

HINGTEX HOLDINGS LIMITED 興紡控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1968

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018



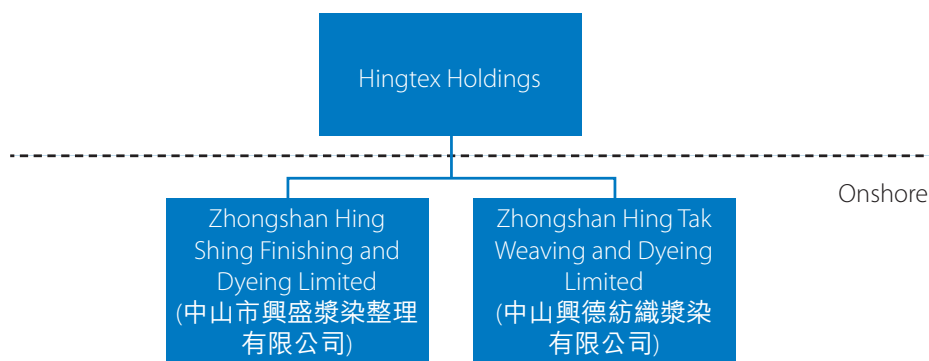
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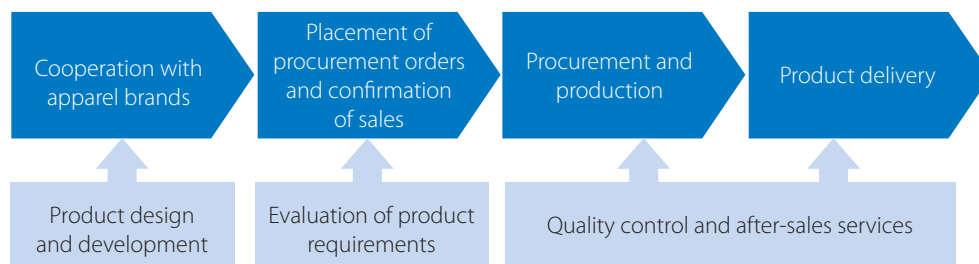
2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Hingtex Holdings Limited (“Hingtex Holdings” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the manufacturing and sales of denim fabric. Hingtex Holdings has established business relationships with more than 30 apparel brands and has supplied products to more than 120 customers, mostly garment manufacturers and well-known American apparel brands.



The Group places utmost priority on corporate governance and product quality and has established a number of control and operational measures covering business processes including product development, customer engagement, procurement and production, and product delivery. The Group’s factories have obtained ISO 9001 quality management system certification and ISO 14001 environmental management system certification to ensure the quality of its denim products and services, while controlling the environmental impact of production.



The shares of the Group have been listed on the Main Board of the SEHK since 16 July 2018.

The Group has continued to adopt a proactive approach to the development and manufacturing of denim fabric, and is determined to lead a new market trend for denim garments. Going forward, the Group will continue to equip itself with better production machinery and equipment to improve its production capacity and productivity in quick response to the evolving market and customer needs. Meanwhile, the Group will break into new markets by further developing new denim fabric products and broadening its product mix and customer base.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ABOUT THE REPORT

This is the first Environmental, Social and Governance Report published by Hingtex Holdings. The report provides stakeholders with a better understanding of the Group's progress and direction in respect of sustainability by reporting on the Group's environmental, social and governance ("ESG") policies, measures and performance. This report has been uploaded to the websites of the Stock Exchange of Hong Kong Limited (the "SEHK") and the Company (www.hwttextiles.com.hk).

Reporting scope

All information in this report reflects the ESG policies, measures and performance of the Group from 1 January 2018 to 31 December 2018 (the "year") with a focus on the Group's operation of denim fabric manufacturing business. The report covers two production facilities of the Group located in Zhongshan¹. In the future, the Group will continue to optimise its internal data collection system to gradually expand the scope of disclosure, and the Company will issue the Environmental, Social and Governance Report every year for inspection by the public and continuously improve the transparency of information disclosure.

Reporting standards

This report was prepared in accordance with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide (the "Guide") in Appendix 27 to the Rules Governing the Listing of Securities on the SEHK and on the basis of the four reporting principles thereon, namely materiality, quantitative, balance and consistency. In order to provide stakeholders with a comprehensive understanding of the Group's ESG performance, this report also reported on certain social key performance indicators (KPIs) in the "Recommended Disclosures" in the Guide. To ensure the accuracy of environmental KPIs, the Group has engaged a professional consulting firm, Carbon Care Asia Limited ("CCA"), to conduct a carbon assessment. A complete content index is appended in the last chapter of this report for easy comprehension with reference to the Guide.

