

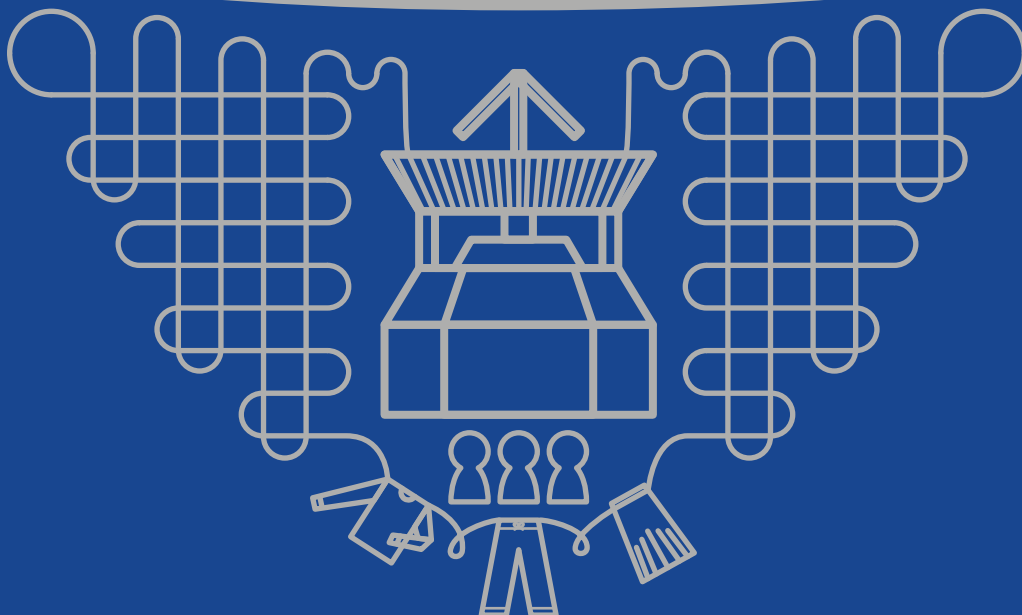


**ENVIRONMENTAL  
SOCIAL AND  
GOVERNANCE  
REPORT**

**2022**



**GET IT RIGHT**



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## ABOUT THIS REPORT

Fountain Set (Holdings) Limited and its subsidiaries (“the Group”) is one of the world’s largest circular knitted fabric manufacturers with principal activities including fabric knitting, dyeing, printing, finishing, as well as garment manufacturing.

This Environmental, Social, and Governance report (the “ESG Report”) by the Group highlights 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, 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 performance in two subject areas, namely Environmental and Social of the business operations in the Production Sites, from 1 January 2022 to 31 December 2022 (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 2022 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 a 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.

There were no major operational changes in the scope of this report compared with that for the period from 1 January 2021 to 31 December 2021 (the “**Last 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 Communication” 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.

*Balance* – The Group’s performance during the reporting period has been presented impartially, avoiding choices, omissions, or presentation formats that may unduly influence readers’ decisions or judgements.



## 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 2022, 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 gently. 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 classes like yoga, singing bowl, handmade soap, candles and jewelry workshops were arranged by a social enterprises company exclusive organised for our employees and their families. 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.



## 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.

The Group has supervised the establishment of sustainability-related targets in the Production Sites, including targets on emission reduction, waste reduction, water saving, and energy saving. The progress of implementing ESG-related targets is closely reviewed by the Group through various means such as meetings, inspections, and regular communications with the Production Sites to monitor the performances of production facilities etc





## 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

### **Yancheng Fuhui**

- ▶ Vice President of the China Knitting Industry Association

# Awards and Recognition

The Group's devotion to 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 below<sup>1</sup>:

## Quality Assurance

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Award/Certification

### Certified Licensee of SUPIMA

Issued by

**SUPIMA® World's Finest Cottons**

Issued to

**Fountain Set (Holdings Limited)**



Award/Certification

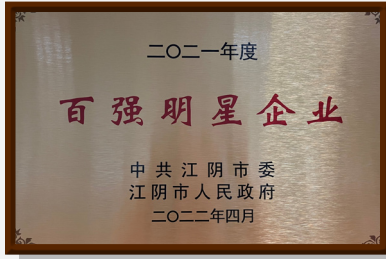
### Certified Licensee of COTTON USA

Issued by

**Cotton Council International**

Issued to

**Fountain Set (Holdings Limited)**



Award/Certification

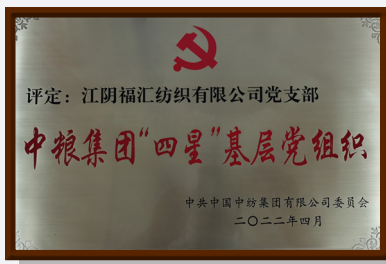
**2021 Top 100 Star Enterprise\***

Issued by

**Jiangyin Municipal Party Committee of Communist Party of China,  
Jiangyin Municipal People's Government**

Issued to

**Jiangyin Fuhui**



Award/Certification

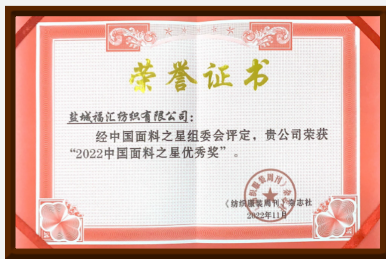
**"Four-star" grass-roots party organization of COFCO\***

Issued by

**Committee of the Communist Party of China China Textile Group Co., Ltd**

Issued to

**Jiangyin Fuhui**



Award/Certification

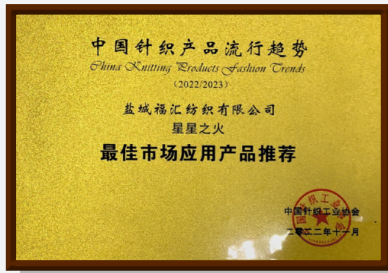
**2022 China Fabric Star Excellent Award\***

Issued by

**Textile Apparel Weekly Magazine\***

Issued to

**Yancheng Fuhui**



Award/Certification

**Best market application product recommendation\***

Issued by

**CKIA**

Issued to

**Yancheng Fuhui**



Award/Certification

**Protection/smart product recommendation\***

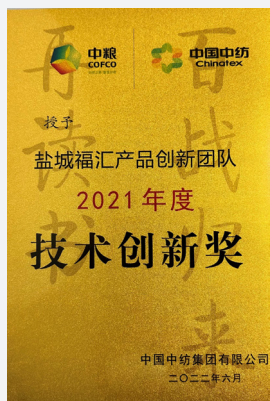
Issued by

**CKIA**

Issued to

**Yancheng Fuhui**

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Award/Certification

**2021 Technology Innovation Award\***

Issued by

**Chinatex Corporation**

Issued to

**Yancheng Fuhui**



Award/Certification

**Oeko-Tex Standard 100 HKKO 056043**  
**Oeko-Tex Standard 100 HKKO 041727**  
**Oeko-Tex Standard 100 HKKO2884**

Issued by

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

Issued to

**Shatin Lakeside**



Award/Certification

**Organic Content Standard (OCS) 3.0**

Issued by

**ECOCERT Group**

Issued to

**Jiangyin Fuhui**  
**Shatin Lakeside**



Award/Certification

**Organic Content Standard (OCS) 3.0**

Issued by

**Control Union Certifications B.V**

Issued to

**Ocean Lanka**



Award/Certification

## Global Organic Textile Standard (GOTS) 6.0

Issued by

**ECOCERT Group**

Issued to

**Jiangyin Fuhui  
Shatin Lakeside**



Award/Certification

## Global Organic Textile Standard (GOTS) 6.0

Issued by

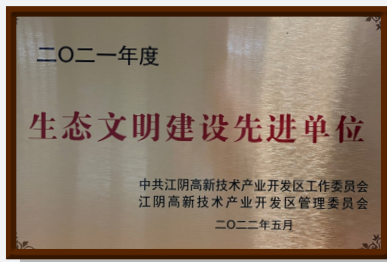
**Control Union Certifications B.V**

Issued to

**Ocean Lanka**

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## Environmental Protection



Award/Certification

## 2021 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

### Sustainable shortlisted green products\*

Issued by

**CKIA**

Issued to

**Yancheng Fuhui**



Award/Certification

### Water-saving benchmarking enterprise in Guangdong Province\*

Issued by

**Department of Industry and Information Technology of Guangdong Province-  
Water Resource Department of Guangdong Province**

Issued to

**Shatin Lakeside**



Award/Certification

### ISO 50001 Energy Management System Certificate\*

Issued by

**Beijing Zhongjing Quality Certification Co., Ltd.**

Issued to

**Jiangyin Fuhui**



Award/Certification

### ISO14001 Environmental Management System Certificate\*

Issued by

**Beijing Zhongjing Quality Certification Co., Ltd.,**

Issued to

**Jiangyin Fuhui**



Award/Certification

### ISO14001 Environmental Management System Certificate\*

Issued by

**SGS United Kingdom Ltd.**

Issued to

**Ocean Lanka**



Award/Certification

### Certificate of WWF Low Carbon Manufacturing Programme (LCMP)

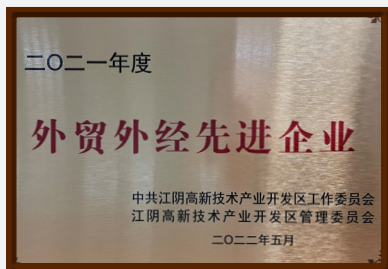
Issued by

**WWF Hong Kong**

Issued to

**Shatin Lake Side**





Award/Certification

**2021 Advanced Foreign Trade Enterprises\***

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

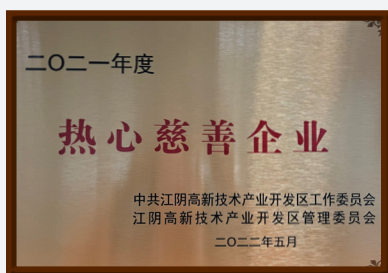
**2021 Outstanding Enterprise of Foreign Investment\***

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

**2021 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

### Top 10 Model Workers' Home\*

Issued by

**Jiangyin High-tech Industrial Development Zone Federation of Trade Unions\***

Issued to

**Jiangyin 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

**Shatin Lake Side  
Ocean Lanka**

## Occupational Health and Safety



Award/Certification

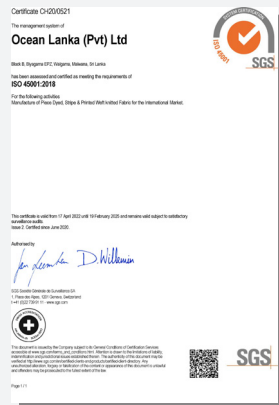
### Certificate of Good Manufacturing Practices

Issued by

**SGS Lanka Ltd.**

Issued to

**Ocean Lanka**



Award/Certification

### ISO 45001 Occupational Health and Safety Management Systems

Issued by

**SGS Société Générale de Surveillance SA**

Issued to

**Ocean Lanka**

<sup>1</sup> The awards and certifications shown were issued in 2022.

