



Environmental,
Social and
Governance Report
2019



GTI Holdings Limited
共享集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3344)

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GTI Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group” or “we” or “us”) is pleased to present the Environmental, Social and Governance Report 2019 (the “Report”) to summarise the policy, measures and performance of the sustainable development of the Group.

Reporting Period

The reporting period of this Report is from 1 January 2019 to 31 December 2019.

Scope of the Report

Unless stated otherwise, this Report covers the Group’s headquarters in Hong Kong Special Administrative Region (“Hong Kong”) (the “Hong Kong headquarters”) and the operation of one of the principal business (i.e. textile business) of its subsidiaries, including the warehouses and factories being operated in Su Song, Anqing, the People’s Republic of China (the “PRC”) (the “production plant in Su Song”)¹ and the warehouses and factories being operated in the Kingdom of Cambodia (“Cambodia”) (the “production plant in Cambodia”)² (collectively referred to as the “production plants of the Group”). As the operating policies and data of the production plants of the Group are relatively material to the environmental, social and governance aspects during the reporting period, they are rationalized and disclosed. The Group will continue to improve the internal data collection procedures and gradually expand the reporting scope of disclosure.

Reporting Standards

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”)(“Main Board Listing Rules”) – “Environmental, Social and Governance Reporting Guide” published by SEHK and has complied with “comply or explain” provision in the Listing Rules.

Information in the Report originates from official documents and statistics of the Group, as well as the integration and summarization of monitoring, management and operation data provided by subsidiaries under the Group according to relevant policies of the Group. The last part of this Report has a complete content index to facilitate quick reference of readers. This Report is prepared in both Chinese and English. In case of any conflict or discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Feedback

The Group values your opinions about this Report. If you have any opinion or suggestion, please email us at esg@gtiholdings.com.hk.

¹ Business units include Anqing Su Song Addchance Spinning Company Limited (which suspended production in November 2018 and resumed production in April 2019).

² Business units include Dignity Knitter Limited (“Dignity”).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRINCIPLES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

The Board is responsible for the evaluation and determination of the risks the Group's exposures in respect of environment, social and governance, and to ensure the Group establishes appropriate and effective environmental, social and governance risk management and internal control system. The management reviews risks in respect of these aspects and the effectiveness of the internal control system, and provides confirmation to the Board.

STAKEHOLDER ENGAGEMENT

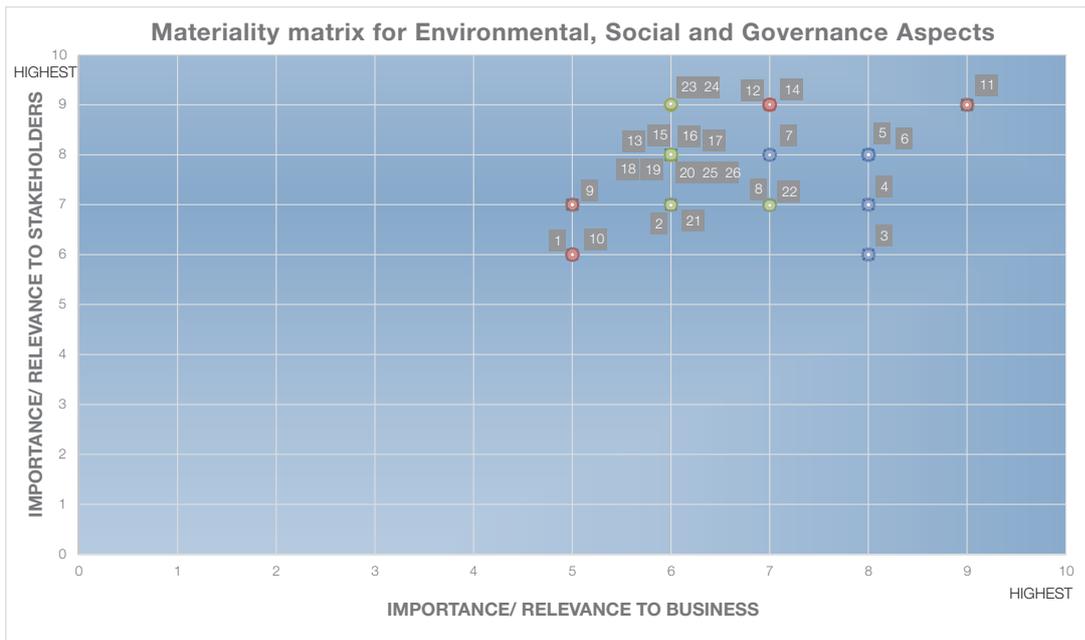
The stakeholders' opinions laid a good foundation for the Group's sustainable development and success. The stakeholder engagement will facilitate the Group's establishment of business strategies which better meet their needs and expectations, enhance the Group's ability to forecast risks, and to strengthen important connections. The stakeholders can express opinions in respect of aspects such as environment, social and governance by different means. The expectations of the Group's stakeholders and their communication and feedback are as follows:

Stakeholder	Expectations	Communication and feedback
The government and regulatory authorities	In compliance with regulations and information disclosure requirements	Annual reports, interim reports, ESG reports and other public information
Shareholders and investors	Financial results Corporate transparency Regular information disclosure	Annual general meetings and other general meetings Website of the Company Press releases/announcements
Employees	To strengthen their health and safety awareness Constant communication Competitive salary and employee benefits	To provide employee training Work meetings Regular review of employees' salary and benefits level
Customers	To satisfy their orders To guarantee customer information security To increase customer satisfaction	Faxes, emails and phone calls Strict implementation of customer privacy protection policy High-quality products and services
Suppliers	Fair tendering procedures To build a responsible supply chain	Strict control of tendering process Sincere cooperation
Society and the public	Environmental protection Employment opportunities	To use eco-friendly and energy saving equipment To provide employment information and job opportunities

MATERIALITY ASSESSMENT

The Group determined the issues to be disclosed in this Report through conducting internal and external materiality assessment. By considering the stakeholders’ level of reliance on and influence on the Group, as well as the resources of the Group, the management identified the key stakeholders, and conducted questionnaire surveys or discussed with them. They give opinions or suggestions in respect of the issues involved in the operation of the Group.

After consolidating the above information, the Group’s internal assessment and the result of the questionnaire surveys, the Group derived a materiality matrix (see table below). We made reference to the importance of these issues to the business and the stakeholders to determine their level of disclosure in this Report.



Environmental Aspects

- 1. Greenhouse gas emissions
- 2. Energy consumption
- 3. Water consumption
- 4. Waste
- 5. Environmental impacts on business
- 6. Use of natural resources and packaging materials
- 7. Legal and compliance matters for environmental protection
- 8. Use of chemicals

Social Aspects

- 9. Local community engagement
- 10. Community investment
- 11. Occupational health and safety
- 12. Labour standards in supply chain
- 13. Training and development
- 14. Employee welfare
- 15. Inclusion and equal opportunities
- 16. Talent attraction and retention

Operation Aspects

- 17. Economic value generated
- 18. Corporate governance
- 19. Anti-corruption
- 20. Supply chain management
- 21. Customer satisfaction
- 22. Customer privacy
- 23. Product/service quality management
- 24. Product health and safety
- 25. Advertisement and label of product/ service
- 26. Intellectual property protection



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

The Group is highly concerned about the impacts and potential risks of its production and operation on the environment and the surrounding ecological system. It operates with awareness on environmental protection in a responsible manner. It strictly abides by relevant laws and regulations on environment in all places where the Group has operations, including but not limited to the Law of the PRC on Environmental Protection, the Law of the PRC on Air Pollution Prevention, the Law of the PRC on Noise Pollution Prevention, the Law of the PRC on Water Pollution Prevention, the Law of the PRC on Solid Waste Pollution Prevention, the Law of the PRC on Energy Saving, the Law of the PRC on Environmental Impact Assessment, the Law of the PRC on the Promotion of Clean Production, the Law of the PRC on the Promotion of Circular Economy, the Water Law of the PRC and the Environmental Protection Law of Cambodia. During the reporting period, the Group had no material non-compliance with the aforesaid laws and regulations. In addition, during the reporting period, there were no major fines or non-monetary sanctions due to non-compliance with relevant laws and regulations.

The Group implements energy-saving measures in its office and production plants of the Group to reduce the consumption of electricity and the emission of greenhouse gases. The Group also adopts policies to encourage the recycling and use of eco-friendly stationery. With various measures on saving the use of paper and energy, it can more efficiently use resources and reduce waste.

The textile business of the Group includes the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products. The following sections set out the relevant emission and control measures of the Group.

Emissions

Air pollutant emissions

The production plants of the Group strictly abide by the Law of the PRC on Air Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Air Pollution Control) in the treatment of waste gas. The waste gas is mainly generated from machinery and vehicles in the production plants, including sulphur dioxide, smoke and dust and nitrogen oxides. Currently, the authorities of Cambodia have no specific standard for the emissions of steam boilers. Nevertheless, the production plant in Cambodia are inspected by local environmental protection officers regularly in respect of their temperature, humidity, etc. The production plants of the Group have adopted the following measures to mitigate the impacts rendered by waste gas: selecting firewood suppliers in a stringent manner and requiring the firewood supplied to meet a certain length and a certain level of dryness and thickness to ensure sufficient burning and reduce smoke and dust.