All information cited in this report was sourced from the official documents, statistical data of Hingtex Holdings and its subsidiaries, as well as the management and operation information collected according to the policies of the Group. The report was approved by the Board on 24 July 2019.

Feedbacks

The opinions and suggestions of stakeholders are conducive to the development of more detailed and sound sustainability strategies of the Group in the future. If you have any questions or suggestions about this report, please feel free to contact the Group by the following means:

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¹ The two production facilities in Zhongshan are Zhongshan Hing Shing Finishing and Dyeing Limited ("Hing Shing") and Zhongshan Hing Tak Weaving and Dyeing Limited ("Hing Tak").

MESSAGE FROM THE CHAIRMAN

As an industry-leading denim fabric manufacturer, Hingtex Holdings Limited understands that a successful business has to take into account all factors, including financial and non-financial factors, in order to create value for all stakeholders. The Group is in full support of responsible consumption and production. Having known that natural resources are consumed during the production of denim fabric which inevitably brings about environmental impacts and consumers around the world become increasingly aware of sustainable development, the Group has continued to improve its production environment standards with social and environmental well-being being its goals.

The Group has put emphasis on sustainability and implemented a series of environmental management and product quality standards. In the production process of denim fabric, various resources are used, carbon emissions and other emissions like sewage are emitted. With the concept of sustainability becoming a dominating trend, both customers and government departments have higher requirements on emissions management. The Groups aims to continuously improve process and production procedures on the basis of meeting the requirements of customers and government regulatory agencies.

Communication with stakeholders is an important part of the Group's efforts in sustainability. Through understanding the opinions and expectations of internal and external stakeholders, the Group is able to adjust the relevant measures and policies in a timely manner. This report serves as a platform for continuous communication between the Group and its stakeholders and helps enhance the transparency of the Group's sustainability governance. In light of the business nature, this report will focus on disclosure of areas such as use of resources, safety and health of employees, and emissions management.

The Group has arranged for designated staff in the management to take charge of sustainability and collectively manage the environmental and social performance of various departments. In the future, the Group will establish and duly incorporate into its organizational chart a sustainability governance structure which shall directly report to the Board. This will enable the Group to manage and improve the sustainability risks and opportunities across the entire production chain more effectively.

The Group's business has been exposed to various risks from issues related to sustainability. Reducing pollution is a major direction of the Group in respect of sustainability. While posing threats to the environment, pollution is also closely related to the Group's business. The increasingly heightened environmental requirements in the areas where we operate and by the customers have prompted the Group to continuously improve its performance and step up investment in equipment to reduce pollution. Under the influence of climate change, extreme weather becomes more frequent and directly threatens the production facilities. The Group has devised a comprehensive backup production plan to prevent disruption of business operations.

In the year ahead, the Group will further invest in hardware facilities to promote production in a healthy environment and prepare to build wastewater reuse facilities within the factory areas to mitigate environmental impacts. Software-wise, the sustainability governance structure to be developed in the future will help the Group to better manage its social and environmental performance. The Group believes that by maintaining constant communication and working hand in hand with stakeholders, we can lead the industry and society towards a green economy and build a better community for the next generation.

Tung Tsun Hong

Chairman and executive director

Hong Kong, 24 July 2019

SUSTAINABILITY GOVERNANCE

The Board of the Group is committed to maintaining high-level corporate governance, and believes that good corporate governance practices could effectively guide the Group to establish and realise long-term strategies and goals. Shouldering the responsibility of corporate sustainability governance, the Board ensures its business operations comply with all applicable regulations while capturing and dealing with the opportunities and risks arising from sustainability.

Environmental and social issues are involved in all aspects of the Group's operations. To effectively incorporate the sustainability concept into its operations, the Group plans to develop a Task Force on Sustainability (the "Task Force") in the future. The Task Force will be responsible for formulating and optimising development strategies and policies for such areas as environmental protection, operations management, business ethics, employment system and community investment, as well as reviewing and implementing the relevant measures and targets.

Risk management

The Group regards risk management as an indispensable part of daily management procedures and good corporate governance. Systematic risk management practices ensure that the Group understands its current risk profile and takes remedial actions in a timely manner to maintain its ongoing operational capability.

The Group has developed the management structure, authorization, policies and procedures for its risk management and internal control systems. The Audit Committee of the Board is responsible for reviewing whether the Group's risk management and internal control systems covering operational and compliance risks are fully and effectively operating.

The Group understands that the current risk management and internal control systems do not take into account sustainability issues. In the future, the Group plans to establish a dedicated task force on environmental and social risk management to enhance its risk management works by more comprehensively assessing ESG risks.

