



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code:393)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告

2020



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1. About this Report

Glorious Sun Enterprises Limited was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in September 1996 (stock code: 393). Our major lines of business are financial investments, interior decoration and renovation, and export and retail of casual wear. Glorious Sun Enterprises Limited and its subsidiaries (the "Group") are guided by a mission in providing quality products and services with added value, as well as investing in high quality financial products to secure stable profits. We strive to satisfy the needs of customers, to provide opportunities for our staff to excel, to deliver reasonable and profitable returns to shareholders, and to grow and succeed with our partners. The Group's ultimate goal is to repay society and create maximum value for the community.

The Group's interior decoration and renovation business is operated by Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Changhong"), while the export business is operated by Pacific Potential Trading Company Limited and Rand Design Limited. Jeanswest, the Group's fashion brand, has retail outlets in Hong Kong, and operates overseas franchising businesses in South East Asia and the Middle East.



● A Jeanswest store

Reporting Standards and Scope

This Environmental, Social and Governance Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange. This Report outlines our environmental, social and governance (ESG) initiatives during the period from 1 January 2020 to 31 December 2020 and their progress. For the sake of brevity, "2019" and "2020" in this Report stand for the year ended 31 December 2019 and the year ended 31 December 2020 respectively. The data of "2019" are presented for comparison and reference.

This Report covers the Group's core business activities in Hong Kong and Mainland China, including financial investments, interior decoration and renovation, export and retail of casual wear. Readers will find highlights of the Group's sustainability efforts in the following areas:

- Environmental aspect (emissions, use of resources, environmental and natural resources); and
- Social aspect (employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment).

The Group's financial investment business does not involve any industrial operations and is carried out in the Hong Kong office and online. Since the number of staff involved is insignificant when compared with the total number of the Group with their business travels kept to a minimum, the emissions and office resource usage of the business is therefore immaterial.

A detailed ESG content index is provided at the end of this Report for easy reference.

This ESG Report has been reviewed and approved by the Board of Directors of the Company.

Key Disclosure Aspects

To ensure a concise, equitable and clear view of the Group's ESG performance, this Report only focuses on sustainability matters which are material to the Group and stresses the challenges and achievements during the reporting period.

Such material matters and scope of this Report were determined based on the following considerations:

- Disclosure frequency of industry peers;
- Stakeholders' choice and feedback; and
- Potential impact of the matter on business.

Contact Information

If you have any comments or suggestions on this Report, please send them to the address below:

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2. Environmental Protection

Delivering on a mission of sustainable development, the Group adheres to all applicable laws and regulations on environmental protection. Internal guidelines are also in place to foster interest in environmental issues among our staff. By promoting green awareness and responsibility, we have created a positive milieu for the entire workforce to care about the environment and engage in green initiatives.

Energy and Water Consumption

To manage energy saving and emission reduction efforts systematically, carbon emissions of the Group's corporate activities are calculated with Activity-based Carbon Footprint Modelling (ACFM), a licensed system jointly developed by the Hong Kong Research Institute of Textiles and Apparel (HKRITA) and the Clothing Industry Training Authority (CITA) with funding from the Innovation and Technology Commission. We also encourage our suppliers in Mainland China to use this management system.

Scope of carbon emission statistics:

	Region / Business	Definition	Statistics
1	Hong Kong	Offices	Consumption data of natural gas, Liquefied Petroleum Gas (LPG), petrol, diesel, water and electricity are recorded and calculated with the CITA Activity-based Carbon Footprint Modelling (ACFM) system
2	China Headquarters	Offices, staff quarters	
3	Changhong	Offices, factories	

Total Carbon Dioxide Equivalent (CO₂e) arising from Natural Gas, LPG, Petrol, Diesel, Water and Electricity Consumption:

Greenhouse gas emissions calculated with the CITA ACFM system are expressed in carbon dioxide equivalent (CO₂e). CO₂e refers to the amount of CO₂ by weight, emitted into the atmosphere that would produce the same global warming potential as that of a given weight of other greenhouse gases being emitted. CO₂e converts each greenhouse gas emitted to a common source in terms of carbon dioxide for comparison.

		CO ₂ e Emission (Tonne)	
Region / Business	Year	2019	2020
Hong Kong		61	62
China Headquarters		87	63
Changhong		1,326	1,530
Total		1,474	1,655

The Group's apparel retail business and financial investment business do not generate any significant hazardous waste.

For the interior decoration and renovation business, the exhaust fumes resulted from spray paint and paint drying in the industrial park are collected and treated with pulse filter cartridge dust collector, two-tier filtering, an activated charcoal absorber (concentrated) and desorption-catalytic combustion equipment system. The fumes, after processing, will meet the emission safety standard and keep the impact of volatile organic compounds (VOCs) to the surroundings to the minimum.

Furthermore, paint residues left by the spray paint process will be collected by waste management plant which is qualified by the Chinese government for treating hazardous waste. In 2020, 1.4 tonnes of paint residues (2019: 1.35 tonnes) were collected.