During the reporting period, the data of air pollutant emissions^(Note 1) are as follows:

Type of emission	Unit	2019 ^(Note 2)	2018 ^(Note 3)
Nitrogen oxides (NO _x)	Tonnes	0.1127	53.21
Sulphur oxides (SO _x)	Tonnes	0.0003	2.92
Suspended particles or particulate matter (PM)/ smoke and dust	Tonnes	0.0092	37.56

Note 1: Emissions in Hong Kong are estimated with reference to HKEX – How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs.

Note 2: The emissions include the operating data from the Hong Kong headquarters and the production plant in Su Song. As the production plant in Cambodia have stopped production in December 2019, no relevant statistical data on its air pollutants is included.

Note 3: The emissions include the operation data of the Hong Kong headquarters and the production plant in Cambodia.

During the reporting period, the air pollutant emissions of the Hong Kong headquarters and the production plant in Su Song are mainly from the company vehicles. To evaluate the effectiveness of the relevant measures, the management of the Group will continue to monitor and manage the use of the production equipment in each operating area.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse gas emissions

We have implemented energy saving measures described in the paragraph headed “Use of resources” to reduce greenhouse gas emissions from its operations. The data of greenhouse gas emissions are as follows:

Greenhouse gas emissions	Unit	2019 ^(Note 1)	2018 ^(Note 2)
Greenhouse gas emission (Scope 1)	Tonne carbon dioxide equivalent	54.36 ^(Note 4)	2,871.09
Greenhouse gas emission (Scope 2)	Tonne carbon dioxide equivalent	5,593.03 ^(Note 5)	13,822.99
Greenhouse gas emission (Scope 3)	Tonne carbon dioxide equivalent	11.73 ^(Note 6)	N/A ^(Note 6)
Total greenhouse gas emissions	Tonne carbon dioxide equivalent	5,659.12	16,694.08
Total greenhouse gas emission intensity	Tonne carbon dioxide equivalent/ HK\$ million of revenue	8.03	58.46
CO ₂ emission from biofuels ^(Note 3)	Tonne carbon dioxide equivalent	N/A	25,586.53

Scope 1 : Direct greenhouse gas emissions from operations that are owned or controlled by the Company.

Scope 2 : “Energy indirect” emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Company.

Scope 3 : All indirect greenhouse gas emissions generated outside the Company, including upstream and downstream emissions.

Note 1: The greenhouse gas emissions include the operating data from the Hong Kong headquarters and the production plant in Su Song. As the production plant in Cambodia have stopped production in December 2019, no statistical data on the greenhouse gas emissions is included.

Note 2: The greenhouse gas emissions are generated from the operations of Hong Kong headquarters and the production plant in Cambodia. The Group’s greenhouse gas emissions are calculated with reference to Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Note 3: Pursuant to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, the carbon dioxide emission from the burning of biofuels is reported separately. However, the nitrous oxide and methane generated from which are included in Scope 1. As biofuels were only used by the production plant in Cambodia and as the production plant in Cambodia have stopped production in December 2019, no statistical data on greenhouse gas emissions is included for 2019.

Note 4: The data mainly represents the diesel and fuel oil consumed by the vehicles of Hong Kong headquarters and the production plant in Su Song.

Note 5: The data mainly represents the electricity purchased by the Hong Kong headquarters and the production plant in Su Song from electricity suppliers, which is calculated based on the emission factors of CLP Power Hong Kong Limited for 2019 and the China East China regional grid for 2017 respectively. These figures are calculated in accordance with the “Reporting Guidance on Environmental KPIs”.

Note 6: The data mainly represents the water consumed by the production plant in Su Song. In 2018, the Company did not collect data on other relevant indirect greenhouse gas emissions.

To evaluate the effectiveness of the relevant measures, the Group will continue to monitor and manage the use of the relevant resources.

Treatment of waste water

The production plant in Cambodia strictly abide by the Law of Cambodia on Environmental Protection and Natural Resources Administration (Waste Water Pollution Control) in the treatment of waste water. Environmental officers from the Cambodian authorities carry out sewage tests regularly. The discharge of waste water by the Group includes the industrial waste water from the operation and the domestic waste water from the daily water use by employees. The production plant in Cambodia has biochemical treatment pools for waste water treatment and invested in the establishment of a distributed control system (DCS) for online monitoring and control. If the indicators of the discharged water exceed the standards, the master valve will close automatically and no more water can be discharged. Moreover, the production plant in Cambodia adopted environmental dyeing agents to reduce the impact of the waste water discharge on the environment.

The Group has adopted the following various measures to ensure that the waste water can meet the discharge standards: Generally, the staff of the waste water treatment station takes samples every 2 hours for checking whether it fulfills the standard. If it is found that the waste water fails to meet the required standards, the discharge of waste water would be suspended immediately, and the cause of the problem would be identified and the Group would ensure the waste water has met the standard before discharge again.

