

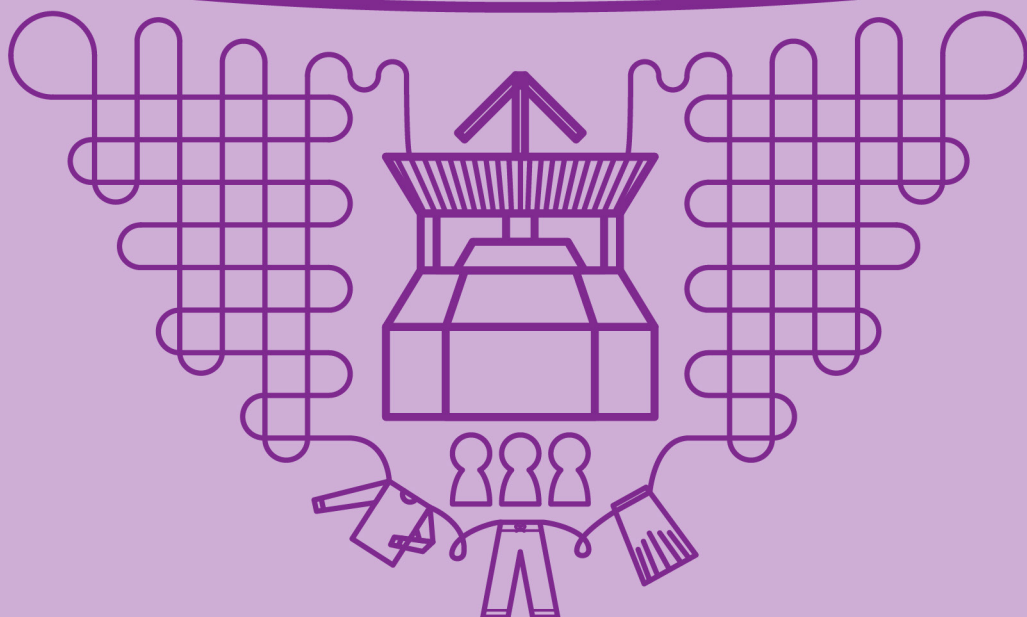


ENVIRONMENTAL  
SOCIAL AND  
GOVERNANCE  
REPORT

2019



**GET IT RIGHT**



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## ABOUT THIS REPORT

Fountain Set (Holdings) Limited and its subsidiaries (“the Group”) is one of the world’s largest circular knitted fabric manufacturers with principle activities including fabric knitting, dyeing, printing, finishing, as well as garment manufacturing.

This is the fourth Environmental, Social, and Governance report (the “ESG Report”) by the Group, highlighting the ESG performance of its operations with relatively significant environmental and social impacts. This report is prepared in accordance with the ‘comply or explain’ provisions set out in the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance by The Stock Exchange of Hong Kong Limited (“HKEx”) and relevant guidance set out by the HKEx.

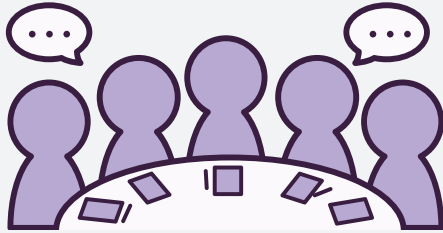
The Group’s four Production Sites, located in the People’s Republic of China (the “PRC”), within the reporting scope (hereinafter collectively referred as “the Production Sites”), include:

- ▶ Jiangyin Fuhui Textiles Limited (“Jiangyin Fuhui”);
- ▶ Yancheng Fuhui Textiles Limited (“Yancheng Fuhui”);

- ▶ Dongguan Shatin Lake Side Textiles Printing & Dyeing Co. Ltd. (“Shatin Lake Side”); and
- ▶ Dongguan Futian Oasis Heating Co. Ltd. (“Futian Oasis”).

This Report covers the Group’s overall performances in two subject areas, namely Environmental and Social of the business operations in the Production Sites, from 1 January 2019 to 31 December 2019 (the “Reporting Period”), unless otherwise stated. For information about the Group’s corporate governance, please refer to page 37 to 52 of the Annual Report.

The Group’s subsidiary Futian Oasis has been engaging in the sustainable heat generation business since 2016, following the signing of an agreement with the People’s Government of Dongguan Shatian Town for a centralized heat supply project (the “Project”). Under the Project, Futian Oasis supplies heat to the Shatian Town Industrial Park (“the Park”) for electroplating, printing and dyeing industry. As a centralized heat supplier, Futian Oasis’s operation has made remarkable contribution to the Group’s ESG performance, as well as to the environment, in terms of air emission reduction. The respective performances of Futian Oasis have been covered in the Group’s ESG reports since 2017.

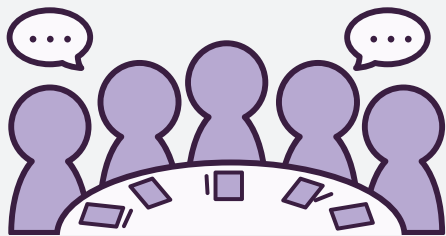


## STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group engages with stakeholders from a wide range of backgrounds on an on-going basis to better understand their expectations and views on ESG's issues, which helps the Group meet its potential growth and get prepared for future challenges. The table below sets out key stakeholder groups with significant influence on the Group and the respective regular engagement methods.

Key stakeholder groups	Engagement methods
Government departments and regulatory authorities	<ul style="list-style-type: none"> <li>▶ Audits and inspections</li> <li>▶ Annual and interim reports</li> <li>▶ Implementation of relevant industrial policies</li> </ul>
Suppliers and business partners	<ul style="list-style-type: none"> <li>▶ Tendering process</li> <li>▶ Performance review meetings</li> <li>▶ Inspections and assessments</li> <li>▶ E-mails and circulars</li> </ul>

Key stakeholder groups	Engagement methods
Employees	<ul style="list-style-type: none"> <li>▶ Regular meetings</li> <li>▶ E-mails and manuals</li> <li>▶ Drills, exercises and training workshops</li> <li>▶ Employee engagement activities</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>▶ Annual general meetings</li> <li>▶ Annual and interim reports</li> <li>▶ Roadshows</li> <li>▶ Investor briefings</li> <li>▶ Occasional communications</li> </ul>
Peers and industry associations	<ul style="list-style-type: none"> <li>▶ Exhibitions</li> <li>▶ Association meetings</li> <li>▶ Participation in committees</li> <li>▶ Participation in awards and recognition schemes</li> </ul>
Customers and potential clients	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ E-mails</li> <li>▶ Customer satisfaction surveys</li> </ul>
Media	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ E-mails</li> </ul>
Non-governmental organizations	<ul style="list-style-type: none"> <li>▶ Public welfare activities</li> <li>▶ Factory visits</li> </ul>
Local community	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ Social media</li> </ul>



## STAKEHOLDER ENGAGEMENT AND MATERIALITY

In preparing this ESG report, the Group specifically engaged with different stakeholders, as part of the materiality assessment process to identify and prioritize ESG material issues that are crucial for the Group's sustainable development.

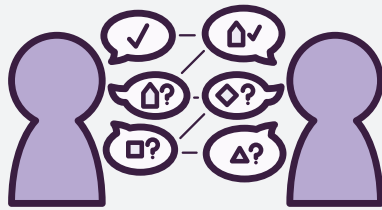
Results of the materiality assessment and the consolidated list of ESG material aspects are presented in the following matrix and table respectively.

**Materiality of Different Topics from Stakeholder Engagement**

6



A.	Environmental Issues	B.	Social Issues
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Emissions	B3	Development and Training
A4	Effluent and Waste	B4	Labor Standards
A5	Other Raw Materials Consumption	B5	Supply Chain Management
A6	Environmental Protection Policies	B6	Intellectual Property Rights
<p>Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:</p> <ul style="list-style-type: none"> <li>▶ Employment</li> <li>▶ Labor Standards</li> <li>▶ Development and Training</li> <li>▶ Other Raw Materials Consumption</li> <li>▶ Occupational Health and Safety</li> </ul>		B7	Customer Data Protection
		B8	Customer Service
		B9	Product Quality
		B10	Anti-corruption
		B11	Community Investment



## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at [pr@fshl.com](mailto:pr@fshl.com).



## THE GROUP'S SUSTAINABILITY MISSION AND VISION

### Mission

The Group is committed to offering quality products and services of genuine value to our customers; to providing our employees with a challenging career and an opportunity for personal development; and to presenting our investors and stakeholders with equitable financial growth.

Based on our founding principles - diligence, frugality, sincerity, and integrity - we continue to improve efficiency, as well as to develop new markets and products for long-term growth.

### Vision on Environment, Social and Governance

The Group recognizes that no individual or corporate organization has the right to over-exploit our limited natural resources and pose irreparable damage to the environment in an irresponsible manner. In terms of social responsibility, we understand that every business operation has an inseparable connection with stakeholders. The Group embraces environmental protection and stakeholders' engagement as the fundamental responsibilities of corporate organizations and is committed to upholding corporate's wellbeing.





## Memberships

The Group actively forges close ties with industry bodies and takes part in professional associations of the knitted fabric manufacturing industry. The Production Sites are members of the following associations:

### Shatin Lake Side

- ▶ Guangdong Textiles Association; and
- ▶ China Dyeing and Printing Association.