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

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



## 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 help 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"> <li>▶ Regular meetings</li> <li>▶ Department town hall meetings</li> <li>▶ E-mails and manuals</li> <li>▶ Drills, exercises and training workshops</li> <li>▶ Employee engagement activities</li> <li>▶ Company announcements</li> <li>▶ Company website</li> <li>▶ Social media</li> <li>▶ Feedback collection boxes</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>▶ Annual general meetings</li> <li>▶ Annual and interim reports</li> <li>▶ Roadshows</li> <li>▶ Investor briefings</li> <li>▶ Occasional communications</li> <li>▶ Company announcements</li> <li>▶ Social media</li> </ul>
Government departments and regulatory authorities	<ul style="list-style-type: none"> <li>▶ Audits and inspections</li> <li>▶ Annual and interim reports</li> <li>▶ Implementation of relevant industrial policies</li> <li>▶ Company announcements</li> <li>▶ Company website</li> </ul>
Suppliers and business partners	<ul style="list-style-type: none"> <li>▶ Tendering process</li> <li>▶ Performance review meetings</li> <li>▶ Inspections and assessments</li> <li>▶ E-mails and circulars</li> <li>▶ Company announcements</li> <li>▶ Company website</li> <li>▶ Social media</li> </ul>
Peers and industry associations	<ul style="list-style-type: none"> <li>▶ Exhibitions</li> <li>▶ Association meetings</li> <li>▶ Participation in committees</li> <li>▶ Participation in awards and recognition schemes</li> <li>▶ Social media</li> </ul>
Customers and potential clients	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ E-mails</li> <li>▶ Customer satisfaction surveys</li> <li>▶ Social media</li> </ul>

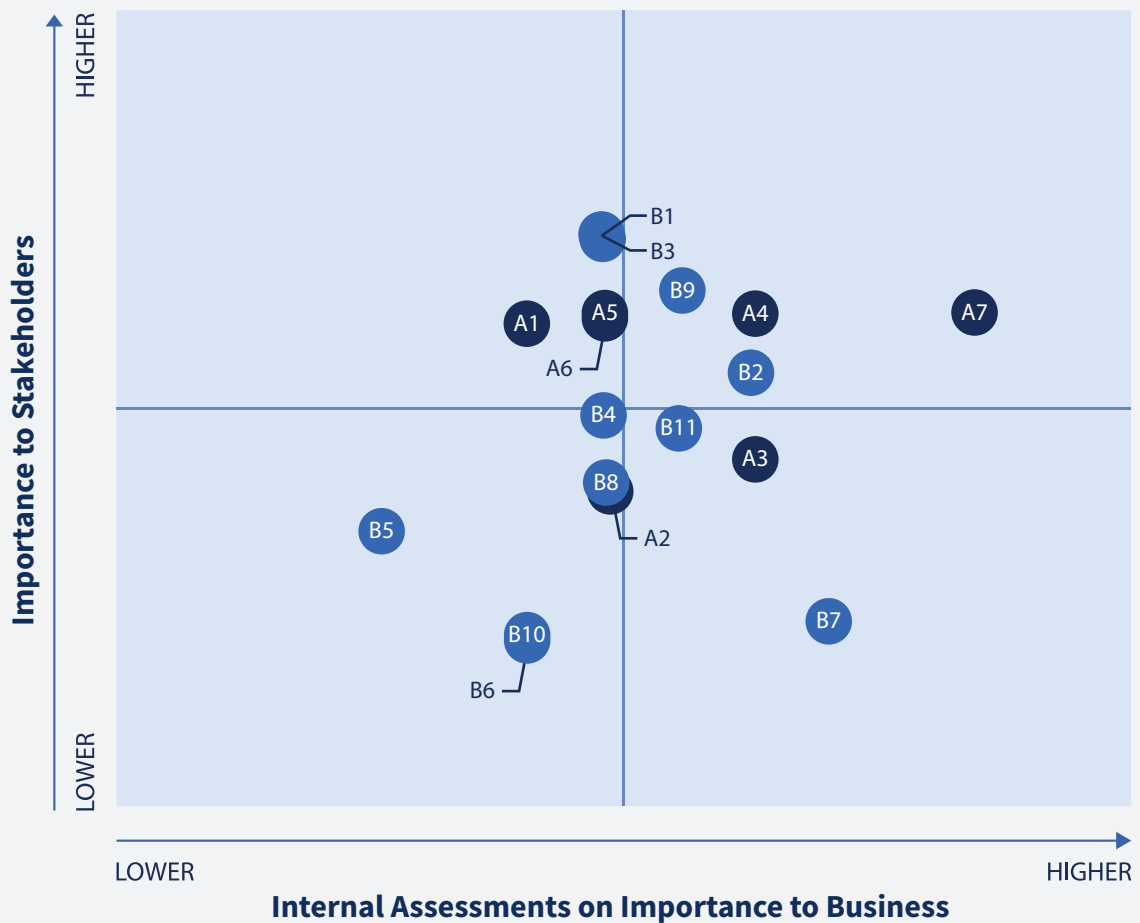
Key stakeholder groups	Engagement methods
Media	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ E-mails / telephone</li> <li>▶ Social media</li> </ul>
Non-governmental organizations	<ul style="list-style-type: none"> <li>▶ Public welfare activities</li> <li>▶ Factory visits</li> <li>▶ Social media</li> </ul>
Local community	<ul style="list-style-type: none"> <li>▶ Company website</li> <li>▶ Social media</li> </ul>

As there were no significant changes to the Group's business operations during the Reporting Period, the Group has adopted the materiality matrix from the Last Reporting Period to identify the material ESG topics. Multiple stakeholder groups were engaged through the collection of surveys for the purpose of assessing the importance of 18 ESG-related issues. The results of the materiality assessment are presented in the matrix below.



## STAKEHOLDER ENGAGEMENT AND MATERIALITY

Materiality of Different Topics from Stakeholder Engagement

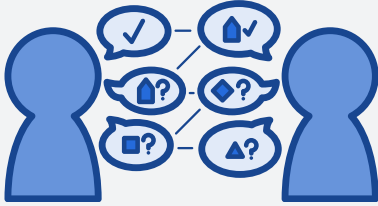


A.	Environmental Issues	B.	Social Issues
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Emissions	B3	Development and Training
A4	Waste and Effluent	B4	Labor Standards
A5	Other Raw Materials Consumption	B5	Supply Chain Management
A6	Environmental Protection Policies	B6	Intellectual Property Rights
A7	Climate Change	B7	Customer Data Protection
		B8	Customer Service
		B9	Product Quality
		B10	Anti-corruption
		B11	Community Investment

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

- ▶ Climate change
- ▶ Waste and effluent
- ▶ Product Quality
- ▶ Occupational health and safety
- ▶ Employment
- ▶ Development and training

Environmental and social issues are deemed equally important to the Group's business operation. Nonetheless, the Group devotes great attention to the identified material topics. The above aspects are strictly managed through the Group's policies and guidelines. Management of the aspects has been described in separate sections below. The Group will continue to maintain close communication with stakeholders to understand their expectations and perspectives on the Group's ESG approach.



## **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](mailto:pr@fshl.com).







# **ENVIRON- MENTAL**

Global warming is causing widespread effects on the environment. Under the current GHG emission trend, global climate is projected to continue warming over this century and beyond. As a responsible corporate citizen, the Group places great value on environmental protection and promoting sustainable development. Its factory establishment and production have been taken into account of its environmental responsibilities in terms of pollution control and prevention, energy and resource-saving, and waste and emission reduction. As part of its commitment to conserving the environment, the Group strives to reduce emissions from its commercial activities and production, thereby providing its customers with sustainable and low-carbon products. Apart from complying with environmental laws and regulations, the Group has been actively improving its environmental management system (“EMS”) in the Production Sites to promote clean production. The comprehensive EMS serves to make sure that all identified adverse environmental impacts are controlled and mitigated. Contingency plans are also in place to minimize potential environmental impact caused by emergencies.

Principal activities of the Production Sites are fabric knitting, dyeing, printing, finishing and garment manufacturing. Futian Oasis also involves heat generation and electricity generation. These activities

primarily involve direct emissions of (i) carbon dioxide (“CO<sub>2</sub>”), (ii) nitrogen oxides (“NO<sub>x</sub>”), (iii) sulfur dioxide (“SO<sub>2</sub>”) and (iv) particulate matter (“PM”) from the combustion of coal, diesel oil natural gas, fuel oil and biomass for boilers; and indirect emissions from the consumption of paper disposal, purchased electricity, sewage treatment and business air travels. Another major natural resource consumed is water, which is mainly used in the production processes. Waste produced is mainly dye and oil waste, fabric waste, recyclable wastes, sludge, and by-products from boilers. The total floor area coverage for the Production Sites was 881,779.44 m<sup>2</sup>.