The discharge of waste water by production plant in Cambodia is as follows:

Waste water discharge	Unit	2019	2018
Total	Thousand tonnes	N/A ^(Note 1)	133.52

Note 1: As the production plant in Cambodia have stopped production in December 2019, no statistical data on this matter is included.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Treatment of solid waste

The Group strictly abides by the Law of the PRC on Solid Waste Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Solid Waste Management) in the treatment of solid waste. The solid waste generated from the production plants of the Group and the Hong Kong headquarters is non-toxic and non-hazardous solid waste, including used sweater and socks samples, plastic bags, waste paper box, knitting wool waste, fur tubes and other ordinary domestic waste. Such wastes were all collected and processed by waste treatment companies approved by the local environmental authorities. Used toner generated during the operation of the office of Hong Kong headquarters, was collected and processed by the recycling company.

Treatment of solid waste	Unit	2019	2018
Used toner	Tonnes	N/A ^(Note 1)	0.03
Total non-hazardous solid waste	Tonnes	0.9 ^(Note 2)	95.69
Non-hazardous solid waste intensity (total non-hazardous solid waste/ HK\$ million of revenue)	Tonnes/HK\$ million of revenue	0.0013 ^(Note 2)	0.34
Total hazardous solid waste	Tonnes	N/A	N/A
Hazardous solid waste intensity (total hazardous solid waste/ HK\$ million of revenue)	Tonnes/HK\$ million of revenue	N/A	N/A

Note 1: As there were not many used toners in 2019, no disclosure is made.

Note 2: The data mainly represent the total non-hazardous solid waste in the production plant in Su Song. As the production plant in Cambodia have stopped production in December 2019, there is no relevant statistical data.

Noise control

The production plants of the Group strictly abide by the Law of the PRC on Noise Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Noise Control Management) in controlling noises. It installs acoustic panels for equipment which generate high noise. In the general layout design of the production plant in Cambodia, those portions of the plant generating high noises and low noises are separated. While meeting the requirements on the production process, those equipment generating high noises are concentrated and measures on reducing and insulating noises are adopted.

Use of resources

The Group advocates environmental protection in our daily business operations and adopts a variety of environmental protection measures regarding the consumption of electricity, firewood, water and paper in the workplaces, as detailed below.

Use of electricity

The Group strictly abides by the Law of the PRC on Energy Saving. The electricity consumption mainly comes from the operation of production plants of the Group, the operation of equipment and the electric equipment in the office during the working hours. The Group understands that electricity consumption directly affects the emission of greenhouse gases. To reduce the emission of greenhouse gases, it strives to reduce the electricity consumption and attaches great importance to energy saving and emission reduction. The lighting in all offices are replaced with T5 fluorescent lamps and the plant area are installed with transparent skylines to improve the utilization rate of power and reduce the use of electricity. Meanwhile, the Group installed frequency converters for high-power motors to reduce electricity usage. It also replaces traditional air-conditioners with water screen air-conditioners to reduce the consumption of electricity.

Firewood

The production plant in Cambodia uses firewood as fuels for boilers. In order to maximize the use of resources, the Group uses the remaining ashes after the burning of firewood as organic fertilizers for green plant in the plant area.

The data of different type of energy consumption are as follows:

Type of energy	Unit	2019 ^(Note 1)	2018
Purchased electricity	MWh	6,978.93	18,185.77
Diesel	MWh	20.20	1,665.57
Petrol	MWh	161.14	98.52
Firewood	MWh	N/A ^(Note 2)	64,679.03
Total energy consumption	MWh	7,160.27	84,628.89
Total energy consumption intensity	MWh/HK\$ million of revenue	10.17	296.36

Note 1: The energy consumption includes the operation of the Hong Kong headquarters and the production plant in Su Song. As the production plant in Cambodia have stopped production in December 2019, no statistical data on its energy consumption is included.

Note 2: As firewood was only used in the production plant in Cambodia and the production plant in Cambodia have stopped production in December 2019, it is not included in relevant statistical data for 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of water

The use of water in textile business are mainly from the tap water required for the normal operation of production plants of the Group, the drinking water consumed in the office during the working hours, and the tap water used in pantries and washrooms. The production plant in Cambodia obtain water from nearby rivers or underground water and they have also established rainfall collection pools, while the Hong Kong headquarters and the production plant in Su Song only use water for household purposes. As a result, we do not have any major problem in securing appropriate water source. The Group attaches great importance to the improvement of the utilization rate of water resources and uses recycled water for production. It implements various measures in the production plants of the Group to improve the utilization rate of water resources, including setting up signboards on saving water at the place using water; replacing traditional water taps with water-saving taps; and strengthening the water-saving education on staff to enhance their awareness on energy saving and reducing emission. The Group's water consumption is as follows:

Water consumption	Unit	2019 ^(Note 1)	2018
Total water consumption	Thousand tonnes	11.31	443.44
Water consumption intensity	Thousand tonnes/ HK\$ million of revenue	0.0161	1.55

Note 1: Water consumption only includes the operation of the production plant in Su Song. As the water supply of the Hong Kong headquarters office is controlled by the building's property management department, it is not possible to obtain the individual water consumption statistics; and no water consumption statistics from the production plant in Cambodia is included.

