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博尼国际控股有限公司
Bonny International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1906

2018

Environmental, Social and
Governance Report





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1. INTRODUCTION

Bonny International Holding Limited (the “**Group**”) is committed to building an environmentally-friendly corporation, while maintaining high quality standards in design, production and sale of seamless and traditional intimate wears including bras, underpants, thermal clothes and loungewear as well as functional sportswear. The Group is the third largest seamless intimate wear manufacturer in the People’s Republic of China (the “**PRC**”) and has possess over 200 sets of producing seamless circular knitting machines that were manufactured by Santoni, a world leader of seamless garment machines, which is the company’s core production equipment for seamless production.

As at the end of 31 December 2018, the Group’s retail network comprised 153 self-operated retail outlets and 42 franchised retail outlets in 18 provinces, municipalities and autonomous regions in the PRC. The Group has two production sites, Suxi Production Site and Beiyuan Production Site, which are located at Yiwu, Zhejiang Province, the PRC. The Group currently only operates Suxi Production Site for production operations, while Beiyuan Production Site is under development.

Given the ongoing trends of industrialisation and urbanisation, the PRC is the largest producer and consumer of intimate wears in the world; hence, it is important that the Group has raised awareness about the industrial pollution, climate change and social injustice. The Group considers social and environmental responsibilities as one of the core values in its business operations. The Group strives for greater sustainability and transparency, as well as creating products that foster a sustainable environment for future generation.

This report summarises several subjects of the Group’s business practices for the Environment, Social and Governance (referred to as the “**ESG**”) report (referred to as the “**Report**”) and the relevant implemented policies and strategies in relation to the Group’s operational practices and environmental protection.

The Report covers the period from 1 January 2018 to 31 December 2018 (the “**Reporting Period**” or the “**FY2018**”).



2. REPORTING FRAMEWORK

The Report has been prepared with reference to the ESG Reporting Guide set out in Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “SEHK”).

3. REPORTING SCOPE

The General Disclosure of the environmental and social policies and measures in this Report and the compliance issues cover the entire group, together with the disclosure scope of the Environmental Key Performance Indicators (referred to as the “KPIs”) section of the Report covers the operation and manufacturing sites of the Group in the PRC.

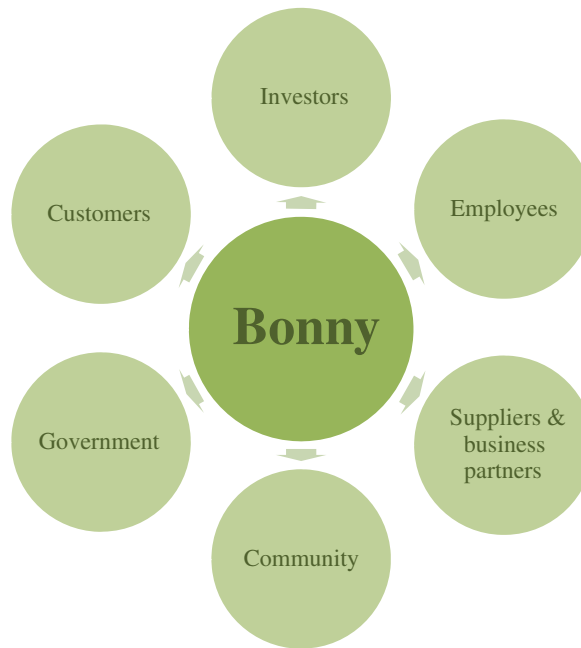
The Group’s PRC operation represents the majority of the Group’s environmental and social impacts, and the impacts from its office in Hong Kong is minimal. As Beiyuan Production Site is under development and its production is not commenced as the end of financial year 2018, the content of the ESG report mainly focus on Suxi Production Site in Zhejiang Province together with the self-operated retail outlets in 15 provinces, municipalities and autonomous regions in the PRC, unless stated otherwise.

4. COMMENTS AND FEEDBACK

The progress of the Group depends in part on stakeholders’ valuable comments. For any doubts about or advice as regards to this ESG Report, please forward your comments and suggestions to phoenix.hk@pordahavas.com.

5. STAKEHOLDER ENGAGEMENT

The Group believes that understanding the views of the stakeholders lays a solid foundation to the long-term growth and success of the Group. The Group has a wide network of stakeholders, including employees, customers, suppliers and business partners, investors, government and community.



The Group develops multiple channels to the stakeholders which summarised in the following table. The multiple channels provide them with the opportunities to express their views on the Group's sustainability performance and future strategies. To reinforce mutual trust and respect, the Group is committed to maintaining endures communication channels, both formally and informally, with stakeholders to enable the Group to better shape its business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.