Electricity Consumption

Striving to save electricity, energy saving LED tubes were installed in our offices and retail shops, and the central air-conditioning system of the China headquarters was upgraded. LED lighting has many advantages, such as operating on low-voltage power, low energy consumption, high adaptability and stability, quick response time, non-polluting and a range of coloured lights.

Electricity Consumption (kWh)		
Region / Business \ Year	2019	2020
Hong Kong	118,913	121,606
China Headquarters	103,361	78,028
Changhong	1,790,422	1,277,585
Total	2,012,696	1,477,219

Water Consumption (Mainland China only)

On our efforts to conserve water, the Group reduced water consumption considerably after implementing the following measures/policies:

- Adopt water saving production methods and machinery.
- Inspect concealed water pipes regularly for preventing leakage or damage. Inspect internal water supply systems and promptly repair any malfunctioning water tanks, faucets and other water supply facilities.
- Set flushing and washing devices to the lowest water level to avoid fresh water overflow during operation.
- Shut off water supply systems during the night and on holidays.
- Put up posters to remind employees to conserve water.

Water Consumption (Tonne)		
Region / Business \ Year	2019	2020
China Headquarters	3,423	2,976
Changhong	19,623	8,989
Total	23,046	11,965

* Some retail stores in Hong Kong operate in department stores or shopping malls where water supply and discharge are controlled by the building management so the retrieval of the relevant data is not feasible.

In 2020, orders from customers on interior design and renovation projects slowed down under the impact of the COVID-19 pandemic, hence electricity consumption and water consumption of Changhong decreased. Furthermore, since the ACFM system updated its emission factor algorithm of the CO₂e for places other than Guangdong, the CO₂e emission factor for places other than Guangdong increased, leading to an overall increase of CO₂e generated by Changhong.

Waste Management and Resource Recycling

Paperless Office and Reducing Rubbish Bag Consumption at Offices

The Group has set forth a paperless office policy. Colleagues are requested to minimise paper reports, communicate by email, sign out documents with e-signatures and use recycled paper. We have also introduced guidelines on reducing paper consumption to help our staff use less paper. Meanwhile, only deskside rubbish bins were allocated and rubbish bags were recycled and reused.

In 2020, the Group further implemented waste sorting in the China headquarters. Four types of recycle bins for food waste, recyclables, other garbage and hazardous waste were set up in the site to promote resource recycling and to reduce environmental pollution.



- *Four types of recycle bins were set up at the China headquarters*

Using High Technology to foster Conservation in Interior Decoration and Renovation Business

Changhong employs advanced, cost effective and environmental friendly technologies that comply with the industrial policies in Mainland China. Renovation and packaging require various materials including composite boards, carton boxes, timbers, plastics and metals. Customers' interior design and renovation projects slowed down under the impact of the COVID-19 pandemic. In 2020, Changhong used 1,931 paper carton boxes (2019: 9,806 paper carton boxes), 13,550 rolls of plastic tape (2019: 40,210 rolls) and 0.4 tonne of paint buckets (2019: 0.35 tonne). Changhong puts a priority in using green materials, techniques and facilities such as environmental materials, power saving lights and water saving equipment.

Changhong integrates Building Information Modelling, cloud computing for commercial shops and "big data" to achieve informatization and intelligence of commercial shop construction management. With such advanced construction technology, efficiency is enhanced, cost and project duration are compressed, thus achieving environmental benefits.

Reducing Plastic Bags Use in Retail and Export Businesses

As an apparel retailer, the use of plastic bags as shopping bags or packaging materials is inevitable. Since the launch of Environmental Levy Scheme on Plastic Shopping Bags by the Hong Kong Government, the Group has reduced using plastic bags. Under the adverse impact of the COVID-19 pandemic, the Group's apparel retail business in Hong Kong used 16,600 plastic bags (2019: 22,000 plastic bags) and 2,918 carton boxes (2019: 4,651 carton boxes). For the export business, as global trading has been slowed down under the impact of the COVID-19 pandemic, the Group used 7,850 carton boxes (2019: 57,500 carton boxes) and 1,250 paper pallets (2019: 2,950 paper pallets) in 2020.

Promoting Vegetarian Diet to reduce Polluting Emissions

A low-meat or vegetarian diet, given its contribution to saving earth resources for animal husbandry, is a practical step for low carbon living. The Group has made keen efforts to promote a healthy vegetarian diet. To encourage staff to eat less meat, the staff canteen in Huizhou is serving only vegetarian meals every Wednesday. Not only does this initiative raise awareness for healthy eating, it also plays a part in global carbon reduction.

3. Employment and Labour Practices

Staff are a cornerstone for the Group's business development and growth. Treasuring this most valuable asset, we attach the greatest importance to provide a fair, safe, healthy and happy working environment for our staff to support their personal and career advancement.