Paper

The use of paper is mainly from the operation of the office, and the Group adopts the following measures to save paper:

- Designating specific recycling bins for waste paper and regularly contacting waste paper recycling companies on recycling matters;
- Using recycled paper ;
- Using both sides of paper for printing and photocopying ;
- Using used paper for drafting, printing and receiving fax ;
- Recycling used envelopes and folders in issuing internal documents and letters;
- Avoiding printing and photocopying documents unless necessary ;
- Sending soft copies through emails rather than sending printed copies ;
- Archiving documents in the electronic form;
- Transforming documents in the electronic form, if possible; and
- Sending electronic greeting cards instead of paper cards during festivals.

Packaging material used

The packaging materials used are as follows:

Type of packaging materials	Unit	2019 ^(Note 1)	2018
Plastic	Tonnes	0.7	N/A ^(Note 2)
Paper	Tonnes	0.6	N/A ^(Note 2)
Metal	Tonnes	0.2	N/A ^(Note 2)
Plastic bag	Thousand pieces	N/A	3,461.71
Carton	Thousand pieces	N/A	70.41
Clothes hanger	Thousand pieces	N/A	17.07
Carton sealing tape	Thousand pieces	N/A	4.44
Nylon bag	Thousand pieces	N/A	98.77
Strapping	Thousand pieces	N/A	49.65
Textile paper tubes	Thousand pieces	N/A	1,308.24
Inner packaging bag	Thousand pieces	N/A	1,410.00
Nylon ropes	Thousand pieces	N/A	2.84

Note 1: As packaging materials were categorised according to their attributes in 2019 and calculated based on their weight, the number of pieces is not set out for each type of packaging materials. The data included packaging materials of the production plant in Su Song, and as the production plant in Cambodia have stopped production in December 2019, relevant data is not included.

Note 2: As packaging materials were calculated and disclosed based on their type and number of pieces in 2018, no statistics and disclosure of their weight were made according to their attributes.

Environment and natural resources

The Group pays much attention to environmental issues and the utilization of natural resources. The Group attaches great importance to the use of resources and advocates the environmental concept on energy saving and emission reduction as well as reducing the utilization of natural resources. Besides paper, the Group requires all plants operated by it to recycle all packaging materials and production materials, including paper tubes, paper boxes, fur tubes, plastic tubes, waste iron, waste copper and packaging bags. The Group attaches great importance to the greening work in its operation area and continues to green the plant area of the Group. A majority of the interior lighting system in the plant area of the Group adopts the solar energy power storage system to utilize solar energy in order to save electricity. To reduce the solid waste generated, the Group also requires employees to reduce food waste.

SOCIAL ASPECTS

Employment and labour practices

Employment

The Group firmly believes that employees are one of the most important assets of an enterprise. With the continuous growth of an enterprise, it must establish sustainable human capitals and attract and retain talents. The Group strictly abides by the labour laws in Hong Kong, Cambodia and the PRC, including the Labour Law of the PRC, the Employment Promotion Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Labour Law of Cambodia, the Employment Ordinance of Hong Kong, the Sex Discrimination Ordinance of Hong Kong, Race Discrimination Ordinance of Hong Kong and other relevant laws, and ensure that it provides reasonable remuneration and welfare for employees and effectively prevents the employment of child labourers and forced labours. The recruitment policy of the Group respects all employees. In the employment, training, performance management, selection of employees and the calculation of salaries, it ensures that no employees will be discriminated as a result of differences in race, religion, skin colour, sex, nationality, age and disability. It treats all employees fairly, equally and impartially. Meanwhile, the termination of any employment contracts shall be based on reasonable grounds with proper legal basis. The Group strictly prohibits any unfair or unreasonable dismissals. The human resources department of the Group will regularly review the latest laws and regulations to update the relevant policies on human resources.

The Group will consider the working experiences of employees, the expected capability, background, the market remuneration for the position, the internal budget of the Company and other factors in recruiting new employees. As a result, the Group strives to attract and retain talents and allows them to achieve their goals in an environment where the Group values fairness, mutual respect, credit and other beliefs.