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

# 1 Performance Highlights

## IN THIS CHAPTER

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



### 1.1 Emission Reduction

- ▶ Reduced over 140,000 tCO<sub>2</sub>eq. of GHG emissions



### 1.2 Energy Conservation

- ▶ Saving over 54,700 tonnes of steam <sup>2</sup>
- ▶ Saving over 540,700 kWh of electricity



### 1.3 Water Conservation

- ▶ Saving more than 770,230 m<sup>3</sup> of water through streamlined procedures and new installations
- ▶ Reusing over 4,451,210 m<sup>3</sup> of water, which is equivalent to around 1,780 Olympic-sized swimming pools of water



### 1.4 Waste Recycling

- ▶ 100% recycling rate of boiler slag, coal ash, general waste, paper, scrap metal, and sludge.
- ▶ 98% of overall recycling rate for all non-hazardous waste

<sup>2</sup> Self-produced steam supplied by Futian Oasis and in different production sites are included for calculating energy consumption reduction.

# 2 Emissions Management

## 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 653,429 tonnes of carbon dioxide equivalent greenhouse gases ("tCO<sub>2</sub>eq.") emitted from the Production Sites' operation, mainly carbon dioxide, methane and nitrous oxide. The annual emission intensity for the Group was 0.74 tCO<sub>2</sub>eq./m<sup>2</sup> with reference to the total floor area of the Production Sites' business operations and 0.55 CO<sub>2</sub>eq. 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 decreased by 35% and 5% respectively when compared to the Last Reporting Period. Due to the expansion of business, Shatin Lake Side's floor area has increased this year, thereby increasing the total floor area. This accounts for the decrease in the emission intensity per m<sup>2</sup> of the total production area.

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, 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, freshwater and sewage processing, and paper waste disposal.

**The annual emission intensity for the Group was 0.74 tCO<sub>2</sub>eq./m<sup>2</sup> with reference to the total floor area of the Production Sites' business operations and 0.55 CO<sub>2</sub>eq. per tonne of production.**



## Table of GHG emissions

Scope	Emission Sources	2022 Total GHG emissions (in tCO <sub>2</sub> eq.)	2021 Total GHG emissions (in tCO <sub>2</sub> eq.)	
<b>1</b> Direct Emission <sup>1</sup>	Combustion of fuel for stationary sources <sup>2</sup>	Coal	476,628	613,380
		Diesel	2,049	666
		Natural gas	36,569	44,041
		LPG	138	-
		Fuel oil	13,713	13,719
		Biomass	53,729	54,368
	Combustion of fuel for mobile sources	Petrol	306	615
		Diesel	412	393
Refrigerants		1,779	2,395	
<b>2</b> Energy Indirect Emission <sup>3</sup>	Purchased electricity <sup>4</sup>	60,556	64,539 <sup>5</sup>	
<b>3</b> Other Indirect Emission <sup>6</sup>	Paper waste disposal	30	61	
	Electricity used for processing fresh water by government departments/third parties	5,387	1,106	
	Electricity used for processing sewage by government departments/third parties	2,117	2,675	
	Business air travel by employees	16	11	
<b>Total</b>		<b>653,429</b>	<b>797,969<sup>5</sup></b>	

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, LPG, and biomass for stationary source was made reference to GHG Emissions from Stationary Combustion, provided by the Greenhouse Gas Protocol.

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

4 Emission factor of 0.581 tCO<sub>2</sub>/MWh and 0.6101 tCO<sub>2</sub>/MWh were used for purchased electricity in the PRC in 2022 and 2021, respectively, with reference to the National Emission Factors for Mainland China, outlined by the Ministry of Ecology and Environment of the PRC.

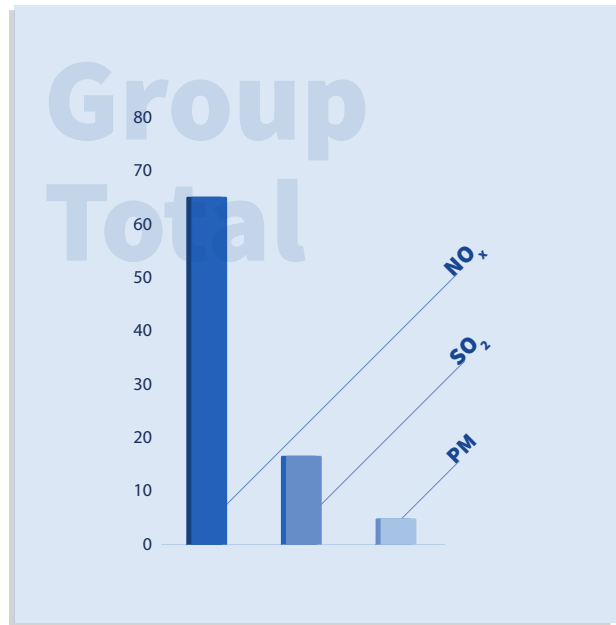
5 The GHG emissions from purchased electricity in 2021 was restated after the realignment of calculation method. GHG emissions from purchased electricity is 30% lower compared to the level of emissions previously reported. Hence, the total GHG emission was restated and is 3% lower than that of the previously reported.

6 Scope 3 GHG emissions were calculated based on available emission factors referred to Appendix 27 to the Listing Rules and their referred documentation.

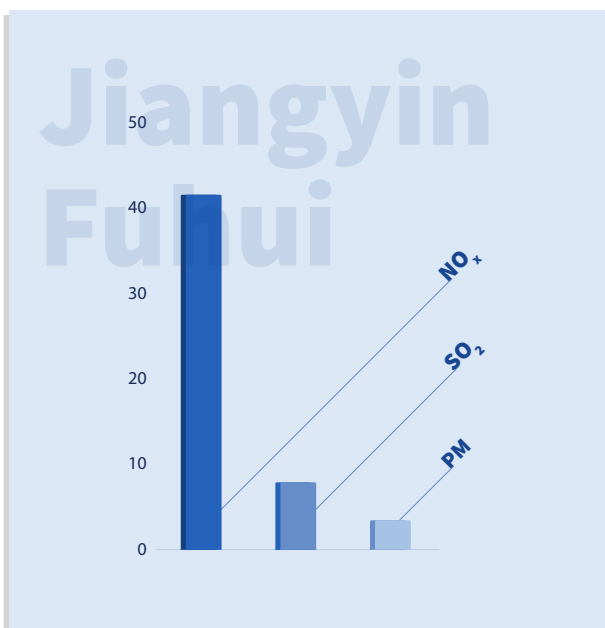
## 2.2 Air Emissions

NO<sub>x</sub>, SO<sub>2</sub> 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 Period<sup>3</sup>. Therefore, this report focuses on the direct emissions of NO<sub>x</sub>, SO<sub>2</sub> 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<sub>x</sub>, SO<sub>2</sub>, and PM are presented in the tables below.

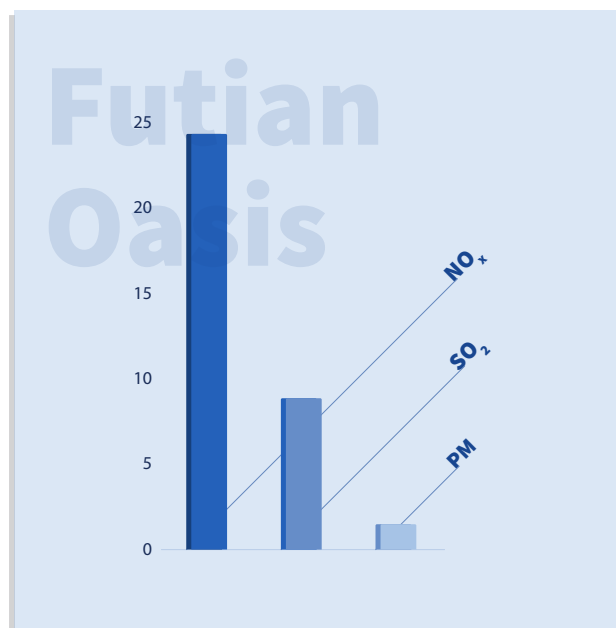
### Direct Emissions of NO<sub>x</sub>, SO<sub>2</sub>, and PM<sup>4</sup>



Grand total (In tonnes)



Grand total (In tonnes)

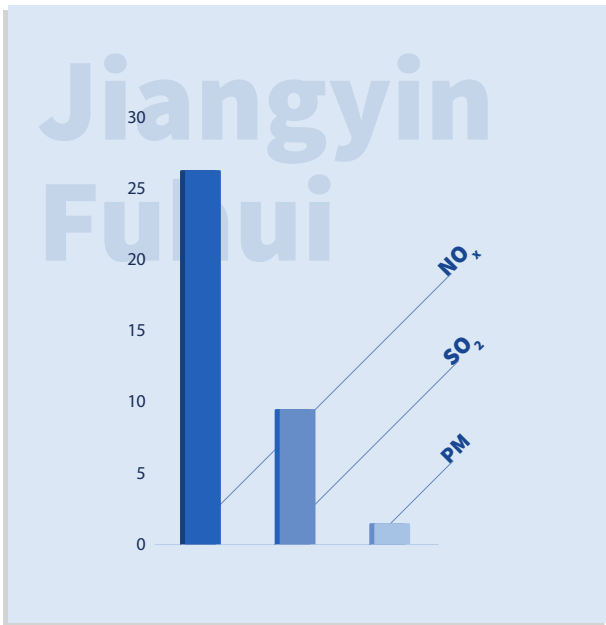


Grand total (In tonnes)

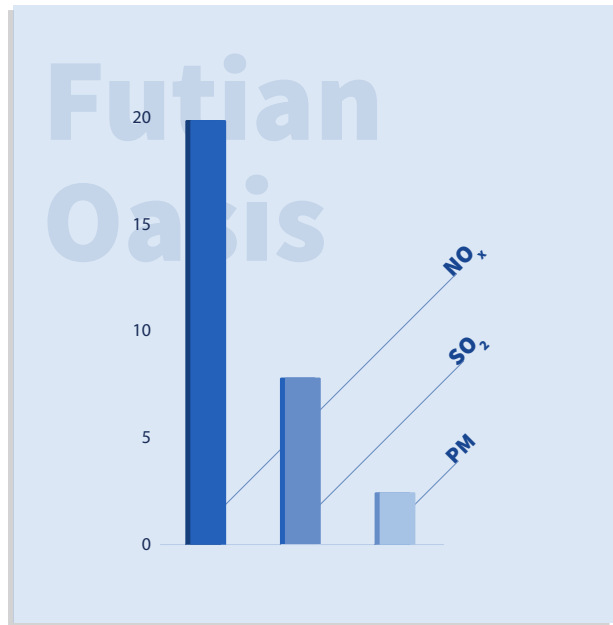
<sup>3</sup> Direct emission data and associated emission concentration directly measured by Ocean Lanka were not available. Emission calculation was also not available with reference to the Appendix 27 of the Listing Rules and Guidance and relevant guidance set out by the HKEx.