As at 31 December 2020, the Group employed 481 people in Mainland China and Hong Kong. The group-wide personnel distribution was as follows:

Headcount			
Year		2019 (December)	2020 (December)
Region			
Hong Kong		76	80
Mainland China		456	401
Total		532	481

Headcount by Gender					
Year		2019 (December)		2020 (December)	
Region	Gender	Male	Female	Male	Female
Hong Kong		25	51	24	56
Mainland China		247	209	211	190
Total		272	260	235	246

Headcount by Age Group															
Year		2019 (December)						2020 (December)							
Region	Age Group	16-20	21-30	31-40	41-50	51-60	61-65	66 or above	16-20	21-30	31-40	41-50	51-60	61-65	66 or above
Hong Kong		1	12	16	29	6	4	8	2	16	12	28	10	4	8
Mainland China		0	139	208	84	24	1	0	0	88	214	72	23	4	0
Total		1	151	224	113	30	5	8	2	104	226	100	33	8	8

Headcount by Employment Type					
Year		2019 (December)		2020 (December)	
Region	Employment Type	Part-time *	Monthly-paid	Part-time *	Monthly-paid
Hong Kong		7	69	8	72
Mainland China		0	456	0	401
Total		7	525	8	473

* Part-time employees include temporary workers/hourly-rate workers/daily-rate workers

Working Environment and Labour Standards

The Group, as a responsible employer, has laid down clearly-defined employment policies and guidelines in compliance with relevant state and regional labour laws to ensure a fair and highly transparent working environment.

The Group offers competitive remuneration to attract and retain talent. We provide comprehensive staff benefits to all monthly-paid employees, including labour insurance / social insurance, housing provident fund (Mainland China only), staff shopping benefits, continuing education fund, medical benefits, life insurance and provident fund scheme (Hong Kong only). Employees also enjoy annual leave, sick leave, marriage leave, maternity leave, paternity leave (applicable to Hong Kong), caregiver leave (applicable to Mainland China), bereavement leave and injury leave.

All staff members are treated on equal terms and rewarded according to performance. There is an appraisal system under which work performance is assessed against the Group's goals and expectations to recognise every employee's efforts and contributions, and to work together for future improvement.

The Group strictly abides by our code of employment to prevent child labour and forced labour. In the reporting period, no business unit was involved in any risks associated with child labour and forced labour, and no related case has been reported.

Staff Health and Safety

The Group always puts staff occupational safety first. Committed to strict compliance of all occupational health and safety laws and regulations, we strive to create a safe and sound working environment for our workforce. We have set up an Office Environment Improvement and Occupational Safety Group in Hong Kong, which is well represented by various business units. The group is responsible for reviewing and promoting office environment improvement measures, work safety and health policies and procedures, to ensure compliance with relevant laws. The Group also puts in place precautionary and remedial measures, if necessary, to minimise potential hazards and accidents.

Fire drills and briefing sessions are organised annually to familiarise colleagues with fire escape routes and the latest information. In 2020, the Group organised a series of seminars on various health topics. An annual health checkup and a first aid certificate course were organised at our Mainland China headquarters and Hong Kong headquarters respectively. The first aid certificate course enhanced staff's first aid knowledge and skill which would be useful in providing support in emergency. Moreover, a Chinese medicine practitioner was invited to analyse the COVID-19 virus from a Chinese medicine perspective and shared health care tips in improving immunity and fighting against the virus.

During the reporting period, there was no work-related fatal injury.



● An annual health checkup at the China headquarters



● Chinese medicine seminar provided tips on preventing COVID-19

Staff Development and Training

To drive business growth and cultivate talent, the Group runs a full range of training activities with specific targets and plans. These programmes enable our staff to upgrade knowledge and build capacity, so as to provide crucial support for enhancing corporate efficiency and realising our corporate goals.

Group-wide Training Programme (Comprising Training Courses for Various Grades)

The Group invests significantly in staff training, providing an extensive range of courses for colleagues in different posts to support our business growth. These include professional training, leadership training and customised training.

Employees are required to complete a specified number of training hours each year. To ensure the right training is provided, employees' training needs will be reviewed by department heads during the annual performance appraisal.

The Group has also set up an education fund to encourage staff to take training courses relevant to their duties during their leisure time. This kind of learning is instrumental in improving work efficiency and effectiveness.

In 2020, other than core training programmes held for various grades of staff, the Group organised “The Spirit of the Two Sessions” seminar (the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC)) to let the staff learn the latest national policies and market trends. Moreover, a solicitor was invited to provide knowledge in “Civil Code of the People’s Republic of China”, “Contract Law and Computer Software Copyright Registration”. A “Positive Energy for Presentation Skills” seminar was arranged in Hong Kong headquarters to enhance staff’s presentation skills. Under the COVID-19 pandemic, the Group reduced the number of offline training courses and organised more online training courses to maintain social distance. Online training courses including “Commercial Chinese Writing Skills” and “Whiteboard Handwriting” were organised via Zoom video conferencing at Hong Kong headquarters whereas “Digital Marketing”, “e-Commerce” and “International Marketing” were arranged for export and retail businesses staff in Mainland China.