In order to improve the salary, welfare, reward and sanction system on employees, the Group has established the basic remuneration management system on employees. It classifies the basic remuneration levels based on the positions, working time, technical skills and positions. It also establishes the employees performance management system. It holds the performance appraisal meeting every year to evaluate and reward the diligent staff and staff with unsatisfactory performance and the implementation of various systems and measures.

The working time and rest time of employees are in compliance with the local employment laws and are stipulated in the employment contract. Besides offering statutory paid leaves and competitive remuneration, contributing social insurance as well as housing provident fund and commercial travel accident insurance for employees, employees also enjoy maternity leave, marital leave, paternity leave, compassionate leave and other welfare according to laws. During the reporting period, after considering the difficulties in hiring experienced staff in the textile industry, the production plant in Su Song adjusted the remuneration of all employees of the plant and provided Spring Festival holidays more than that mandated by the laws to attract and retain talents, and to raise their production quality.

In order to foster the sense of belonging of employees, all subsidiaries of the Group regularly hold various group activities. It held anniversary dinner, Christmas party and other group activities to promote the friendship among employees and establish a harmonious relation in the team.

The composition and turnover of employees are as follows:

Employee composition	2019	2018
By gender		
Male	114	509
Female	1,435	2,468
By age group		
Below 30	556	1,265
30-39	674	1,182
40-49	235	339
50 or above	84	191
By position		
Assistant general manager and above	30	17
Manager	21	8
Assistant manager	–	5
General staff	68	239
Operation staff	1,430	2,708
By geographical region		
Hong Kong	49	48
The PRC	300	292
Cambodia	1,200	2,637
Total	1,549	2,977
Turnover	2019	2018
By gender		
Male	18%	8%
Female	9%	8%
By age group		
Below 30	14%	9%
30-39	5%	8%
40-49	17%	7%
50 or above	6%	11%
By geographical region		
Hong Kong	27%	32%
The PRC	19%	10%
Cambodia	7%	8%
Overall	10%	8%

Around the beginning of 2020, it was dry season in Cambodia and the electricity supply was very unstable. It seriously affected the production schedule and product quality. This led to late payment and difficulty in meeting wages payments. Accordingly, the workers took the case to court. At as the date of this Report, the assets in the production plant in Cambodia were frozen.

Health and safety

The Group devotes itself to provide employees with a safe and healthy working environment in compliance with the relevant laws and regulations of the PRC, Cambodia and Hong Kong, including the Law of the PRC on Safety Production, the Law of the PRC on the Prevention of Occupational Diseases, the ordinances on insurance on work-related injuries and the ordinance on occupational safety and health. The Group actively implements measures on standard safety production and established a management system on standard safety production and also formulated related policies, such as fire safety policy. During the reporting period, the Group had no material non-compliance with the aforesaid laws and regulations. In addition, during the reporting period, there were no major fines or sanctions due to non-compliance with relevant laws and regulations.

Meanwhile, the Group conducts relevant training on occupational health and safety for all employees and provides targeted training on emergency management, the safe operation of machineries and the disposal of dangerous materials for employees at relevant positions. It also arranges relevant employees to conduct emergency and fire drills every year. During the reporting period, the production plant in Cambodia held training such as traffic safety training as well as fire drills. The production plant in Su Song organised safety meeting monthly to continuously enhance the safety knowledge and awareness of employees.

The production plants of the Group also adopt corresponding measures to guarantee a healthy and safe working environment. The Group arranges professionals to assess the light, noise, air, dust, ventilation, air and other labour and working environment to ensure that it provides good and safe working conditions for employees. The Group provides employees with appropriate personal protection equipment to prevent potential labour accidents and minimize the impact on the health of employees. Such equipment include: earplugs, eyes protectors, anti-dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hairnets and safety belts. For production plant generating loud noise, in order to reduce the time that employees are exposed to noises, the Group conducts relevant training on protection knowledge for employees who are exposed to noises and equips them with hearing protectors. It also requires them to cooperate in the implementation of the hearing protection plan of the enterprise and wear earplugs consciously. It arranges relevant employees to conduct health checks every year to help employees and the Group to ascertain the health conditions of employees and make appropriate working arrangements and conduct treatment (if necessary). During the reporting period, there was no work injury case in the production plant in Su Song, and no significant work-related fatalities.

Development and training

The Group is concerned about the professional development of every employee and sets corresponding training plans at all subsidiaries. The Group organized medium and junior level employees to attend training courses related to the requirements of their work and positions, including the induction courses for new employees, health and safety courses, language courses and technical courses. The induction training covers internal rules on remuneration and welfare, labour disciplines, health and safety, firefighting, working and position requirements. The Group also provides annual trainings and other ad hoc trainings:

- The Group provides annual training on internal rules, the health and safety of all employees and firefighting;
- The Company arranges regular training for different groups of employees based on local regulations and rules, including the training on safety operation by fork-lift truck drivers, boiler operators, chemical products managers and first-aid employees; and
- Ad hoc training courses are conducted based on the actual requirements of each department to improve the capability of employees, including the primary practice certificate for boiler operators, fork-lift truck drivers and crane drivers.

