



Moody Technology Holdings Limited 滿地科技股份有限公司

(Incorporated in the Cayman Islands with limited liability and
continued in Bermuda with limited liability)

Stock Code : 1400

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
2019

INTRODUCTION

This Environmental, Social and Governance Report (the “**Report**”) summarizes the environmental, social and governance (“**ESG**”) initiatives, plans and performances of Moody Technology Holdings Limited (the “**Company**”) together with its subsidiaries, (the “**Group**” or “**We**”) and demonstrates its commitment to sustainability development.

The Group have embraced the green orientation leading industrial markets in recent years. Its primary governing consideration is sustainability and it covers environmental protection, better work environment and growth of staff and society in its operations and decision making.

Riding on the country’s direction, the Group introduced a series of policies on environmental protection during 2019, as well as implemented humanized management. We aim to create a win-win situation in terms of business and societal prosperity.

STANDARD AND SCOPE OF REPORTING

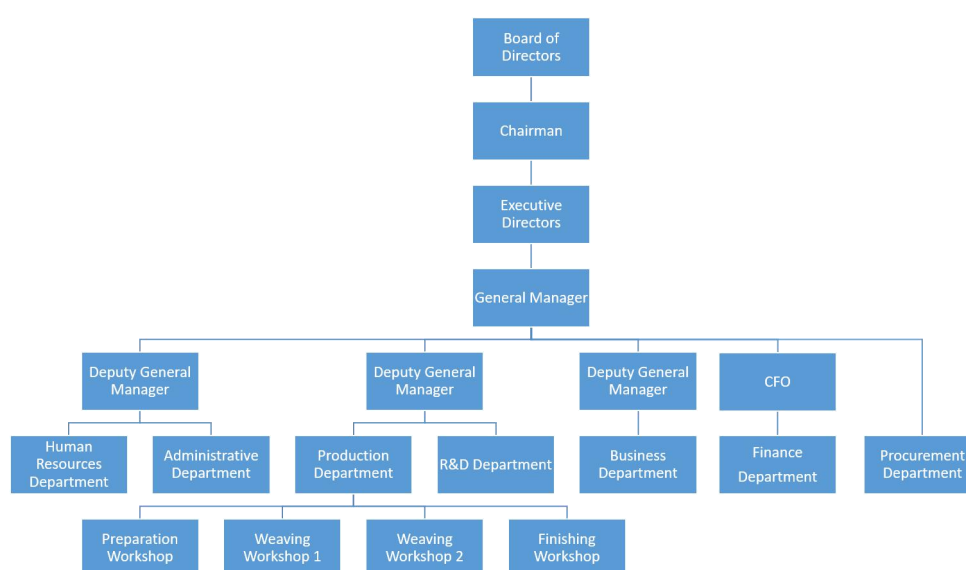
Pursuant to the ESG Reporting Guidance issued as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Group have prepared the Report on issues related to the business, operation and key environmental and social impacts of the Group. The contents include the methods and results of the ESG activities the Group took during the period from 1 January to 31 December 2019, and the Group’s efforts in areas such as working environment, environmental protection, operating rules and community involvement. Data in the Report is based on the documents and statistics of the Group. The production of this Report is supported by the management of the Group. We express our sincere gratitude to all parties that have contributed to the Report and the activities of the Group in relation to environment, society and corporate governance. Enquiries and advice are welcomed in order to continuously improve the Group’s activities in relation to environment, society and corporate governance.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Group is principally engaged in sales of shoes and clothes in Asia and the design, manufacturing and sales of casual garment fabrics in People’s Republic of China. The principal activity of the Company is investment holding. After over a decade of development, the Group has formulated a stable and effective corporate structure. For the year ended 31 December 2019, the Group has complied with applicable terms in the CG Code and is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group confirms that the Board of Directors (the “**Board**”) will provide effective leadership and direction to its business, as well as playing an important role in the transparency and accountability of its operations.

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



The Group has a complete governance structure featuring different sections of the business including procurement, research and development (“**R&D**”), manufacturing, sales, management, etc. Under the leadership of the Board and the Chairman, the Group will uphold its business sustainability and better its business structure.

A. ENVIRONMENTAL

Emissions

General Disclosures and KPIs

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

Significant Impact on Environment and Natural Resources

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

Environment Protection Policies During Production Process

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

The Group advocates for a production model of low energy consumption and low pollution, which entails installing water-saving facilities to reduce the water usage. In addition, we conduct regular check-ups and maintenance on any leakage in taps, pipes, circulation systems, water towers and machinery, to prevent environmental and economic costs attributable to aging facilities.