### Jiangyin Fuhui

- ▶ Jiangyin City Printing and Dyeing Industry Green Alliance
- ▶ The Society of Environmental Sciences in Jiangyin City
- ▶ The Precursor Chemical Industry Association in Wuxi City

### Yancheng Fuhui

- ▶ China Knitting Industry Association

# Awards and Recognition

The Group's devotion to the industry and environmental protection has been widely recognized. Some of the awards and certifications rewarded to the Production Sites in the Reporting Period are shown below<sup>1</sup>:

## Quality Assurance

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Award/Certification

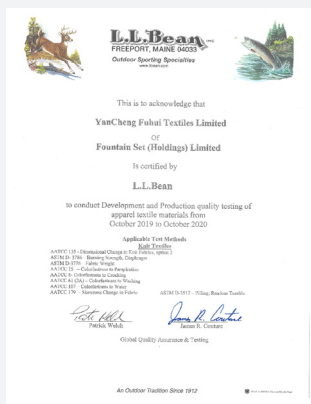
**Oeko-Tex Standard**

Issued by

**TESTEX AG,  
Swiss Textile Testing Institute**

Issued to

**Jiangyin Fuhui**



Award/Certification

**Test Certificate**

Issued by

**L. L. Bean Inc.**

Issued to

**Yancheng Fuhui**





Award/Certification

## Oeko-Tex Standard 100

Issued by

**TESTEX AG,  
Swiss Textile Testing Institute**

Issued to

**Yancheng Fuhui**



Award/Certification

## Comparison Test Certificate<sup>2</sup>

Issued by

**CNTAC Testing Center<sup>2</sup>**

Issued to

**Yancheng Fuhui**



Award/Certification

## Oeko-Tex Standard 100

Issued by

**TESTEX AG,  
Swiss Textile Testing Institute**

Issued to

**Shatin Lake Side**



Award/Certification

## Oeko-Tex STeP

Issued by

**TESTEX AG,  
Swiss Textile Testing Institute**

Issued to

**Shatin Lake Side**

## Environmental Protection

Award/Certification



### 2018 Outstanding Unit of Ecological Environmental Protection of Jiangyin High-tech Industrial Development Zone<sup>2</sup>

Issued by

**Ecological Environmental Protection Committee of Jiangyin High-tech Industrial Development Zone<sup>2</sup>**

Issued to

**Jiangyin Fuhui**

Award/Certification



### Energy Management System Certificate

Issued by

**Beijing Zhongjing Quality Certification Co., Ltd**

Issued to

**Jiangyin Fuhui**

Award/Certification



### Environmental Management System Certificate

Issued by

**Beijing NGV Certification Center Co., Ltd.**

Issued to

**Yancheng Fuhui**

Award/Certification



### Environment Management System Certification

Issued by

**China Great Wall (Tianjin) Quality Assurance Centre**

Issued to

**Shatin Lake Side**



Award/Certification

**LCMP GOLD**

Issued by

**WWF – Hong Kong**

Issued to

**Shatin Lake Side**

## Corporate Governance and Social Responsibility



Award/Certification

**2018 Key and Major Enterprise of Jiangyin<sup>2</sup>**

Issued by

**Jiangyin Municipal Party Committee of Communist Party of the PRC, Jiangyin Municipal People's Government<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

**2018 Outstanding Enterprise of Import and Export Trade<sup>2</sup>**

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>, Administration Committee of Jiangyin High-tech Industrial Development Zone<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### 2018 Outstanding Enterprise of Foreign Investment<sup>2</sup>

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>,  
Administration Committee of Jiangyin High-tech Industrial Development Zone<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### 2018 Charitable Enterprise<sup>2</sup>

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>,  
Administration Committee of Jiangyin High-tech Industrial Development Zone<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### Five-star Enterprise in Caring for the Next Generation of Jiangyin City<sup>2</sup>

Issued by

**Jiangyin City Working Committee in Caring for the Next Generation<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### 2018 Outstanding Unit of Blood Donation without Compensation<sup>2</sup>

Issued by

**Jiangyin City Blood Donation Administration Committee<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### 2018-2019 Advanced Grass-roots Party Organization of High-tech Industrial Development Zone<sup>2</sup>

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### Outstanding Contribution Award of the First National Games of Jiangyin High-tech Zone<sup>2</sup>

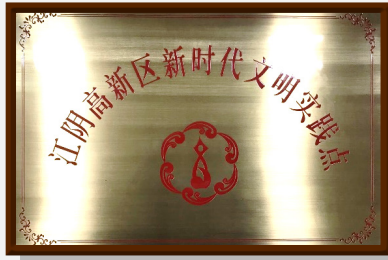
Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>,  
Administration Committee of Jiangyin High-tech Industrial Development Zone<sup>2</sup>**

Issued to

**Jiangyin Fuhui**





Award/Certification

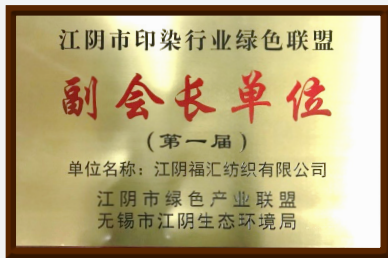
### Practice Points of Civilization in New Times of Jiangyin

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### Vice Chairman Unit of Jiangyin Printing and Dyeing Industry Green Alliance<sup>2</sup>

Issued by

**Jiangyin City Green Industry Alliance<sup>2</sup>, Wuxi City Jiangyin Ecological and Environment Bureau<sup>2</sup>**

Issued to

**Jiangyin Fuhui**



Award/Certification

### 2018 Corporate High Quality Development Contribution Award<sup>2</sup>

Issued by

**CPC Yacheng Economic-Technological, Development Zone Working Committee<sup>2</sup>, Yancheng Economic-Technological Development Zone Management Committee<sup>2</sup>**

Issued to

**Yancheng Fuhui**





Award/Certification

### 2018 Outstanding Three-star Enterprise<sup>2</sup>

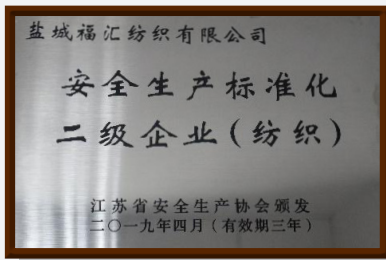
Issued by

**Yancheng Municipal People's Government<sup>2</sup>**

Issued to

**Yancheng Fuhui**

## Occupational Health and Safety



Award/Certification

### Second Level Enterprise of Standardized Safety Production (Textile)<sup>2</sup>

Issued by

**Association of Work Safety Jiangsu Province<sup>2</sup>**

Issued to

**Yancheng Fuhui**



Award/Certification

### Second Level Enterprise of Standardized Safety Production (Textile) Certificate<sup>2</sup>

Issued by

**Association of Work Safety Jiangsu Province<sup>2</sup>**

Issued to

**Yancheng Fuhui**

## Quality Product

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Award/Certification

### China Functional Knitting Products (Multifunctional) Cultivation Recommendation: “Corn” Fabric<sup>2</sup>

Issued by

**China Knitting Industrial Association<sup>2</sup>**

Issued to

**Yancheng Fuhui**

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Award/Certification

### China Functional Knitting Products (Multifunctional) Cultivation Recommendation: Fresh and Cool Clothing<sup>2</sup>

Issued by

**China Knitting Industrial Association<sup>2</sup>**

Issued to

**Yancheng Fuhui**

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Award/Certification

### China Functional Knitting Products Marketing Application Recommendation: Fresh and Insulated Clothing<sup>2</sup>

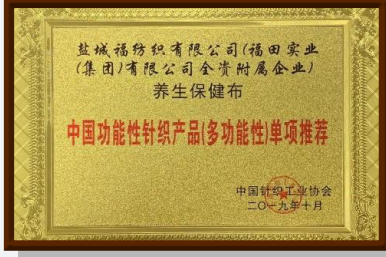
Issued by

**China Knitting Industrial Association<sup>2</sup>**

Issued to

**Yancheng Fuhui**

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Award/Certification

**China Functional Knitting Products (Multifunctional) Single Recommendation: Health Care Clothing<sup>2</sup>**

Issued by

**China Knitting Industrial Association<sup>2</sup>**

Issued to

**Yancheng Fuhui**

The Group constantly strives to improve its environmental, social and managerial performances so as to maintain its leading and outstanding position in the industry.

- 1 The awards and certifications shown were issued in 2019.
- 2 The English names are only translation of their official Chinese names. In case of inconsistencies, the Chinese names shall prevail.



# ENVIRON- MENTAL



# 1 Performance Highlights

## IN THIS CHAPTER

- 1.1 Emission Reduction
- 1.2 Energy Conservation
- 1.3 Water Conservation
- 1.4 Waste Recycling
- 1.5 Chemical Recovery



### 1.1 Emission Reduction

- ▶ Phasing out coal-fired boilers in Futian Oasis
- ▶ Switching from combusting coal to gas in Yancheng Fuhui
- ▶ Extended coverage area of dust control sprinkler system in coal storage yards
- ▶ Adopting purifying equipment, dust removal and desulfurization process



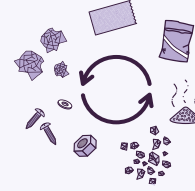
### 1.2 Energy Conservation

- ▶ Saving over 72,000 tonnes of steam
- ▶ Saving over 925,000 kWh of electricity



### 1.3 Water Conservation

- ▶ Saving more than 371,000 m<sup>3</sup> of water through streamlined procedures and new installations
- ▶ Reusing over 2,324,000 m<sup>3</sup> of water, which is equivalent to around 930 Olympic-sized swimming pools of water



### 1.4 Waste Recycling

- ▶ 100% recycling rates for scrap fabric, plastic, scrap metal, boiler slag, coal ash, gypsum and food waste



### 1.5 Chemical Recovery

- ▶ Alkali recovery from high-concentration waste alkali liquor

# 2 Emissions

## IN THIS CHAPTER

- 2.1 Greenhouse Gas Emissions
- 2.2 Air Emissions
- 2.3 Emission Reduction Results
- 2.4 Centralized Heat Supply  
Project of Futian Oasis



All Production Sites are in the PRC and their emissions and concentrations are in strict compliance with relevant national and local regulations and standards, including but not limited to::

- ▶ Vienna Convention for the Protection of the Ozone Layer;
- ▶ Environmental Protection Law of the PRC;
- ▶ Environmental Impact Assessment Law of the PRC;
- ▶ Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- ▶ Law of the PRC on Prevention and Control of Pollution From Environmental Noise;
- ▶ Regulation of Guangdong Province on Environmental Protection;
- ▶ Integrated Emission Standard of Air Pollutants (GB16297-2016);
- ▶ Emission Standard of Air Pollutants for Boiler of the PRC (GB13271-2014); and
- ▶ Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011).

