



ENVIRONMENTAL
SOCIAL AND
GOVERNANCE
REPORT

2021



Table of Contents

4 ABOUT THIS REPORT

4 Reporting Boundary

5 Reporting Principles

6 BOARD'S STATEMENT

8 STAKEHOLDER ENGAGEMENT AND MATERIALITY

12 STAKEHOLDERS' FEEDBACK

12 THE GROUP'S SUSTAINABILITY MISSION AND VISION

13 MEMBERSHIPS

14 AWARDS AND RECOGNITION

ENVIRONMENTAL

24 1 Performance Highlights

25 1.1 Emission Reduction

25 1.2 Energy Conservation

25 1.3 Water Conservation

25 1.4 Waste Recycling

26 2 Emissions

28 2.1 Greenhouse Gas Emissions

30 2.2 Air Emissions

32 2.3 Emission Reduction Targets and Results

34 2.4 Centralized Heat Supply Project of Futian Oasis

36 3 Energy

37 3.1 Energy Consumption

40 3.2 Energy Saving Targets and Results

44 4 Water

45 4.1 Water Consumption and Discharge

45 4.2 Targets and Results of Water Saving and Discharge Quality Control

50 5 Waste

51 5.1 Waste Disposal

54 5.2 Waste Reduction Targets and Results

56 6 Packaging Materials

57 6.1 Packaging Materials

58 7 The Environment and Natural Resources

59 7.1 Significant Impacts of Activities on the Environment

60 8 Climate Change

61 8.1 Climate Change

SOCIAL

64 **1** **Employment and Labor Practices**

65 1.1 Employment

70 1.2 Occupational Health and
 Safety Awareness

73 1.3 Training and Development
 Programs

75 1.4 Labor Standards

76 **2** **Operating Practices**

77 2.1 Supply Chain Management

79 2.2 Product Responsibility

82 2.3 Anti-corruption

83 2.4 Community Investment



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 sixth 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 mandatory and ‘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.

Reporting Boundary

The Group’s five 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”) located in the People’s Republic of China (the “PRC”);
- ▶ Yancheng Fuhui Textiles Limited (“Yancheng Fuhui”) located in the PRC;
- ▶ Dongguan Shatin Lake Side Textiles Printing & Dyeing Co. Ltd. (“Shatin Lake Side”) located in the PRC;

- ▶ Dongguan Futian Oasis Heating Co. Ltd. (“Futian Oasis”) located in the PRC; and
- ▶ Ocean Lanka (Private) Ltd. (“Ocean Lanka”) located in Sri Lanka.

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 2021 to 31 December 2021 (the “Reporting Period”), unless otherwise stated. For information about the Group’s corporate governance, please refer to page 36 to 54 of the Annual Report 2021 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.

The Group's Sustainability Report 2020, covering the environmental and social performance of the Group from 1 January 2020 to 31 December 2020 (the "Last Reporting Period"), has not included Ocean Lanka in its reporting scope. With the increased production in Ocean Lanka, the Group has included Ocean Lanka's operation in the ESG reporting scope for this Reporting Period.

Reporting Principles

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, process, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative – key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.



Board's Statement

As the highest responsible and decision-making unit for Environmental, Social and Governance (“ESG”) management, the Board oversees ESG matters under the auspices of the “Sustainable Development and Improvement Committee” (the “Committee”). The Board of Directors (the “Board”) regularly receives reports from the Committee, and participates in assessing, prioritizing, assessing key risks, managing, developing and driving ESG strategies, and integrating governance requirements into the day-to-day management system of the key ESG matters.

Through participating in interviews, site visits, questionnaires and reports, the Board has put forward views and suggestions on ESG related issues and risks that may affect the sustainable development of the Company and its stakeholders, and formulated countermeasures. Setting ESG related targets not only effectively optimizes the Group’s ESG performance effectively, but also creates long-term value for the Group and its stakeholders. The Board regularly reviews the achievement of targets to ensure that implemented ESG strategy and related targets are in line with the Group’s business morale and the Group’s overall development strategy.

To go green by minimizing printing and as our common practice, we shall only upload this report on the respective websites of The Stock Exchange of Hong Kong Limited and the Company. The report details the Group’s progress in multiple ESG areas, showing where we exceeded expectations

and where we need further improvement. We have embraced sustainable innovation as a powerful engine for growth not only for our own business, but across upstream and downstream partners in our industry. Since 2016, we have set up a “Sustainability Development and Enhancement Committee” which consists of different subsidiaries and cross-functional departments. The Committee not only helps drive the vision across the Group, but also implements our sustainability objectives and goals. The Committee prompts our business to understand our sustainability impacts, sets ambitious targets to address them and overcome obstacles in meeting them.

During 2021, our staff wellness club (the “Club”) has been re-established with a committee formed by various department representatives in Hong Kong headquarters when the Pandemic was slowing down. Similar staff wellness programs have been in operation in all of our subsidiaries as well. The purposes of the Club as well as staff wellness programs were to promote employee wellbeing and employee engagement. When employees are happy and healthy, it will translate into higher productivity and better products and services that we provide. Several activities such as barbeque get-together and classes like yoga, singing bowl, handmade workshops like soap, candles and jewelry were arranged by a social enterprises company exclusive for our employees and their families in the year under review. Employees were able to enjoy wellness programs while the Company had the opportunity to support minority groups through engaging services with social enterprises.

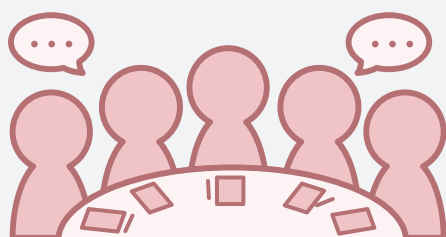
In 2016, we started a revolutionary new business — centralized heat supply project (the “Project”), of which the business model is a pioneer in the industry. The Shatian Town Environmental Industrial Park (the “Park”) (for electroplating, fabric printing and dyeing industry) is one of the seven largest environmental industrial parks in Dongguan, China. It integrates and assembles the industry’s enterprises within the Park and in other areas in Shatian Town, which are required to be relocated. The Project, being one of the ancillary projects of the industrial park development, is also a key project of the

implementation plan of the centralized heat supply in Guangdong Industrial Park and Industrial Cluster Areas. The Project has been contributing to cleaner air for the community and neighborhood by reducing the emission of nitrogen oxide, sulphur dioxide as well as smoke and dust by reducing the remaining 28 coal-fired heaters within the district. The Project has completed the first phase of construction in 2018 and put into operation to supply heat to local enterprises. The second phase of construction of the Project started in 2019. According to the Guangdong Province's "Blue Sky Defense" and Dongguan's "Coal to Gas" policy, second phase commenced after the removal of the remaining coal-fired boilers and two new natural gas boilers have been built and put into operation in January and August 2021 respectively, gradually replacing the original coal-fired boilers. Natural gas is a clean energy source, which can be efficiently burned and utilized. Upon the completion, it further reduces overall energy consumption and carbon emissions, promotes green development, and improves ecological environment of the region, overall social benefits and contentment.

The Group will continue to invest in advanced technologies and install additional equipment to prevent and reduce pollution. The Group provides periodic training workshops to staff members regarding environmental protection and pollution controls. The Group also invites qualified advisers to visit its factories from time to time to evaluate whether the environmental protection measures are up to standard and to give recommendations for further improvement.

This report discloses the Group's management practices in the above-mentioned work and other ESG areas, and is reviewed and approved by the Board of Directors.





STAKEHOLDER ENGAGEMENT AND MATERIALITY

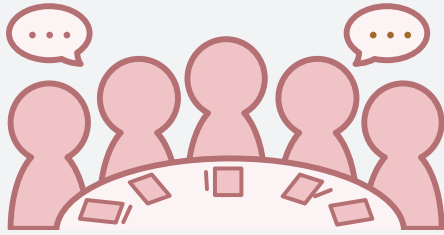
The Group engages with stakeholders from a wide range of backgrounds on an on-going basis to better understand their expectations and views on ESG issues, which helps the Group meet its potential growth and get prepared for future challenges. The table below sets out key stakeholder groups with significant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

Key stakeholder groups	Engagement methods
Employees	<ul style="list-style-type: none"> ▶ Regular meetings ▶ Department town hall meetings ▶ E-mails and manuals ▶ Drills, exercises and training workshops ▶ Employee engagement activities ▶ Company announcements ▶ Company website ▶ Social media ▶ Feedback collection boxes
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
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
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

Key stakeholder groups	Engagement methods
Media	<ul style="list-style-type: none"> ▶ Company website ▶ E-mails / telephone ▶ 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