Labour standards

The Group strictly abides by the Labour Law of the PRC, the Law of the PRC on Employment Contract, the regulations on the prevention of minor labours in the PRC, the Law of the PRC on the Protection of Minors, the Labour Law of Cambodia and other relevant labor laws and regulations, to prevent the employment of child labour and forced labour. The subsidiaries of the Group have formulated child labour prevention policy, forced labour prevention policy, etc. The production plant in Cambodia were also reviewed by the third party independent institution to continuously improve the compliance with the local labour laws and the major international labour standards.

The human resources department of the Group complies with the relevant national laws and regulations and implements the labour management procedures to review the induction materials of employees to ensure the ages of employees comply with the requirements of regulations. It also conducts induction talks with employees before they join the Group, so as to ascertain that they are not forced labour. During the reporting period, the Group did not hire any child labour or forced labour, and there was no material non-compliance with the aforesaid laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating practices

Supply chain management

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. The main raw materials procured by the Group are wool and ancillary materials. When selecting suppliers, the Group generally considers environmental and social risk factors, requiring suppliers to provide local business licenses and taxation registration certificates to ensure that the suppliers meet the standards of national regulations on the industry. The specific standards for selecting include the following six aspects: meeting the standards of national laws and regulations on the industry; having good reputation; passing the certification of quality management system; good services; competitive prices; and outstanding performance. In addition, qualified suppliers in Cambodia must provide business licenses, the approvals on pollution emission tax and value-added tax as well as the standard certificates on relevant products not containing hazards and meeting various international regulations.

For new suppliers, the Group requires them to provide samples to test their quality. If their samples are satisfactory and the price and delivery period meet the requirements, the procurement department will procure limited supplies to conduct further quality assessment. New suppliers have to pass an assessment period of 6 months. If the quality and other aspects of the suppliers are satisfactory during the period, they will be included in our list of qualified suppliers. For suppliers with cooperation at present, the procurement department of the Group is responsible for managing and maintaining a healthy and good commercial partnership with them. The procurement department has to strictly control the quality, select samples for review and determination by the management. The suppliers must provide quality warranty or on-site (entrusted) tests. If the quality of raw materials of the suppliers declines and fails to meet the required quality of the Group within the stipulated period, the procurement department will suspend the cooperation with the suppliers.

The current suppliers mainly provide the Group with low-value consumables (parts and accessories), logistics service and raw materials (cotton). Their geographical distribution is as follows:

Geographical distribution of suppliers	2019 ^(Note 1)	2018
The PRC	15	83
Hong Kong	2	N/A
Total	17	83

Note 1: The data mainly represents the geographical distribution data regarding the suppliers of the production plant in Su Song. As the production plant in Cambodia have stopped production in December 2019, there is no statistical data on the geographical distribution of relevant suppliers.

Product responsibility

The Group adheres to the concept of “Quality and Service Are Top Priorities” for products. It requires excellent quality, loyal services, green and environmental protection and waste-free. The Group strictly abides by relevant laws and regulations on the industry, including the Law of the PRC on Safety Production, the Law of the PRC on Standardization, the Quality Law of the PRC and corresponding internal rules and regulations. All products must fully meet the EU standards on environmental protection, including REACH, WEEE, RoHS, EuP and other rules. During the reporting period, there was no material non-compliance with the aforesaid laws and regulations.

The Group has established a complete system on quality assurance and safety. The quality inspection department must conduct the routine inspection on the products based on the Responsibilities of the Positions of the Quality Inspection Department. In the early stage of production, the quality inspection department shall compare and inspect as to whether there are errors in the weaving, stitching, cross stitching, laundering, amending, packaging and other processes. Meanwhile, it also inspects as to whether the AQL (Acceptable Quality Level) meets the standards. If it identifies defective products, it must explain the requirements to the employees in the production line, include improvement suggestions into the inspection report and follow up if the production department makes improvements as required. While it conducts random inspections on unfinished products, relevant departments must keep all products tidy for quality inspection staff to conduct random inspection. If it identifies any problems, it must hold meetings to discuss how to improve the same. Defective products must be returned for rework until they meet the standards and are handed over to the next production stage. During the final inspection, the quality inspection department shall randomly select samples for inspection and ensure that all of the problems raised before have been improved. It shall inspect a considerable amount of clothes to conduct detailed inspection and check if all indicators meet the standards based on the requirements of the Company and fill in the inspection report on bulk products.