## 2.1 Greenhouse Gas Emissions

During the Reporting Period, there were 835,374 tonnes of carbon dioxide equivalent greenhouse gases ("tCO<sub>2</sub>eq.") emitted from the Production Sites' operation, mainly carbon dioxide, methane and nitrous oxide. The annual emission intensity for the Group was 1.31 tCO<sub>2</sub>eq./m<sup>2</sup> with reference to the total floor area of the Production Sites' business operations.

The reported GHG emissions were attributed to the following activities:

- ▶ Direct GHG emissions (scope 1) from consumption of coal, natural gas, petrol and diesel, and release of refrigerants;
- ▶ Energy indirect GHG emissions (scope 2) from purchased electricity; and
- ▶ Other indirect GHG emissions (scope 3) from business air travel, municipal freshwater and sewage processing, and paper waste disposal.

**The annual emission intensity for the Group was 1.31 tCO<sub>2</sub>eq./m<sup>2</sup> with reference to the total floor area of the Production Sites' business operations.**

## Table of GHG emissions

Scope	Emission Sources	Total GHG emissions (in tCO <sub>2</sub> eq.)	Total GHG Emissions (%)	
<b>1</b> Direct Emission <sup>1</sup>	Combustion of fuel for stationary sources	Coal <sup>2</sup>	750,582	90.4%
		Diesel oil <sup>2</sup>	769	
		Natural gas	71	
	Combustion of fuel for mobile sources	Petrol	291	
		Diesel	604	
<b>2</b> Energy Indirect Emission <sup>2</sup>	Purchased electricity <sup>3</sup>	35,152	9.2%	
	Purchased steam	41,925		
<b>3</b> Other Indirect Emission <sup>3</sup>	Paper waste disposal	91	0.4%	
	Electricity used for sewage treatment by government	2,921		
	Business air travel by employees <sup>4</sup>	40		
<b>Total</b>	<b>835,374</b>	<b>100%</b>		

1 Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

2 Emission factor for combustion of coal and diesel oil for stationary source was made reference to GHG Emissions from Stationary Combustion, provided by the Greenhouse Gas Protocol.

3 Combined margin emission factor of 0.6485 tCO<sub>2</sub>/MWh and 0.5422 tCO<sub>2</sub>/MWh were used for purchased electricity in Jiangsu Province and Guangdong Province of the PRC respectively.

4 CO<sub>2</sub> emissions from the Group's business air travels were reported with accordance to the International Civil Aviation Organization (ICAO) Carbon Emission Calculator.

## 2.2 Air Emissions

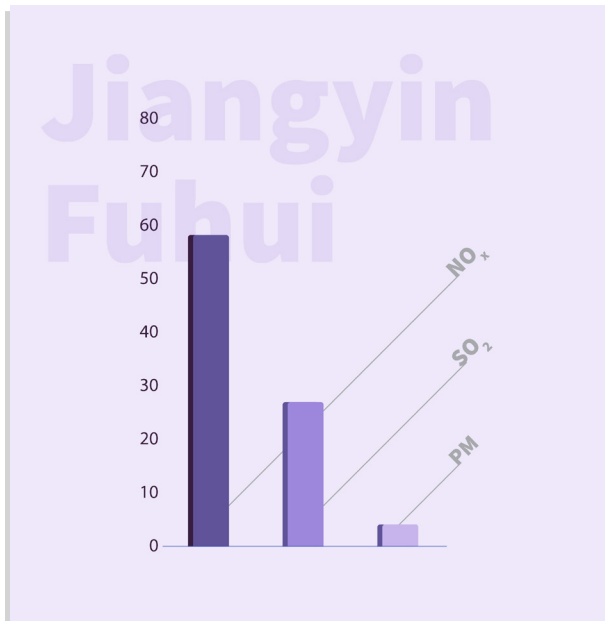
Nitrogen oxides (“NO<sub>x</sub>”), sulphur dioxide (“SO<sub>2</sub>”) and particulate matters (“PM”) were mainly emitted from the production activities of Jiangyin Fuhui and Futian Oasis. The air pollutants emitted from the Production Site’s owned vehicles only accounted for an insignificant amount to the Production Site’s overall emissions. Therefore, this report focuses on the direct emissions of NO<sub>x</sub>, SO<sub>2</sub> and PM from the production activities of Jiangyin Fuhui and Futian Oasis.

Total emissions and emission concentrations of NO<sub>x</sub>, SO<sub>2</sub>, and PM are presented below.

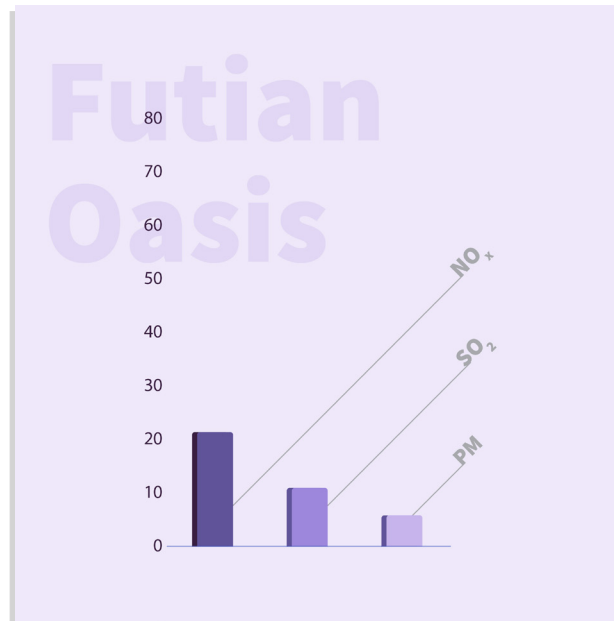
Direct Emissions of NO<sub>x</sub>, SO<sub>2</sub>, and PM



Group Total (In tonnes)



Grand total (In tonnes)



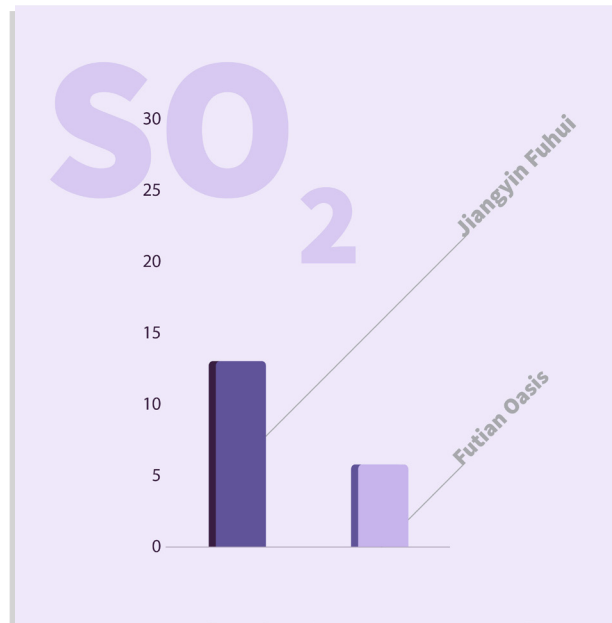
Grand total (In tonnes)

### Average Concentrations of NO<sub>x</sub>



Average concentration (In mg/m<sup>3</sup>)

### Average Concentrations of SO<sub>2</sub>



Average concentration (In mg/m<sup>3</sup>)

### Average Concentrations of PM



Average concentration (In mg/m<sup>3</sup>)

## 2.3 Emission Reduction Results

The Group is committed to effectively protecting the environment and reducing emissions from commercial activities and production. During the Reporting Period, the Production Sites have formulated internal environmental protection management procedures and set relevant pollutants emission limits in accordance with relevant laws and regulations and emission permissible regulations. Moreover, advanced boiler equipment has been in

use to reduce emissions and emissions from the production process are closely monitored to ensure regulatory compliance. During the Reporting Period, the desulfurization efficiency achieved by the boilers in Futian Oasis and Jiangyin Fuhui were 98% and 92% respectively and dust removal efficiency was up to 99% or above. To further reduce emissions, the Production Sites have adopted a number of emission reduction measures:

Production Sites	Emissions reduction measures
Yancheng Fuhui	Switching to greener fuel (i.e., natural gas) while phasing out the use of coal
Yancheng Fuhui	Installation of tail gas treating unit on setting machines for compliant emissions and reduction of volatile organic compounds (VOCs) by 90%
Yancheng Fuhui	Application of electrostatic spray deposition (ESD) technique to reduce emissions during production
Jiangyin Fuhui	Combusting high-quality coal to reduce coal consumption and GHG emissions and to achieve ultra-low emissions
Jiangyin Fuhui	Implementation of electric field and water film dust removal process to improve dust removal efficiency  Sulphur dioxide emissions can be further reduced by combining the multi-layer desulfurization process
Futian Oasis	Use of advanced circulating fluidized bed boilers, and adoption of effective desulphurization, denitrification and dust removal technologies for ultra-low emissions and efficient combustions
Futian Oasis	Installation of sufficient dust suppression sprinklers to extend the coverage area of coal storage yard, hence reducing fugitive emissions from coal

## 2.4

### Centralized Heat Supply Project of Futian Oasis

Since 2016, the Group has engaged in a new business—the centralized heat supply project of Futian Oasis (“the Project”). Launched in Shatian Town Industrial Park, one of the seven largest environmental industrial parks in Dongguan of the PRC, the two-phase Project integrates and assembles the industry’s enterprises within the Park and those outside Shatian Town which are required to be relocated.