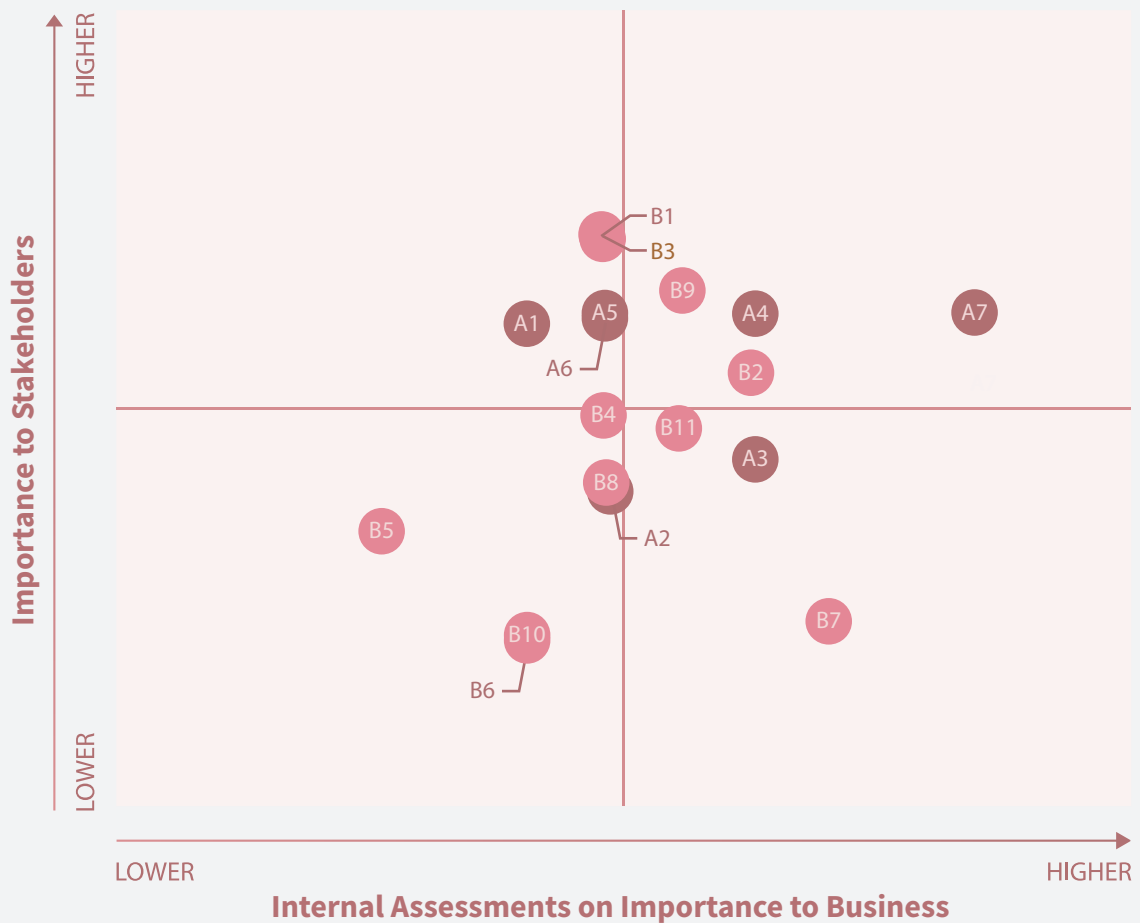
In preparing this ESG report, the Group specifically engaged different stakeholder groups, as part of the materiality assessment process to identify and prioritize ESG material issues that are crucial for the Group's sustainable development.

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

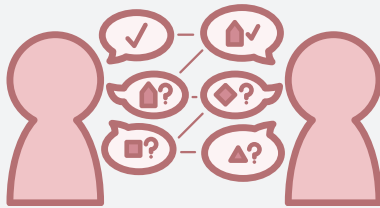


STAKEHOLDER ENGAGEMENT AND MATERIALITY

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	Waste and Effluent	B4	Labor Standards
A5	Other Raw Materials Consumption	B5	Supply Chain Management
A6	Environmental Protection Policies	B6	Intellectual Property Rights
A7	Climate Change	B7	Customer Data Protection
<p>Among the environmental and social aspects, the following topics are identified as the most material issues to the stakeholders:</p> <ul style="list-style-type: none"> ▶ Waste and effluent ▶ Climate Change ▶ Employment ▶ Occupational health and safety ▶ Development and training ▶ Product quality 		B8	Customer Service
		B9	Product Quality
		B10	Anti-corruption
		B11	Community Investment



STAKEHOLDERS' FEEDBACK

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



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
- ▶ Organization Member of 2021 Yancheng Old District Development 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

14



Award/Certification

Certified Licensee of COTTON USA

Issued by

Cotton Council International

Issued to

Fountain Set (Holdings Limited)

Award/Certification

2019-2020 Quality Safety Advanced Grass-roots Enterprise of COFCO*^A

Issued by

COFCO

Issued to

Jiangyin Fuhui





Award/Certification

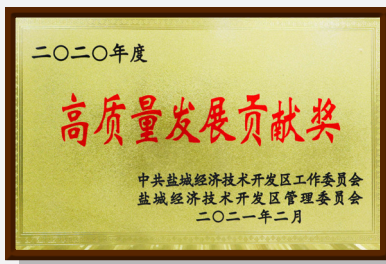
2020 Outstanding Contribution Award for High-quality Development*

Issued by

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

Issued to

Jiangyin Fuhui



Award/Certification

2020 High Quality Development Contribution Award*

Issued by

CPC Yancheng Economic-Technological Development Zone Working Committee*, Yancheng Economic-Technological Development Zone Management Committee*

Issued to

Yancheng Fuhui



Award/Certification

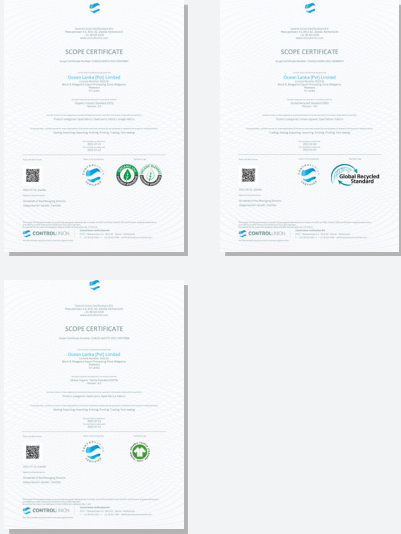
Oeko-Tex Standard 100

Issued by

TESTEX AG, Swiss Textile Testing Institute, HOHENSTEIN Textile Testing Institute

Issued to

**Jiangyin Fuhui
Yancheng Fuhui
Shatin Lake Side
Ocean Lanka**



Award/Certification

**Organic Content Standard (OCS) 3.0,
Organic Content Standard (OCS) 4.0,
Organic Content Standard (OCS) 6.0**

Issued by

Control Union Certifications B.V

Issued to

Ocean Lanka



Award/Certification

Comparison Test Certificate*

Issued by

CNTAC Testing Center

Issued to

**Jiangyin Fuhui
Yancheng Fuhui**



16

Environmental Protection



Award/Certification

**2020 Outstanding Unit of Ecological
Civilization***

Issued by

**Jiangyin High-tech Industrial
Development Zone Committee
of Communist Party of China,
Administration Committee of Jiangyin
High-tech Industrial Development Zone**

Issued to

Jiangyin Fuhui



Award/Certification

ISO 50001 Energy Management System Certificate*

Issued by

Beijing Zhongjing Quality Certification Co., Ltd.

Issued to

**Jiangyin Fuhui
Yancheng Fuhui**



Award/Certification

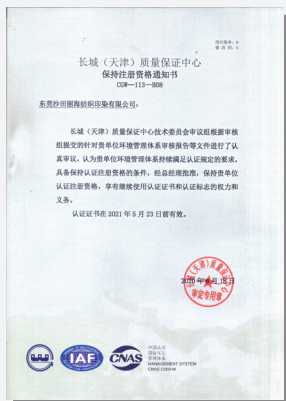
ISO14001 Environmental Management System Certificate*

Issued by

**Beijing Zhongjing Quality Certification Co., Ltd.,
SGS United Kingdom Ltd.**

Issued to

**Jiangyin Fuhui
Ocean Lanka**



Award/Certification

Environmental Management System Certification

Issued by

China Great Wall (Tianjin) Quality Assurance Centre

Issued to

Shatin Lake Side



Award/Certification

2019-2020 COFCO Humanistic Award*

Issued by

COFCO

Issued to

Jiangyin Fuhui



Award/Certification

2020 Outstanding Enterprise of Foreign Investment*

Issued by

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

Issued to

Jiangyin Fuhui



Award/Certification

2020 Charitable Enterprise*

Issued by

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

Issued to

Jiangyin Fuhui



Award/Certification

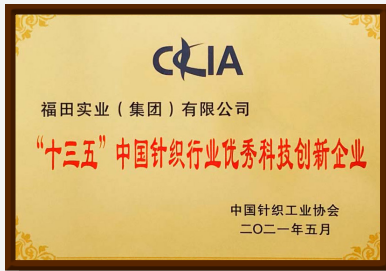
Jiangyin China National High-tech Industrial Development Zone 10th Anniversary (2011-2021) Special Contribution Enterprise*

Issued by

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

Issued to

Jiangyin Fuhui



Award/Certification

"Thirteen Five-Year Plan" Outstanding Innovation and Technology Enterprise of China Knitting Industry (Fountain Set Group) *

Issued by

China Knitting Industrial Association (CKIA)

Issued to

Yancheng Fuhui



Award/Certification

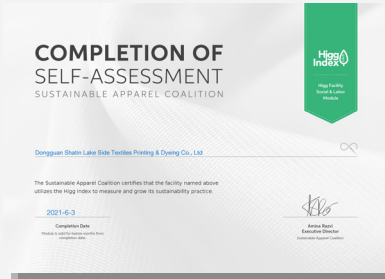
2020 Outstanding Three-star Enterprise*

Issued by

Yancheng Municipal People's Government

Issued to

Yancheng Fuhui



Award/Certification

Self-assessment of Higg Facility Social & Labor Module Certification

Issued by

Sustainable Apparel Coalition

Issued to

Shatin Lake Side



Award/Certification

bluesign® SYSTEM PARTNER

Issued by

bluesign technologies ag

Issued to

Ocean Lanka



Occupational Health and Safety



Award/Certification

2020 Outstanding Unit of Safety in Production of Jiangyin High-tech Zone*

Issued by

Administration Committee of Jiangyin High-tech Industrial Development Zone

Issued to

Jiangyin Fuhui



Award/Certification

ISO 45001 Occupational Health and Safety Management Systems

Issued by

SGS Société Générale de Surveillance SA

Issued to

Ocean Lanka

¹ The awards and certifications shown were issued in 2021.