STAKEHOLDER ENGAGEMENT

Participation of stakeholders is an important part of the Group's business management. The Group's stakeholders include groups and individuals who have a significant influence on the Group's business or are impacted by the Group's business, including employees, shareholders, investors, suppliers and business partners, customers, regulators and industry associations. The Group has communicated with stakeholders and collected stakeholder's opinions during daily operations and through different channels to review potential risks and business opportunities.

METHODS OF COMMUNICATION WITH MAJOR STAKEHOLDERS THIS YEAR

Employees	Customers	Suppliers	Community
Established an employee grievance mechanism and channel to understand employees' opinions and suggestions about the Group.	Developed a feedback channel and handling mechanism to maintain regular communications with customers in order to understand their expectations and ensure that their opinions and complaints are properly handled.	Regularly reviewed suppliers to understand their operations and performance and communicated with them regarding the Group's needs for cooperation.	Contributed to development of the communities through community investments and donations

Identification of material issues

In order to identify the most important environmental and social issues to the Group and its stakeholders, Hingtex Holdings has engaged an independent consulting firm to conduct management interviews. After combining the interview results and opinions of the consulting firm, the Group has selected the three aspects listed in the diagram below from 11 environmental and social aspects in the Guide as the key topics of this report and has set a direction for the Group's sustainability strategy.



The Group values the communication with stakeholders and has developed mutual trust and long-term relationships with them. In the future, the Group will strengthen its interaction with stakeholders and explore more diversified channels. The Group plans to conduct a questionnaire survey in the next reporting year to collect opinions and suggestions from a wide range of stakeholders on the Group's sustainability performance in order to optimise the relevant policies and measures.

ENVIRONMENTAL PROTECTION

The Group is well aware of the importance of managing the environmental problems caused by its operation and the effective use of resources. Both Hing Shing and Hing Tak have obtained the ISO14001 environmental management system certification and formulated the Environmental Management Agency and Management System to put in place specific measures targeting emissions and effective use of resources so as to manage the environmental impacts of their operations.

Greenhouse gases emissions

Greenhouse gas emissions (“GHG emissions” or “carbon emissions”) are closely associated with climate change. In order to quantify the greenhouse gas emissions produced from the operation, the Group has engaged an independent consulting firm to conduct a carbon assessment according to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission of the People’s Republic of China, ISO14064-1, Greenhouse Gas Protocol and other national and international standards.

During the year, the Group’s total greenhouse gas emissions were 32,839.5 tonnes of carbon dioxide equivalent (tonnes of CO₂-e), and the greenhouse gas intensity was 2.0 tonnes of CO₂-e per thousand yard of products. The greenhouse gas emissions mainly came from purchased steam and electricity (32,296.4 tonnes of CO₂-e) in scope 2 energy indirect GHG emission, accounting for 98% of the total emissions. The second largest source was scope 1 direct GHG emissions produced from fugitive emissions from factories’ production facilities, kitchen equipment, vehicle fuels and refrigerants of factories (543.1 tonnes of CO₂-e), accounting for 2% of the total emissions. Please refer to the section headed “Summary of Key Performance Indicators” in this report for details of the results of the carbon assessment.

The Group will assess, record and disclose its GHG emissions annually. By comparing the future data with this year’s data as a benchmark, the Group will review the effectiveness of existing measures and optimise its plans to help set emission reduction targets in the future.

Air pollutants

The Group’s major air pollutants come from production facilities, kitchen equipment and vehicle use. Air pollutants mainly contain nitrogen oxides, sulphur oxides and respirable suspended particulates.

For reducing the generation of atmospheric pollutants, Hing Shing and Hing Tak have stipulated treatment methods for various types of exhaust gas in the Rules on Exhaust Gas Pollution Prevention and Control, such as setting up exhaust gas purifying facilities and prescribing quantity of chemical substances being used. In addition, Hing Shing and Hing Tak have engaged an independent testing company to regularly sample and test exhaust gas to ensure that their exhaust gas emissions comply with national standards.

nitrogen oxides
2,798.4 kg

sulphur oxides
174.2 kg

respirable suspended
particulates
61.2kg

Energy management

As energy consumption is the major source of carbon emissions, the Group considers reducing energy consumption as one of its key strategies for emission reduction. To this end, the Group has implemented a series of energy saving measures, including:

- Checked the power supply and circuits of its electrical equipment and machinery on a monthly basis, reported equipment damage or electricity leakage and carried out maintenance in a timely manner;
- Strengthened energy-saving promotion among staff, such as putting up notices to remind operators to turn off equipment and all auxiliary equipment after operation;
- Production workers must operate major power-consuming equipment such as mixers in accordance with the operating procedures in order to control the power consumption of the equipment;
- Adopted effective measures to reduce defective products produced during the production process; and
- Gave priority to equipment with energy efficiency labels when purchasing electrical appliances and production equipment.