The Project is one of the ancillary projects of the Park’s development and also a key project under the Implementation Plan for Centralized Heat Supply in Guangdong Industrial Park and Industrial Cluster Areas. Under the Project, heat is supplied to enterprises in the Park (including Futian Oasis itself and Shatin Lake Side) with 4 sets of 100 t/hr clean circulating fluidized bed boilers (3 sets for operation and 1 set as backup). Flue gas is cleaned by denitrification using selective non-catalytic reduction and selective catalytic reduction, limestone-gypsum desulfurization, dust collectors and wet electrostatic precipitator for dust removal to ensure cleaner emission (with  $\text{NO}_x < 50\text{mg}/\text{m}^3$ ,  $\text{SO}_2 < 35\text{ mg}/\text{m}^3$ ,  $\text{PM} < 10\text{ mg}/\text{m}^3$ ) in accordance with the emission standards as specified in the emission standard of air pollutants for thermal power plants (GB 13223-2011). This pioneering business model contributes to a cleaner air emission by reducing overall emissions of  $\text{NO}_x$ ,  $\text{SO}_2$  and PM through replacement of the existing coal-fired heaters within the district.



# 4 sets of 100 t/hr

clean circulating fluidized bed boilers

The first phase of the Project has passed the completion inspection for acceptance of the environmental protection facilities. Continuous emission monitoring systems (“CEMS”) are in place for real-time monitoring of flow and dust, the concentration of air pollutants (i.e., PM, SO<sub>2</sub> and NO<sub>x</sub>) and other parameters (i.e., oxygen, moisture, flow rate, stack gas temperature and stack gas velocity). During the Reporting Period, Futian Oasis produced more than 1,380,000 tonnes of steam and supplied over 700,000 tonnes of steam to Shatin Lake Side.

Meanwhile, the second phase of the Project has been commenced. The construction plan was modified in order to fulfill the requirements in provisions of the coal-to-gas switching policies and action plans promulgated by Dongguan City aiming to combat air

pollution. The second phase involves the dismantling and replacement of 2 sets of 65 t/hr coal-fired boilers with 2 sets of 150 t/hr natural gas boilers. By the time the second phase of the Project is completed, the emissions of air pollutants can be greatly reduced.

Air pollutants	Current emissions (mg/Nm <sup>3</sup> )	Emissions upon completion of the second phase(mg/Nm <sup>3</sup> )	Annual estimated reduction (in tonnes)
SO <sub>2</sub>	35	0	58.8
NO <sub>x</sub>	50	30	33.6
PM	20	5	25.2





# 3 Energy

## IN THIS CHAPTER

- 3.1 Energy Consumption
- 3.2 Energy Saving Results

## 3.1 Energy Consumption

The Group emphasizes the rational use of energy resources. During the Reporting Period, Jiangyin Fuhui is accredited with ISO 50001 Energy Management System certification. The Group also supports the use of clean energy such as natural gas, clean coal and other renewable energy.

During the Reporting Period, the Production Sites complied with the following laws and regulations:

- ▶ Energy Conservation Law of the PRC;
- ▶ Measures for the Administration of Energy Conservation of Major Energy-Consuming Entities;
- ▶ Regulation of Jiangsu province on administration of water resources;
- ▶ Regulations of Jiangsu Province on Conserving Energy; and
- ▶ Regulations on Water Conservation and Utilization in Wuxi City.

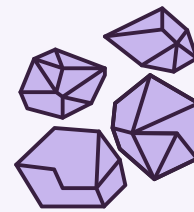
The Production Sites consumed coal, diesel, electricity, steam and natural gas for their boilers' operation and other production processes; and consumed petrol and diesel as fuel for the Group-owned vehicles. During the Reporting Period, the Production Sites' business operations resulted in a total energy consumption of 4,660,355 MWh and an overall energy intensity of 7.33 MWh/m<sup>2</sup>.

### Consumed Resources

Direct energy consumption

Indirect energy consumption

Energy intensity

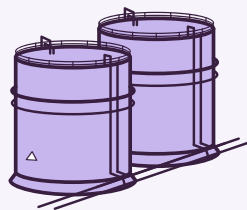


### Coal

371,810 tonnes

3,026,806 MWh

4.76 MWh/m<sup>2</sup>



### Diesel (for stationary combustion)

291,707 L

2,917 MWh

0.0046 MWh/m<sup>2</sup>

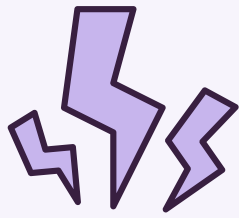


### Natural gas

34,680 m<sup>3</sup>

343 MWh

0.00054 MWh/m<sup>2</sup>



### Electricity

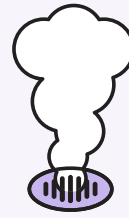
165,745 MWh

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165,745 MWh

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0.26 MWh/m<sup>2</sup>



### Steam

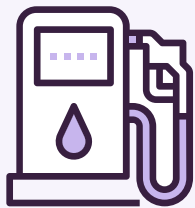
2,155,851 tonnes

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1,461,304 MWh

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2.30 MWh/m<sup>2</sup>



### Petrol

107,825 L

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956 MWh

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0.0015 MWh/m<sup>2</sup>



### Diesel (for mobile combustion)

228,641 L

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2,286 MWh

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0.0036 MWh/m<sup>2</sup>

## 3.2 Energy Saving Results

The Production Sites have embraced the concept of product life cycle right from the early stage of product design and development. To reduce resource consumption and improve production efficiency, the Production Sites have developed energy management systems for effective target-based energy management according to the Energy Conservation Law of the PRC. The Group conducts regular energy efficiency evaluations, adopts advanced technologies and techniques, and enforces the maintenance of equipment and pipes in order to improve energy performance.

**These upgrades and modification works in Shatin Lake Side resulted in a saving of more than 395,000 kWh of electricity and 6,900 tonnes of steam.**

During the Reporting Period, the Production Sites have taken the following measures to optimize energy efficiency:

## Production Sites

### Shatin Lake Side

### Yancheng Fuhui

### Futian Oasis

### Jiangyin Fuhui

## Energy saving measures

- ▶ Installing a more efficient textile drying machine;
- ▶ Switching to an energy- efficient washing machine;
- ▶ Enhancing heat insulation performance of the thermal pipe systems to reduce heat dissipation

These upgrades and modification works resulted in a saving of more than 395,000 kWh of electricity and 6,900 tonnes of steam.

- ▶ Recovering residual heat from treated wastewater to heat up water for dyeing process
- ▶ Switching to energy-saving motors
- ▶ Replacing fluorescent lamps with a total of 2,627 LED energy-saving lamps at office
- ▶ Collecting and reusing condense water from dye tanks

These technologies and modification works resulted in a saving of more than 21,000 kWh of electricity and 60,000 tonnes of steam.

- ▶ Replacing drain valves on an annual basis to prevent steam leaks
- ▶ Regulating the use of air-conditioners and office equipment

These modification works resulted in a saving of 4,000 kWh of electricity.

- ▶ Replacing fluorescent lamps gradually with LED energy-saving lamps at office
- ▶ Reducing the use of shrinking machines because of streamlined production processes and advanced equipment

These modification works resulted in a saving of more than 309,000 kWh of electricity and 5,045 tonnes of steam.

# 4 Water

## IN THIS CHAPTER

- 4.1 Water Consumption and Discharge
- 4.2 Water Saving and Discharge Quality Control Results



## 4.1 Water Consumption and Discharge

Surface water used by the Production Sites for production processes is taken from Yangtze River along Jiangyin City, Tongyu River along Yancheng City and Dongyin Canal in Dongguan City respectively. The intakes of the surface water are all legally permitted by local governments and the water is purified and softened before using for production processes. During the Reporting Period, the Group did not encounter any issues in sourcing of water for its daily operations. Wastewater is treated by self-built treatment facilities before discharge. The Production Sites consumed 15,063,876 m<sup>3</sup> of water, with a water intensity of 23.69 m<sup>3</sup>/m<sup>2</sup> during the Reporting Period.

The Group supervises its water consumption and discharges in strict compliance with the following laws and regulations:

1. Environmental Protection Law of the PRC;
2. Environmental Impact Assessment Law of the PRC;
3. Water Law of the PRC;
4. Water Pollution Prevention and Control Law of the PRC;
5. GB4287-2012 Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry; and
6. DB44/26-2001 Discharge Limits of Water Pollutants (Guangdong Provincial Standard).

To ensure the effluent quality in compliance with the requirements of the provincial environmental departments, a real-time online sewage monitoring system is in place to closely monitor various parameters of treated sewage. Wastewater generated during production processes undergoes stringent physical and chemical treatments (e.g., sequential anaerobic-aerobic sewage treatment) prior to discharge. Wastewater is pre-treated by on-site wastewater treatment facility, meeting the standard of tertiary treated wastewater (typically at Chemical Oxygen Demand (COD) < 200mg/L), and then conveyed to a third-party sewage treatment plant for re-treatment, meeting a more stringent standard (COD < 120 mg/L) before directly discharging to the nature or sewer.

m<sup>3</sup>/m<sup>2</sup>. During the Reporting Period, the discharged wastewater fulfilled the following requirements of permitted discharge limits for various effluent parameters, including COD, Biochemical Oxygen Demand (BOD), total ammonia, total nitrogen and total phosphorus

A total of 13,459,892 m<sup>3</sup> of wastewater was discharged during the Reporting Period, with an intensity of 21.17

	Jiangyin Fuhui	Yancheng Fuhui	Shatin Lake Side	Futian Oasis
<b>Chemical Oxygen Demand ("COD")</b> (mg/L)	200	200	80	80
<b>Biological Oxygen Demand ("BOD 5 days")</b> (mg/L)	50	50	20	20
<b>Total Ammonia</b> (mg/L)	20	20	10	10
<b>Total Nitrogen</b> (mg/L)	30	30	15	15
<b>Total Phosphorus</b> (mg/L)	1.5	1.5	0.5	0.5

Wastewater from Futian Oasis was treated by Shatin Lake Side before discharging to third party sewage treatment plant.

## 4.2

# Water Saving and Discharge Quality Control Results

Although the Production Sites do not encounter difficulties in obtaining freshwater, the Group spares no efforts in conserving water and improving water efficiency. The Group is committed to saving water at source, maximizing the use of recycled water, and improving employees' water-saving awareness through internal guidelines and educations. Posters are put up in office areas and washrooms to advocate rational use of water. Wastewater recycling system is set up to recycle wastewater.