* English names are only translation of their official Chinese names. In case of inconsistencies, the Chinese names shall prevail.

[^] Photo of the award is not available.

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



ENVIRON- MENTAL

1 Performance Highlights

IN THIS CHAPTER

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



1.1 Emission Reduction

- ▶ Phasing out coal-fired boilers in Futian Oasis
- ▶ Replacing fuel oil boilers with biomass boilers
- ▶ Adopting purifying equipment, dust removal technologies and desulfurization process



1.2 Energy Conservation

- ▶ Saving over 26,000 tonnes of steam
- ▶ Saving over 3,000,000 kWh of electricity



1.3 Water Conservation

- ▶ Saving more than 73,000 m³ of water through streamlined procedures and new installations
- ▶ Reusing over 3,000,000 m³ of water, which is equivalent to around 1,200 Olympic-sized swimming pools of water



1.4 Waste Recycling

- ▶ 100% recycling rates for coal ash, sludge, boiler slag, industrial waste and wood boards, and scrap metal
- ▶ 99% of overall recycling rate for all non-hazardous waste

2 Emissions

IN THIS CHAPTER

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

The Production Sites are located in the PRC and Sri Lanka. 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 of the PRC;
- ▶ Integrated Emission Standard of Air Pollutants (GB16297-2016) of the PRC;
- ▶ Emission Standard of Air Pollutants for Boiler of the PRC (GB13271-2014);
- ▶ Emission Standard of Air Pollutants for Thermal Power Plants of the PRC (GB13223-2011); and
- ▶ National Environmental (Stationary Sources Emissions Control) Regulations, No. 01 of 2019 of Sri Lanka.

2.1 Greenhouse Gas Emissions

During the Reporting Period, there were 826,291 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 1.18 tCO₂eq./m² with reference to the total floor area of the Production Sites' business operations and 0.60 tCO₂eq. per tonne of production. The annual emission intensity with reference to the total floor area of the Production Sites and that with reference to the tonne of production during the Reporting Period increased by 3% and 1% respectively when compared to the Last Reporting Period.

The reported GHG emissions were attributed to the following activities:

- ▶ Direct GHG emissions (scope 1) from consumption of coal, natural gas, fuel oil, diesel, petrol, and biomass (fed with wood logs and saw dust), and release of refrigerants;
- ▶ Energy indirect GHG emissions (scope 2) from purchased electricity; and
- ▶ Other indirect GHG emissions (scope 3) from business air travel, fresh water and sewage processing, and paper waste disposal.

The annual emission intensity for the Group was 1.18 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 ²	Coal	613,380	89%
		Diesel oil	666	
		Natural gas	44,041	
		Fuel oil	13,719	
		Biomass	54,368	
	Combustion of fuel for mobile sources	Petrol	615	
		Diesel	393	
Refrigerants		2,395		
2 Energy Indirect Emission ⁴	Purchased electricity ³	92,861	11%	
3 Other Indirect Emission	Paper waste disposal	61	0%	
	Electricity used for processing fresh water and for sewage treatment by government	3,781		
	Business air travel by employees ⁵	11		
Total	826,291	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, diesel oil, natural gas, fuel oil and biomass for stationary source was made reference to GHG Emissions from Stationary Combustion, provided by the Greenhouse Gas Protocol.

3 Emission factor of 0.6101 tCO₂/MWh were used for purchased electricity in the PRC during the Reporting Period.

4 Purchased steam was not included in the calculation since emission factor from steam suppliers was not available.

5 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

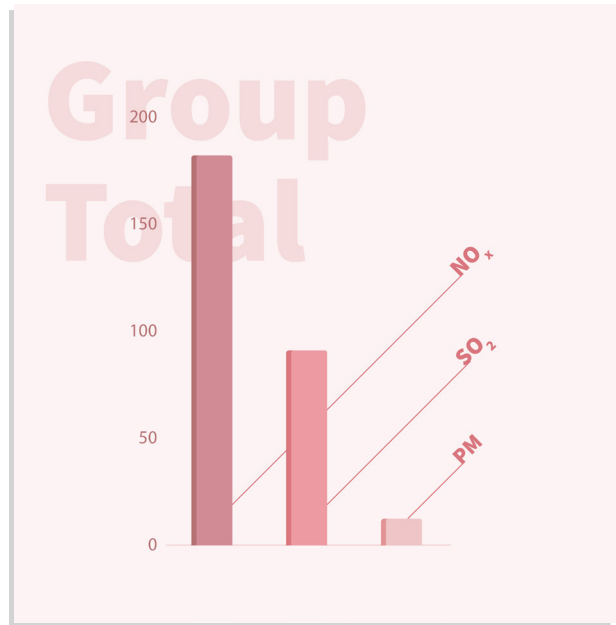
Air Emissions

NO_x, SO₂ and PM were mainly emitted from the production activities of Jiangyin Fuhui, Futian Oasis and Ocean Lanka.

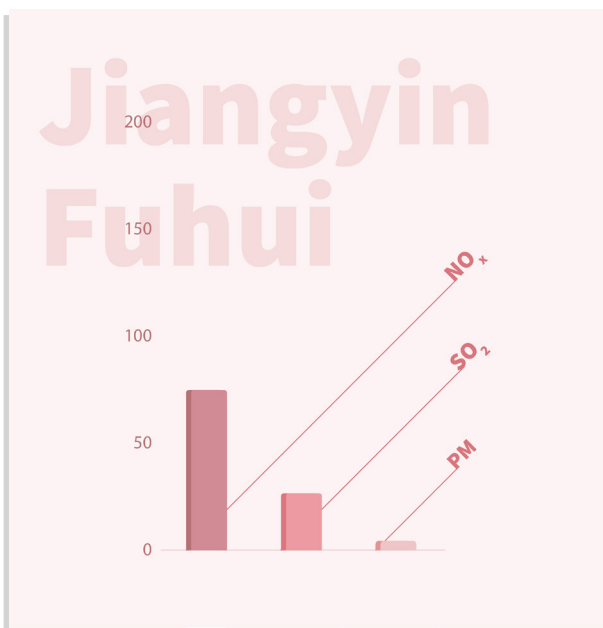
However, emission data from Ocean Lanka was not available during the Reporting Period². Therefore, this report focuses on the direct emissions of NO_x, SO₂ and PM from the production activities of Jiangyin Fuhui and Futian Oasis. The air pollutants emitted from the Production Sites' owned vehicles only accounted for an insignificant amount to the Production Sites' overall emissions and were excluded in the calculation.

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

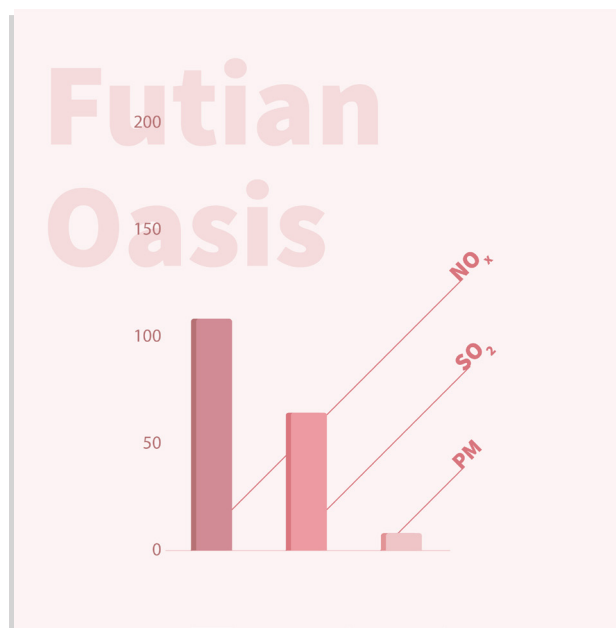
Direct Emissions of NO_x, SO₂, and PM³



Grand total (In tonnes)



Grand total (In tonnes)

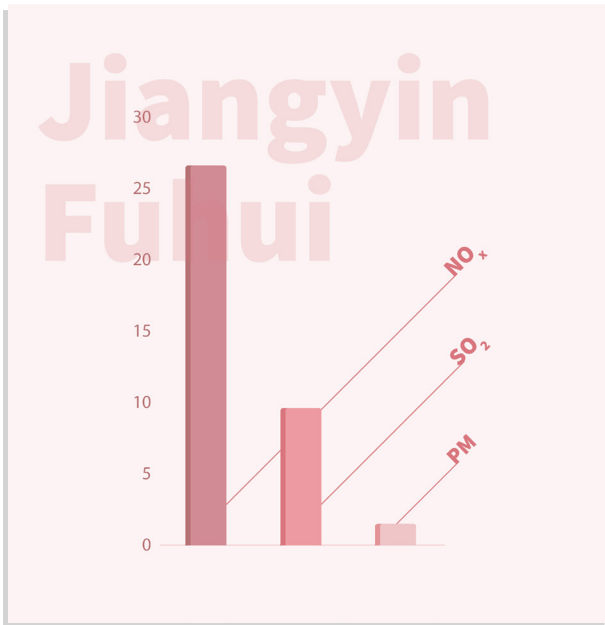


Grand total (In tonnes)

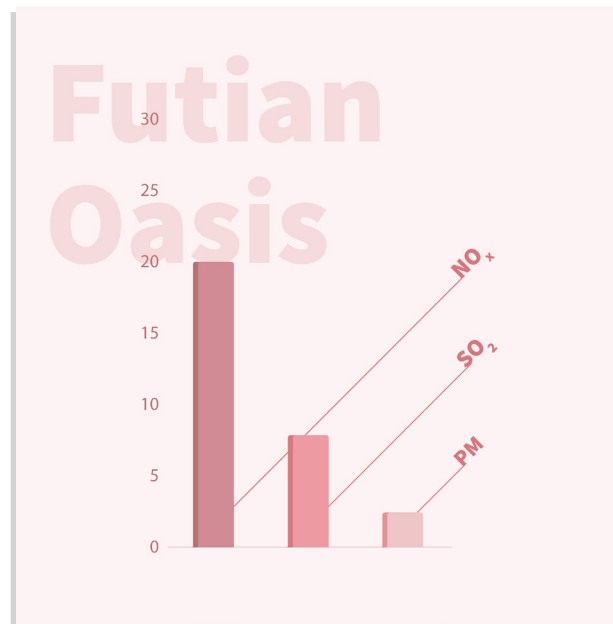
² Direct emission data and associated emission concentration directly measured by Ocean Lanka were not available. Emission calculation was also not available with reference to the Appendix 27 of the Listing Rules and Guidance and relevant guidance set out by the HKEx.

³ Direct emissions were measured and recorded by the relevant plants.

Average Concentrations of NOx, SO2, and PM⁴



Average concentration (In mg/m³)



Average concentration (In mg/m³)

⁴ Average concentration was calculated by averaging the monthly emission concentration of the respective emissions recorded during the Reporting Period. Concentration of emissions was measured and recorded by the relevant plants.

2.3 Emission Reduction Targets and 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 97% 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
Jiangyin Fuhui	<p>Combustion of high-quality coal to reduce coal consumption and GHG emissions and to achieve ultra-low emissions</p> <p>Implementation of electric field and water film dust removal process to improve dust removal efficiency</p> <p>Sulphur dioxide emissions can be further reduced by combining the multi-layer desulfurization process</p>
Yancheng Fuhui	<p>Installation of tail gas treating unit on setting machines for compliant emissions and reduction of volatile organic compounds (“VOCs”) by 90%</p> <p>Application of electrostatic spray deposition (“ESD”) technique to reduce emissions during production</p>
Shatin Lake Side	<p>Automation of dyeing auxiliaries application to reduce energy consumption and hence achieved a reduction of more than 5,000 tCO₂eq of greenhouse gas emission.</p>
Futian Oasis	<p>Use of advanced circulating fluidized bed boilers, and adoption of effective desulphurization, denitrification and dust removal technologies for ultra-low emissions and efficient combustions</p>

Through the above-mentioned measures, the Production Sites target to achieve the following emission reduction targets:

Production Sites	Emission Targets
Jiangyin Fuhui	Achieve a 10,000 tCO ₂ e reduction of GHG emission by 2022, with 2021 as base year
Shatin Lake Side	Achieve a 5,769.63 tCO ₂ e reduction of GHG emission by 2022, with 2021 as base year

During the Reporting Period, boilers in Futian Oasis and Jiangyin Fuhui achieved a high desulfurization efficiency of 97% and 92% respectively and dust removal efficiency was up to 99% or above.

2.4 Centralized Heat Supply Project of Futian Oasis



34

Environmental

4 sets of 100 t/hr

clean circulating fluidized bed boilers

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

The Project is one of the ancillary projects of the Park’s development and also a key project under the Implementation Plan for Centralized Heat Supply in Guangdong Industrial Park and Industrial Cluster Areas. Under the Project, heat is supplied to enterprises in the Park (including Futian Oasis itself and Shatin Lake Side) with 4 sets of 100 t/hr clean circulating fluidized bed boilers (3 sets for operation and 1 set as backup). Flue gas is cleaned by denitrification using selective non-catalytic reduction and selective catalytic reduction, limestone-gypsum desulfurization, dust collectors and wet electrostatic precipitator for dust removal to ensure cleaner emission (with $\text{NO}_x < 50\text{mg/m}^3$, $\text{SO}_2 < 35\text{ mg/m}^3$, $\text{PM} < 10\text{ mg/m}^3$) in accordance with the emission standards as specified in the emission standard of air pollutants for thermal power plants (GB 13223-2011). This pioneering business model contributes to a cleaner air emission by reducing overall emissions of NO_x , SO_2 and PM through replacement of the existing coal-fired heaters within the district.

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 1,257,000 tonnes of steam and supplied a total of 461,376 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. During the Reporting Period, the 2 sets of natural gas boilers have come into operation. The air emissions have reduced substantially with emission standards improved.

Air pollutants	Previous emission standard (mg/m ³)	Current emission standard (mg/m ³)	Annual estimated reduction (tonnes)
SO ₂	35	35	62.96
NO _x	50	30	25.5
PM	10	5	7.87

3 Energy

IN THIS CHAPTER

- 3.1 Energy Consumption
- 3.2 Energy Saving Targets and Results

3.1 Energy Consumption

The Group emphasizes the rational use of energy resources. During the Reporting Period, Jiangyin Fuhui was accredited with ISO 50001 Energy Management System certification. The Group also supports the use of clean energy such as natural gas, clean coal, biomass 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, natural gas, electricity, steam, fuel oil and biomass 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 2,576,213 MWh, with an overall energy intensity of 3.68 MWh/m² or 1.88 MWh/tonne of production, a 45% reduction compared to the Last Reporting Period measured by production volume. The table below presents the energy consumption by energy types and the associated energy intensity.

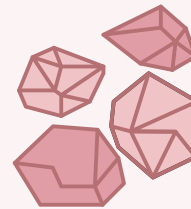
Direct/indirect energy resources

Consumption (Unit)

Consumption (MWh)

Energy Intensity (MWh/m²)

Energy Intensity (MWh/tonne of production)



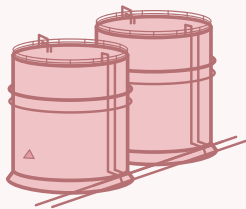
Coal

303,252 tonnes

1,761,219 MWh

2.51 MWh/m²

1.29 MWh/tonne of production



**Diesel
(for stationary combustion)**

255,519 L

2,662 MWh

0.0038 MWh/m²

0.0019 MWh/tonne of production



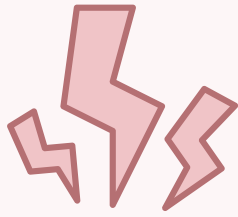
Natural gas

20,146,342 m³

199,135 MWh

0.28 MWh/m²

0.15 MWh/tonne of production



Electricity

181,608 MWh

181,608 MWh

0.26 MWh/m²

0.13 MWh/tonne of production



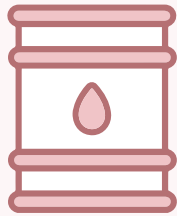
Steam¹

311,809 tonnes

250,177 MWh

0.36 MWh

0.18 MWh/tonne of production



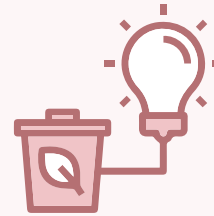
Fuel oil

4,569,440 L

52,134 MWh

0.07 MWh/m²

0.04 MWh/tonne of production



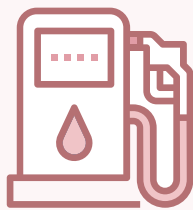
Biomass

30,606 tonnes

125,484 MWh

0.18 MWh/m²

0.09 MWh/tonne of production



Petrol (for mobile combustion)

147,965 L

1,378 MWh

0.0020 MWh/m²

0.0010 MWh/tonne of production



Diesel (for mobile combustion)

233,403 L

2,416 MWh

0.0034 MWh/m²

0.0018 MWh/tonne of production

1 This only includes purchased steam since energy consumption of steam recovered by the plants have been included in the energy consumption of fuel.