Hongtai (China) Co., Ltd abandoned coal-fired steam production since May 2013 and purchases steam from Fujian Hongshan Coal-fired Cogeneration Co., Ltd. Meanwhile, Fengtai (Hubei) Textile Co., Ltd. produces steam by natural gas power since its establishment and abandoned the use of coal-fired production methods, realizing reduction in the air waste emission from coal-fired production processes.

Air Pollutants and Greenhouse Gas Emissions

The textile industry brought about many challenges in 2019 and the Group's sales volume faced tremendous downward pressure. Along with reduced output was the reduced consumption of diesel and petrol used in the production process, whereas the consumption of electricity recorded a moderate decline. Such affected the Group's greenhouse gas emissions accordingly. The Group will adhere to environmental protection in its daily operations, also reflecting on the shortcomings in previous years to improve its performance.

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

Greenhouse Gas and Air Emissions

	2019	2018
Total greenhouse gas emissions (kg)	6,236,643.27	11,820,010.13
Sulphur Oxides (SO ₂) (g)	415.24	786.98
Nitrogen Oxides (NO _x) (g)	7,495.05	14,205.00
Particulate Matter (PM)(g)	702.46	1,331.34

Wastes Management

The Group adheres to the principle of waste management, and is committed to properly handling and disposing all waste generated by our business activities. All of our waste management practices comply with relevant environmental laws and regulations.

Hazardous wastes

Based on the business nature, the Group's production activities do not generate any significant hazardous wastes.

Non-hazardous wastes

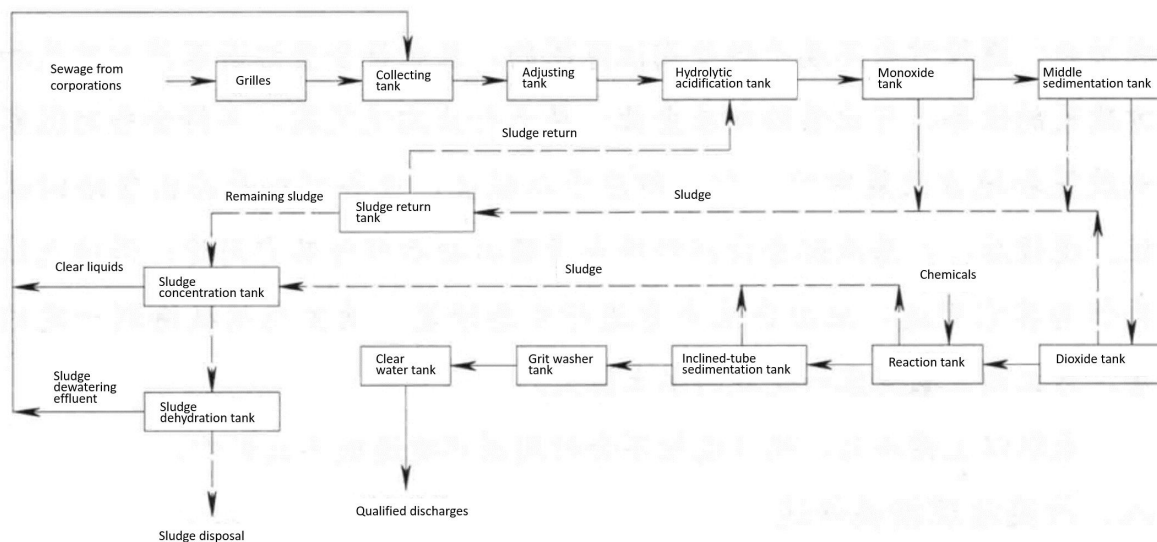
The Group's major non-hazardous waste is household wastes which are treated by the local government. The Group maintains high standards in waste reduction and encourages the staff to classify waste sources and recycle wastes in order to achieve the goal of waste reduction and teaches our staff on the importance of sustainable development.