During the Reporting Period, the Group recycled more than 2,324,000 m<sup>3</sup> of water for both production and non-production uses. The following table lists out the water-saving measures adopted by different Production Sites during the Reporting Period.

<b>Shatin Lake Side</b>	<ul style="list-style-type: none"><li>▶ Replacing the existing textile drying machine with a new water-saving model</li><li>▶ Upgrading the existing washing machine to optimize washing efficiency</li><li>▶ Streamlining fabric processing by omitting the fabric drying process to reduce water consumption, without compromising the product quality</li><li>▶ Recycling condensed water with wastewater recycling system, with up to 1,810,000 m<sup>3</sup> of water recycled at a recycling rate of 34.12%</li></ul>
<b>Yancheng Fuhui</b>	<ul style="list-style-type: none"><li>▶ Separate collection of cooling water for reuse purpose</li></ul>
<b>Futian Oasis</b>	<ul style="list-style-type: none"><li>▶ Collecting condensate water for reuse purpose</li></ul>
<b>Jiangyin Fuhui</b>	<ul style="list-style-type: none"><li>▶ Optimizing bleaching process to reduce water consumption</li><li>▶ Recovering alkali from high-concentration waste alkali liquor generated by mercerization process</li><li>▶ Collecting condensate water for reuse purpose</li></ul>

# 5 Waste

## IN THIS CHAPTER

- 5.1 Waste Disposal
- 5.2 Waste Reduction Results

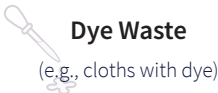




## 5.1 Waste Disposal

The Production Sites generate both hazardous and non-hazardous wastes in their operations. Treatment and disposal of wastes are in compliance with the following laws and regulations:

1. Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB 18599-2001);
2. Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes;
3. Regulation on the Safety Management of Hazardous Chemicals;
4. Identification standards for solid wastes – General rules (GB/T 34330-2017); and
5. Identification standards for hazardous waste - General rules (GB 5085.7-2019).

During the Reporting Period, the Group generated a total of 73 tonnes of hazardous waste (0.11 kg/m<sup>2</sup>), including dye waste, acid waste, waste materials with dye, oil- and mercury-containing waste and battery waste. A total of 151,746 tonnes of non-hazardous waste was generated (238.69 kg/m<sup>2</sup>), which included fabric wastes, boiler slag, coal ash, sludge, paper and plastic waste, scrap metal, sludge, gypsum and other general waste. The table below shows the amount of waste generated during the Reporting Period:

## 1. Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 <p><b>Dye Waste</b> (e.g., cloths with dye)</p>	Dyeing processes and expired dye materials	36
 <p><b>Oil</b> (e.g., lubricant oil and engine oil)</p>	Machines and equipment	33
 <p><b>Acid</b></p>	Production laboratory	1
 <p><b>Used Batteries</b></p>	Daily maintenance	1
 <p><b>Others</b> (including oil-containing wraps, waste organic solvent)</p>	Daily operations and maintenance process	2
<b>Total Hazardous Waste</b>		<b>73</b>

## 2. Non-Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 Fabric	Fabric processing procedures	2,390
 Paper	Packaging materials and waste paper	3,435
 Plastic	Production process and packaging materials	189
 Scrap Metal	Production process, replacement of machines and equipment	154
<b>Boiler Slag</b>	Coal-fired boilers	28,100
 <b>Coal Ash</b>	Coal-fired boilers	71,451
 <b>Sludge</b>	By-products of wastewater treatment	41,136
<b>General Waste</b>	Daily operations	987
<b>Others</b> (e.g., industrial waste, gypsum)	Production processes and by-products of desulphurization	3,904
<b>Total Non-Hazardous Waste</b>		<b>151,746</b>

## 5.2 Waste Handling and Reduction Results

The Group has appointed qualified waste management companies for the treatment, storage, transfer, resource recovery, disposal or recycling of hazardous and non-hazardous waste based on the Group's requirements. Hazardous waste is classified according to the Directory of National Hazardous Wastes (2016). Hazardous waste containers with proper signs and labels are temporarily stored in secure designated hazardous waste storage areas. They are collected by licensed collectors in compliance with national regulations, while non-hazardous waste is properly collected and recycled where possible.

To reduce hazardous waste generation, hazardous materials are fully utilized before disposal. For non-hazardous wastes, the Group strives to increase the recycling rates of non-hazardous waste in order to control and reduce the amount of waste generated. Except for unrecyclable general waste, waste fabric, paper, plastic and scrap metal are all sold to recycling collectors. Boiler slag, coal ash and sludge (after being compressed) are collected by qualified waste processors for recycling into bricks or construction materials without polluting the environment. Sewage sludge, a by-product of wastewater treatment rich in organic matter and nutrients, is recycled into earthworms feed. The Group also advocates the use of reusable cups to minimize the consumption of bottled water and generation of plastic waste in office operations. During the Reporting Period, the Group achieved a 100% recycling rate of scrap fabric, plastic, scrap metal, boiler slag, coal ash and food waste. A total of 14.19 tonnes of paper had been recycled in Shatin Lake Side.

**100%**

**scrap fabric, plastic,  
scrap metal, boiler slag, coal ash  
and food waste recycling rates**






# 6 Packaging Materials

## 6.1 Packaging Materials

Paper- and plastic-based materials are mainly consumed for packaging of finished products. The Group gives preferences to packaging materials with higher recyclability. Packaging material suppliers are required to provide environmental certificates, test reports for hazardous materials, and material safety data sheets to ensure environmental and safety performances of the packaging materials. All waste packaging materials will be sent to related recyclers for recycling. During the Reporting Period, the Group consumed a total of 2,274 tonnes of paper and plastic

blisters, with an overall consumption intensity of 0.0015 tonne per tonne of product produced.

Type of Material	Source of Material	Consumption (in tonnes)
Plastic	Plastic bags, films and polypropylene straps 	806
Paper	Carton boxes	1,468
<b>Total</b>		<b>2,274</b>

# **7 The Environment and Natural Resources**

## 7.1 Significant Impacts of Activities on the Environment

As a leader in the knitted fabric manufacturing industry, the Group is committed to operating business in a sustainable manner and taking sustainable fashion to the next level.

A significant amount of resources (e.g., water, electricity and steam) are consumed during the operational activities and production processes of the Production Sites. The Group has implemented robust environmentally-conscious practices and a substantial decrease in air emissions, water and energy consumption is achieved. Consumption of chemicals is reduced through successful chemical recovery technique. Besides, the Group closely monitors its resources consumption and pollution parameters to ensure that they are within the set limits, and analyzes consumption patterns for further improvement. It operates and maintains an EMS that conforms to the ISO 14001 standard.

In response to the threat of climate change, the Group gradually replaces coal with cleaner fuels for electricity generation, e.g., natural gas, in a bid to support the emission cutting goals set out in the Paris Agreement. To further reduce carbon emissions, Shatin Lake Side has participated in the low-carbon manufacturing program (“LCMP”) sponsored by the World Wide Fund for Nature (“WWF”). The LCMP aims to reduce carbon emissions generated by manufacturing facilities in the Pearl River Delta. With the evaluation criteria (including carbon intensity, greenhouse gas management practices and energy efficiency best practices) assessed, Shatin Lake Side was accredited with the LCMP Gold Label for the period of 2018 to 2019. Furthermore, Shatin Lake Side actively participates in the energy efficiency benchmarking exercise initiated by the Guangdong Textile Association and ensures its adherence to the 13th Five-Year Plan (2016-2020) in pursuing a cleaner, low-carbon, safer and sustainable development.



**SOCIAL**





# 1 Employment and Labor Practices

## IN THIS CHAPTER

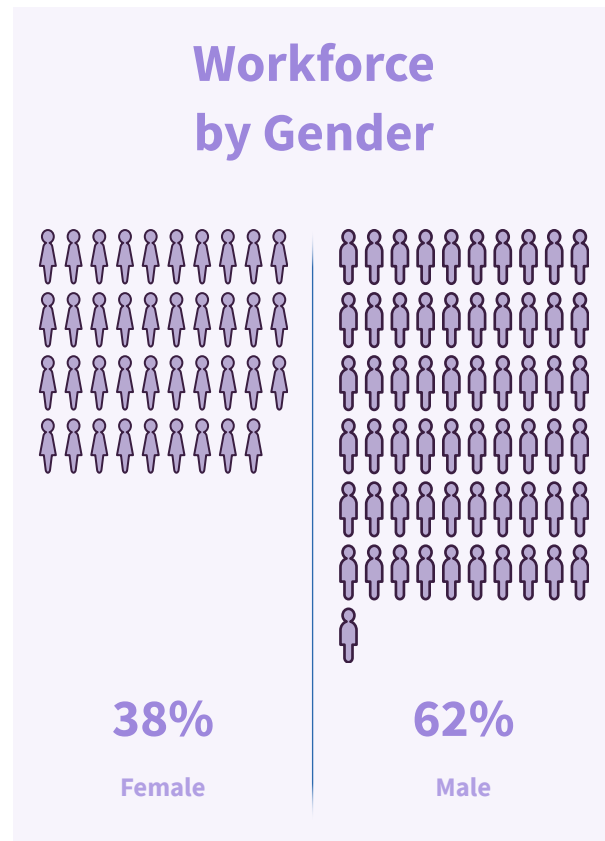
- 1.1 Employment
- 1.2 Occupational Health and Safety Awareness
- 1.3 Training and Development Programs
- 1.4 Labor Standards



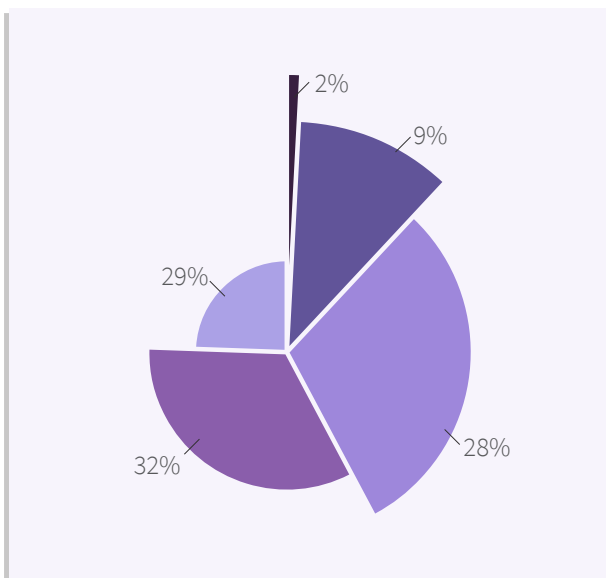
# 1.1 Employment

## Total Employees

The Group offers competitive remuneration, promotion opportunity, compensation and benefit packages to attract and retain talents. The Production Sites had a total number of 5,745 employees as of 31 December 2019. All of them were full-time employees. The total workforce by gender, age group, employment category and geographical region are shown below.

