



ENVIRONMENTAL
SOCIAL AND
GOVERNANCE
REPORT

2020



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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 principal activities including fabric knitting, dyeing, printing, finishing, as well as garment manufacturing.

This is the fifth 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.

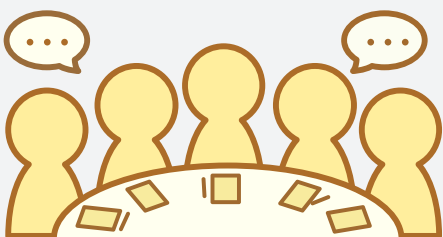
The Group’s four Production Sites, located in the People’s Republic of China (the “PRC”), within the reporting scope (hereinafter collectively referred as “the Production Sites”), include:

- ▶ 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 2020 to 31 December 2020 (the “Reporting Period”), unless otherwise stated. For information about the Group’s corporate governance, please refer to page 35 to 52 of the Annual Report 2020 of Fountain Set (Holdings) Limited.

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 operations of the 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.

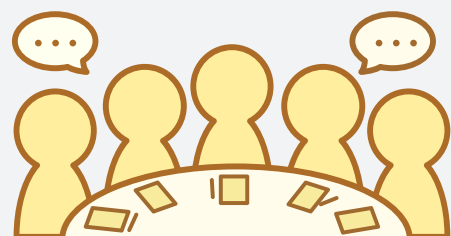


STAKEHOLDER
ENGAGEMENT
AND
MATERIALITY

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">▶ Audits and inspections▶ Annual and interim reports▶ Implementation of relevant industrial policies▶ Company announcements▶ Company website
Suppliers and business partners	<ul style="list-style-type: none">▶ Tendering process▶ Performance review meetings▶ Inspections and assessments▶ E-mails and circulars▶ Company announcements▶ Company website▶ Social media

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



STAKEHOLDER ENGAGEMENT AND MATERIALITY

In preparing this ESG report, the Group specifically engaged different stakeholder groups, 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.

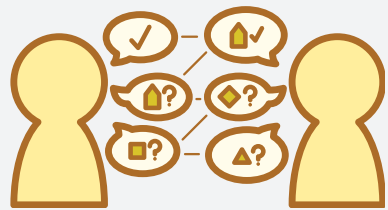
Materiality of Different Topics from Stakeholder Engagement



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
		B7	Customer Data Protection
		B8	Customer Service
		B9	Product Quality
		B10	Anti-corruption
		B11	Community Investment

Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:

- ▶ Occupational Health and Safety
- ▶ Labor Standards
- ▶ Product/Service Quality
- ▶ Employment
- ▶ 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.



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
- ▶ 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

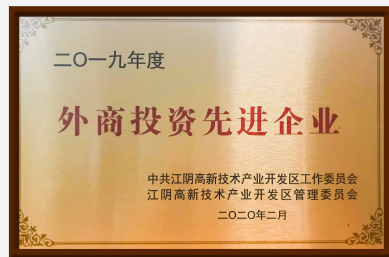
Yancheng Fuhui

- ▶ Vice President of the 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 below¹:

Quality Assurance



Award/Certification

2019 Outstanding Enterprise of Foreign Investment²

Issued by

Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China, Administration Committee of Jiangyin High-tech Industrial Development Zone²

Issued to

Jiangyin Fuhui



Award/Certification

Oeko-Tex Standard 100

Issued by

TESTEX AG, Swiss Textile Testing Institute

Issued to

Jiangyin Fuhui



Award/Certification

2019 High Quality Development Contribution Award²

Issued by

Working Committee of Yancheng Economic – Technological Development Zone of the Communist Party of China, Management committee of Yancheng Economic – Technological Development Zone

Issued to

Yancheng Fuhui



Award/Certification

Supplier of 10 Years Corporation²

Issued by

Hongxing Erke (Xiamen) Industrial Co., Ltd.

Issued to

Yancheng Fuhui



Award/Certification

Outstanding Supplier²

Issued by

Hongxing Erke (Xiamen) Industrial Co., Ltd.

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 Certificate²

Issued by

CNTAC Testing Center

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

Certificate of Compliance in Global Organic Textile Standard

Issued by

ECOCERT Greenlife

Issued to

Shatin Lake Side

Environmental Protection



Award/Certification

2019 Outstanding Unit of Ecological Civilization²

Issued by

**Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China²,
Administration Committee of Jiangyin High-tech Industrial Development Zone²**

Issued to

Jiangyin Fuhui



Award/Certification

Certificate of Compliance in Organic Content Standard

Issued by

ECOCERT Greenlife

Issued to

Shatin Lake Side



Award/Certification

ISO 50001 Energy Management System Certificate²

Issued by

Beijing Zhongjing Quality Certification Co., Ltd.

Issued to

Jiangyin Fuhui



Award/Certification

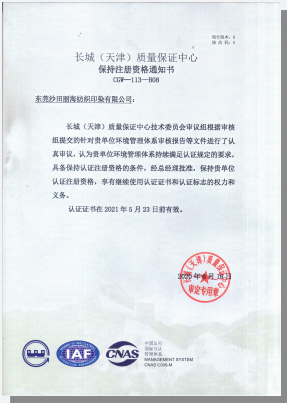
ISO14001 Environmental Management System Certificate²

Issued by

Beijing Zhongjing Quality Certification Co., Ltd.

Issued to

Jiangyin Fuhui



Award/Certification

Environmental Management System Certification

Issued by

China Great Wall (Tianjin) Quality Assurance Centre

Issued to

Shatin Lake Side



Award/Certification

2019 Completion of Verified Module

Issued by

Sustainable Apparel Coalition

Issued to

Shatin Lake Side



Corporate Governance, Social Responsibility and Other Aspects



Award/Certification

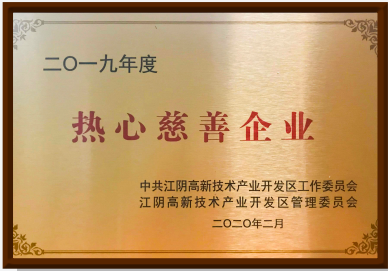
2019 Key and Major Enterprise of Jiangyin²

Issued by

Jiangyin Municipal Party Committee of Communist Party of the PRC², Jiangyin Municipal People's Government²

Issued to

Jiangyin Fuhui



Award/Certification

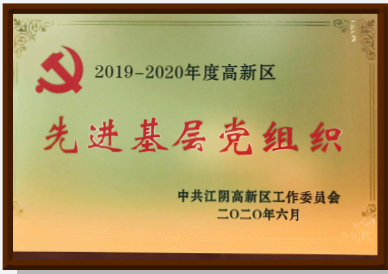
2019 Charitable Enterprise²

Issued by

Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China², Administration Committee of Jiangyin High-tech Industrial Development Zone²

Issued to

Jiangyin Fuhui



Award/Certification

2019-2020 Advanced Grass-roots Party Organisation of High-tech Industrial Development Zone²

Issued by

Working Committee of Jiangyin High-tech Industrial Development Zone of the Communist Party of China²

Issued to

Jiangyin Fuhui





Award/Certification

Outstanding Enterprise of Labour Legal Supervision of Trade Unions²

Issued by

Wuxi Federation of Trade Unions²

Issued to

Jiangyin Fuhui



Award/Certification

Charitable Outstanding Enterprise of Jiangyin²

Issued by

Jiangyin Charity Federation²

Issued to

Jiangyin Fuhui



Award/Certification

38 Red Flag Collective²

Issued by

Chinatex Corporation Limited

Issued to

Yancheng Fuhui



Award/Certification

Laboratory Authorisation Certificate²

Issued by

Xtep (China) Co., Ltd.