<sup>4</sup> Direct emissions were measured and recorded by the relevant plants.

**Average Concentrations of NOx, SO2, and PM<sup>5</sup>**



Average concentration (In mg/m<sup>3</sup>)



Average concentration (In mg/m<sup>3</sup>)

<sup>5</sup> 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 strives 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 several emission reduction measures as stated below:

Production Sites	Emissions reduction measures
Jiangyin Fuhui	Improve boiler combustion efficiency to reduce coal consumption, hence reduced 90,000 tCO <sub>2</sub> e of GHG emission
Futian Oasis	Implementation of coal-to-gas policies and gas boilers are gradually put into production

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

Production Sites	Emission targets	2021 baseline	2022 performance	Status
Jiangyin Fuhui	Achieve a 10,000 tCO <sub>2</sub> e reduction of GHG emission by 2022	293,352.77 tCO <sub>2</sub> e	214,768.55 tCO <sub>2</sub> e	Achieved
Shatin Lake Side	Achieve a 5,769.63 tCO <sub>2</sub> e reduction of GHG emission by 2022	37,649.03 tCO <sub>2</sub> e	31,697.38 tCO <sub>2</sub> e	Achieved

During the Reporting Period, Jiangyin Fuhui has achieved a reduction of 78,584.22 tonnes of GHG emissions, while Shatin Lake Side has reduced 5,951.65 tonnes of GHG emission compared to 2021. Both production sites have successfully accomplished their emission targets, reflecting their efforts in reducing carbon emissions.

To further improve the environmental performance, Jiangyin Fuhui and Shatin Lake Side have established new emission reduction targets during the Reporting Period. Following the steps of Jiangyin Fuhui and Shatin Lake Side, Yancheng Fuhui has set new emission reduction target beginning with this Reporting Period.

Production Sites	Emission Targets	2022 baseline
Jiangyin Fuhui	Reduce GHG emission by 5%, compared to 2022 base line	214,768.55 tCO2e
Shatin Lake Side	Achieve a 2,000 tCO2e reduction of GHG emission by 2023	31,697.38 tCO2e
Yancheng Fuhui	Achieve an 8,000 tCO2e reduction of GHG emission by 2023	21,691.60 tCO2e

**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



**4 sets of  
100 t/hr**

clean circulating fluidized bed boilers

Environmental

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  $\text{NO}_x < 50\text{mg/m}^3$ ,  $\text{SO}_2$   $\text{SOt} < 35\text{ mg/m}^3$ ,  $\text{PM} < 10\text{ mg/m}^3$ ) 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  $\text{NO}_x$ ,  $\text{SO}_2$  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, SO<sub>2</sub> and NO<sub>x</sub>), 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 last Reporting Period, the 2 sets of natural gas boilers came into operation. The air emissions have reduced substantially with emission standards have improved.

Air pollutants	Previous emission standard (mg/m <sup>3</sup> )	Current emission standard (mg/m <sup>3</sup> )	Annual estimated reduction (tonnes)
SO <sub>2</sub>	35	35	62.96
NO <sub>x</sub>	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, electricity, steam and natural gas for their boilers' operation and other production processes; and consumed petrol and diesel as fuel for the Group-owned vehicles. During the Reporting Period, the Production Sites' business operations resulted in a total energy consumption of 2,035,469 MWh, with an overall energy intensity of 2,308 kWh/m<sup>2</sup> or 83.58 kWh/tonne of production. The table below presents the energy consumption by energy types and the associated energy intensity.

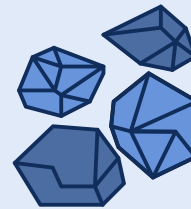
**Direct/indirect energy resources**

**Consumption** (Unit)

**Consumption** (MWh)

**Energy Intensity** (kWh/m<sup>2</sup>)

**Energy Intensity** (kWh/tonne of production)



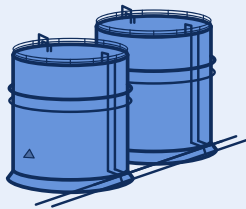
**Coal**

235,642.29 tonnes

1,368,558.06 MWh

1,552.04 kWh/m<sup>2</sup>

1154.98 kWh/tonne of production



**Diesel<sup>1</sup>**

821,214.40 L

8710.33 MWh

9.88 kWh/m<sup>2</sup>

7.35 kWh/tonne of production



**Petrol<sup>2</sup>**

115,023.22 L

469.74 MWh

0.53 kWh/m<sup>2</sup>

0.40 kWh/tonne of production

<sup>1</sup> Diesel consumption from stationary and mobile sources are combined in the chart.

<sup>2</sup> Petrol consumption from stationary and mobile sources are combined in the chart.



### LPG

437,623.5 kg

608.79 MWh

0.69 kWh/m<sup>2</sup>

0.51 kWh/tonne of production



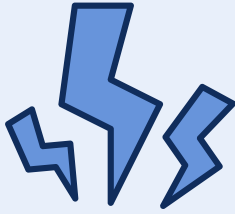
### Natural gas

16,728,293 m<sup>3</sup>

165,349.88 MWh

187.52 kWh/m<sup>2</sup>

139.54 kWh/tonne of production



### Electricity

99,036.30 MWh

99,036.30 MWh

0.11 kWh/m<sup>2</sup>

83.58 kWh/tonne of production



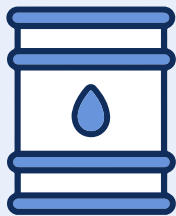
### Steam<sup>3</sup>

263,652 tonnes

211,916.01 MWh

240.33 kWh

178.84 kWh/tonne of production



### Fuel oil

4,650,742 L

56,842 MWh

64.46 kWh/m<sup>2</sup>

47.97 kWh/tonne of production



### Biomass

30,238.45 tonnes

123,997.65 MWh

140.60 kWh/m<sup>2</sup>

104.63 kWh/tonne of production

<sup>3</sup> This only includes purchased steam since energy consumption of steam recovered by the plants has 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.

**Jiangyin Fuhui upgrades and modification work resulted in a saving of 700,000kWh of electricity during the Reporting Period.**

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

## Production Sites

### Jiangyin Fuhui

### Yancheng Fuhui

### Shatin Lake Side

### Futian Oasis

### Ocean Lanka

## Energy saving measures

- ▶ Improves boiler efficiency and upgraded motors

- ▶ Replaced several old dyeing vats and setting machines

- ▶ Replaced old rotary screen printing machine, which saved 5,707 m<sup>3</sup> of water consumption
- ▶ Upgraded 4 setting machines, 4 shrinking machines, cooling water pump motor of the central air-conditioning, motor of air compressor, and circulating fan motor of the G3 drying machine to energy-efficient models
- ▶ Installation of 16 TEC-WIN dyeing vats to replace ECO-6 model
- ▶ Installation of 25 new looms and eliminated older models

- ▶ Eliminated 10 low energy efficiency equipment, including production facilities and motor
- ▶ Replaced low-efficiency motors with high-efficiency motors

- ▶ Replaced High Bay bulbs with induction lights at the finishing department to reduce electricity consumption
- ▶ Replaced security lights with energy-efficient induction lamps
- ▶ Improved the power factor of the Electricity-Capacitor banks
- ▶ Enhanced the insulation of the biomass operated steam boilers
- ▶ Exploring renewable energy projects such as rooftop solar power generation

These upgrades and modification work resulted in a saving of 700,000kWh of electricity during the Reporting Period.

These upgrades helped to improve energy efficiency and conserve resources.

These upgrades and modification work resulted in a saving of more than 3,490,172kWh of electricity and 46,857 tonnes of steam.

The introduction of new motors with greater energy-efficiency is estimated to reduce 5.2 tons of coal consumption per year.

These improvements resulted in a saving of more than 106,912 kWh of electricity and 7,915 tonnes of steam.

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

Production Sites	Emission targets	Baseline Year figures	2022 performance	Status
Jiangyin Fuhui	Achieve a 1.5% total energy consumption reduction by 2022 with 2021 as base year	808,358.73 MWh	583,358.47 MWh	Achieved
Shatin Lake Side	Achieve a 1,430,000 kWh reduction of electricity, and 13,989 tonnes reduction of steam consumption by 2022 with 2021 as base year	Electricity: 56,611,970 kWh	Electricity: 50,382,211 kWh	Achieved
		Steam: 461,375 tonnes	Steam: 358,481.7 tonnes	Achieved
Ocean Lanka <sup>1</sup>	By 2024, reduce the consumption of the following energy sources per kg production by 3%: 1. Electricity 2. Fuel <sup>1</sup> 3. Biomass  With 2019 as base year	Electricity: 2.21	Electricity: 2.23	In progress
		Fuel: 0.56	Fuel: 0.44	Achieved
		Biomass: 2.60	Biomass: 2.91	In progress

<sup>1</sup> Considering that the energy combination varies each year in Ocean Lanka, energy saving target is reviewed and revised from “total energy consumption per kg production” to “electricity, fuel, and biomass consumption per kg production” in 2022.