Stakeholder Groups	Engagement channels	Possible concerned issues
Investors	<ul style="list-style-type: none"> • General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries 	<ul style="list-style-type: none"> • Business strategies and sustainability • Financial performance • Corporate governance
Customers	<ul style="list-style-type: none"> • Direct communication • Emails • Business meetings 	<ul style="list-style-type: none"> • Service quality and reliability • Customers information security • Business ethics
Employees	<ul style="list-style-type: none"> • Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview 	<ul style="list-style-type: none"> • Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities
Suppliers and business partners	<ul style="list-style-type: none"> • Business meetings • Tendering for procurement of products or services 	<ul style="list-style-type: none"> • Fair competition • Fulfillment of promises • Payment schedule
Government and other regulatory authorities	<ul style="list-style-type: none"> • Statutory filings and notification • Regulatory or voluntary disclosures 	<ul style="list-style-type: none"> • Compliance with law and regulations • Treatment of inside information • Co-operation with enquiries
Local community	<ul style="list-style-type: none"> • Community activities • Donations 	<ul style="list-style-type: none"> • Environmental protection • Fair employment opportunities

6. MATERIALITY ASSESSMENT

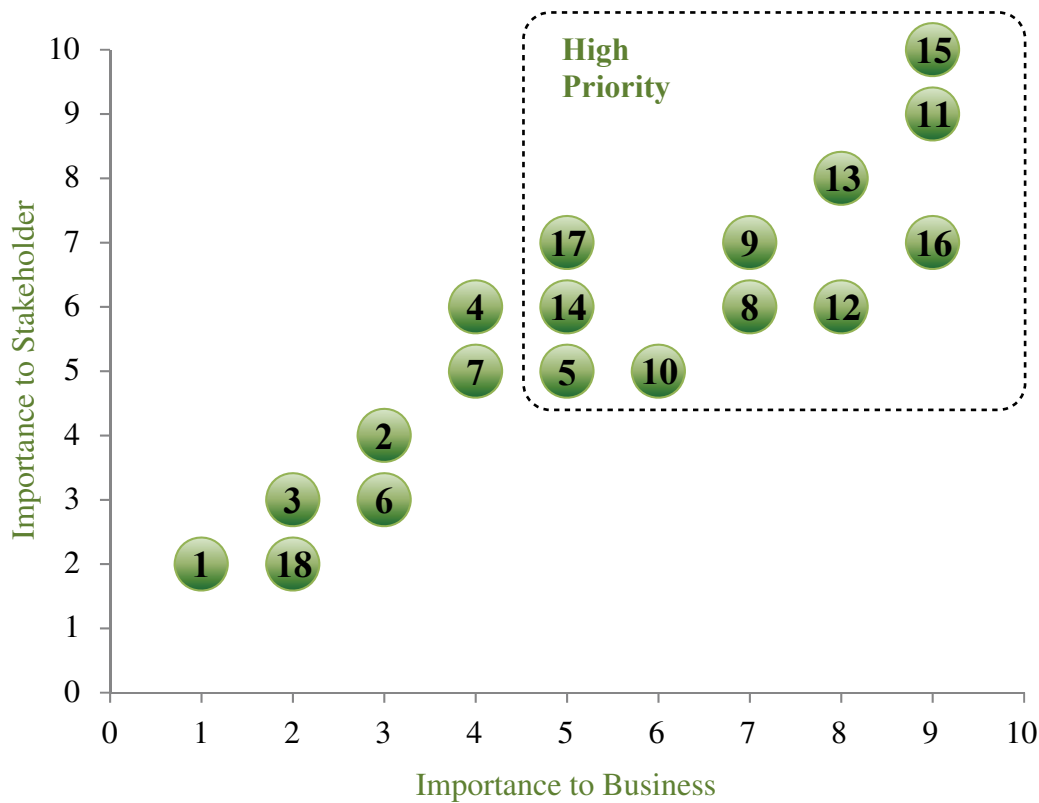
The Group has maintained close communication with the stakeholders since the Group listed in Hong Kong Stock Exchange. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. The main concerns and material issues are listed below:

ESG aspects as set out in ESG Reporting Guide			Material ESG issues for the Group	
A. Environmental	<i>A1 Emissions</i>		1.	Air Emission
			2.	Greenhouse Gas Emission
			3.	Waste Management
	<i>A2 Use of Resources</i>		4.	Energy Consumption
			5.	Water Consumption
			6.	Paper Consumption
	<i>A3 The Environment and Natural Resources</i>		7.	Environmental Risk Management
B. Social	<i>B1 Employment</i>		8.	Human Resources Practices
			9.	Employment and Remuneration Policies
			10.	Equal Opportunity
	<i>B2 Health and Safety</i>		11.	Employees' Health and Workplace Safety
	<i>B3 Development and Training</i>		12.	Employee Development
	<i>B4 Labour Standards</i>		13.	Anti-child and Forced Labour
	<i>B5 Supply Chain Management</i>		14.	Supplier Practices
	<i>B6 Product Responsibility</i>		15.	Product Quality and Customer Satisfaction
			16.	Protection of Customer Privacy
	<i>B7 Anti-corruption</i>		17.	Anti-corruption and Anti-money Laundering
	<i>B8 Community Investment</i>		18.	Community Investment



Pursuant to environmental and social issues based on the ESG Reporting Guide within the scope of sustainability and the information collected from the stakeholders and the assessments of their importance on business, the Group built a two-dimensional materiality matrix and identified the following issues that are in high priority to the stakeholders and the Group. The priorities are set based on the management’s view as well as stakeholders’ feedback.

Materiality Matrix





Number	Topics
5	Water Consumption
8	Human Resources Practices
9	Employment and Remuneration Policies
10	Equal Opportunity
11	Employees' Health and Workplace Safety
12	Employee Development
13	Anti-child and Forced Labor
14	Supplier Practices
15	Goods/Services Quality and Customer Satisfaction
16	Protection of Customer Privacy
17	Anti-corruption and Anti-money Laundering

These areas will become the leading priorities in the ESG strategy. We believe that they will contribute significantly to the Group's sustainable development on the long term basis.

7. **APPROACH TO SUSTAINABILITY DEVELOPMENT**

As a responsible company, the Group continues to step up for sustainability measures as well as meeting the customers' standards. To make the Group's investors and stakeholders properly informed for assessment, the Group has set out below its efforts to minimise the negative influence to the environment, promote the well-being of the Group's employees and contribute to the community during the Reporting Period.

8. **ENVIRONMENTAL RESPONSIBILITY**

Air and greenhouse gas emissions from boilers and pre-treating machines, sewage discharges from the dyeing process and other associated hazardous wastes from other production phases are the major emissions of the Group's whole manufacturing process.

The Group is an environmental friendly enterprise and aware of the environmental impacts arisen from the manufacturing processes. In addition to complying with all appropriate laws and regulations of the Ministry of Environmental Protection of the PRC, the Group strives to achieve sustainable development in the operation.

The Group is committed to endorsing a green environmental protection enterprise culture in the business development. With a series of environmental policies established, the Group takes measures to minimise the potential adverse impact on the environment and preserve natural resources arising from the operation and activities.

Owing to the nature of the business, the Group's commitment to the environment focuses on the reduction of emission, the efficiency of energy and water usage, as well as the conservation of ecological environment.



Picture: Steam Boiler



Environmental Management

The implementation of environmental management could result in having higher resources recovery efficiency, more clean manufacturing process and improving the operating industrial efficiency, profitability, company reputation and competitiveness.

The Group strives to ensure the product safety for consumers and protect environment and local communities where the manufacturing process takes place. The Group understands and acknowledges that in order to maintain the manufacturing process as environmental friendly as possible, the environmental issues must be managed properly. Thus, the Group regularly monitors and measures its manufacturing activities to ensure they are adhering to the national standards. The scope of monitoring measures undertaken at the manufacturing process include air pollution, noise emissions, water and waste discharge. The results of the collected monitoring data are used to identify and address possible measures that can diminish the adverse impacts of its operations on the environment.

The Group's management team is responsible for implementing and monitoring the environmental management plans and programs. The management team identifies and addresses possible measures to reduce the adverse impacts of its operation on the environment. The Group's management team is also responsible for ensuring timely execution and submission of environmental plans and reports to related authorities, and obtaining the requisite licenses and permits.

The management team strives to ensure that the Group has complied with the relevant environmental legislations, including but not limited to the following:

- The Environmental Protection Law of the PRC《中華人民共和國環境保護法》
- The Regulations on the Administration of Environmental Protection of Construction Project《建設項目環境保護管理條例》
- The Appraising of Environment Impact law of the PRC《中華人民共和國環境影響評價法》

In addition, the Group will keep abreast of the new legal development in the PRC regarding this aspect and review its environmental policy from time to time to ensure its on-going compliance with the latest relevant environmental laws and regulations.



Aspect A1: Emissions

The production operation and activities of the Group inevitably generates different kinds of emissions. The Group's major emissions include air pollution, water and waste discharge. The Group strives to minimise the emissions and takes practicable and possible measures to comply with the relevant laws and regulations relating to environment protection. The Group has implemented various environmental policies and has been awarded quality standard certification of ISO14001 in respect of its environmental management system.

Air Emission

The Group's air emissions are mainly generated by the use of vehicles. In consideration of the potential threats of climates to the communities, the Group strives to avoid idling vehicles with running engines and keep company fleet properly tuned to improve the air quality at the roadside since inefficient vehicles will use more fuel and emit more pollutants. The Group also conducts regular inspection to maintain proper tire pressure of vehicles.

During the Reporting Period under review, the Group's key exhausted gases generated in the vehicle engine combustion process are Sulphur Oxides (SO_x), Nitrogen Oxide (NO_x), and Particulate Matter (PM). As illustrated from the table below, the Group produced 0.49kg, 88.24kg and 8.16kg of SO_x, NO_x and PM in the Reporting Period.

Air Emissions	2018 (in kg)
Sulphur Oxides (SO _x)	0.49
Nitrogen Oxide (NO _x)	88.24
Particulate Matter (PM)	8.16



Greenhouse Gas Emission

The carbon footprint arises from the Group's day-to-day operations is primarily from the use of electricity and vehicles in the operations. The amount of each greenhouse gas emission for the Reporting Period is summarized in the table below.

Emission Sources	CO ₂ e Emission (2018) (in tonnes)
Scope 1 Direct Emission	
Company Vehicles	86.24
Fuel Consumption	291.08
Refrigerant	136.00
Tree Planting	(5.06)
Sub-total	508.26
Scope 2 Indirect Emission	
Purchased Electricity	8,471.93
Scope 3 Other Indirect Emission	
Production Material	1,280.05
Emission from Paper Waste	0.82
Emission from Other Waste	505.54
Business Travel	7.44
Emission from Fresh Water Processing	82.29
Emission from Sewage Processing	38.82
Sub-total	1,914.96
Total	10,895.15

During the Reporting Period, the Group generated a total of 10,895.15 tonnes of carbon dioxide equivalent (tCO₂e) greenhouse gases (mainly carbon dioxide, methane and nitrous oxide).