Issued to

Yancheng Fuhui



Award/Certification

Three-star Enterprise of Yancheng²

Issued by

Yancheng Municipal People's Government²

Issued to

Yancheng Fuhui



Award/Certification

2019 Outstanding Three-star Enterprise²

Issued by

Yancheng Municipal People's Government²

Issued to

Yancheng Fuhui



Award/Certification

Mill Qualification Program

Issued by

Intertek Group

Issued to

Shatin Lake Side



Award/Certification

Outstanding Organization Award²

Issued by

2020 Guangdong Province Printing; Dyeing and Chemical Compounding Workers Professional Skills Competition Organizing Committee²

Issued to

Shatin Lake Side

Occupational Health and Safety



Award/Certification

2019 Outstanding Unit of Safety in Production of Jiangyin High-tech Zone²

Issued by

Administration Committee of Jiangyin High-tech Industrial Development Zone²

Issued to

Jiangyin Fuhui



Award/Certification

2019 Advanced Unit for Fire Safety Management Work in the District²

Issued by

Fire Rescue Brigade of Yancheng Economic –Technological Development Zone²

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 2020.
- 2 The English names are only translation of their official Chinese names. In case of inconsistencies, the Chinese names shall prevail.

ENVIRON- MENTAL

The Group attaches great importance to environmental protection. Its factory establishment and production have been taken into account of its environmental responsibilities in terms of pollution control and prevention, energy and resource-saving, and waste and emission reduction. The Group is committed to effectively protecting the environment and reducing emission from its commercial activities and production, which in turn ensure the provision of sustainable and low-carbon products to the customers. Apart from complying with environmental laws and regulations, the Group has been actively improving its environmental management system (“EMS”) in the Production Sites to promote clean production. The comprehensive EMS serves to make sure that all identified adverse environmental impacts are controlled and mitigated. Contingency plans are also in place to minimize potential environmental impact caused by emergencies.

Principal activities of the Production Sites are fabric knitting, dyeing, printing, finishing and garment manufacturing. Futian Oasis also involves in heat generation. These activities primarily involve direct emissions of (i) carbon dioxide (“CO₂”), (ii) nitrogen oxides (“NO_x”), (iii) sulfur dioxide (“SO₂”) and (iv) particulate matter (“PM”) from the combustion of coal and diesel oil for boilers; and indirect emissions from the consumption of paper disposal, purchased

electricity, freshwater and sewage treatment and business air travels. Another major natural resource consumed is water, which is mainly used in the production processes. Wastes produced are mainly dye and oil waste, fabric waste, recyclable wastes, sludge and by-products from boilers. The total floor area coverage for the Production Sites was 635,742 m².

The Group has developed a series of environmental measures to achieve energy saving, pollution reduction and consumption reduction. For instance, Yancheng Fuhui has formulated an Environmental Emergency Response Plan and ISO 14000 Implementation Handbook for preparedness, response, and overall resilience to environmental incidents. No non-compliance with relevant laws and regulations, that have a significant impact to the Group, relating to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste was identified during the Reporting Period.

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
- ▶ Adopting purifying equipment, dust removal technologies and desulfurization process



1.2 Energy Conservation

- ▶ Saving over 79,000 tonnes of steam
- ▶ Saving over 1,900,000 kWh of electricity



1.3 Water Conservation

- ▶ Saving more than 300,000 m³ of water through streamlined procedures and new installations
- ▶ Reusing over 3,600,000 m³ of water, which is equivalent to around 1,500 Olympic-sized swimming pools of water



1.4 Waste Recycling

- ▶ 100% recycling rates scrap metal, boiler slag, coal ash, sludge, 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 726,775 tonnes of carbon dioxide equivalent greenhouse gases ("tCO₂eq.") emitted from the Production Sites' operation, mainly carbon dioxide, methane and nitrous oxide. The annual emission intensity for the Group was 1.14 tCO₂eq./m² with reference to the total floor area of the Production Sites' business operations and 0.60 tCO₂eq. per tonne of production.

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 steam; and
- ▶ Other indirect GHG emissions (scope 3) from business air travel, sewage processing, and paper waste disposal.

The annual emission intensity for the Group was 1.14 tCO₂eq./m² with reference to the total floor area of the Production Sites' business operations and 0.60 tCO₂eq. per tonne of production.

Table of GHG emissions

Scope	Emission Sources		Total GHG emissions (in tCO ₂ eq.)	Total GHG Emissions (%)
1 Direct Emission ¹	Combustion of fuel for stationary sources	Coal ²	652,442	90%
		Diesel oil ²	217	
		Natural gas	248	
	Combustion of fuel for mobile sources	Petrol	168	
		Diesel	356	
	Refrigerants		1,057	
2 Energy Indirect Emission ²	Purchased electricity ³		34,464	10%
	Purchased steam		35,532	
3 Other Indirect Emission ³	Paper waste disposal		65	<1%
	Electricity used for sewage treatment by government		2,217	
	Business air travel by employees ⁴		9	
Total	726,775			100%

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

Emission factor of 0.7921 tCO₂/MWh and 0.8042 tCO₂/MWh were used for purchased electricity in Jiangsu Province and Guangdong Province of the PRC respectively.