If the Group receives complaints on product quality from customers, relevant departments will contact customers immediately and investigate the reasons of the complaint and resolve the matter. They will collect relevant information and submit them to the quality inspection department to investigate and analyze the reasons and determine the responsibilities. They will categorize them based on the sources of defective products and notify the relevant responsible departments to follow up the subsequent handling processes. During the reporting period, the Group had not received any complaint about its products' safety or health risk nor had to recall and return the product.

The Group appoints legal advisors to provide suggestions on and supervise the advertisement policies and labelling policies for the products. All advertisement suggestions shall be reviewed by legal advisors and approved by the media before official launch to prevent improper activities such as false or exaggerated advertisements. The Group attaches great importance to the labelling and categorization of relevant products. According to national laws and regulations and industrial standards, the Group prepares corresponding internal rules and regulations to guarantee the safety and traceability of products.

The Group has strictly abided by the Intellectual Property Law of the PRC, the Intellectual Property Protection Law of the PRC, and stresses on the protection of customer's trade secrets. Upon receiving a design draft from customers, the relevant department will implement the corresponding measures to ensure confidentiality of trade secrets such as intellectual property and privacy, and prevent their leakage. For some products with intellectual property rights, the Group will enter into a confidentiality agreement with the relevant suppliers and customers for intellectual property and trade secrets.

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The Group has strictly abided by the laws and regulations of the PRC and Hong Kong including the Law of the PRC on Protection of Consumer Rights, the Personal Data (Privacy) Ordinance of Hong Kong and other laws and regulations, in order to protect data and privacy of customers. During the reporting period, the Group had not received any complaints relating to breach of customer privacy/loss of customer information.

Anti-corruption

The Group is committed to adhering to the highest ethical standards. The Group has strictly abided by relevant laws and regulations on anti-corruption of the PRC and Hong Kong, including the Law on Anti-money Laundering of the PRC, Article 274 (for extortion and racketeer) of the Criminal Law of the PRC, the Interim Provisions on Prohibiting Commercial Bribery, the Prevention of Bribery Ordinance of Hong Kong and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance of Hong Kong. The principles of the relevant laws and regulations on anti-corruption of the PRC and Hong Kong shall be applicable to all Chinese and Hong Kong employees of companies in Cambodia.

In order to strengthen the internal management, maintain the attitude and discipline, improve the working efficiency, and enhance the corporate governance and internal control, the Group formulated the position accountability system of the Company according to relevant regulations. The system expressly prohibits employees from soliciting, accepting or providing bribes or any other form of improper interest. In addition, in order to prevent bribery, extortion, fraud and money laundering, the relevant departments will visit the suppliers, and evaluate price and quality regularly to ensure open and transparency when selecting suppliers. The Group has also provided a whistle-blowing channel to encourage exposure and disclosure of illegal acts. The privacy of the whistle-blower will be protected, and certain rewards will be given. Employees may also report illegal acts by anonymous letters or e-mail. The Group established an independent monitoring team headed by the senior management, which is specifically responsible for anti-corruption investigations. If such a whistleblowing message is received, such team will investigate the same in a confidential manner. Upon obtaining the relevant evidence, the Group will report the same to the authority.

COMMUNITY

Community Investment

The Group is committed to maintaining a sustainable development for its business and community in which it locates, and encourages its employees to actively participate in activities which contribute to the community. During the reporting period, the Group donated HK\$20,000 to the Community Chest of Hong Kong.

	2019	2018
Amount of donation (HK\$)	20,000	50,000

HKEX ESG REPORTING GUIDE INDEX

Subject Areas/Aspects/KPIs		Section/Statement
<i>Subject Area A – Environmental</i>		
Aspect A1: Emissions		
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.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions
Aspect A2: Use of resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Use of resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal).	Use of resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of resources
Aspect A3: The environment and natural resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The environment and natural resources

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Subject Areas/Aspects/KPIs		Section/Statement
<i>Subject Area B – Social</i>		
Employment and Labour Practices		
Aspect B1: Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment
Subject B2: Health and safety		
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 providing a safe working environment and protecting employees from occupational hazards.	Health and safety
KPI B2.1	Number and rate of work-related fatalities.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety
Aspect B3: Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and training
Aspect B4: Labour standards		
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 or forced labour.	Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour standards

Subject Areas/Aspects/KPIs		Section/Statement
Operating Practices		
Aspects B5: Supply chain management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	Supply chain management
KPI B5.1	Number of suppliers by geographical region.	Supply chain management
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.	Supply chain management
Aspect B6: Product responsibility		
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.	Product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was no relevant recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	There was no relevant complaint
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A

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Subject Areas/Aspects/KPIs		Section/Statement
Aspect B7: Anti-corruption		
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.	Anti-corruption
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.	There was no relevant case
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Community		
Aspect B8: Community Investment		
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.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment