrial markets in recent years. Its primary governing consideration is sustainability and it covers environmental protection, better work environment and growth of staff and society in its operations and decision making.

Riding on the country's direction, the Group introduced a series of policies on environmental protection during 2018, as well as implemented humanized management. We aim to create a win-win situation in terms of business and societal prosperity.

Standard and Scope of the Report

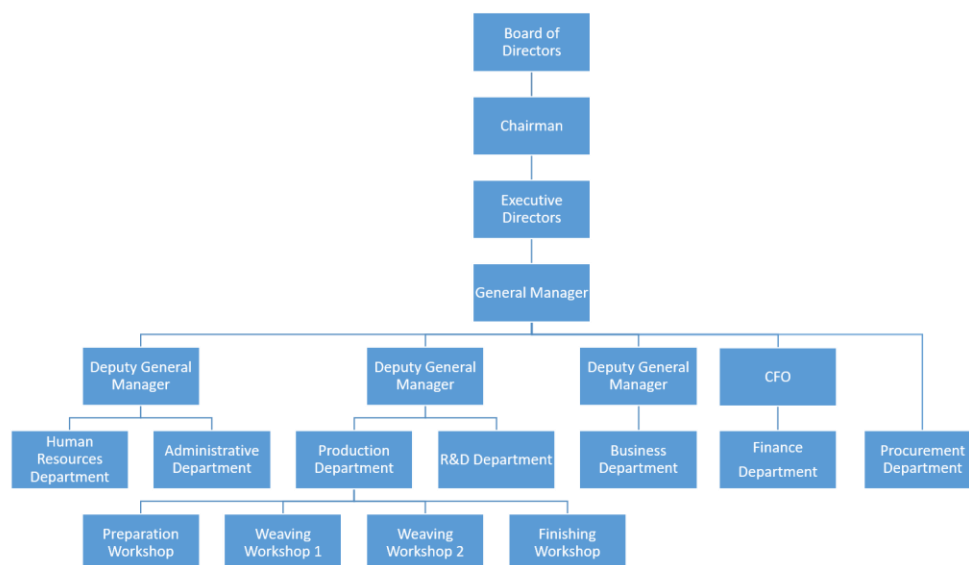
This Environmental, Social and Governance (the "ESG") Report (the "Report") is composed pursuant to the ESG Reporting Guidance issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The contents include the methods and results of the ESG activities the Group took during the period from 1 January to 31 December 2018, and the Group's efforts in areas such as working environment, environmental protection, operating rules and community involvement. Data in the Report is based on the documents and statistics of the Group. The production of this Report is supported by the management of the Group. We express our sincere gratitude to all parties that have contributed to the Report and the activities of the Group in relation to environment, society and corporate governance. Enquiries and advice are welcomed in order to continuously improve the Group's activities in relation to environment, society and corporate governance.

2. Corporate Governance

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance.

Established in 2004, the Group was listed on the Stock Exchange in 2014 and principally engages in the design, research and development, production and sales of casual garment fabrics. It has introduced a new business segment of shoes and clothes trading in the 4th quarter of 2018. After over a decade of development, the Group has formulated a stable and effective corporate structure. In the year ended 31 December 2018, the Group has complied with applicable terms in the CG Code and is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group confirms that the Board of Directors (the “Board”) will provide effective leadership and direction to its business, as well as playing an important role in the transparency and accountability of its operations. The Group has formally changed its name to Moody Technology Holdings Limited, symbolising a new chapter. Future plans include boosting the main business of sales of casual garment fabrics, while developing new segments like clothes trading to add potentials of rapid growth.

The corporate governance structure of the Group’s major segments is as follows:



The Group has a complete governance structure featuring different sections of the business including procurement, research and development (“R&D”), manufacturing, sales, management,

etc. Under the leadership of the Board and the Chairman, the Group will uphold its business sustainability and better its business structure.

3. The Group's Efforts in Environmental Protection

The Group acknowledges the environmental impacts of the raw material industry. It aims for the use of environment-friendly materials as well as improving production technologies to minimise pollution and achieve balance between the environment protection and the production efficiency.