During the year, the Group's total energy consumption was 79,455.5 MWh-equivalent ("MWh-e"), and the energy intensity was 4.8 MWh-e per thousand yard of products. Main energy uses included purchased steam and electricity (64,432.4 MWh-e and 12,865.0 MWh-e), accounting for approximately 97% of total energy consumption. Other energy uses included liquefied natural gas, diesel and petrol, the consumption of which was 1,616.2 MWh-e, 450.2 MWh-e and 91.7 MWh-e, respectively. In order to enhance energy management, Hing Shing plans to replace the pre-shrinking machines in 2019 to improve energy efficiency and reduce electricity and gas consumption.

Water consumption and wastewater management

Water is one of the key resources in the finishing and dyeing processes. With regard to water conservation, the Group requires employees to cautiously use water, monitors water consumption, inspects and repairs the water supply system on a regular basis in order to prevent water leakage from faucets or pipelines.

During the year, the total water consumption of the Group was 815,206 cubic metres ("m³"), and the water intensity was 49.4 m³ per thousand yard of products. The Group sourced water from municipal supply and did not encounter any problems in sourcing water fit for purpose during the year.

Furthermore, wastewater produced by the Group mainly includes industrial wastewater and domestic wastewater. Industrial wastewater is discharged into municipal wastewater treatment plants in accordance with the emission standard and domestic wastewater is discharged into the municipal sewer network. Hing Shing plans to purchase wastewater reuse facilities in 2019 to enable more reuse of water resources.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Waste management

It is the policy of the Group to uphold the principles of conservation and recycling to reduce waste from operations. Hing Shing and Hing Tak have formulated the Rules on Solid Waste Pollution Prevention and Control to require all departments to collect, categorise, store and properly handle waste generated during operations. The Group encourages office staff to practice reuse and double-sided printing and discarding recyclable waste is prohibited. The Group also purchases such quantity of packaging materials corresponding to the production volume of products and reused them where practicable.

During the Year, the Group produced 2 tonnes of hazardous waste and 236.4 tonnes of non-hazardous waste, and the waste intensity was 0.0001 and 0.0143 tonnes per thousand yard of products, respectively.

For hazardous wastes (such as chemical containers and test strips), the Group has engaged a qualified hazardous waste disposal company to dispose of it and opened a hazardous waste ledger for the purposes of record and statistics.

The Group disposes of non-hazardous waste by category. For industrial consumables or scraps (such as greige cotton), the Group negotiates with suppliers and recyclers for recycling or purchase through bidding in accordance with the Administrative Measures on Trading of Scraps from Processing Trade in the Domestic Sales Network in Guangdong Province (《廣東省加工貿易邊角廢料內銷網絡交易管理辦法》) jointly promulgated by the Guangdong Branch of the General Administration of Customs and Department of Commerce of Guangdong Province. Where waste is not completely disposed of by this way, the Group will temporarily store and dispose of it according to the non-hazardous waste disposal procedures. For other recyclable non-hazardous waste (such as metal scrap, waste cardboard, plastic waste, wrapping paper and waste cloth), the Group sorts and sends it to recyclers for recycling. The Group also requires waste disposal companies to collect and transport the remaining non-recyclable waste (including domestic waste) to designated local refuse transfer stations.

The environment and natural resources

The Group is committed to protecting the surrounding environment and utilizing natural resources as well as reducing environmental impacts brought by its daily operations through implementing various management procedures. Hing Shing and Hing Tak have formulated the Environmental Factors Identification Procedures to regularly evaluate the environmental impacts caused by offices and production facilities and review relevant management plans. The factories have also formulated the Environmental Contingency Plan to stipulate procedures for preventive and remedial measures, notifications, and personnel arrangements in order to lessen harms brought by sudden environmental incidents to the surrounding environment and the community.

Compliance with laws and regulations

Save as disclosed below, the Group has complied with environmental laws and regulations in relation to gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. During the year, the Group was involved in two incidents of violation against environmental laws and regulations. Hing Shing outsourced the operation of its boiler equipment to a professional subcontractor and it was found out that emissions from the coal furnace exceeded national standards and violated Article 18 of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution. In addition, there was an accidental leakage of industrial wastewater from the already full wastewater collection pond in Hing Shing, which was in violation of paragraph 2 of Article 20 of the Regulation of Guangdong Province on Environmental Protection (《廣東省環境保護條例》). Hing Shing immediately followed up and handled the cases for compliance with relevant regulations.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Going forward, the Group will continue to monitor its environmental performance, implement various measures, revise or improve the relevant policies step by step, and present the improvements in the next annual report.