<sup>2</sup> Fuel refers to fuel oil used for production in Ocean Lanka

A reduction of 27.8% in Jiangyin Fuhui's overall energy consumption was achieved in 2022 in comparison to the last Reporting Period. As compared to 2021, Shatin Lake Side's electricity consumption and steam consumption have decreased by 6,229,759 kWh and 102,893 tonnes, respectively. Both production sites in PRC have successfully met their energy saving targets during the Reporting Period with regards to their continuous efforts. As for Ocean Lanka, the fuel consumption reduction target was achieved during the Reporting Period, and the targets for reducing electricity and biomass consumption are in progress. As the site continues to monitor its electricity and biomass consumption, it commits to achieving the energy saving target by the end of 2024.

As part of the Group's ongoing commitment to conserve resources and promoting sustainability, Jiangyin Fuhui and Yancheng Fuhui have established new energy efficiency targets during the Reporting Period to further reduce energy consumption from their operation.

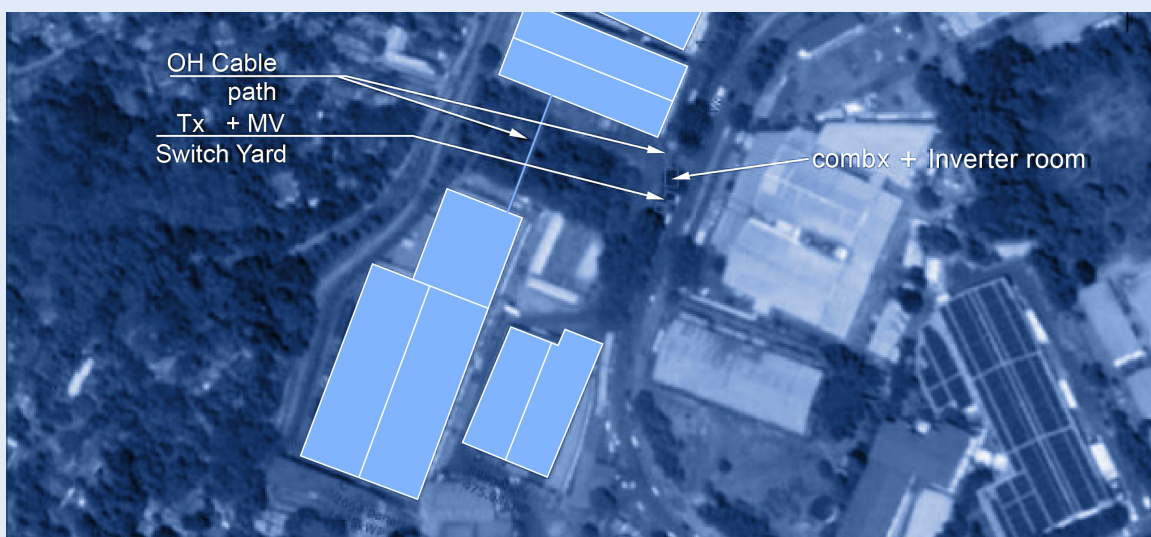
Production Sites	Energy saving target	2022 baseline <sup>1</sup>
Jiangyin Fuhui	Reduce its electricity consumption by 24,800 kWh, compared to 2022 baseline	70,217,354 kWh
Shatin Lake Side	Reduce its electricity consumption by 50,000kWh, and steam consumption by 5,000 tonnes in 2023	Electricity: 34,517,400 kWh Steam: 263,652 tonnes

<sup>1</sup> Electricity consumption of Jiangyin Fuhui includes the purchased electricity from mainland electricity grid and Futian Oasis.

**Case study: Solar panel installation project proposal in Ocean Lanka**

Committed to building a green environment, Ocean Lanka has planned to participate in the Battle for Solar Energy program launched by the Sri Lanka Ministry of Power and Renewable Energy. It is a community-based power generation project which aims to reduce the use of imported fuels by increasing the electricity supply from solar power.

In collaboration with the Ceylon Electricity Board (“CEB”), Ocean Lanka will provide an estimated shadow free area of 250,000 sq. ft for the installation of solar panels, equivalent to the capacity of 2,845 kwp. Under the Net Plus Scheme, electricity generated from the solar system will be exported to the national electricity grid and serve as a part of the local electricity supply. In return, 20% of the power generation net income will be paid to Ocean Lanka.



Estimated shadow free net area (highlighted in light blue) for solar panel installation

In addition to bringing socioeconomic benefits to Ocean Lanka, the project also contributes to Sri Lanka's transition to a clean energy mix.

Ocean Lanka will continue to explore green energy for co-creating a sustainable future with the Sri Lankan government.





# 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 water for its daily operations. Wastewater is treated by self-built treatment facilities before discharge. During the Reporting Period, the Production Sites consumed 12,585,709 m<sup>3</sup> of surface water and fresh water (water intensity: 14.27 m<sup>3</sup>/m<sup>2</sup> and 10.62 m<sup>3</sup>/tonne of production), and 4,451,215 m<sup>3</sup> 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 10,081,958 m<sup>3</sup> of wastewater was discharged during the Reporting Period, with an intensity of 11.43 m<sup>3</sup>/m<sup>2</sup> or 8.51 m<sup>3</sup>/tonne of production. In comparison to the last Reporting Period, wastewater output declined by 24.6% during the Reporting Period, resulting in a 40.1% decrease in intensity in terms of total floor area of the Production Sites and a 12.9% decrease in intensity in terms of tonne production. During the Reporting Period, the treated wastewater fulfilled the requirements of permitted discharge limits for various effluent parameters, including COD, Biochemical Oxygen Demand (“BOD”), total ammonia, and total nitrogen.

## 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 education. Posters are put up in office areas and washrooms to advocate rational use of water. A wastewater recycling system is set up to recycle wastewater.

During the Reporting Period, the Group recycled more than 4,451,215 m<sup>3</sup> 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"><li>▶ Replaced ECO-6 dyeing vats with TEC-WIN dyeing vats, which saved a total of 756,865 m<sup>3</sup> of water</li><li>▶ Replaced the old rotary screen printing machine , which saved 5,707 m<sup>3</sup> of water consumption</li></ul>
Yancheng Fuhui	<ul style="list-style-type: none"><li>▶ Reduced the water consumption during dyeing process by adjusting, optimizing and upgrading the production process</li></ul>
Ocean Lanka	<ul style="list-style-type: none"><li>▶ Installed auto-controlling system on furnace oil steam boilers, saving 6,030 m<sup>3</sup> of water</li><li>▶ Improved the performance of condensate recovery factor of dyeing equipment, which save 7,665 m<sup>3</sup> of water</li></ul>

The Group understands that significant amount of water is consumed during its production process. To optimise water consumption, 4 of the production sites had established their water reduction targets to promote the message of conserving water in the last

Reporting Period. Targets are monitored and reviewed regularly to ensure no water is wasted during the manufacturing process. The table below shows the results of the water saving measures in this Reporting Period.

Production Sites	Water Saving Targets	Base Year performance	2022 performance	Progress
Jiangyin Fuhui	Achieve a 2.5% reduction in production water consumption by 2022 with 2021 as base year	5,201,329 m <sup>3</sup>	3,492,508 m <sup>3</sup>	Achieved
Shatin Lake Side	Achieve a 230,000 m <sup>3</sup> reduction of total water consumption by 2022, with 2021 as base year	4,811,258 m <sup>3</sup>	3,614,391 m <sup>3</sup>	Achieved
Futian Oasis	Control water consumption for generating per unit steam to be lower than 1.2 tonnes by 2022	/	1.13 tonnes	Achieved
Ocean Lanka	Reduce 3% of water consumption per kg of production by 2024	0.145 m <sup>3</sup>	0.143 m <sup>3</sup>	In progress

In 2022, both Jiangyin Fuhui and Shatin Lake Side successfully met their water reduction targets. Jiangyin Fuhui was able to decrease its production water consumption by 32.9% during the Reporting Period, compared to the 2021 baseline. Meanwhile, Shatin Lake Side recorded a total reduction of 1,196,867 m<sup>3</sup> of water consumption in 2022, when compared to the previous year. The Group achieved these results through the implementation of effective water resources management policies and the optimization of wastewater treatment systems. These efforts have led to an improvement in water quality and an increase in the use of recycled water during business operations, resulting in reduced water consumption at the source.

The Operation Sites acknowledge the significance of water conservation in achieving sustainability. Following the successful completion of the 2022 water saving target, Jiangyin Fuhui and Shatin Lake Side have established new water saving targets for 2023, while Futian Oasis remains committed to limiting water consumption per unit steam to below than 1.2 tonnes in 2023. In line with the efforts of Jiangyin Fuhui and Shatin Lake Side, Yancheng Fuhui has established a new water efficiency target for 2023, demonstrating their dedication to water conservation.

Production Sites	Water Saving Targets	Base year performance
Jiangyin Fuhui	Reduce 5% of total water consumption by 2023, compared to 2022	3,724,148 m <sup>3</sup>
Yancheng Fuhui	Reduce 200,000 m <sup>3</sup> of total water consumption by 2023, compared to 2022	2,232,937 m <sup>3</sup>
Shatin Lake Side	Recycle at least 50% of the wastewater and reaching 45% wastewater reuse rate in 2023	/
Ocean Lanka	Reduce 3% of water consumption per kg of production by 2024	0.145 m <sup>3</sup>



# 5 Waste

## IN THIS CHAPTER

- 5.1 Waste Disposal
- 5.2 Waste Reduction  
Targets and Results



## 5.1 Waste Disposal

Throughout the course of their activities, the Production Sites generate both hazardous and non-hazardous waste. Waste treatment and disposal are in accordance with the following laws and regulations:





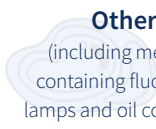
1. Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB 18599-2001);
2. Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes;
3. Regulation on the Safety Management of Hazardous Chemicals of the PRC;
4. Identification 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 3,088 tonnes of hazardous waste (3.50 kg/m<sup>2</sup> or 2.61 kg/tonne of production), including sludge, dye waste, acid waste, waste materials with dye, oil- and mercury-containing waste. The amount of hazardous waste produced was reduced by 10.5% compared to the last Reporting Period.