The Group is committed to reducing the emissions and has established the procedures regarding the management of emissions to the atmosphere. The Group has taken the following measures to mitigate the emissions:

- Invest in most efficient and least polluting machineries;
- Keep company fleet properly tuned as inefficient cars will use more fuel and emit more pollutants;
- Maintain correct tyre pressure by regular inspection and inflation;
- Ensure no idling vehicles with running engines;
- Deliver goods during non-peak seasons/hours;
- Choose direct flights for unavoidable business trips;
- Instead of taking overseas business trips, conduct video conferencing or use emails to reduce carbon footprint from flights; and
- Plant additional trees during the Reporting Period.

Waste Management

For the solid waste generated in the manufacturing process, the Group allocated and categorized them according to the nature of the material, such as dye contaminated fabrics and boxes, wasted papers, wasted fabrics and wasted wood blocks. Fabrics and boxes contaminated by dye and used dye barrels are hazardous waste that is harmful to human health.



The Group has taken the following measures to maximize the re-use of the recycled materials:

- Set up waste separation and recycling bins or other suitable facilities for collecting materials such as waste paper, metal and plastic;
- Adopt green procurement, i.e. purchase products and services that cause minimal adverse environmental impacts; and
- Regularly arrange recyclers to collect recycled items.

Hazardous and Non-Hazardous Waste Management

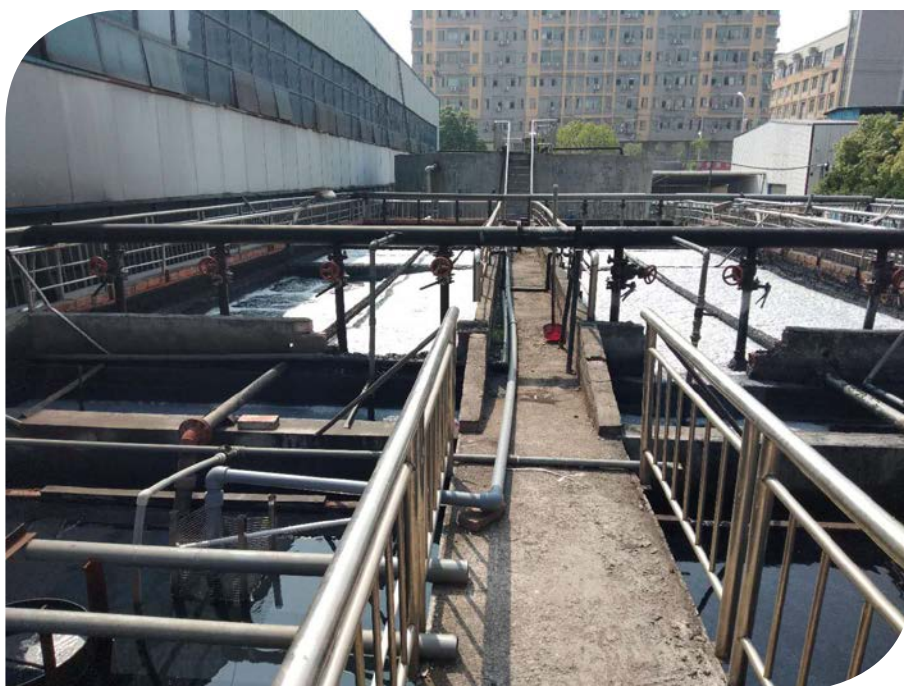
The Group has established clear and concrete guidelines on waste management. Wastes are separated into recyclable, hazardous and non-hazardous waste, and are stored separately.

The amount of disposed wastes are recorded and matched with contractors' reports to ensure they are being disposed in the most appropriate manner.

In addition, employees are reminded regularly to protect the environment through various channels, including emails, notices and promotion slogans. The Group's non-hazardous and hazardous wastes, which are mainly landfill and sewage respectively, are collected by government departments or nominated environmental agencies in compliance with the local regulations.

With the effort of minimizing the wastes, the following table illustrates the amounts of hazardous and non-hazardous wastes during the Reporting Period.

	Total volume in 2018 (in tonnes)
Hazardous waste	0.20
Non-hazardous waste	337.00



Picture: Sewage Treatment Facility



Aspect A2: Use of Resources

The Group is committed to continually monitoring and improving environmental performance as an integral and fundamental part of business strategy, as well as complying with relevant government policies and environmental legislations.

Energy


The Group's energy consumption mainly generated from electricity and natural gas in the operation. The following table illustrates the energy consumption by types and volumes during the Reporting Period:

Energy	Unit	Total volume consumed (2018)
Electricity	kWh	12,102,761
Natural Gas	Cubic Meter	152,000

Efficient Electricity Use

The operation of the Group generated green house gases indirectly by electricity usage. The Group has committed to minimizing energy usage. The commitments are driven by energy saving intuition. The following measures are implemented by the Group:

- Deploy natural light as much as possible;
- Maintain light fixtures and lamps in good condition to maximize their efficiency;
- Switch off unnecessary lighting and energy consumption equipment (for example, PC and laptop) while not in use;
- Separate light switches for different light zones;

- 
- Use electronic ballasts to replace electromagnetic ballasts;
 - Install motion sensors in areas not frequently used;
 - De-lamping for the areas with higher than required lighting level;
 - Set the temperature of the air-conditioner within 24-26°C, an energy-efficient level;
 - Clean the air filter of the air-conditioners regularly to improve the efficiency of cool air flow;
 - Use timer or switch off the printers completely during non-operating hours;
 - Set the computers to automatic standby/sleeping mode when idling; and
 - Switch off information and communication technology equipment completely during non-operating hours.