4

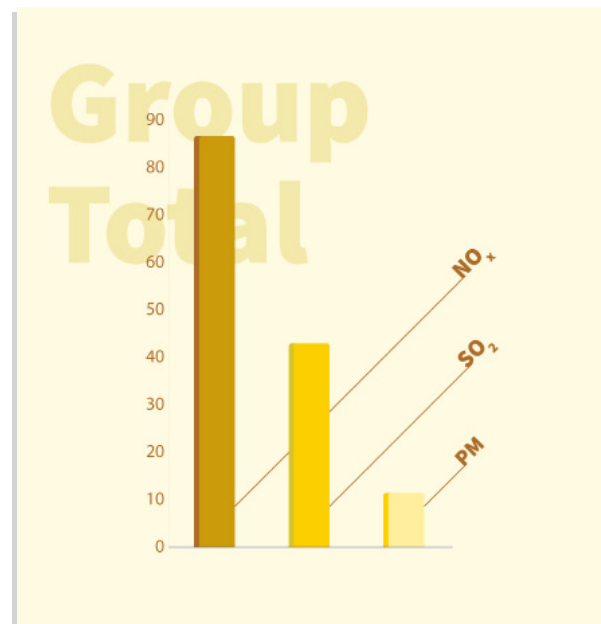
CO₂ emissions from the Group's business air travels were reported with accordance to the International Civil Aviation Organization (ICAO) Carbon Emission Calculator.

2.2 Air Emissions

Nitrogen oxides (“NO_x”), sulfur dioxide (“SO₂”) and particulate matter (“PM”) were mainly emitted from the production activities of Jiangyin Fuhui and Futian Oasis. The air pollutants emitted from the Production Sites’ owned vehicles only accounted for an insignificant amount to the Production Sites’ overall emissions. Therefore, this report focuses on the direct emissions of NO_x, SO₂ and PM from the production activities of Jiangyin Fuhui and Futian Oasis.

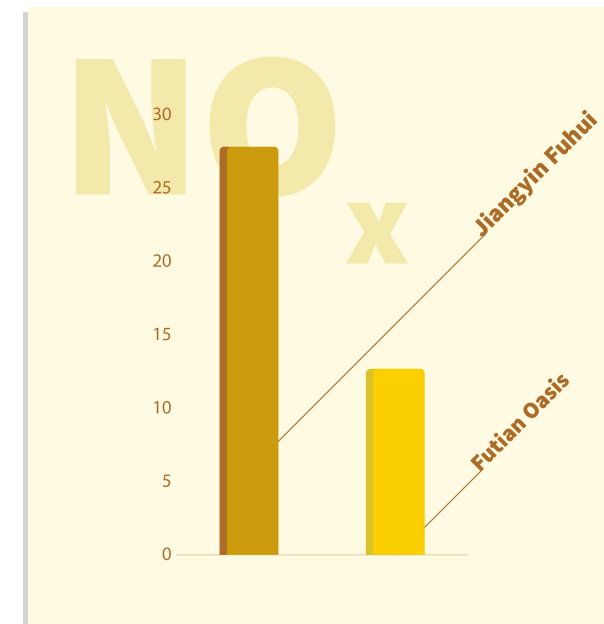
Total emissions and emission concentrations of NO_x, SO₂, and PM are presented in the tables below.

Direct Emissions of NO_x, SO₂, and PM



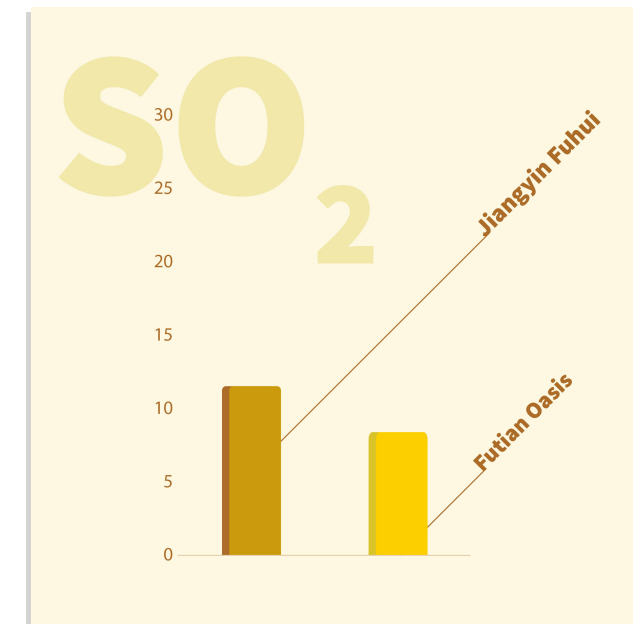
Group Total (In tonnes)

Average Concentrations of NO_x



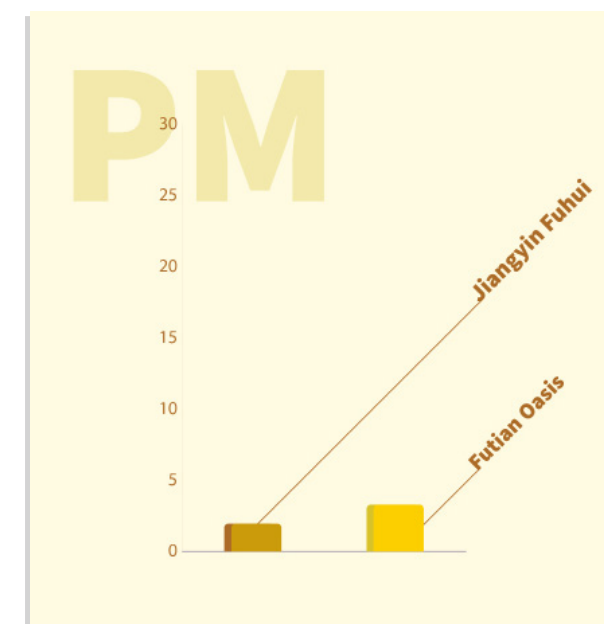
Average concentration (In mg/m³)

Average Concentrations of SO₂

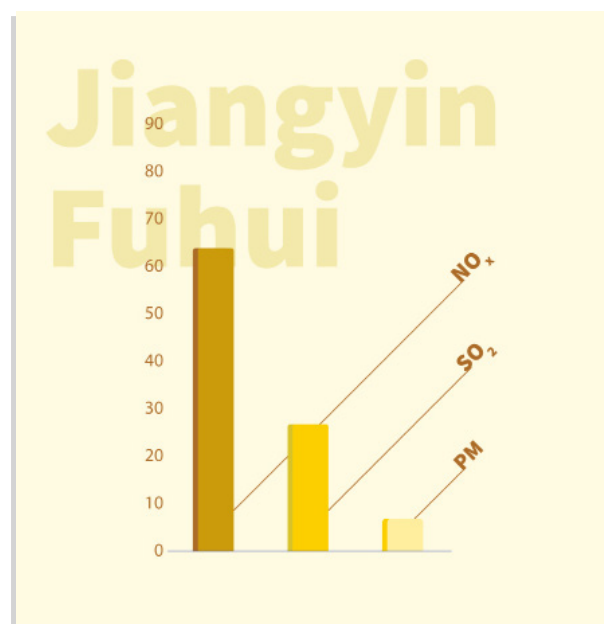


Average concentration (In mg/m³)