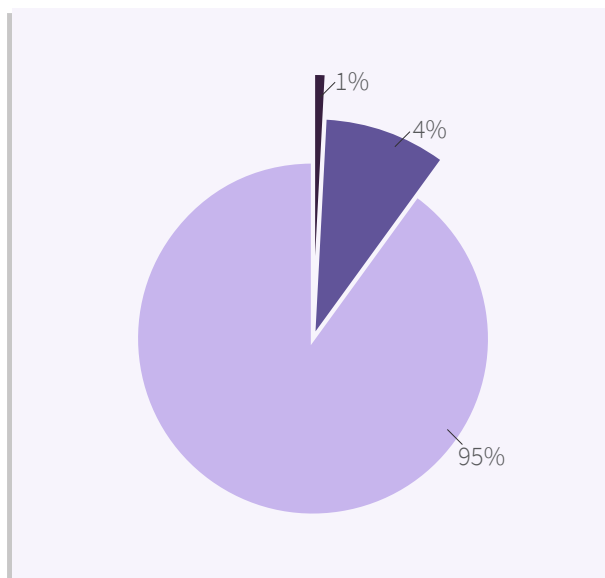


**Total Workforce by Age Group**



18-25    
  26-35    
  36-45  
 46-55    
  56 and above

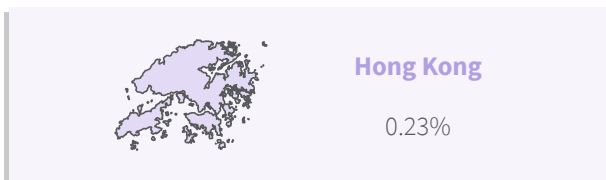
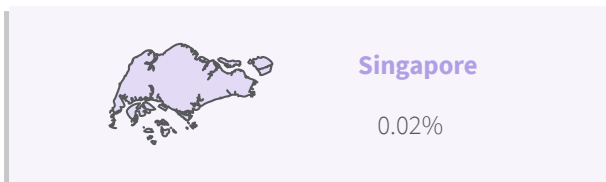
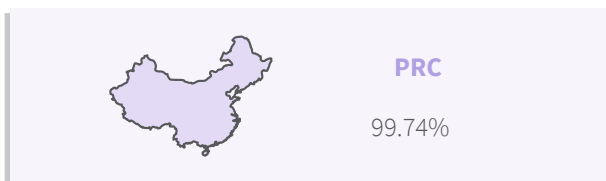
**Total Workforce by Employment Category**



Frontline & Other Staff    
  Middle Management    
  Senior Management

**Total Workforce by Geographical Region**

58  
Social



The Group strictly abides by all applicable laws and regulations in relation to employment in the PRC during the Reporting Period, including but not limited to:

- ▶ Labour Law of the PRC;
- ▶ Labour Contract Law of the PRC;
- ▶ Social Insurance Law of the PRC;
- ▶ Trade Union Law of the PRC;
- ▶ Special Rules on the Labor Protection of Female Employees;
- ▶ Law of the PRC on the Protection of Rights and Interests of Women;
- ▶ Implementation Measures for Paid Annual Leave for Employees of Enterprises; and
- ▶ Regulation of Guangdong Province on the Payment of Wages.

During the Reporting Period, there was no material non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare of the Group.

### Competitive Compensation and Benefits

Employees are recruited through various channels including career fairs, online recruitment platforms, recruitment agencies and internal referrals. Salary is reviewed and adjusted annually according to the Group's production performance, the market trend and individual employees' performance. The Production Sites provide basic social insurance (including pension, unemployment, work-related injury, medical and maternity insurance) and group personal accident insurance for all qualified employees beyond the requirement of local laws and regulations. Besides, some employees are entitled to an employer's liability insurance to protect employees in a broader extent. Apart from statutory holidays and various paid leaves, employees are also entitled to year-end double pay and subsidies. The employee handbook clearly describes workplace behavior expected by the Group.

### Employee Relations and Engagement Programs

When there are major changes in company policies, workers' conference will be convened to understand employees' concerns, collect their opinions and provide feedback to the management.

The Group believes that a healthy work-life balance contributes to higher productivity and overall workplace efficiency. Various recreational facilities (including fitness room, dance room, table tennis room, badminton court, basketball court, library, KTV room and chess room) are provided to employees for leisure and building of team spirit. Besides, a wide range of festive events have been organized during Chinese New Year, Women's Day, Labor's Day, Mid-Autumn Festival and Christmas, aiming to boost morale and to foster positive relationships among employees. Some of the other cultural activities included:

- ▶ travel tours;
- ▶ sports competitions;
- ▶ arts competitions;
- ▶ photography competitions;
- ▶ essay competitions; and
- ▶ safety knowledge competitions.

### Case 1: Renovation of Fitness Room

Employees' health and well-being is a key concern of the Group. During October and November 2019, Yancheng Fuhui renovated the existing fitness room with the help of the communist party members and volunteers of the site. The multi-phase project included upgrades of fitness equipment and renovation of training area and amenities. The refurbished fitness room brings outstanding gym experience to the employees and they are motivated to exercise after office hours.



### Case 2: Mental Health Workshop

In addition to physical health, the Group believes that the mental fitness of employees is vital to their happiness and work productivity. During the Reporting Period, Jiangyin Fuhui held a mental health workshop "Heart-to-Heart Communications" to promote well-being and health awareness of the employees. Experienced instructors shared useful information on stress management, including tips on maintaining work-life balance.



### Case 3: "Rainbow Classroom" Summer Courses

The Group is mindful of employees' need for childcare support services. To express love and care to employees and their families, Jiangyin Fuhui and Yancheng Fuhui continued to organize free summer courses "Rainbow Classroom" for children of its employees from July to August 2019.

"Rainbow Classroom" has provided a warm and safe environment for the children during summer vacation. Apart from childcare services, the Group

arranged various summer workshops that further extending children's knowledge bases, aiming to encourage those children to become independent learners and to promote the all-round development of the young generation.

The Group also extends its care to families of the employees. Through family-friendly activities, such as parent-child outdoor activities, the Group aims to promote the family harmony, strengthen parent-child relationships and to enhance employees' sense of belongings.



## 1.2 Occupational Health and Safety Awareness

### Occupational Health and Safety Awareness

The health and safety of employees is of paramount importance to the Group. During the Reporting Period, the Production Sites strictly complied with relevant laws and regulations concerning occupational health and safety, including

- ▶ Law of the PRC on Prevention and Control of Occupational Diseases;
- ▶ The Production Safety Law of the PRC;
- ▶ The Provisions on Supervision and Administration of Occupational Health at Work Sites;
- ▶ Regulation of Safe Use of Chemicals in Workplace; and
- ▶ High Temperature Labor Protection Measures of Guangdong Province.

There was no material non-compliance with the relevant laws and regulations that relating to occupational health and safety on the Group.

Pursuant to the above laws and regulations, the Group has formulated a series of safety controls policies and guidelines for effective internal safety management, covering areas of safety production procedures, hazard identifications and evaluation, and control and prevention of occupational disease.

Specifically, the Group has established an Industrial Safety Committee (“the Committee”) to review

its overall safety management. The Committee is responsible for periodic safety inspections of manufacturing processes and fire service installations and mitigations of identified risks. The Committee convenes bi-monthly meetings to discuss safety issues raised by the departments and holds various safety promotion activities (such as fire drills, public health seminars, and the Production Safety Month Campaign) for the employees. Raising employees’ awareness of production safety, these activities effectively prevent future workplace accidents and contribute to the continuous improvement of the Group’s safety performance.

The Production Sites assess occupational health risk factors annually based on their monthly data, evaluates assessment results and analyses existing risk factors of each production process. All results from the annual occupational hazards and risk factors assessment have met the required standards pertaining to workplace air quality, lighting provisions and noise. All employees are required to undergo a three-stage safety training before on-boarding, in order to equip them with the knowledge and information regarding safety laws and regulations, the Production Sites’ safety policies, the use of safety protection equipment and prevention of associated occupational diseases.

To ensure employees' safety during production and operation, the Production Sites provide appropriate personal protective equipment to employees and ensure that there are qualified first aiders stand-by in every work session for provision of immediate medical treatment. Each department keeps a first-aid kit with sufficient medical supplies. During hot summer, employees are provided with cooling materials and medicine to avoid heat stroke.

The Group also arranges annual medical check-ups for employees to ensure their physical fitness for certain jobs. Employees who are exposing to potential hazards are subject to compulsory health assessment, prior to, during, and after their term of employment. Periodic emergency drills such as fire drills and hazardous chemical spill exercises are conducted regularly with proper records. Emergency evacuation plans are displayed at prominent places.

The Group has provided reinforcement training to raise employees' awareness of occupational safety. The Group will continue to improve management practices and establish effective procedures to reduce employees' exposures for safety and health hazards in the workplace.

## 1.3 Training and Development Programs

The Group attaches great importance to employees' personal growth and talent development. Training committee formulates training plans which aligned with the Group's business strategy to meet employees' various training needs. Comprehensive training and development programmes are provided to employees with aims to improve individual competency/work performances, workplace efficiency, and ultimately enhance corporate competitiveness. Therefore, the Group has allocated optimal resources to training and development programs.