● Core training courses were designed for various grades of staff



● More online training courses were implemented due to the COVID-19 pandemic

Staff Training				
Year	2019		2020	
Region \ Training data	Total number of employees trained	Training hours completed	Total number of employees trained	Training hours completed
Hong Kong	76	400	80	606.5
Mainland China	456	1,005	401	703

Management Culture and Communication

The Group has several communication channels to facilitate exchange.

Management Review Meeting: The Group holds management review meeting under which focus groups are set up for all member companies every three months. Staff can participate in discussions and voice their views, share management insights and better understand the Group's corporate culture and management approach. This provides a framework for two-way communication from the junior level all the way to top management.

Managers' Committee in China Headquarters: The "managers' committee" aims to nurture future management personnel for the Group. The committee comprises several functional sub-units for event organisation, research and exchange, public relations and secretarial service. Regular activities including outreach programmes, seminars and talks are held to strengthen the cohesion of committee members and to broaden their horizon.



● *The managers' committee holds regular meetings to analyse the latest national policies and market trends*

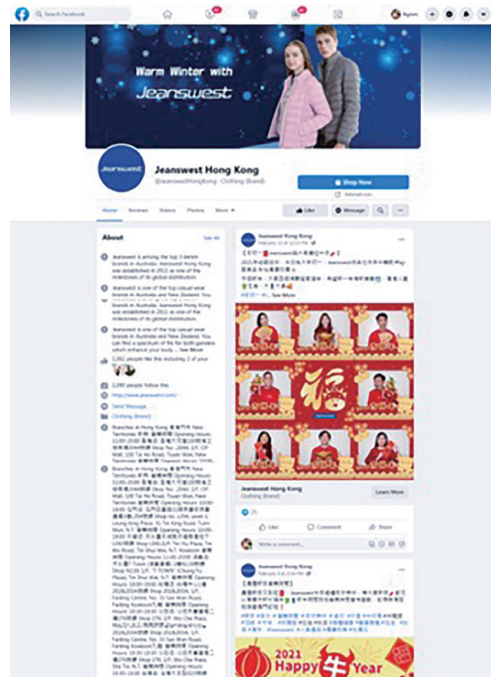
● *Managers' committee organises team building and dining activities to enhance team spirit*

Newsletter: A monthly corporate newsletter is published and circulated to all staff and affiliated parties. Employees can get a full picture of the Group's development roadmap and work goals. This newsletter is an effective tool for communicating our corporate culture and building solidarity.

WeChat Social Media and Facebook Fan Page: Since WeChat and Facebook become popular social network channels, the Group has created the WeChat Official Account and Jeanswest Facebook fan page. Internal personnel and customers can get the updated information of the Group, Jeanswest promotions, corporate culture and charitable events of the Group.



● The Official Account on WeChat



● Jeanswest Facebook Fan Page

Work and Life Balance

The management is pleased to lead and take part in all staff activities organised by the Group. Due to the impact of COVID-19 pandemic, staff birthday celebrations, annual year-end dinner gala, Lunar New Year banquet and green living barter parties were cancelled to lower the risk of infection. In 2020, the China Headquarters held several activities, such as “Reading Day” to nurture reading habit, “GS Summer Fun” Douyin video sharing activity to promote family relationship, and a seminar on Buddhist text “The Heart Sutra – Prajnaparamita” to guide the staff to achieve contentment.

Staff benefits: The Group has joined social insurance and housing provident schemes (applicable to Mainland China) pursuant to the law. In addition to social insurance, we have also provided personal accident insurance for employees to afford adequate cover for personal safety. All our regional offices adhere to relevant labour laws of Hong Kong and Mainland China. Employees enjoy paid leave benefits that include statutory festive holidays, annual leave, sick leave, marriage leave, maternity leave, paternity leave (applicable to Hong Kong), caregiver leave (applicable to Mainland China), bereavement leave and injury leave.



● Management and staff come together for seasonal joy at the annual Christmas Party at the China headquarters



● Management and administrative officers celebrated the new year in early 2020



● “GS Summer Fun” Douyin video sharing activity promoted family relationship held in 2020

4. Supply Chain Management

Suppliers play an important role in an enterprise’s business. The Group looks upon suppliers as business partners and strive to grow with them. Selecting and retaining good suppliers can assure quality and operating effectiveness. It also furthers the cause of sustainable development by sharing business and social risks.

Supplier Selection Practices and Procedures for Interior Decoration and Renovation Business

Changhong selects and appraises the suppliers based on the “Quality Management Systems – Requirements GB/T19001-2016”, the “Environmental Management Systems – Requirements with Guidance for Use GB/T24001-2016”, the “Occupational Health and Safety Management System – Requirements with guidance for use ISO45001:2018” and the “Code for Quality Management of Engineering Construction Enterprises – GB/T50430-2017” published by the Standardization Administration of the People’s Republic of China. Before confirmation of new suppliers, Changhong’s purchasing department, engineering management department, quality assurance department and regional/business department will visit the supplier to have on-site research and verify the robustness of the supplier. Moreover, Changhong will appraise the product quality, pricing, service, reputation, enterprise management, equipment and facilities, quality assurance, products' environment protection level and risk assessment of the supplier, to ensure that the supplier can fulfill the design and construction requirements of the clients in aspects including quality, delivery rate, cost, environment protection, risk management and processing ability. Upon the approval of the qualification, the supplier has to provide the business licence, tax registration certification, certifications on standardization management system, authorization on product agency, etc. For the electrical appliance and chemical products, the supplier has to submit the certifications on 3C and environmental protection. Changhong will annually appraise the suppliers according to their cooperation status and daily operations. Qualified suppliers will remain on Changhong’s authorized supplier list.