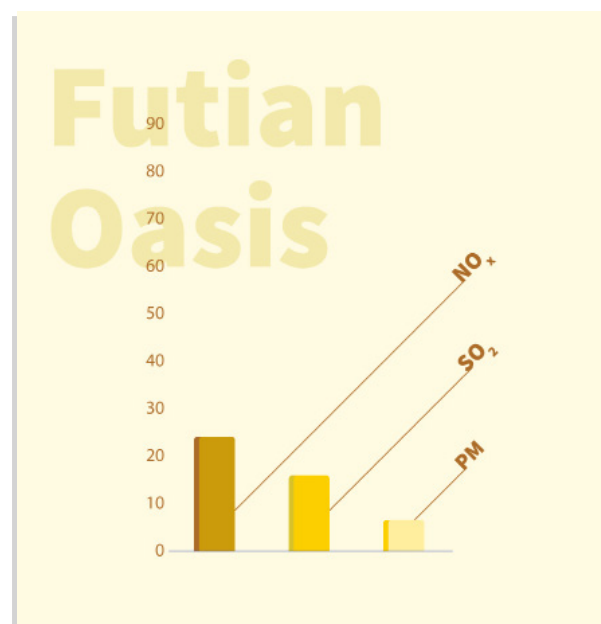
Average Concentrations of PM



Average concentration (In mg/m³)



Grand total (In tonnes)



Grand total (In tonnes)

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, boilers in Futian Oasis and Jiangyin Fuhui achieved a high desulfurization efficiency of 98.8% 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	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

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 NO_x < 50mg/m³, SO₂ < 35 mg/m³, PM <10 mg/m³) 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 NO_x, SO₂ 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, concentrations of key air pollutants (i.e., PM, SO₂ and NO_x), 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 1,130,000 tonnes of steam and supplied a total of 520,000 tonnes of steam to Shatin Lake Side.

Meanwhile, the second phase of the Project has been commenced since 2019. The Group has modified the construction plan in order to meet the coal-to-gas switching policy requirements and action plans issued by Dongguan, China. 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 air emissions can be reduced substantially.

Air pollutants	Current emission standard (mg/Nm ³)	Emissions upon completion of the second phase(mg/Nm ³)	Annual estimated reduction (in tonnes)
SO ₂	35	35	62.96
NO _x	50	30	25.5
PM	20	5	7.87

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 resources.

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 4,150,130 MWh, with an overall energy intensity of 6.53 MWh/m² or 3.42 MWh/tonne of production, a 11% reduction compared to the last Reporting Period measured by floor area. The table below presents the energy consumption by energy types and the associated energy intensity.

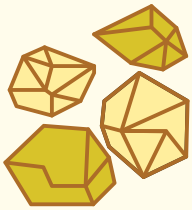
Direct/indirect energy resources

Consumption (Unit)

Consumption (MWh)

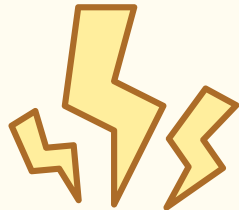
Energy Intensity (MWh/m²)

Energy Intensity (MWh/tonne of production)



Coal

322,920 tonnes
2,628,892 MWh
4.14 MWh/m ²
2.17 MWh/m ²



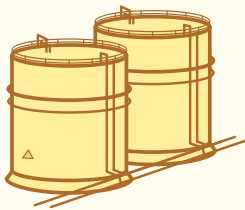
Electricity

196,803 MWh
196,803 MWh
0.31 MWh/m ²
0.16 MWh/m ²



Steam

1,561,162 tonnes
1,320,580 MWh
2.08 MWh
1.09 MWh/m ²



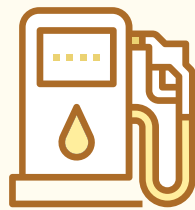
**Diesel
(for stationary combustion)**

82,460 L
824 MWh
0.0013 MWh
0.00068 MWh/m ²



Natural gas

113,640 m ³
1,123 MWh
0.0018 MWh
0.00093 MWh/m ²



Petrol

62,903 L
557 MWh
0.00088 MWh
0.00046 MWh/m ²



**Diesel
(for mobile combustion)**

135,023 L
1,350 MWh
0.0021 MWh
0.0011 MWh/m ²

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 resulted in a saving of more than 1,400,000 kWh of electricity and 14,000 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			
<ul style="list-style-type: none">▶ Upgrading the drying machine, washing machine, and shrinking machine to energy-efficient models▶ Retrofitting the textile printing machine to double servo system from hydraulic lifting system▶ Installing a new high-efficiency centrifugal compressor▶ Enhancing heat insulation performance of the thermal pipe systems to reduce heat dissipation <p>These upgrades and modification works resulted in a saving of more than 1,400,000 kWh of electricity and 14,000 tonnes of steam.</p>	<ul style="list-style-type: none">▶ Recovering residual heat from treated wastewater to heat up water for dyeing process▶ Switching to energy-saving motors▶ Upgrading all existing fluorescent lamps with LED tubes at office▶ Collecting and reusing condense water from dye tanks <p>These technologies and modification works resulted in a saving of more than 210,000 kWh of electricity and 60,000 tonnes of steam.</p>	<ul style="list-style-type: none">▶ Replacing drain valves on an annual basis to prevent steam leaks▶ Replacing parts for the maintenance of existing boilers to reduce heat dissipation▶ Regulating the use of air-conditioners and office equipment <p>These modification works resulted in a saving of 4,000 kWh of electricity.</p>	<ul style="list-style-type: none">▶ 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 <p>These modification works resulted in a saving of more than 309,000 kWh of electricity and 5,045 tonnes of steam.</p>

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. During the Reporting Period, the Production Sites consumed 10,990,500 m³ of raw water (water intensity: 17.44 m³/m²) and 3,689,158 m³ of recycled water.

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.

A total of 11,086,294 m³ of wastewater was discharged during the Reporting Period, with an intensity of 17.44

m³/m² or 9.15 m³/tonne of production. During the Reporting Period, the treated wastewater fulfilled the requirements of permitted discharge limits for various effluent parameters, including COD, Biochemical Oxygen Demand (BOD), total ammonia, total nitrogen and total phosphorus set out in the table below.

	Jiangyin Fuhui	Yancheng Fuhui	Shatin Lake Side	Futian Oasis
Chemical Oxygen Demand (“COD”) (mg/L)	200	200	80	80
Biological Oxygen Demand (“BOD 5 days”) (mg/L)	50	50	20	20
Total Ammonia (mg/L)	20	20	10	10
Total Nitrogen (mg/L)	30	30	15	15
Total Phosphorus (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 3,600,000 m³ of water for both production and non-production uses. The following table sets out the water-saving measures adopted by different Production Sites during the Reporting Period.