OPERATIONAL RESPONSIBILITY

The Group believes that excellent product quality and well-established relationships with business partners and customers are the keys to success in the denim manufacturing industry. In order to maintain the quality of denim fabric, the Group has endeavoured to optimise its supply chain and quality management and has established a number of quality control and operational measures. At the same time, the Group attaches importance to a fair and honest business environment and prevention against corruption.

Supply chain management

The Group has adopted quality management measures beginning from the supply chain to provide high-grade denim fabric with stable quality. The Group mainly purchases cotton yarn, accessories and packaging materials from suppliers. For the purpose of selecting suppliers that meet its requirements, the Group has established the Procurement Control Procedures and Supplier Control Procedures to specify the processes of supplier evaluation and approval. During the year, the Group engaged, managed and monitored all of its suppliers according to these procedures.

Assessment of suppliers	Determination of suppliers	Regular evaluation
<ul style="list-style-type: none">• Pre-reviewed the qualified product certification information and previous supply record of suppliers• Production department examined the samples provided by suppliers• Conducted on-site inspection on suppliers to evaluate product quality, supply capacity, technology level and improvement capability	<ul style="list-style-type: none">• Procurement staff gave ratings as per the Supplier Assessment Checklist and opened files for qualified suppliers	<ul style="list-style-type: none">• Procurement staff evaluated the overall performance of suppliers based on the Supplier Performance Evaluation Checklist annually, including product and service quality, supply record and service attitude

During the year, the Group had approximately 56 suppliers in total which were located across mainland China and primarily supplied parts, trimmings, chemical dyes and accessories required for production as well as office and daily necessities.

In the future, the Group plans to improve its supplier management policies. When selecting and reviewing suppliers, as well as examining their production quality, it will also take into account environmental and social performance.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Product responsibility

The Group believes that customer loyalty is founded on the quality of its denim fabric products and services. Maintaining satisfaction of major customers like apparel brands and garment manufacturers is of the utmost importance. Both Hing Shing and Hing Tak have obtained ISO 9001 quality management system certification and established various quality control measures covering such production processes as manufacturing, inspection and testing to ensure that the products comply with the internal quality standards and customers' specifications.

Product quality

Hing Shing and Hing Tak have formulated operational rules and operational guidelines to regulate and direct each production process and inspection procedure. Quality control staff are required to conduct sample tests (such as elasticity, abrasion resistance, dimensional stability) on raw materials, semi-finished products and finished products according to the guidelines in order to ensure compliance with internal inspection standards and customer requirements. For subcontractors who perform dyeing, weaving and finishing processes, production staff shall regularly visit their production sites for quality certification inspections.

By establishing the Unqualified Items Control Procedures, Hing Shing and Hing Tak monitor unqualified items identified in purchase of materials, semi-finished products, finished products and return of goods. In order to prevent unqualified items from entering into the production process, the factory departments are required to identify and separately store qualified and unqualified raw materials, semi-finished products and finished products in accordance with the Identification and Retrospective Control Procedures and Warehouse Management Rules. Departments that find out any unqualified items shall analyse the situation and suggest rectification measures as per the Rectification Measures Control Procedures, and then record their effectiveness and report to the factory manager.

Customer engagement

The Group values communication with customers with the aim of identifying and satisfying customers' needs. According to the Customer Engagement Management Procedures of Hing Shing and Hing Tak, the departments shall assess product requirements (such as product quality and process techniques) to ensure the Group is able to meet customers' expectations and contractual requirements, and shall regularly communicate with customers to follow up on issues about product quality (like production requirements and usage effect). Meanwhile, the departments shall collect and record customers' opinions through different channels (such as phone calls, email and interviews), give timely response and implement solutions. When a customer finds out any quality problem when receiving a finished product or during use, the Group will take back the product, negotiate with the customer for a solution, and implement remedial and preventive measures.

In order to ensure the correct use of products by consumers, the Group has prepared and regulated product labels in accordance with the relevant national policy standards for product labelling (for example: GB/T 8685 Textile-Care Labelling Code (《紡織品維護標籤規範》) and the Export Knitwear Technique Guidelines (《出口針織品技術指南》) issued by the Ministry of Commerce).

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the year, there was no product recall due to safety and health reasons. The Group received a total of eight customer complaints about product quality, and there was one case of recall as the cloth did not meet the standards prescribed in the sales contract. The Group followed up on the issue pursuant to the Customer Engagement Management Procedures, Unqualified Items Control Procedures and Rectification Measures Control Procedures to improve production process and other handling methods to maintain customers' confidence and satisfaction.

In the future, the Group will optimise the policies and measures on product responsibility based on actual business condition and development needs.

The Group has complied with laws and regulations relating to product responsibility in the context of health and safety, advertising, labelling and privacy matters in respect of products and services provided, including but not limited to the Product Quality Law of the People's Republic of China, Contract Law of the People's Republic of China, Advertising Law of the People's Republic of China, Tort Liability Law of the People's Republic of China and Trademark Law of the People's Republic of China as well as national mandatory standards such as GB5296.4-2012 Instruction for Use of Products of Consumer Interest — Part 4: Textiles and Apparel (《消費者使用說明第四部分：紡織品和服裝》) and GB18401 National General Safety Technical Code for Textile Products (《國家紡織產品基本安全技術規範》). During the year, Hing Shing and Hing Tak were not aware of any cases of violation against laws or regulations relating to product responsibility (including health and safety, advertising, labelling and privacy matters relating to the products).

Anti-corruption

The Group has abided by national regulations to prohibit corruption such as bribery, extortion, fraud and money laundering during its day-to-day operations. Hing Shing and Hing Tak have established Anti-bribery/Anti-corruption Management Procedures and Anti-corruption and Anti-bribery Procedures respectively to provide employees with guidance about maintaining integrity when performing their duties. In particular, it is specified that employees shall not accept and request any benefits and engage in businesses or activities in conflict of interest. In case of any such violation which is proved to be true upon investigation, the Group will dismiss the employees involved and serious violations will be reported to the government authorities. In order to discover and deal with violations at an early stage, Hing Tak and Hing Shing have developed a whistle-blower reward policy. Employees can lodge complaints about corruption through the whistle-blowing hotline specified in the Anti-corruption and Anti-bribery Procedures.

The Group has complied with anti-corruption laws and regulations in the context of bribery, extortion, fraud and money laundering, including but not limited to the Criminal Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, and Bidding Law of the People's Republic of China. During the Year, Hing Shing and Hing Tak were not aware of any cases of report, litigation or violation against laws or regulations relating to anti-corruption.

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CARE FOR EMPLOYEES

The efforts and dedication of employees are the cornerstone of the Group's success. By establishing an employment system, the Group is dedicated to providing its employees with development opportunities and a healthy and safe working environment in order to boost employee performance and the competitiveness of the Group. At the same time, the Group respects the rights and interests of its employees and prohibits child labour and forced labour in daily operations.

Employment system

Hing Shing and Hing Tak have listed provisions such as recruitment, promotion, salary, working hours, dismissal, rest days and other welfare in the Staff Handbook of the Group, so that employees can understand the employment terms and human resources policies.

For the purposes of providing equal opportunities and preventing discrimination, Hing Shing and Hing Tak have formulated the Anti-Discrimination Policy, which specifies that employees or candidates shall not be discriminated due to their age, gender, appearance, disability, race, religion, language, geographical location or culture, and equal pay for equal work shall be applied. In order to achieve fair and equitable recruitment, the Group specifies corresponding qualifications for the positions and make public recruitments based on the principle of choosing the best by reviewing candidates' knowledge, ability, experience, job suitability and other criteria.

In terms of employee benefits, the Group offers employees with benefits in addition to statutory holidays and the five national statutory insurances, such as paid matrimonial leave and paid bereavement leave. The Group provides annual leave of 5 to 15 days according to the length of service of employees. Moreover, the Group puts emphasis on the health of pregnant employees and family-friendly initiatives and specifically allows flexible working hours for employees with needs.

Hing Shing and Hing Tak have established the Employee Complaints Policy, whereby employees may lodge complaints about work, employment, discrimination, sexual harassment and other matters to the immediate supervisor, department head, administrative and human resources department and general manager through the suggestion box. The Group will investigate the cases accepted and inform the complaining staff of the results.

The Group has formulated and adopted the board diversity policy; in the future, the Group will review the current employment policy to evaluate how to further improve employment guidelines and initiatives in relation to diversity and fair promotion.

The Group has complied with laws and regulations relating to employment in the context of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination, including but not limited to the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, and Social Insurance Law of the People's Republic of China. During the Year, Hing Shing and Hing Tak were not aware of any cases of violation against laws or regulations relating to employment and labour practices, or any cases of complaint related to discrimination and harassment.

Work safety and employee health

The Group has spared no effort in building a healthy and safe working environment for its employees. To this end, Hing Shing and Hing Tak have developed the Occupational Health Management Policy which sets forth the specific safety management works and measures pursuant to relevant national regulations. All departments must ensure that employees are engaged in production according to the operating procedures and use personal protective equipment properly.

As the production process involves the use of chemicals, the Group has developed the Chemical Warehouse Management Policy to conduct safety control over the acceptance, storage and use of chemicals as well as routine safety inspections of warehouses. In order to enhance the ability of employees in safely dealing with chemical spills, the relevant employees must conduct drills annually according to the Chemical Spill Drill Plan. In addition, the Group has provided guidelines for handling emergencies in the Emergency Response Plan to improve employees' ability in coping with fire, earthquake, typhoon, rainstorm, accident, electric shock, infectious diseases and other accidents.