3.2 Energy Saving Targets and 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 have energy management policies in place. It conducts regular energy efficiency evaluations, adopts advanced technologies and techniques, and enforces the maintenance of equipment and pipes in order to improve energy performance.

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

These upgrades and modification works resulted in a saving of more than 1,134,000 kWh of electricity and 21,000 tonnes of steam.

Production Sites

Jiangyin Fuhui

Shatin Lake Side

Futian Oasis

Ocean Lanka

Energy saving measures

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

These modification works resulted in a saving of 2,893 tce of electricity and steam consumption.

- ▶ Introducing a new open-width fabric pre-treatment machine
- ▶ Upgrading 4 setting machines, 2 shrinking machines, textile printing machine and drying machine to energy-efficient models
- ▶ Enhancing heat insulation performance of the thermal pipe systems to reduce heat dissipation
- ▶ Improving the process of dyeing auxiliaries application from manual to automatic operation

These upgrades and modification works resulted in a saving of more than 1,134,000 kWh of electricity and 21,000 tonnes of steam.

- ▶ Shifting to natural gas boilers from coal boilers

The shift of coal consumption to natural gas consumption for boilers have reduced 7,087 tonnes of coal consumption.

- ▶ Switching from fuel oil boilers to biomass boilers
- ▶ Improving the condensate recovery factor of dyeing equipment by 3%
- ▶ Enhancing heat insulation performance of dyeing machines to reduce heat dissipation
- ▶ Replacing mercury-vapour lamps to LED energy-saving lamps
- ▶ Exploring renewable energy projects such as rooftop solar power generation

These modification works resulted in a saving of more than 1,923,000 kWh of electricity and 5,300 tonnes of steam.

Through the above-mentioned measures, the Production Sites target to achieve the following energy saving targets:

Production Sites	Energy Saving Targets
Jiangyin Fuhui	Achieve a 1.5% total energy consumption reduction by 2022 with 2021 as base year
Shatin Lake Side	Achieve a 1,430,000 kWh reduction of electricity, and 13,989 tonnes reduction of steam by 2022 with 2021 as base year
Ocean Lanka	Achieve a 3% total energy consumption reduction per kg of its total production by 2024 with 2019 as base year

4 Water

IN THIS CHAPTER

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

4.1

Water Consumption and Discharge

Surface water used by the Production Sites for production processes in the PRC was 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. Water used for production in Ocean Lanka was from municipal water supply. 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 16,136,455 m³ of surface water and fresh water (water intensity: 23.03 m³/m² and 11.79m³/tonne of production), and 3,091,928 m³ of water was recycled.

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 of the PRC;
6. DB44/26-2001 Discharge Limits of Water Pollutants (Guangdong Provincial Standard) of the PRC; and
7. National Environmental (Protection and Quality) Regulations, No.1 of 2008 of Sri Lanka.

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 13,374,591 m³ of wastewater was discharged during the Reporting Period, with an intensity of 19.09 m³/m² or 9.77 m³/tonne of production. The intensity with reference to the total floor area of the Production Sites and that with reference to the tonne of production during the Reporting Period increased by 9% and 7% respectively when compared to the Last Reporting Period. 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	Ocean Lanka
Chemical Oxygen Demand (“COD”) (mg/L)	200	200	80	80	600
Biological Oxygen Demand (“BOD 5 days”) (mg/L)	50	50	20	20	200
Total Ammonia (mg/L)	20	20	10	10	50
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.

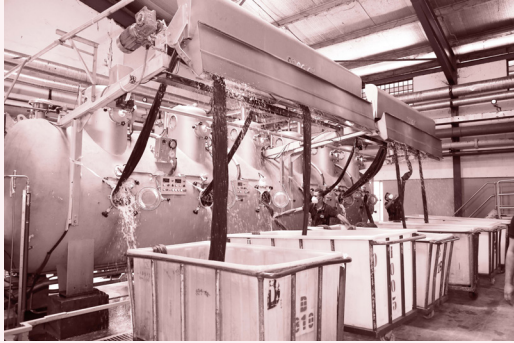
4.2

Targets and Results of Water Saving and Discharge Quality Control

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 3,090,000 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.

Production Sites	Water-saving measures
Jiangyin Fuhui	<ul style="list-style-type: none">▶ Rolled out the Implementation Guideline for Water Management, Heat and Water Management Policy during the Reporting Period▶ Adopted a three-tier management system and strengthened monitoring and analysis of water consumption to control water consumption▶ Reused cooling water in dyeing process
Shatin Lake Side	<ul style="list-style-type: none">▶ Installed a new open-width fabric pre-treatment machine to reduce water consumption, which saved a total of 12,010 m³ of water▶ Upgraded the textile printing machine, which saved a total of 5,707 m³ of water▶ Automated the dyeing auxiliaries application process which saved a total of 51,840 m³ of water
Yancheng Fuhui	<ul style="list-style-type: none">▶ Proposed a water recycling project to be carried out in 2022
Ocean Lanka	<ul style="list-style-type: none">▶ Rolled out the "Ocean Aqua+" sustainable dyeing system, which is an isothermal dyeing process which consumes 58% less water when compared with traditional cotton dyeing▶ Boosted the condensate recovery factor of dyeing equipment by 3% to save more than 3,830 m³ of water▶ Installed water filtration system to reduce back wash water volume, which saved more than 850 m³ of water



Ocean Aqua+ Dyeing System

“Ocean Aqua+” is an indigenous, eco-friendly and cost-saving dyeing system innovated by Ocean Lanka’s Dyeing and Colour Lab teams. The system shortens fabric-dyeing phase and facilitates the processing time by more than 30%. Hence, the water required for dyeing is reduced by 58% when compared with traditional cotton dyeing processes, reducing the water footprint for fabric dyeing. It also reduces the carbon footprint by cutting down the energy required for the dyeing process.

Through the above-mentioned measures, the Production Sites target to achieve the following water saving targets:

Production Sites	Water Reduction Targets
Jiangyin Fuhui	Achieve a 2.5% reduction in production water consumption by 2022 with 2021 as base year
Shatin Lake Side	Achieve a 230,000 m ³ reduction of water consumption by 2022, with 2021 as base year
Futian Oasis	Control water consumption for steam to be lower than 1.2 m ³ by 2022
Ocean Lanka	During the Reporting Period, Ocean Lanka was conducting water audit and collecting comprehensive water consumption data for setting water reduction targets.

5 Waste

IN THIS CHAPTER

- 5.1 Waste Disposal
- 5.2 Waste Reduction
Targets and 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 of the PRC;
4. Identification standards for solid wastes – General rules (GB/T 34330-2017) of the PRC;
5. Identification standards for hazardous waste - General rules (GB 5085.7-2019) of the PRC; and
6. National Environmental (Protection and Quality) Regulations, No.1 of 2008 of Sri Lanka.






During the Reporting Period, the Group generated a total of 3,450 tonnes of hazardous waste (4.92 kg/m² or 2.52 kg/tonne of production), including sludge, dye waste, acid waste, waste materials with dye, oil- and mercury-containing waste. The total hazardous waste generated during the Reporting Period has increased drastically from 64 tonnes to 3,450 tonnes when compared to the Last Reporting Period. This was mainly due to the amount sludge and dye wastes generated from Ocean Lanka, which were not included in the scope in the Last Reporting Period. This also caused an increase to the hazardous waste generation intensities.

A total of 136,969 tonnes of non-hazardous waste was generated (195.45 kg/m² or 100.07 kg/tonne of production), which included fabric wastes, boiler slag, coal ash, sludge, paper and plastic waste, scrap metal, sludge, gypsum and other general waste. The non-hazardous waste generation intensity by plant area and that by tonne of production during the Reporting Period have dropped by 7% and 9% respectively, when compared to the last reporting period⁵.







⁵ The sludge generated in the category of non-hazardous waste in the Last Reporting Period as stated in the Sustainability Report 2020 was readjusted from 37 tonnes to 36,565 tonnes to reflect the actual situation. The total non-hazardous wastes generated in the Last Reporting Period therefore added up to 132,969 tonnes, with waste generation intensities of 209.16 kg/m² and 109.61 kg/tonne of production.

The tables below shows the amount of hazardous and non-hazardous wastes generated by waste type during the Reporting Period:

1. Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 Sludge	Dyeing and printing process	3,261
 Dye Waste (e.g., cloths with dye)	Dyeing process and expired dye materials	128
 Oil (e.g., lubricant oil and engine oil)	Machines and equipment	50
 Acid	Production laboratory	2
 Others (including mercury-containing fluorescent lamps and oil containers)	Daily operations and maintenance process	9
Total Hazardous Waste		3,450

2. Non-hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 Coal Ash	Coal-fired boilers	61,259
 Sludge	By-products of wastewater treatment	40,790
Boiler Slag	Coal-fired boilers	27,343
 Fabric	Fabric processing procedures	3,319
 Paper	Packaging materials and waste paper	2,289
General Waste	Daily operations and food waste	604
Others (e.g., industrial waste and wood boards)	Production processes and by-products of desulphurization	575
 Plastic	Production processes and packaging materials	509
 Scrap Metal	Production processes and replacement of machines and equipment	281
Total Non-Hazardous Waste		136,969

5.2

Waste Reduction Targets and 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. In the PRC's operation, hazardous waste is classified according to the Directory of National Hazardous Wastes (2016). The Production Sites in the PRC and Sri Lanka operations ensure 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 and Ocean Lanka recycled a total of 28.32 tonnes of office paper. The Group achieved a 100% recycling rate of coal ash, sludge, boiler slag, other wastes (industrial waste and wood boards) and scrap metal. The overall recycling rate of all non-hazardous wastes was 99%.