Shatin Lake Side	<ul style="list-style-type: none"> ▶ Upgrading the washing machine to optimize washing efficiency, which saved a total of 138,528 m³ of water ▶ Upgrading the textile printing machine to double servo system from hydraulic lifting system, which saved a total of 25,500 m³ of water ▶ Streamlining fabric processing by omitting the fabric drying process to reduce water consumption, without compromising the product quality ▶ Recycling condensed water with wastewater recycling system, with up to 1,611,300 m³ of water recycled at a recycling rate of 40.58%
Yancheng Fuhui	<ul style="list-style-type: none"> ▶ Reusing cooling water of up to 600,000 m³ of water annually at a recycling rate of 10%
Futian Oasis	<ul style="list-style-type: none"> ▶ Collecting condensate water for reuse purpose ▶ Retrofitting condensate recovery piping of auxiliary equipment to reduce water loss
Jiangyin Fuhui	<ul style="list-style-type: none"> ▶ Optimizing bleaching process to reduce water consumption ▶ Recovering alkali from high-concentration waste alkali liquor generated by mercerization process ▶ Reusing condensate water and reclaimed water of a total of 2,663,001 m³ of water at a recycling rate of 36.96% for production use

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 64 tonnes of hazardous waste (0.10 kg/m² or 0.05 kg/tonne of production), including dye waste, acid waste, waste materials with dye, oil- and mercury-containing waste and battery waste. A total of 96,441 tonnes of non-hazardous waste was generated (151.70 kg/m² or 79.50 kg/tonne of production), which included fabric wastes, boiler slag, coal ash, sludge, paper and plastic waste, scrap metal,

1. Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 Dye Waste (e.g., cloths with dye)	Dyeing processes and expired dye materials	52
 Oil (e.g., lubricant oil and engine oil)	Machines and equipment	10
 Acid	Production laboratory	1
 Others (including oil-containing wraps, waste organic solvent)	Daily operations and maintenance process	1
Total Hazardous Waste		64

sludge, gypsum and other general waste. The table below shows the amount of waste generated during the Reporting Period:

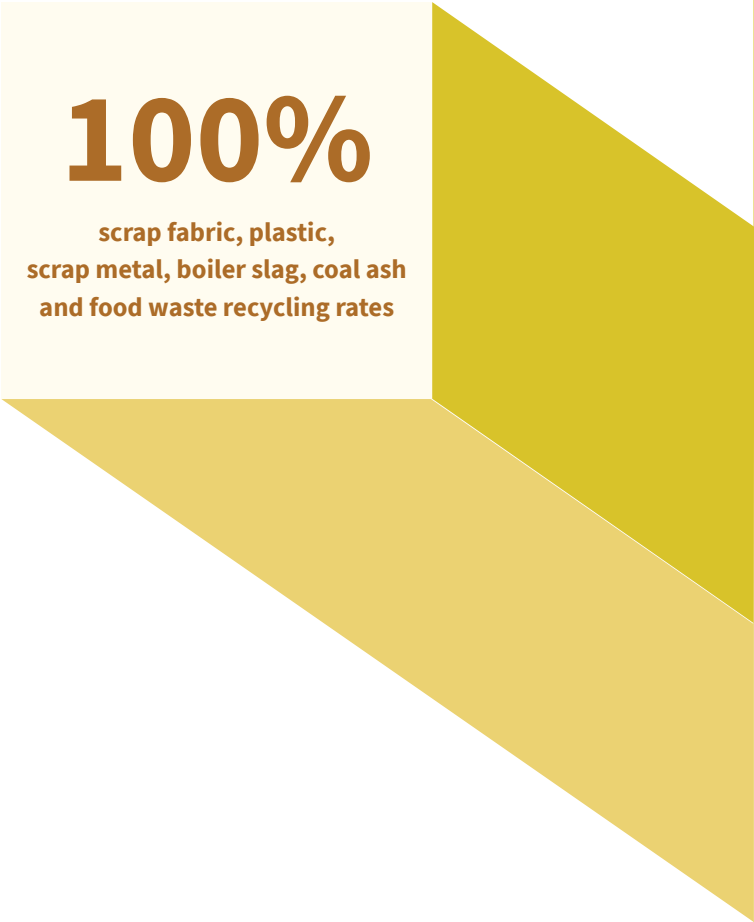
2. Non-Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 Fabric	Fabric processing procedures	1,858
 Paper	Packaging materials and waste paper	1,411
 Plastic	Production process and packaging materials	226
 Scrap Metal	Production process, replacement of machines and equipment	172
Boiler Slag	Coal-fired boilers	21,579
 Coal Ash	Coal-fired boilers	67,200
 Sludge	By-products of wastewater treatment	37
General Waste	Daily operations, food waste	1,053
Others (e.g., industrial waste, gypsum)	Production processes and by-products of desulphurization	2,905
Total Non-Hazardous Waste		96,441

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 animal 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, Shatin Lake Side recycled a total of 11.43 tonnes of office paper. The Group achieved a 100% recycling rate of scrap metal, boiler slag, coal ash, sludge, gypsum and food waste.



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 1,010 tonnes of paper, fabric and

plastic, with an overall intensity of 0.0008 tonne per tonne of production, representing a 45% of reduction compared to the last Reporting Period.

Type of Material	Source of Material	Consumption (in tonnes)
Plastic	Plastic bags, films and polypropylene straps	609
Fabric and Paper	Cloths, paper tubes	401
Total		1,010

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 continual improvement. The Production sites operate and maintain an EMS that conforms to the ISO 14001 standard.

To 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. Shatin Lake Side was evaluated against criteria including carbon intensity, greenhouse gas management practices and energy efficiency best practices, and accredited with the LCMP Gold Label for the period of 2019 to 2020. 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.

8 Climate Change

8.1 Climate Change

The Group recognizes the direct impacts of climate change on its business and the community at large, and associated risks presented to its operations. To this end, the Group has been developing resilient strategies and improving the management of related performance to mitigate climate risks in its operations. Climate risks include disruptions to the production and delivery of goods and services, and loss of life, equipment, or property due to extreme weather events.

To better cope with extreme weather events, the Production Sites have kept abreast of weather developments and prepared for weather changes and impacts of extreme weather, ensuring that the operations and supply chain are more resilient to the changing climate. To reduce carbon emissions and implement policy changes, the Production Sites have gradually replaced coal with cleaner fuels including natural gas for steam and electricity generation. In addition, the Production Sites have set short-term emission targets to promote continuous improvement, and actively adopted different approaches, including initiatives to reduce waste, conserve energy and water, and enhance environmental awareness.