Water

Intimate wear manufacturing is a water intensive industry. A compressive water management solution is implemented to provide the guidance to the management, employees and contractors with regard to the use and re-use of water. Water saving and re-use of water are the Group's major directions regarding to the water resource.

For water saving, effective water saving production methods and instruments were adopted to enhance water efficiency. Water quality is also under inspection to prepare for the proposed installation of water saving facility.

During the Reporting Period, the Group has consumed 204,710 tonnes of water.



Packaging

The Group regularly communicates with the customers to minimize the packaging material. Owing to the nature of the Group's business segment, the packaging materials used are mainly plastic and paper. During the Reporting Period, the total amounts of packaging material consumed for finished products are as follows:

Types of material	Unit	Total quantity consumed (FY2018)
Plastic	tonne	24.04
Paper	tonne	822.54

Aspect A3: The Environment and Natural Resources

Energy Efficiency Initiative

The Group has established clear regulations on resources consumption in business operation to ensure effective use of resources. It also adopts various measures to minimize the power consumption, including promotion of energy saving as well as recycling and reusing of resources in its daily operation and working environment, so as to reduce the negative environmental impacts.

Paper Reduction

Excessive use of paper causes negative impacts to our environment. Deforestation is the primary effect of our mindless use of paper. With the aim of minimizing the impact of the business operation on the environment, the Group has implemented measures for environmental protection that minimize paper usage at the office. To ensure papers are consumed in the most efficient way and make it convenient for staff and clients to do so, the Group has imposed eco printing modes for staff. Furthermore, the Group encourages staff to use electronic communications for directories, forms, reports and storage when possible.

Lastly, the Group has recycled wasted paper, carton box and envelope including all non-confidential documents from the Group.

During the Reporting Period, the total paper consumption of the Group for the use of production, packaging and office amounted 824.59 tonnes.



The followings are the practical guidelines which help the Group to implement a cost-saving, paper reduction program:

- Send information electronically. Use emails instead of fax or letters when possible;
- Promote the use of electronic communications for disseminating notices, reporting on the latest activities and receiving suggestion;
- Set computer and printers to default duplex and economical modes;
- Reuse paper or use paper on both sides, as possible;
- Promote a “think before you copy” attitude. Consider sharing some documents with co-workers. Print only the number of copies needed for the meeting; and
- Reduce paper towel consumption by installing electric hand dryers.

Water Utilization

The Group’s main source of water consumption generated from the production process, toilet flushing, washing and canteen. The Group recycles the industrial wastewater and reuses it after treatment, all sewage produced are collected and processed by qualified sewage treatment companies. For domestic wastewater, the Group examines the water quality before drainage to ensure the national and local environmental requirements are complied.

During the Reporting Period, the Group has consumed 204,710 tonnes of water.

In addition, the Group has adopted the following measures to minimize the consumption of water:

- Collect rainwater in the factories;
- Recycle and reuse grey water for cleaning and irrigation;
- Use dual-flush toilet;
- Check the hoses and pipes for leaks, cracks, and other damage regularly and repair them in a timely manner; and
- Read the water readings at regular interval when no water is being used and check for hidden water leaks.



Picture: Rainwater Collection Pool



9. SOCIAL RESPONSIBILITY

The Group believes building strong and lasting relationship with the employees and suppliers is essential to a socially responsible enterprise. Besides, maintaining an honest and authentic dialogue is indispensable as a responsible organization and partner to the stakeholders.

Aspect B1: Employment and Remuneration Policies

The Group enters into individual employment contracts with its employees. The Group reviews the performance of its employees on a regular basis, the results of which are used in his or her salary review and promotion appraisal. In order to attract and retain quality personnel and to preserve competitiveness in the labor market, the Group also conducts research on the remuneration packages that are offered by other companies of comparable size in the same industry.

Pursuant to regulations in each of the local jurisdictions where the Group operates, the Group makes contributions to various employee benefit plans. Employee benefits covered by these arrangements include employee benefits required by PRC laws and regulations as well as incentives for increasing productivity, accommodations, meals and travel allowances. The Group also contributes to social security insurance covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and maternity insurance (where applicable) as well as housing fund for its employees according to the relevant PRC laws and regulations.

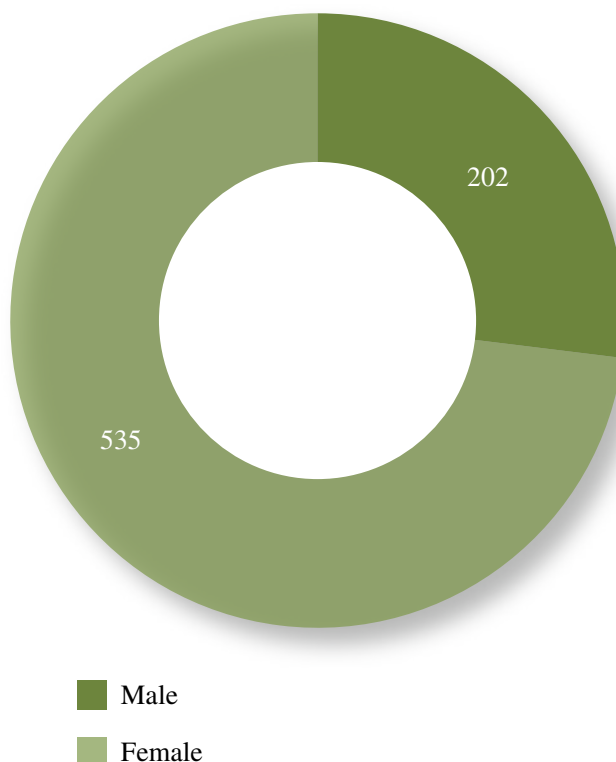
The Group's essential policies and procedures are also included in the staff handbook which will be reviewed and updated regularly. The Group discourages and disallows any behavior that violates the regulations under staff handbook. Offenders will receive warning, and the Group has the right to terminate employment contract with offenders for serious violations. During the Reporting Period, the Group did not find any significant violations of laws and regulations relating to human resources.

Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. The Group has staff handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviors as well as, employees' rights and benefits. There are policies established and implemented that promote harmony and respectful workplace. With the aim to ensure fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any form, which is a violation of the labor laws in all countries.

During the Reporting Period, the Group has 737 full-time employees. The following chart sets out a breakdown of the Group's total employees by gender. In the Reporting Period, 202 employees in the Group are male staff, which represents 27.4 percent of the total workforce; while 535 employees are female which represents 72.6 percent of the total workforce.

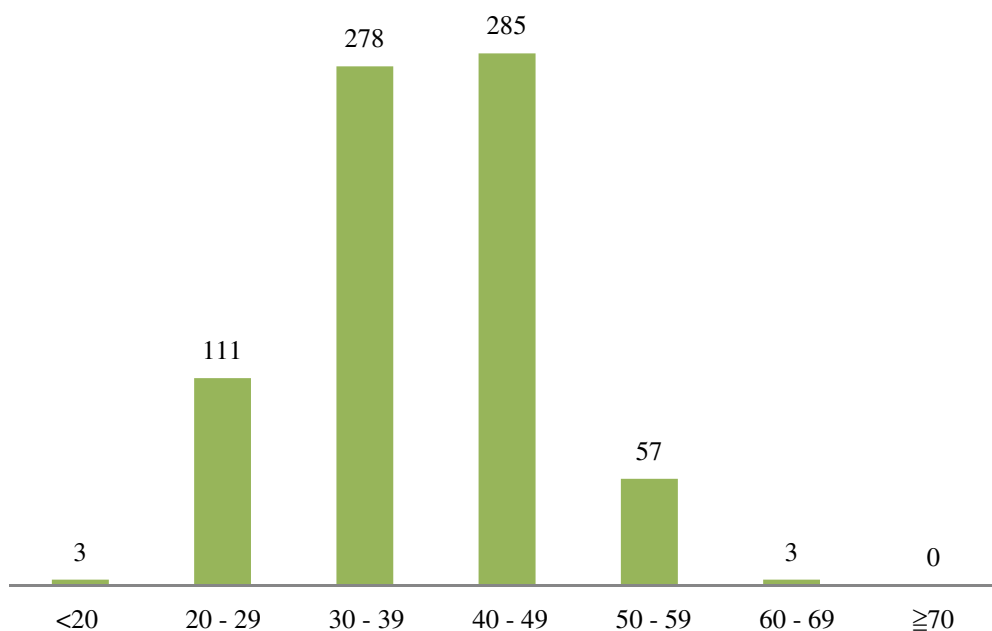
Total Workforce by Gender in FY2018



In addition, human resources department conducts a comprehensive recruitment review to ensure that the data provided by the candidates are accurate. The Group's recruitment and promotion process are carried out in a fair and open manner for all employees; employees are recognized and rewarded by their contributions, work performances and skills, and outcomes will not be affected by any discrimination on the grounds of age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors.



Total Workforce by Age in FY2018




The Group strictly prohibits the employment of children or forced labor and sets out the policies in the labor code to eradicate child labor, juvenile workers and forced labor.

Aspect B2: Health and Safety

The Group strives to provide a safe and healthy workplace for the employees as the Group complies with all applicable rules and regulations regarding to Occupational Safety and Health (OSH). The Group strives to provide a safe, healthy and comfortable working environment and has complied with the Labor Legalization and other applicable regulations in the PRC.

The Group also has designated a person in the administrative department to identify any actual and potential hazards and risks to each individual and work towards safe and hygienic work environment, and to ensure that office and work environment is in line with or higher than requirements of relevant laws. The Group's building management office has also arranged rescue, fire and evacuation drills to improve staff safety awareness; and employees are expected to comply with the policies and procedures, and cooperate in all safety trainings.



With a view to promoting occupational safety within the working environment, the Group has implemented operational procedures and safety standards for its manufacturing process. As an evidence of the dedication to production safety, the Group was awarded the Gold Certificate of Compliance by the World Responsible Accredited Production in 2018. The Group also provides its employees with occupational safety trainings to enhance their awareness of safety. The Group will continue its efforts on the promotion of occupational health and safety of its employees and compliance with the applicable laws and regulations.

The Group has received a Work Safety Standardization Certification by the State Administration of Work Safety. During the Reporting Period, the Group did not find any case of violations of laws and regulations in relation to the health and safety of the workplace, and neither work-related fatalities nor work injury was noted.

The Group is not aware of any material non-compliance with the above-mentioned relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period.

In addition, the Group has designated a person to identify any actual and potential hazards and risks to each individual and work towards safe and hygienic work environment, and to ensure that office and work environment is in line with or higher than requirements of relevant laws. The designated person is also responsible for arranging rescue, fire and evacuation drills to improve staff safety awareness; and employees are expected to comply with the policies and procedures, and cooperate in all safety trainings.



Picture: Regular Fire and Evacuation Drill



Aspect B3: Development and Training

The Group believes its success depends heavily upon its provision of consistent, quality and reliable services by the employees. In order to attract, retain and develop the knowledge, skill level and quality of its employees, the Group places a strong emphasis on training its employees. The Group also provides on-site training periodically and across operational functions, including introductory training for new employees and technical training.

The Group believes that the performance of outlet staff is critical to the success of a retail outlet. The Group places great emphasis on the training of the outlet staff and provides in-house training programs to the outlet staff on various retail operation matters, such as product knowledge, sales techniques, customer service, store operation and safety measures.

To retain the best employees in the operation, the Group offers reimbursement of course fee to the employees to encourage them to study and to take any relevant examinations. Study leave is also given to motivate the employees.

The Group is committed to providing comprehensive professional capability trainings, including internal trainings and external courses such as fire trainings, safety manager trainings, trainings on safe operation of long transmission channels and trainings on operation of special equipment. The Group also encourages staff exchange and job rotation between departments, which it collectively serves as a platform to encourage the Group's employees to develop potential and self-improvement.

In addition, on-the-job trainings and off-the-job seminars facilitated by the management of the Group will be held from time to time. Such sessions will usually provide a detailed explanation and discussion of technical knowledge encountered by the staffs in the recent projects. The Group highly encourages the staffs to attend internal training courses to develop personal skills and expand the knowledge.

The Group has provided different kinds of training for the top management and staff to enhance their level of communication and team building skills.

Furthermore, directors are given with guidance and preparation meetings about the Group's business and his/her duties responsibilities under the Listing Rules and the relevant statutory and regulatory requirements when newly appointed. The directors will be briefed regularly on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.



Picture: Staff Training



Aspect B4: Labor Standard

The Group's human resource management policy has fulfilled the requirement outlined in the Labour Contract Law of the PRC. The Group has established and implemented staff manual which contains policies relating to relevant labor laws, regulations and industry practices, covering areas such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversity and other benefits and welfare.

In addition, the Group strives to ensure an equal and fair working environment. The Group has strictly complied with the Labor Ordinance and does not tolerate any form of sexual harassment and abuse in the workplace, which is a violation of the employment law in the PRC.

The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that applied in the Group. In the recruitment process, the Group implements appropriate procedures to ensure that employment adheres to the applicable laws in regards to child labor and forced labor. During the Reporting Period, no violations regarding occurrence of the age of employment and labor disputes between the Group and the employees.

10. OPERATING POLICIES

Aspect B5: Supply Chain Management

The Group is committed to developing and maintaining effective and mutually beneficial working relationships with the business partners (suppliers, subcontractors and transporters, etc.). The Group requires each of the business partners to comply with the code of conduct of social responsibility and business ethics the Group set out. The Group will assess whether the business partners fulfill the code requirement annually. Violation of the code will lead to instant termination of the business partnership.

The Group strives to focus on ethical supply chain management while producing a global supply chains. During the Reporting Period, the Group has a total of 173 suppliers located in China.



The Group closely monitors the quality of all raw materials provided by the suppliers to ensure that all raw materials comply with the requirements. The Group arranges for its quality control staff to carry out on-site inspections on raw materials at the suppliers' facilities before they are delivered. The Group evaluates the suppliers periodically based on a range of factors, including raw material quality and the ability to meet the delivery timeline. For the Reporting Period, the Group did not have material disputes with its suppliers.

To ensure the product quality, the Group only source from reliable suppliers who have a satisfactory record of quality and on-time delivery. For new suppliers, the Group evaluates their production capacity, quality and reliability before the Group commenced the business relationship with them. In addition, the Group conducts random sample checks on incoming raw materials to ensure that they meet the quality requirements. If the quality of the supplier does not meet its standards, the Group will return it to the suppliers for replacement or refund. Only raw materials with samples which have passed the incoming quality control will be delivered to the warehouse and utilized in the production. During the Reporting Period, the Group did not have any material claims against the suppliers due to defective quality of raw materials.

All finished and semi-finished manufactured products processed by the subcontractors are also inspected before acceptance into the warehouse or being further utilized in the production process. The Group also conducts factory visit regularly to sample check the products of subcontractors and monitor the production process. Before accepting the goods, the quality control staff will inspect the goods produced by subcontractors against the specifications as stated in the supply agreement entered into between the Group and the subcontractors.

Furthermore, the Group gradually takes environmental consideration into account in the procurement process. To integrate the environmental vision into the procurement of product supplies, the Group avoids disposable products and chooses suppliers who provide durable products with less packaging materials. Priority will be given to environmentally friendly materials and office goods, so as to raise the suppliers' awareness of sustainable development.

Aspect B6: Product Responsibility

The Group is committed to providing quality products that satisfy customers' needs, and has set fairness and safety as the centre of its procurement and service procedure. Meanwhile, the Group has established and made public its own customers' interest policy, which implemented throughout the corporate operation to safeguard customers' interests.



Product Quality

The Group emphasise quality control in all aspects of the business to protect the brand value and the image of the Group. From sourcing the raw materials, production, packaging and inventory storage to sale and delivery, the Group strictly controls the quality of its operations. In order to monitor the production quality and ensure that its products meet benchmarks and specifications of its customers and the Group, the Group has implemented various quality-control checks throughout its production process.