Significant Impact on Environment and Natural Resources

The Group realizes that sewage disposal and electricity consumption are the most significant environmental issues in the textile industry. Therefore, it continues to investigate the possibilities of sewage filtering and reusing, and enhancing production efficiency so that average electricity consumption can be reduced.

Environment Protection Policies During Production Process

The Group strictly complies with related laws, regulations, government policies, and the Group's principles of being responsible for the environment. The Group strictly forbids the use of materials prohibited by the government including toxic ones or those which may negatively impact the environment.

The Group advocates for a production model of low energy consumption and low pollution, which entails installing water-saving facilities to reduce the water usage. In addition, we conduct regular check-ups and maintenance on any leakage in taps, pipes, circulation systems, water towers and machinery, to prevent environmental and economic costs attributable to aging facilities. We educated our staff with internal guidelines such as close water taps after use, reusing water for toilet flushing, turning off lights and computer after use etc.

Hongtai (China) Co., Ltd (宏太（中國）有限公司) abandoned coal-fired steam production since May 2013 and purchases steam from Fujian Hongshan Coal-fired Cogeneration Co., Ltd (福建省鴻山熱電有限責任公司); Hongsheng (Hubei) Textile Co., Ltd. (宏晟（湖北）紡織有限公司) produces steam by natural gas power since its establishment and abandoned the use of coal-

fired production methods, realizing reduction in the air waste emission from coal-fired production processes.

Air Pollutants and Greenhouse Gas Emissions

The textile industry brought about many challenges in 2018 and the Group's sales volume faced tremendous downward pressure. Along with reduced output was the reduced consumption of diesel and petrol used in the production process, whereas the consumption of electricity recorded a moderate decline. Such affected the Group's greenhouse gas emissions accordingly. The Group will adhere to environmental protection in its daily operations, also reflecting on the shortcomings in previous years to improve its performance.

The Group has set out three means of reducing emission: i. regular monitoring of emissions in relation to its production processes and establishing guidelines for improvement; ii. stringent selection of suppliers and partners, giving priority to those fulfilling obligations of environmental protection and social responsibility; iii. continue to research on environment-friendly production technologies to achieve waste reduction at the source. In the future, the Group will go on to incorporate environmental protection with business development to achieve better results.

Greenhouse Gas and Air Emissions

	Emissions	
	The year ended 31 December	
	2017	2018
Total greenhouse gas emissions (kg)	14,065,510.71	11,820,010.13
SO ₂ (g)	927.06	786.98
NO _x (g)	21,917.39	14,205.00
PM(g)	1,613.74	1,331.34

Wastes

The Company's major non-hazardous waste is household wastes which are treated by the city government. The Group was not able to obtain data on household wastes generated in 2018 due to changes in management policies. It encourages staff to reduce wastes both at work and in

daily life and together with the management team, they learn about categorizing and recycling more waste.

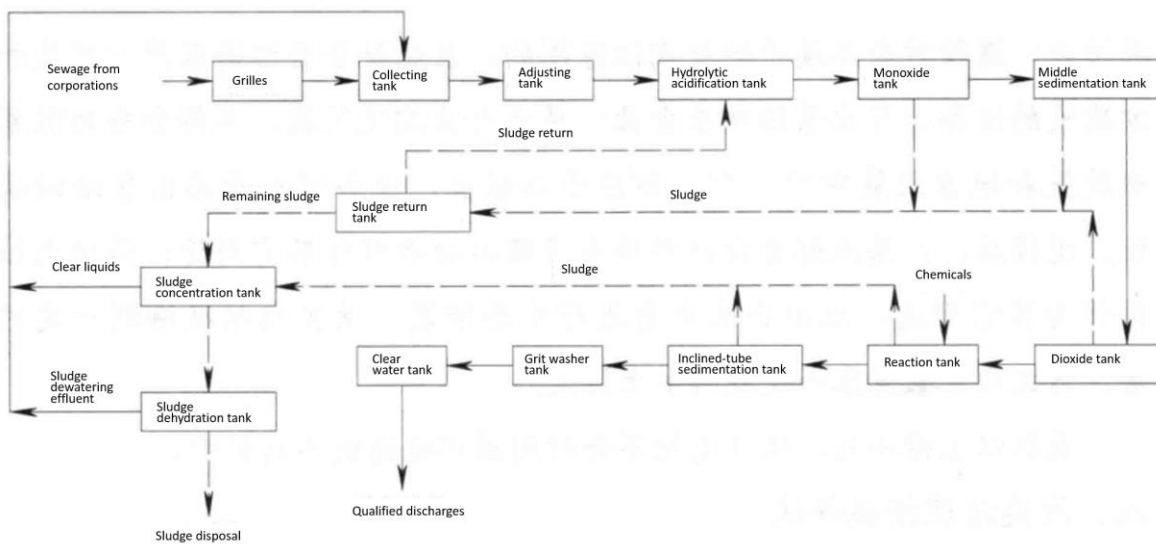
The Group's production activities do not generate hazardous wastes.

Sewage Discharge and Treatment

Sewage Discharged by the Group in 2017 and 2018

	Sewage discharged(tonnes)		Discharge destination
	The year ended 31 December		
	2017	2018	
Hongtai (China) Co., Ltd (宏太（中國）有限公司)	26,071.43	22,411.57	Taiwan Strait
Hongsheng (Hubei) Textile Co., Ltd. (宏晟（湖北）紡織有限公司)	50,245.60	44,379.00	Huangmei County River

Sewage discharged by the Group from production processes and living activities is collected by septic tanks and discharged to sewage treatment plants through official city networks. The processes are as follows:



4. Use of Resources

The Group make proactive advances in production technologies and eliminates obsolete capacity. Internally, staff are encouraged to reduce energy and water consumption in offices to create a green work environment.

Consumption of Resources and Energy

	Consumption	
	For the year ended 31 December	
	2017	2018
Electricity (kWh)	22,056,207.00	18,739,012.30
Water (tonnes)	84,896.00	75,025.00
Packaging film (tonnes)	11.77	10.12
Paper (tonnes)	0.56	0.36
Steam (tonnes)	3,670.00	3,149.10
Diesel (L)	2,059.43	1,973.00
Petrol (L)	60,809.84	51,374.97
Natural gas (m ³)	11,390.00	10,231.00

Energy Consumption Intensity

	Consumption Intensity	
	For the year ended 31 December	
	2017	2018
Energy consumed per employee (kWh)	48,475.00	45,045.70
Energy consumed per meter produced (kWh)	0.55	0.51

Water Consumption Intensity

	Consumption Intensity	
	For the year end 31 December	
	2017	2018
Water consumed per employee (tonnes)	186.60	163.04
Water consumed per meter produced (tonnes)	0.0021	0.0018

Intensity of Packaging Material Use

	Usage Intensity	
	For the year ended 31 December	
	2017	2018
Packaging film used per million meters meter produced (tonnes)	0.295	0.254
Paper used per million meters produced (tonnes)	0.014	0.009

The Group furthered its energy-saving and waste reduction measures, namely i) urging to maintain reasonable indoor temperatures to save energy, except for necessary temperature control in production and R&D facilities; ii) to reduce paper usage by sending and receiving documents via emails except for those to be hand signed, and by adopting an electronic system for filing and documentation; iii) to encourage reusing single-sided paper for printing and faxing; iv) to promote the use of LED lighting throughout R&D department, production plants, and offices of the Group, and encourage employees to switch off the lights before leaving in order to reduce energy consumption.

Driven by production, the Group's water consumption in 2018 rose slightly. It runs a recycling system to minimize industrial water consumption.

Main packaging materials used were plastic bags and paper, and the Group adopts strict policies to control the usage of packaging materials.

5. Employees and Safety

Work Environment

As an over-decade old sizable and reputable enterprise, the Group strictly adheres to national regulations, especially that child labor or forced labor are prohibited and gender equality is respected in employment. Recruits are required to present proof of identity to ascertain legal employment. Our transparent operations are under shareholders' and public supervision following the Group's listing on the Stock Exchange, raising standards for our work environment.

Our human resources department bears the responsibilities of legal recruitment and employee rights. The Group ensures reasonable working hours, statutory holidays, medical benefits and insurance coverage, etc. Meanwhile, recruitment, remuneration, promotion and dismissal are performance-based and are carried out in a fair, transparent and accountable manner. In order to promote employees' sense of belonging and teamwork, the group organises teambuilding programs and creates a family-friendly workspace via flexible work hours which enables employees to plan their own schedule to achieve work-family balance.

Staff Breakdown by Job Function

Categories	No. of employees As at 31 December	
	2017	2018
Management	9	9
Administration	60	61
Finance	20	17
Business operation	10	7
Research and development	4	4
Procurement	3	3
Production	349	314
Others	0	1
Total	455	416

Staff Breakdown by Gender, Age Group and Region

Categories		No. of employees As at 31 December	
		2017	2018
Gender	Male	181	160
	Female	274	256
Age group	≤30	123	108
	30-40	149	135
	40-50	131	116
	50-60	52	57
	≥60	0	0
Region	Fujian	221	148
	Hubei	229	263
	Hong Kong	5	5

Overview of Employee Turnover in the year of 2017 and 2018

Categories	No. of employees (as at 31 December 2017)						
Region	Fujian		Hubei		Hong Kong		Total
Gender	Male	Female	Male	Female	Male	Female	
Beginning of year	126	151	86	150	3	0	516
Recruits	30	34	20	74	1	1	160
Resignees	44	65	37	75	0	0	221
End of year	112	120	69	149	4	1	455

Categories	No. of employees (as at 31 December 2018)						
Region	Fujian		Hubei		Hong Kong		Total
Gender	Male	Female	Male	Female	Male	Female	
Beginning of year	112	120	69	149	4	1	455
Recruits	7	13	51	82	1	1	155
Resignees	57	47	29	59	1	1	194
End of year	62	86	91	172	4	1	416

Employee Safety and Health

Workers in the textile industry are required a higher level of physical labour, making employee safety and health a key topic for the management team. The Group adopts multiple measures to ensure a safe work environment, such as putting out safety guidelines for frontline employees, necessitating safety gear like aprons, caps and ear plugs compulsory, and assigning supervisors

to oversee the application of safety guidelines. For special positions such as electricians, authorized certification must be presented and protective equipment such as insulated gloves and shoes must be worn in the workplace.

There were no work-related incidents leading to fatality or injury leave in the past few years.

Concerned with keeping our staff healthy, the Group adopts shift work to avoid excessive work hours and provides training on occupational health and safety regularly. This is to raise safety awareness and thus help maintain employees' physical and mental health.

Staff Development and Training

The Group encourages vocational training in favour of employees' career development. New employees receive pre-job training within the first three months of employment; and for those who pursue advanced studies, the Group offers financial aid and flexible working hours to help them pave their career path.

Overview of Staff Training on Relevant Vocational Knowledge and Skills

	For the year ended 31 December	
	2017	2018
NO. of training	73	38
No. of persons trained (by gender)		
Male	640	501
Female	1,146	913
No. of persons trained (by job function)		
Management	110	58
Administration	127	62
Research and development	49	17
Production	1,266	801

Others	234	476
Total	1,786	1,414

	For the year ended 31 December					
	2017			2018		
Training hours completed	1-5 hours	6-10 hours	11 hours or above	1-5 hours	6-10 hours	11hours or above
No. of persons trained (by gender)						
Male	292	146	136	196	83	91
Female	555	378	253	431	291	201
No. of persons trained (by job function)						
Management	64	44	31	51	32	23
Administration	94	60	53	66	47	39
Finance	43	36	29	31	24	15
Business operation	33	41	32	22	31	20
Research and development	25	30	22	14	20	18
Procurement	26	26	24	20	20	17
Production	562	287	198	423	200	160

6. Customers, Suppliers and Product Responsibility

Policy on Supplier Selection

The Group constantly refines its supplier database and management and conducts formal audits on suppliers. Suppliers should possess the following to qualify: valid business license, tax registration certificate, abundant registered capital and clean legal records. Suppliers in special industries must have relevant qualifications while those with ISO certificates would receive priority consideration.