SOCIAL

1 Employment and Labor Practices

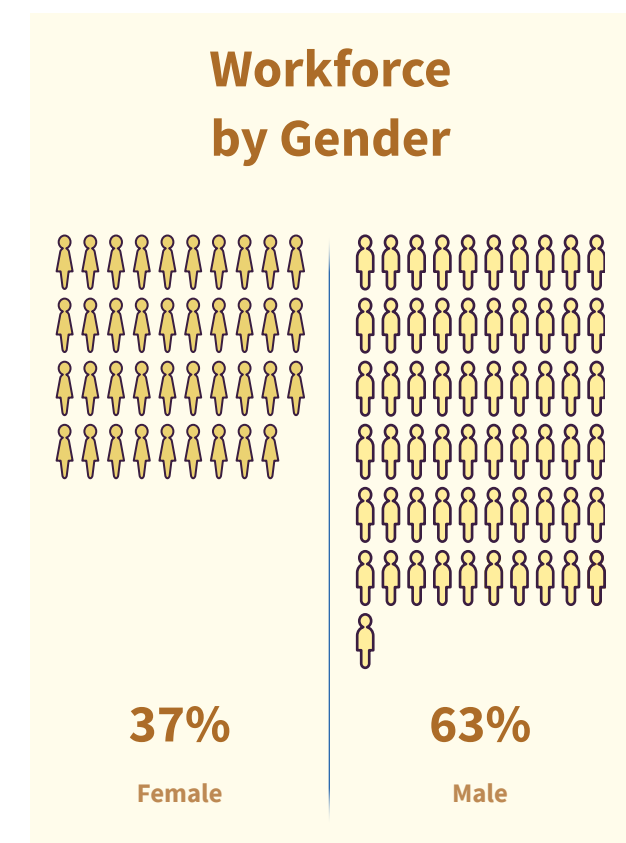
IN THIS CHAPTER

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

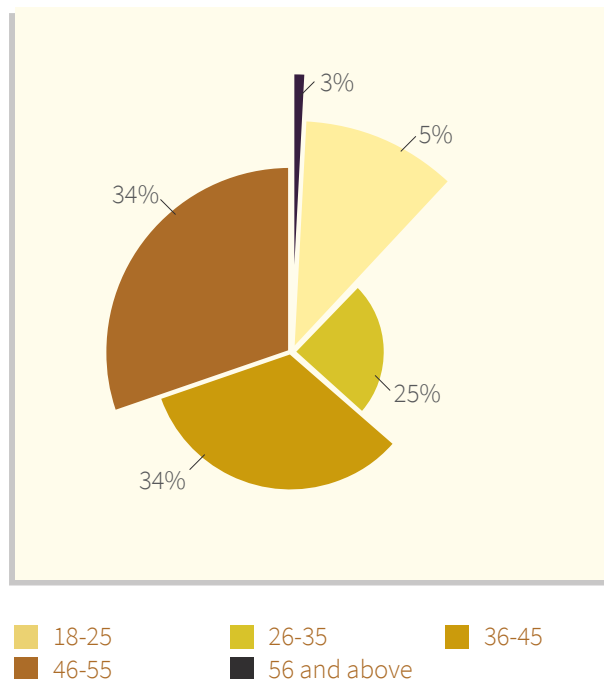
1.1 Employment

Total Employees

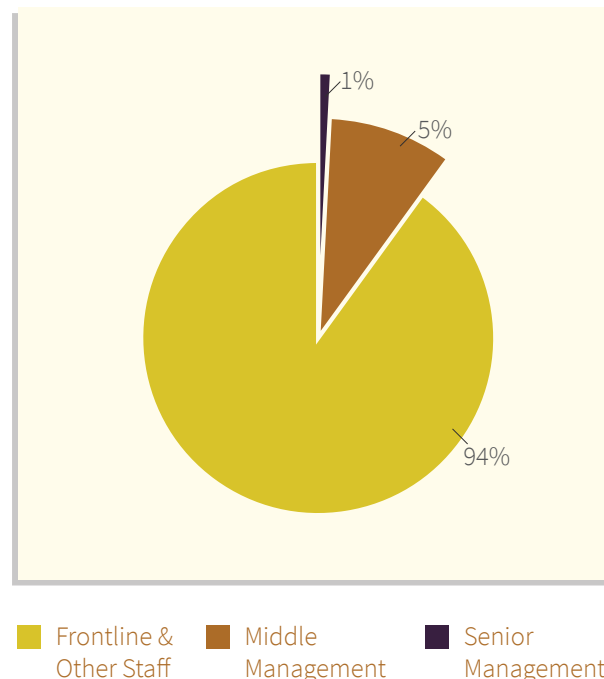
The Group offers competitive remuneration, promotion opportunity, compensation and benefit packages to attract and retain talents. As of 31 December 2020, the Production Sites had a total number of 4,658 (2019: 5,745 employees), all of them were full-time employees. The total workforce by gender, age group, employment category and geographical region are shown below.



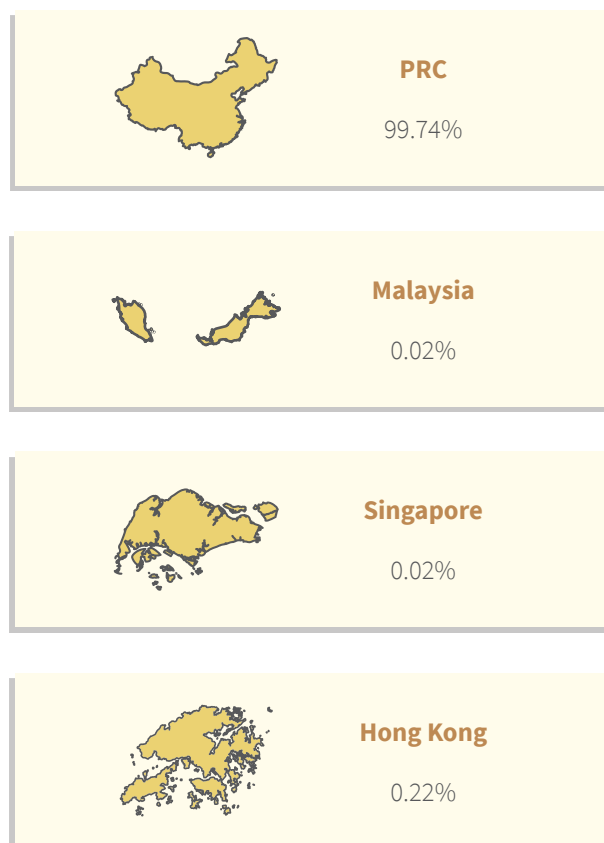
Total Workforce by Age Group



Total Workforce by Employment Category



Total Workforce by Geographical Region



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:

- ▶ Labor Law of the PRC;
- ▶ Labor 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 behaviours expected by the Group.