A total of 87,289 tonnes of non-hazardous waste was generated (98.99 kg/m<sup>2</sup> or 73.67 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 49.3% and 26.4% respectively, when compared to the Last Reporting Period.

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

## Hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 <b>Sludge</b>	Dyeing and printing process	2,970
 <b>Dye Waste</b> (e.g., cloths with dye)	Dyeing process and expired dye materials	78
 <b>Oil</b> (e.g., lubricant oil and engine oil)	Machines and equipment	25
 <b>Acid</b>	Production laboratory	1
 <b>Others</b> (including mercury-containing fluorescent lamps and oil containers)	Daily operations and maintenance process	14
<b>Total Hazardous Waste</b>		<b>3,088</b>

## Non-hazardous Waste

Waste Type	Source of Waste	Amount of Waste Generated (in tonnes)
 <b>Coal Ash</b>	Coal-fired boilers	<b>47,585</b>
 <b>Sludge</b>	By-products of wastewater treatment	<b>7,872</b>
<b>Boiler Slag</b>	Coal-fired boilers	<b>18,996</b>
 <b>Fabric</b>	Fabric processing procedures	<b>2,228</b>
 <b>Paper</b>	Packaging materials and waste paper	<b>7,599</b>
<b>General Waste</b>	Daily operations and food waste	<b>1,487</b>
<b>Others</b> (e.g., industrial waste and wood boards)	Production processes and by-products of desulphurization	<b>986</b>
 <b>Plastic</b>	Production processes and packaging materials	<b>446</b>
 <b>Scrap Metal</b>	Production processes and replacement of machines and equipment	<b>90</b>
<b>Total Non-Hazardous Waste</b>		<b>87,289</b>

## 5.2

# Waste Reduction Targets and Results

Licensed waste management companies are in charge of 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). Hazardous waste containers with appropriate signs and labels are temporarily stored in secure designated hazardous waste storage facilities at the Production Sites in the PRC and Sri Lanka. They are collected by licensed collectors in compliance with national regulations, while non-hazardous waste is properly collected and recycled whenever possible.

To reduce hazardous waste generation, hazardous materials are fully utilized before disposal. For non-hazardous waste, 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.

Further, the Group actively engages its employees in the reduction of waste at the source and encourages them to conserve resources. Whenever possible, employees are encouraged to print double-sided or use recycled paper when printing. The Group also set up a waste sorting station to separate recyclables, hazardous wastes, and other waste. In addition, the group advocates the use of reusable cups to minimize the consumption of bottled water and generation of plastic waste in office operations, as well as the use of reusable dinnerware in the staff canteen. During the Reporting Period, Shatin Lake Side and Ocean Lanka recycled a total of 53.52 tonnes of office paper. The Group achieved a 100% recycling rate of boiler slag, coal ash, general waste, paper, scrap metal, and sludge. The overall recycling rate of all non-hazardous wastes was 98%.

**100%**

**Boiler slag, coal ash, general waste, general waste, paper, scrap metal and sludge recycling rates.**

Non-hazardous Waste Types	Recycling Rate
Boiler slag	100%
Coal ash	100%
Fabric	71%
General waste	100%
Others (industrial waste and wood boards)	50%
Paper	100%
Plastic	60%
Scrap metal	100%
Sludge	100%
Overall Recycling Rate	98%

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

Production Sites	Reduction Targets	Base Year performance	2022 performance	Progress
Shatin Lake Side	Achieve a 3% reduction of total waste generation by 2022, with 2021 as base year	2,474,941 kg	1,689,610 kg	Achieved
Ocean Lanka	Achieve the following targets by 2022: <ul style="list-style-type: none"> <li>▶ 15.85 kg of polythene waste per tonne of fabric delivered</li> <li>▶ 2.46 kg of plastic waste per tonne of fabric delivered</li> <li>▶ 52.2 kg of cardboards and paper waste per tonne of fabric delivered</li> <li>▶ 2.8 kg of maintenance waste per tonne of fabric delivered</li> <li>▶ 208 kg of chemical waste per tonne of fabric delivered</li> <li>▶ 0.384 kg of wooden waste per tonne of fabric delivered</li> <li>▶ 0.040 kg of food waste per head count per day</li> </ul>	/	<b>(in kg/tonne of fabric delivered)</b> <ul style="list-style-type: none"> <li>▶ polythene waste: <b>16.5</b></li> <li>▶ plastic waste: <b>2.5</b></li> <li>▶ cardboards and paper waste: <b>46.7</b></li> <li>▶ maintenance waste: <b>0</b></li> <li>▶ chemical waste: <b>281</b></li> <li>▶ wooden waste: <b>1.1</b></li> <li>▶ food waste: <b>0.021</b></li> </ul>	In progress

In line with the Group's sustainability mission and vision, the operation sites are actively pursuing a greener environment by implementing waste reduction measures. Jiangyin Fuhui aims to decrease its total waste output by 30% by 2023, in contrast to the levels recorded in 2022. Similarly, Yancheng Fuhui

plans to reduce its total waste generation by 3% by 2023. For Ocean Lanka, the waste reduction targets are partially achieved during the Reporting Period. Ocean Lanka remains committed to achieving the waste reduction target in 2023.



# 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 960 tonnes (2021: 1,381 tonnes) of plastic and paper, with an overall intensity of 0.81 kg/tonne of production (2021: 1.01 kg/tonne of production). The overall intensity reduced by 19.8% when compared to the Last Reporting Period.

Type of Material	Source of Material	Consumption (in tonnes)
Plastic	 Plastic bags, films and polypropylene straps	649
Paper	 Paper tubes and paper	311
<b>Total</b>		<b>960</b>

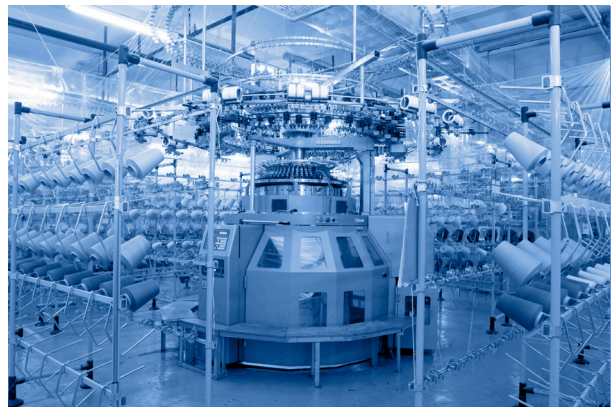
# **7 The Environment and Natural Resources**

## 7.1 Significant Impacts of Activities on the Environment

It is the Group's commitment to operate businesses in a sustainable manner and to take sustainable fashion to the next level as a leader in the knitted fabric manufacturing industry.

In the course of operational activities and production processes, significant amount of resources such as water, electricity, and steam, are consumed. With the implementation of robust environmental practices, the Group has achieved significant reductions in air emissions, water use, and energy consumption. 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 in pursuing a cleaner, low-carbon, safer and sustainable development.



# 8 Mitigating Climate Change

## 8.1

### Mitigating Climate Change

The Group is keenly aware of climate change and its associated risks on its business and the community at large. A comprehensive understanding of the changes is essential for the Group to develop ahead the short-term and long-term strategy. As such, the Group has referred to the recommendation of the Task Force on Climate-related Financial Risk Disclosure (“TCFD”) and conducted a climate-related risk assessment. According to the framework, climate-related risks are divided into two major categories: physical and transition risk. The probability and severity of the climate-related risks are evaluated in order to determine the risk level and their impact on the Group's business operations.



Physical Risks	Time Horizon	Implication on business	Risk Level
<b>Acute</b>	Short term	Increased severity and frequency of extreme weather affects daily operation and may cause damage to equipment. It reduces revenue and increases maintenance costs.	High
<b>Chronic</b>	Medium to long term	Changes in precipitation pattern and climate change affects water security. It may disrupt business activities and reduce revenue	High

Transition risk	Time horizon	Implication on business	Risk level
<b>Legal and policy</b>	Long term	Increased operation cost from increased carbon emission pricing Price of raw materials may increase due to the changes in policy, thus increasing operation costs	Medium
<b>Technology</b>	Long term	Increased operation costs and investment costs from substitution of existing equipment and services.	Medium
<b>Market and reputation</b>	Long term	Increasing demand for green fashion may affect the long-term development of the Group	Low

In general, the Group's business operation is more vulnerable to physical risks. To better cope with extreme weather events, the Production Sites will constantly monitor its local weather conditions and be prepared for sudden weather changes and impacts of extreme weather. The Group will also pay attention to guidelines issued by local authorities and update its internal policies whenever necessary to ensure the operations and supply chain are resilient to the changing climate.