100%

**coal ash, sludge, boiler slag,
other wastes (industrial waste
and wood boards) and scrap
metal recycling rates.**

Non-hazardous Waste Types	Recycling Rate
Coal ash	100%
Sludge	100%
Boiler slag	100%
Others (industrial waste and wood boards)	100%
Scrap metal	100%
Paper	97%
Plastic	81%
Fabric	65%
General waste	52%
Overall Recycling Rate	99%

Through the above-mentioned waste reduction measures, the Production Sites have set the following waste reduction targets.



Production Sites	Waste Reduction Targets
Shatin Lake Side	Achieve a 3% reduction of total waste generation by 2022, with 2021 as base year
Ocean Lanka	<p>Achieve the following targets by 2022 with 2019 as base year:</p> <ul style="list-style-type: none"> ▶ 15.85 kg of polythene waste per tonne of fabric delivered ▶ 2.46 kg of plastic waste per tonne of fabric delivered ▶ 52.2 kg of cardboards and paper waste per tonne of fabric delivered ▶ 2.8 kg of maintenance waste per tonne of fabric delivered ▶ 208 kg of chemical waste per tonne of fabric delivered ▶ 0.384 kg of wooden waste per tonne of fabric delivered ▶ 0.040 kg of food waste per head count per day

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 and reuses packaging materials whenever possible. 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 1,381 tonnes of plastic and paper, with an overall intensity of 1.01 kg/tonne of production. The overall intensity increased by 26% when compared to the Last Reporting Period.

Type of Material	Source of Material	Consumption (in tonnes)
Plastic	 Plastic bags, films and polypropylene straps	860
Paper	 Paper tubes and paper	521
Total		1,381

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 2021 to 2023. 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 and associated risks of climate change on its business and the community at large. In the era of transformation to a low-carbon economy, the Group remains resilient and tactful to changes. To cope with future uncertainties, it develops ahead the short-term and long-term strategies. Strengthening production management, enhancing energy efficiency and improving product quality are three major focuses of the Group's development strategy.

To better cope with extreme weather events, of which the risk level is high in medium to long term, the Production Sites have kept abreast of weather developments and prepared for weather changes and impacts of extreme weather, to ensure that the operations and supply chain are more resilient to the changing climate.

The coal-to-gas switching policy requirement in Futian Oasis resulted in a surge in cost for production. Together with the national requirements for eliminating old equipment in the PRC, the Production Sites in the PRC have to constantly invest in new equipment, which further increases the cost for production. Having said that, the Group considers the tightening of policy requirements an opportunity to improve the Production Sites' overall energy efficiency and environmental performance. The Production Sites have set short-term emission targets to promote continuous improvement, and has actively adopted different approaches, including initiatives to reduce waste, conserve energy and water, and enhance environmental awareness. Ocean Lanka is planning to commission a new biomass boiler to reduce dependency on fuel oil and is exploring renewable energy projects such as rooftop solar power generation. These initiatives aim to mitigate GHG emissions and contribute to the mitigation of climate change.



SOCIAL

1 Employment and Labor Practices

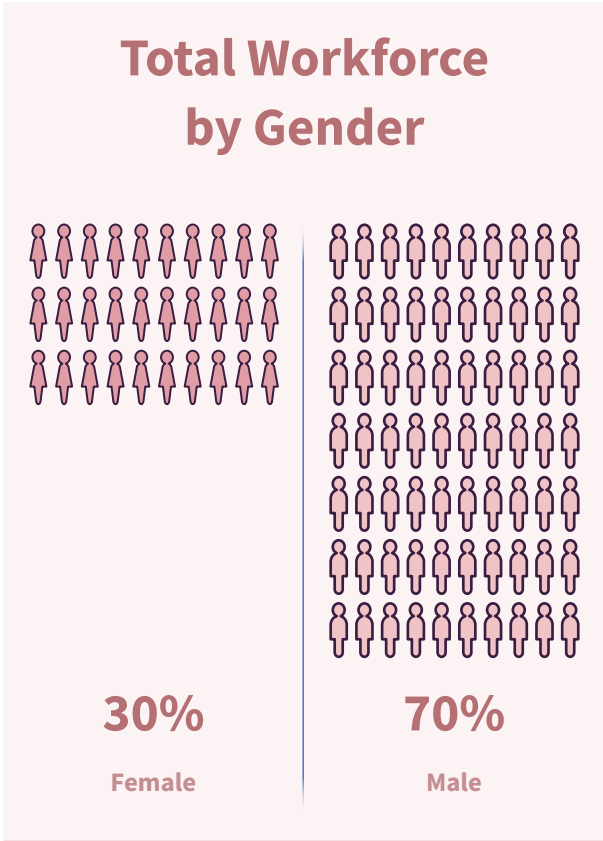
IN THIS CHAPTER

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

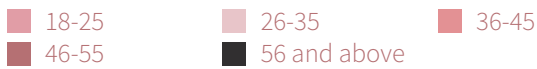
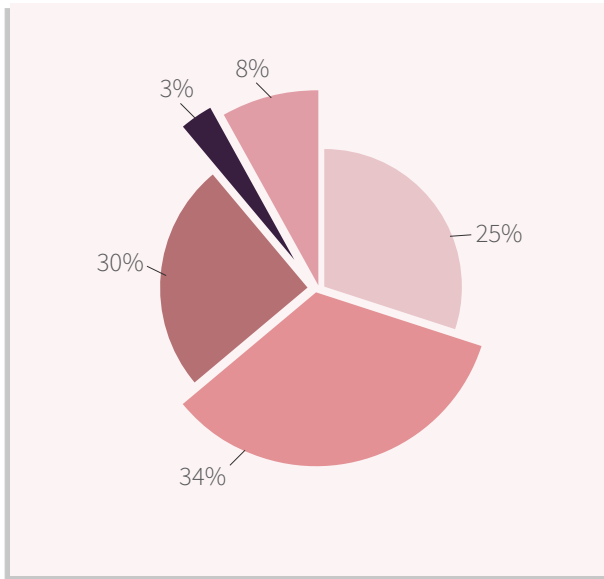
1.1 Employment

Total Employees

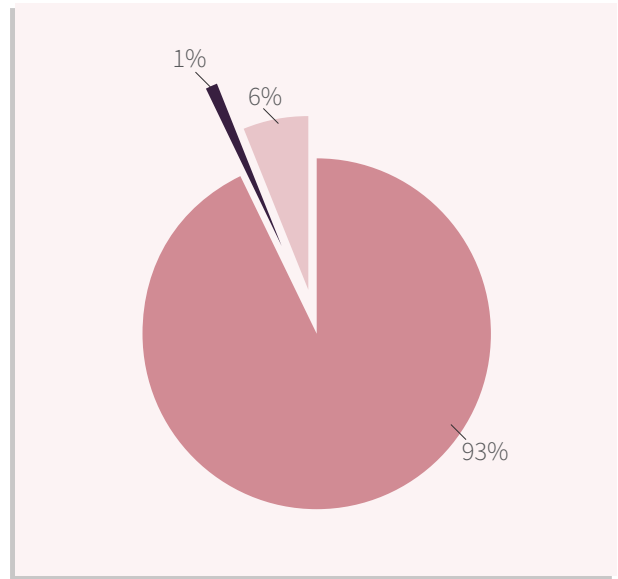
The Group offers competitive remuneration, promotion opportunity, compensation and benefit packages to attract and retain talents. As of 31 December 2021, the Production Sites had a total number of 6,458 (2019: 4,658 employees), all of them were full-time employees. The total workforce by gender, age group, employment category and geographical region are shown below.