The Production Sites offer a variety of training opportunities for employees through lectures and on-site training. Specifically, three-stage systematic safety induction training is arranged for all new employees, which provides them with knowledge on safe working procedures and assists them to better adapt to the new working environment. Employees are evaluated through examinations to ensure that they meet the competence requirements of respective positions. The induction training is divided into three stages, which comprise the following modules:

### Topics covered for induction training

#### Stage 1

- ▶ Laws and regulations, in-house policies and fire safety awareness

#### Stage 2

- ▶ Workflow, safety production rules and regulations, emergency response and management, use and maintenance of safety equipment and personal protective equipment, prevention and precautions measures on occupational disease

#### Stage 3

- ▶ Job duties and responsibilities, task-specific safety training

**A total of 75,219 hours of training courses were conducted in the Reporting Period, the average training time per employee was 13.1 hours.**



In addition, the Group continues to provide managerial skill enhancement training for the management and management courses for the management trainees. Meanwhile, professional skills training is provided to employees engaging in special operations to ensure that they meet the certification or licensing requirements. Professional skill training covers topics of hazardous chemical handling, forklift truck driving, boiler operation, high-voltage operation, welding and thermal cutting, etc. Other on-job training, including quality control, environmental and safety, emergency management, information security, customs legislation and regulation and trade safety, are arranged depending on the job requirements of the employees. The Group regularly assesses the effectiveness of the training programs and evaluates employees' performance based on their job capabilities, and adjust the programs to fit the employees' needs and business objectives.

### Case 1: Building a stronger team spirit in the workplace

In December 2019, Yancheng Fuhui held several industrial safety courses and team-building activities for its employees, jointly with Zhongchang Vocational

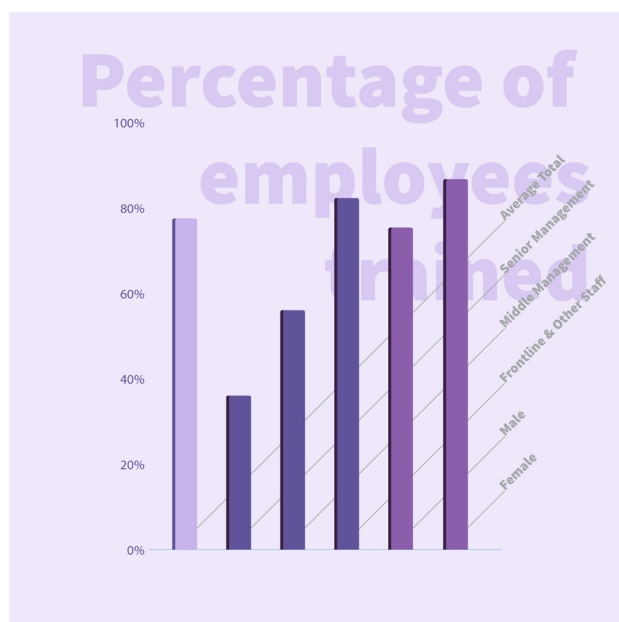
Skills Training School of Yancheng Economic & Technological Development Zone. The team-building activities involved cooperation, teamwork, and communication. The participants learnt to become a good team player by understanding team members' strengths and weaknesses, and eventually, their communication and problem-solving skills have been improved.

### Case 2: Cultivating a culture of lifelong learning

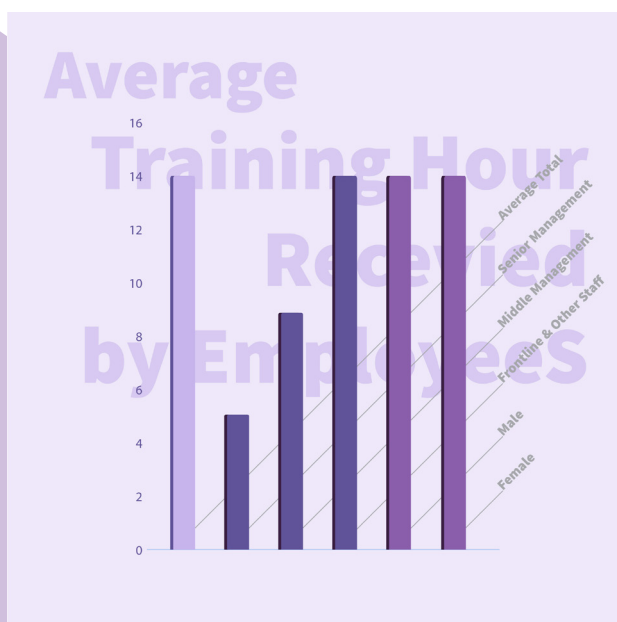
Employees are encouraged to pursue higher academic qualifications and to develop professional skills to keep up with the market standards. Jiangyin Fuhui continues to collaborate with local educational institutions to support continuous learning and development of the employees.

A total of 75,219 hours of training courses were conducted in the Reporting Period, the average training time per employee was 13.1 hours. The percentage of employees trained and the average training hour per employee by gender and employment category are shown below:

Percentage of Employees Trained



Average Training Hours Received by Employees



## 1.4 Labor Standards

The Group's recruitment policy requires that employees should be aged 18 or above. During interviews, a candidate must provide formal identification documents for the human resources department to check and verify his/her age and identity. No child labor nor forced labor was involved within the Group during the Reporting Period. Apart from complying with Labor Law of the PRC, clauses of the Group's employment contract stipulate that in case of any forced labor by violence, threat, or illegal restriction of personal freedom, or any degrading treatment or infringement of the legitimate rights and interests of employees initiated by the Group, the employment contract may be terminated by employees, with a compensation fee to be paid by the Group. The Group has not found or been involved in any incidents involving child labor or forced labor during the Reporting Period.

### Equal Opportunity

The Group supports diversity and respects the differences in employees. It is in compliance with provisions on equal employment as stipulated in the Labour Law of the PRC and the Employment Promotion Law of the PRC. Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Non-discriminatory employment practices are implemented to prohibit all forms of discrimination, including gender, ethnic background, religion, color, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other unlawful reasons. The Group also appreciates the importance of cultural diversity in its development, and employs employees of different age groups, genders, and ethnicities.

**The Group also appreciates the importance of cultural diversity in its development, and employs employees of different age groups, genders and ethnicities.**



# 2 Operating Practices

## IN THIS CHAPTER

- 2.1 Supply Chain Management
- 2.2 Product Responsibility
- 2.3 Anti-corruption
- 2.4 Community Investment

## 2.1 Supply Chain Management

As a responsible corporation, the Group strives not only to comply with all the laws and regulations under which it operates, but also to build a better and greener future together with the suppliers in our supply chain. The Group adheres to the principles of mutual benefit and win-win cooperation in sourcing from qualified and reputable suppliers. It maintains close and effective communication with suppliers and establishes long-term relationships with them.

Quality assurance of raw materials is extremely important in ensuring process control and the final product quality. Main raw materials procured by the Production Sites include yarns and chemical dyes. To ensure the raw materials meet the industry standards and customers' expectations on the product quality and safety, the Group has developed a stringent supplier management system on raw material procurement:

Suppliers are evaluated based on their company structure, production capacity, product details, equipment details and the results of on-site inspections in accordance with a number of strict internal quality standards. They are required to provide relevant test reports or certificates of the raw materials per customer's request. Multiple quality tests are carried out on the samples provided (e.g., yarn samples, dye samples) to ensure they fulfill the quality requirements:

- ▶ Any yarn supplier without procurement record over the past six months shall re-provide yarn sample to determine its quality;
- ▶ For chemical raw material suppliers, an evaluation period of 3 to 6 months is required for new products. Only suppliers with stable quality and logistic performance could be enlisted on the regular procurement list;
- ▶ If a raw material sample fails the test, the whole batch of raw materials from the supplier will be put on hold to avoid affecting the Group's production and other operations. Production Sites will be informed to seek alternative suppliers;
- ▶ Dedicated department will follow up on new yarn brand and monitor its quality performance; and
- ▶ Raw materials must fulfill requirements of certain standards:
  - ▷ Yarns with organic cotton must be Dutch Control Union or French ECOCERT certified;
  - ▷ Cotton must be Better Cotton Initiative (BCI) certified to ensure minimal impact on soil and crops;
  - ▷ Recycled polyester must fulfil the Recycled Claim Standard (RCS); and
  - ▷ Synthetic fiber (mainly rayon) must be certified by the Programme for the Endorsement of Forest Certification (PEFC) or the Forest Stewardship Council (FSC) upon clients' request to reduce impact on the natural environment.

In addition, the Group pays special attention to child labor, forced labor and prevention of dissemination of cotton to extremist groups. It avoids sourcing raw materials from countries using child labor, forced labor and those involved in terrorism. It also responds to the international call in preventing the use of cotton from Uzbekistan, Turkmenistan and Syria, and products that contain cotton or fabric made in Bangladesh. The Group requires suppliers to sign an undertaking to ensure that no cotton from the above countries has been used in their supplied goods. To diversify risk and enhance competitiveness, the Group purchases yarn and dyeing materials from different regions including the PRC, India, Pakistan, Korea, Thailand, Indonesia and Taiwan.

During the Reporting Period, the Production Sites procured major materials from 638 suppliers of the following geographical regions.

Region	Number of suppliers	Types of suppliers
Mainland China	618	Raw and auxiliary materials (e.g., dyes, fabric, chemicals, yarns, garment accessories), production machinery and equipment, construction services providers, outsourced processors
United States	16	Engineering service providers
Hong Kong	4	Raw and auxiliary materials (e.g., dyes, fabric, chemicals, yarns)

## 2.2

# Product Responsibility

### Management Guideline for Standardized Safe Production

The Group engages in top-quality knitting, dyeing and finishing and garment manufacturing in the PRC; and its garment manufacturing in the PRC is subject to the management guideline for standardized safe production (“the Guideline”). The Guideline defines a series of measures to regulate production activities including the establishment of a health and safety management system, regular inspections of accident hazards, monitoring of major hazard sources, and establishment of a mechanism to avoid accidents and ensuring safe production. The Guideline ensures that the Group meets laws, regulations and standards on production safety and continues to strengthen standardization of safe production in every process of its daily production. This also makes sure that workforce, machinery, materials and the working environment remain in good and healthy conditions for safe production. There was no material non-compliance with laws and regulations in relation to health and safety of products provided in the Reporting Period..