In addition, Yancheng Fuhui strictly abides by the laws and regulations on the protection of female employees, and continuously improves the working environment and working conditions of female employees. The Production Sites provide maternity leaves and breastfeeding breaks for female employees in accordance with the Special Rules on the Labor Protection of Female Employees.

Employee Relations and Engagement Programs

The Group believes that a healthy work-life balance contributes to higher productivity and overall workplace efficiency. To boost employee morale and promote team building, the Production Sites offer various sports and recreational facilities for a wide variety of activities such as gym, dance, table tennis, badminton, basketball, reading, karaoke and chess playing. Moreover, a wide range of activities and gatherings have been held for celebrating festive occasions round the year, including the Chinese New Year, Women's Day, Labor's Day, Mid-Autumn Festival and Christmas. Some of the cultural activities held included sports competitions, poker games and safety knowledge competitions.

When there are major changes in company policies, labor delegates meetings will be convened to collect thoughts and meaningful feedback from employees, and discuss issues relating to employee rights and obligations.

Case Study: Extending Our Care to Our People's Well-being Amid the Coronavirus Outbreak

Employees' health and well-being are key concern of the Group amid the coronavirus outbreak. During the Reporting Period, Jiangyin Fuhui held activities that help support employees with difficulties, provided shuttle bus services for employees' daily commute and carried out patriotic education campaigns and team building activities to foster employee mental and physical health.

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.

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

Specifically, the Group has established an Industrial Safety Committee ("the Committee") to oversee 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. 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 assessment results 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 to acquire knowledge on safety laws and regulations, the Production Sites' safety policies, the use of safety protection equipment and prevention of associated occupational diseases. The Production Sites also offer refresher training on industry specific occupational safety practices on a regular basis to raise awareness among employees. The Group will continue to improve management practices and establish effective procedures to reduce employees' exposures for safety and health hazards in the workplace.

To ensure employees’ safety in the workplace, 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 summer times, the Production Sites deliver cooling materials to workers to protect them against heat stress. The Group 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.

No fatalities of the Group’s employees have been recorded in the past three reporting periods since 2018. There were 102 work-related injury cases during the Reporting Period. Corrective actions were implemented to prevent recurrences.

Occupational Health and Safety Statistics in FY 2020	
Work-related fatality	0
Lost days due to work injury	1,129 days
Work injury cases ≤3 days	27
Work injury cases >3 days	75

Our Responses to COVID-19

With the outbreak of COVID-19 pandemic, the Group is highly conscious of the potential health and safety impacts brought to its employees. To contain the spread of COVID-19 in the community and better protect the staff, the Production Sites have implemented precautionary measures that were in line with the national and local government’s virus control guidelines since early 2020. In addition to stepping up the sanitation of the Production Sites, the Group has also enforced social distancing measures in the workplace, conducted temperature checks for employees and guests, and provided disinfection supplies including face masks and hand sanitizers. Partitions are set up on shared tables at staff canteen to protect staff from being affected due to work.

Furthermore, the Group has set up emergency response teams in different operating sites to closely

monitor the development of the epidemic and implemented isolation arrangements for employees who develop COVID-19 symptoms. Employees and guests entering the province from cities and districts of medium- or high-risk are required to provide seven-day-valid COVID-19 tests upon arrival, and undergo compulsory quarantine for 14 days. For those who come from other low-risk areas, only health codes are needed. The Production Sites will report promptly to the government when there is a suspected case of COVID-19 in the operating sites. With the strict implementation of infection control measures, the Production Sites have resumed normal operation soon since February 2020.

1.3 Training and Development Programs

The Group attaches great importance to employees' personal growth and talent development. The 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 64,610 hours of training courses were conducted in the Reporting Period, the average training time per employee was 13.9 hours.

In addition to the above staff training programs, the Group provides managerial skill improvement training for managers and management courses for newly recruited university graduates to prepare them for management work. At the same time, the Group also provides professional skills training for employees so as to meet the requirement of day-to-day work. Professional skills training cover topics of hazardous chemical handling, forklift truck driving, boiler operation, high-voltage operation, welding and hot cutting, etc. Other on-the-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 training programs and evaluates employees' performance based on their job capabilities, and adjusts training programs to meet the employee needs and business objectives.

Case 1: Online training platform

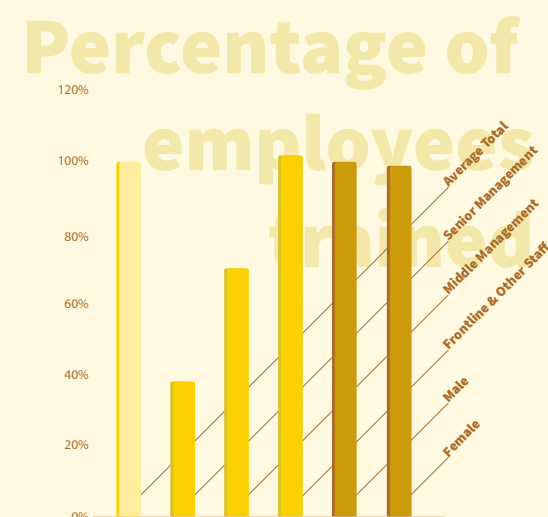
During the Reporting Period, Shatin Lake Side partnered with universities in Dongguan, China to promote the use of Wanyixue app, an e-learning platform for employee learning to upgrade employees' qualifications and skills.

Case 2: Lifelong learning for employees

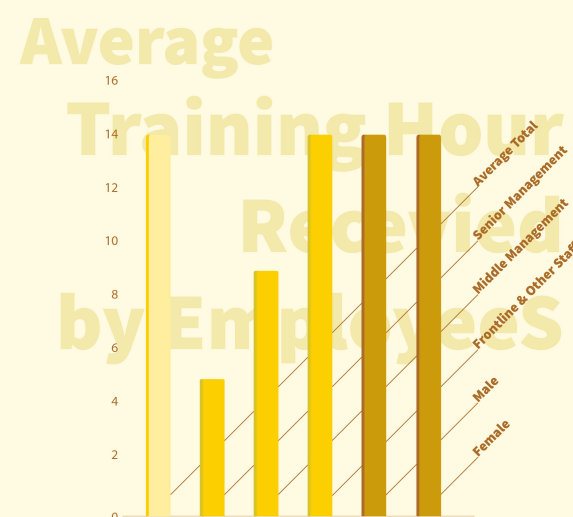
Employees are encouraged to pursue higher studies and enhance their capabilities through talent development and training programs. Jiangyin Fuhui continued to collaborate with local educational institutions to support continuous learning and development of the employees during the Reporting Period.

A total of 64,610 hours of training courses were conducted during the Reporting Period, the average training time per employee was 13.9 hours, increased by 6% compared with the previous Reporting Period of 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

Child and forced labors are strictly prohibited in the workplace. The 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.