The coal-to-gas switching policy requirement in Futian Oasis resulted in a surge in cost for production. In addition to the national requirements for eliminating old equipment in the PRC, the Production Sites in the PRC must constantly invest in new equipment, which further increases the production cost. 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

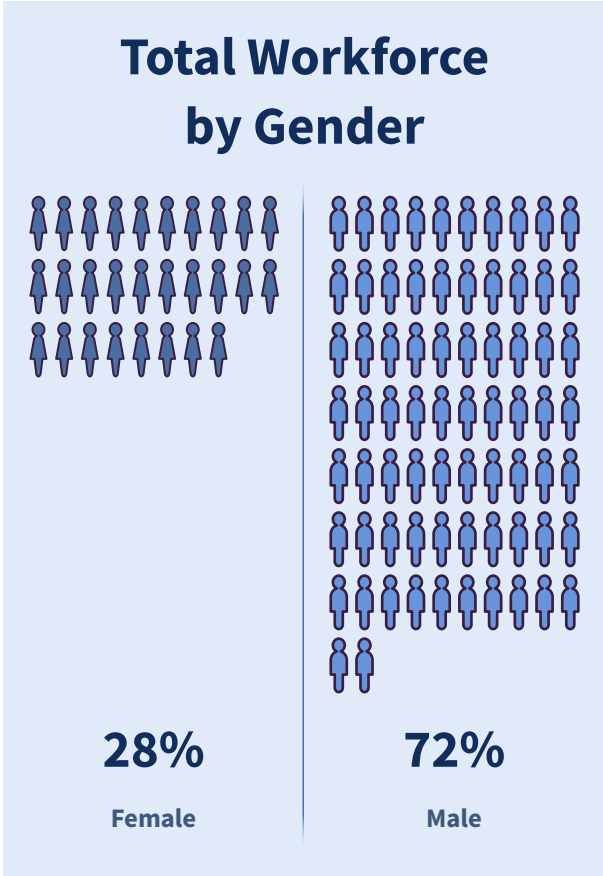
## IN THIS CHAPTER

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

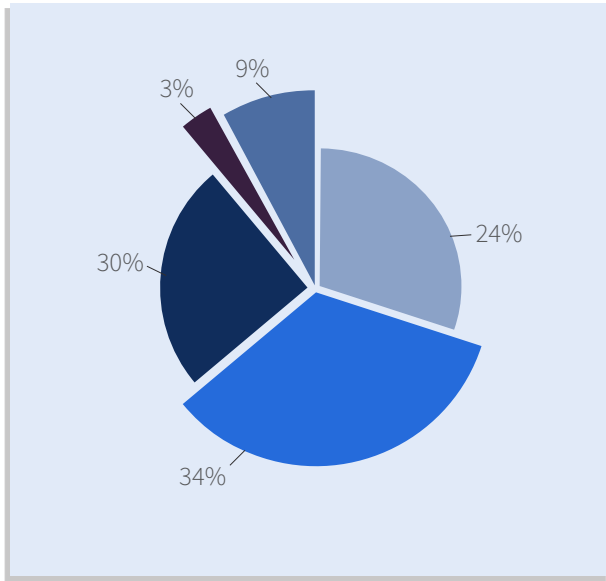
# 1.1 Employment

## Total Employees

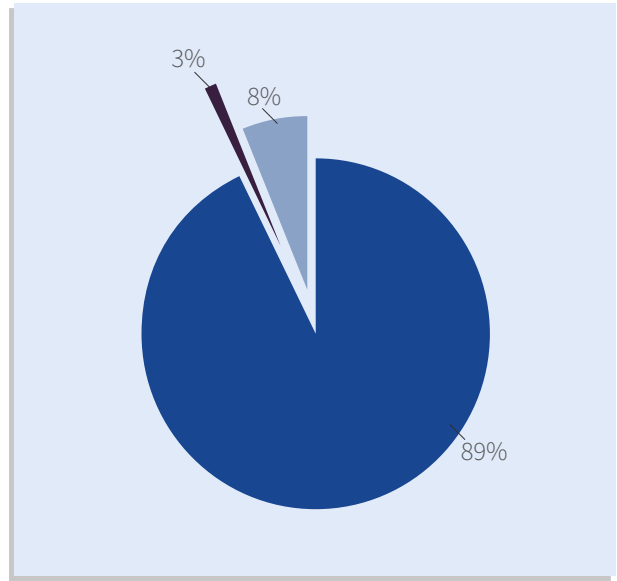
The Group offers competitive remuneration, promotion opportunity, compensation and benefit packages to attract and retain talents. As of 31 December 2022, the Production Sites had a total number of 4,706 employees, all of them were full-time employees. The total workforce by gender, age group, employment category and geographical region are shown below.



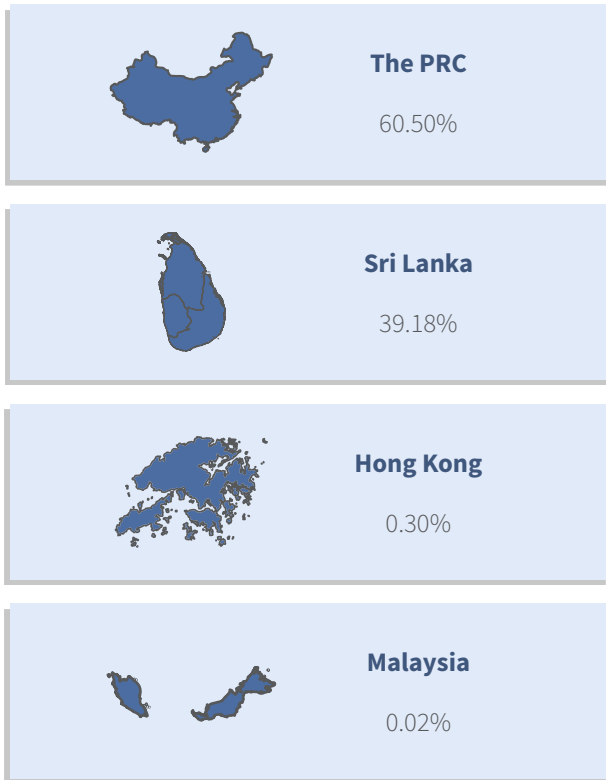
### Total Workforce by Age Group



### Total Workforce by Employment Category



### Total Workforce by Geographical Region



76  
Social

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

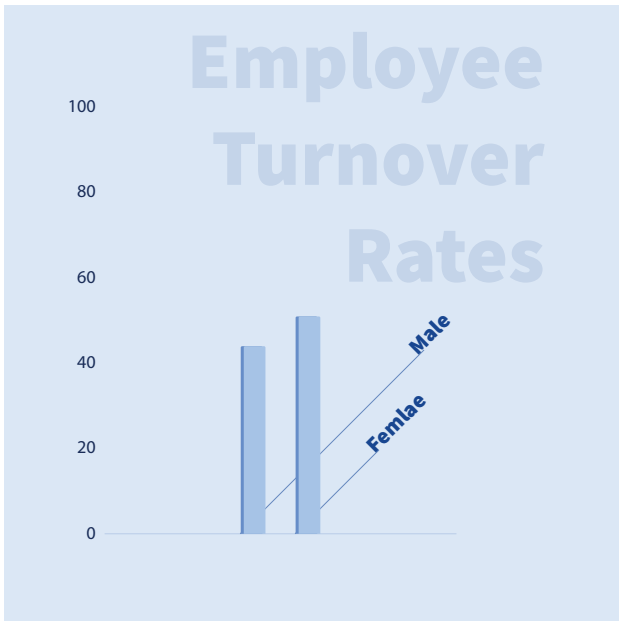
- ▶ Labor Law of the PRC;
- ▶ Labor Contract Law of the PRC;
- ▶ Social Insurance Law of the PRC;
- ▶ Trade Union Law of the PRC;
- ▶ Special Rules on the Labor Protection of Female Employees of the PRC;
- ▶ Law of the PRC on the Protection of Rights and Interests of Women;
- ▶ Implementation Measures for Paid Annual Leave for Employees of Enterprises of the PRC;
- ▶ Regulation of Guangdong Province on the Payment of Wages of the PRC;
- ▶ Shop and Office Employees (Regulation of Employment and Remuneration) Act of Sri Lanka;
- ▶ Industrial Disputes Act of Sri Lanka;
- ▶ Factories Ordinance, No. 45 of 1942 of Sri Lanka;
- ▶ Wages Boards Ordinance, No.27 of 1941 of Sri Lanka
- ▶ Minimum Retirement Age of Workers Act, No. 28 of 2021 of Sri Lanka
- ▶ Gratuity Act, No.12 of 1983 of Sri Lanka; and
- ▶ Workman's Compensation Act 1935 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.

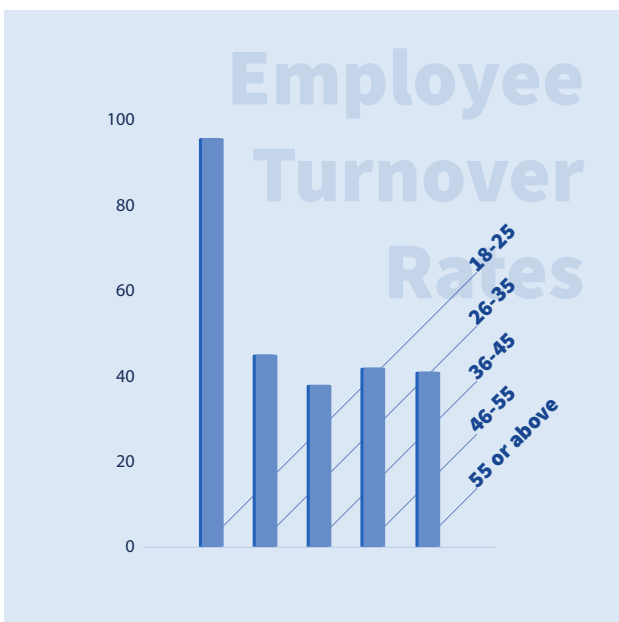
### Employee Turnover

During the Reporting Period, a total of 2,150 employees left the Production Sites. The overall employee turnover rate was 46%. The employee turnover rates by gender, age group and geographical regions are shown below.