### Quality Assurance

Product quality is fundamental to the survival and development of enterprises. The Group always pays attention to quality and customers’ feedback on their product-consuming experience. Its quality control department (“QCD”), independent of its production system, follows up with customers’ expectations so as to further enhance the Group’s market competitiveness. The QCD supervises quality tests and spot checks as a third-party. It also exercises full-range quality control in the production area:

Type of Inspection	Quality Control Requirement
Grey fabric inspection	30% sampled to examine yarn source and check for fabric flaws
Dyed fabric inspection	30% sampled to check for dyeing flaws
Preprocessed fabric inspection	30% sampled to check for preprocessing flaws
Post-printing inspection	100% tested to check for printing defects
Finished fabric inspection	100% tested to check for flaws of any kind on the fabric and sent to the laboratory for physical and chemical indicator testing  Standardized packaging and warehousing, and delivery as per customer instructions

The selection of raw materials and production processes conform with the quality and production standards as specified by customers. Third-party professionals appointed by customers carry out inspections and compliance checks at the Production Sites at times on product quality, and against environmental and labor standards.

To ensure fabric safety for consumers, the yarns procured and finished products produced by the Group were qualified for international eco-textile standards, e.g., Oeko-Tex Standard 100 Certificate recognized by the International Oeko-Tex Association. Certified yarns have undergone strict standard laboratory tests which involve testing on formaldehyde, heavy metals, pesticide, phenol, human carcinogenic substances, allergen dyes and a hundred more test parameters, proving that the yarn materials and finished products do not contain substances that are harmful to the human body or the environment.

### **Complaints Handling**

The Group carries out product verification process in accordance with the standards agreed with customers. Upon receiving a customer complaint on product quality, the Group will request customer to provide the sample of which he/she has raised concern about, and/or assign its quality control team to verify with the customer whether the Group is responsible for the problem involved. If the Group is responsible for the problem involved, the Group will take immediate remedial actions and review internally to avoid recurrence of the same incident. There was no material non-compliance with laws and regulations relating to advertising and labelling of products and services provided in the Reporting Period. Also, no products had been recalled due to safety and health reasons.

### **Intellectual Property (“IP”) and Confidentiality**

The Group has established a proprietary management system for its IPs. When developing a new product, the Group will first make sure whether the product involves any self-owned IP. If it involves any self-owned IP, the Group will sign a confidentiality agreement with the associated suppliers and customers on IP, privacy and trade secrets. When receiving customers’ design draft and internal documents (such as testing standards manual), the Group adopts measures to ensure that their IPs, privacy and other trade secrets are protected and kept confidential.

Employees and former employees of the Group shall not disclose any trade secrets and/or confidential information to third parties that may cause direct or indirect loss to the Group. No material non-compliance with laws and regulations in relation to IP and privacy was recorded in the Reporting Period.



### Innovative Research and Development

In order to meet the diverse needs of customers and to launch products with more innovative and sustainable features, the Group has aggressively explored smart technologies, new materials and advanced manufacturing processes. Over the years, the Group has launched numbers of innovative fabrics under its brand “Fountain Set™” with features including eco-friendly, fresh, moisture-wicking and UV protection to address market demand and to enhance market competitiveness.

Meanwhile, an employee reward system is established to encourage feasible innovative suggestions regarding the reduction in production cost, simplified production process, promotion of energy conservation, emission reduction, improved product quality and other improvements to the Group. Frontline workers involved in production line, who possess professional skills and are familiar with industrial processes and production methods, always contribute useful and creative ideas for continuous improvement of production capacity.

### Shatin Lake Side

During the Reporting Period, Shatin Lake Side introduced two new products, namely a fleece sweater made of soft stretch fleece fabrics with heat-generating function and a new collection of TCHIBO women underwear made of eco-friendly stretch fabrics.

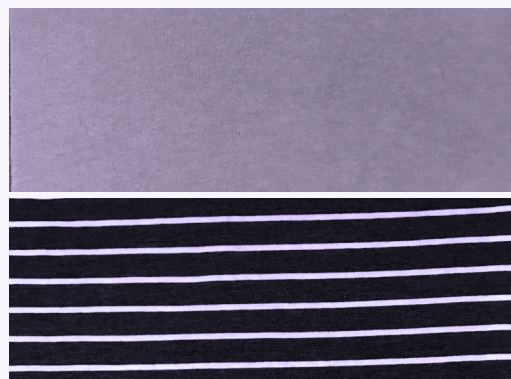
### Yancheng Fuhui

Yancheng Fuhui is currently conducting research and development on sustainable products including polylactic acid fibers and cationic cotton fabrics. Polylactic acid-based fibers, made of renewable resources, are biodegradable and can be fully recycled at the end of their lifecycle. The modified cotton enables salt- and alkali-free reactive dyeing and achieves low consumption of water, energy and chemicals in the dyeing process.



### Jiangyin Fuhui

In 2019, Jiangyin Fuhui introduced a revolutionary high-grade recycled polyester fabric (RPET) along with 29 new products. RPET is a leading recycled and performance fiber comprising REPREVE recycled fiber, which consists of recyclables such as used plastic bottles. This value-added sustainable fabric is sold to local and worldwide retailers including Jordan, JCPenney, Marks & Spencer, Walmart and Target.



## 2.3. Anti-corruption

The Group adheres to the highest standards of honesty, integrity and fairness and is committed to conducting all businesses without undue influence. The Group has developed strict internal anti-corruption guidelines and a corporate social responsibility management system; and has cooperated with customers in implementing their whistle-blowing policy to combat corruption. Internal anti-corruption policies are set out in the employee handbook, employee confidentiality agreement and guidelines on conflict of interest. A dedicated e-mail account has been set up to collect reports of suspected corruption activities. Any corruption or bribery activities in procurement are strictly prohibited. Anti-corruption monitoring and investigation committee has been established to monitor anti-corruption performances and oversee the investigation on suspected cases.

The whistleblowing policy encourages employees to report any suspicious activities. Whistle-blowers, who make confidential reports on any suspected misconduct or malpractice verbally or in writing to the management of the Group, will be protected against retaliation, including unfair dismissal or victimization. The Group will discreetly conduct investigations against the reported suspicious or illegal behavior. Confirmed cases will be reported to law enforcement agencies to protect the interests of the Group.

The Group is in compliance with the provisions on bribery and corruption, including Criminal Law of the PRC and Law of the PRC on Anti-money Laundering. There was no concluded legal case regarding corrupt practices brought against the Group or its employees and the Group did not have any cases of non-compliance with laws and regulations on money laundering, bribery, extortion, fraud or corruption during the Reporting Period.

**Anti-corruption monitoring and investigation committee has been established to monitor anti-corruption performances.**

## 2.4 Community Investment

The Group commits to engaging the community and responding proactively to community needs. Over the Reporting Period, the Group discharged its social responsibilities through voluntary blood donations, monetary donations, education programs and other public welfare activities. A donation of CNY 400,000 was made to a non-profit organization for charitable purposes. Through long-term support to the community, the Group carries forward a corporate culture that creates mutual values, supports disadvantaged social groups, and brings long-term economic, social and environmental benefits to its community.



### Case: Voluntary blood donation

The Group encourages employees to serve the community and care for those in need. Over the years, the Group has jointly organized blood donation activities with various local blood centers. During the Reporting Period, two voluntary blood donation activities were held in Jiangyin Fuhui and Shatin Lake Side, with a total of 87 enthusiastic employees responded to the charitable call.



### Case: Environmental awareness activity

The Group recognizes the importance of environmental protection and has motivated employees to engage in green activities. In October 2019, communist party members of Jiangyin Fuhui paid a visit to Huangshan Lake Park. Through active participation in awareness-raising activities during the visit, a sense of environmental responsibility has been fostered among the employees.

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## Environmental

Aspect A1: Emissions		Pages	
"Comply or explain" Provisions	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:	20 - 25, 30 - 32, 45,48	
	<b>KPI A1.1</b>	The Types of emissions and respective emissions data.	28 - 29
	<b>KPI A1.2</b>	Greenhouse gas emissions in total and, where appropriate, intensity.	26 - 27
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	<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	12 - 13, 23, 30 - 32
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	<b>KPI A2.5</b> Total packaging material used for finished products and, if applicable, with reference to per unit produced.	51
<b>Aspect A3: The Environment and Natural Resources</b>		
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	<b>KPI A3.1</b> Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	12 - 13, 53

# Social

## Employment and Labour Practices

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			Pages
“Comply or explain” Provisions	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		59 - 61
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	<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	N/A

### Aspect B2: Health and Safety

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Recommended Disclosures	<b>KPI B2.1</b>	Number and rate of work-related fatalities.	N/A
	<b>KPI B2.2</b>	Lost days due to work injury.	N/A
	<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	62 - 63

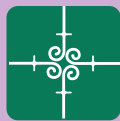
<b>Aspect B3: Development and Training</b>			Pages
“Comply or explain” Provisions	<b>General Disclosure</b> Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.		64 - 65
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	<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category	65
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## Operating Practices

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Recommended Disclosures	<b>KPI B5.1</b>	Number of suppliers by geographical region.	70
	<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	69 - 70
Aspect B6: Product Responsibility			
“Comply or explain” Provisions	<b>General Disclosure</b> Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		10 - 11, 18 - 19, 71 - 73
Recommended Disclosures	<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	72
	<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	N/A
	<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	72
	<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	71 - 72
	<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	72



<b>Aspect B7: Anti-Corruption</b>			Pages
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Recommended Disclosures	<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	74
	<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	74
<b>Community</b>			
<b>Aspect B8: Community Investment</b>			
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