Number of Authorised Suppliers Involved in Interior Design and Renovation		
Year	2019	2020
Mainland China	352	376



- Changhong applied the BIM+ technology to the Experiment Building of the Architecture Research & Design Center in Hebei Province

Supplier Selection Practices and Procedures for Apparel Export Business

To ensure that procured merchandise is delivered on time and meets quality requirements, apparel export companies of the Group have laid down supplier assessment procedures and qualifying criteria. Goods and services are procured only from authorised suppliers with verified qualification. The assessment covers five aspects, namely, environmental hygiene, quality control, technical control, health and safety, and cooperativeness. Even if they have passed the selection assessment, they are required to take remedial and precautionary measures recommended in the written assessment report within the specified period, otherwise the Group reserves the right to exclude them from the list of authorised suppliers. Regular re-assessment is required for all authorised suppliers.

Number of Authorised Suppliers Involved in Apparel Export		
Year	2019	2020
Mainland China	155	145
Other Regions	2	2
Total	157	147

In order to further enhance our product quality, the Group exercised stricter measures in selecting trustworthy and high-quality suppliers in 2020, thus resulted in a drop in the number of suppliers compared with that of 2019.

Appreciating that social responsibility and sustainability go hand in hand, the Group carries out social responsibility assessment on its suppliers. Our goal is to communicate the importance of corporate social responsibility and promote a responsible culture.

Assessment Areas include:

- Management system
- Employment contract
- Child labour and minor workers
- Forced or mandatory labour
- Working hours
- Wages and benefits
- Trade unions and collective bargaining rights
- Discrimination
- Harassment and abuse
- Occupational health and safety
- Environmental protection
- Fair competition
(included corruption and other dishonest activities)

Number of Factories Having Completed Social Responsibility Assessment		
Year	2019	2020
Mainland China	57	36
Other Regions	1	1
Percentage of total suppliers	36.9%	25.2%

Due to the COVID-19 pandemic, the business and operation of the factories have been affected, thus resulted in a drop in the number of factories having completed social responsibility assessment compared with that of 2019. The Group has at least two meetings with suppliers every year to review operation and discuss the business development outlook. Exchange with each individual suppliers will take place during the factory assessment process.



- *The Group promotes social responsibility assessment to suppliers*

Factory Inspection Exemption System

With a view to motivate and facilitate factories in their endeavours to enhance quality and internal control, the Group has been implementing a factory inspection exemption system since 2009. To be eligible for exemption, suppliers must meet the following requirements:

- The first production order of the factory must go through procedures of our Tier-2 quality control goods inspection system*;
- Valid ISO9001 Quality Management System certification;
- Passing our one-off goods inspection 100% by meeting all requirements; and
- 100% order delivery punctuality is required.

** Tier-2 quality control goods inspection system is a standard higher than the market norm.*

Since this system has been in place, both the goods quality and quality assurance awareness of exempt factories have improved.

Number of Exempt Factories		
Year	2019	2020
Mainland China	53	47
Percentage of total suppliers	33.8%	32.0%

Supplier Selection Practices and Procedures for Retail Business in Hong Kong (Jeanswest)

To guarantee the brand image and product quality, Jeanswest will appraise the suppliers according to different parameters, such as pricing, product quality, etc before procurement.

In the initial stage, Jeanswest will appraise the on-time delivery rate, quality control, attitude of the suppliers before entering into long-term cooperation with them. In each incident of cooperation, Jeanswest and the supplier will conclude a purchase agreement with the agreed quotation and design to protect the interest of both parties. After order confirmation, Jeanswest will follow up on the production progress, including requesting for pre-production samples and shipment samples from the supplier, conducting inspection of design, size, workmanship, fabric and packaging.

Other than self-inspection of the quality by the suppliers, Jeanswest will also carry out inspections by samples during visits of the production lines of the suppliers if necessary.

5. Product Responsibility

All our products conform to statutory standards and requirements as well as other applicable industry benchmarks. The Group has internal quality accreditation procedures to safeguard health and safety for product use. Complementing this, we exercise due care in processing information on all products, including promotion and publicity materials, specifications and use instructions, so that consumers are guided by correct product information. We also have necessary measures in place to ensure that intellectual property is protected and personal data are kept confidential pursuant to local government regulations.