The Group's quality control is also evidenced by its business relationships with brands which have stringent demands in their selection of qualified product suppliers. As a result of the strict quality control policies, for the Reporting Period, the Group had not, due to product quality issues, (i) received any fine, product recall order or other penalty from any regulatory body, (ii) received any material product return request from its customers and franchisees, or (iii) received any material complaint from consumers of its products.

In-process quality control is conducted throughout the production process. Production quality control checkpoints are set up throughout the production process to ensure that the semi-finished goods meet the production specifications. Usually, checking is performed on random sampling basis. Any defective goods identified are re-processed before proceeding to the next step.

Finished goods are inspected on a random sampling basis to further minimise the risk of selling defective products to customers. Sample checks on each batch of finished products will be conducted before packaging and delivery to the customers or to the retail outlets.

The Group has produced quality goods according to a set of comprehensive Quality Control System basing on the ISO 9001, which specifies the standard procedure for the provision of computer numerical control machine, appliances and accessories. Since 2016, the Group has obtained the Oeko-Tex® Standard 100 certification (product class II) which demonstrated the Group's dedication to product safety. In 2017, the Group were awarded 2017 National Quality Benchmark for Bra (2017 年度全國文胸質量標桿) by China Knitting Industrial Association (中國針織工業協會) which demonstrated the high quality standard nationally.

The Group's design and product research and development efforts primarily focus on, among other aspects, improving and developing the functionality and designs of the products, as well as diversifying the product portfolio.



Service Quality

The Group's salespersons serve its customers in 153 self-operated retail outlets across China. To ensure the salespersons understand and reach the servicing quality standards, the Group offers a series of training sessions and assessments. New recruits must pass on-board training, sales counter field training lessons, and the final probation assessment. Current salespersons are required to pass monthly training and assessments of their product knowledge.

An effective complaint handling mechanism is crucial for service quality assurance. The Group is committed to maintaining a customer feedback channel through which customers can reach its managers directly. The Group has service hotlines to answer franchisees' questions or troubleshoot problems on issues such as product quality, order status inquiry and product return. If the Group receives a complaint, it is the Group's policy to take rapid rectification action and report back to the relevant customer. Should the Group receive a valid complaint relating to unsatisfactory service performance, the Group will arrange for retraining to raise awareness of service quality.

During the Reporting Period, the Group did not identify any non-compliance with laws and regulations in relation to product and service quality.

Public Interest and Accountability

For the management of personal data privacy, the Group is committed to protecting privacy and confidentiality of personal data of the customers. The employees are instructed to handle customer information with due care. The Group collects and uses customer information in a responsible and non-discriminatory manner. Only designated employees can assess customer information for business use. They are required to sign non-disclosure agreement upon employment to state that they are not allowed to disclose any information to unauthorized third parties.

The Group ensures the goods and services are conducted in a manner consistent with the highest ethical standards. This helps to ensure high products quality at all times to gain the confidences of customers and the public.

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long-term relationships based on mutual trust. The Group ensures that all parties involved in the procurement process participate fairly, honestly and in good faith. The Group recognizes that adherence to the principles of competition is essential to the maintenance of the integrity of the procurement process.



Aspect B7: Anti-corruption

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. It is every employee's responsibility and all interests of the Group to ensure any inappropriate behavior or organizational malpractice that compromises the interest of the shareholders, investors, customers and the wider public does not occur under any circumstances.

The Group has adopted "Code of Conducts Manual" that includes provisions for conflicts of interest, privacy and confidentiality of information, due diligence, bribery and anti-corruption. The Group upholds a high standard of business integrity throughout its operations. Management considers a system with a good moral integrity and anti-corruption mechanism as the cornerstone for the sustainable and healthy development of the Group. The contravention of these policies will be subject to disciplinary action or termination of employment.

Whistle-blowing policy is implemented and whistle-blowers can report verbally or in writing to the department or the senior management of the Group with regards to any suspected misconduct with full details and supporting evidence. Employees who breach anti-corruption policy will face disciplinary action, which could result in dismissal for serious misconduct. Any suspicious transactions would be notified and reported to the relevant governing body by the responsible officer.

In respect of the Group's operation in the PRC, the Group observes the relevant laws and regulation of Criminal Law of the PRC and the Anti-Unfair Competition Law of the PRC. The Group has instructions and directives in relation to anti-corruption, money laundering and fraud.

During the Reporting Period, the Group has strictly abided by all the rules and regulations, no litigation regarding bribery has been instituted against the Group and its staff.

Aspect B8: Community Investment

For the Group's long-term development, community participation is important. As a responsible corporate citizen, the Group is constantly aware of the needs and is committed to promoting development and construction activities of the community at which the Group operates.

The Group takes up corporate responsibilities with the best efforts and benefits the community through a variety of actions, such as investment, donation, time, products, services, influence, management knowledge and other resources. The Group also encourages employees to spend time and efforts in various community projects, making contributions to the community.



11. SUSTAINABILITY

The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of the business. The sustainability guidelines lay out the principles and actions for managing and performing ethically and sustainably, throughout the operational flow. The Group will continue to deliver safe and quality services served by the enthusiastic team members, without endangering the environment. The Group will also continue to provide hearty service to the customers and contribute back to the community.

12. CORPORATE GOVERNANCE

All management level has the responsibilities to maintain a good corporate governance practice. Meetings are held regularly and once the management or the staffs notice any improvement on the corporate practices, the relevant operating practices will be revised.



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