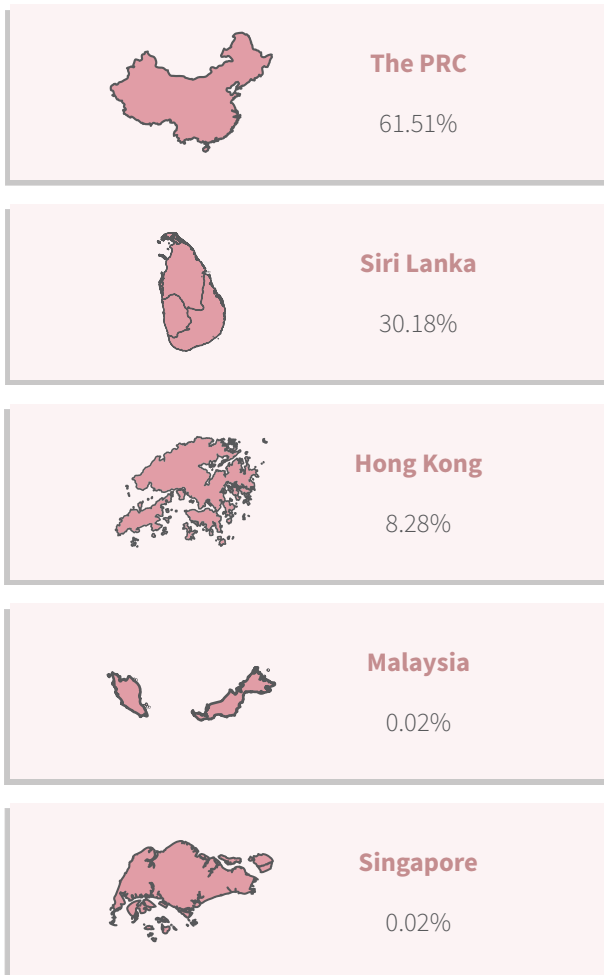
Total Workforce by Age Group



Total Workforce by Employment Category



Total Workforce by Geographical Region



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

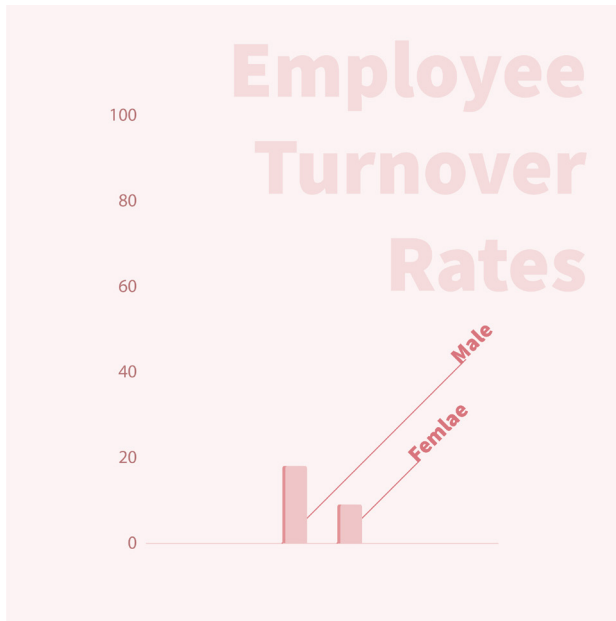
- ▶ Labor Law of the PRC;
- ▶ Labor Contract Law of the PRC;
- ▶ Social Insurance Law of the PRC;
- ▶ Trade Union Law of the PRC;
- ▶ Special Rules on the Labor Protection of Female Employees of the PRC;
- ▶ Law of the PRC on the Protection of Rights and Interests of Women;
- ▶ Implementation Measures for Paid Annual Leave for Employees of Enterprises of the PRC;
- ▶ Regulation of Guangdong Province on the Payment of Wages of the PRC; and
- ▶ Shop and Office Employees (Regulation of Employment and Remuneration) Act of Sri Lanka;
- ▶ Industrial Disputes Act of Sri Lanka; and
- ▶ Factories Ordinance, No. 45 of 1942 of Sri Lanka.

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.

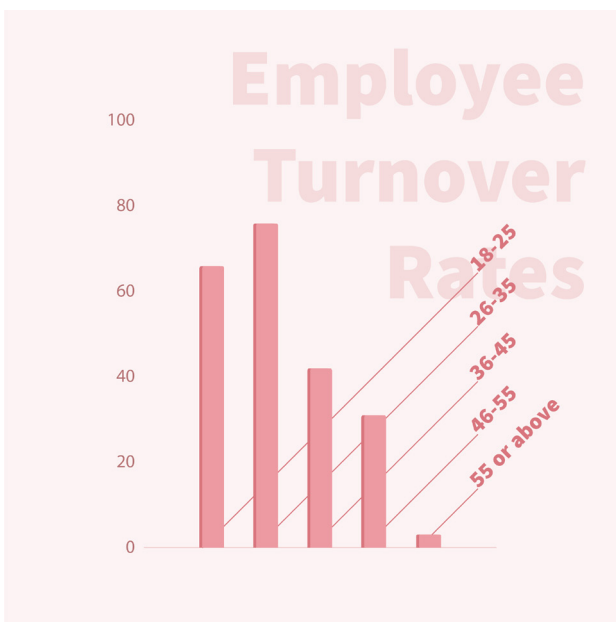
Employee Turnover

During the Reporting Period, a total of 1,203 employees left the Production Sites. The overall employee turnover rate was 19%. The employee turnover rates by gender, age group and geographical regions are shown below.

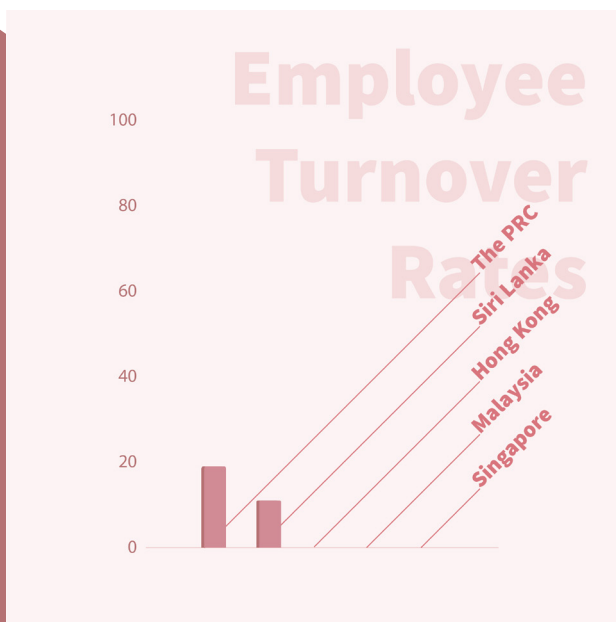
Employees Turnover Rates by Gender



Employees Turnover Rates by Age Group



Employees Turnover Rates by Geographical Region



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 around 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: Encouraging Positive Dialogues with Employees

Ocean Lanka encourages positive workplace dialogues where employees are allowed to express themselves free of interference. The management actively engages employees through consultation. A Worker's Consultative Committee ("WCC") was set up to facilitate communication across departments, management and frontline employees. The WCC comprised of 5 office bearers and 9 representatives from all departments. It collects employees' concerns and suggestions, and conducts mediation when encountering enquiries or conflicts regarding employment issues.

Despite the challenges brought about by COVID-19, Ocean Lanka continues to create a positive workplace that values communication, transparency, respect and trust. During the 25th anniversary celebrations of Ocean Lanka, employees with long years of service was awarded with the "OCL Sewa Abhiman 2021" Loyalty Awards.

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

Employees' health and well-being is a 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

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;
- ▶ High Temperature Labor Protection Measures of Guangdong Province; and
- ▶ Factories Ordinance, No. 45 of 1942 of Sri Lanka.

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 "Safety Committee") to oversee its overall safety management. The Safety Committee is responsible for periodic safety inspections of manufacturing processes and fire service installations and mitigations of identified risks. The Safety 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.

With the Safety Education and Training Management Policy in place, 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. During the Reporting Period, Shatin Lake Side organized a knowledge competition regarding health and safety to enhance safety culture at 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.

To effectively reduce work-related injuries, Jianguyin Fuhui rolled out a "Enhance Injury-prevention, Promote Safety Production" program during the Reporting Period to deliver intensive training regarding work-related injury to employees. A fundus examination was also organized to raise employees' awareness on their health conditions.

No fatalities of the Group's employees have been recorded in the past three reporting periods. There were 53 work-related injury cases during the Reporting Period. Corrective actions were implemented to prevent recurrences.

Occupational Health and Safety Statistics

Work-related fatality	0
Work-related fatality rate	0%
Lost days due to work injury	675 days
Work injury cases ≤3 days	13
Work injury cases >3 days	40

Our Response 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 infection 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 Production Sites 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. In Ocean Lanka, employees who were infected with COVID-19 were given paid or special leave.

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 202,769 hours of training courses were conducted during the Reporting Period, the average training time per employee was 31.4 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 ahead for managerial tasks. At the same time, the Group also provides professional skills training for employees so as to meet the requirement of day-today 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. Ocean Lanka also conducts online training focusing on soft skills of employees.

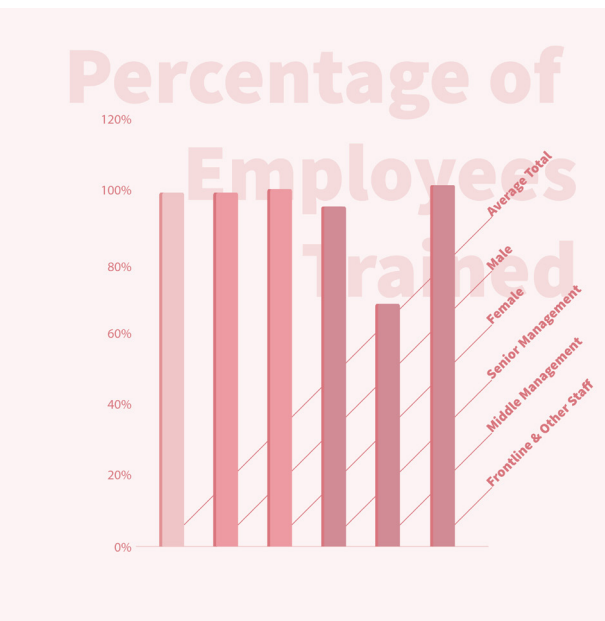
Case 2: Lifelong Learning For Employees

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.