Quality Verification Process of Interior Decoration and Renovation Business

For all interior decoration and renovation projects, after the self-inspection process, the project needs to be verified by the project management team of the relevant region or business department, and the headquarters' quality control team. Personnel who involve in the verification process shall verify the work according to relevant standards, and prepare a verification report. Within 7 days of the issuance of the verification report, the project team shall make adjustments based on enquiries raised in the report. The headquarters' quality control team shall have to inspect and accept the adjustments, and the project will have to be approved in writing by the regional manager and quality control personnel involved. If a project takes more than 2 months to complete, the project will have to be verified by phases. Reverification is required if problems are found. In reverification, the problem found in the first verification will be specifically checked by the project department. The staff has to reverify the project on-site and approve the project with written report.



● China Mobile's "5G Outlet" in Shenzhen was designed by Changhong

Quality Accreditation Process of Apparel Export Business

Pursuant to contract provisions, on-site interim production inspections and finished goods inspections are carried out by inspectors from the procurement agency at the supplier's premises. If any defect is found during the interim production inspections, the supplier needs to follow up and improve the products. When 80% of products have been packed, the finished goods inspections will be carried out by the procurement agency. Before shipping the finished goods to delivery points, the supplier must pass the finished goods inspections and produce a compliance test report issued by a state-authorized test and certification body. If necessary, the procurement agency will take samples for inspection by a state-authorized test and certification body to ensure that all goods conform with standards and requirements for domestic sales stipulated in relevant laws and regulations, as well as quality standards of the Group.

Upon arrival at the warehouses in different sales regions, goods are randomly checked by our warehouse staff. Full conformity is required for goods to be released for retail.

For export business, returned products accounted for 0.12% of procurement total in 2020 (2019: 0.2%).

Intellectual Property Protection

All suppliers of the Group must undertake to protect clients' intellectual property and strictly observe the following conditions:

- No trademarks identical or similar to clients' registered trademarks may be used on any other products;
- Forging, altering or producing clients' trademarks without authorisation is strictly prohibited;
- No trademarks identical or similar to clients' registered trademarks may be used as names or decoration, patterns and other design features for products manufactured without our authorisation;
- No clients' products manufactured with our authorisation (including surplus products, defective products and returned products) may be sold to other parties; unless authorised by the Group, no clients' products may be marketed in China (including Hong Kong, Macao and Taiwan) and overseas;
- No patterns and designs related with clients' products may be used for designing and manufacturing other products; and
- All other activities that infringe the intellectual property and associated property rights of the clients are prohibited.

Recall Procedure of Jeanswest

Customers may return any Jeanswest product bought at regular price at any Jeanswest store within 14 days (the product should be unused, with price tag and original invoice intact) and change for other style or size. If customers request to re-fund or change of the product due to defective quality, the shop staff will assess if the defect is caused by the customers. The shop staff will take photo of the product and submit the refund/return request to the office. The shop will collect returned products quarterly and report to the factories for re-fund or exchange.



- *Jeanswest aims to provide high quality apparel products at affordable prices*

Consumer Data Protection

Jeanswest only collects customers' name, title and phone number. The related information is used only for general transaction purpose and will be destroyed after the transaction. Jeanswest does not use customers' personal information for other purposes without customers' permission.

6. Anti-corruption

Corruption Prevention Measures

The Group strictly forbids any acts of corruption and bribery. All new employees are issued with the staff handbook and enrolled in our induction course. The staff handbook contains a clear code of rules prohibiting the acceptance of benefits, while the induction course stresses strict compliance of the Group's corruption prevention policy.

Our corruption prevention policy stipulates that staff members may not solicit or accept personal benefits from any parties involved in business transactions with the Group. To avoid any material or potential conflicts of interest, employees are required to report to chief executive officers of their branches / direct divisions when business relationships arise between business transaction parties and themselves. Such relationships will be put on record. To ensure that employees can conduct business professionally in a law-abiding manner, the Group also issues guidelines in the run-up to major festivals to remind employees that under no circumstances should they accept gifts.

The reporting system is reviewed every two years and amended when necessary to ensure adequacy and timeliness.

During the reporting period, there was no litigation against the Group or its staff for corruptive activities.

7. Community Investment

The Group has always placed high value on corporate social responsibility. Guided by philosopher Mencius' famous saying, "In adversity persist with strength; in times of fortune prosper with generosity", we are committed to repaying the society.

When contributing to the wellbeing of our community, the Group employs the same vision and innovative spirit that steer its business. Besides lending a hand to those troubled by pressing needs, we have a more far-reaching goal of pursuing long-term social effectiveness. Over the years, the Group has been making contributions to society through active engagement in social welfare undertakings, such as disaster relief, impoverished region assistance, funding new schools and promoting Chinese culture. Key members of our management hold multiple public offices to serve the community. Meanwhile, our management members visited the high schools in Mainland China and Hong Kong, sharing their management experiences to the youth.