During the year, the Group arranged operation safety trainings and occupational health trainings for employees to improve their awareness of occupational diseases and ensure they have sufficient safety knowledge and use protective equipment properly. On top of that, employees engaged in special equipment operations were required to undergo relevant trainings and assessments and only those with licenses might operate the equipment.

Total number of work-related injuries ² 59 persons	Work-related injury rate ³ (per employee) 14	Total number of work-related fatalities 0
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During the year, the Group was involved in 59 cases of work-related injury and occupational disease in total. The work-related injuries were mainly caused by accidental injury during operation of machine (including fingers being pinched by weaving machines), foot injuries during lifting, finger cuts and sprains. With regard to the cases, the Group has optimised the safety production policy, updated the safety procedures for equipment operation, enhanced staff trainings and improved personal protective equipment (such as safety shoes).

The Group has complied with laws and regulations relating to the provision of a safe working environment and the protection of employees from occupational hazards, including but not limited to the Production Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases and Regulation on Work-Related Injury Insurances of the People's Republic of China. During the Year, Hing Shing and Hing Tak were not aware of any cases of violation against laws or regulations relating to employee health and work safety.

² Number of work-related injury cases reported according to the definitions in the Labour Law of the People's Republic of China

³ Calculated based on the total number of work-related injuries / the total number of employees in the year.

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Development and training

In order to fully unleash the potential of its employees, the Group has provided a variety of trainings and development opportunities for its employees. According to the Personnel Educational Training Control Procedures of Hing Shing and Education Training Management Procedures of Hing Tak, the Human Resources Department is responsible for formulating and implementing the annual training plan based on the training needs of each department. The major training content is as follows:

Training category	Target audience	Training content
General training	New hires	<ul style="list-style-type: none">Familiarizes new employees with the Group's various management policies, fire and safety labour protection, occupational health and safety and environmental management system requirementsConducts assessments on new employees after the training to ensure they have a basic understanding of the daily operations
Professional training	Inspectors, technicians operating production equipment	<ul style="list-style-type: none">The department head will provide operation guidance and training before appointment and only those passing the examination can officially begin to work.
On-the-job training	Employees of all departments	<ul style="list-style-type: none">Covers skills, management knowledge, quality system and environmental management system requirements.
Total number of employees trained		123
Percentage of employees trained		28%
Total training hours		512 hours
Average training hours per employee		1.2 hours

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Labour standards

The Group respects the rights and interests of employees and prohibits the use of child labour and forced labour in its operations. Hing Shing and Hing Tak have formulated the Prohibition of Child Labour Policy and Save Child Labour Procedures, which clearly stipulate the recruitment criteria and prohibition of employing child labour under the age of 16. During the recruitment process, the Human Resources Department will verify the identity documents and actual age of the candidates. If the age of a new employee is found to be inconsistent with legal standards, the Group will immediately stop him/her from working, arrange for physical examination and then escort him/her back home after ensuring his/her health is not affected by the work. The Group prohibits the use of forced labour and specifies the working hours, overtime work, overtime pay and other arrangements in the Staff Handbook. Employees may tender resignation in writing within the notification period stipulated in the contract according to the resignation procedure in the Staff Handbook.

The Group has complied with laws and regulations relating to labour standards and the prevention of child and forced labour, including but not limited to the Labour Law of the People's Republic of China, and Labour Contract Law of the People's Republic of China. During the Year, Hing Shing and Hing Tak were not aware of any cases of violation against laws or regulations relating to child labour and forced labour.

COMMUNITY INVESTMENT

Corporate growth is inextricably intertwined with community growth. It is the policy of the Group to invest in the community where it operates and ensure that its activities take into consideration the communities' interests. The Group is committed to fulfilling corporate social responsibility, caring and giving back to the society. During the year, the Group focused on community investment in social welfare, elderly care and children education, with a total input of more than HK\$1,220,000.

Items of community donation	Amount (HK\$)
Social welfare	
The Community Chest of Hong Kong	
2018 Charity Walk, Zhongshan Branch of Red Cross Society of China ⁴	
National Charity League	1,050,500
Elderly care	
Kowloon City Baptist Church Neighbourhood Elderly Centre	
Other	144,675
Children education	
Education funds for China mountainous area children	25,800
Total	1,220,975

In the future, the Group will continue to understand the needs of the community and bring about more positive impacts to the community.