To nurture "knowledgeable, tech-savvy and innovative workforce" as proposed in the 19th National Congress of the Communist Party of China, Jiangyin Fuhui organized a training course covering topics of safe production and dyeing skills during the Reporting Period. Jiangyin Fuhui also organized a national textile industry vocational skill examination during the Reporting Period. A total of 36 dyers nominated by various departments of Jiangyin Fuhui have participated the examination. Jiangyin Fuhui values employees' life skills as important as vocational skills. To enrich employees' life skills, a Chinese pastry baking class was organized for 66 employees during the Reporting Period.

A total of 202,769 hours of training courses were conducted during the Reporting Period, the average training time per employee was 31.4 hours, increased by approximately 2 times compared with the Last Reporting Period of 13.9 hours. The increase in training hours was mainly due to the intensive training delivered by Ocean Lanka. 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 per Employee



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, Employment Promotion Law of the PRC and all applicable laws in Sri Lanka. 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.

During the Reporting Period, Ocean Lanka was awarded with a Disability Inclusion Award by the local governing body, Biyagama Divisional Secretariat of the Ministry of Home Affairs.

The Group values individual differences in the workplace and hire 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, Taiwan, Pakistan and Korea.

Aside from the emphasis on social responsibilities of suppliers, the Group places high priority for products with eco-labels to promote environmentally friendly products. Environmental performance of suppliers is evaluated once a year. Ocean Lanka began sourcing sustainably grown cotton programs since 2009, in the next decade 45% of its fabric and of its yarn will come from sustainable sources. During the Reporting Period, Ocean Lanka entered into partnership with Cotton Made in Africa (“CmiA”), one of the world’s leading standards for sustainably produced cotton. Ocean Lanka targets to procure at least 75% of sustainably-sourced cotton of its total procured cotton by 2025.

During the Reporting Period, the Production Sites procured major materials from 667 suppliers of the following regions.

Region	Number of suppliers	Types of suppliers
The PRC	621	Raw and auxiliary materials (e.g., dyes, fabric, chemicals, yarns, garment accessories), production machinery and equipment, construction services providers and outsourced processors
India	20	Raw and auxiliary materials and production equipment
Taiwan	4	Raw and auxiliary materials
Italy	4	Production equipment and chemicals
Indonesia	4	Chemicals
Others*	14	Raw and auxiliary materials (e.g., dyes, fabric and yarns)
Total		667

* Others include Pakistan, Korea, Israel, Thailand, Germany and the US.

2.2 Product Responsibility

Management Guideline for Standardized Safe Production

The Group engages in top-quality knitting, dyeing and finishing and garment manufacturing; and its garment manufacturing 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. A total of 23 complaints were received in the Reporting Period, the majority were related to product quality and replacement. All complaints have been resolved and dealt with appropriately.

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.

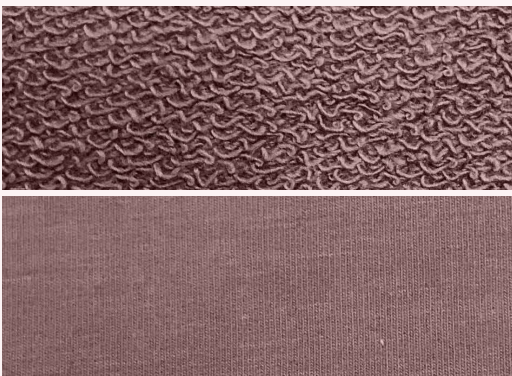
Innovative Research and Development

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.

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.



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. Besides, Yancheng Fuhui has allocated resources in improving eco-friendliness, style and texture of raw materials.



Shatin Lake Side

The current research in Shatin Lake Side is focusing on developing graphene printing technique. Graphene is a two-dimensional carbon nanostructure material. It possesses properties of heat preservation, anti-static and improved infrared emissivity. It is also a more environmentally friendly alternative to synthetic materials.



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.

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, and other applicable laws and regulations in the PRC and Sri Lanka. 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.

The Group will discreetly conduct investigations against the reported suspicious or illegal behavior.

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 on focus areas including education and community care, through blood donations, bursaries, and participation in other public welfare activities. Through long-term support to the community, the Group carries forward a corporate culture that creates mutual values, supports disadvantaged social groups, and brings long-term economic, social and environmental benefits to the communities it operates in. During the Reporting Period, Jiangyin Fuhui made a charitable donation of CNY 400,000 to a non-profit organization and 2 of its employees volunteered at the Jiangyin Human Resources and Social Security Bureau from May to June 2021. Ocean Lanka has also given back to the community by donating LKR 100,000 for the staircase construction at Walgama North Sri Somalankaramaya Temple.



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 students of the Department of Light Industrial Engineering and Department of Textiles in the Guangzhou Vocational College of Technology.



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. During the Reporting Period, employees of Yancheng Fuhui not only volunteered to assist body temperature monitoring tasks and COVID-19 tests, but also contributed in providing emotional support for employees in need. In coordination with the Yancheng Economic and Technical Development Zone, Yancheng Fuhui organized a COVID-19 vaccination event, 500 employees were vaccinated during the event.

Ocean Lanka places utmost importance on health and wellbeing of its staff and community. During COVID-19, large amount of waste (such as contaminated PPE) was generated. Employees from Ocean Lanka transformed waste plastic barrels into waste bins for the collection of contaminated wastes by local governing bodies. On top of that, Ocean Lanka purchased LKR 3,000 of anti-COVID-19 essential packs for its employees.



Case: Blood Donation Activities

Over the years, the Group and local blood centers have been co-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 76 employees took part in the blood donation exercises.

Index to HKEx ESG Reporting Guide

Environmental

Aspect A1: Emissions		Pages	
“Comply or explain” Provisions	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:	14 - 21, 25, 26 - 35	
	KPI A1.1	The types of emissions and respective emissions data.	30 - 31
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	28 - 29
	KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	51 - 52
	KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	51 - 53
	KPI A1.5	Description of emission targets set and steps taken to achieve them.	25, 32 - 33
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	25, 51, 54 - 55

Aspect A2: Use of Resources		Pages
“Comply or explain” Provisions	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	25, 36 - 47
	KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity.	37 - 39
	KPI A2.2 Water consumption in total and intensity.	45 - 46
	KPI A2.3 Description of energy use efficiency targets set and steps taken to achieve them.	25, 40 - 42
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets set and steps taken to achieve them.	25, 47 - 48
	KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced.	57
Aspect A3: The Environment and Natural Resources		
“Comply or explain” Provisions	General Disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources	14 - 21, 59
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	23, 26 - 55, 59
Aspect A4: Climate Change		
“Comply or explain” Provisions	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	61
	KPI A4.1 Description of the significant impacts of climate-related issues which have impacted, and those which may impact, the issuer, and actions taken to manage them.	28 - 33, 61

Social

Employment and Labour Practices

Aspect B1: Employment		Pages
“Comply or explain” Provisions	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	6 - 7, 62 - 73
	<p>KPI B1.1</p>	Total workforce by gender, employment type, age group and geographical region. 65 - 66
	<p>KPI B1.2</p>	Employee turnover rate by gender, age group and geographical region. 67
	Aspect B2: Health and Safety	
“Comply or explain” Provisions	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	14 - 21, 70 - 72
	<p>KPI B2.1</p>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. 71
	<p>KPI B2.2</p>	Lost days due to work injury. 71
	<p>KPI B2.3</p>	Description of occupational health and safety measures adopted, how they are implemented and monitored. 70 - 72

Aspect B3: Development and Training		Pages
“Comply or explain” Provisions	General Disclosure Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	73 - 74
	KPI B3.1 The percentage of employees trained by gender and employee category.	74
	KPI B3.2 The average training hours completed per employee by gender and employee category	74
Aspect B4: Labour Standards		
“Comply or explain” Provisions	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	75
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	75
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	75

Operating Practices

Aspect B5: Supply Chain Management			Pages
“Comply or explain” Provisions	General Disclosure Policies on managing environmental and social risks of the supply chain.		77 - 78
	KPI B5.1	Number of suppliers by geographical region.	78
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	77 - 78
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	77 - 78
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	77 - 78
Aspect B6: Product Responsibility			
“Comply or explain” Provisions	General Disclosure Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		14 - 21, 79 - 81
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	80
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	80

Aspect B6: Product Responsibility			Pages
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	80
	KPI B6.4	Description of quality assurance process and recall procedures.	79 - 81
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	80

Aspect B7: Anti-Corruption			
“Comply or explain” Provisions	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	82
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	82
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	82
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	82

Community			
Aspect B8: Community Investment			
“Comply or explain” Provisions	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	6 - 7, 83 - 84
	KPI B8.1	Focus areas of contribution.	83 - 84
	KPI B8.2	Resources contributed to the focus area.	83 - 84



福田實業(集團)有限公司

Fountain Set (Holdings) Limited

Address: Block A, 6/F,
Eastern Sea Industrial Building,
29-39 Kwai Cheong Road,
Kwai Chung, NT, Hong Kong

Email: pr@fshl.com

Website: www.fshl.com