- *Mr. Yeung Chun Fan, Vice Chairman and General Manager of the Group, was invited to share "The Spirit of the Two Sessions" to the students of the Xi'an Polytechnic University*

Support Fighting Against COVID-19 Pandemic

During the outbreak of the COVID-19 in 2020, the Group responded quickly by supporting the anti-epidemic efforts in Mainland China and Hong Kong. A series of actions were taken by Changhong, such as building isolation wards in Xiaogan, Hubei Province, designing health information system for public use, providing travel and tourism business solutions for Nanyin, Lingshou County, designing a "manual for work resumption" for Hebei enterprises. The Group's Huizhou volunteering team donated apparels to Huizhou health professionals who provided medical assistance in Hubei during COVID-19 pandemic whereas the Hong Kong volunteering team donated protective products such as masks and alcohol-based handrub to the elderly homes, donated data cards to poor students to study online by using Zoom.



- *Changhong supported building isolation wards in Xiaogan, Hubei Province*



- *Huizhou volunteering team donated apparels to Huizhou health professionals who provided medical assistance in Hubei during COVID-19 pandemic*



● Hong Kong volunteering team donated protective products to the elderly homes

● Changhong supported the anti-epidemic efforts in Hanchuan, Hebei Province

Be it funding new schools in impoverished regions, providing financial aid to university students or training new talents for the apparel industry, the Group stays focused on long-term benefits for the community at large. By helping the beneficiaries help themselves, we empower them with better learning and development opportunities so they can contribute to society in the future.

The following is an overview of the Group's contributions towards community welfare in recent years.

Funding New School Projects to Further Education

The Group was the first garment enterprise to set up educational institute in China. Partnering with Northwest Institute of Textile Technology, in 1985, the Group founded the Xifang Guangdong Institute of Fashion and Clothing (later renamed "Glorious Sun Guangdong School of Fashion") to train apparel professionals.

In 1997, the Group founded Glorious Sun School of Business and Management, China Textile University (now Donghua University) in Shanghai, which experiments with an integrated teaching approach that combines production, learning and research. The Group also funded the establishment of Glorious Sun Research Institute at Nanjing University where a computer information management system is being developed.

College-Industry Collaboration with Huizhou University

Always exploring new possibilities for college-industry collaboration, the Group works extensively with related faculties and departments of many tertiary institutions in many different areas, such as advanced business management courses, bases for creative practices, fashion creativity R&D, apparel retail, e-commerce, information management system and international fashion academy. We have made remarkable progress on many fronts over the years and enjoyed growth alongside our academic partners in reciprocity.

1. Founding Huizhou Glorious Sun Vocational School of Apparel to help Huizhou University to promote "Integrated Learning and Practice", while adopting an operation-based and innovative teaching approach. After years of hard work, the school is now an industry benchmark.
2. Founding Glorious Sun (Guangdong) Enterprise Research Institute which has trained over 240 management trainees.
3. Introducing an on-the-job training programme for tertiary teaching staff to take up temporary posts in business organisations.



● *The management of Glorious Sun Guangdong School of Fashion visited the Group and reviewed the yearly plan of the school*

4. Introducing an apparel retail course at Huizhou University. Thirteen courses have been organised from 2008 to 2020, benefiting 538 trained and on-campus students. Students who have completed the course are popular with businesses and enjoy good employment prospects.
5. Assisting Huizhou University to set up Glorious Sun Creative Development Centre.
6. Setting up a Directors' Board for Glorious Sun Guangdong School of Fashion (a faculty of Huizhou University), where entrepreneurs can gather for sharing their successful experience.
7. Setting up "Huizhou University Scholarship" and "Glorious Sun Guangdong School of Fashion Scholarship and Teaching Fund".
8. The Group and Huizhou University jointly introduced The Clothing Industry Training Authority to help the Glorious Sun Guangdong School of Fashion enhancing their effectiveness.

Local Community Involvement by GSE Volunteers

The Group has set up volunteering teams in Hong Kong and Mainland China respectively. Employees are encouraged to join these teams to play an active part in local community activities and to help the needy and underprivileged. In Mainland China, the volunteering team visits poor households (namely "households enjoying five guarantees" and "households enjoying minimum guarantee") during traditional Chinese festivals.

In Hong Kong, the volunteering team has been awarded the Certificate by the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department. Moreover, the Group has been commended by the Hong Kong Council of Social Service (HKCSS) with the Caring Company logo for ten consecutive years.



● *The Huizhou volunteering team visited poor households with daily necessities and cares*



● *The Hong Kong volunteering team cooperated with YMCA to help the youngsters develop their skills, interests and values*



- *The Hong Kong volunteering team and Youth Outreach encouraged the youngsters to boost self confidence by looking after stray dogs*



- *The Group supported primary schools in Mainland China to set up "Caring Library"*

8. Recognitions and Professional Certifications

Led by our management, the Group embraces a bold spirit of innovation to drive business growth and fulfill corporate social responsibility. Our dedicated efforts have earned wide recognition from the market and the public.

Major awards during the past 10 years are as follows:

- 2016, 2018 and 2019: GSE was awarded the Gold Certificate by the Steering Committee on Promotion of Volunteer Service of the Hong Kong Government Social Welfare Department.
- 2017: Changhong's design centre was certified as a "Provincial Industrial Design Centre" under the Hebei Province Design Centre and Innovation Park certification system.
- 2017: Changhong was accredited "AAA Grade Credit Rating in Decoration Business" by the China Construction and Decoration Credit Rating Office and Beijing Xingou Credit Management Co. Ltd.
- June 2017: Changhong was accredited as "Hebei Province Famous Brand" for 2016 by the Hebei Quality and Technology Supervision Bureau and Hebei Quality Assurance Committee.
- 2017, 2018, 2019 and 2020: GSE was awarded "Good MPF Employer" by the Mandatory Provident Fund Schemes Authority.
- 2018: Changhong was named "Top 10 Enterprises of Construction Industry in Hebei in 2018" by the Hebei Construction Industry Association.
- 2018: Changhong was named "5A Grade Trusted Construction Enterprise in Hebei Province in 2018" by The Engineering Bidding Association of Hebei Province.
- 2019: Changhong was awarded "96315 A Grade Credit in 2019" by the Hebei 96315 Credit Management Center.
- 2019: Changhong was awarded "China Building Decoration Industry BIM Innovative Application Pioneer Enterprises in 2019" by the China Building Decoration Association.
- 2020: GSE was awarded "MPF Support Award" by the Mandatory Provident Fund Schemes Authority.
- 2020: GSE was commended by the Hong Kong Council of Social Service (HKCSS) with the Caring Company logo for the tenth year.
- 2020: GSE was awarded the Silver Certificate by the Steering Committee on Promotion of Volunteer Service of the Hong Kong Government Social Welfare Department.
- 2020: GSE was awarded "Y-Care Scheme: Bronze Partner" by the Chinese YMCA of Hong Kong.
- June 2020: Dr. Charles Yeung, Chairman of GSE, was awarded "Outstanding Contribution – Individual" (Only 10 awardees in Guangdong Province) at the 10th Anniversary of Guangdong Poverty Alleviation Campaign.

- June 2020: Mr. Yeung Chun Fan, Vice Chairman and General Manager of GSE, was awarded “Top 10 Individual Contribution” by Huizhou Municipality.
- 2020: Mr. Yeung Chun Fan, Vice Chairman and General Manager of GSE, was awarded “Outstanding Contribution” by the China Textile Engineering Society.
- 2020: Mr. Yeung Chun Fan, Vice Chairman and General Manager of GSE, was awarded the 11th “China Charity Award” by the Ministry of Civil Affairs of China.
- 2020: Ms. Yeung Yin Chi, Jennifer, Executive Director of GSE, was awarded “Outstanding Businesswomen Award” by Hong Kong Commercial Daily.
- 2020: Changhong’s BIM+ (Building Information Modeling) project was awarded the First Prize – Prefabrication at the China Building Decoration Association BIM Competition.
- 2020: Changhong was accredited “Grade A Industrial Enterprise in Hebei Province in 2020” by the Industry and Information Technology Department of Hebei Province.
- 2020: Changhong passed the “Integration of Informatization and Industrialization Management Systems Requirements” (GB/T 23001-2017) by the Ministry of Industry and Information Technology of the People’s Republic of China and received the “Integration of Informatization and Industrialization Management Systems” certificate.
- 2020: Changhong was awarded “Outstanding Performance in Fighting Against COVID-19 in Building and Decoration Industry” by the China Building Decoration Association.
- 2020: Changhong was accredited as “Hebei Enterprise Technology Centre” by Hebei Development and Reform Commission, Hebei Provincial Department of Science and Technology, Hebei Provincial Tax Service of State Taxation Administration and Shijiazhuang Customs Administration.
- 2020: Changhong’s project - “Hebei New Retail Digitalization and Integration Innovation Centre” was accredited as “Provincial Technology and Innovation Centre” by Hebei Provincial Department of Science and Technology.
- 2020: Changhong was awarded “Top 100 Enterprises in Shijiazhuang” by Shijiazhuang Federation of Enterprises and Shijiazhuang Entrepreneurs Association.
- 2020: Changhong was awarded “Small and Medium Enterprises of Professional Information” by the Industry and Information Technology Department of Hebei Province.

Professional Certifications of GSE and its Subsidiaries

Company	Certificate
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Enterprise Intellectual Property Management (GB/T29490-2013)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Social Accountability System (SA8000:2014)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Environmental Management System (ISO14001:2015)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Quality Management System (ISO9001:2015) and Code for Quality Management of Engineering Construction Enterprise (GB/T50430-2017)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	China Environmental Labelling (HJ 2547-2016)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Integration of Informatization and Industrialization Management Systems (GB/T23001-2017)
Shijiazhuang Changhong Building Decoration Engineering Company Limited	Occupational Health and Safety Management System – Requirements with guidance for use (ISO45001:2018)
Pacific Potential Trading Company Limited	Quality Management System (ISO9001:2015)

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GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code:393)