Potential long-term partnerships are not only evaluated by the suppliers' corporate qualifications, industry reputation and product quality, but also their fulfillment of social responsibilities. They are surveyed on corporate governance, effective environment protection and social contribution.

Number of Suppliers

	For the year ended 31 December	
	2016	2017
By region		
Mainland China	161	112
Non-mainland China	0	0
By category		
Suppliers of raw materials for producing fabrics	118	86
Non-textile products	43	26

Procurement System

The Group's procurement team specializes in implementing a process which undertakes principles including price parity, consistency, incorruption and subjection to auditing. The process begins with purchase requisition, quoting and negotiating, then contract signing, and finally inspection and warehousing. The Group delineates all the principles and processes clearly. Inspection and warehousing are crucial parts of the process where material that passed inspection is warehoused after accurate stocktaking, rejecting material that failed inspection. is Settlement on failed material will be sought by our procurement department with suppliers.

Product Responsibility

The Group strives to ensure that its products do not harm the health and safety of customers. The safety and legality of all raw materials and substances used in production are stringently controlled while the safety reports and incidents of relevant products and materials are monitored.

Quality Inspection

Raw material:

- i. Blended yarns: weight, yarn levelness (except bamboo yarn) and toughness are tested.
- ii. Chemical fiber: weight is tested.

Finished product:

- i. Blended yarns: fabric structure, width, density of warp threads and weft threads are tested.
- ii. After cropping: defects are outlined, and problematic fabrics are then mended to meet standards.

Product Recall

In the past few years, the Group has not recalled any product due to safety and health reasons.

The Group's common procedures on product recall includes the following steps:

- i. Customer service department sends the recalled products to the production department for repair; then
- ii. production department repairs and conducts quality inspection; and
- iii. customer service department delivers the repaired or remade products to customers.

Policies on Customer Complaint

Our products are tailor-made and made to order for each customer and there has been no returns and complaints.

The Group is committed to provide top services and offers quality guarantee to our customers. For that, the Group set up a complaint handling system for customers, entailing opinion collection, case analysis and proposing improvement plan. In case of discord in the business processes, the business department is responsible for communicating with customers and resolving the issues.

Observing and Protecting Intellectual Property Rights

The protection of intellectual property rights holds a significant place in the Group's values, whether in the context of product design or production technology. It strictly prevents violations of existing copyrights while being sufficiently informed.

Privacy Policies

Our business is led by providing service to our customers, whose privacy we highly values. Hence, the Group strives to ensure that there is no customer information leakage or illegal information theft. Serving such purpose, the company is equipped with a designated file room for storing files including but not limited to correspondences with customers, business reports and trading receipts, etc. Such is managed by authorized personnel for the protection and appropriate acquisition of information. The Group also encrypts important digital files to prevent access to protected files by external computers.

7. Anti-Corruption

Policies on Anti-Corruption and Fraud

The Group stringently observes the rules of the CG Code, and national laws and regulations on corruption and fraud. It set up an anti-fraud management system and prohibits any illegal behavior that might harm the Group's benefit, namely bribery, extortion, fraud and money laundry and the like.

In the past couple of years, the Group has not encountered any case of corruption. The Group pledges that any suspected cases will be dealt with sternly and staff members are encouraged to report via multiple available channels anonymously.

8. Community Involvement

The Group considers part of its mission to serve the community, with a spirit of giving back to society. At our production facilities, we maintain close relationships with local communities by participating in charity events, looking for new ways of contributing and applying our social values as an enterprise. During the year, management of the Group volunteered at events and encouraged staff and their families to form teams of volunteers, in an effort to help and care for people from all walks of life.