⁴ Calculated based on the rate of RMB1 to HK\$1.17.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental performance

Air emissions and GHG emissions	Types of emissions	Emissions in 2018
	Nitrogen oxides (kg)	2,798.4
	Sulphur oxides (kg)	174.2
	Respirable suspended particulates (kg)	61.2
	Scope 1: Direct GHG emissions (tonne of CO ₂ -e) ⁵	543.1
	Scope 2: Energy indirect GHG emissions (tonne of CO ₂ -e) ⁶	32,296.4
	Total GHG emissions (tonne of CO ₂ -e)	32,839.5
	GHG Intensity (by yard of products, i.e. tonne of CO ₂ -e/thousand yard)	2.0

Waste	Types of waste	Generation in 2018
	Total hazardous waste (tonne)	2.0
	Hazardous waste intensity (by yard of products, i.e. tonne/thousand yard)	0.0001
	Total non-hazardous waste (tonne)	236.4
	Non-hazardous waste intensity (by yard of products, i.e. tonne/thousand yard)	0.0143

Energy use	Types of use		Consumption in 2018
	Direct energy	Liquefied natural gas (MWh-e)	1,616.2
		Petrol (MWh-e)	91.7
		Diesel (MWh-e)	450.2
	Indirect energy	Purchased electricity (MWh)	12,865.0
		Purchased steam (MWh-e)	64,432.4
	Total energy consumption (MWh-e)		79,455.5
	Energy intensity (by yard of products, i.e. MWh-e/thousand yard)		4.8

Water use	Types of use		Consumption in 2018
	Total water consumption (m ³)		815,206
	Water intensity (by yard of products, i.e. m ³ /thousand yard)		49.4

Packaging materials	Types of use		Consumption in 2018
	Total packaging materials — paper (tonne)		2.2
	Packaging material intensity (by yard of products, i.e. tonne/thousand yard)		0.0001

⁵ Scope 1 is fugitive emission from production facilities, kitchen equipment, vehicle fuels and refrigerants of factories.

⁶ Scope 2 is emission from purchased electricity and steam.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOCIAL PERFORMANCE⁷

Workforce						
By age	Below 30	30-39	40-49	50 and above	Total workforce	Male to female employee ratio
Male	35	62	67	76	433	1.24:1
Female	21	66	70	36		
Total	56	128	137	112		
By rank	Senior management	Middle management	General staff			
Male	7	25	208			
Female	4	8	181			
Total	11	33	389			
By employment type	Full-time	Part-time				
Male	240	0				
Female	193	0				
Total	433	0				

Number and rate of new employees					
By age	Below 30	30-39	40-49	50 and above	Total
Male	21 (60%)	21 (34%)	28 (42%)	17 (22%)	87 (36%)
Female	5 (24%)	14 (21%)	21 (30%)	7 (19%)	47 (24%)
Total	26 (46%)	35 (27%)	49 (36%)	24 (21%)	134 (31%)

Number and rate of employee turnover					
By age	Below 30	30-39	40-49	50 and above	Total
Male	48 (137%)	31 (50%)	37 (55%)	15 (20%)	131 (55%)
Female	16 (76%)	15 (23%)	23 (33%)	1 (3%)	55 (28%)
Total	64 (114%)	46 (36%)	60 (44%)	16 (14%)	186 (43%)

⁷ Calculated based on the social performance data (including workforce) as at the end of the year (i.e. 31 December 2018).

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Number and rate of employees trained				
By rank	Senior management	Middle management	General staff	Total
Male	2 (29%)	13 (52%)	75 (36%)	90 (38%)
Female	0 (0%)	5 (63%)	28 (15%)	33 (17%)
Total	2 (18%)	18 (55%)	103 (26%)	123 (28%)

Average training hours				
By rank	Senior management	Middle management	General staff	Total
Male	6.3	6.8	0.8	1.6
Female	0.0	2.1	0.7	0.7
Total	4.0	5.7	0.7	1.2

Work-related fatalities or injuries					
	Work-related fatalities	Work-related injuries ⁸	Work-related injury rate ⁹ (per employee)	Number of lost days due to work-related injury ¹⁰	Number of days of absence ¹¹
Male	0	47	20%	703	760
Female	0	12	6%	549	553
Total	0	59	14%	1,252	1,313

⁸ Based on the number of work-related injury cases reported according to the definitions in the Labour Law of the People's Republic of China.

⁹ Calculated based on the total number of work-related injuries / the total number of employees in the current year.

¹⁰ Number of lost days is calculated from the date of occurrence of the accident.

¹¹ Including sick leave for work-related injury and occupational disease as well as general sick leave, but excluding approved holidays such as festive holidays, training days, maternity leave, paternity leave and bereavement leave.

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

REPORT CONTENT INDEX

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A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6, 16
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8, 16
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A1.5	Description of measures to mitigate emissions and results achieved.	6–8
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A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	16
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A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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B6 Product Responsibility		
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B7 Anti-corruption		
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