During the year ended 31 December 2019, the Group's non-hazardous wastes discharge were approximately as follows:

Type of waste	Total amounts(tonnes)
Paper	0.26
Household wastes	4.01
Total	4.27

Sewage Discharge and Treatment

The Group regularly monitors the production, office and domestic sewage so to comply with the relevant laws and regulations and meet local government sewage standards. The sewage discharged by the Group from production processes and living activities is collected by septic tanks and discharged to sewage treatment plants through official city networks. The processes are as follows:



The Group's sewage discharged in 2019 is as follows:

	Sewage discharged(tonnes)		Discharge destination
	The year ended 31 December		
	2019	2018	
Hongtai (China) Co., Ltd	10,605.58	22,411.57	Taiwan Strait
Fengtai (Hubei) Textile Co., Ltd.	21,452.29	44,379.00	Huangmei County River

Use of Resources

General Disclosures and KPIs

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

Energy Management

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

Water management

The Group's water use is mainly for the fabric production lines. To improve the Group's water efficiency, we have promoted water conservation and guide our staff to prevent excessive use of water. We educate our staff with internal guidelines such as close water taps after use and reuse water for toilet flushing, etc. During the year, the Group do not have any issue relating to accessing to appropriate water sources.

Consumption of resources

Since the production scale of the Group decreased in 2019, the consumption of the relevant resources decreased accordingly as follows:

	Consumption	
	2019	2018
Electricity (kWh)	11,679,010.20	18,739,012.30
Water (tonnes)	69,275.00	75,025.00
Packaging film (tonnes)	5.55	10.12
Paper (tonnes)	0.26	0.36
Steam (tonnes)	1,726.15	3,149.10
Diesel (L)	1,074.00	1,973.00
Petrol (L)	36,587.31	51,374.97
Natural gas (m ³)	5,608.04	10,231.00

Energy Consumption Intensity

			Consumption Intensity	
			For the year ended 31 December	
			2019	2018
Energy consumed	per		33,368.60	45,045.70
employee (kWh)				
Energy consumed	per meter		0.60	0.51
produced (kWh)				

Water Consumption Intensity

			Consumption Intensity	
			For the year ended 31 December	
			2019	2018
Water consumed	per		179.93	163.04
employee (tonnes)				
Water consumed	per meter		0.0036	0.0018
produced (tonnes)				

Intensity of Packaging Material Use

				Usage Intensity	
				For the year ended 31 December	
				2019	2018
Packaging film used	per			0.287	0.254
million meters	meter				
produced (tonnes)					
Paper used	per million meters			0.013	0.009
produced (tonnes)					

B. SOCIAL

Employment

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

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

As at 31 December 2019, the numbers of employees of the Group was 350 (2018: 420).

Health and Safety

Workers in the textile industry are required a higher level of physical labour, making employee safety and health a key topic for the management team. The Group adopts multiple measures to ensure a safe work environment, such as putting out safety guidelines for frontline employees, necessitating safety gear like aprons, caps and ear plugs compulsory, and assigning supervisors to oversee the application of safety guidelines. For special positions such as electricians, authorized certification must be presented and protective equipment such as insulated gloves and shoes must be worn in the workplace.

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

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

Staff Development and Training

The Group encourages vocational training in favour of employees' career development. New employees receive pre-job training within the first three months of employment; and for those who pursue advanced studies, the Group offers financial aid and flexible working hours to help them pave their career path. During the year ended 31 December 2019, there were 10 staff training on relevant vocational knowledge and skills (2018: 38).

Labour Standards

Prevention of Child and Forced Labour

The Group fully complied with labour laws and other relevant legislations that prohibit child and forced labour. The Group does not employ any person below the age of eighteen. The Group requires new employees to provide true and accurate personal information when joining us. Recruiters are required to present proof of identity to ascertain legal employment.

The Group ensures that no employees are forced to work in violation with their own wishes or in the form of forced labour, or receive any type of punishment or coercion from work.

During the year, the Group did not record any material non-compliance issues that violated laws and regulations related to child labour and forced labour.

Customers, Suppliers and Product Responsibility

Policy on Suppliers Selection

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

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

During the year, the Group cooperated with approximately 63 suppliers (2018: 112 suppliers) from the Mainland China.

Procurement System

The Group's procurement team specializes in implementing a process which undertakes principles including price parity, consistency, incorruption and subjection to auditing. The processes begins with purchase requisition, quotation and negotiation, then contract signing, and finally inspection and warehousing. The Group delineates all the principles and processes clearly. Inspection and warehousing are crucial parts of the processes. The Group stipulates that a material warehousing list shall be issued for materials that pass inspection and acceptance, and unqualified materials are not allowed to be stored into the warehouse, and the procurement department shall negotiate with the supplier.

Product Responsibility

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

Quality Inspection

Raw materials:

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

Finished products:

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

Product Recall

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

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

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

Policies on Customer Complaint

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

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

Observing and Protecting Intellectual Property Rights

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

Privacy Policies

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

Anti-Corruption

Policies on Anti-Corruption and Fraud

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

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

Community Involvement

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

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