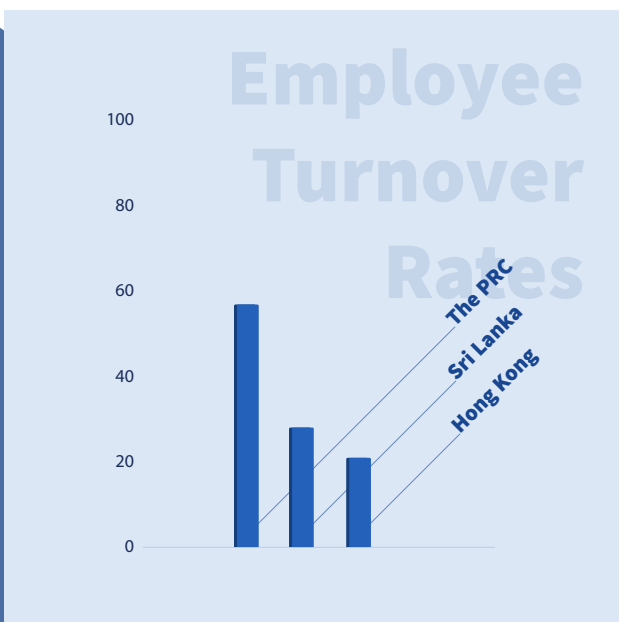
### Employees Turnover Rates by Gender



### 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.

### COVID-19 Arrangement

The Group understands that it plays a critical role in supporting employees' living. During the pandemic, no employees were laid off or dismissed. Salaries were paid as usual, and the Group ensures its production sites remain in full operation during the epidemic.

## 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 in PRC 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.

In Ocean Lanka, workers receive a profusion of benefits, such as a free uniform, transportation, annual presents, subsidized meals, locker rooms, welfare shop, critical illness cover, insurance, and free medical consultation. Meanwhile, the site organizes annual trips, year-end party sports events, and long service employee felicitation events such as the 'OCL Sewa Abhiman' Loyalty Awards to embrace the people-centered culture. Ocean Lanka also encourages positive workplace dialogue, where workers are allowed to organize themselves, free of any interference, and the management actively seeks employee consultation and participation in decision making. Ocean Lanka has also adopted a culture that prioritizes the health and safety of its employees. The Ocean Lanka Worker's Consultative Committee ("WCC") acts as a mediator between employees and management regarding any and all complaints and ideas raised by workers.

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.

**The Group believes that a healthy work-life balance contributes to higher productivity and overall workplace efficiency.**

## 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 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 mitigation 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’ exposure for safety and health hazards in the workplace.



To ensure employees' safety in the workplace, the Production Sites provide appropriate personal protective equipment to employees and ensure that there are qualified first aiders on 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 exposed 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 of their health conditions.

No fatalities of the Group's employees have been recorded in the past three reporting periods. There were 51 work-related injury cases during the Reporting Period. Corrective actions were implemented to prevent recurrences.

<b>Occupational Health and Safety Statistics</b>	
<b>Work-related fatality</b>	<b>0</b>
<b>Work-related fatality rate</b>	<b>0%</b>
<b>Lost days due to work injury</b>	<b>794 days</b>
<b>Work injury cases ≤3 days</b>	<b>23</b>
<b>Work injury cases &gt;3 days</b>	<b>28</b>

### 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.

During the pandemic, the Group quickly responded to the epidemic prevention and control policies released by the government in real time, and strictly adopted prevention and control measures, such as monitoring the temperature of personnel entering and leaving the factory on a daily basis, daily disinfection of the living area of the factory, distributing masks for its

employees, and requiring its employees to wear masks at work, etc. Since the last Reporting Period, the Group has established an Epidemic Control and Coordination Group in the PRC that leads 7 working groups for pandemic prevention and control. 7 working groups include:

- ▶ Diagnosis and quarantine group
- ▶ Employee statistics and management group
- ▶ Epidemic awareness and education group
- ▶ Protective equipment supply group
- ▶ Disinfection management and canteen management group
- ▶ Stakeholder management group
- ▶ Emergency plan management group

The Epidemic Control and Coordination Group is responsible for formulating the Group's epidemic prevention and control plans, as well as regulating, monitoring, and inspecting the implementation of prevention and control work at the PRC operation sites. With internal policies and the establishment of the working group, employees' health and safety are safeguarded during the pandemic.

## 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 of 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 their 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 53,570 hours of training courses were conducted during the Reporting Period, the average training time per employee was 11.38 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-to-day work. Professional skills training cover topics of hazardous chemical handling, forklift truck driving, boiler operation, high-voltage operation, welding, and hot cutting, etc. Other on-the-job training, including quality control, environmental and safety, emergency management, information security, customs legislation and regulation and trade safety, are arranged depending on the job requirements of the employees. The Group regularly assesses the effectiveness of training programs and evaluates employees' performance based on their job capabilities and adjusts training programs to meet the employee needs and business objectives.

In Ocean Lanka, a list of training programs were provided to its workers during the Reporting Period, covering a variety of topics such as cardiac awareness, Microsoft Word and Excel skills, hazardous substances handling, first-aid training, email ethics, and work at height training, etc.

A total of 53,570 hours of training courses were conducted during the Reporting Period, the average training time per employee was 11.38 hours. The percentage of employees trained and the average training hour per employee by gender and employment category are shown below:

	<b>% of employees trained</b>	<b>Average training hours per employee</b>
<b>By employee category</b>		
<b>Senior management</b>	<b>13%</b>	<b>0.24</b>
<b>Middle Management</b>	<b>35%</b>	<b>0.66</b>
<b>Frontline &amp; other staff</b>	<b>96%</b>	<b>12.23</b>
<b>By gender</b>		
<b>Male</b>	<b>90%</b>	<b>10.61</b>
<b>Female</b>	<b>87%</b>	<b>13.36</b>

## 1.4

### Labor Standards

Child and forced labors are strictly prohibited in the workplace. The Group strictly adheres to the Law of the PRC on the Protection of Minors and the Employment of Women, Young People, and Children Act of 1956 of Sri Lanka. 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. If a violation is discovered, the Group will immediately terminate the employment of the concerned persons and take necessary disciplinary action against anyone who violates any applicable laws and regulations.

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.

**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

The Group, as a responsible corporation, seeks not only to comply with the laws and regulations under which it operates, but also to build a better and greener future with our suppliers. 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 on products with eco-labels to promote environmentally friendly

products. The 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. Since 2020, Ocean Lanka entered partnership with Cotton Made in Africa (“CmiA”), one of the world’s leading standards for sustainably produced cotton. In addition, Ocean Lanka became a member of the U.S. Cotton Trust Protocol during the Reporting Period. It ensures that the cotton sourced from the United States is grown in a sustainable manner and poses minimal dangers to the environment and society. 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 709 suppliers of the following regions.

Region	Number of suppliers	Types of suppliers
The PRC	669	Raw and auxiliary materials (e.g., dyes, fabric, chemicals, yarns, garment accessories), production machinery and equipment, construction services providers and outsourced processors
India	25	Raw and auxiliary materials and production equipment
Taiwan	4	Raw and auxiliary materials
Italy	2	Production equipment and chemicals
Indonesia	1	Chemicals
Others*	8	Raw and auxiliary materials (e.g., dyes, fabric and yarns)
<b>Total</b>		<b>709</b>

\* 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.

Moreover, Jiangyin Fuhui has also obtained the Global Recycled Standard (“GRS”) certification, the Global Organic Textile Standard (“GOTS”) certification, and the Organic Content Standard (“OCS”)2.0 certification. These standards ensure the organic status of textiles, prohibit the use of chemicals known to cause cancer, birth defects or reproductive harm, and ultimately provide a credible assurance to the customers.

### **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. No complaints were received in the Reporting Period.

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. In the event of product recall due to safety and health reasons, the Group will communicate with clients concerning the reasons for the recall and determine the most appropriate and viable solutions in response to the product recall cases.

### **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. 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 UNIQLO RECYCLE POLY environmental friendly polyester (product number: FAVF0332-22), and the OLD NAVY Lenzing environmental protection viscose LENZING ECOVERO RAYON yarn (product number: FNVF0798-22).



FAVF0332-22



FNVF0798-22

### 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.



GRS fabric

## 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 to 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.

### Anti-corruption training

During the Reporting Period, the Group provided anti-corruption and business ethics training to its directors and employees. The training was administered to 212 employees and all directors of the Group, ensuring that relevant personnel received comprehensive instruction in these areas.

	Percentage of employees who received training	Average training hours
<b>Directors</b>	<b>100%</b>	<b>2</b>
<b>Staff</b>	<b>5%</b>	<b>0.16</b>

## 2.4 Community Investment

The Group is committed to community engagement and actively seeks to support local development while proactively addressing community needs. This is accomplished through the Group's focus on various aspects of social responsibility, such as education and community care. The Group contributes to public welfare activities, including blood donations and bursaries. By providing long-term support to the community, the Group fosters a corporate culture that creates shared value, supports disadvantaged social groups, and generates long-term economic, social, and environmental benefits for the communities in which it operates.



### Case: Student Bursaries

The Group recognizes outstanding students from impoverished communities to pursue studies. During the reporting period, Ocean Lanka provided support to 14 students for a duration of two years with the aim of achieving Grade 5 Scholarship examinations. The support included a monthly stipend for a period of 24 months, resulting in a total contribution of 768,000 LKR, equivalent to \$2,100.



Additionally, Ocean Lanka continued to demonstrate its commitment to corporate social responsibility through various initiatives. The corporation facilitated the donation of stationery items, school bags, shoes, and water bottles to 100 selected students from three schools located in Mahavilachchiya, North Central Province, with contributions from the employees of the printing department. Furthermore, Ocean Lanka made a donation of stationery items, school bags, and toys to 65 children from Grade 01 to 05 at Aluketiyawa College in Mahiyanganaya. The corporation's Office Staff also contributed to the renovation of the play area and religious shrine at the college.



### Case: Community Care Amidst the COVID-19

Since the outbreak of COVID-19, the Group has proactively initiated various supporting activities in the community. Yancheng Fuhui has organized volunteers to participate in the epidemic prevention and control work. The volunteer service team independently completed 42 times of nucleic acid collection and code scanning for the whole company throughout the year, serving a total of 22,000 persons during the Reporting Period.

### 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, Shatin Lake Side organized a blood donation activity during the Reporting Period with a total of 55 employees participating in the blood donation exercises.



In addition, Ocean Lanka has partnered with the Sri Lanka National Blood Transfusion Service and arranged a blood donation activity in Ocean Lanka Office. Over 180 employees took part in the blood donation event to support and safeguard the local community.





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# Social

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