Clauses relating to prevention of child and forced labors are included in the employment contract, which stipulates 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 values individual differences in the workplace and hire employees of different age groups, genders, and ethnicities. The Group complies with all applicable laws and regulations in relation to equal employment including the Labor Law of the PRC and Employment Promotion Law of the PRC. In addition, the equal opportunity and anti-discrimination practices as stipulated in the employee handbook safeguards employees' legitimate rights and protects them from discrimination against gender, nationality, ethnic background, religion, political affiliation, age, or any other unlawful reasons. Equal opportunity is also provided to all employees in respect of recruitment, training and development, job advancement, compensation, benefits and other aspects.

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 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 245 suppliers of the following regions.

Region	Number of suppliers	Types of suppliers
Mainland China	244	Raw and auxiliary materials (e.g., dyes, fabric, chemicals, yarns, garment accessories), production machinery and equipment, construction services providers, outsourced processors
Hong Kong	1	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 Group ensures that 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 Group purchases yarns and manufacturers products that are certified to various international eco-textile certification standards, including the Oeko-Tex Standard 100 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 and Confidentiality

The Group has consistently invested in patent applications for new designs and technologies at the State Intellectual Property Office of the PRC since the early stages of its establishment. To this end, the Group has implemented a management system and internal measures to protect the intellectual property (the “IP”) rights owned by the Group and third-party organizations. 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. The Group conducts regular reviews of the internal policies and systems to ensure the efficacy and proper implementation of IP measures, ensuring protection of proprietary information owned by the Group and third parties. 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.

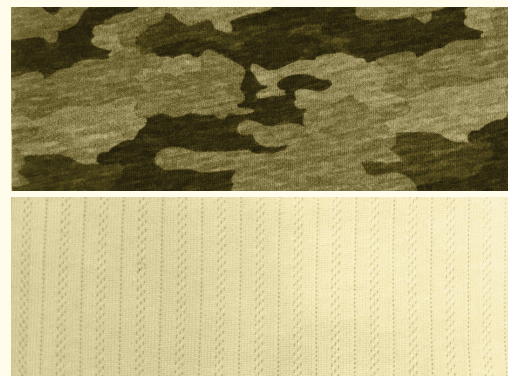
Innovative Research and Development

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 for cost reduction, improvement of quality and process, energy conservation, and emission reduction. Frontline workers with vast experience in the field always contribute useful and creative ideas on improving production capacity.

Shatin Lake Side

The current research in Shatin Lake Side is focusing on developing two functional materials, namely the antibacterial and antiviral fabrics for face masks and garment production from recycled fabrics.



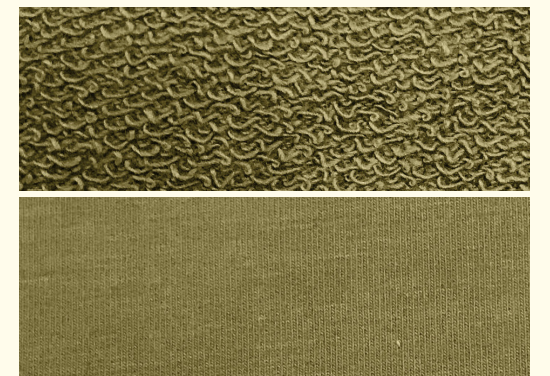
Yancheng Fuhui

Yancheng Fuhui has continued the research and development on eco-friendly 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 order to offer diversified styles and choices that meet customer's changing preferences, Jiangyin Fuhui's R&D Team extended its efforts on developing a range of sustainable fabrics under the RECYCLE series during the Reporting Period. Based on the foundation laid in the past, Jiangyin Fuhui researched on different materials and developed a variety of sustainable fabrics, including the RECYCLE COTTON OE, RECYCLE COTTON MODAL SC and GRS SPANDEX.



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. To this end, the Group has cooperated with customers in implementing their whistle-blowing policies to combat corruption. Internally, the Anti-corruption Policy sets out the Group's ethical standards and approaches to address ethics violations, which is well documented and communicated through the employee handbook, employee confidentiality agreement and guidelines on conflict of interest. The Anti-Corruption Monitoring and Investigation Committee monitors anti-corruption compliance and oversees the investigation of alleged cases. Any corruption or bribery activities in procurement are strictly prohibited. Internally, the Anti-corruption Policy sets out the Group's ethical standards and approaches to address ethics violations, which is well documented and communicated through the employee handbook, employee confidentiality agreement and guidelines on conflict of interest. The Anti-Corruption Monitoring and Investigation Committee monitors anti-corruption compliance and oversees the investigation of alleged cases. Any corruption or bribery activities in procurement are strictly prohibited.

The Group takes a serious view of employees' complaints of discrimination, harassment, and unethical or unfair conduct. A Whistle-blowing

Policy is in place to encourage employees report to the Group of any suspected cases of misconduct, malpractice, impropriety, unethical or unfair treatment. 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. Whistle-blowers can also make anonymous reports through grievance channels including the dedicated e-mail account. 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 strictly complies with national anti-bribery and corruption laws, including the 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.

2.4 Community Investment

The Group is actively engaged in the community to help facilitate local development and respond proactively to community needs. The Group continues to discharge its social responsibility through blood donations, bursaries, and participation in other public welfare activities. Through long-term supports 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 the communities it operates in. During the Reporting Period, Jiangyin Fuhui made a charitable donation of CNY 400,000 to a non-profit organization. Besides, Jiangyin Fuhui and Yancheng Fuhui organized various National Civilized City Programs in creating a clean, orderly, and comfortable urban environment.



Case: Community Care Amidst the COVID-19

Since the outbreak of COVID-19, the Group has proactively initiated various supporting activities in the community. To meet the dramatic rise in demand for medical supplies, Yancheng Fuhui has established a Medical Affairs Unit and installed new production lines in early 2020 for the production of surgical masks and protective suits. From February to March 2020, employees of Yancheng Fuhui raised approximately CNY 7,000 for the frontline healthcare workers to support the battle against COVID-19.



Case: Student Bursaries

The Group recognizes outstanding students from impoverished communities to pursue studies. During the Reporting Period, Shatin Lake Side offered bursaries of CNY 30,000 to a total of 30 needy students of the Department of Light Industrial Engineering and Department of Textiles in the Guangzhou Vocational College of Technology.



Case: Blood Donation Activities

Over the years, the Group and local blood centers have been jointly organizing blood donation activities to promote the importance of regular blood donation. Responding to the call for blood donation, the Group arranged four blood donation activities in Jiangyin Fuhui, Shatin Lake Side and Futian Oasis during the Reporting Period. A total of 96 employees took part in the blood donation exercises.

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Environmental

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